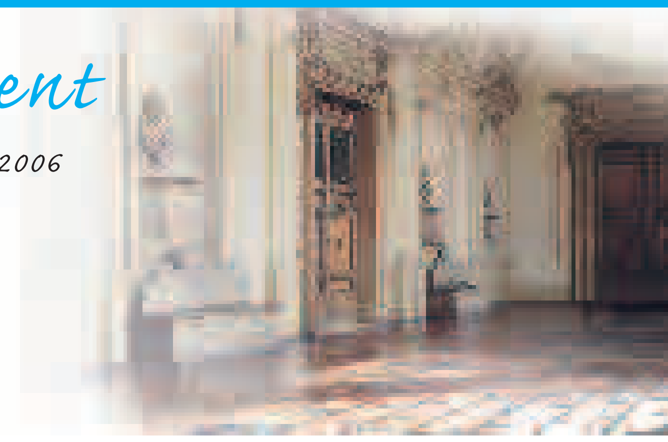
Interim Profit Announcement

Unaudited group results for the six months ended 31 December 2006



ITALTILE Limited

(ITALTILE)
Share code: ITE
ISIN: ZAE000003679
Reg. no.: 1955/000558/06
Incorporated in the Republic of South Africa

COMMENTARY

RESULTS

Italtile Limited has reported satisfactory results for the six months ended 31 December 2006, facilitated by the positive trading environment experienced by the building materials sector.

The group is the leading multifaceted retailer of tiles and bathware in South Africa, represented by brands CTM and Italtile, which cater across the market spectrum from cash and carry to premium end.

Consumers continued to embrace the philosophy that the acquisition and improvement of homes remains a prudent asset investment, which served as a strong growth driver for the sector and diminished the impact of interest rate increases.

System wide turnover rose 11% to R1,324 billion (2005: R1,192 billion) out of the existing store network. This improvement is a commendable achievement given the deflationary price environment and absence of new store openings. Revenue from group owned stores (including joint venture franchises) increased 14% to R747 million (2005: R657 million). The contribution from franchised stores grew 8% to R577 million (2005: R535 million). The relative revenue contributions are a reflection of migration of stores between portfolios rather than actual performance.

Trading profit for the period improved 21% to R185 million (2005: R153 million). Earnings per share increased 25% to 694 cents (2005: 556 cents), while headline earnings per share grew 24% to 694 cents (2005: 559 cents).

Inventory increased from R142 million to R192 million over the comparable prior period as a result of migration of franchised stores to joint venture stores, and product range extension, which includes the introduction of wooden laminated flooring and the expansion of the bathware product offering beyond taps to include bathroom accessories. Sound working capital management and the strong cash generative ability of the business is reflected by cash reserves of R295 million (2005: R286 million).

Contributing to improved group profitability were the benefits realised from investment in the group's supply chain. Reduced reliance on third-party vendors and enhanced efficiencies proved significant and further gains should be achieved over time.

Whilst the group is the market leader in both the tile and bathware sectors, particularly impressive sales and market share growth were achieved by the bathware component of the business relative to the tile division. This improved performance is attributable to the extended product range introduced, and the positive response by the target audience to the "under one roof" formula.

TRADING ENVIRONMENT

The extremely low barriers to entry in this industry combined with strong consumer demand continue to foster proliferation of new entrants and promote healthy competition. Robust growth was experienced in both the new residential and renovation markets and further sustained growth is forecast.

Current Rand strength favours imported product and increasingly discerning and cost-conscious consumers dictate that retailers source innovative suppliers. In this regard, China has become a progressively more dominant supplier of product in the industry. Local manufacturers have made good progress in terms of product quality and fashionability and the group continues to benefit from strong relationships with long-standing suppliers.

Consolidation of the supply chain will remain a feature as larger retail groups seek to broaden their offering.

AFRICAN OPERATIONS

Italtile and CTM

Italtile Limited currently trades out of 66 CTM stores in South Africa and a further 16 CTM stores located across Africa in Botswana, Lesotho, Malawi, Namibia, Swaziland, Tanzania, Uganda and Zambia. The Italtile brand is represented by eight stores countrywide.

