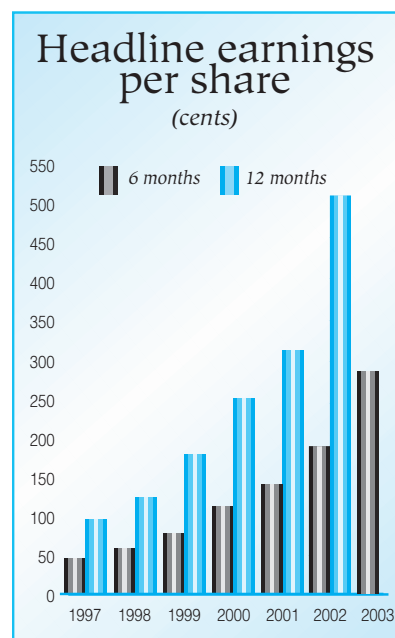
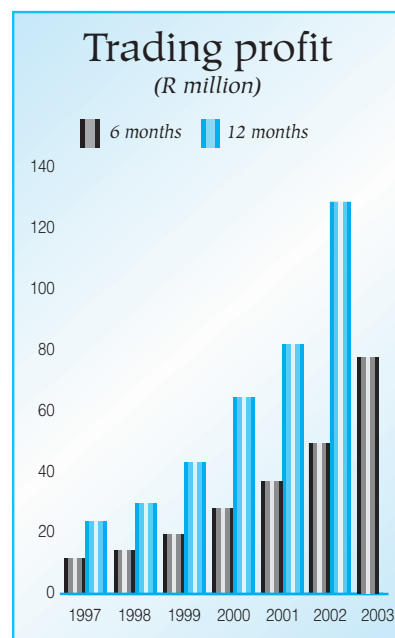
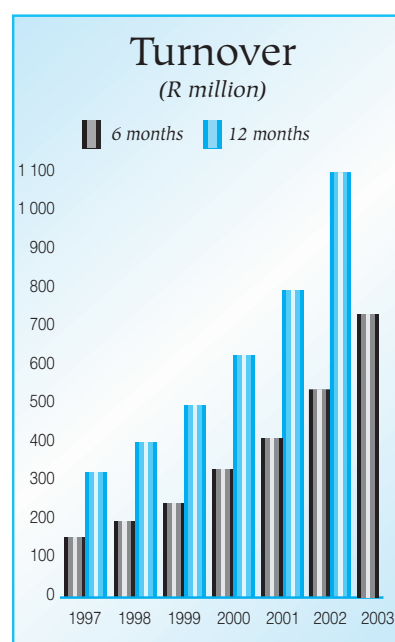


(Rand 000's unless otherwise stated)



COMMENTARY

For the six months ended 31 December 2002, turnover for Italtile Limited and its franchisees amounted to R725 million, an improvement of 36% (2001: R533 million); the contribution from group owned stores improved 33% to R407 million (2001: R306 million), while turnover from franchises grew 40% to R317 million (2001: R227 million). Trading profit increased to R78 million from R50 million in the prior comparable period, an improvement of 56%. Attributable earnings grew 53% to R53.5 million (2001: R35 million), while headline earnings per share increased 52% to 291 cents (2001: 191 cents).

Italtile Limited is South Africa's leading retailer of ceramic tiles, sanitaryware, bathroom accessories and other related products, and trades through two national branded retail chains, CTM and Italtile, which cater to the value-for-money and premium-end markets respectively. The company is amongst the largest purchasers of tiles globally.

Central to the achievement of these results are the group's key competitive strengths:

- Strong brand awareness and responsiveness to consumer demand
- Advantageous store location on company owned premises
- Leverage to source and buy superior quality product at competitive prices
- Strategic partnerships throughout the supply chain which energise the trading model

Contributing to performance improvement was the buoyant trading environment, complemented by the current surge in the building industry.

Turnover growth was derived from existing operations, with only one new store, the Lonehill Super Store, having been opened during this review period. This performance substantiates management's view that the South African ceramic tile market still affords significant growth opportunities in both the developed and undeveloped sectors.

The period under review featured some important developments, including the very successful performance of the group's joint venture enterprises. The company's strategic imperative to empower and energise individuals at every level of the business is accomplished by decentralising decision making, and fostering entrepreneurship by encouraging the development of a successful retail formula at store level. This philosophy has been positively received, and together with the motivation characteristic of an owner-driven business, has produced rewarding returns.

