ITALTILE
LIMITED

REVIEWED CONDENSED GROUP RESULTS

for the six months ended 31 December 2021
and dividend declaration

Financial highlights

↓ 1%
System-wide turnover
R6,1 billion
2020: R6,2 billion

↑ 5%
Trading profit
R1,5 billion
2020: R1,4 billion

↑ 8%
Earnings per share
84,0 cents
2020: 77,9 cents

↑ 9%
Headline earnings per share
83,9 cents
2020: 77,1 cents

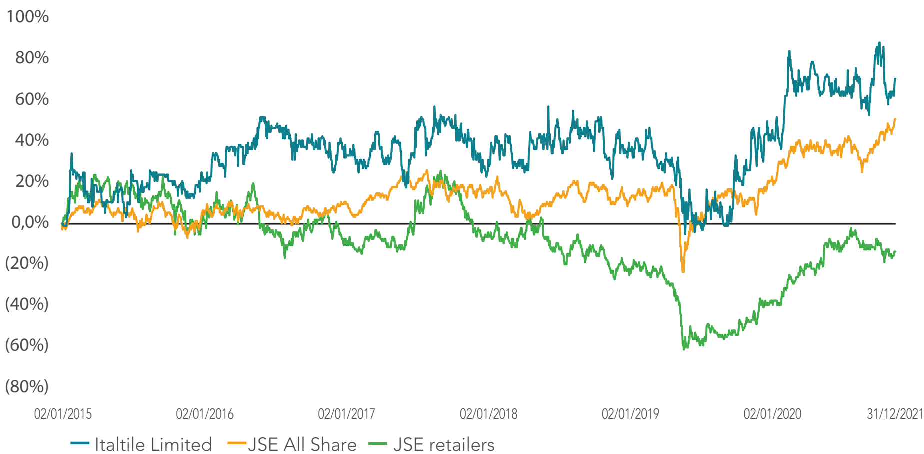
↑ 5%
Net asset value
543 cents
2020: 517 cents

↑ 10%
Ordinary dividend per share
34,0 cents
2020: 31,0 cents

↓ 49%
Net cash
R0,5 billion
2020: R1,1 billion

↑ 1%
Store network
209
June 2021: 206
December 2020: 203

Seven-year share price growth



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 209 stores, including six online webstores. The brand offering targets 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 dream 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.

TRADING ENVIRONMENT

State of the consumer

During the review period, the local economic and socio-political environment remained fragile as the ongoing impact of the Covid-19 pandemic ("pandemic") continued to highlight major structural flaws and inequalities in the South African bedrock, and persistent corruption, infrastructure failure, poor service delivery, policy uncertainty, and general dissatisfaction regarding overdue transformational reforms weighed heavily on consumer and business confidence and spend.

In light of weak economic growth and record unemployment levels, homeowners faced growing financial hardship, experiencing low wage inflation, high levels of personal debt, rising consumer inflation and more recently, two interest rate increases.

In this context, consumer despondency and fatigue, which we flagged at financial year end, intensified, and is reflected in the anecdotal evidence of our customers in the mass middle market specifically, who have significantly reduced or deferred investment in their homes over recent months.

Our industry

From an operational perspective, the pandemic continued to cause severe disruptions to global supply chains, a situation exacerbated by delays at local ports.

Due to the severe bottlenecks in supply chains, stock availability across the industry has been erratic over the past 18 months. More recently, after prolonged shortages, stock levels have risen disproportionately to demand as beleaguered customers reduced spend, resulting in intensified competitor activity and margin squeeze.

Compounding the pressure on our industry, the review period featured rampant price inflation across the spectrum of input costs, including freight charge increases, natural gas, diesel and coal costs rising, and fuel price increases, while imported raw materials and finished products were also subject to price increases.

In this context, it is reassuring to report that the Group's local integrated supply chain and manufacturing capability afforded the business significant strategic advantage by alleviating supply volatility.

Home improvement trends

Since early 2020, pandemic-related work-and-study-from-home restrictions altered consumers' disposable income spending priorities and that supported strong demand for home improvement products. However, over the past six months, there has been a decline in this demand as lockdown restrictions were eased or lifted and various sectors of the economy reopened. The cocooning trend that prevailed since the pandemic emerged has diminished significantly, and disposable spend has been channelled away from home improvements to other discretionary and lifestyle pursuits.

In general, in line with the long-standing trend, the renovations segment accounted for the majority of activity in the sector, while the new build and commercial projects segments remained extremely sluggish during the review period.

RESULTS

In the Group's prospects statement for the year ended 30 June 2021 and the voluntary sales update for the five months to 30 November 2021 ("update"), management cautioned that the business would remain on track to deliver sales and profit growth for the full year, assuming trading conditions did not deteriorate materially in the balance of the current financial year. Regrettably, as outlined in the commentary on the trading environment, conditions have continued to worsen, resulting in a concomitant decline in sales growth from Q1 to Q2 of the review period, and leading into January 2022.

