ITALTILE LIMITED

2022

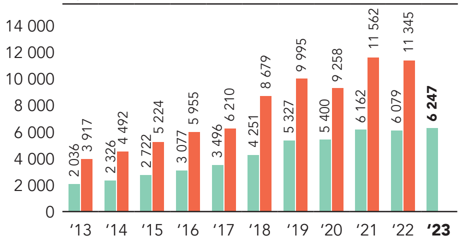
REVIEWED CONDENSED GROUP RESULTS

for the six months ended 31 December 2022, dividend declaration and changes to the Board

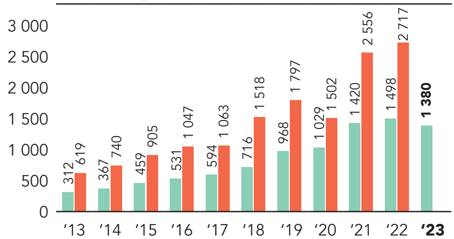
Financial highlights

▲ 3% System-wide turnover **R6,2 billion** 2021: R6,1 billion	▼ 8% Trading profit **R1,4 billion** 2021: R1,5 billion	▼ 5% Earnings per share **79,5 cents** 2021: 84,0 cents	▼ 6% Headline earnings per share **79,2 cents** 2021: 83,9 cents
▲ 51% Net cash **R0,8 billion** 2021: R0,5 billion	▼ 6% Ordinary dividend per share **32,0 cents** 2021: 34,0 cents	▲ 14% Net asset value per share **620,6 cents** 2021: 543,5 cents	▲ 1% Store network **214** June 2022: 211 December 2021: 209

System-wide turnover (Rm)



Trading profit (Rm)



Commentary

Overview

Founded in 1969, Italtile Limited is a Proudly South African manufacturer, franchisor and retailer of tiles, bathroomware and other related home-finishing products. The Group's retail brands are CTM, Italtile Retail, TopT and U-Light, represented through a total network of 214 stores, including six online webstores. The brand offerings target homeowners across the Living Standards Measure 4 to 10 categories.

The retail operation is strategically supported by a vertically integrated supply chain, comprising key manufacturers and import operations and an extensive property portfolio. The manufacturers are Ceramic Industries Proprietary Limited ("Ceramic") and Ezee Tile Adhesive Manufacturers Proprietary Limited ("Ezee Tile"). The import businesses are Cedar Point, International Tap Distributors ("ITD") and Durban Distribution Centre ("DC").

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

TRADING ENVIRONMENT

During the review period, homeowners' disposable income remained under severe pressure due to rising basic living costs, specifically transport and food expenses, and sustained interest rate increases. Activity in home renovation continued to decline from the peak experienced during the pandemic, with affordability reduced due to higher product and building costs. The generally adverse social and political environment weighed further on sentiment, influencing uncertain consumers to defer or scale down on renovation and new build projects.

Inflation-driven input costs placed significant pressure on the business, which experienced material increases in the cost of fuel, imported raw materials and equipment maintenance, and property related expenses.

While the Group implements extensive mitigation measures, including load curtailment agreements and back-up power generation for its factories, unprecedented load shedding and failure of state energy infrastructure disrupted the manufacturing and retail operations, impacting on sales, productivity and profitability. Notwithstanding most of our stores' ability to trade through load shedding, anecdotal evidence indicates that consumer sentiment to the shopping experience is negatively affected during down times, often exacerbated by severe traffic congestion in suburban areas around the stores.

Given the prospect of ongoing load shedding for the foreseeable future, it is also likely that consumers are diverting already constrained disposable income away from home improvement projects to alternative energy solutions.

Pandemic-related supply chain disruptions have largely been resolved, while global shipping costs have declined as shipping constraints ease. These factors have resulted in a reduction in the cost of imported product, which has increased competition and driven margin pressure across the industry as companies sought to liquidate stock to buy market share and ease cashflow pressure. Disruptions are still being experienced at local ports.

CONSUMER TRENDS

Foot traffic and transaction numbers across the industry have declined to lower levels than pre-pandemic, which is largely a function of difficult economic conditions and unwinding of the pandemic-related home improvement boom. The Group continued its efforts and investment to enhance the seamless, personalised digital experience for our customers in support of continuing growth of global omni-channel markets.

The Group was acutely aware of affordability of our products for our customers during the review period. In the context of finite disposable income, consumers are increasingly cost-conscious, and this is reflected by a marked responsiveness to promotions and deals, as well as the trend to buy-down. This trend is particularly evident in ancillary categories such as brassware, adhesives and sanitaryware, and the Group focused on ensuring optimal price laddering and product mix to satisfy customers' expectations.

RESULTS

In this testing trading environment, management prioritised the growth levers in the business over which the Group has control and influence, being: constant innovation and investment in delivering an unsurpassed shopping experience for our customers through range, fashion, price and service; improved productivity; emphasis on cost leadership; and partnerships with our people.

The results reported for the review period are attributable to the following factors, which contributed to alleviating the adversities outlined and supported sales growth:

- the Group's robust business model, specifically the local integrated supply chain, which facilitated stability in retail pricing and availability of a wide range of products, and the strategically structured brand portfolio, which affords a quality-value offering in the difficult economic environment;
- four store openings, including one CTM store in Zambia, and advancement of our store revamp programme;
- our ethos of partnership and profit-sharing with our people, which incentivises them to participate in the success of the business;
- a key focus has been on outcomes-based training, the results of which are starting to become evident in the stores through stronger leadership and improved customer service;
- with restrictions lifted, international travel has resumed and our specialist procurement teams have had opportunities to seek out new leading fashion products and suppliers, enabling us to deliver a carefully curated, differentiated and aspirational range for our customers; and
- the Group's high performance culture, which continues to serve us well.

Total system-wide turnover increased 3% to R6,2 billion (2021: R6,1 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 and manufacturing business to corporate stores) and the retail turnover of Group franchisees.