The group remains dominant in the inland markets and has prioritised growth in the coastal regions. Whilst trading opportunities in the Western Cape are enticing, the dearth of acceptable commercial sites continues to hamper the group's network expansion plans.

Improved access to formal housing by greater numbers of first time consumers impacted positively on the entry level segment of the business; consequently, plans are in place to open CTM stores in Soweto during 2007. Stores trading in exclusively black residential areas such as Botshabelo, Thembisa and Phuthaditjhaba have provided the group with invaluable experience and will assist in developing a blueprint for further growth in similar markets.

In addition to new store openings, four existing stores will be relocated to better sites.

In the first phase of a comprehensive strategy for expansion into southern Africa the group entered into a majority partnership with a local entrepreneur in a new generation store in Kenya. This investment will provide a strong platform for growth for the minority partner and ensure that the business operates in line with group benchmarks. In view of the positive trading opportunities in Kenya, one new store will be opened in Mombassa and Nairobi respectively during the current calendar year.

Of particular significance during the review period was the investment in property of R103 million – a greater single investment than at any other time in the company's history. Key to this investment is the strategy to significantly enhance trading square metreage per store. The enlarged store footprint equates to an additional 30 000 m^2. To date the roll-out of an Emporium store model affording a broader one-stop-shop offering has been well received by the target market, and the mega-store concept is anticipated to find favour and grow that audience. The Property Portfolio paragraph below discusses this topic in further detail.

Introduction of Credit Model

Italtile Limited has traditionally operated as a cash retailer. However, in August 2006 the group entered into a financial services agreement with Edgars Consolidated Stores (Edcon), whereby CTM offers a private label credit option for customers, branded the "CTM Easy Style" card. The entire credit process is funded, managed and administered by Edcon, eliminating any risk for the group.

The rationale for the departure from a cash-only model is based on recognition that a vast segment of CTM's target market has no formal access to financing. Key to this credit model is a responsible lending philosophy which provides customers with a means of accessing finite funding via a formal process. Two credit term options are extended, namely six and nine months. Management is satisfied that the model is structured in a way that removes the burden of risk for the company and the burden of onerous interest rates for consumers. This initial four-month trial period has witnessed a very positive take-up of the offering, as a result of which the project has been approved by the group for permanent status.

Performance imperatives for the period ahead will focus on ensuring that the group once more distinguishes itself in its core competencies. Areas of underperformance have been identified and every effort will be made to re-engineer operations to deliver in line with management expectations. Competitive advantage will be gained from improvements in quality and price of product and enhancing distribution of and access to product. Management intends to raise the benchmarks relating to innovation, responsiveness and exceptional service levels, which will be achieved through upskilling and ongoing recruitment of superior calibre store operators.

Further fine-tuning of the group's world class logistics system and backward integration of the supply chain will continue to strengthen the group's market leadership.

A new communications campaign is currently in production aimed at supporting the brands and entrenching the goodwill enjoyed from consumers.

INTERNATIONAL OPERATIONS

The Australian operation, which comprises eight stores in Queensland and New South Wales, made a modest contribution to group profits. The new generation store formula which combines an extensive product range with upmarket showroom facilities is currently being tested in the market. However, in the prevailing environment, prospects for the operation remain conservative.

PROPERTY PORTFOLIO

The group's combined South African and Australian property portfolio increased by 26,3% to R585 million (2005: R463 million). As discussed under African Operations, significant investment of R103 million in this portfolio during the review period is evidence of the group's confidence in the sector and economy, and an indication of the success of the strategic imperative to support its brands with the acquisition of high profile prime sites which attract consumers and position the group as a destination retailer.

The returns from this portfolio are in line with the group's trading operations.

BLACK ECONOMIC EMPOWERMENT

In the Preliminary Profit Announcement the group indicated that it hoped to be in a position to announce the substance of its planned Black Economic Empowerment initiative before the end of 2006. Significant progress has been made in terms of identification of partners and funding structures, and whilst certain formalities still require resolution, the group plans to announce conclusion of the transaction before the end of the current financial year. The market will be apprised of progress in this regard in due course.

PROSPECTS

The group's commitment to and confidence in the industry is evidenced by the substantial investment in the property portfolio. Management is satisfied that the market has sizeable growth potential and will endeavour to optimally position the group to capitalise on those opportunities.

