ITALTILE LIMITED

REVIEWED CONDENSED GROUP RESULTS

for the year ended
30 June 2023
and cash dividend
declaration

FINANCIAL HIGHLIGHTS

▲ 1%
System-wide turnover
R11,5 billion
2022: R11,3 billion

▼ 15%
Trading profit
R2,3 billion
2022: R2,7 billion

▼ 13%
Earnings per share
132,6 cents
2022: 152,0 cents

▼ 13%
Headline earnings per share
132,3 cents
2022: 152,1 cents

▲ 143%
Net cash
R1 billion
2022: R0,4 billion

▼ 13%
Ordinary dividend per share
53,0 cents
2022: 61,0 cents

▲ 12%
Net asset value per share
642 cents
2022: 575 cents

▲ 2%
Store network
216
2022: 211

COMMENTARY

OVERVIEW

Founded in 1969, Italtile Limited is a proudly South African manufacturer, franchisor and retailer of tiles, bathroomware and other complementary home-finishing products. The Group's retail brands are CTM, Italtile Retail, TopT and U-Light, represented through a total network of 216 stores, including seven online webstores. The brand offering targets homeowners across the Living Standards Measure 4 to 10 categories.

The retail operation is supported by a vertically integrated supply chain comprising key manufacturing 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 aspires to remain 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.

OPERATING ENVIRONMENT

In the year ended 30 June 2023 ("Review Period") trading conditions deteriorated in the second half as living costs and interest rates continued to rise, putting further pressure on homeowners experiencing high levels of unemployment and real wage decreases. In addition, the depreciation of the currency and inflation-driven input cost increases drove up product and building costs, reducing affordability for consumers in the new build and renovation markets.

Consumer and investor sentiment declined further in light of record power cuts, deteriorating infrastructure and service delivery failure, endemic crime and corruption, and uncertain foreign policy.

Competition intensified during the period. In the retail segment, big-box retailers and wholesalers continued to roll-out stores, while opportunistic independent operators proliferated in the informal market. In the manufacturing segment, tile producers in South Africa, Zambia and Zimbabwe added capacity. Soft global demand and significant reduction in shipping costs made imports more affordable despite the local currency weakening during the period. With low barriers to entry and little regulation, several new competitors in the tile adhesive segment also started production.

Concerns regarding crime in our operating environment continued to grow, and the general costs of securing the safety of customers, employees and properties increased ahead of inflation.

CONSUMER TRENDS

Unfavourable economic conditions and the large-scale unwinding of the lockdown-related home improvement boom resulted in an industry-wide decline in demand. The impact of constrained disposable income was evident in consumers' cost-conscious behaviour of buying-down in most product categories; their heightened responsiveness to sale promotions; and increased quote-sourcing to ascertain best prices.

Increasingly, consumers are also diverting disposable income to power generation and storage alternatives, adding further pressure on discretionary spend.

In the fight for share of wallet in the prevailing competitive landscape, the Group benefitted from its long-standing, high-profile brands and reputation for quality and affordable fashion. Our strategic price ladders and ability to absorb margin pressure were key to supporting sales volumes and ensuring our stores continue to offer an unrivalled total solution shopping experience.

GROUP PERFORMANCE AND RESULTS

Notwithstanding the weak economy, our goal was to gain market share and improve profits. Disappointingly, we failed to achieve our goals in the South African businesses, although our East African and Australian operations reported better results.

Total system-wide turnover grew by 1% to R11,5 billion (2022: R11,3 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 business to corporate stores) and the retail turnover of franchisees of the Group.

Revenue from Group-owned stores and entities rose 2% to R9,2 billion (2022: R9,0 billion).

Like-for-like retail store turnover, (excluding sales of stores opened and closed during the period), decreased by 0,3%. Price inflation of 6,7%, softened the effect of declining volumes. Retail store turnover is declining as the aggregate turnover of all stores, both corporate and franchised, in the Group's retail network. Profits also declined slightly in the division as margins decreased.

In the manufacturing division, Ceramic and Ezee Tile's combined manufacturing sales rose by 4,1% although margins and profits declined. While progress was made at the new-technology adhesive and tile facilities, improvement in efficiencies is a focus for the year ahead.

Collectively, the integrated supply chain import businesses, comprising Cedar Point, ITD and DC, reported a decline in sales of 4,6% compared to the prior corresponding period, primarily due to weak consumer demand based on reduced disposable income. Sales from these supply chain businesses were further constrained as inventory, that had been increased to mitigate against uncertain supply during the pandemic, was reduced to usual levels of cover in retail.