Revenue from Group-owned stores and entities grew 3% to R5,0 billion (2021: R4,8 billion).

Retail store turnover rose 2,4% compared to the prior corresponding period. Like-for-like retail store turnover (excluding sales of stores opened and closed during the current and corresponding period) increased by 0,9% in the review period. The retail division's results are creditable, given that the prior period base included some benefit derived from the pandemic-driven home improvement boom. Lower sales volumes were offset by price inflation of 7% (2021: 8%). Retail store turnover is defined as the aggregate turnover of all stores, both corporate and franchised, in the Group's retail network.

Combined manufacturing sales, including Ceramic and Ezee Tile, increased by 6,2% in the review period. Average selling price inflation across the operations is estimated at 7% (2021: 6%).

The import businesses, Cedar Point, ITD and DC, grew sales by 3,4% compared to the previous corresponding period. Average selling price inflation is estimated at 11% (2021: 10%).

The Group's trading profit for the period declined 8% to R1,4 billion (2021: R1,5 billion).

Like-for-like operating cost growth was 9%. Manpower costs were well managed due to improvements in productivity efficiencies, although significant cost pressures were experienced in logistics and property costs, given increases in fuel prices and utility costs. Furthermore, an increase in stock control costs, particularly related to store revamps, and depreciation, following extensive capital projects in prior periods, also drove up operating costs. In the period ahead, we will target reducing stock control costs and improving logistics costs throughout the business, while maintaining a focus on productivity.

Intense margin pressure persisted over the review period, exacerbated by lower demand and load shedding. The aggregated gross margin across the Group declined by 1,6% compared to the prior corresponding period. Differing margins in the various business units reflect margin absorption in the integrated supply chain (both manufacturers and importers) to support our price-sensitive customers.

For the review period, basic earnings per share ("EPS") decreased by 5,4% to 79,5 cents (2021: 84,0 cents), while basic headline earnings per share ("HEPS") decreased by 5,6% to 79,2 cents (2021: 83,9 cents). The small disparity between EPS and HEPS is attributable to profits realised on disposal of property, plant and equipment during the review period.

The consolidated inventory value was R1,4 billion (2021: R1,01 billion) reflecting the strategic decision to retain higher than historical levels of raw materials and business-critical in-demand stock to serve as cover against supply chain delays and pricing volatility. Following the relative normalisation of shipping costs and global supply chain activities, inventory will be reduced over the remainder of the current financial year.

During the review period, capital expenditure of R412 million (2021: R527 million) was incurred on completing long-standing large-scale projects, including Betta's automated warehouse and the construction of Ezee Tile's new Vulcania plant, as well as commencing the Vitro factory's production line upgrade, and construction of the Group's new multi-brand retail node in Walmer, Gqeberha.

At 31 December 2022, the Group's cash balance was R830 million (2021: R548 million). Material cash outflows for the period include:

- capital expenditure of R412 million (2021: R527 million);
- tax payments of R362 million (2021: R391 million);
- repurchase of shares held by Four Arrows Investments 256 Proprietary Limited to the value of R77 million. Shareholders are referred to the detailed announcement published on SENS on 15 December 2022; and
- dividend payments of R370 million (2021: R959 million, which included a special dividend).

The Group's net asset value per share at the end of the review period was 621 cents (2021: 543 cents).

DIVISIONAL REVIEW

RETAIL BRANDS: STORES

Delivering highly fashionable product is a key driver of our business, and we conduct extensive global research to stay close to trends to ensure we meet the desires and expectations of our customers for a beautiful home.

Large format tiles remained the cornerstone of the fashionable floor covering segment, validating our investment in technology and plants that manufacture these products that compete favourably with international offerings.

CTM

CTM, a well-loved household name in the local home-improvement market, will celebrate its milestone 40th anniversary this year.

The brand's target mass middle market segment became increasingly competitive over the period as general economic conditions started to impact harder on consumers' already reduced disposable income, and high levels of inventory across the industry drove operators to cut margins in a bid to win market share.

In this context, management's priority focus was on improving the shopping experience to retain existing customers and inspire new customers, by differentiating the offering from competitors.

The store revamp programme continued and most of the Company-owned stores have now been converted to the Millennial generation format. In this regard, lower capital expenditure has been budgeted for the period ahead.

Trading results from the recently opened store in Lusaka, Zambia, are positive and it is hoped that this promising start will gain momentum. As a region, the Group's East Africa stores performed strongly and the Group will continue to cautiously roll out the footprint in proven markets in the region.

In the forthcoming six months there are opportunities to enhance pre-retailing initiatives, which will increase productivity in-store. Focus will also be on gaining market share while reducing inventory.

CTM is represented by 74 stores in South Africa and 26 in the rest of Africa. The brand plans to open one store in the forthcoming six months.

Italtile Retail

This brand's premium-end offering occupies a unique position in the local market, which is maintained through careful custodianship of its range of fashionable, world-class quality products.

The national footprint comprises 14 stores, and the brand also has one store in Gaborone, Botswana. The flagship Boksburg store, which was opened at the Group's multi-brand retail node in Gauteng in August 2022, is performing to expectation.

The Commercial Projects division reported increased activity in its market segment. New build projects commissioned during the period included residential properties, medical facilities and warehouses, while renovation projects were completed in shopping centres. This renewed activity in the development market is encouraging, and management is optimistic that the division's performance will continue to gain traction.

TopT

Onerous increases in basic living costs, including food and transport, had a particularly severe impact on TopT's market segment, much of which is dependent on social relief of distress grants and heavily impacted by fuel and food inflation.

The business reported sales and profits in line with the prior comparable period, which is satisfactory, given the high prior-period base and the financial hardship experienced by customers. Improvements were also made in the average basket value and in-store productivity levels. The strategy to centralise procurement, planning and logistics in order to free up operators to focus on enhancing the customer shopping experience continued to deliver good results, with better ranges, displays and levels of in-stocks in the stores. Elements of the brand's new look-and-feel were selectively rolled out to stores, exercising caution to contain costs in the current economic climate.