Notwithstanding this context, management remained consistent in prioritising and focusing on the growth levers in the business over which the Group has control and influence. The results reported for the period are a reflection of the following factors which contributed to supporting sales growth:

- our ongoing productivity drive and emphasis on cost leadership;
- management's focus on improving the customer shopping experience through improved ranges, presentation, and service;
- the Group's local integrated supply chain, which ensured availability of a wide product range at stable prices;
- continued innovation and investment in technology for the future – both in our factories and across the Group's omnichannel trading platforms;
- six new store openings, three store closures and the reinstatement of our store revamp programme;
- conscientious management of Covid-19 health and safety protocols for our customers and our people; and
- our ethos of partnership and profit-sharing with our people, which empowers them to participate in the success of the business.

The results for the review period include the contribution of Ceramic and Ezee Tile, in which the Group holds an effective 98,06% stake and 98,29% stake respectively. 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, TopT and U-Light.

The prior comparable period featured abnormal trading patterns largely due to pent-up demand and the robust home-improvement boom which was driven by lockdown restrictions and a shift in spending patterns. Accordingly, the pre-Covid-19 H1 2020 comparable numbers have also been included where appropriate to present a more accurate reflection of the Group's performance for the review period.

Total system-wide turnover decreased 1% to R6,1 billion (H1 2021: R6,2 billion) and is 13% higher when compared to turnover of R5,4 billion in H1 2020. 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 business to corporate stores) and the retail turnover of Group franchisees.

Revenue from Group-owned stores and entities declined 1% to R4,8 billion (H1 2021: R4,8 billion), and was 26% higher than revenue of R3,8 billion reported in H1 2020.

Retail store turnover improved 2% compared with the prior corresponding period and by 20% compared to H1 2020. Average selling price inflation is estimated at 8% (H1 2021: 6%). Like-for-like retail store turnover (excluding sales of stores opened and closed during the period) increased by 1,1% in the review period. Retail store turnover is defined as the aggregate turnover of all stores, both corporate and franchised, in the Group's retail network.

In the integrated supply chain businesses (Cedar Point, ITD and DC) sales declined by 5% compared to the previous corresponding period and increased by 19% compared to H1 2020. Average selling price inflation is estimated at 10% (H1 2021: 10%).

Manufacturing sales were flat for the review period and grew by 18% compared to H1 2020; average selling price inflation across the operations is estimated at 6% compared to 7% in H1 2021. It must be noted that the manufacturing division's results for the period are not comparable with the previous corresponding period for several reasons:

- significantly more load shedding and interruptions were experienced during the review period. A total of 1 036 operating hours were lost, with a R35 million impact (2020: R12 million);
- all of Ceramic's factories were closed for routine maintenance for a minimum of two weeks, phased over December 2021 and January 2022, compared to the prior comparable period, during which there were no shutdowns. As a result, lower volumes were manufactured and sold, and two years of maintenance-related costs were condensed into the period; and
- Ceramic's Samca floor tile factory, now renamed Samca Plus, was closed for five months while undergoing a major upgrade.

The Group's trading profit increased by 5% to R1 498 million (H1 2021: R1 420 million). Although derived mostly from price inflation, which had largely been deferred over the past year, this growth is pleasing given the comparison with the very high base of H1 2021.

Like-for-like operating costs declined by approximately 2%, with manpower, property costs and stock control costs being well managed.

The aggregated gross margin across the Group improved by 1% compared to the prior corresponding period, reflecting margin benefit in the supply chain and margin absorption in the stores to support our price-sensitive customers.

Earnings per share ("EPS") grew by 8% to 84,0 cents (2020: 77,9 cents), while headline earnings per share ("HEPS") improved by 9% to 83,9 cents (2020: 77,1 cents). The increase in EPS and HEPS is attributable to modest profit growth, complemented by the following exceptional items which in total, comprise an increase in growth of 2,8%:

- a decrease in the non-controlling interest percentage in Ceramic and Ezee Tile, following the vesting of Ceramic retention awards and the purchase of founder Mike du Plessis's 26% shareholding in Ezee Tile following his retirement on 30 June 2021; and
- a decrease in the weighted average number of shares used in the EPS and HEPS calculation, given the timing of share repurchases in the prior year.

The small disparity between EPS and HEPS is attributable to net profits of R17 million realised on the disposal of two local properties and an impairment of R4 million on a building in the prior corresponding period.

