

PRELIMINARY REVIEWED
CONDENSED GROUP RESULTS
FOR THE YEAR ENDED 30 JUNE 2019
AND DIVIDEND DECLARATION

2019





System-wide
turnover

R10,0 billion

2018: R8,7 billion

↑ 15%

Trading
profit

R1 797 million

2018: R1 518 million

↑ 18%

Earnings
per share

102,6 cents

2018: 95,0 cents

↑ 8%

Headline
earnings per share

101,8 cents

2018: 95,0 cents

↑ 7%

Ordinary
dividend per share

41,0 cents

2018: 38,0 cents

↑ 8%

Special
dividend per share

50,0 cents

2018: 30,0 cents

↑ 67%

Net cash

R1 201 million

2018: R679 million

↑ 77%

Net asset value
per share

480 cents

2018: 486 cents

↓ 1%

Store network

189

2018: 176

↑ 7%

COMMENTARY

Overview

Italtile Limited is a manufacturer, franchisor and retailer of tiles, bathroomware and other related home-finishing products. The Group's retail brands are CTM, Italtile Retail and TopT, represented through a total network of 189 stores, including five online webstores. The brand offering targets homeowners across the LSM 4 to 10 categories.

The retail operation is strategically supported by a vertically integrated supply chain, comprising key manufacturing and import operations, and an extensive property portfolio.

The Group's ambition is to become the best manufacturer and retailer of tiles, sanitaryware and ancillary products in Africa, by offering an unrivalled shopping experience through the strategy of ensuring the right product, at the right time, place and price.

The Group was founded 50 years ago in September 1969.

IMPACT OF CERTAIN TRANSACTIONS ON THE GROUP'S RESULTS AND REPORTING REFERENCE TERMS

Comparable disclosure and analysis of the Group's results for the review period with the prior corresponding period have been impacted by the acquisition of Ceramic Industries Proprietary Limited ("Ceramic") ("Acquisition") as set out in the circular to shareholders of Italtile dated 23 August 2016, which became effective on 2 October 2017 and the partially underwritten renounceable rights offer as set out in the circular to shareholders of Italtile dated 6 November 2017 ("Rights Offer").

ACQUISITION

Following the Acquisition, the Group holds a 95,47% stake in Ceramic and an effective 71,54% in Ezee Tile Adhesive Manufacturers Proprietary Limited ("Ezee Tile"). Accordingly, the results for the review period include the consolidated results of both businesses for the full year from 1 July 2018 to 30 June 2019 versus the nine-month period from 2 October 2017 to 30 June 2018 in the prior corresponding period.

Sales related to Ceramic and Ezee Tile are referred to as "manufacturing" sales to distinguish them from "retail" sales reported by Italtile's retail brands, CTM, Italtile Retail and TopT.

COMMENTARY continued

ISSUED SHARE CAPITAL AND WEIGHTED AVERAGE NUMBER OF SHARES

In terms of the Acquisition, 150 936 170 Italtile shares were issued to shareholders of Ceramic. Further, in terms of the Rights Offer, 135 985 156 Italtile shares were subscribed for by the close of the Rights Offer on 24 November 2017. In addition, in terms of a specific repurchase of shares ("Repurchase") as published on SENS on 8 March 2018, 25 000 000 Italtile shares were repurchased by Italtile from Four Arrows Investments 256 Proprietary Limited ("Four Arrows").

As a result of the above, the Group's current issued share capital is 1 295 254 148 shares, reflecting an increase of 25,35% (pre-Acquisition, Rights Offer and Repurchase: 1 033 332 822 shares). Consequently, the weighted average number of shares in the review period is 7,6% higher than that of the prior corresponding period.

TRADING ENVIRONMENT

At the end of the prior year, we noted that for our industry to grow, we would need the economy to be boosted sustainably, household prosperity to improve materially, and consumer confidence to be rebuilt to translate into positive investment sentiment. We cautioned that for the foreseeable future, factors such as high unemployment, escalating living costs, consumer indebtedness, endemic corruption, uncertainty regarding land ownership and unstable power supply would weigh on homeowners, causing them to defer discretionary spend on their properties.

In addition, we anticipated that a general wait-and-see attitude would prevail in the lead up to the national election, which would further delay investment decisions.

Disappointingly, the weak trading conditions and negative consumer sentiment persisted over the year under review, and deteriorated notably in the last quarter. Furthermore, while the local economic climate continued to decline, unfavourable trading conditions were also experienced in some of our export markets, specifically Zimbabwe and Zambia.

While consumers are facing greater economic hardship than before, they simultaneously have a far wider choice and better access to our industry than previously. This is facilitated by the increased use of technology and range of omnichannel purchasing options available, the globalisation of international fashion trends, and the proliferation of social and digital media; aligned with the role of influencers on consumers. The review period also witnessed an increasingly competitive landscape as higher numbers of opportunistic importers entered the market.

In line with trends over the past several years, the new build market was virtually stagnant, with activity in the industry confined largely to commercial projects and residential renovations. While the commercial projects segment has remained reasonably buoyant over the past two years, it started to show signs of strain in the latter half of the review period, with projects either being re-specified to achieve cost savings or temporarily deferred.

As turmoil persisted among the listed and large construction companies, consolidation and closures in the smaller independent architectural and building space also increased.

RESULTS

Notwithstanding the exceptionally difficult trading conditions, the Group has recorded a creditable performance, achieving our stated goal of delivering improved headline earnings growth for the review period. In line with our guidance, our results for the first half of the year were stronger than the prior comparable period, due to a low-base effect, while the performance for the second half of the year was solid, albeit as forecast, less robust than the prior comparable period.

The Group's total system-wide turnover for the review period was R10,0 billion, 15,2% higher than the prior corresponding period (2018: R8,7 billion). System-wide turnover is the aggregate of the Group's consolidated turnover (total sales by Group-owned entities and corporate stores, excluding sales from owned supply chain businesses to corporate stores) and the retail turnover of franchisees of the Group.

Revenue from Group-owned stores and entities was R7,0 billion (2018: R6,1 billion).