TopT's enormously popular Woza Ekhaya – Win a Home competition celebrated its second year, with a TopT customer winning a free home in Limpopo. This competition resonates well with TopT's customers who recognise the role of the brand in the community.

During the six months under review, four stores were opened. Additional stores will be rolled out in proven markets.

Commentary continued

U-Light
While the business progressed closer to break-even, it continued to fall short of management's targets and remains the subject of critical review. One franchised store closed during the period. U-Light is currently represented by three Company-owned and three franchised stores.

WEBSTORES
The Group operates six webstores, one each for Italtile Retail, TopT and U-Light, and three for CTM's markets in South Africa, Tanzania and Kenya. CTM Botswana's webstore will be launched in February 2023.

Google statistics confirm that during the pandemic, online searches for tiles and related categories increased exponentially on a global basis. Over the past year, however, with the reopening of brick-and-mortar stores, this trend has unwound, resulting in online research declining to lower than pre-pandemic levels. We continue to invest in developing and enhancing the Group's online capability to grow the contribution of this sales platform and provide our customers with a differentiated, personal experience in this competitive market segment.

INTEGRATED SUPPLY CHAIN: MANUFACTURERS
Weaker demand, steep inflationary costs and production inefficiencies impacted adversely on the manufacturing operations of Ceramic and Ezee Tile during the reporting period, constraining sales, profit and margin growth. The combined manufacturing business contributed approximately 37% to total profit before tax, and therefore, the poor results reported by these entities had a severe impact on the Group's performance for the six months under review.

Ceramic Industries
This business has significant strategic advantage for the Group given that one out of every two tiles, baths and toilets purchased in South Africa are manufactured by Ceramic.

The review period proved particularly difficult for Ceramic, featuring subdued market demand, severe cost pressures and poor efficiencies.

Supply chain disruptions impacted on availability of spare parts and glaze raw materials for a small number of specific products during the review period. Corrective action has been put in place to increase inventory of these items.

Reduced sales across the industry necessitated curtailed production at reduced capacity in the wall tile and sanitaryware factories for short intervals in the period. Power interruptions due to external infrastructure failures also contributed to lower production volumes. Ceramic is a volume-driven business flourishing at full-capacity utilisation and the soft demand and sub-optimal capacity utilisation had a significant impact on efficiencies, productivity and costs.

During the period, input costs increased substantially. Cost pressure was experienced specifically in imported raw materials, imported equipment spares and fuel (primarily diesel, although gas costs also rose steeply in the Australian operation), which drove up costs of inbound and outbound transport, generators and mining operations.

Load shedding and power interruptions continued to impact on yields, and resulted in high levels of waste and damage to equipment. Increased downtime and reduced productivity also negatively affected timeous delivery of product to customers, causing lost sales opportunities in both manufacturing and retail operations.

Bedding down new-format technology at the Samca+ operation took longer than anticipated and the plant only reached capacity utilisation in line with specification late in the review period. Given strong demand for the new EcoTec product manufactured by this plant, management is optimistic that once Samca+ attains its benchmarks, it has the potential to be a leader in the market.

Key personnel and skills shortages remain a challenge in the South African operations and while management's goal is to operate as leanly as possible, we are cognisant that depth of cover is essential for business continuity. A succession pipeline has been prioritised, and recruitment and development are a focus.

Management is confident that there are opportunities within the business that can be leveraged to improve productivity, efficiencies, profits and margins. However, in the current testing economic climate featuring subdued demand, sustained price inflation, and ongoing – and possibly more severe – load shedding, it is likely that profitability and margins will remain under pressure.

Betta sanitaryware
Final racking and automation installation were completed at Betta's new warehouse by the end of the review period, and commissioning of the facility commenced in January 2023. The warehouse will substantially improve stock management and other efficiencies, and facilitate expansion of the customer base. It will also enable Ceramic to build capacity at the existing sanitaryware manufacturing site to improve production volumes.

Australia
Trading conditions in this market remained difficult during the period under review. Sales declined in the context of weaker demand for building materials due to the backlog of building projects caused by the pandemic and other natural disasters, while interest rate increases subdued homeowner investment sentiment.

Management has implemented measures to mitigate the excessive gas price increases introduced at the end of the prior year.

Design plans for the capacity expansion at the Centaurus factory have been approved and the project will commence once market demand recovers and construction and equipment costs normalise.

Ezee Tile
This business experienced a particularly tumultuous six months, reflected by the decrease in revenue – based on lower demand, and the sharp decline in margin and profits.

While cost-conscious customers continued to support Ezee Tile's high-profile brands, they traded down, buying lower priced products in the range, which impacted adversely on margins. Significant price increases and shortages of raw materials, specifically imported chemical additives that are a key component, were major challenges, while higher fuel prices impacted on the cost of transport and operational costs, particularly sand drying and diesel generators during the unprecedented load shedding experienced.

After extensive delays caused by key suppliers and local authorities, the relocation of Ezee Tile's primary factory to new owned-premises in Vulcania, Gauteng, is underway, and commissioning of the plant has begun. Once-off costs associated with the move, including restructuring and relocation costs, have also impacted on profitability during the review period. The new plant is expected to be in full production by the end of February 2023, which will enable delivery of an improvement in performance and efficiency.

Management is confident that there is a significant upside, including improved efficiencies and expansion opportunities, to be derived from the restructured business.

INTEGRATED SUPPLY CHAIN: IMPORTERS
The three integrated import businesses, Cedar Point, ITD and DC, reported slightly higher sales than the prior comparable period, but lower margins.

Given high levels of stock across the market and subdued local demand, this division absorbed significant margin pressure to support volumes in the retail business.