Inroads were made into the sanitaryware and tap market, with gains reported in sales and market share. This associated-product market has traditionally been regarded by the group as peripheral, rather than a core focus area, but with evolving consumer appetite demanding improved convenience and a wider product range, the synergies have become increasingly attractive.

Important opportunities have been identified and growth is forecast for this business segment. Management is confident that the group's status as the leading tile retailer can be replicated in the tap and sanitaryware market.



PROPERTY PORTFOLIO A further R16 million was invested in the property portfolio, increasing the total carrying value to R228 million. The group's policy of trading out of company-owned premises which are situated in highly visible, prime locations positioned to support group brands has continued to deliver important benefits. As a consequence, ongoing investment in this portfolio will be made.

AFRICAN OPERATIONS CTM AND ITALTILE

The group operates three franchise-linked vehicles: 100% franchises, joint venture franchises and black empowered franchisees.

The CTM brand is represented by eight company owned stores, 51 franchised stores, five empowered franchise stores and nine joint venture stores in South Africa. CTM is also presently represented in Botswana, Namibia, Swaziland, Lesotho, Malawi and Tanzania. Expansion plans include a second store in both Malawi and Tanzania, and the commencement of trading in Zambia within the next few months.

Italtile is represented by seven company owned stores, one franchised store, and three joint venture stores in South Africa.

This review period saw the joint venture structure coming into its own as a result of the successful combination of complementary factors: a careful selection process, ensuring the right match of franchisee and customer profile, entrepreneurial commitment of franchise owners, and the mentorship and experience added by the company. Given the success of this trading formula, the balance of group owned stores will be joint ventured in time.

The empowerment franchise vehicles also performed well, incentivising the group to consider opening a further three stores in heavily populated areas. With skills transfer and mentoring taking place at the coalface and benefits flowing through to SME's, management is satisfied that the group's black economic empowerment programme is firmly on track.

Having established itself as a major franchisor the company's goal is to ensure that the bulk of the business vests in the hands of franchisees.

INTERNATIONAL OPERATIONS The Australian operations continued to perform well, growing both turnover and profits. The group is represented by nine CTM stores across Queensland, New South Wales and Victoria. In line with Australian consumer retail expectations, stores will be upgraded over time to afford an aesthetically enhanced shopping experience. Further expansion will commence once the store upgrade programme has been completed. The group's Italian operation continues to add value and has performed in line with expectations.

DIRECTORATE During the period under review, Mr Brian van Rooyen resigned his position as a non executive director of the Board to devote more time to the company of which he is Chief Executive Officer. The Board wishes to thank Mr van Rooyen for his valuable contribution.

ISSUE OF SHARES On 18 November 2002, the Group issued 366 541 shares at 2400 cents each to the Share Incentive Trust in order to eliminate the exposure on the loan owed by the Trust to the group. This brings the total number of shares in issue to 18 396 401. Share issue expenses have been capitalised.

PROSPECTS Trading conditions are expected to remain favourable over the next 12 months. While expansion opportunities afforded by the market will facilitate further store openings during the coming year, the group remains cognisant that to support these stores the market needs to be created and nurtured. Attention will thus be directed at sourcing and training suitable partners and franchisees to exploit untapped markets where brand recognition is already strong. Management is satisfied that with continued focus on key performance areas steady growth and satisfying returns are achievable.

ACCOUNTING POLICIES The financial information has been presented in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies applied are consistent with those of the prior reporting period, with the exception of the adoption of AC133 "Financial Instruments Recognition and Measurement".

DIVIDEND The Board has declared an interim dividend of 50 cents, an improvement of 43% (2001: 35 cents).

DIVIDEND ANNOUNCEMENT The directors have declared an interim dividend (number 73) of 50 cents per share to all shareholders recorded in the books of Italtile Limited. The last day to trade "CUM" the dividend in order to participate in the dividend will be Friday 21 February 2003. The shares of Italtile Limited will commence trading "EX" dividend from the commencement of business on Monday 24 February 2003 and the record date will be Friday 28 February 2003. Payment will be made on Monday 3 March 2003. Share certificates may not be dematerialised or rematerialised between Monday 24 February 2003 and Friday 28 February 2003, both days inclusive.