Further interest rate increases are not expected to have a significant impact on the group's business given the prevailing consumer mindset which supports investment in property. In addition, exponential growth of numbers of new homeowners entering the housing market augurs well for sustained expansion of the industry.

Whilst results delivered are in line with sector peers, management is of the opinion that the business has the capability to dramatically improve that performance. The group is mindful that as a mature business and established player it must remain innovative and energetic to entrench its dominant position.

Earnings growth at current levels will be maintained for the forthcoming period.

BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with the Listing Requirements of the JSE Limited, the South African Companies Act, 1973 and International Financial Reporting Standards (IAS34 – Interim Financial Reporting). The accounting policies applied have been consistent with those of the previous year ended 30 June 2006.

DIVIDEND

Dividend cover of 3 times is based on the group's strong cash generating ability and the need to position the group favourably to implement its proposed Black Economic Empowerment transaction.

Consequently the Board has declared an interim dividend of 230 cents per share (2005: 140 cents), an improvement of 64%.

DIVIDEND ANNOUNCEMENT

The Board has declared an interim dividend (number 81) of 230 cents per share to all shareholders recorded in the books of Italtile Limited. The last day to trade cum the dividend will be Friday, 23 February 2007. The shares of Italtile Limited will commence trading ex dividend from the commencement of business on Monday, 26 February 2007 and the record date will be Friday, 2 March 2007. Payment will be made on Monday, 5 March 2007.
Share certificates may not be rematerialised or dematerialised between Monday, 26 February 2007 and Friday, 2 March 2007, both days inclusive.

For and on behalf of the Board

G P E Ravazzotti
Chief Executive Officer

P D Swatton
Chief Financial Officer

7 February 2007

SYSTEM WIDE TURNOVER ANALYSIS

For the period ended 31 December 2006 (Rand million unless otherwise stated)

	% Increase	Unaudited six months to 31 December 2006	Unaudited six months to 31 December 2005	Audited year to 30 June 2006
Group and franchised turnover				
– By group-owned stores		**747**	657	1 285
– By franchise-owned stores		**577**	535	968
Total	11	**1 324**	1 192	2 253

SEGMENTAL REPORTING

For the period ended 31 December 2006 (Rand million unless otherwise stated)

	Retail	Fran-chising	Properties	Supply and support services	Inter Group	Group
Unaudited year to December 2006						
Revenue*	624	73	59	340	(284)	812
Segment results	46	71	50	18		185
Unaudited year to December 2005						
Revenue*	545	67	52	262	(208)	718
Segment results	39	64	43	7		153

**Revenue includes turnover, rentals and royalties*

NOTES

– There are no material contingent liabilities or assets at 31 December 2006
– Capital commitments at 31 December 2006 (Rand million unless otherwise stated)

Contracted	61
Authorised, not contracted	32
	93

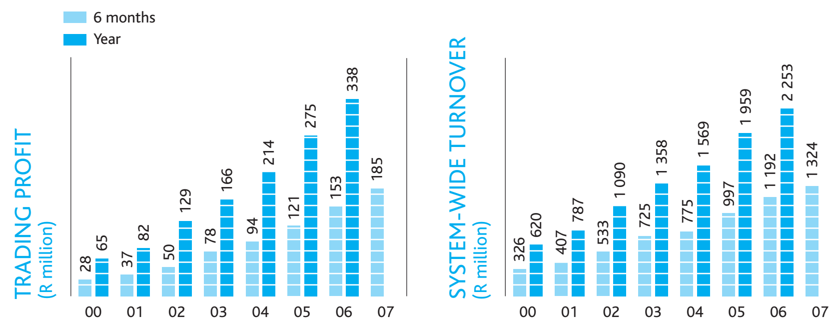
– In terms of the Articles of Association, the company's borrowing facilities are unlimited.