In the prior comparable period, we noted that high shipping costs and global supply chain disruptions had prompted management to explore local import substitute alternatives. Recently, however, substantially improved shipping rates and lower demand in the Chinese market have driven keen import pricing – a trading environment very similar to the one experienced prior to the pandemic.

This division's challenge in the forthcoming period will be to recover margins while improving sales in the retail division.

ASSOCIATE INVESTMENT

Easylife Kitchens ("ELK")

The Group holds a 30% stake in this leading manufacturer of kitchen, bathroom, vanity, built-in cupboards, bar and storage design. This investment aligns with our goal to provide customers with complete specialist home-finishing solutions.

Both parties continued to extract synergies from this investment. ELK reported good results from its stores that are located on Group sites alongside our retail brands, including the new Boksburg retail node location. ELK also continued manufacturing a small range of import substitute products for the Group's integrated supply chain. The brand has a strong pipeline of prospective franchise locations and is recruiting and training suitable partners.

PROPERTY PORTFOLIO

The Group's property portfolio affords strategic advantage to the retail brand operations by ensuring stores are easily accessible, well presented and maintained, and contribute to an aspirational, aesthetically pleasing shopping experience. The Group's manufacturing operations consist of well-maintained state-of-the-art factories, which are supplied with high quality raw materials sourced from owned productive quarries in close proximity to the plants.

The portfolio's turnover-linked returns were negatively impacted by weaker store sales and increased depreciation during the period. The substantial rise in new store construction costs and higher property-related costs have been identified by management as key areas for review and reduction.

During the period, capex of R128 million was incurred on an ongoing retail property enhancement programme.

SUSTAINABILITY PRIORITIES

The Group's sustainability agenda is underpinned by our practices, properties and product offering, that are designed and managed to limit the Group's carbon footprint, enhance the environment of local communities, and ensure the mental and physical well-being of our people. Our Proudly South African ethic prioritises selling local products manufactured by local people, thereby creating jobs, providing training, and contributing to the economy.

ENERGY PROGRAMME

In the year-end announcement we noted that energy security and consumption would be top of mind for management. The cost of supply and the impact of load shedding and energy infrastructure failure on equipment and productivity, particularly in the manufacturing operations, continues to drive the need for reduced consumption from the national grid. Key developments for the period include:

- the launch of the Group's second entirely off-grid store – CTM Protea Glen in Gauteng. This will serve as a pilot for further stores;
- successful use of domestically extracted liquefied natural gas, supplied by local renewable energy business, Renergen, in Ceramic's operations;
- additional solar capacity commissioned at Ceramic's Gryphon, Samca+ and Samca Wall factories and at Ezee Tile's new facility at Vulcania, Gauteng;
- continued load curtailment agreements in conjunction with Eskom and local municipalities; and
- investigation into implementing an electricity-wheeling arrangement.

Given greater certainty on gas pricing, we will resume work on the Group's feasibility study regarding a Combined Heat and Power programme.

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 seventh allotment of shares, granted in 2019, vested on 31 August 2022. A total of 151 employees qualified, of which two employees opted to receive shares and the balance received the net value of the awards in cash. Cash payments after tax averaged R157 970 per individual (aggregate payments including income tax totalled R35,3 million), funded by the sale of the related shares to the market. The employees who elected to receive shares received on average 10 654 Italtile shares each.

As at 31 December 2022, there were 121 participants in the scheme, holding three million Italtile shares.

Following approval by shareholders at a general meeting of shareholders on 11 November 2022, a new share scheme for staff will be implemented in March 2023. Details related to this new scheme are available in the announcement released on SENS on 14 October 2022 and the Circular distributed to shareholders on 14 October 2022.

BOARD COMPOSITION

With effect from 1 January 2023, independent non-executive director, Ms Alex Mathole, was appointed as a member of the Social and Ethics Committee and the Remuneration Committee, and Mr Brand Pretorius stepped down as a member of the Social and Ethics Committee. Mr Pretorius remains a member of the Audit and Risk, Nominations and Remuneration Committees.

Founder of the Group, Mr Gianni Ravazzotti, has advised that, with effect from 30 June 2023, he will retire from his position as Chairman and assume the role of non-executive director. Ms Luciana Ravazzotti Langenhoven, who has served as Deputy Chairman since 2018, will succeed Mr Ravazzotti as non-executive Chairman. This transition is part of the Group's long-standing succession programme. Mr Ravazzotti will remain active in the business and will continue to entrench the Group's corporate culture through his extensive mentorship and training programmes. The position of Deputy Chairman will fall away.

Ms Ravazzotti Langenhoven joined the Group in 1989 and has over 30 years of experience, having worked in various roles including HR, IT, accounting, sales and marketing in the South African business, and was involved in the research and establishment of Ceramic Industries' Centaurus factory in Australia. She is a non-executive director on the Board of Centaurus Pty Ltd Australia (appointed in 2000) and Chairman of Ceramic Industries (Pty) Ltd in South Africa (appointed to the Board in 2006). Ms Ravazzotti Langenhoven will continue to work closely with the executive team and the Chairman until his retirement at the end of June to ensure a seamless transition.

The Board and management would like to thank Mr Ravazzotti for his invaluable contribution as Chairman. We are grateful that he will continue to share his expertise and experience with us in his role as non-executive director.

PROSPECTS

In the period ahead, management's focus will be centred on the growth levers outlined below.

Retail

- Continue to develop and grow effective store operators.
- Gain market share by continuously improving the shopping experience and differentiating our offering from our peers.
- Instilling retail excellence disciplines at all customer touchpoints: better service, good value, fashionable aspirational products and beautiful presentation.
- Improve efficiencies in light of input cost pressure.
- Open the new multi-brand retail node in Walmer in the fourth quarter of the current financial year.
- Continued improvement of CTM's East Africa division, complemented by the opening of a store in Nakuru, Kenya.