Severe margin pressure was experienced, caused by manufacturing inefficiencies, the adverse impact of load shedding, and our strategic margin-management response to subdued demand and increased competition. The consolidated gross margin across the Group reduced by 2,4%. Margins in the individual business units reflect margin absorption in the integrated supply chain (both manufacturers and importers) to support our price-sensitive customers.

Cost leadership is a core discipline and particularly critical in the current inflationary environment. In the first half of the year, significant cost pressure was experienced in logistics and property costs due to increases in fuel prices and utility costs. An increase in stock control costs, primarily related to store revamps and depreciation following extensive capital investment projects in prior periods also increased operating costs. Like-for-like operating expenses increased by 8,4%.

The Group's trading profit decreased by 15% to R2,3 billion (2022: R2,7 billion) heavily impacted by the poor performance of the manufacturing entities which contribute 33,9% (2022: 40%) to Group profits.

Earnings per share ("EPS") decreased by 13% to 132,6 cents (2022: 152,0 cents), while headline earnings per share ("HEPS") declined by 13% to 132,3 cents (2022: 152,1 cents). The small disparity between EPS and HEPS is attributable to profits of R5,4 million realised on disposal of property, plant and equipment during the Review Period.

Inventory volumes declined, although the value remained flat, as a function of currency weakness. This is a reflection of our objective to improve stock turn and reduce high stock levels built up as cover during pandemic-related supply chain delays and pricing volatility. The consolidated inventory balance was R1,3 billion (2022: R1,3 billion).

At 30 June 2023, the cash balance was R1 049 million (2022: R431 million). Material cash outflows for the period include:

- capital expenditure of R671 million (2022: R1 024 million). The Vitro upgrade is in progress and expected to be completed by end of June 2024, the project budget is R172 million;
- tax payments of R633 million (2022: R755 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 the Stock Exchange News Services ("SENS") on 15 December 2022; and
- total dividend payments of R785 million (2022: R1 404 million).

The Group's net asset value per share at 30 June 2023 increased to 641,8 cents (2022: 575,0 cents).

OUR STRATEGIC RESPONSE

The plans in response to under-performance in the manufacturing business include an organisational restructure; actions to capacitate management and the operational team with competencies and skilled individuals; and a back-to-basics plan to refocus on improving systems and management of efficiencies, quality and costs. During the review period, the Group's Chief Financial Officer took on an oversight role at Ezee Tile and will continue to supervise operations until June 2024 to assist with bedding down improvements in the business. A new Chief Executive Officer has been appointed at Ceramic Industries and, together with the senior executive team, is driving improvement in that business.

While our results failed to meet our expectations, we are mindful that the largely solid performance was achieved under very difficult circumstances. Contributing positively to this performance are our strategically integrated business model, ethos of partnership and profit-sharing with our people, improved outcomes-based training, and overriding drive to deliver an unrivalled shopping experience.

PERFORMANCE SCORECARD: GROWTH PRIORITIES

At the end of the prior year, we identified the following growth levers and have outlined our progress achieved in that regard.

Retail

- **Continue to recruit, develop and retain store managers, assistant store managers, warehouse managers and the operations team.** *Identifying, developing and retaining skilled retail-specialist personnel is one of our biggest challenges. While natural attrition, including emigration, remained a constant feature, it is pleasing to report that we strengthened our teams in Namibia and Botswana and have started to improve the retail pipeline of local candidates. An additional retail executive was recruited to the CTM management team. We recognise that there is room for continued improvement and this will remain a key imperative.*

  Our improved outcomes-based training continued to enhance the expertise of our teams and align their understanding and actions with our high-performance culture and service expectations.

- **Gain market share by continuously improving the shopping experience and differentiating our offering from our peers.** While we competed vigorously through our key focus areas of people, service, range, presentation, fashion, quality and value, market share declined.

With the reopening of global travel, our design team was able to attend international trade events, while our procurement specialists were able to connect with existing and new suppliers in Europe and Southeast Asia, to drive our goal to deliver competitively priced, innovative and fashionable products for our customers.