At year end, management noted that the Group's high stock levels were justified given the good composition of the stock, sustained customer demand at that time, and continued uncertainties regarding international manufacturing and shipping capacities. At that point, we advised that a detailed plan was in place to reduce inventory levels to boost cash reserves by at least R100 million. In this regard, given the worsening supply chain delays and attendant cost increases experienced in Q2, a deliberate decision has been taken to retain higher than traditional stock levels to serve as cover against further supply volatility. Inventory value, including the consolidated inventory balances of Ceramic and Ezee Tile, reduced to R1 085 million from the 2021 financial year-end balance of R1 164 million (H1 2021: R1 002 million).

During the review period, capital expenditure of R527 million (2020: R359 million) was incurred on expansion projects, ongoing IT development, and routine maintenance and upgrades of retail properties and manufacturing plants. As outlined further in the commentary, the major capital expenditure programmes completed during the period or currently underway are the upgrade of the Samca floor tile factory (commissioning started in November 2021); development of a multi-brand retail node in Boksburg; relocation of Ezee Tile's Germiston factory; and construction of Betta's automated warehouse. The latter three projects are scheduled for completion in the forthcoming six months. Unforeseen delays and cost overruns on the original budgets that were approved prior to 2020 have resulted from global raw material price escalation.

At the end of the reporting period the Group's cash balance was R548 million (2020: R1 134 million). Material cash outflows for the period include:

- capital expenditure of R527 million (2020: R359 million);
- tax payments of R391 million (2020: R367 million);
- acquisition of the non-controlling interest in Ezee Tile for R120 million;
- retention scheme vesting payments of R118 million by Ceramic; and
- dividend payments, including a special dividend, totalling R959 million (2020: R152 million).

The Group's net asset value per share at the end of the review period was 543 cents (2020: 517 cents).

DIVISIONAL REVIEW

RETAIL BRANDS: STORES AND WEBSTORES

As the pandemic-related cocooning trend declined, evidenced by consumers channelling discretionary spend away from home improvements to other lifestyle pursuits, our store operators were challenged to respond to retain a share of customers' wallets.

CTM

CTM's performance for the period is largely a reflection of the stressed state of the mass middle market consumer. While most of the brand's key metrics improved, including sales per person and average basket value, total transactions declined as demand in this segment of the market waned.

During the review period a key focus was on store presentation and revamps, the latter having been postponed during the prior six months due to the pandemic. A total of 14 stores were revamped, with pleasing results reported by the stores subsequent to their refurbishment.

Management's focus in the forthcoming period will be on driving up sales volumes through improved ranges and price laddering, increased in-stock levels, enhanced service at all customer touchpoints, and entrenching key disciplines related to stock and cost controls.

CTM is represented by 73 stores in South Africa and 23 in the rest of Africa. The brand plans to open two stores in the forthcoming six months, including its new revamped store in Boksburg at the Group's multi-brand retail node in May this year.

Italtile Retail

Following a very strong performance in FY2021, Italtile Retail delivered another pleasing set of results.

Key metrics improved including sales per person, profits, average basket value and productivity. While the residential/retail component accounted for the bulk of sales, the Commercial Projects division showed very early signs of recovery in the latter part of the review period. The business unit has a good pipeline of prospective projects and management is hopeful that improved investor sentiment in this market segment will continue to gain traction.

The brand opened a pilot small-format store in George, Western Cape, during the review period.

Italtile Retail has a footprint of 15 stores and will relocate its new state-of-the-art store in Boksburg at the Group's multi-brand retail node in May 2022.

TopT

The brand reported a sound performance, with improvements recorded across most key metrics: sales per person, profits, average basket value and productivity.

During the review period encouraging opportunities were identified to optimise in-stocks and price laddering through improved procurement, planning, and logistics. As a result, the business model will be simplified to centralise these functions, thereby freeing up operators to focus on sales and in-store disciplines to provide an improved customer shopping experience. With 89 stores in the network, this centralised capability will add value by leveraging untapped synergies across TopT's regions.

One store was opened, seven revamped and two in marginal markets were closed in the six months under review. The brand has a strong pipeline of new stores which will be rolled out as opportunities arise.

U-Light

While performance is still below management's expectations, further progress was made during the review period with improving the business model. It is pleasing to report that the webstore gained traction and is a valuable tool in the customer offering.

In the period ahead the business will focus on range enhancements; growing market share in the external projects segment, where initial inroads have been made; and further developing the webstore offering.

Two stores were opened in the review period in Ballito, KZN, and Gaborone in Botswana, while the store in Eastgate, Gauteng was closed. U-Light is currently represented by four franchised, four company-owned stores and a webstore.

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.

In general, user traffic across the webstores remained above pre-pandemic levels. It is noteworthy that sales growth on certain of the sites exceeded growth in the brick-and-mortar stores.