Supply chain importers

- We will pursue opportunities to improve margins through keener procurement. With the re-opening of global markets, surfeit of stock worldwide and weak international demand, we are optimistic that we can continue to meet our customers' expectations for highly fashionable, affordable products.
- Optimising product levels and mix will remain a key priority.

Manufacturers

- Focus will be on improving capacity utilisation and efficiencies across the business units.
- In the tile division, there are opportunities to launch additional import replacement products at Gryphon and Samca+.
- As operations at Samca+ become bedded down, efficiencies are expected to improve.
- Management is investing in additional free standing production capacity at Betta Baths.
- In terms of recent capital investment projects, the new Ezee Tile plant and Betta warehouse are expected to complete commissioning and start to deliver results.

Group-wide

- We will continue to roll out new stores, revamp existing stores, and enhance the capacity of our supply chain and manufacturing operations.
- We will prioritise the key performance indicators that drive growth, including productivity, efficiency, cost leadership and inventory management.
- Opportunities exist to leverage synergies in the business.
- We will aggressively pursue energy projects that will facilitate reduced reliance on the national grid.
- The labour market is volatile and there is a dearth of skills in our industries. A priority focus will be on building our people pipeline to ensure adequate cover of key positions and leveraging our outcomes-based training initiatives to enhance depth of leadership.

OUTLOOK

We anticipate that projected interest rate hikes and prevailing challenging economic conditions will intensify financial hardship and pressure on disposable income for homeowners, and subdued demand and investor confidence is likely to persist in the short term.

Despite the testing environment, management will continue to focus on the growth levers within our control and influence.

We will remain focused on cost leadership and improvements in productivity and efficiencies, however, ongoing load shedding at current levels, with the possibility of higher levels, will continue to weigh negatively on consumer sentiment and impact on profitability in the business.

Given continued volatility in the global environment and instability in the local economy, more specific guidance regarding future performance would be ill-advised.

SUBSEQUENT EVENTS

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

ORDINARY CASH DIVIDEND ANNOUNCEMENT

The Group's dividend cover is two and a half times. The Board has declared an interim gross cash dividend (number 113) for the review period ended 31 December 2022 of 32,0 cents per ordinary share (2021: 34,0 cents) to all shareholders recorded in the shareholder register of Italtile as at the record date of Friday, 3 March 2023.

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

- The dividend has been declared out of income reserves;
- The local dividend withholding tax rate is 20% (twenty percent);

- The gross local dividend amount is 32,0 cents per share for shareholders exempt from the dividends tax;
- The net local dividend amount is 25,6 cents per share for shareholders liable to pay the dividends tax;
- The local dividend withholding tax amount is 6,4 cents per share for shareholders liable to pay the dividend tax;
- Italtile's income tax reference number is 9050182717; and
- The Group has 1 321 654 148 shares in issue including 17 888 901 shares held by the share incentive and retention trusts, 64 291 990 shares held as Broad-Based Black Economic Empowerment ("BBBEE") treasury shares and 32 317 530 shares held by Italtile Ceramics Proprietary Limited.

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, 28 February 2023. The shares will commence trading ex-dividend from the commencement of business on Wednesday, 1 March 2023 and the record date will be Friday, 3 March 2023. The dividend will be paid on Monday, 6 March 2023. Share certificates may not be rematerialised or dematerialised between Wednesday, 1 March 2023 and Friday, 3 March 2023 both days inclusive.

This full long form announcement was published on SENS on 13 February 2023 and is available on Italtile's website at https://www.italtile.com. The short form announcement 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. Copies of the full announcement are available 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

L A Foxcroft
Chief Executive
Officer

B G Wood
Chief Financial
Officer

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

The condensed consolidated interim financial statements for the six months ended 31 December 2022 have been reviewed by PricewaterhouseCoopers ("PwC"), who expressed an unmodified conclusion thereon. A copy of the auditor's report on the condensed consolidated interim financial statements is available for inspection at the Company's registered office, together with the financial statements identified in the auditor's report.

Commentary continued

PwC's unmodified review conclusion does not necessarily report on all of the information contained in this reviewed 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 PwC's unmodified review opinion together with the accompanying financial information from the Company Secretary at the Company's registered office, which is also available on Italtile's website at https://www.italtile.com.

The Board takes full responsibility for the preparation of this announcement and confirms that the financial information has been correctly extracted from the underlying reviewed condensed consolidated financial statements.

Johannesburg
13 February 2023

System-wide turnover analysis

for the six months ended 31 December 2022

(Rand millions unless otherwise stated)

	% increase	**Reviewed six months to 31 December 2022**	Reviewed six months to 31 December 2021	Audited year to 30 June 2022
Group and franchised turnover				
– By Group-owned stores and entities	3	**4 956**	4 801	8 981
– By franchise-owned stores	1	**1 291**	1 278	2 364
Total	3	**6 247**	6 079	11 345

Store network

	As at 31 December 2022			As at 30 June 2022		
Region	**Franchise**	**Owned**	**Total**	Franchise	Owned	Total
South Africa						
– Italtile	**1**	**13***	**14***	1	13*	14*
– CTM	**29**	**45***	**74***	29	44*	73*
– TopT	**39**	**54***	**93***	37	53*	90*
– U-Light	**2**	**4***	**6***	3	4*	7*
Rest of Africa						
– Italtile	**–**	**1**	**1**	–	1	1
– CTM	**3**	**22***	**25***	3	22*	25*
– U-Light	**1**	**–**	**1**	1	–	1
	75	**139***	**214***	74	137*	211*

** Includes webstores.*

Condensed Group statement of comprehensive income

for the six months ended 31 December 2022

(Rand millions unless otherwise stated)

