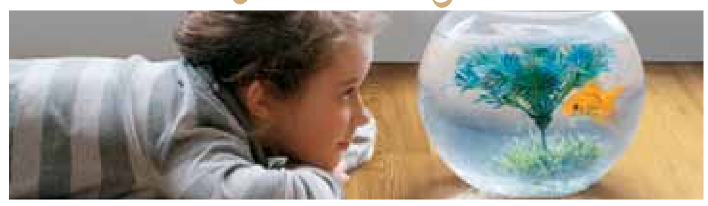
ITALTILE Limited

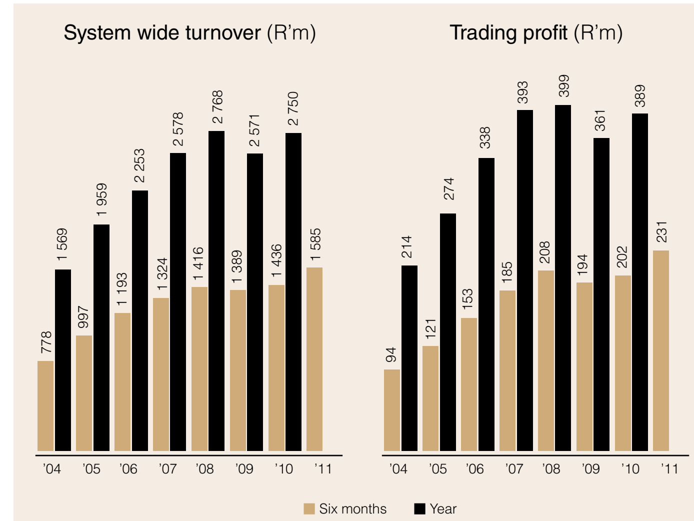
Share code: ITE ISIN: ZAE000099123 Reg. no.: 1955/000558/06
Incorporated in the Republic of South Africa ("Italtile" or "the Group")

The style. The passion.



Reviewed Group results for the six months ended 31 December 2010

CTM topT ITALTILE



System wide turnover analysis

For the period ended 31 December 2010 (Rand millions unless otherwise stated)

	% increase	**Reviewed six months to 31 December 2010**	Reviewed six months to 31 December 2009	Audited year to 30 June 2010
Group and franchised turnover				
– By Group owned stores		**771**	692	1 354
– By franchise owned stores (unaudited)		**814**	744	1 396
Total	10	**1 585**	1 436	2 750

Abridged Group statements of comprehensive income

For the period ended 31 December 2010 (Rand millions unless otherwise stated)

	% increase	**Reviewed six months to 31 December 2010**	Reviewed six months to 31 December 2009	Audited year to 30 June 2010
Turnover		**771**	692	1 354
Cost of sales		**(486)**	(431)	(784)
Gross profit	9	**285**	261	570
Other operating income		**146**	140	187
Operating expenses		**(203)**	(199)	(367)
Profit/(loss) on sale of property, plant and equipment		**3**	—	(1)
Trading profit	14	**231**	202	389
Finance revenue		**19**	20	42
Finance cost		**(12)**	(14)	(27)
Profit before taxation	14	**238**	208	404
Taxation		**(66)**	(59)	(123)
Profit after taxation	15	**172**	149	281
Income from associates Note 3		**4**	—	—
Profit for the period	18	**176**	149	281
Other comprehensive income:				
Currency translation difference		**1**	—	2
Total comprehensive income for the period	19	**177**	149	283
Total comprehensive income attributable to:				
– Equity shareholders		**166**	143	275
– Non-controlling interests		**11**	6	8
	19	**177**	149	283
Profit attributable to:				
– Equity shareholders		**165**	143	273
– Non-controlling interests		**11**	6	8
	18	**176**	149	281
Earnings per share (all figures in cents):				
– Earnings per share	—	**17,9**	17,9	33,0
– Headline earnings per share	(2)	**17,6**	17,9	33,1
– Diluted earnings per share	—	**17,9**	17,9	32,9
– Diluted headline earnings per share	(2)	**17,5**	17,9	33,0
– Adjusted headline earnings per share note 2	13	**17,6**	15,5	29,8
– Dividends per share	—	**6,0**	6,0	11,0
Reconciliation of headline earnings:				
– Profit attributable to equity shareholders		**165**	143	273
– (Profit)/loss on sale of property, plant and equipment		**(3)**	—	1
Headline earnings	13	**162**	143	274
Reconciliation of shares in issue (all figures in millions):				
– Total number of shares issued		**1 033**	910	1 033
– Share Incentive Trust shares		**26**	24	24
– BEE treasury shares		**88**	88	88
Shares in issue to external parties	15	**919**	798	921