The Group gained significant first-mover advantage in the online shopping environment, having introduced webstores some seven years ago. Given the growing contribution of this offering to the Group's multi-channel sales platform, management continues to invest in developing and enhancing the capability to provide customers with a seamless, personal digital experience to differentiate our offering from our peers, in a market space which is becoming increasingly sophisticated and competitive.

INTEGRATED SUPPLY CHAIN

MANUFACTURERS

Reduced demand and steep inflationary costs impacted adversely on all of the manufacturing operations during the review period.

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.

As a volume-driven operation, Ceramic prospers at full capacity utilisation. Despite the decline in customer demand and annual shutdowns that were not in the base, specifically in Q2, Ceramic's profits and margins for the period were flat. Although notable improvements were made in efficiencies throughout the operations, specifically with regard to the logistics function, the impact of unforeseen inflationary costs and the decision to delay passing price pressure on to customers offset these.

During the period, additional capacity was unlocked in the Gryphon and Pegasus factories, and continued investment in technology was made throughout the division to facilitate new finishes and features on products. Development of product to substitute imports continues.

As noted earlier, the Samca Plus factory underwent a major upgrade, comprising the installation of state-of-the-art Italian technology and equipment. The commissioning of the R350 million factory upgrade from November 2021 provides a significant strategic advantage for the Group, complementing Ceramic's existing range with another premium-end import substitute offering. The factory produces highly fashionable 600 mm x 600 mm rectified red-body porcelain Eco Tec tiles that have a low carbon footprint. Since commissioning started, Samca Plus has bedded down well and is steadily increasing production to design specifications. The early response from customers has been favourable, and management is satisfied that the product will capture market share.

The Australian factory, Centaurus, reported solid operational results, but experienced extremely volatile gas pricing, which impacted on profitability. In terms of outlook for the business, management is in the process of investigating the prospect of extending production capacity of the existing facility.

Betta Sanitaryware's fully automated 15 000 m^2 warehouse will be commissioned in the second half of this calendar year and will be pivotal to improving stock management and customer service. The facility will also enable Ceramic to expand the existing manufacturing site to increase capacity to take on additional demand, some of which has resulted from the closure of a local competitor.

In the period ahead, management will also investigate opportunities to expand BettaBath's freestanding bath capacity.

Management is confident that there are strong growth prospects for the entire Ceramic business through import product substitution and improving alignment in the Group's integrated supply chain.

Ezee Tile

Directly aligned to weaker demand from customers, this business reported solid results in Q1 and a softer performance in Q2.

International supply chain disruptions were particularly testing during the period, resulting in inconsistent supply of raw materials and steeply inflated input cost price increases.

Notwithstanding severe pandemic-related equipment and construction supplier delays, Ezee Tile will relocate its Germiston factory from rented premises to an owned site in Brakpan, Gauteng in April 2022. The new site will provide substantial opportunity to streamline operations and expand the business's current capacity.

IMPORTERS

Global supply chain disruptions had a harsh impact on the three import businesses – Cedar Point, ITD and DC – which collectively reported lower sales due to erratic or non-delivery of imported products. A key challenge facing our operators during the period was having to anticipate and cater for fashion trends while navigating lead times that have increased significantly. Pricing volatility was another adverse factor, and all of the businesses experienced increased margin pressure resulting from their strategic decision to contain price adjustments to support store operators and cost-conscious customers.

In light of these obstacles, which are expected to continue for the foreseeable future, greater focus will be placed on exploring local import substitute alternatives that will ease supply volatility and further the Group's Proudly South African ethos. Innovations in ranges and price laddering also provide opportunities to improve margins and profitability, while enhancing service to our customers.

ASSOCIATE INVESTMENT

Easylife Kitchens ("ELK")

The Group holds a 30% stake in this leading manufacturer and installer 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.

During the review period, both parties continued to collaborate well, with ELK manufacturing products for our integrated supply chain, while benefitting from cross-selling opportunities where ELK stores are situated on Group sites. ELK will also be represented at Italtile's new retail node in Boksburg, which will provide a good opportunity to showcase the Group's comprehensive home-finishing offering.

Management is satisfied with its investment in ELK and will continue to explore synergies to unlock further value through the business.

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.

As at 31 December 2021, the estimated market value of the portfolio was R4,8 billion (2020: R4,4 billion), comprising a retail portfolio valued at R3,6 billion (2020: R3,4 billion) and a manufacturing portfolio valued at R1,2 billion (2020: R1,0 billion). During the reporting period, capital expenditure of R205 million was incurred on an ongoing property enhancement programme, while R217 million was invested across the manufacturing operations on plant and equipment upgrades.

SUSTAINABILITY PRIORITIES

The Group's sustainability agenda is underpinned by our practices, properties and product offering, which are designed and managed to limit the Group's carbon footprint, minimise impact on the natural environment of local communities and ensure the mental and physical wellbeing of our people. Our proudly South African ethos prioritises selling local products manufactured by local people, thereby creating jobs, providing training, and contributing to the economy.

