CONTINUING OPERATIONS

↑ **System-wide turnover up 19% to R2.72bn**

↑ **Headline earnings per share up 28% to 35.7 cents**

↑ **Trading profit up 21% to R459m**

↑ **Dividend up 33% to 12.0 cents per share**

Johannesburg; Monday, 16 February 2015: Italtile Ltd is a franchisor and retailer of local and imported tiles, sanitaryware, bathware, laminated flooring and related home-finishing products. The Group's retail brands are CTM, Italtile Retail and Top T, represented through a total network of 119 stores, 16 of which are located in the rest of Africa. The brand offering targets homeowners in the LSM 4 to 10 categories.

The Group's retail operation is strategically supported by a vertically integrated supply chain, investments in key suppliers, and an extensive property portfolio. Chief Executive Officer, Nick Booth says, "The improved performance reported is primarily attributable to continued implementation of the business optimisation programme in key areas including IT systems, human resources management, the supply chain, and in-store efficiencies, to enhance the customer shopping experience."

TRADING ENVIRONMENT: In the context of constrained discretionary income and cautious consumer sentiment, activity in the residential building and construction sector remained subdued, although the renovations market displayed resilience. The devaluation of the Rand and freight capacity constraints experienced during the period impacted negatively on industry participants, resulting in reduction in stock holdings and emergence of range gaps, both in price and style. Aggressive price competition remained a constant feature.

Booth says, "While customers continued to display price sensitivity, their decisions regarding home improvement investments were made based on value offerings which combine consistent availability of quality merchandise and reputable brands. In this environment, Italtile's experience, strategically integrated supply chain and private-label brands provided an important competitive advantage."

FINANCIAL HIGHLIGHTS

- System-wide turnover from continuing operations increased 19% to R2.72 billion (2013: R2.30 billion), while same store revenue improved 18%. Average selling price inflation was 8%. During the period four new Top T stores were opened.
- Reported trading profit from continuing operations rose 21% to R459 million (2013: R379 million), translating into a 37% increase in profit after tax from total operations to R355 million (2013: R260 million) as a result of the following:
    - Profit on sale of property of R11 million (2013: R7 million);
    - An IFRS2 charge related to the Italtile Staff Share Scheme of R7 million (2013: R11 million);
    - The improved contribution from associates, Ceramic Industries Ltd and Ezeetile, of R27 million (2013: R13 million);
    - Net finance revenue of R2 million compared with a net finance cost in the prior comparative period of R6 million related to the reduction in a long-term loan;
    - Once-off losses related to discontinued operations in the prior corresponding period of R12 million; and
    - A lower effective tax rate resulting from reduced consolidated dividend withholding tax charges compared with the prior comparative period.
- Basic earnings per share from continuing operations increased 28% to 36.7 cents (2013: 28.6 cents per share), while headline earnings per share from continuing operations grew 28% to 35.7 cents (2013: 28.0 cents per share).
- Inventory levels grew to R494 million in order to support increased sales and the deliberate strategy to facilitate customer satisfaction by ensuring constant availability of high demand items.
- Capital expenditure of R109 million (2013: R102 million) was incurred on improving the value of the property portfolio through an ongoing store upgrade programme and property acquisitions, as well as investment in IT infrastructure.

- Cash and cash equivalent reserves at the end of the period were R209 million reflecting capital expenditure, higher inventory levels and repayment of R100 million towards a long-term loan.

OPERATIONAL REVIEW: The business optimisation programme introduced at the end of the prior period is in the process of being bedded down and ongoing implementation will continue to deliver good results. Amongst the initiatives underway are:

- Investment in and improved utilisation of systems and technology to better align the supply chain and the retail operation. This is aimed at improving procurement and stock management practices to enhance customer service; and
- Investment in a comprehensive human resources programme designed to overcome the significant deficit of personnel with adequate, relevant skills experienced by retailers in the industry, thereby developing a fit-for-purpose workforce which is best suited to achieving the Group's growth objectives.

RETAIL BRANDS Booth comments, "The Group's brands, Italtile Retail, CTM and TopT reported growth across their trading regions and across most merchandise categories. The intensified focus on improving insight into and understanding of market demand also assisted in greater alignment of stockholding and merchandising with customer expectations, driving sales volumes."

Individually, the brands reported commendable achievements:

- Italtile Retail's Commercial Projects division made good progress in gaining market share in its new, non-residential market segment;
- CTM benefitted from improved execution of seasonal promotions and product marketing campaigns, growing customer affinity for its private-label brands including Kilimanjaro, Elf and Tivoli; and
- Top T continued to gain traction in its market, opening four new stores in the review period.

Italtile Ltd Reviewed Group results for the six months ended 31 December 2014 Final as at 13 February 2015

A key focus area for all three brands in the forthcoming period will to capitalise on opportunities to improve tile sales in the local market. The Group's private-label Tivoli brassware brand was recently awarded SABS accreditation. Booth says, "Tivoli enjoys growing customer recognition, and this benchmark endorsement will boost the brand's goal to gain meaningful market share."

SUPPORT SERVICES: The Group's vertically integrated supply chain businesses, International Tap Distributors, Distribution Centre and Cedar Point, underpin the retail operation. Booth explains, "Increased turnover reported by this division is a reflection of affording the stores improved availability of the right stock at the right time to enhance customer service. While the currency devaluation had a notable effect on imported product prices, our long-standing international supplier relations assisted in ensuring the Group delivered a competitive value offering for customers."

INVESTMENT IN ASSOCIATES: Booth notes, "The Group's strategic investments in our key suppliers, Ceramic Industries Ltd ("Ceramic"), a manufacturer of tiles, sanitaryware and baths, and Ezeetile, a manufacturer of grout, adhesive and related products, delivered good returns."

He elaborates, "The negative impact of the weaker Rand on imported merchandise strengthened Ceramic's sales volumes, translating into improved margins. This business contributed R21 million (2013: R10 million) to Group profit for the six months. Additionally, Ezeetile reported improved sales to both Italtile's store network and independent customers, contributing R6 million (2013: R3 million) to Group profit."

GLOBAL PROPERTY INVESTMENT: The Group's property investment portfolio affords significant strategic advantage to the retail operation through its high profile, easily accessible sites and aesthetically pleasing stores designed to improve the customer shopping experience. During the period R74 million (2013: R58 million) was incurred on store refurbishments, new build and acquisition of properties.

PROSPECTS: Management does not foresee a notable improvement in the economy in the short term and anticipates trading conditions to remain consistent with recent prior years. "In the current environment, homeowners will remain cautious in their investment decisions and the allocation of discretionary spend," Booth comments.

He adds, "The Group traditionally delivers a stronger performance in the first half than the second half and management is mindful that the second six months of the prior year were unusually robust. Furthermore, certain items which impacted positively on net profit in this review period will not repeat in the second half."

"However," Booth concludes, "The business optimisation programme which to date has focused on leveraging the relationship between the supply chain and the retail operations will continue to be rolled out to all key strategic areas across the Group and should deliver the desired results. Further investment will be made in systems, technology and human resources to achieve the programme's goals; it is anticipated that full implementation of the optimisation programme will take up to three years."

Nick Booth	Del-Maree English
Chief Executive Officer	Investor Communications
Tel: 011 510 9050	Mobile: 083 395 8608