	% increase/ (decrease)	**Reviewed six months to 31 December 2022**	Reviewed six months to 31 December 2021	Audited year to 30 June 2022
Revenue	3	**4 956**	4 801	8 981
Cost of sales		**(2 764)**	(2 602)	(4 867)
Gross profit	0	**2 192**	2 199	4 114
Other revenue and operating income		**209**	236	471
Operating expenses		**(1 025)**	(938)	(1 867)
Impairment of property, plant and equipment		**–**	–	(2)
Profit on sale of property, plant and equipment		**4**	1	1
Trading profit	(8)	**1 380**	1 498	2 717
Finance income		**25**	18	39
Finance costs		**(38)**	(28)	(63)
Profit from associates – after tax		**1**	–	7
Profit before taxation	(8)	**1 368**	1 488	2 700
Taxation		**(371)**	(420)	(765)
Profit for the period	(7)	**997**	1 068	1 935
Other comprehensive income				
Items that may be re-classified subsequently to profit or loss:				
Foreign currency translation difference		**(15)**	28	17
Total comprehensive income for the period	(10)	**982**	1 096	1 952
Profit attributable to:				
- Equity shareholders		**965**	1 022	1 850
- Non-controlling interests		**32**	46	85
	(7)	**997**	1 068	1 935
Total comprehensive income attributable to:				
- Equity shareholders		**950**	1 050	1 867
- Non-controlling interests		**32**	46	85
	(10)	**982**	1 096	1 952
Earnings per share (all figures in cents):				
- Earnings per share	(5)	**79,5**	84,0	152,0
- Diluted earnings per share	(5)	**79,4**	83,7	151,5

Condensed Group statement of financial position

As at 31 December 2022

(Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2022	Reviewed six months to 31 December 2021	Audited year to 30 June 2022
ASSETS			
Non-current assets	**6 335**	5 831	6 112
Property, plant and equipment	**5 657**	5 229	5 512
Right-of-use assets	**415**	363	354
Intangible assets	**17**	–	–
Investments in associates	**70**	63	70
Long-term financial assets	**140**	139	141
Goodwill	**19**	19	19
Deferred taxation	**17**	18	16
Current assets	**3 144**	2 557	2 637
Inventories	**1 362**	1 085	1 286
Trade and other receivables	**887**	893	853
Cash and cash equivalents	**830**	548	431
Taxation receivable	**65**	31	67
Total assets	**9 479**	8 388	8 749
EQUITY AND LIABILITIES			
Share capital and reserves	**7 534**	6 614	6 998
Stated capital	**4 314**	4 314	4 314
Non-distributable reserves	**20**	16	5
Treasury shares	**(1 047)**	(883)	(935)
Share option reserve	**213**	218	242
Retained earnings	**3 733**	2 666	3 070
Non-controlling interests	**301**	283	302
Non-current liabilities	**1 119**	1 047	1 026
Interest-bearing loans	**556**	539	500
Lease liabilities	**368**	339	343
Deferred taxation	**195**	169	183
Current liabilities	**826**	727	725
Trade and other payables	**593**	494	416
Provisions	**174**	176	200
Interest-bearing loans	**–**	–	52
Lease liabilities	**51**	48	47
Taxation payable	**8**	9	10
Total equity and liabilities	**9 479**	8 388	8 749

Condensed Group statement of changes in equity

for the six months ended 31 December 2022

(Rand millions unless otherwise stated)

	Stated capital	Non-distributable reserves	Treasury shares	Share option reserve	Retained earnings	Total	Non-controlling interest	Total equity
For the six months ended 31 December 2021								
Audited balance at 30 June 2021	4 314	(12)	(904)	219	2 736	6 353	360	6 713
Profit for the year					1 022	1 022	46	1 068
Other comprehensive income for the year		28				28		28
Total comprehensive income for the year		28			1 022	1 050	46	1 096
Purchase of own shares			(16)			(16)		(16)
Dividends paid					(924)	(924)	(35)	(959)
Transactions with non-controlling interests					(32)	(32)	(88)	(120)
Share incentive costs (including vesting)			37	(1)	(136)	(100)		(100)
Reviewed balance at 31 December 2021	4 314	16	(883)	218	2 666	6 331	283	6 614
For the six months ended 31 December 2022								
Audited balance at 30 June 2022	4 314	5	(935)	242	3 070	6 696	302	6 998
Profit for the year					**965**	**965**	**32**	**997**
Other comprehensive income for the year		**15**				**15**		**15**
Total comprehensive income for the year		**15**			**965**	**980**	**32**	**1 012**
Purchase of own shares			**(99)**			**(99)**		**(99)**
Dividends paid					**(330)**	**(330)**	**(40)**	**(370)**
Transactions with non-controlling interests					**(2)**	**(2)**	**7**	**5**
Share incentive costs (including vesting)			**(13)**	**(29)**	**30**	**(12)**		**(12)**
Reviewed balance at 31 December 2022	**4 314**	**20**	**(1 047)**	**213**	**3 733**	**7 233**	**301**	**7 534**

Condensed Group cash flow statement

for the six months ended 31 December 2022

(Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2022	Reviewed six months to 31 December 2021	Audited year to 30 June 2022
Cash generated by operations (note 7)	**1 654**	1 615	2 876
Finance income	**25**	18	39
Finance costs	**(22)**	(11)	(34)
Lease liability finance costs	**(16)**	(16)	(29)
Dividends paid	**(370)**	(959)	(1 404)
Taxation paid	**(362)**	(391)	(755)
Cash flow from operating activities	**909**	256	693
Additions to property, plant and equipment	**(412)**	(527)	(1 024)
Dividend income from associates	**–**	–	1
Proceeds on disposal of property, plant and equipment	**49**	6	17
Decrease in long-term financial assets	**1**	5	3
Purchase of interest in subsidiaries and associates	**–**	(8)	(7)
Cash flow from investing activities	**(362)**	(524)	(1 010)
Increase in loans and borrowings	**19**	632	645
Decrease in loans and borrowings	**(15)**	(600)	(600)
Share scheme vesting	**(12)**	(131)	(136)
Acquisition of non-controlling interest	**(2)**	(120)	(120)
Treasury share purchases	**(112)**	(16)	(67)
Lease liability payments	**(26)**	(30)	(55)
Cash flow from financing activities	**(148)**	(265)	(333)
Net movement in cash and cash equivalents for the period	**399**	(533)	(650)
Cash and cash equivalents at the beginning of the period	**431**	1 081	1 081
Cash and cash equivalents at the end of the period	**830**	548	431