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 sixth allotment of shares, granted in 2018, vested on 31 August 2021. A total of 104 employees qualified, of which three employees opted to receive shares and the balance received the net value of the awards in cash. Cash payments after tax averaged R175 936 per individual (aggregate payments including income tax totalled R27,8 million), funded by the sale of the related shares to the market. The employees who elected to receive shares received on average 10 603 Italtile shares each.

As at 31 December 2021, there were 305 participants in the scheme, holding 7,2 million Italtile shares.

BOARD COMPOSITION

As advised in the announcement published on SENS on 3 May 2021, Jan Potgieter retired as Chief Executive Officer ("CEO") with effect from 31 December 2021 and was appointed as a non-executive director. Lance Foxcroft, who served as CEO-designate from 1 July 2021 to 31 December 2021, was appointed as CEO with effect from 1 January 2022. The board of directors of Italtile ("the Board") looks forward to Lance and Jan's contribution in their new roles.

PROSPECTS

The Group's most powerful assets are its robust business model and its innovative, resilient people. Management is gratified by the Group's performance over the past six months in very trying circumstances and is confident that the challenges that lie ahead will be overcome.

Focus will be centred on the following growth levers in the period ahead:

- gaining market share will be a key priority, particularly in the tile segment catering for the mass middle market; this will be achieved through improving ranges and instilling retail excellence disciplines at every customer touchpoint;
- the ongoing store roll out programme – specifically in underserved markets – and the continued upgrade of stores across the network;
- opportunities to leverage both the integrated and external supply chains and improve in-stocks across the Group;
- by investing timeously, we have avoided inevitable future cost increases and delays and are well positioned to take advantage as trading conditions improve;
- we will explore opportunities to continue to expand our existing local facilities and increase capacity;
- we will pursue opportunities to capitalise on the Group's footprint in Africa, and expand cautiously where appropriate; and
- over the past six months, input cost inflation has risen significantly – where feasible, the costs have been absorbed in the short term, but prices and margins will be adjusted in the forthcoming periods to support business units and store operators.

Annual shutdowns at Ceramic that were not in the base will result in decreased profits from this business in January 2022.

OUTLOOK

Unless urgent and meaningful transformational reforms are implemented by the leadership of South Africa, the socio-political environment is likely to remain volatile, which will fuel the sense of unease in the country and continue to subdue consumer, business and investor confidence.

Furthermore, we do not envisage any material improvement in economic conditions in the next six months. Indeed, it is likely that financial hardship and pressure on disposable income will intensify in most households if basic living costs continue to rise and further interest rate increases are implemented.

However, management will target opportunities for growth in our business, and in line with our stated philosophy, we will continue to focus on growth levers within our control and influence. We are committed to delivering improved sales and profits for the year, notwithstanding the current challenging conditions. Given the uncertainties related to persistent country-specific risks and ongoing pandemic-related concerns, it is imprudent to provide more specific guidance in terms of future performance at this point. In this regard, management will continue to provide regular, transparent communication to the market over the forthcoming period.

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 111) for the review period ended 31 December 2021 of 34,0 cents per ordinary share (2020: 31,0 cents) to all shareholders recorded in the shareholder register of Italtile as at the record date of Friday, 4 March 2022.

In accordance with paragraphs 11.17(a)(i) to 11.17(ix) and 11.17(c) of the Listings Requirements of the JSE Limited ("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 34,0 cents per share for shareholders exempt from the dividends tax;
- The net local dividend amount is 27,2 cents per share for shareholders liable to pay the dividends tax;
- The local dividend withholding tax amount is 6,8 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 18 452 038 shares held by the share incentive and retention trusts, 64 522 530 shares held as BBBEE treasury shares and 21 570 812 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, 1 March 2022. The shares will commence trading ex-dividend from the commencement of business on Wednesday, 2 March 2022 and the record date will be Friday, 4 March 2022. The dividend will be paid on Monday, 7 March 2022. Share certificates may not be rematerialised or dematerialised between Wednesday, 2 March 2022 and Friday, 4 March 2022 both days inclusive.

This full long-form announcement is available at: https://senspdf.jse.co.za/documents/2022/jse/isse/ite/interims22.pdf and on Italtile's website at https://www.italtile.com. The short form announcement was published on SENS on 10 February 2022 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. 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

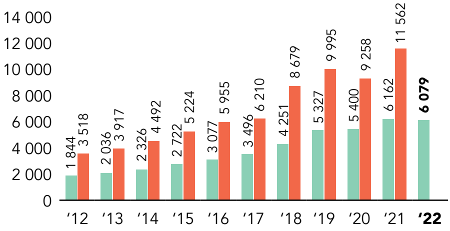
No forward looking statements in this announcement have been reviewed or reported on by the Group's auditors.