Total retail store turnover rose 6,1% for the review period. Like-on-like retail store turnover (excluding stores opened and closed during the

review period) increased by 4,2% compared to the prior corresponding period. Retail store turnover is defined as the aggregate turnover of all stores, either corporate or franchised, in the Group's retail network.

Manufacturing sales included in the consolidated results for the year under review grew by 36,5% compared to the previous corresponding period, which included only nine months of trading from October 2017. Manufacturing sales for the period 1 July 2018 to 30 June 2019 rose by 1,4% compared to the same period in the prior year.

The Group's trading profit rose by 18,4% to R1 797 million (2018: R1 518 million). Average selling price inflation is estimated at 2,7% in the retail operation (2018: 1,0%) and at 3,0% in the manufacturing operation (2018: 3,0%).

The Group's basic earnings per share increased by 8,0% to 102,6 cents (2018: 95,0 cents), while headline earnings per share improved by 7,2% to 101,8 cents (2018: 95,0 cents). The disparity between basic earnings and headline earnings growth is attributable to net profits of R12 million realised on the disposal of local properties during the review period.

Retail margins improved primarily due to intensified cost containment. Margins at Ceramic were lower mainly due to underutilisation of capacity, while Ezee Tile reported stable margins.

COMMENTARY *continued*

Inventory value, including the consolidated inventory balances of Ceramic and Ezee Tile, was R858 million (2018: R806 million).

Capital expenditure of R622 million was incurred during the period (2018: R669 million). This includes investments made across the Group's retail properties and manufacturing plants.

The Group's cash balance increased to R1 201 million (2018: R679 million), including the consolidated cash balances of Ceramic and Ezee Tile, totalling R443 million. Material cash flows for the review period include:

- capital expenditure of R622 million;
- tax payments of R539 million;
- dividend payments of R941 million; and
- term funding loan raised of R500 million.

The Group's net asset value per share (NAV) was 480 cents (2018: 486 cents). The decrease in NAV is attributable to:

- the special dividend paid and a reduction of the dividend cover from three times to two-and-a-half times during September 2018;
- the increase in the weighted average number of shares in issue; and
- the implementation of IFRS 16 Leases.

GROUP PERFORMANCE

The results reported for the review period are a good reflection of the Group's:

- robust proudly South African 50-year trading history as the industry trend setter and style icon;
- strategically structured resilient business model, which provides a total solution through our integrated supply chain;

- competent team with clarity of purpose and clearly defined strategies;
- mutually beneficial partnerships with long-standing franchisees and operators;
- strong cash generative nature, disciplined cash management and cost leadership;
- portfolio of market leading retail brands which are strategically positioned to cater across the demographic and income spectrum, uniquely targeting each segment and supported by a multi-channel offering (in-store, online, social and digital);
- consistent investment in the shopping experience and unwavering efforts to better execute retail excellence principles;
- leading edge technology employed in the manufacturing operations so as to produce high quality fashionable product; and
- leveraging off of growth opportunities in the business through an unrelenting focus on the customer.

PRIMARY FOCUS AREAS

At the end of the prior year we outlined our key priorities and imperatives to leverage growth in the business in the ensuing period. The following narrative details our progress in delivering on them:

Grow sales across the brands, which will have a positive knock-on effect in the supply chain

During the review period, our overriding focus was on improving the customer experience and driving sales growth. We continued to invest in our people, technology, store layouts, merchandising and range. Higher sales were reported across the brands, and the improved satisfaction scores achieved across our various

measures (in-store customer sentiment surveys, mystery shoppers and an independent brand health monitor), is pleasing reward for our efforts.

Continue to improve working capital and manage margins through robust cost leadership

Cost leadership, expense control and improving stock turn are constant priorities across the business, and particularly key in an environment of negligible top-line growth and sustained margin pressure arising from the competitive landscape. We succeeded in containing cost growth below inflation and margins across most businesses within the Group improved. The Group's cash reserves almost doubled in the review period to R1,2 billion from R679 million in the prior year, despite significant cash outflows of R1,6 billion, related to among others, payment of a special dividend, capital expenditure and share buy-backs.

Build on our reputation for retail innovation and disruptive technology, including enhancing our leading-edge online offering

Throughout the Group's operations, retail innovation and technology were employed to enhance our capability and afford the business a competitive edge in the sector:

- Across our webstores we made major technological inroads with the implementation of an upgraded e-commerce operating platform for the brands, the development of a bespoke CRM solution for the platform, enhanced credit options and payment methods, and we launched the TopT webstore. All of our brand webstores reported

strong growth in sales and unique visitor sessions. In-store sales growth was complemented by an increase of more than 25% in combined webstore revenue reported by CTM and Italtile Retail.

- Ceramic continues to invest in international standard, industry-leading technology which positions its offering as a highly competitive import substitute.
- Our new lighting merchandise category was rolled out to all the TopT stores. To test the scalability and viability of the offering as a standalone brand, five pilot U-Light stores will be opened in Gauteng by the end of August 2019. The stores will each comprise a slightly different format and target a different market segment.
- Our new PiviCal Panels plant commenced manufacturing PVC panels for the TopT brand. We are optimistic about the future of this business given the strong, proven demand for the product. In line with our goal to offer total solutions to our customers, we anticipate our lighting and PVC panel sales in TopT to be complementary.

Accelerate the Group's growth in selected markets in Africa

East Africa: The CTM operation in East Africa delivered strong sales and profit growth. Based on the market's continued robust performance, we opened two new stores in the region, acquired two sites, and finalised one lease agreement for further new stores. The distribution centre in Kenya was relocated to new larger premises to support the growing store network, while the Ezee Tile factory in Mombasa was also upgraded to facilitate higher demand.

COMMENTARY *continued*

Southern Africa: Our CTM operation remained under pressure in the inclement economic climate, and we are investigating the possibility of appointing an in-country joint venture partner to assist with achieving the potential we envisage for the region. A site has been acquired in Botswana for development of a CTM and Italtile Retail store in the year ahead. We will also open two more TopT stores in the region.

We commissioned new Ezee Tile factories in Zambia and Zimbabwe with local joint venture partners.

