

ITALTILE Limited

Share code: ITE
ISIN: ZAE00099123
Reg. no.: 1955/000558/06
Incorporated in the Republic
of South Africa
("Italtile" or "the Group")



Interim Profit Announcement unaudited group results for the six months ended 31 December 2008

SYSTEM WIDE TURNOVER ANALYSIS

For the period ended 31 December 2008

(Rand millions unless otherwise stated)

	Unaudited six months to 31 December 2008	Unaudited six months to 31 December 2007	Audited year to 30 June 2008
Group and franchised turnover			
– By group owned stores	667	834	1 635
– By franchise owned stores (unaudited)	722	582	1 133
TOTAL	1 389	1 416	2 768

ABRIDGED GROUP INCOME STATEMENTS

For the period ended 31 December 2008

(Rand millions unless otherwise stated)

	Unaudited six months to 31 December 2008	Unaudited six months to 31 December 2007	Audited year to 30 June 2008
Trading profit before depreciation	214	227	463
BEE share option expense			(25)
Depreciation	(20)	(21)	(41)
Profit on sale of property, plant and equipment	—	2	2
Trading profit	194	208	399
Investment income	10	9	20
Profit before interest paid	204	217	419
Interest paid	(7)	(7)	(14)
Profit before taxation	197	210	405
Taxation	(58)	(67)	(128)
Profit for the year	139	143	277
Attributable to:			
Equity holders of the parent	136	142	275
Minority interests	3	1	2
	139	143	277
Number of shares in issue (000's)*	793 893	796 308	793 823
Earnings per share (cents)	17,1	17,8	34,6
Headline earnings per share (cents)	17,1	17,5	34,4
Adjusted headline earnings per share (cents)	17,1	17,5	37,5
Diluted earnings per share (cents)	17,1	17,7	34,4
Diluted headline earnings per share (cents)	17,1	17,4	34,2
Dividends per share (cents)	6,0	4,0	12,0

RECONCILIATION OF HEADLINE EARNINGS

Earnings attributable to ordinary shareholders	136	142	275
Profit on sale of property, plant and equipment	—	(2)	(2)
Headline earnings	136	140	273

RECONCILIATION OF SHARES IN ISSUE*

Total number of shares issued (000's)	909 800	909 800	909 800
Share Incentive Trust shares (000's)	27 907	25 492	27 977
BEE treasury shares (000's)	88 000	88 000	88 000
Shares in issue to external parties (000's)	793 893	796 308	793 823

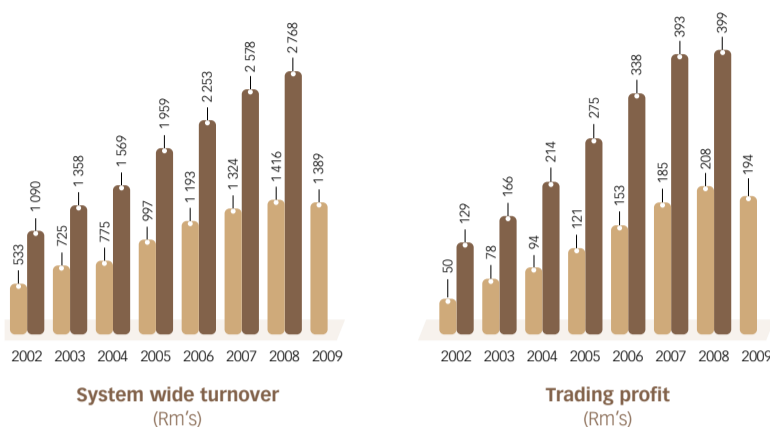
ABRIDGED GROUP BALANCE SHEETS

As at 31 December 2008

(Rand millions unless otherwise stated)

	Unaudited six months to 31 December 2008	Unaudited six months to 31 December 2007	Audited year to 30 June 2008
ASSETS			
Non-current assets	911	827	887
Property, plant and equipment	886	803	861
Other long-term assets	17	15	17
Goodwill	6	6	6
Deferred tax	2	3	3
Current assets	657	641	680
Inventories	224	322	263
Trade and other receivables	127	102	136
Cash and cash equivalents	306	217	281
Total assets	1 568	1 468	1 567
EQUITY AND LIABILITIES			
Capital and reserves	1 241	1 053	1 183
Stated capital	417	27	417
Non-distributable reserve	64	29	80
Treasury shares	(475)	(64)	(473)
Retained profit	1 207	1 037	1 134
Minority interest	28	24	25
Long-term liabilities	104	119	98
Current liabilities	223	296	286
Trade and other payables	186	241	276
Taxation	37	55	10
	1 568	1 468	1 567
Net asset value per share (cents)	156	132	149

■ Six months
■ Year



CASH FLOW STATEMENT

For the period ended 31 December 2008

(Rand millions unless otherwise stated)

	Unaudited six months to 31 December 2008	Unaudited six months to 31 December 2007	Audited year to 30 June 2008
Cash flow from operating activities	65	(52)	107
Cash flow from investing activities	(46)	(95)	(138)
Cash flow from financing activities	6	106	54
Net movement in cash and cash equivalents	25	(41)	23
Cash and cash equivalents at beginning of period	281	258	258
Cash and cash equivalents at end of period	306	217	281

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2008

(Rand millions unless otherwise stated)