The condensed consolidated interim financial statements for the six months ended 31 December 2021 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.

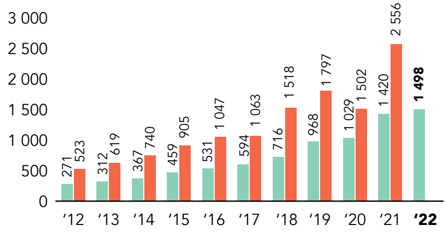
PwC's unmodified review conclusion does not necessarily report on all of the information contained in this reviewed condensed Group results announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy 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://italtile.com/investor-reports-and-results.asp.

Johannesburg
10 February 2022

System-wide turnover (Rm)



Trading profit (Rm)



SYSTEM-WIDE TURNOVER ANALYSIS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

(Rand millions unless otherwise stated)

	% decrease	**Reviewed six months to 31 December 2021**	Reviewed six months to 31 December 2020	Audited year to 30 June 2021
Group and franchised turnover				
– By Group-owned stores and entities	(1)	**4 801**	4 833	9 135
– By franchise-owned stores	(4)	**1 278**	1 329	2 427
Total	(1)	**6 079**	6 162	11 562

STORE NETWORK

	As at 31 December 2021			As at 30 June 2021		
Region	**Franchise**	**Owned**	**Total**	Franchise	Owned	Total
South Africa						
– Italtile	**1**	**13***	**14***	–	13*	13*
– CTM	**29**	**44***	**73***	30	42*	72*
– TopT	**36**	**53***	**89***	36	54*	90*
– U-Light	**3**	**5***	**8***	2	6*	8*
Rest of Africa						
– Italtile	**–**	**1**	**1**	–	1	1
– CTM	**3**	**20***	**23***	3	19*	22*
– U-Light	**1**	**–**	**1**	–	–	–
	73	**136***	**209***	71	135*	206*

** Includes webstores.*

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

(Rand millions unless otherwise stated)

	% decrease/ (increase)	**Reviewed six months to 31 December 2021**	Reviewed six months to 31 December 2020	Audited year to 30 June 2021
Revenue	(1)	**4 801**	4 833	9 135
Cost of sales		**(2 602)**	(2 686)	(5 106)
Gross profit	2	**2 199**	2 147	4 029
Other revenue and operating income		**236**	216	383
Operating expenses		**(938)**	(956)	(1 865)
Impairment of property, plant and equipment		**–**	(4)	(10)
Profit on sale of property, plant and equipment		**1**	17	19
Trading profit	5	**1 498**	1 420	2 556
Finance income		**18**	22	57
Finance cost		**(28)**	(29)	(59)
Profit from associates – after tax		**–**	–	3
Profit before taxation	5	**1 488**	1 413	2 557
Taxation		**(420)**	(394)	(712)
Profit for the period	5	**1 068**	1 019	1 845
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation difference		**28**	(20)	(38)
Total comprehensive income for the period	10	**1 096**	999	1 807
Profit attributable to:				
– Equity shareholders		**1 022**	954	1 718
– Non-controlling interests		**46**	65	127
	5	**1 068**	1 019	1 845
Total comprehensive income attributable to:				
– Equity shareholders		**1 050**	934	1 680
– Non-controlling interests		**46**	65	127
	10	**1 096**	999	1 807
Earnings per share (all figures in cents):				
– Earnings per share	8	**84,0**	77,9	140,7
– Diluted earnings per share	8	**83,7**	77,5	140,1

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

(Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2021	Reviewed six months to 31 December 2020	Audited year to 30 June 2021
ASSETS			
Non-current assets	**5 831**	4 979	5 483
Property, plant and equipment	**5 229**	4 409	4 866
Right-of-use assets	**363**	347	381
Investments in associates	**63**	49	55
Long-term financial assets	**139**	131	144
Goodwill	**19**	19	19
Deferred taxation	**18**	24	18
Current assets	**2 557**	3 231	3 124
Inventories	**1 085**	1 002	1 164
Trade and other receivables	**893**	1 035	811
Cash and cash equivalents	**548**	1 134	1 081
Taxation receivable	**31**	60	68
Total assets	**8 388**	8 210	8 607
EQUITY AND LIABILITIES			
Share capital and reserves	**6 614**	6 333	6 713
Stated capital	**4 314**	4 314	4 314
Non-distributable reserves	**16**	6	(12)
Treasury shares	**(883)**	(918)	(904)
Share option reserve	**218**	280	219
Retained earnings	**2 666**	2 327	2 736
Non-controlling interests	**283**	324	360
Non-current liabilities	**1 047**	525	526
Interest-bearing loans	**539**	6	5
Lease liabilities	**339**	316	352
Deferred taxation	**169**	203	169
Current liabilities	**727**	1 352	1 368
Trade and other payables	**494**	592	572
Provisions	**176**	173	227
Interest-bearing loans	**–**	502	502
Lease liabilities	**48**	45	48
Taxation payable	**9**	40	19
Total equity and liabilities	**8 388**	8 210	8 607