Abridged Group statements of financial position

As at 31 December 2010 (Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2010	Reviewed six months to 31 December 2009	Audited year to 30 June 2010
ASSETS			
Non-current assets	**1 026**	964	991
Property, plant and equipment	**984**	937	952
Investments Note 3	**12**	8	9
Long-term assets	**18**	11	18
Goodwill	**6**	6	6
Deferred taxation	**6**	2	6
Current assets	**1 180**	1 102	1 072
Inventories	**228**	173	232
Trade and other receivables	**128**	121	110
Cash and cash equivalents	**820**	808	711
Taxation receivable	**4**	—	19
Total assets	**2 206**	2 066	2 063
EQUITY AND LIABILITIES			
Share capital and reserves	**1 603**	1 455	1 483
Stated capital	**818**	417	818
Non-distributable reserves	**50**	48	50
Treasury shares	**(478)**	(470)	(470)
Share option reserve	**5**	30	3
Retained earnings	**1 140**	1 384	1 021
Non-controlling interests	**68**	46	61
Non-current liabilities	**46**	343	344
Interest bearing loans	**43**	341	342
Deferred taxation	**3**	2	2
Current liabilities	**557**	268	236
Trade and other payables	**218**	221	202
Provisions	**39**	30	34
Interest bearing loans	**300**	—	—
Taxation	**—**	17	—
TOTAL EQUITY AND LIABILITIES	**2 206**	2 066	2 063
Net asset value per share (cents)	**174**	182	161
Adjusted net asset value per share (cents) Note 2	**174**	158	161

Abridged Group cash flow statement

For the period ended 31 December 2010 (Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2010	Reviewed six months to 31 December 2009	Audited year to 30 June 2010
Cash flow from operating activities	**166**	184	(283)
Cash flow from investing activities	**(50)**	(45)	(72)
Cash flow from financing activities	**(7)**	2	399
Net movement in cash and cash equivalents for the period	**109**	141	44
Cash and cash equivalents at the beginning of the period	**711**	667	667
Cash and cash equivalents at the end of the period	**820**	808	711

Commentary

Results

Trading conditions in the building and construction industry remained severe, featuring a sluggish recovery compared with other sectors of the economy. In this context, the Group's results are primarily a reflection of improvements in the business.

Italtile Limited has reported a 10,0% increase in system-wide turnover to R1,59 billion (2009: R1,44 billion) for the six months ended 31 December 2010. Group-owned stores grew revenue 11,4% to R771 million (2009: R692 million), while franchised stores improved turnover 9,4% to R814 million (2009: R744 million). Real organic growth, excluding new store turnover contribution of 1,0% and price deflation of 0,1%, equates to 8,9%.

Reported trading profit rose 14% to R231 million (2009: R202 million), primarily as a result of operating cost containment and improved contribution to profitability by the Group's supply chain partners, as well as R3 million profit on disposal of property, plant and equipment. The Group's operating margin remained firm as a result of intensive cost control and improved supply chain and in-store efficiencies.

Adjusted headline earnings per share increased 13% to 17,6 cents (2009: 15,5 cents).

Enhanced product mix and rigorous stock management in the supply chain and at store level resulted in a further decrease in inventories to R228 million from R232 million at 30 June 2010.

Despite capital expenditure of R63 million on properties and IT infrastructure, cash reserves grew to R820 million (June 2009: R711 million), reflecting the Group's strong cash-generative ability.

