

# ITALTILE Limited

UNAUDITED GROUP RESULTS  
FOR THE SIX MONTHS  
ENDED 31 DECEMBER 2000

## INTERIM PROFIT ANNOUNCEMENT

(Rand 000's unless otherwise stated)

### COMMENTARY

Italtile Limited has delivered a satisfactory set of results for the six months ended 31 December 2000, in line with management forecasts. The company reported an improvement in operating profit of 30%, up from R28 million to R37 million. Headline earnings per share increased by 26% to 144 cents per share (1999: 114 cents). The group remains ungeared.

During the prior reporting period the company declared its strategic thrust to position itself as a major franchisor. In furthering its stated policy of streamlining the parent operation while growing market share and fostering entrepreneurial opportunities, an additional seven group-owned stores were franchised between January 2000 and January 2001. The effect of this policy is demonstrated in the segmental analysis which shows the turnover of franchised stores having increased by 83% from R88 million to R162 million, while turnover of group-owned stores improved by 3,2% from R238 million to R246 million. Turnover for the entire group increased by 25%, from R326 million to R407 million.

In the preliminary profit announcement for the year ended 30 June 2000, the group outlined its key objectives:

- Advance the trend from group-owned to franchised stores;
- Improve efficient utilisation of working capital;
- Focus on distribution, and improve stock levels; and
- Increase presence in foreign markets.

The Board is satisfied that these objectives are being addressed. Stock holding has been reduced by R11 million, reflecting prudent management.

Despite the depreciating South African rand, Italtile continues to be able to source product internationally at the most competitive prices because of the leverage afforded by its position as the largest purchaser of ceramic tiles in the world.

### SOUTHERN AFRICAN OPERATIONS

The Board is pleased to report solid growth by both its divisions, CTM and Italtile.

The group continued to focus on its ongoing programme of improvements, investing in in-store enhancements and extensive staff training. The company's systems upgrade has been successfully implemented and will leverage greater efficiencies out of the business.



The company now trades out of 18 group-owned CTM stores, 38 franchised CTM stores and 11 Italtile stores.



During the period under review, the group's fixed assets increased by R24 million with further investment in the property portfolio, raising the value of the group's real estate to approximately R150 million. Italtile's policy is to ensure that both group-owned and franchised stores operate out of company-owned premises. The highly visible, prime-position

locations serve to support group brands and generate cash for the group. The group's flagship Italtile showroom opened in Peter Place, Bryanston, in November 2000 and has traded successfully.

### INTERNATIONAL OPERATIONS

During the previous reporting period, the group announced that within 12 months it would open a further four stores in Australia. The company now operates seven stores across Sydney, Melbourne and Brisbane, with additional stores scheduled to open this year. Despite the company's conservative policy with regard to set-up costs, and the challenge of establishing brand presence in a new market, the Australian operations performed satisfactorily and are expected to break even in the current year. Management is positive about the division's potential and perceives attractive expansion opportunities in that country.

To date expansion has been funded through company reserves.

**ACCOUNTING POLICIES** The accounting policies applied have been consistent with that of the prior year.

**PROSPECTS** The Board is satisfied that Italtile is on track to deliver its tenth successive year of earnings improvement. The group will continue to focus on aggressive cost control and improved margins.