We remain enthusiastic about the opportunities for growth in the rest of Africa, but are mindful of the rapidly intensifying competition from increasing numbers of Chinese operators in the region.

Advance the store roll out programme

Our target to open 10 to 15 new stores and close non-performing stores where required was exceeded. We opened one Italtile Retail; five CTMs; 10 TopTs and one U-Light store. Four non-performing TopT stores were closed in marginal or unsafe locations. We have a good pipeline of sites in place and are on track to deliver on our target of 15 new stores in the 2020 financial year.

Progress improvements made in building a pipeline of talent and enhance depth of management while simplifying the business model and limiting costs

Developing leadership capability and capacity is a key imperative. A new Group reporting structure was implemented during the review period, designed to ensure a renewed focus in

the respective business units and re-energise individuals to drive growth. In this regard, an equity partner has been identified at CTM and two new equity partners have been appointed at Cedar Point. With these appointments, all of the Group's business units across the brands and supply chain are now partnerships with equity stakeholders.

We also made good progress with our strategy to build depth of management while simplifying the business model and limiting costs, through the evolution of the franchise model to enable top-achieving CTM franchisees to become multistore operators. This model has worked extremely well in TopT and we anticipate good results. We will continue to convert more company-owned stores to joint venture and franchise stores in all regions, other than Gauteng, on an ongoing basis to promote longer-term continuity and depth of management and sustainability of the business model.

Make better use of analytics to inform targeted customer marketing and rewards campaigns

Understanding our customers' behaviour is key to delivering an unrivalled shopping experience. Our strategy to improve our targeted customer marketing is to combine our e-commerce, IT and marketing capabilities in a three-year programme, aimed at gaining indepth knowledge about our customer; developing targeted tactics and solutions tailored to specific customer profiles; and optimally executing the solutions to meet our goals. We are currently in the first phase of the programme and have made good progress in gaining insight into our

various customer profiles. CTM's Sithi Wena advertising campaign has illustrated the benefits of targeted marketing, reflected by an improved customer response in terms of key metrics including brand awareness, usage and consideration.

Leverage opportunities in the integrated supply chain

To support future growth, continuous improvement is required in our end-to-end supply chain. Our supply chain journey is a complex and comprehensive one, which we estimate will take five years to achieve all our objectives including improved cost management, load planning, and in the longer term, importing and shipping. The three-phase programme commenced during the review period with the set-up of distribution sites, and will proceed to better visibility of cost drivers, related negotiations and integration of the entire supply chain.

The introduction of our U-Light and PiviCal Panels offerings demonstrates our commitment to leveraging growth opportunities and extracting synergies in the integrated supply chain.

Upweight our marketing and brand building initiatives

Key to understanding our customer and aligning our marketing efforts better is enhanced use of analytics. We continue to make good progress in introducing retail science into the business by improved analysis of financial information, marketing intelligence and operational anecdotal evidence and experience. Increasingly, we will explore artificial intelligence to better target and encourage sales of our goods and services online.

DIVISIONAL REVIEW

Most of the key metrics, which include sales, average basket and selling price, margins, profit, stockholding and turn, improved across the retail brands and the integrated supply chain importers, although the supply chain manufacturers did not fare as well.

Given the weak sales environment, our retail brands performed creditably, although tile sales failed to live up to our expectations. This generally softer retail demand and the overstock position of tile wholesalers in the industry had a negative impact on Ceramic's factories, which resorted to reducing capacity at four of the plants in the latter half of the review period.

RETAIL BRANDS

Across the brands, retail excellence disciplines improved, reflected by better in-stock levels, enhanced store and merchandise presentation, technological innovation and better analytical reporting, resulting in an improved customer experience.

From a regional perspective, good performances were delivered by our stores in Limpopo, Mpumalanga, and the Eastern and Southern Cape, which gained market share. Gauteng, North West and the Free State delivered weaker performances, the latter two largely a function of the declining mining and agricultural sectors which impacted negatively on the local economy.

CTM maintained its market share, while Italtile Retail and TopT continued to make gains in a competitive environment.

COMMENTARY *continued*

CTM

After a series of disappointing sets of results, CTM started to demonstrate signs of a turnaround, despite the brand's target market remaining under intense financial pressure. Key remedial measures which had a positive impact include:

- good cost leadership and margin maintenance in a slow sales environment;
- brand repositioning through the very successful Sithi Wena campaign which targeted a segmented range of consumer profiles and built meaningful equity for the brand;
- focus on basic retail excellence principles including customer service, operational disciplines, warehouse management and business optimisation, and sales levers;
- roll out of the new store format to a number of stores and the revamp of older stores, including improved lighting which displayed products to better advantage;
- review and better alignment of store operators;
- range rationalisation and enhancement; and
- introduction of online tools to upgrade and track the performance of individual sales team members.

Italtile Retail

The brand's double-digit sales and profit growth is a reflection of several factors:

- a market leading range including products with strong eco-awareness credentials;
- roll out of the new store look and ongoing revamps across the network;
- very high training and service standards, including interior design courses for sales personnel, which differentiates our offering from competitors; and
- consistently strong performance by the Projects division, which continued to gain traction in the professional commercial market segment.

TopT

This brand delivered another strong performance reflected by double-digit like-on-like sales and profit growth, attributable to the following activities:

- successful implementation of the business optimisation programme (BOP), which demonstrates a direct correlation between business critical in-stocks and sales growth;
- roll out of new stores to underserved markets and a growing national presence;
- constant range re-evaluation and responsiveness to consumer demand; and
- introduction of a range of profile building initiatives including a mobile store (Gig Rig), a webstore, community linked marketing campaigns, and the launch of a dedicated training centre.

SUPPLY CHAIN

The Group's retail brand operation is strategically supported by its vertically integrated supply chain businesses, which comprise manufacturing businesses, Ceramic Industries and Ezee Tile, and importers, Cedar Point, International Tap Distributors (ITD) and Durban Distribution Centre.

MANUFACTURERS

Ceramic Industries

Our rationale to acquire the Ceramic business some 20 months ago continues to deliver the gains envisaged, among them a stronger combined balance sheet for future expansion and improved planning and production efficiencies, benefiting both the stores and the factories.