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

Transfer Secretaries: Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107)

Directors: G A M Ravazzotti (Group Executive Chairman), G P E Ravazzotti (Chief Executive Officer), P D Swatton** (Chief Financial Officer), J Couzis*, S I Gama, D H Rabin
(*Greek ** British)

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



ABRIDGED GROUP INCOME STATEMENTS

For the period ended 31 December 2006 (Rand million unless otherwise stated)

	% Increase	Unaudited six months to 31 December 2006	Unaudited six months to 31 December 2005	Audited year to 30 June 2006
Trading profit before depreciation		**195**	162	363
Depreciation		**(10)**	(9)	(21)
Loss on sale of property, plant and equipment		**—**	—	(4)
Trading profit	21	**185**	153	338
Net investment income		**8**	7	17
Profit before interest paid		**193**	160	355
Interest paid		**(1)**	—	(3)
Profit before taxation	20	**192**	160	352
Taxation		**(61)**	(54)	(111)
Profit for the year	24	**131**	106	241
Attributable to:				
Equity holders of the parent		**126**	101	233
Minority interests		**5**	5	8
		131	106	241
Weighted number of shares in issue (000's)		**18 148**	18 100	18 095
Earnings per share (cents)	25	**694**	556	1 290
Headline earnings per share (cents)	24	**694**	559	1 312
Diluted earnings per share (cents)	26	**692**	550	1 271
Diluted headline earnings per share (cents)	25	**692**	552	1 293
Dividends per share (cents)		**230**	140	430
RECONCILIATION OF HEADLINE EARNINGS				
Earnings attributable to ordinary shareholders		**126**	101	233
Loss on sale of property, plant and equipment		**—**	—	4
Headline earnings		**126**	101	237
RECONCILIATION OF SHARES IN ISSUE				
Total number of shares issued (000's)		**18 677**	18 677	18 677
Share Incentive Trust shares (000's)		**529**	577	582
Weighted shares in issue to external parties (000's)		**18 148**	18 100	18 095

ABRIDGED GROUP BALANCE SHEETS

At 31 December 2006 (Rand million unless otherwise stated)

	Unaudited six months to 31 December 2006	Unaudited six months to 31 December 2005	Audited year to 30 June 2006
ASSETS			
Non-current assets	**655**	499	549
Property, plant and equipment	**643**	488	537
Other Long-term assets	**9**	8	9
Deferred tax	**3**	3	3
Current assets	**578**	504	567
Inventories	**192**	142	150
Trade and other receivables	**91**	76	74
Cash and cash equivalents	**295**	286	343
Total assets	**1 233**	1 003	1 117
EQUITY AND LIABILITIES			
Capital and reserves	**874**	678	794
Stated Capital	**27**	27	27
Non-distributable reserve	**21**	6	17
Treasury shares	**(45)**	(47)	(48)
Retained earnings	**842**	661	768
Outside shareholders' interest	**29**	31	30
Long-term liabilities	**11**	9	10
Current liabilities	**348**	316	312
Trade and other payables	**282**	256	289
Taxation	**66**	60	23
	1 233	1 003	1 116
Net Asset Value per share (cents)	**4 816**	3 746	4 388

CASH FLOW STATEMENT

For the period ended 31 December 2006 (Rand million unless otherwise stated)

	Unaudited six months to 31 December 2006	Unaudited six months to 31 December 2005	Audited year to 30 June 2006
Cash flow from operating activities	**69**	44	167
Cash flow from investing activities	**(114)**	(55)	(121)
Cash flow from financing activities	**(3)**	(4)	(4)
Net movement in cash and cash equivalents	**(48)**	(15)	42
Cash and cash equivalents at beginning of period	**343**	301	301
Cash and cash equivalents at end of period	**295**	286	343

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2006 (Rand million unless otherwise stated)

R000's Group	**Stated capital**	**Non-distri-butable reserve**	**Treasury shares**	**Retained earnings**	**Minority interest**	**Total**
Balance at 30 June 2005 – restated	27	13	(55)	649	29	663
Profit for the year				233	8	241
Dividends paid				(114)	(3)	(117)
Equity share options		1				1
Currency translation difference		3				3
Allocated shares in share trust			10			10
Accumulated surplus in share trust			(3)			(3)
Purchase of additional share in subsidiary					(4)	(4)
Balance at 30 June 2006	27	17	(48)	768	30	794
Net profit for the period				126	5	131
Dividends paid				(52)	(4)	(56)
Currency translation difference		4				4
Allocated shares in share trust			3			3
Purchase of additional share in subsidiary					(2)	(2)
	27	21	(45)	842	29	874