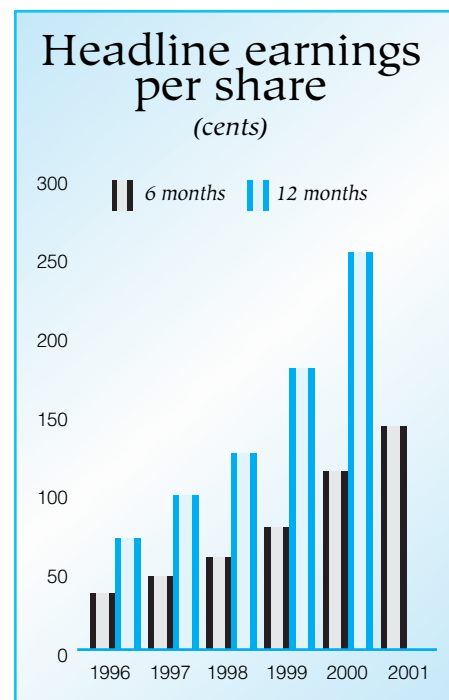
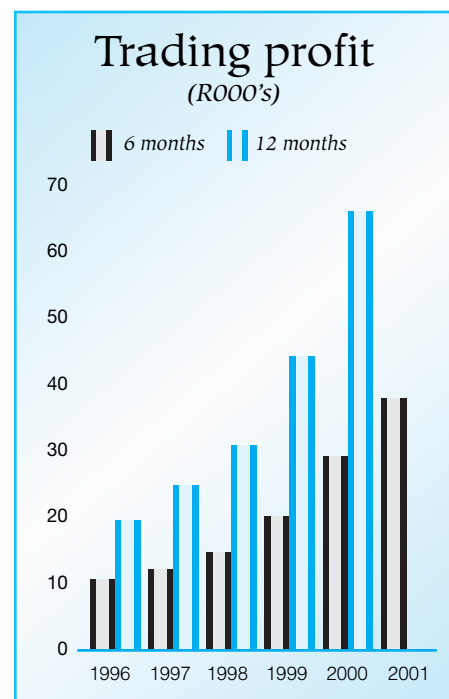
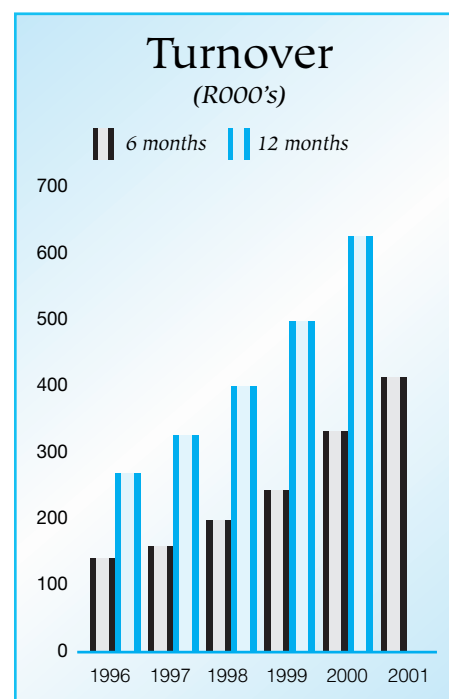
**DIVIDEND** The Board has declared an interim dividend of 29 cents, an improvement of 26% (1999: 23 cents). The group will retain its dividend cover at approximately 5 times.

For and on behalf of the Board

G.A.M. Ravazzotti  
Chairman

P.D. Swatton  
Chief Executive Officer

13 February 2001



**DIVIDEND ANNOUNCEMENT** Notice is hereby given that interim dividend number 69 of 29 cents per share has been declared payable to all shareholders registered in the books of Italtile Limited at the close of business on 02 March 2001 and will be payable on or about 06 April 2001.

**STRATE** Italtile Limited has been notified by the JSE Securities Exchange to transfer its share capital to the electronic Share Transactions Totally Electronic (STRATE) environment as from 23 April 2001. This indicates the date from which investors' shares can be converted into an electronic record in order to become eligible to settle in the STRATE environment. Trading for electronic settlement begins on 14 May 2001. As of this date there is a legal requirement for shareholders to deposit their shares with a CSDP or qualifying stockbroker prior to selling them in order for the trade to settle in STRATE. 21 May 2001 is the date on which electronic settlement of Italtile's trades will take place for the first time. Shareholders will have received information to this effect from Italtile, and further queries should be referred to STRATE on: 0800 004 727.