Tiles

In the South African operation, solid results reported in the first half of the review period were eroded by a weaker performance in the second six months. While market share was gained by Gryphon's large format range, demand across the market was generally sluggish, with many wholesalers and retailers overstocked. In light of slow demand, kilns were shut off at four of Ceramic's factories in the third and fourth quarters of the year. This under-utilisation of capacity impacted negatively on margins and profit for the period and will continue to remain a challenge in the short term.

The Australian operation reported improved profitability for the review period, and the investment to increase capacity and product range was completed.

Focus will remain on reducing costs and improving yields across the operations.

Bathroomware and baths

Both Betta Sanitaryware and Betta Baths reported an improved second six months after a

difficult first half. The new warehouse facility should be completed during the next financial year which will improve capacity management and service to customers. As with the tile factories, focus will remain on reducing costs and improving yields.

Ezee Tile

In the first half of the year, the business underperformed management's expectations, delivering disappointing margins and profits. While the remedial actions implemented in the second half have addressed operational inefficiencies and have resulted in an improved performance in the latter six months, the business's results for the full year are not in line with targets.

Good progress was achieved in upgrading the plant in Mombasa and in developing new production facilities in Lusaka and Harare. The business also succeeded in gaining market share in the paint and construction chemicals segments.

SUPPLY CHAIN: IMPORTERS

Cedar Point

Improved sales and profit growth were reported for the year. Key focus areas were range rationalisation, reducing stock levels and improving stock turn. In the year ahead, better implementation of BOP will assist in establishing optimal stockholding and facilitating sell through. Having successfully outsourced the warehouse function, management's primary focus will henceforth be on improved buying and operational co-ordination.

COMMENTARY *continued*

International Tap Distributors (ITD)

Competition intensified in the brassware category as an increasing number of opportunistic importers entered the market. Aggressive pricing and margin pressure were a constant feature in the review period, and in order to support cash-strapped customers, ITD reduced average selling prices, which further impacted on profits. Some opportunity exists to recover margins should the exchange rate stabilise favourably.

Progress was achieved in rationalising the range and enhancing the in-stock position while simultaneously reducing overall stockholding. However, there is further room for improvement in terms of balancing business critical and supplementary stock.

Durban Distribution Centre

In the weak demand environment, sales declined marginally although profits improved, based on intensified cost management. Good progress was made on rationalising ranges and increasing stock turn. In light of currency volatility and general margin pressure experienced in the industry, the business continues to investigate new suppliers in new markets.

PROPERTY INVESTMENT

The Group's property portfolio affords a strategic advantage to the retail brand operations by ensuring stores are easily accessible, well-presented and maintained, and contribute to an aspirational shopping experience. The Group's manufacturing operations comprise well-maintained state-of-

the-art factories which are supplied with high quality raw materials sourced from productive quarries in close proximity to the plants. The portfolio is continuously evaluated and enhanced to ensure optimal returns.

The Group's sustainability agenda is promoted through the use of cost-effective, energy efficient practices in the construction of new buildings and the renovation of older buildings. Optimal use of natural light, solar technology, new-generation lighting, water-saving taps, rain water harvesting, and environmentally sensitive building materials is prioritised. Our factories at Ceramic Industries use the latest technology in their operations and rank among the most energy efficient in the world.

As at 30 June 2019, the portfolio's estimated market value was R3,8 billion, comprising a retail portfolio valued at R3,0 billion (2018: R2,9 billion) and a manufacturing portfolio valued at R0,8 billion (2018: R0,8 billion). During the period, capital expenditure of R312 million was incurred across the retail portfolio in respect of an ongoing store upgrade programme and the acquisition of five retail properties, while R189 million was invested across the manufacturing operations on plant, warehouse and equipment upgrades.

STAFF SHARE SCHEME VESTING

The Group's equity-settled Staff Share Scheme is designed to incentivise employees to participate in the growth and profitability of the business. In this regard, the third allotment of shares, granted in 2015, vested on 31 August 2018. A total of 101 employees qualified, of

which four employees opted to receive shares and the balance received the net value of the awards in cash. Cash payments after tax averaged R136 000 per individual (aggregate payments including income tax totalled R17,6 million), funded by the sale of the related shares to the market. Employees who elected to receive shares received an average of 9 500 Italtile shares each (dependent on the individual's effective income tax rate).

During the review period, a sixth allotment of shares was made, comprising 3,3 million shares allocated to 150 eligible employees of the Group and franchisees. As at 30 June 2019, there were 373 participants in the scheme, holding 7,5 million Italtile shares.

DIRECTORATE

Appointment of an independent non-executive director

Ms Zizipho Nyanga, CA(SA), was appointed as an independent non-executive director and member of the Audit and Risk Committee with effect from 1 June 2019. Ms Nyanga is the Chief Executive Officer of Masisizane Fund. Her areas of expertise lie in entrepreneurship development, deal making, financial management and audit and risk management. The Board welcomes Ms Nyanga and looks forward to her contribution.

This appointment reflects the Group's continuing commitment to enhancing the diversity of the Board and the expertise available to the business.

Resignation of non-executive directors

- Ms Nomagugu ("Gugu") Mtetwa has tendered her resignation as non-executive director and member of the Audit and Risk Committee with effect from 31 August 2019, due to other professional commitments; and
- Ms Ndumi Medupe has tendered her resignation as non-executive director and Chairman of the Audit and Risk Committee with effect from the conclusion of the Group's annual general meeting, which will be held on or about 14 November 2019, due to a potential conflict of interest as a result of her joining the employ of the Group's bankers, Nedbank Group.

The Board would like to thank Gugu and Ndumi for their contribution and wish them well in their future endeavours.

PROSPECTS

The short- to medium-term outlook for the country is concerning. While the President's commitment to growing the economy and enhancing governance is commendable, only meaningful actions and evidence of transformational reforms will lead to an improvement in business and consumer confidence and hopefully in time, increased investment by the public and private sectors.