Group	Stated capital	Non-distributable reserve	Treasury shares	Minority interest	Retained profit	Total
Balance at 30 June 2007	27	28	(54)	32	943	976
Net profit for the period				2	275	277
Dividends paid				(1)	(84)	(85)
Currency translation difference		26				26
Share-based payment reserve		1				1
BEE share-based payment reserve		25				25
BEE shares issued and treated as treasury shares	402		(402)			
BEE share issue expenses	(12)					(12)
Unallocated shares in share trust			(20)			(20)
Accumulated surplus in share trust			3			3
Purchase of additional share in subsidiary				(8)		(8)
Balance at 30 June 2008	417	80	(473)	25	1 134	1 183
Net profit for the period				3	136	139
Dividends paid					(63)	(63)
Currency translation difference		(16)				(16)
Unallocated shares in share trust			(1)			(1)
Accumulated surplus in share trust			(1)			(1)
Balance at 31 December 2008	417	64	(475)	28	1 207	1 241

SEGMENTAL REPORTING

For the period ended 31 December 2008

(Rand millions unless otherwise stated)

	Retail	Franchising	Properties	Supply and support services	Group
Unaudited period to December 2008					
Revenue*	567	35	40	121	763
Segment results	105	49	21	19	194
Unaudited period to December 2007					
Revenue*	723	30	32	131	916
Segment results	127	37	14	30	208

*Revenue includes turnover, rentals and royalties.

Commitments and contingencies

(Rand millions unless otherwise stated)

– There are no material contingent liabilities or assets at 31 December 2008	
– Capital commitments at 31 December 2008	
Contracted	10
Authorised, not contracted	39
	49

– In terms of the articles of association, the company's borrowing facilities are unlimited.

Results

The Group reported a 2% decline in system-wide turnover to R1,39 billion (2007: R1,42 billion). Price inflation year-on-year was limited to 2,5%, reflecting the tight trading conditions. Foot traffic across the store network is down on the previous period, however, the Group experienced better than expected December trading.

Reported trading profit decreased by 6,7% to R194 million (2007: R208 million), reflecting a marginal decrease in the Group operating margin to 14,0% from 14,7% in the previous year as the Group responded to the highly pressured trading environment to protect CTM's brand position as the leading value player in the market.

The entry level market segment showed substantial growth, while sales in the established market declined. Although sales declined slightly, consumers have become more discerning in their purchasing decisions, gravitating towards products which offer value. As a result, the Group is seeing greater demand for its locally procured merchandise rather than imports. Its strategic alliances with local suppliers are supporting lower inventory levels and efficiencies in the supply chain.

The Group maintained its concerted efforts to clear its inventories which were successfully decreased to R224 million from R263 million in June 2008, representing a drop of 15%. Having run down its slower moving stock, the Group now has the flexibility to purchase products meeting customers' current requirements.

The Group's cash reserves increased by R25 million to R306 million (2008: R281 million) through effective inventory management.

The tangible net asset value per share has increased by 5% to 156 cents (2008: 149 cents).

Operational review

The Group is starting to reap the benefits of the operational programmes to cement its leadership in the South African market which were initiated 18 months ago. The enhanced in-store systems and controls are enabling a better shopping experience. Although the focus on training and mentorship is paying off with the quality of leadership starting to increase and better service levels, the Group is not satisfied that these have reached their full potential and will continue to concentrate on training.

The Group continues to evolve and develop Top T, the retail brand established to service the highly price-sensitive entry level market, which is suited to the current trading environment.

The Group maintained its conservative approach to building a presence in Africa. The stores in Kenya and Uganda are delivering profits and the Group is currently evaluating the feasibility of re-entering the Zambian and Malawian markets.

The Group's Australian operation, comprised of eight stores, broke even as demand has been severely impacted by current economic conditions.

Property portfolio

Although the Group evaluates investment opportunities on an ongoing basis, land prices have not sufficiently declined to reflect the uncertain global economic outlook and sellers' expectations remain unrealistic. The Group has a long-term property investment horizon and will maintain its conservative and selective approach with regard to location and price to ensure that its property portfolio is positioned to sustainably deliver the required return.

Prospects

The Group will be unable to maintain the level of earnings for the full year, that were achieved in the previous year.

Basis of preparation

The preliminary profit announcement has been prepared in accordance with IFRS and IAS 34 Interim Financial Reporting. The same accounting policies and methods of computation have been applied as in the most recent annual financial statements.

Dividend

The Group has maintained its dividend cover of around three times. The board has declared an interim dividend of 6,0 cents per share (2007: 4,0 cents), an increase of 50%.

Dividend announcement

The board has declared an interim cash dividend (number 85) of 6 cents per share to all shareholders recorded in the books of Italtile Limited for the six-month period ended 31 December 2008. The last day to trade cum the dividend will be Friday, 27 February 2009. The shares of Italtile Limited will commence trading ex dividend from the commencement of business on Monday, 2 March 2009 and the record date will be Friday, 6 March 2009. Payments will be made on Monday, 9 March 2009.

Share certificates may not be rematerialised or dematerialised between Monday, 2 March 2009 and Friday, 6 March 2009, both days inclusive.

For and on behalf of the board

G P E Ravazzotti Chief Executive Officer
P D Swatton Chief Financial Officer

9 February 2009

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 (Chairman), G P E Ravazzotti (Chief Executive Officer), *P D Swatton (Chief Financial Officer)

Non-executive Directors: S I Gama, G K Morolo, D H Rabin, **G Zannoni (*British ** Italian)

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