Segmental report

for the six months ended 31 December 2022

(Rand millions unless otherwise stated)

Reviewed six months to 31 December 2022	Retail	Manufacturing*	Supply and Support Services*
Turnover	**2 912**	**2 797**	**1 350**
- From external customers*	**2 906**	**1 778**	**272**
- Intersegment	**5**	**1 019**	**1 078**
Turnover from franchise stores**	**1 291**	**–**	**–**
Achieved gross margin	**1 054**	**816**	**153**
Depreciation	**(41)**	**(131)**	**(15)**
Profit on sale of property, plant and equipment	**2**	**1**	**1**
Trading profit	**295**	**502**	**139##**
Finance income	**7**	**12**	**17**
Finance costs	**(3)**	**(3)**	**(12)**
Income from associates	**–**	**–**	**–**
Profit before taxation	**299**	**511**	**144**

* *Turnover from external customers includes sales to franchise stores.*
** *Franchise stores are not controlled by the Group.*
\# *Less than R1 million.*
\## *Includes franchise income of R47 million disclosed in note 6.*
\### *Includes royalty income of R67 million disclosed in note 6.*

Reviewed six months to 31 December 2021	Retail	Manufacturing*	Supply and Support Services*
Turnover	2 855	2 634	1 305
- From external customers*	2 855	1 719	227
- Intersegment	–	915	1 078
Turnover from franchise stores**	1 278	–	–
Achieved gross margin	1 025	863	166
Depreciation	(40)	(113)	(12)
Profit on sale of property, plant and equipment	#	1	#
Trading profit	285	605	169##
Finance income	3	11	13
Finance costs	(1)	(2)	(9)
Income from associates	–	–	–
Profit before taxation	287	614	173

* *Turnover from external customers includes sales to franchise stores.*
** *Franchise stores are not controlled by the Group.*
\# *Less than R1 million.*
\## *Includes franchise income of R46 million disclosed in note 6.*
\### *Includes royalty income of R67 million disclosed in note 6.*

Segmental report continued

Franchising	Properties	Associates	Consolidation	Total
–	**–**	**–**	**(2 102)**	**4 956**
–	**–**	**–**	**–**	**4 956**
–	**–**	**–**	**(2 102)**	**–**
–	**–**	**–**	**(1 291)**	**–**
#	**–**	**–**	**141**	**2 164**
#	**(49)**	**–**	**–**	**(236)**
#	#	**–**	**–**	**4**
235###	**209###**	**–**	**–**	**1 380**
–	**11**	**–**	**(22)**	**25**
#	**(42)**	**–**	**22**	**(38)**
–	**–**	**1**	**–**	**1**
235	**178**	**1**	**–**	**1 368**

Franchising	Properties	Associates	Consolidation	Total
–	–	–	(1 993)	4 801
–	–	–	–	4 801
–	–	–	(1 993)	–
–	–	–	(1 278)	–
–	–	–	124	2 178
#	(47)	–	–	(212)
#	#	–	–	1
232###	218	–	(11)	1 498
–	6	–	(15)	18
#	(31)	–	15	(28)
–	–	–	–	–
232	193	–	(11)	1 488

Geographical analysis

for the six months ended 31 December 2022

(Rand millions unless otherwise stated)

	South Africa	Rest of Africa	Australia	Consolidation	Group
Reviewed six months to 31 December 2022					
Turnover	**6 167**	**568**	**323**	**(2 102)**	**4 956**
Non-current assets	**7 374**	**495**	**215**	**(1 749)**	**6 335**
Reviewed six months to 31 December 2021					
Turnover	5 994	500	300	(1 993)	4 801
Non-current assets	7 176	395	224	(1 964)	5 831

NOTES

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY

Basis of preparation

The reviewed interim condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the South African Institute of Chartered Accountants 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 reviewed interim 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 the Chief Financial Officer, Mr B G Wood.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of these reviewed interim 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 2022, except for the adoption of new and amended IFRS and International Financial Reporting Interpretations Committee interpretations which became effective during the current review period. The application of these standards and interpretations did not have a significant impact on the Group's reported results and cash flows for the six months ended 31 December 2022 and the financial position at 31 December 2022.

2. COMMITMENTS AND CONTINGENCIES

There are no material contingent assets or liabilities at 31 December 2022.

Capital commitments (Rand millions)	31 December 2022	31 December 2021	30 June 2022
– Contracted	**202**	327	256
– Authorised but not contracted for	**325**	150	229
Total	**527**	477	485

Capital commitments will be funded by cash generated by operations.

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 their carrying value approximates fair 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 period.

4. STAFF SHARE SCHEME

During the 2014 financial year, the Group implemented a share incentive scheme for all employees of the Group and its franchisees that 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, 3,0 million of the Group's shares net of forfeitures were held by qualifying staff members at 31 December 2022 (2021: 7,2 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 seventh allotment of shares in the scheme, granted in 2019, vested on 31 August 2022. A total of 151 employees qualified for the vesting (2021: 104), of which two employees opted to retain the shares (2021: three) and the balance received the net value of the awards in cash. This resulted in a decrease in treasury shares of 1 693 135 (2021: 1 163 757) 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 R3,5 million (2021: R7,1 million) to the Group's income.