In the interim, there is little to indicate that meaningful economic growth is imminent, and in that light, we anticipate discretionary spend to remain constrained. Unresolved socio-political issues and general uncertainty will also continue to impact negatively on consumer sentiment.

COMMENTARY *continued*

At the upper end of the LSM spectrum, where the flight of capital is an incontrovertible trend, there has been a marked decline in investment recently, evidenced by the slowdown in Italtile Retail's sales post year-end. However, a home is an ambition for most South Africans, and as a nation we are proud homeowners who invest significantly in this primary asset. It is our view therefore, that while middle and lower LSM consumers are worse off than ever before, they will acclimatise to sustained financial hardship as the new norm. The likelihood though, is that when they do shop, the frequency will be less and the spend value lower; it is therefore our challenge and goal to ensure that our offering is their first choice.

Despite the very testing operating environment, we remain optimistic that those factors within our own control provide prospects for growth. We derive significant confidence from the Group's strong 50-year track record and the business model which has proved to be resilient and robust over the past five decades. The company has weathered difficult times in its history, and we are certain that the experience will stand us in good stead.

We have identified our priorities for the year ahead which include the following imperatives:

- focus on sales growth, particularly in the tile category. Opportunities exist in terms of price, service, presentation and fashion, and we are confident that there is potential to gain market share;
- continue to prioritise the shopping experience through entrenching retail excellence

principles with specific focus on sales execution;

- advance the store roll out and revamp programme. Our target is to open another 15 stores across our retail brands in the new financial year;
- continue to develop disruptive marketing campaigns;
- roll out the U-Light offering, contingent on the success of the pilot venture and the brand's potential for scalability;
- leverage improvements made in the HR function to develop and optimise a people pipeline which will support growth in the business;
- improve the Group's BBBEE status to level 5 from level 6;
- entrench working capital and cash management as core disciplines;
- prioritise better stockturn and product mix through better implementation of BOP and use of analytics;
- focus on improving manufacturing efficiencies and reducing waste, in light of decreased capacity utilisation at the factories which will impact on profitability;
- bed down supply chain efficiencies and leverage opportunities in our logistics and distribution functions; and
- drive overall productivity to become more competitive.

Management is satisfied that we have the appropriate team and strategies in place to deliver on the aforementioned imperatives and will endeavour to meet the expectations of our broad range of stakeholders.

OUTLOOK

We anticipate that the Group will deliver growth for the full year. Given the high base effect, we expect that growth in the first half is likely to be lower than growth in the second half of the year.

SUBSEQUENT EVENTS

No events have occurred subsequent to the reporting period that require any additional disclosures or adjustments.

ORDINARY CASH DIVIDEND

The Board has declared a final gross ordinary cash dividend of 19,0 cents per share (2018: 21,0 cents per share), which together with the interim gross ordinary cash dividend of 22,0 cents per share (2018: 17,0 cents per share), produces a total gross ordinary cash dividend declared for the year ended 30 June 2019 of 41,0 cents per share (2018: 38,0 cents per share), an increase of 8%.

The dividend cover remains at two-and-a-half times.

SPECIAL DIVIDEND

In light of the Group's strong cash generative nature and cash reserves being in excess of operational requirements, the Board has declared a special cash dividend in celebration of 50 years, of 50,0 cents per share (2018: 30,0 cents per share).

Italtile is in the process of obtaining the relevant South African Reserve Bank approval in respect of the special dividend, and the Board has reasonably concluded that the Company will satisfy the solvency and liquidity test

immediately after distribution thereof and for the next 12 months.

DIVIDEND ANNOUNCEMENT

The Board has declared a final gross ordinary cash dividend (number 106) and a special cash dividend (number 6) for the year ended 30 June 2019 of 19,0 cents per ordinary share and 50,0 cents per ordinary share, respectively, to all shareholders recorded in the books of Italtile as at the record date of Friday, 13 September 2019.

In accordance with paragraphs 11.17(a)(i) to (x) and 11.17(c) of the Listings Requirements of the JSE ("JSE Listings Requirements"), the following additional information is provided:

- The dividends have been declared out of income reserves.
- The local dividend withholding tax rate is 20% (twenty percent).
- The gross local ordinary dividend amount is 19,0 cents per share for shareholders exempt from the dividends tax.
- The net local ordinary dividend amount is 15,2 cents per share for shareholders liable to pay the dividends tax.
- The local ordinary dividend withholding tax amount is 3,8 cents per share for shareholders liable to pay the dividends tax.
- The gross local special dividend amount is 50,0 cents per share for shareholders exempt from the dividends tax.
- The net local special dividend amount is 40,0 cents per share for shareholders liable to pay the dividends tax.
- The local special dividend withholding tax amount is 10,0 cents per share for shareholders liable to pay the dividends tax.

COMMENTARY *continued*

- Italtile's income tax reference number is 9050182717.
- The Group has 1 295 254 148 shares in issue including 10 451 786 shares held by the Italtile Share Incentive Trust and 60 818 201 shares held as BEE treasury shares and 3 369 062 shares held by Italtile Ceramics Proprietary Limited ("Italtile Ceramics").

TIMETABLE FOR CASH DIVIDEND

The cash dividend timetable is structured as follows: the last day to trade cum dividend in order to participate in the dividend will be Tuesday, 10 September 2019. The shares will commence trading ex-dividend from the commencement of business on Wednesday, 11 September 2019 and the record date will be Friday, 13 September 2019. The dividend will be paid on Monday, 16 September 2019. Share certificates may not be rematerialised or dematerialised between Wednesday, 11 September 2019 and Friday, 13 September 2019, both days inclusive.

This full long form announcement is available at <https://senspdf.jse.co.za/documents/2019/JSE/ISSE/ITE/YE19.pdf> and on Italtile's website at <https://www.italtile.com>. The short-form announcement was published on SENS on 22 August 2019 and is also available on Italtile's website at <https://www.italtile.com>.

Both the short-form and full announcement are also available for inspection at the registered offices of Italtile and its sponsor, Merchantec Capital, during business hours, and copies

may be obtained at no cost on request from the Company Secretary who is contactable on +27 11 882 8200 or lizwillis@ejaysecretarial.co.za.

