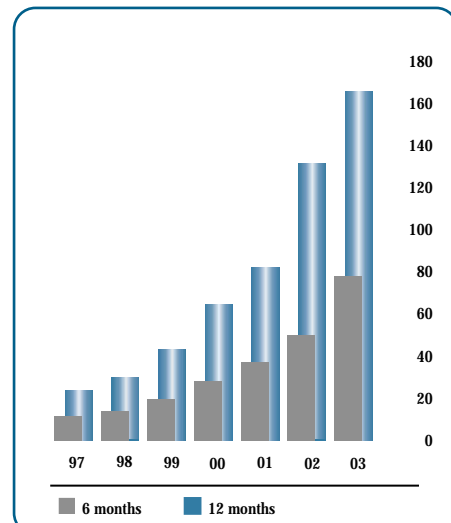
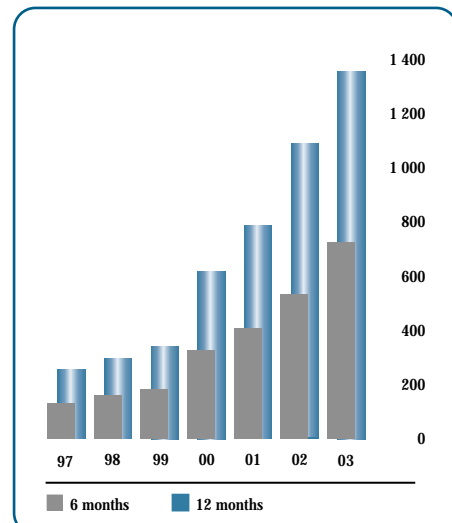


Preliminary Profit Announcement

Group Results for the year ended 30 June 2003

ITALTILE Limited

(ITALTILE)
Share code: ITE
ISIN: ZAE000003679
Reg. no. 1955/000558/06



Commentary

Italtile Limited has delivered its twelfth consecutive year of real earnings improvement. The group trades through two national branded retail chains, CTM, servicing the value-for-money market, and Italtile, which caters for the premium-end market. The company is South Africa's leading retailer of ceramic tiles, sanitaryware, bathroom accessories and other related products, and is one of the major purchasers of tiles globally.

For the year ended 30 June 2003, turnover for the group was R1,36 billion, an improvement of 25% (2002: R1,09 billion). The contribution derived from group-owned stores increased to R749 million, up 21% (2002: R620 million), while turnover from franchises grew 30% to R609 million (2002: R470 million). Trading profit improved 29% to R166 million (2002: R129 million) in line with expectations, and headline earnings per share increased 27% to 657 cents (2002: 518 cents).

Turnover growth was derived almost exclusively from existing operations. This validates management's belief that sustained growth in tile consumption is a certainty in South Africa. In line with global trends, expansion is predicated on increasing recognition of the product as the most durable, hygienic and cost-effective wall and floor covering.

Whilst the latter half of the review period proved less satisfactory than the first half, it is management's view that conditions will improve as the positive effect of interest rate cuts on consumer spending begin to filter through.

Notwithstanding the testing environment, the group was successful in entrenching its leadership in the ceramic tile market and pursuing the strategy of extending its sphere of operation to include the tap and sanitaryware market. Traditionally perceived as a specialist tile retailer, growing consumer demand for improved convenience influenced the company to expand its product range under one roof, and boost its offerings of tap and sanitaryware products. Consumer response has been extremely positive, and consequently, all new stores will be modelled to include a dedicated bathroom division - in effect offering a shop-within-a-shop concept.

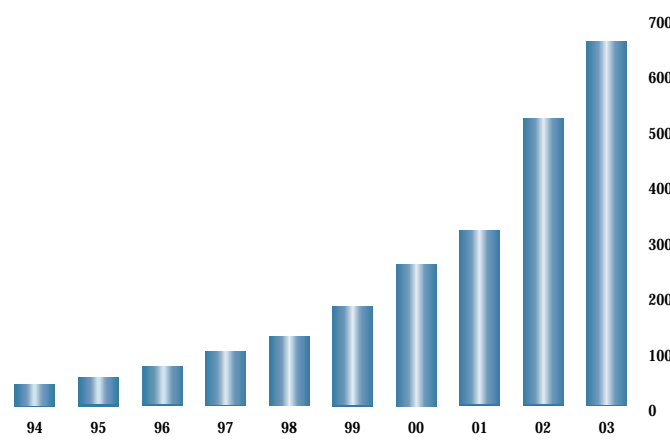
The group's operations which include franchises, joint ventures and empowered franchisees all have as key tenets entrepreneurship and empowerment and display the benefits associated with owner-driven businesses, backed by high quality company systems and support structures. Given the success of the joint venture model over this period, a further four group-owned Italtile stores and ten group-owned CTM stores were converted to this format. The company has reduced the number of stores it owns to 11, in line with the goal to entrench its role as a franchisor first and foremost.

