CONTINUING OPERATIONS

↑ **System-wide turnover up 17% to R5.22bn**

↑ **Headline earnings per share up 22% to 71.6 cents**

↑ **Trading profit up 21% to R905m**

↑ **Total dividend up 32% to 25 cents per share**

Johannesburg; Thursday, 27 August, 2015: Italtile Limited is a franchisor and retailer of local and imported tiles, sanitaryware, bathware, laminated flooring and other related home-finishing products. The Group's retail operation comprises three brands: Italtile Retail, CTM and TopT, represented by a total network of 126 stores in Southern and East Africa. The brand offering targets homeowners across the LSM categories 4 to 10. The Group's retail operation is strategically supported by a vertically integrated Supply Chain, investments in key suppliers, and an extensive property portfolio.

RESULTS: The Group recorded double digit growth across its trading regions. Improved sales and profitability were delivered by each of the three retail brands and the Supply Chain businesses, and across most of the merchandise categories.

This solid performance is attributable to better execution of basic retail principles and best practice in store, as well as improvements in the key back-end functions: suppliers, systems, and logistics.

Another notable achievement was the quicker than anticipated roll-out of TopT stores due to the availability of suitable sites. During the period eleven new TopT stores were opened.

CEO, Nick Booth, says, "At the outset of the year, management highlighted a range of opportunities to grow the business and gain market share through fulfilling the Group's chief goal: to deliver an unparalleled shopping experience for our customers. We aimed to achieve this by intensifying our focus on retail excellence in all the customer-facing elements of the offering and by implementing a Business Optimisation Programme (BOP) in the key areas across the business. The programme would commence with the back-end functions including the Supply Chain businesses and the Support Services divisions, while the second phase, scheduled for FY2016, would be implemented in the front-end retail brand operations."

He comments, "We are pleased to report that the first phase of the programme, which focused on leveraging the relationship between the Supply Chain and the retail operations, has been completed, delivering satisfactory results."

TRADING ENVIRONMENT: While the renovations segment of the building industry continued to grow incrementally, no recovery materialised in the new build segment as infrastructure constraints (water, sanitation and power) hampered the roll-out of new housing developments.

There was also a notable deterioration in investment sentiment and property-related spend as consumer confidence dropped to record low levels in the country.

Booth notes, "At the top end of the income spectrum, customers adopted a selective 'wait and see' approach to property investment; in the middle-income market, consumers remained highly price sensitive and value conscious as they experienced intensifying pressure on disposable income. Discretionary spend was allocated cautiously, after extensive research, on tried-and-tested high profile brands."

He adds, "Customers with finite resources in the entry level segment continued to invest small amounts in their homes, on an ongoing basis, and as and when funds were available. In rural and outlying areas their purchasing decisions demonstrated preference for ease of access to one-stop shopping offerings which assisted in overcoming transport and logistical constraints."

Booth says, "Nationally, the trading environment remained competitive. Intensified promotional activity and price-cutting was evident, as traders sought to reduce inventory levels and free up cash flow. In these conditions the Group's sound balance sheet and integrated Supply Chain, which facilitated consistent availability of competitively priced quality merchandise, stood the business in good stead."

FINANCIAL HIGHLIGHTS – CONTINUING OPERATIONS System-wide turnover grew 17% to R5.22 billion (2014 R4.46 billion), while same store revenue increased 16%. Average selling price inflation was 7%.

A final gross cash dividend of 13.0 cents per share (2014 10.0 cents per share) has been declared, which together with the interim gross cash dividend of 12.0 cents per share (2014 9.0 cents per share), produces a total gross cash dividend of 25.0 cents per share (2014 19.0 cents per share), an increase of 32%.

Margins were forfeited in both the Supply Chain and retail operations due to the deliberate strategy to absorb increased costs and contain price inflation to entrench the Group's position as the price leader in a number of categories, and offset the effect of Rand weakness on imported product prices.

Trading profit increased 21% to R905 million (2014 R751 million). Overheads were reduced as a result of improved management of utilities, enhanced efficiencies and containment of delivery and transport costs.

Earnings per share increased 32% to 75.9 cents (2014 57.4 cents), while headline earnings per share improved 22% to 71.6 cents (2014 58.7 cents). This disparity is primarily based on a R19 million gain and R14 million gain derived respectively from the liquidation distribution and sale of shares in two subsidiary companies.

Inventories rose to R479 million (2014 R408 million) in line with increased sales growth, although controls ensured stock turn was commensurate, and stock losses were contained.

During the period capital expenditure of R219 million (2014 R166 million) was incurred largely on the Group's Property Investment portfolio. Investments were also made in IT requirements related to the BOP. Dividend payments totalled R212 million, and loans totalling R136 million were settled, resulting in net cash reserves of R392 million (2014 R249 million) at year end.