For and on behalf of the Board

J N Potgieter

Chief Executive Officer

T T A Mhlanga

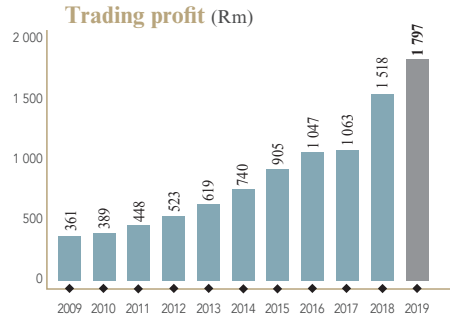
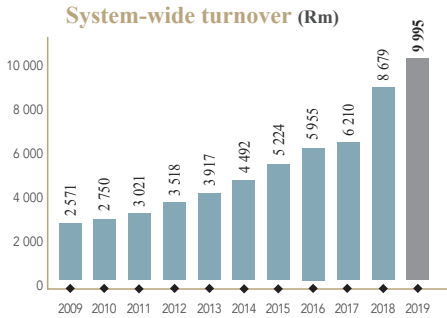
Executive Director: Group Finance and Administration

No forward looking statements in this announcement have been reviewed or reported on by the Group's auditors.

The condensed Group results announcement for the year ended 30 June 2019 has been reviewed by Ernst & Young Inc. ("EY"). EY's unmodified review conclusion does not necessarily report on all of the information contained in this condensed Group results announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of EY's unmodified review opinion together with the accompanying financial information from the Company Secretary at the Company's registered office.

Johannesburg

21 August 2019



SYSTEM-WIDE TURNOVER ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2019

	% increase	(Rand millions unless otherwise stated)	
		Reviewed year to 30 June 2019	Reviewed year to 30 June 2018
Group and franchised turnover			
– By Group-owned stores and entities	15	6 975	6 064
– By franchise-owned stores (unaudited)	15	3 020	2 615
Total	15	9 995	8 679

STORE NETWORK

AT 30 JUNE 2019

Region	2019			2018		
	Franchise	Other	Total	Franchise	Other	Total
South Africa						
– Italtile	–	13*	13*	–	12*	12*
– CTM	38	34*	72*	34	35*	69*
– TopT	66	16*	82*	54	22	76
– U-Light	–	1	1	–	–	–
Rest of Africa						
– CTM	5	15*	20*	9*	9*	18*
– TopT	1	–	1*	1	–	1
	110	79*	189*	98*	78*	176*

*Includes webstore.

Note: During the year, 17 new stores were opened and four stores were closed.

CONDENSED GROUP STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		(Rand millions unless otherwise stated)	
		Reviewed year to 30 June 2019	Reviewed year to 30 June 2018
	% increase		
Turnover	15	6 975	6 064
Cost of sales		(4 361)	(3 736)
Gross profit	12	2 614	2 328
Other operating income		511	417
Operating expenses		(1 342)	(1 227)
Profit on sale of property, plant and equipment		14	#
Trading profit	18	1 797	1 518
Finance income		71	61
Finance costs		(52)	(35)
Profit from associates – after tax		3	31
Profit before taxation	15	1 819	1 575
Taxation		(500)	(429)
Profit for the year	15	1 319	1 146
Other comprehensive income			
<i>Items that may be re-classified subsequently to profit or loss:</i>			
Foreign currency translation difference		(16)	(29)
<i>Items that have been reclassified subsequently to profit or loss:</i>			
Other comprehensive income from associates		–	4
Total comprehensive income for the year	16	1 303	1 121
Profit attributable to:			
– Equity shareholders		1 253	1 080
– Non-controlling interests		66	66
	15	1 319	1 146
Total comprehensive income attributable to:			
– Equity shareholders		1 237	1 055
– Non-controlling interests		66	66
	16	1 303	1 121
Earnings per share (all figures in cents):			
– Earnings per share	8	102,6	95,0
– Diluted earnings per share	8	102,0	94,6

#Less than R1 million.

CONDENSED GROUP STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	(Rand millions unless otherwise stated)	
	Reviewed year to 30 June 2019	Reviewed year to 30 June 2018
ASSETS		
Non-current assets	4 472	3 872
Property, plant and equipment	3 942	3 675
Right-of-use assets	303	–
Investments in associates	26	23
Long-term assets	160	149
Goodwill	19	11
Deferred taxation	22	14
Current assets	2 953	2 455
Inventories	857	806
Trade and other receivables	850	942
Cash and cash equivalents	1 201	679
Taxation receivable	45	28
Total assets	7 425	6 327
EQUITY AND LIABILITIES		
Share capital and reserves	5 858	5 525
Stated capital	4 010	4 010
Non-distributable reserves	(28)	(12)
Treasury shares	(497)	(477)
Share option reserve	220	183
Retained earnings	1 902	1 575
Non-controlling interests	251	246
Non-current liabilities	923	132
Interest-bearing loans	500	–
Lease liabilities	257	–
Deferred taxation	166	132
Current liabilities	644	670
Trade and other payables	464	534
Provisions	121	114
Interest-bearing loans	3	–
Lease liabilities	44	–
Taxation	12	22
Total equity and liabilities	7 425	6 327
Net asset value per share (cents)	480	486