In light of the challenging environment, stock management comprised a critical strategic thrust. The group recognises that ceramic tiles, as fashion items, are fast-moving consumer goods, and stockholding needs to be managed accordingly. Effective management ensures a variety of benefits, including a fresher range and improved offering to the consumer, reduced breakage and wastage, and improved store control.

Improved stock management has contributed to the group's growth in cash and cash equivalents, which stand in the balance sheet at R158 million. These reserves will be used to fund future expansion both locally and internationally.

Property portfolio

Group-owned and franchised stores operate out of purpose built company-owned premises situated in highly visible, prime locations appropriate to the targeted market segment. A further R34 million was invested in property during the current year bringing the value of the property portfolio to R246 million. As this portfolio enhances trading performance, the group will continue to invest in property on an ongoing basis.



Headline earnings per share - CENTS

African operations

Both the CTM and Italtile divisions reported satisfactory turnover and profit achievements within their respective niche markets. The company trades out of a total of 85 stores in Africa.

Italtile

The strategy of consolidating Italtile's presence in major urban areas in order to best present a comprehensive product range in a single location is complete. The Italtile brand is now represented through eight stores situated country-wide.

Despite having fewer stores in its portfolio, the Italtile division maintained its prior year turnover levels, whilst improving profitability on the back of reduced overheads.

Italtile will continue to deliver uncompromising quality in the premium end of the market.

CTM

CTM continues to enjoy strong brand recognition in both the developed and developing markets. The division is represented through seven company-owned stores, 53 franchised stores, 10 joint venture stores and seven empowered franchisees.

CTM grew turnover by 31% in the current year having made inroads into the tap and sanitaryware markets. Margins remained firm with no real growth in overheads.

CTM's practice of bringing competitively priced product within arms' reach of the mass market is proving effective in the sub-Saharan region. Outside of South Africa the company currently has franchised operations in Botswana, Namibia, Swaziland, Lesotho, Malawi and Tanzania. The brand's reach was extended with the opening of a further store in both Malawi and Tanzania, and the successful opening of the first store in Zambia. It is anticipated that CTM will have a presence in Uganda within the coming year. The group is confident that enormous growth opportunities exist in these and other African countries.

International operations

Italtile's Australian operation, comprising nine CTM stores across Queensland, New South Wales and Victoria, delivered a 27% growth in turnover and a satisfying increase in profits for the full year. Key to this trend has been the adaptation of the CTM trading formula to meet Australian consumer requirements. A programme of further store expansion will commence towards the end of the forthcoming financial year.

While the Australian operation currently contributes around 10% of group turnover, it is expected to become an increasingly important contributor to the group's performance.

The Italian operation delivered consistently, and continues to make a useful contribution to group turnover.

Issue of shares

The group issued 366 541 shares at 2 400 cents each to the company's share incentive trust on 18 November 2002 in order to eliminate the exposure on the loan owed by the trust to the group. Accordingly, the abridged group income statement reflects the reversal of the impairment to the asset of R2,7 million as an exceptional item.

Prospects

It is anticipated that trading conditions in the South African market will be buoyed by further interest rate cuts leading to enhanced consumer spending. Expansion will largely be governed by sourcing suitable franchisees and joint venture partners for the various markets.

The group's management is satisfied that its focus on core business will continue to deliver growth in earnings.

Accounting policies

The financial information has been presented in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies applied are consistent with those of the prior reporting period, with the exception of the adoption of AC133 "Financial Instruments Recognition and Measurement", which did not have a material impact on the results.

Dividend

The Board has declared a final dividend of 80 cents, which together with the interim dividend of 50 cents produces a total dividend of 130 cents (2002: 100 cents), an improvement of 30%.

Dividend announcement

The directors have declared a final dividend (number 74) of 80 cents per share to all shareholders recorded in the books of Italtile Limited. The last day to trade CUM the dividend in order to participate in the dividend will be Friday, 22 August 2003. The shares of Italtile Limited will commence trading EX dividend from the commencement of business on Monday, 25 August 2003 and the record date will be Friday, 29 August 2003. Payment will be made on Monday, 1 September 2003. Share certificates may not be dematerialised or rematerialised between Monday, 25 August 2003 and Friday, 29 August 2003, both days inclusive.

For and on behalf of the Board

G A M Ravazzotti
Executive Chairman

P D Swatton
Chief Financial Officer

6 August 2003

Abridged group income statements

For the year ended 30 June 2003

(Rand 000's unless otherwise stated)