The adjusted net asset value per share improved 10,0% to 174 cents (2009: 158 cents).

Trading environment

The industry remained under intense pressure during the review period, constrained by limited new build activity and subdued growth in the renovations market. The strengthened Rand afforded short-term advantage to opportunistic importers, resulting in an influx of imported product from a range of countries, and more significantly, a proliferation of very low-priced entry-level tiles, a trend last experienced three years ago. The average selling price of imported product declined by 10%, exerting price pressure on the value-for-money segment of the market specifically.

Operational review

Significant investment in fine-tuning the business model and the introduction of operating innovations over the past two years have started to yield the anticipated benefits. The restructuring of the Italtile brand, investment in people and processes at CTM, and developing the Top T trading format has ensured that the brands are positioned for growth as the economy improves. Continued focus on efficiencies and synergies will enhance the Group's standing as the market leader in its industry.

Italtile

The premium-end of the market remained stagnant, with little development taking place in the R2 million-plus housing market. Despite this, Italtile delivered a strong growth performance and succeeded in gaining market share amongst its traditional affluent customer base, as well as making further inroads into the fledgling projects market.

The brand continues to enjoy a gratifying response to its environmentally friendly strategies and products, evidenced by Italtile's Earth range, (porcelain tiles indistinguishable from natural stone and internationally accredited for their environmentally sensitive features) which has captivated the local market. Furthering the goal to lead the industry in providing aesthetically superior ecologically sustainable products, Italtile has introduced an environmentally conscious range of sanitaryware, Cotto, manufactured in Thailand. Cotto demonstrates impressive 'green' credentials through the entire product cycle, from manufacture to consumption, and is expected to attain strong market share in South Africa.

CTM

Trading conditions remained difficult, featuring an abundance of imported product, with fierce competition at entry-level price points particularly evident. Notwithstanding this trend, CTM succeeded in retaining its market share based on its resilient business model and strong brand presence. Favourable customer response to in-house brand building campaigns continues to grow, with brands such as Kilimanjaro and Tivoli Taps becoming established household names. The decline in import prices at retail level were offset by the increase in sales at CTM of higher value products. This phenomenon is mainly due to the continued absence of small project contractors who traditionally drive the commodity-priced segment of the market.

Top T

A further five stores were opened during the review period, bringing to 13 the total network. Located in previously under-serviced rural areas, these stores have been well received, affording the Group access to a new market segment amongst emerging entry-level consumers. The enlarged store network has had the benefit of enabling management to understand and fine-tune the trading model and improve the brand's buying power. Consistent buoyant growth is anticipated for Top T and further stores will be rolled out in future.

Supply chain

The Group's partners are pivotal to the integrated supply chain model, and Cedar Point and International Tap Distributors made a significant contribution to the improved profitability of the business. Enhanced buying practices and better range management generated improved efficiencies and service, and promoted increased sales into the Group's stores.

Rest of Africa

The Group is represented by 14 CTM stores in seven African countries. Turnover growth in these territories was negligible, with the East African operations particularly hampered by poor economic conditions. Opportunities to expand the Group's network into Africa are reviewed on a continual basis, within the context of logistical and infrastructural constraints and the availability of suitable partners.

Australia

The downturn in the Australian economy remained evident during the reporting period, curtailing consumer spend, notably in the building and construction sector. As a result, the Group's stores failed to achieve management's expectations for the business during this period under review. The adverse trading conditions are anticipated to prevail over the next six months, exacerbated by the disruptive impact of recent inclement weather. Notwithstanding this environment, the Group remains resolute in its intention to expand the store network to 15 stores by 2013, pending availability of suitable sites.

The operation is currently represented by eight CTM stores in New South Wales and Queensland.

Property investment

The Group's African and Australian property portfolio comprises high profile destination sites strategically selected to support the retail brands. These quality investments deliver returns in line with the trading operations. Favourable construction costs have enabled the Group to develop a number of properties during the period, and the continued decline in commercial property prices will afford improved opportunities to acquire new key sites in the short term.