CONDENSED GROUP STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	(Rand millions unless otherwise stated)							
	Stated capital	Non-distributable reserves	Treasury shares	Share option reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 30 June 2017	818	13	(436)	88	3 230	3 713	60	3 773
Profit for the year					1 080	1 080	66	1 146
Other comprehensive income for the year		(25)				(25)		(25)
Total comprehensive income for the year	–	(25)	–	–	1 080	1 055	66	1 121
Proceeds from Rights Offer	1 565		(20)			1 545		1 545
Acquisition of interest in subsidiaries	1 924			88	(2 610)	(598)	129	(469)
Share repurchase from Four Arrows	(297)		161		6	(130)		(130)
Distribution received from Ceramic Foundation			(158)		158			–
Dividends paid					(339)	(339)	(21)	(360)
Transactions with non-controlling interests						–	12	12
Share incentive costs (including vesting)			(24)	7	50	33		33
Balance at 30 June 2018	4 010	(12)	(477)	183	1 575	5 279	246	5 525
Effect of adoption of new accounting standards	–	–	–	–	(29)	(29)	–	(29)
Profit for the year					1 253	1 253	66	1 319
Other comprehensive income for the year		(16)				(16)		(16)
Total comprehensive income for the year	–	(16)	–	–	1 253	1 237	66	1 303
Repurchase of own shares			(46)			(46)		(46)
Dividends paid					(899)	(899)	(42)	(941)
Transactions with non-controlling interests					(6)	(6)	(19)	(25)
Share incentive costs (including vesting)			26	37	8	71		71
Balance at 30 June 2019	4 010	(28)	(497)	220	1 902	5 607	251	5 858

CONDENSED GROUP CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	(Rand millions unless otherwise stated)	
	Reviewed year to 30 June 2019	Reviewed year to 30 June 2018
Cash generated by operations	2 114	1 748
Finance income	71	61
Finance costs	(31)	(35)
Dividends paid	(941)	(360)
Taxation	(539)	(435)
Cash flow from operating activities	674	979
Additions to property, plant and equipment	(622)	(669)
Proceeds on disposal of property, plant and equipment	95	11
Increase in investments	–	33
(Decrease)/increase in long-term financial assets	(38)	27
Purchase of interest in subsidiaries	(28)	–
Net cash flow from acquisition of subsidiary	–	(1 602)
Cash flow from investing activities	(593)	(2 200)
Proceeds of share Rights Offer	–	1 565
Increase in loans and borrowings	503	–
Purchase of interest in subsidiary	(16)	–
Treasury share movements	(46)	(176)
Cash flow from financing activities	441	1 389
Net movement in cash and cash equivalents for the year	522	168
Cash and cash equivalents at the beginning of the year	679	511
Cash and cash equivalents at the end of the year	1 201	679

SEGMENTAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

(Rand millions unless otherwise stated)

2019	Retail	Manu- facturing*	Supply and Support Services*	Franchising
Turnover	3 185	4 082	1 901	–
– From external customers*	3 185	3 122	668	–
– Intersegment	–	960	1 233	–
Turnover from franchise stores	3 020			
Achieved gross margin	1 155	1 043	186	–
Depreciation	(60)	(192)	(20)	#
Profit on sale of property, plant and equipment	–	1	1	–
Trading profit	333	607	264	281
Finance income	9	29	47	#
Finance costs	–	(5)	(13)	–
Income from associates	–	–	–	–
Profit before taxation	342	631	298	281

* Turnover from external customers includes sales to franchise stores.

Less than R1 million.

Note: The results have been impacted by IFRS 16. Refer to Note 1.

(Rand millions unless otherwise stated)

2018	Retail	Manu- facturing*	Supply and Support Services*	Franchising
Turnover	3 213	2 994	1 871	–
– From external customers*	3 213	2 199	652	–
– Intersegment	–	795	1 219	–
Turnover from franchise stores	2 615			
Achieved gross margin	1 160	795	179	–
Depreciation	(72)	(135)	(19)	#
Profit on sale of properties	–	#	–	–
Trading profit	318	475	260	233
Finance income	8	14	107	–
Finance costs	–	#	(78)	–
Income from associates	–	–	–	–
Profit before taxation	325	489	289	233

* Turnover from external customers includes sales to franchise stores.

Less than R1 million.

Properties	Associates	Consolidation and adjustments	Total
–	–	(2 193)	6 975
–	–	–	6 975
–	–	(2 193)	–
		(3 020)	–
–	–	188	2 572
(72)	–	–	(344)
12	–	–	14
308	–	4	1 797
13	–	(27)	71
(61)	–	27	(52)
–	3	–	3
260	3	4	1 819

Properties	Associates	Consolidation and adjustments	Total
–	–	(2 014)	6 064
–	–	–	6 064
–	–	(2 014)	–
		(2 615)	–
–	–	109	2 243
(26)	–	–	(252)
–	–	–	#
254	–	(22)	1 518
8	–	(76)	61
(33)	–	76	(35)
–	31	–	31
230	31	(22)	1 575

GEOGRAPHICAL ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2019

	(Rand millions unless otherwise stated)				
	South Africa	Rest of Africa	Australia	Inter-group entries	Group
Reviewed year to 30 June 2019					
Turnover	8 131	561	476	(2 193)	6 975
Non-current assets	4 915	232	235	(932)	4 450
Audited year to 30 June 2018					
Turnover	7 284	445	349	(2 014)	6 064
Non-current assets	4 333	170	219	(865)	3 857

NOTES

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY

Basis of preparation

The preliminary condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. These results have been prepared under the supervision of Executive Director: Group Finance and Administration.

New standards, interpretations and amendments adopted

The accounting policies adopted in the preparation of these preliminary condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018, except for the adoption of new standards effective as of 1 January 2018. The Group has elected to early adopt International Financial Reporting Standards ("IFRS") 16 Leases which has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has elected to apply the standard using the modified retrospective approach.

The Group assessed its financial assets and liabilities and based their classification and measurement on the business model of the Group and on the cash flows associated with each asset and liability. This resulted in a change in the classification of financial assets, but the measurement thereof remained the same. Therefore the application of this standard did not have a quantitative impact on the Group's opening retained earnings and reported results and cash flows for the year ended 30 June 2019 and the financial position of the Group.

IFRS 15 Revenue from Contracts with Customers

The standard is effective for accounting periods beginning on or after 1 January 2018 and was adopted by the Group on 1 July 2018. The Group elected to apply the modified retrospective approach. A key area has been the clarity provided on the treatment of 'bill and hold' arrangements which are in use within the Group. The manner in which we will account for these sales will not be different under IFRS 15 when compared to IAS 18. The process that we have in place for these sales ensures that we meet the additional criteria contained in paragraph B81 of IFRS 15 that need to be met in order for the customer to have obtained control in a 'bill and hold' arrangement.