For and on behalf of the Board

G.A.M. Ravazzotti
Executive Chairman

P.D. Swatton
Chief Financial Officer

5 February 2003

Abridged group income statements

	% Increase	Unaudited 6 months to 31 December 2002	Unaudited 6 months to 31 December 2001	Audited year to 30 June 2002
TURNOVER				
- By group owned stores		407 324	305 990	619 812
- By franchise owned stores		317 389	227 162	469 797
TOTAL	35,9	724 713	533 152	1 089 609
Trading profit before depreciation		84 568	56 033	140 841
Depreciation		(6 396)	(5 923)	(11 586)
Trading profit	56,0	78 172	50 110	129 255
Interest received		1 179	1 005	3 129
Dividends received		938		572
Profit before taxation	57,1	80 289	51 115	132 956
Taxation		(25 475)	(15 781)	(36 565)
Profit after taxation	55,1	54 814	35 334	96 391
Outside shareholders' interest		(1 293)	(314)	(1 476)
Earnings attributable to ordinary shareholders	52,8	53 521	35 020	94 915
Weighted average number of shares in issue (000's)		18 396	18 311	18 311
Earnings per share (cents)	52,1	290,9	191,3	518,3
Headline earnings per share (cents)	52,1	290,9	191,3	518,3
Dividends declared per share (cents)	42,9	50,0	35,0	100,0

Abridged group cash flow statement

	Unaudited 6 months to 31 December 2002	Unaudited 6 months to 31 December 2001	Audited year to 30 June 2002
Cash flow from operating activities	41 223	79 055	97 925
Trading adjusted for non-cash items	78 519	66 331	150 573
Working capital movements	7 172	40 268	(14 209)
Cash generated from operations	85 691	106 599	136 364
Investment income	2 117	1 005	3 701
Dividends paid	(11 902)	(5 676)	(12 209)
Taxation paid	(34 683)	(22 873)	(29 931)
Investing activities	(37 935)	(41 574)	(59 456)
To expand operations	(15 844)	(37 459)	(51 090)
To maintain operations	(22 091)	(4 115)	(8 366)
Increase in issued share capital	8 717		6 649
Decrease in long term liabilities	(1 001)	8 036	
Net movement in cash and cash equivalents	11 004	45 517	45 118
Cash and cash equivalents at beginning of period	91 778	46 660	46 660
Cash and cash equivalents at end of period	102 782	92 177	91 778

Abridged group balance sheets

	Unaudited 6 months to 31 December 2002	Unaudited 6 months to 31 December 2001	Audited year to 30 June 2002
ASSETS			
Non-current assets	288 627	244 573	256 959
Fixed assets	251 042	220 149	232 008
Long-term assets	37 585	24 424	24 951
Current assets	290 202	231 696	300 853
Inventories	117 272	88 294	144 131
Trade and other receivables	70 148	51 225	64 944
Cash and cash equivalents	102 782	92 177	91 778
Total assets	578 829	476 269	557 812
EQUITY AND LIABILITIES			
Capital and reserves	370 241	273 302	325 953
Stated capital	27 174	18 457	18 457
Non-distributable reserve	5 120	11 879	11 168
Retained profit	337 947	242 966	296 328
Outside shareholders' interest	9 950	7 367	8 529
Non-current liabilities	10 542	16 108	11 543
Deferred tax	1 403	984	1 403
Long-term liabilities	6 194	12 179	7 195
Provision for warranties	2 945	2 945	2 945
Current liabilities	188 096	179 492	211 787
Trade and other payables	176 864	172 361	191 347
Taxation	11 232	7 131	20 440
Total equity and liabilities	578 829	476 269	557 812
Net asset value per share (cents)	2 067	1 497	1 827

Statement of changes in equity

	Stated capital	Non-distributable reserve	Retained profit	Total
Balance at 30 June 2001	18 457	1 436	213 622	233 515
Net profit for the year			94 915	94 915
Dividends paid			(12 209)	(12 209)
Currency translation difference		9 732		9 732
Balance at 30 June 2002	18 457	11 168	296 328	325 953
New share issues	8 717			8 717
Net profit for the period			53 521	53 521
Dividends paid			(11 902)	(11 902)
Currency translation difference		(6 048)		(6 048)
Balance at 31 December 2002	27 174	5 120	337 947	370 241

Segmental reporting

	Retail	Properties and Franchising	Corporate	Group
Period to December 2002				
Turnover	407 324	317 389		724 713
Segment results	52 261	23 219	4 809	80 289
Period to December 2001				
Turnover	305 990	227 162		533 152
Segment results	33 228	16 902	985	51 115