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

(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 2020								
Audited balance at 30 June 2020	4 314	26	(735)	280	1 148	5 333	301	5 634
Profit for the year					954	954	65	1 019
Other comprehensive income for the year		(20)				(20)	–	(20)
Total comprehensive income for the year	–	(20)	–	–	954	934	65	999
Purchase of own shares			(179)			(179)	–	(179)
Executive Retention Scheme repayment						(5)	–	(5)
Dividends paid			(5)		(110)	(110)	(42)	(152)
Transactions with non-controlling interests						–	#	#
Share incentive costs (including vesting)			1	#	35	36	–	36
Reviewed balance at 31 December 2020	4 314	6	(918)	280	2 327	6 009	324	6 333
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**

Less than R1 million.

CONDENSED GROUP CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

(Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2021	Reviewed six months to 31 December 2020	Audited year to 30 June 2021
Cash generated by operations (note 7)	**1 615**	1 324	2 696
Finance income	**18**	22	57
Finance costs	**(11)**	(14)	(29)
Lease liability finance costs	**(16)**	(15)	(30)
Dividends paid	**(959)**	(152)	(559)
Taxation	**(391)**	(367)	(738)
Cash flow from operating activities	**256**	798	1 397
Additions to property, plant and equipment	**(527)**	(359)	(1 025)
Proceeds on disposal of property, plant and equipment	**6**	30	83
Decrease/(increase) in long-term financial assets	**5**	(3)	(3)
Purchase of interest in subsidiaries and associates	**(8)**	–	(2)
Cash flow from investing activities	**(524)**	(332)	(947)
Increase in loans and borrowings	**632**	6	5
Decrease in loans and borrowings	**(600)**	–	–
Acquisition of non-controlling interest	**(120)**	#	–
Share schemes vesting payments	**(131)**	–	–
Treasury share purchases	**(16)**	(179)	(184)
Lease liability payments	**(30)**	(19)	(50)
Cash flow from financing activities	**(265)**	(192)	(229)
Net movement in cash and cash equivalents for the period	**(533)**	274	221
Cash and cash equivalents at the beginning of the period	**1 081**	860	860
Cash and cash equivalents at the end of the period	**548**	1 134	1 081

Less than R1 million.

SEGMENTAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

(Rand millions unless otherwise stated)

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)**
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.*

Reviewed six months to 31 December 2020	**Retail**	**Manufacturing***	**Supply and Support Services***
Turnover	2 729	2 632	1 371
– From external customers*	2 729	1 841	263
– Intersegment	–	791	1 108
Turnover from franchise stores**	1 329	–	–
Achieved gross margin	991	844	152
Depreciation	(28)	(108)	(10)
Impairment of property, plant and equipment	–	(4)	–
Profit on sale of property, plant and equipment	#	#	#
Trading profit	308	568	137##
Finance income	3	13	17
Finance costs	#	(1)	(24)
Profit before taxation	311	580	130

* *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 R28 million disclosed in note 6.*
\### *Includes royalty income of R67 million disclosed in note 6.*

(Rand millions unless otherwise stated)

Franchising	Properties	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**

(Rand millions unless otherwise stated)

Franchising	Properties	Consolidation	Total
–	–	(1 899)	4 833
–	–	–	4 833
–	–	(1 899)	–
–	–	(1 329)	–
–	–	130	2 117
#	(42)	–	(188)
–	–	–	(4)
–	16	–	17
206###	212	(11)	1 420
–	4	(15)	22
–	(19)	15	(29)
206	197	(11)	1 413

GEOGRAPHICAL ANALYSIS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

(Rand millions unless otherwise stated)

	South Africa	Rest of Africa	Australia	Consolidation	Group
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**
Reviewed six months to 31 December 2020					
Turnover	5 921	493	318	(1 899)	4 833
Non-current assets	5 848	308	229	(1 406)	4 979

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 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 the 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 2021, 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 2021 and the financial position at 31 December 2021.

2. COMMITMENTS AND CONTINGENCIES

There are no material contingent assets or liabilities at 31 December 2021.

(Rand millions unless otherwise stated)

Capital commitments	**31 December 2021**	31 December 2020	30 June 2021
– Contracted	**327**	328	541
– Authorised but not contracted for	**150**	122	275
Total	**477**	450	816

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, 7,2 million of the Group's shares net of forfeitures were held by qualifying staff members at 31 December 2021 (2020: 10,5 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 sixth allotment of shares in the scheme, granted in 2018, vested on 31 August 2021. A total of 104 employees qualified for the vesting (2020: 116), of which three employees opted to retain the shares (2020: one). This resulted in a decrease in treasury shares of 1 163 757 (2020: 1 128 860) 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 R7,1 million (2020: R13 million) to the Group's income; R9 million of the prior year charge is a once-off accelerated expense for franchise staff.