The application of this standard did not have a significant impact on the opening retained earnings, reported results, cash flows for the year ended 30 June 2019 and the financial position of the Group.

NOTES continued

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY continued

New standards, interpretations and amendments adopted continued

IFRS 16 Leases

The Group has opted for the early adoption of IFRS 16 Leases using the modified retrospective approach by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 July 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 Leases and related interpretations. The Group has elected not to recognise deferred tax on IFRS 16 balances.

The Group has elected to use the exemptions applicable to the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment that are considered of low value. During 2018, the Group performed a detailed impact assessment of IFRS 16. As at 30 June 2019, the Group had 87 property leases and 107 non-property leases.

The effect of adopting IFRS 16 is as follows:

Impact on the statement of financial position as at the transition date of 1 July 2018:

	R million
Assets	
Right-of-use assets	192
Liabilities	
Lease liabilities	221
Net impact on equity	(29)

Lease premiums of R39 million have been reclassified from long-term assets to right-of-use assets. These premiums, however, have not been included in the above breakdown.

Impact on the statement of comprehensive income as at 30 June 2019:

	R million
Increase in depreciation expense (included in operating expenses)	58
Decrease in operating lease expense	(68)
Increase in trading profit	10
Increase in finance costs	(21)
Profit for the year	(11)

Due to the adoption of IFRS 16, the Group's trading profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

2. COMMITMENTS AND CONTINGENCIES

There are no material contingent assets or liabilities at 30 June 2019.

	(Rand millions)	
	30 June 2019	30 June 2018
Capital commitments		
– Contracted	339	491
– Authorised but not contracted for	149	294
Total	488	785

3. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group does not fair value its financial assets or liabilities in accordance with quoted prices in active markets or market observables as there is no difference between their fair value and carrying value due to the short-term nature of these items, and/or existing terms are equivalent to market observables. There were no transfers into or out of Level 3 during the year.

4. CEDAR POINT TRADING 326 PROPRIETARY LIMITED

The Group acquired a 10% non-controlling stake in Cedar Point Trading 326 Proprietary Limited at the end of August 2018, held by the previous business partner, at a cost of R15,7 million and this increased the Group's interest in this entity to 100%.

NOTES continued

5. STAFF SHARE SCHEME

During the 2014 financial year, the Group implemented a share incentive scheme for all employees of the Group and its franchisees who had been in the employ of the Group and/or franchise network for a period of three uninterrupted years at each allotment date in August every year from implementation date. As a result, eight million of the Group's shares, net of forfeitures, were held by qualifying staff members at 30 June 2019 (2018: seven million). Until vesting, the shares will continue to be accounted for as treasury shares and have an impact on the diluted weighted average number of shares.

The third allotment of shares in the scheme, granted in 2015, vested on 31 August 2018. A total of 101 employees qualified for the vesting, of which four employees opted to retain the shares and the balance received the net value of the awards in cash. This resulted in a decrease in treasury shares of 1 044 139 (2018: 1 468 409) shares.

The scheme is classified as an equity-settled scheme in terms of IFRS 2, Share-based Payment, and has resulted in a charge of R18 million (2018: R16 million) to the Group's income; R9 million (2018: R9 million) of this charge is a once-off accelerated expense for franchise staff.

6. EARNINGS PER SHARE

	Reviewed year to 30 June 2019	Audited year to 30 June 2018
Reconciliation of shares in issue (all figures in millions):		
– Total number of shares issued	1 295	1 295
– Shares held by Share Incentive Trust	(12)	(12)
– BEE treasury shares	(62)	(62)
Shares in issue to external parties	1 221	1 221
Reconciliation of share numbers used for earnings per share calculations (all figures in millions):		
Weighted average number of shares	1 222	1 133
Weighting of Rights Offer bonus element	–	3
Weighted average number of shares*	1 222	1 136
– Dilution effect of share awards	4	5
Diluted weighted average number of shares	1 226	1 141
Reconciliation of headline earnings (Rand millions):		
– Profit attributable to equity shareholders	1 253	1 080
– Profit on sale of property, plant and equipment – after taxation	(10)	#
Headline earnings	1 243	1 080
Headline EPS (cents)	101,8	95,0
Diluted headline EPS (cents)	101,3	94,6

Less than R1 million.

* The weighted average number of shares has been adjusted in accordance with IAS 33 Earning per Share, to account for the deemed bonus element inherent in the Rights Offer.

No adjustments to earnings are required for diluted earning per share calculations, as the share awards do not have an impact on diluted earnings.

7. DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

	(Rand millions)	
	Reviewed year to 30 June 2019	Audited year to 30 June 2018
Turnover [#]	6 975	6 064
Royalty income from franchising [*]	152	134
Other franchise income [*]	94	74
	7 221	6 272

[#] Turnover represents net revenue from sale of goods, excluding value added tax and inter-company sales.

^{*} Franchise income has been disaggregated from other operating income and comparatives have been reclassified accordingly.

8. EVENTS AFTER REPORTING DATE

The directors are not aware of any matters or circumstances arising since the end of the reporting period which significantly affect the financial position at 30 June 2019 or the results of its operations or cash flow for the year then ended.

ADMINISTRATION

ITALTILE LIMITED

Share code: ITE ISIN: ZAE000099123

Registration number: 1955/000558/06

Incorporated in the Republic of South Africa

("Italtile" or "the Group" or "the Company")

Registered office

The Italtile Building
corner William Nicol Drive and Peter Place
Bryanston (PO Box 1689, Randburg 2125)

Transfer secretaries

Computershare Investor Services Proprietary Limited

Company Secretary

E J Willis

Sponsor

Merchantec Capital

Auditor

Ernst & Young Inc.

DIRECTORS

Executive directors

J N Potgieter (Chief Executive Officer), B G Wood (Executive Director: Retail),

T T A Mhlanga (Executive Director: Finance and Administration)

Non-executive directors

G A M Ravazzotti (Non-executive Chairman), L R Langenhoven (Non-executive Deputy Chairman),

S M du Toit, N Medupe, G Mtetwa, S G Pretorius, N P Khoza, Z Nyanga

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