OPERATIONAL REVIEW - RETAIL BRANDS: The retail operations comprising Italtile Retail, CTM and TopT, performed well, reflected by each brand's growth and gain in new market share across most trading regions and merchandise categories.

Italtile Retail delivered solid results, based on improved efficiencies, intensified cost management, and increased market share. Notable growth was recorded by the Commercial Projects division which completed an extensive portfolio of projects, ranging from office blocks, shopping centres and warehouses, to bespoke buildings in the education, health and religious sectors. Italtile Retail is recognised locally as the leading supplier of environmentally-sensitive products, a factor which affords the brand an advantage in the commercial projects industry.

CTM recorded double digit sales growth across all of its trading regions. Notably, the coastal markets which have historically under-performed their counterparts, outpaced the inland regions. Creditable results were reported by the Bathroom Boulevard and laminate flooring segments. The value of the average basket also increased due to improvements in product range, mix and price, and more effective customer interactions.

In-store efficiencies were enhanced through better analysis of trading data and standardisation of best practice disciplines across the store network. Capacity and capability improvements were effected through staff changes at senior management and store operator level, while advancements were made in recruitment processes and personnel development, contributing to closer alignment with the brand's growth ambitions.

CTM's web store reported an improved performance, with on-line sales exceeding expectations.

TopT reported sound results for the period, growing turnover and profit and gaining market share in new and existing markets.

The business made progress in achieving its priority objectives, including the goal to roll out five to ten new stores annually. Eleven stores were opened across five provinces in the review period and a further three opened shortly after year-end. The brand is now represented in seven provinces.

Within the business, cost management and stock turn improved; supplier relationships were extended and improved; and enhancements were made in store layouts, ranges, systems and processes. Particular attention was paid to appointing and developing fit-for-purpose staff, while the management team was also restructured to facilitate the brand's growth forecasts.

SUPPLY CHAIN: The Group's vertically integrated Supply Chain businesses, International Tap Distributors, Cedar Point and Distribution Centre, underpin the retail brand operations and enhance customer service through continuous and consistent availability of the right product at the right time and place. Each of these businesses reported increased turnover and profitability, reflecting improved sales to the store network across the brands. In light of the weaker currency, margin pressure was experienced due to the deliberate strategy to limit average price increases to support the competitive offering in-store.

INVESTMENT IN ASSOCIATES Ceramic Industries (Ceramic)is Italtile's primary supplier of tiles, sanitaryware and baths. The strategic 20% investment which the Group holds in this business provides tactical advantage and underpins its growth programme.

The business increased its contribution to Group profit to R55 million (2014 R24 million). This strong improvement is attributable to higher production volumes, supported by Rand weakness, which led to better capacity utilisation and enhanced efficiencies. In addition, improved margins were achieved through price recovery and intensified management of input costs.

Ceramic's new factory, Gryphon, will commence manufacturing in November 2015. The plant will produce large format glazed porcelain tiles designed to compete favourably with imported product.

Ezeetile: The Group holds an effective 46% stake in Ezeetile, a national manufacturer of grout, adhesive and related products. Following an extensive organisation-wide restructuring programme, the operation made progress in achieving enhanced efficiencies in the factories and gaining market share. The business contributed R7 million (2014 R5 million) to Group profits.

The PROPERTY INVESTMENT PORTFOLIO has strategic advantage for the Group's retail operations through ensuring that the brands are represented by well-maintained stores situated on highly visible, accessible sites. At 30 June 2015 the portfolio had an estimated market value of R2.0 billion (2014 R1.9 billion). During the period R164 million (2014 R96 million) was invested in an ongoing store upgrade programme and the acquisition of four properties. Eleven new TopT stores were opened and nine stores across the brands were renovated.

PROSPECTS: The trading environment is likely to remain largely unchanged. In the event of further Rand weakness, continued rationalisation, especially amongst smaller independent traders, is anticipated.

Booth says, "If prevailing conditions do not deteriorate further and the Group succeeds in capitalising on the growth opportunities which exist in the business and the market place, Italtile should deliver results in line with this performance in the next reporting period."

Booth concludes, "The opportunities for growth are internal and external:

- The Business Optimisation Programme will be rolled out to the retail brand operations. Further investment will be made in systems, technology and human resources to achieve the programme's goals; full implementation of this intervention will take up to three years.
- In light of sustained demand for the Group's offering and steady growth in market share in traditional and new markets, we will continue to expand the retail footprint across all three brands. Our strategy to introduce flexibility to the CTM store size format is underway, designed to ensure that new stores are optimally aligned with their specific market size, and affording the brand the opportunity to extend its presence in new, smaller non-traditional markets where it is currently under-represented. Across the brands a pipeline of sites has been secured which ensures that the Group's

three-year expansion plan is on track. The pace of this programme will however be influenced by availability of suitable franchisees."

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