	Unaudited six months to 31 December 2000	% increase	Unaudited six months to 31 December 1999	Audited year to 30 June 2000
<b>TURNOVER</b>				
- By group owned stores	245 577	+3,2	237 931	422 534
- By franchise owned stores	161 808	+83,0	88 420	197 259
<b>TOTAL</b>	<b>407 395</b>	<b>+24,8</b>	<b>326 351</b>	<b>619 793</b>
Trading profit before depreciation	41 116	+32,5	31 044	70 504
Depreciation	(4 049)		(2 595)	(5 758)
Trading profit	37 069	+30,3	28 449	64 746
Interest received	712		1 780	2 813
Profit on sale of subsidiary	0		0	1 738
Profit on sale of fixed property	568		174	943
Profit before taxation	38 349	+26,1	30 403	70 240
Taxation	(11 437)		(8 928)	(20 046)
Profit after taxation	26 912	+25,3	21 475	50 194
Outside shareholders' interest	(53)		(369)	(846)
Earnings attributable to ordinary shareholders	26 859	+27,3	21 106	49 346
Number of shares in issue (000's)	18 311		18 311	18 311
Earnings per share (cents)	146,7	+27,3	115,3	269,5
Headline earnings per share (cents)	143,6	+25,6	114,3	254,6
Dividends per share (cents)	29,0	+26,1	23,0	54,0
<b>RECONCILIATION OF HEADLINE EARNINGS</b>				
Earnings attributable to ordinary shareholders	26 859		21 106	49 346
Profit on sale of fixed property	(568)		(174)	(943)
Profit on sale of subsidiary	-		-	(1 738)
Headline earnings	26 291		20 932	46 665

	Unaudited six months to 31 December 2000	Unaudited six months to 31 December 1999	Audited year to 30 June 2000
Cash flows from operating activities	39 928	41 556	68 104
Trading adjusted for non-cash items	41 587	34 153	72 248
Working capital movements	15 930	25 950	21 019
Cash generated from operations	57 517	60 103	93 267
Interest received	712	1 780	2 813
Dividends paid	(5 917)	(3 862)	(8 074)
Taxation paid	(12 384)	(16 465)	(19 902)
Investing activities	(35 139)	(21 737)	(56 698)
To expand operations	(32 319)	(16 710)	(43 353)
To maintain operations	(2 820)	(5 027)	(13 345)
Investment of minorities in Italtile Australia	2 198	-	848
Net movement in cash and cash equivalents	6 987	19 819	12 254
Cash and cash equivalents at beginning of period	31 756	19 502	19 502
Cash and cash equivalents at end of period	38 743	39 321	31 756

	Unaudited six months to 31 December 2000	Unaudited six months to 31 December 1999	Audited year to 30 June 2000
<b>EMPLOYMENT OF CAPITAL</b>			
Fixed assets	180 747	116 586	149 934
Net current assets	24 034	40 699	31 089
Current assets	108 052	93 114	104 643
Liquid funds	38 743	39 321	31 756
Current liabilities	105 074	80 912	65 535
Other payables and accruals	12 697	6 812	34 177
Shareholders for dividend	4 990	4 012	5 598
	204 781	157 285	181 023
<b>CAPITAL EMPLOYED</b>			
Ordinary shareholders' interest	200 331	156 414	178 824
Outside shareholders' interest	4 450	871	2 199
	204 781	157 285	181 023
Net asset value per share (cents)	1 118	859	989

	Unaudited six months to 31 December 2000	Unaudited six months to 31 December 1999	Audited year to 30 June 2000
Balance at beginning of period	178 824	139 370	139 370
Net profit for the period	26 859	21 106	49 346
Dividends	(5 310)	(4 210)	(9 889)
Currency translation reserve	(42)	148	117
Dividends paid to outside shareholders	0	0	(120)
Balance at end of period	200 331	156 414	178 824

REGISTERED OFFICE The Italtile Centre, cnr Peter Place Road and William Nicol, Bryanston (PO Box 1689 Randburg 2125)  
TRANSFER SECRETARIES Computershare Services Limited, Edura, 41 Fox Street, Johannesburg 2001 (PO Box 61051, Johannesburg 2107)  
DIRECTORS G A M Ravazzotti (Chairman), P D Swatton\*\* (C.E.O.), J Couzis\*, G Cousins, D H Rabin, B G van Rooyen, S Galli (alternate) \*Greek \*\*British

Refer to Italtile's corporate website at [www.Italtile.com](http://www.Italtile.com)