- Instil retail excellence disciplines at all customer touchpoints. *Good progress was made in strengthening our visual merchandising and procurement competencies, which is reflected in an enhanced in-store shopping experience. The surveys that we conduct to measure customer satisfaction recorded a consistent improvement in sentiment, which is rewarding recognition of our ongoing efforts to delight our customers at all touchpoints.*

- Drive brand awareness through extensive promotions and improved marketing *to retain loyal customers and attract new customers. We continued to improve our digital marketing capability given that more customers initiate their purchase with online research.*

- Improve efficiencies to mitigate input cost pressure. *Productivity, for which our benchmark is sales per person in the retail operation, improved, but at a lower rate than product price inflation, primarily due to weaker demand. During the period, we intensified our focus on reducing operating costs across the business, although stock control costs rose as a result of increased breakages, store revamps, range changes and promotions, while freight costs increased due to fuel price hikes.*

- Continued expansion and enhancement of the retail footprint. *In the year under review, we opened two CTM and five TopT stores and closed two TopT stores. We also incorporated new Easylife Kitchens ("ELK") stores on three of our existing sites in Gauteng. Across the Group, 13 stores were revamped, and following the conversion of the final nine stores in the forthcoming period, rollout of the Millennial-look format will have been completed across the business.*

  Following protracted local municipal delays, the multi-brand retail node in Walmer, Gqeberha, which comprises Italtile Retail, CTM and ELK stores, commenced trading from 1 July 2023. The node will expand our national footprint and offers an exciting new shopping experience for local customers as well as those relocating to the northern Garden Route.

  Our East Africa operations, specifically Kenya and Tanzania, delivered a good performance, despite disruption in Kenya during and post the elections, and heavy rains and floods experienced in both countries during the financial year. The stores have been renovated to align with the new generation layout of our South African stores, and benefitted from improvements in retail excellence disciplines, enhancements to the supply chain (which affords improved supply and exclusivity of products), and growing brand recognition in the region. During the period, our new store opened in Nakuru, Kenya, and is reporting positive results.

Integrated supply chain: Manufacturers

- Improve sales. *Despite the current adverse economic, social and political environment, we achieved growth in net sales, underpinned by new product launches.*

- **Improve capacity utilisation and efficiencies across the business units.** *The manufacturing businesses, specifically Ceramic, benefit from increased capacity utilisation to improve efficiencies. Disappointingly, soft market demand and internal inefficiencies resulted in poor capacity utilisation, which had a negative impact on productivity and profits.*

- **Launch additional import replacement products at Gryphon and Samca+.** *The launch of new categories of products was delayed by technical challenges in bedding down processes. Following initial difficulties in commissioning the new technology, our team gained better understanding and improved their competencies. It is anticipated that these challenges will be resolved in the first quarter of the new financial year.*

- **As operations at Samca+ are bedded down, efficiencies are expected to improve.** *Achievement of installed capacity and expected yields is becoming more consistent as the production team builds competence on the new technology.*

- **Invest in additional free-standing production capacity at Betta Baths.** *We temporarily postponed adding capacity at Betta Baths until the new Betta Sanitaryware warehouse is fully operational.*

- **Full operation of Betta warehouse.** *Our state-of-the-art Betta warehouse will be fully operational by the end of the first quarter of the new financial year. Commissioning of this bespoke, automated facility was delayed due to the challenges of designing the unique and complex software required for the five-storey facility.*

- **Improvement at Ezee Tile with the Vulcania plant final commissioning and organisational restructure.** *The commissioning of our new factory in Vulcania and subsequent relocation from Germiston has been more disruptive than anticipated. While several production lines have been commissioned, final commissioning of the full plant and closure of the Germiston facility will only be completed at the end of the first quarter of the 2024 financial year. During the period, the organisational structure was revisited and the management team capacitated accordingly. Improvements at the business's satellite branches is expected as a result of improved delivery from Vulcania.*

Integrated supply chain: Importers

- **Sustaining margins through enhanced product procurement and internal efficiencies.** *Optimising our stock levels, product mix and price ladders are important sales and profit drivers. The reopening of global markets afforded our teams the opportunity to enhance our procurement efforts through leveraging the Group's buying power and its established supplier relationships to source new fashion and collaborate on improved pricing. However, current market conditions and fierce competition have left most other importers unable or unwilling to pass on the full effects of cost inflation and exchange rate deterioration to consumers, resulting in growing margin pressure.*

- **Improved store stock turn of Cedar Point and ITD products.** *As international supply chains have normalised, the surplus inventory in our import businesses has been sold through and stock levels have returned to normal. Opportunity exists to increase stock turn in the stores through improvement of the vendor-managed inventory model and parameters in use at Cedar Point and ITD.*

- **Distribution Centre to complement local production with imported fashion.** *The import of product has been facilitated by several factors, including the significant decrease in shipping rates and product costs from some international markets; improved access to global travel; and changing market dynamics which currently make some imported products competitive again. Accordingly, we have increased the stock holding at our Distribution Centre, complementing our local tile production with fashionable imported ranges.*

Group-wide

- **Prioritise the key performance indicators that drive growth, including productivity, efficiency, cost leadership and inventory management.** *There are still opportunities to improve on all our key performance indicators, notwithstanding the weak demand which impacted on productivity, efficiency and stock turn metrics in the businesses.*