| | Reviewed year to 30 June 2003 | Audited year to 30 June 2002 | % Increase |
|--|-------------------------------|------------------------------|------------|
| TURNOVER | | | |
| - By group-owned stores | 749 150 | 619 812 | |
| - By franchisee-owned stores | 608 779 | 469 797 | |
| TOTAL | 1 357 929 | 1 089 609 | 24,6 |
| Trading profit before depreciation | 189 393 | 140 841 | |
| Depreciation | (17 017) | (11 586) | |
| Impairment of fixed assets | (6 189) | — | |
| Trading profit | 166 187 | 129 255 | 28,6 |
| Interest received | 5 093 | 3 129 | 62,8 |
| Dividends received | 2 243 | 572 | 292,1 |
| Loss on sale of fixed assets | (612) | — | |
| Share incentive trust reversal | 2 700 | — | |
| Interest paid | (1 730) | — | |
| Profit before taxation | 173 881 | 132 956 | 30,8 |
| Taxation | (53 935) | (36 565) | 47,5 |
| Profit after taxation | 119 946 | 96 391 | 24,4 |
| Outside shareholders' interest | (2 336) | (1 476) | |
| Earnings attributable to ordinary shareholders | 117 610 | 94 915 | 23,9 |
| Number of shares in issue (000's) | 18 536 | 18 311 | |
| Earnings per share (cents) | 634,5 | 518,3 | 22,4 |
| Headline earnings per share (cents) | 656,6 | 518,3 | 26,7 |
| Dividends per share (cents) | 130,0 | 100,0 | 30,0 |
| RECONCILIATION OF HEADLINE EARNINGS | | | |
| Earnings attributable to ordinary shareholders | 117 610 | 94 915 | |
| Loss on sale of fixed assets | 612 | — | |
| Impairment of fixed assets | 6 189 | — | |
| Share incentive trust reversal | (2 700) | — | |
| Headline earnings | 121 711 | 94 915 | |

Abridged group balance sheets

(Rand 000's unless otherwise stated)

| | Reviewed year to 30 June 2003 | Audited year to 30 June 2002 |
|-----------------------------------|-------------------------------|------------------------------|
| ASSETS | | |
| Non-current assets | 302 788 | 256 959 |
| Fixed assets | 259 740 | 232 008 |
| Other long-term assets | 43 048 | 24 951 |
| Current assets | 327 327 | 300 853 |
| Inventories | 99 892 | 144 131 |
| Trade and other receivables | 69 890 | 64 944 |
| Cash and cash equivalents | 157 545 | 91 778 |
| Total assets | 630 115 | 557 812 |
| EQUITY AND LIABILITIES | | |
| Capital and reserves | 426 931 | 325 953 |
| Stated capital | 27 175 | 18 457 |
| Non-distributable reserve | 7 059 | 11 168 |
| Retained profit | 392 697 | 296 328 |
| Outside shareholders' interest | 10 774 | 8 529 |
| Non-current liabilities | 12 947 | 15 140 |
| Deferred tax | 535 | 1 403 |
| Long-term liabilities | 9 469 | 10 792 |
| Provision for warranties | 2 943 | 2 945 |
| Current liabilities | 179 463 | 208 190 |
| Trade and other payables | 160 889 | 187 750 |
| Taxation | 18 574 | 20 440 |
| Total liabilities | 630 115 | 557 812 |
| Net asset value per share (cents) | 2 361 | 1 828 |

Statement of changes in equity

For the year ended 30 June 2003

(Rand 000's unless otherwise stated)

| Group | Stated capital | Translation reserve | Retained profit | Total |
|---------------------------------|----------------|---------------------|-----------------|----------|
| Balance at 30 June 2001 | 18 457 | 1 436 | 213 622 | 233 515 |
| Net profit for the year | — | — | 94 915 | 94 915 |
| Dividends paid | — | — | (12 209) | (12 209) |
| Currency translation difference | — | 9 732 | — | 9 732 |
| Balance at 30 June 2002 | 18 457 | 11 168 | 296 328 | 325 953 |
| New share issues | 8 718 | — | — | 8 718 |
| Net profit for the period | — | — | 117 610 | 117 610 |
| Dividends paid | — | — | (21 241) | (21 241) |
| Currency translation difference | — | (4 109) | — | (4 109) |
| Balance at 30 June 2003 | 27 175 | 7 059 | 392 697 | 426 931 |

Segmental reporting

For the year ended 30 June 2003

(Rand 000's unless otherwise stated)

| | Retail | Franchising and properties | Other | Group |
|-----------------------------------|---------|----------------------------|--------|---------|
| Reviewed year to June 2003 | | | | |
| Revenue | 749 150 | 132 764 | — | 881 914 |
| Segment results | 66 411 | 88 152 | 11 624 | 166 187 |
| Audited year to June 2002 | | | | |
| Revenue | 619 812 | 95 626 | — | 715 438 |
| Segment results | 52 897 | 66 645 | 9 713 | 129 255 |

Registered Office: The Italtile Centre, cnr Peter Place and William Nicol Drive, Bryanston (P O Box 1689, Randburg 2125)
Transfer Secretaries: Computershare Limited, Edura, 70 Marshall Street, Johannesburg 2001 (P O Box 61051, Marshalltown 2107)
Directors: G A M Ravazzotti (Chairman), P D Swatton**, J Couzis*, G Cousins, D H Rabin *Greek ** British

Refer to Italtile's corporate website: www.italtile.com