5. EARNINGS PER SHARE

	Reviewed six months to 31 December 2022	Reviewed six months to 31 December 2021	Audited year to 30 June 2022
Reconciliation of shares in issue (all figures in millions):			
– Total number of shares issued	**1 322**	1 322	1 322
– Shares held by Share Incentive Trust	**(10)**	(10)	(10)
– Shares held by Retention Trust	**(8)**	(9)	(8)
– Black economic empowerment treasury shares	**(64)**	(65)	(65)
– Shares held by Italtile Ceramics Proprietary Limited	**(32)**	(21)	(25)
Shares in issue to external parties	**1 208**	1 217	1 214
Reconciliation of share numbers used for EPS calculations (all figures in millions):			
Weighted average number of shares	**1 214**	1 217	1 217
Dilution effect of share awards	**2**	4	4
Diluted weighted average number of shares	**1 216**	1 221	1 221
Reconciliation of headline earnings (Rand millions):			
– Profit attributable to equity shareholders	**965**	1 022	1 850
– Profit on sale of property, plant and equipment – after taxation	**(3)**	(1)	(1)
– Impairment of plant and equipment – after taxation	**–**	–	2
Headline earnings	**962**	1 021	1 851
Headline EPS (cents)	**79,2**	83,9	152,1
Diluted headline EPS (cents)	**79,1**	83,6	151,5
Dividends per share (cents)	**32,0**	34,0	61,0
Net asset value per share (cents)	**620,6**	543,0	575,0

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

6. DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

(Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2022	Reviewed six months to 31 December 2021	Audited year to 30 June 2022
Turnover#	**4 956**	4 801	8 981
– Retail	**2 906**	2 855	5 349
– Manufacturing	**1 778**	1 719	3 052
– Supply and support services	**272**	227	580
Royalty income from franchising	**67**	67	153
Other franchise income	**47**	46	61
	5 070	4 914	9 195

Turnover represents net revenue from sale of goods, excluding value added tax and intercompany sales.

7. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

(Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2022	Reviewed six months to 31 December 2021	Audited year to 30 June 2022
Cash flows from operating activities:			
Profit before taxation	**1 368**	1 488	2 700
Adjusted for:			
Income from associates	**(1)**	–	(7)
Depreciation	**200**	175	369
Depreciation – right-of-use asset	**36**	37	69
Finance cost – lease liability	**16**	16	29
Profit on sale of property, plant and equipment	**(4)**	(1)	(1)
Impairment of property, plant and equipment	**–**	–	2
Finance income	**(25)**	(18)	(39)
Finance costs (excluding lease liability finance costs)	**22**	11	34
Share-based payment expenses	**39**	50	75
Foreign currency translation difference	**9**	(11)	(8)
Working capital changes:			
Inventory	**(76)**	79	(122)
Trade and other receivables	**(81)**	(82)	(42)
Trade and other payables (including provisions)	**151**	(129)	(183)
Cash generated by operations	**1 654**	1 615	2 876

8. INTEREST-BEARING LOANS

In the prior financial period, an interest-bearing loan of R500 million was repaid in full on 29 November 2021 using the proceeds of another R500 million loan from another financial institution. This loan is repayable in November 2024 and has thus been disclosed as a non-current liability at 31 December 2022.

In November 2022, a revolving credit facility of US$3,5 million was refinanced resulting in the non-current classification of this utilised facility as at 31 December 2022 (as the facility is repayable in November 2025).

9. SPECIFIC SHARE REPURCHASE FROM FOUR-ARROWS INVESTMENTS 256 PROPRIETARY LIMITED (FOUR ARROWS)

On 28 November 2022, Four Arrows Investments 256 Proprietary Limited ("Four Arrows") submitted a formal written offer to the Group to sell its remaining 6,7 million Italtile Limited shares back to the Group. The offer price was set in accordance with the terms of a Preference Share Agreement signed in 2007 and equated to R11,51 per share (the Italtile 10-day VWAP immediately preceding the date of receipt of the offer).

In accordance with specific approval granted by Italtile shareholders in July 2007, the Board approved the repurchase and the shares were subsequently repurchased from Four Arrows on 14 December 2022 for a total consideration of R77 million and are held as treasury shares by a subsidiary of the Group which was nominated by Italtile to conclude the transaction.

10. PURCHASE OF EZEE TILE NON-CONTROLLING INTEREST

The founder and non-controlling shareholder in Ezee Tile Adhesive Manufacturers Proprietary Limited ("Ezee Tile"), Mike du Plessis, retired with effect from 30 June 2021. As a result, the Group acquired his shareholding in Ezee Tile for R120 million during July 2021 increasing the Group's stake in this company to 98,29% in the prior period.

11. CERAMIC INDUSTRIES RETENTION SCHEME VESTING

Awards issued in accordance with the Ceramic Industries Escrow Scheme (a retention scheme) and which vested on 31 December 2020, resulted in a cash outflow of R99 million from the Group during the prior period as vested shares were acquired from participants. This acquisition of the vested retention shares has increased the Group's effective holding in Ceramic Industries to 98,06% in the prior period.

12. CIVIL UNREST

During the civil unrest in July 2021 experienced in Gauteng and KwaZulu-Natal ("KZN"), the Group closed all of its 18 stores in KZN for 10 days, as well 16 stores in other hotspots for shorter periods of time. Although trade was disrupted and two of the Group stores looted, the Group was fortunate to not experience material loss during this time.

13. EVENTS AFTER REPORTING DATE

The directors are not aware of any matters or circumstances arising since the end of the reporting period which significantly impact the financial position at 31 December 2022 or the results of its operations or cash flow for the period 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")

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2021

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Transfer secretaries
Computershare Investor Services Proprietary Limited

Company Secretary
EJ Willis

Sponsor
Merchantec Capital

Auditor
PricewaterhouseCoopers Inc.

DIRECTORS

Executive directors
LA Foxcroft (Chief Executive Officer)
BG Wood (Chief Financial Officer)

Non-executive directors
GAM Ravazzotti (Chairman), LR Langenhoven (Deputy Chairman), SM du Toit (Lead Independent Director), SG Pretorius, NP Khoza, A Mathole, LC Prezens, JN Potgieter

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