The portfolio has an estimated current market value of R1,3 billion (2009: R1,1 billion).

Prospects

Improving the in-store shopping experience is a major driver for the Group. Constant re-evaluation of the retail trading format is key to capitalising on growth opportunities and consequently the focus on range, service, systems and supplier relationships will continue to be re-examined and enhanced. Innovation and training will underpin this strategy.

It is anticipated that growth in the global economy will remain subdued over the short to medium term. In South Africa the building and construction industry particularly will be subject to continued pressure. Notwithstanding this environment, the Group is satisfied that growth at current levels can be maintained in the forthcoming six months.

Death of chief executive officer, Italtile colleagues, and business partners

On 09 February 2011, the Board announced with great sadness the untimely death of Mr Gianpaolo Ravazzotti, Chief Executive Officer of the Group, and eight of his colleagues and business partners, namely Ms Gia Celori (Italtile Ltd), Ms Marilize Compion (Italtile Ltd), Mr Sava Di Bella (Prima Bella Bathroom Accessories), Mr Simon Hirschberg (Grainwave Pty Ltd), Mr Jody Jansen van Rensburg (CTM Alberton), Ms Aletsia Krause (Italtile Ltd), Ms Bronwyn Parsons (Pilot, Italtile Ltd), and Ms Alison van Staden (Co-pilot).

Gianpaolo and his colleagues tragically passed away in an aeroplane accident on Tuesday, 08 February 2011 in the Robberg area near Plettenberg Bay. A full investigation is underway to determine the cause of the crash.

Tribute

Gianpaolo joined Italtile in 2000, was appointed to the Board in 2004 and assumed the position of CEO in 2006. He was highly regarded as an innovative and insightful leader and during his tenure achieved a range of important successes for the Group. He enjoyed the highest esteem amongst all his colleagues and peers in the business and the industry. He will be sadly missed by his family and friends, his fellow Board members and colleagues.

On behalf of the Board, Chief Financial Officer, Mr Peter Swatton said, "We express our heartfelt condolences to the Chairman of the Group, Mr Gianni Ravazzotti, his wife Annabel and their daughters, and Gianpaolo's wife, Vanessa and their children, as well as the families of all of our deceased colleagues.

Each and every one of those who passed away in this accident was an important part of the broader Italtile family and played a valuable role in the business. Their camaraderie and contribution will be missed. As colleagues and friends we offer our deepest sympathies to their families."

Basis of preparation of accounting policies

The reviewed interim financial results announcement has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and the AC 500 standards, and contains the information required by International Accounting Standard 34, Interim Financial Reporting.

Dividend

The Group has maintained its dividend cover of three times. The Board has declared an interim dividend of 6 cents per share (2009: 6 cents).

Dividend announcement

The Board has declared an interim dividend (number 89) of 6 cents per ordinary share to all shareholders recorded in the books of Italtile Limited. The last day to trade cum dividend in order to participate in the dividend will be Thursday, 17 March 2011. The shares will commence trading ex dividend from the commencement of business on Friday, 18 March 2011 and the record date will be Friday, 25 March 2011. The dividend will be paid on Monday, 28 March 2011. Share certificates may not be rematerialised or dematerialised between Thursday, 17 March 2011 and Friday, 25 March 2011, both days inclusive.

For and on behalf of the board

G A M Ravazzotti
Executive Chairman

P D Swatton
Chief Financial Officer

12 February 2011

The results have been reviewed by Ernst & Young Inc. and their unqualified review opinion is available on request from the company secretary at the company's registered office.