5. EARNINGS PER SHARE

	Reviewed six months to 31 December 2021	Reviewed six months to 31 December 2020	Audited year to 30 June 2021
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	**(9)**	(6)	(6)
– Black economic empowerment treasury shares	**(65)**	(64)	(65)
– Shares held by Italtile Ceramics Proprietary Limited	**(21)**	(24)	(24)
Shares in issue to external parties	**1 217**	1 218	1 217
Reconciliation of share numbers used for EPS calculations (all figures in millions):			
Weighted average number of shares	**1 217**	1 225	1 221
Dilution effect of share awards	**4**	6	6
Diluted weighted average number of shares	**1 221**	1 231	1 227
Reconciliation of headline earnings (Rand millions):			
– Profit attributable to equity shareholders	**1 022**	954	1 718
– Profit on sale of property, plant and equipment – after taxation	**(1)**	(13)	(16)
– Impairment of plant and equipment – after taxation	**–**	4	8
Headline earnings	**1 021**	945	1 710
Headline EPS (cents)	**83,9**	77,1	140,1
Diluted headline EPS (cents)	**83,6**	76,8	139,4
Dividends per share (cents)	**34,0**	31,0	56,0
Net asset value per share (cents)	**543,0**	517,0	554,0

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 2021	Reviewed six months to 31 December 2020	Audited year to 30 June 2021
Turnover#	**4 801**	4 833	9 135
Royalty income from franchising	**67**	67	122
Other franchise income	**46**	28	52
	4 914	4 928	9 309

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 2021	Reviewed six months to 31 December 2020	Audited year to 30 June 2021
Cash flows from operating activities:			
Profit before taxation	**1 488**	1 413	2 557
Adjusted for:			
Income from associates	**–**	–	(3)
Depreciation	**175**	154	314
Depreciation – right-of-use asset	**37**	34	70
Finance cost – lease liability	**16**	15	30
Profit on sale of property, plant and equipment	**(1)**	(17)	(19)
Impairment of property, plant and equipment	**–**	4	10
Finance income	**(18)**	(22)	(57)
Finance costs (excluding lease liability finance costs)	**11**	14	29
Share-based payment expenses	**50**	35	81
Foreign currency translation difference	**(11)**	(13)	(23)
Working capital changes:			
Inventory	**79**	(106)	(268)
Trade and other receivables	**(82)**	(237)	(95)
Trade and other payables (including provisions)	**(129)**	50	70
Cash generated by operations	**1 615**	1 324	2 696

8. INTEREST-BEARING LOANS

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 2021.

9. 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% (June 2021: 71,04%).

10. 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 review 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% (June 2021: 95,47%).

11. 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 as 16 stores in other hotspots for shorter periods of time. Although trade was disrupted and two of the Group's stores were looted, the Group was fortunate to not experience material loss during this time. Business interruption and asset loss insurance claims have been assessed and settled by insurers.

12. COVID-19

During the prior financial year, the Group experienced robust demand for its product as the home improvement industry's share of wallet was elevated given various other sectors of the economy experienced restricted trade. As lockdown restrictions have eased, this demand has tapered off, with the continued impact of the pandemic being disruptions to global supply chains.

To date, the pandemic has not had a materially adverse effect on collection of receivable balances due to the Group, no material impairments directly attributable to the pandemic have been recorded, and the Group remains a robust going concern with positive prospects for growth.

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 2021 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")

Registered office
The Italtile Building
Corner of William Nicol Drive and Peter Place
Bryanston
2021

Postal address
PO Box 1689
Randburg
2125

Transfer secretaries
Computershare Investor Services Proprietary Limited

Company Secretary
E J Willis

Sponsor
Merchantec Capital

Auditor
PricewaterhouseCoopers Inc.

DIRECTORS
Executive directors
L A Foxcroft (Chief Executive Officer)
B G Wood (Chief Financial Officer)

Non-executive directors
G A M Ravazzotti (Chairman), L R Langenhoven (Deputy Chairman),
S M du Toit (Lead Independent Director), S G Pretorius, N P Khoza, I N Malevu,
L C Prezens, J N Potgieter

ITALTILE LIMITED

Physical and registered address
The Italtile Building
Cnr William Nicol Drive and Peter Place
Bryanston 2021
Gauteng, South Africa

Postal address
PO Box 1689
Randburg 2125
South Africa

Telephone
+27 (11) 510 9050

Fax
+27 (11) 510 9060

www.italtile.com