Group statement of changes in equity

For the period ended 31 December 2010 (Rand millions unless otherwise stated)

	Stated capital	Non-distri-butable reserve	Treasury shares	Share option reserve	Retained earnings	Total	Non-control-ling interest	Total equity
Balance at 30 June 2009	417	48	(473)	30	1 284	1 306	40	1 346
Total comprehensive income for the period		2			273	275	8	283
Dividends paid					(566)	(566)	(3)	(569)
Share issue in lieu of dividend	401					401		401
Share option costs				3		3		3
Transfer of share option reserve				(30)	30	—		—
Unallocated shares in Share Trust			3			3		3
Arising on acquisition of interest in subsidiaries						—	16	16
Balance at 30 June 2010	**818**	**50**	**(470)**	**3**	**1 021**	**1 422**	**61**	**1 483**
Total comprehensive income for the period					**165**	**165**	**11**	**176**
Dividends paid					**(46)**	**(46)**	**(4)**	**(50)**
Purchase of shares by Share Trust			**(8)**			**(8)**		**(8)**
Share option costs				**2**		**2**		**2**
Balance at 31 December 2010	**818**	**50**	**(478)**	**5**	**1 140**	**1 525**	**68**	**1 603**

Segmental report

For the period ended 31 December 2010 (Rand millions unless otherwise stated)

	Retail	Franchising	Properties	Supply and support services	Inter group transactions	Group
Reviewed period to December 2010						
Turnover	**623**	**—**	**—**	**350**	**(202)**	**771**
Gross margin	**237**	**—**	**—**	**48**	**—**	**285**
Other income *	**10**	**94**	**88**	**51**	**(94)**	**149**
Overheads	**(198)**	**(10)**	**(18)**	**(71)**	**94**	**(203)**
Trading profit	**49**	**84**	**70**	**28**	**—**	**231**
Reviewed period to December 2009						
Turnover	593	—	—	229	(130)	692
Gross margin	225	—	—	36	—	261
Other income*	6	90	79	46	(81)	140
Overheads	(189)	(7)	(15)	(69)	81	(199)
Trading profit	42	83	64	13	—	202

**Other income includes franchise fees, rentals, royalties and rebates received, as well as profit or loss on disposal of property, plant and equipment.*

Notes

1. Commitments and contingencies

There are no material contingent assets or liabilities at 31 December 2010.

Capital commitments at 31 December 2010:	R'm
– Contracted	**29**
– Authorised, not contracted	**90**
Total	**119**

2. Share issue in lieu of dividend

As announced on 31 March 2010, as a consequence of the special dividend declaration on 18 February 2010, 123 532 370 shares were issued in lieu of dividend at the option of shareholders. This has impacted on the comparability of certain figures, in particular earnings per share and net asset value per share. As a result, adjusted headline earnings and net asset value per share figures have been presented for comparative purposes (assuming the share issue in lieu of dividend took place at the beginning of the 2009 financial year).

3. Associate accounting

During the current period, the Group began accounting for an existing investment in Eezetile, a national manufacturer of adhesive, grout and related products, in accordance with the equity accounting requirements of IAS 28, *Investments in associates*.

4. Changes in accounting policy

The accounting policies adopted and methods of computation are consistent with those of the previous financial year except for the adoption of new and amended IFRS and IFRIC interpretations which became effective during the current financial year. The application of these standards and interpretations did not have a significant impact on the Group's reported results and cash flows for the six months ended 31 December 2010 and the financial position at 31 December 2010.

Store network

at 31 December 2010

Region	**2010 Franchise**	**2010 Other**	**2010 Total**	2009 Franchise	2009 Other	2009 Total
South Africa						
– Italtile	**1**	**6**	**7**	2	5	7
– CTM	**44**	**21**	**65**	43	21	64
– TopT	**5**	**8**	**13**	2	6	8
Rest of Africa	**11**	**3**	**14**	11	3	14
Australia	**—**	**8**	**8**	—	9	9
	61	**46**	**107**	58	44	102

Registered Office: The Italtile Building, cnr William Nicol Drive and Peter Place, Bryanston (PO Box 1689, Randburg 2125)

Transfer Secretaries: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107)

Directors: G A M Ravazzotti (Executive Chairman), *P D Swatton (Chief Financial Officer)

Non-executive Directors: S M du Toit, S I Gama, **A Zannoni
(*British ** Italian)

Company Secretary: E J Willis

Sponsor: BDO Corporate Finance

BASTION GAPHICS