- **Leverage and invest in cutting edge technology and innovations to entrench our competitive advantage across all our trading platforms and in all our operations.** *Recognising the importance of an omni-channel presence, we continued to invest in web development. We opened a new CTM webstore for the Botswana operation and implemented wide-ranging improvements to the online shopping experience locally. We continue to invest to ensure Ceramic remains a world-class manufacturer, with best-in-class technology.*

- **Improve synergies in the integrated supply chain.** *The Group's Transport Management System ("TMS") is now operational in Cedar Point, ITD and DC and was rolled out to Ezee Tile towards the end of the review period. This innovation has afforded more flexibility in inbound and outbound transport logistics and enhanced efficiencies. A vendor-managed system is now also in place in all our integrated supply chain businesses, which has resulted in better in-stocks in the stores and improved customer service.*

- **Build our people pipeline to ensure adequate cover of key positions and leverage our outcomes-based training initiatives to enhance depth of leadership.** *Following a Board strategy session in late 2022, we revisited the organisational structure, with specific focus on succession in all business units. The new human capital programme is designed to achieve sustainable performance through having the required skills in the business and well-defined processes for recruiting and developing new skills. During the review period, our focus was on capacitating management at Ezee Tile and Ceramic, given the shortage of skills and recent poor performance of those businesses. In this regard, we have recruited key individuals across the business.*

DIVISIONAL REVIEW

Retail brands

Our customers are at the core of our business, and it is thanks to the unwavering efforts of our store operators and franchisees that we continue to retain and grow their loyalty to our brands. Our remarkable team exemplifies the ethos of partnership, which is one of our founding values. It is pleasing to report that our franchise model is robust, reflected by the low churn and the strong pipeline of prospective franchisees.

Our focus is on differentiating our customer shopping experience through custodianship of an exceptional range, affordably priced quality products, passionate service and expert product knowledge.

Our brands are structured to cater to customers across the income and demographic spectrum. Italtile Retail is a unique premium-end offering with an unparalleled range of leading-edge international brands. CTM's customer experience offers a fashionable quality range underpinned by year-round value, while TopT's offering is centred on affordable home-finishing products in specialist areas including tiles, paint, ceiling panels and sanitaryware.

Italtile Retail

In terms of key metrics, Italtile Retail reported sales and profit growth, while margins for the period were flat. Productivity per employee also improved.

The brand successfully launched the revamped Umhlanga store in late 2022 and the new Walmer store at the beginning of the 2024 financial year. A new transport solution was implemented, which will improve customer service as well as have a positive impact on cost management.

Italtile Retail's Commercial Projects division experienced significant improvement in activity in its market segment. The Commercial Projects unit contributes approximately 10% to the brand's total turnover. Management is hopeful that this momentum experienced during the period will continue, which will also impact positively on the manufacturing division.

CTM

While CTM is an iconic household name, the brand operates in the most competitive space in the sector – and in the segment where consumers are extremely financially stressed. Management's key focus during the year was on improving retail excellence disciplines and enhancing operational efficiencies through innovation, technology, improved productivity and better cost control. Notwithstanding widespread improvements to the customer shopping experience, CTM's results for the period reflect the external challenges, with a slight decline in sales, profits and margins. The brand maintained its high employee engagement score, which is commendable in the current trading conditions.

In celebration of CTM's 40th anniversary, promotions featuring weekly vouchers and cash-back rewards have proved popular, which has ensured the brand is top of mind for existing and prospective customers. CTM expanded its footprint with one new store in South Africa, one in Kenya, and a webstore in Botswana.

TopT

TopT reported system-wide sales growth and tile volume sales growth. Higher profits were achieved through improved cost leadership. While like-for-like operating expenses reduced, margins declined slightly.

The brand continued to contribute to job creation for unemployed youth through its one-year work experience programme. TopT enjoys strong relationships with the local communities it serves, demonstrated by the extremely popular Woza Ekhaya competition which resonates with the brand's community-driven positioning.

With anticipated constrained economic growth, management has taken a decision to proceed very conservatively with the store roll-out programme.

U-Light

U-Light's performance remained disappointing and two stores were closed in the period. Further steps to reduce losses by this business unit are being implemented. The business currently comprises two Company-owned stores, three franchised stores, a webstore and a distribution centre.

INTEGRATED SUPPLY CHAIN: MANUFACTURERS

Production inefficiencies, steep inflationary input costs and weak market demand impacted negatively on Ceramic and Ezee Tile's performance during the review period, constraining growth of sales, profits and margins.

Ceramic Industries

Our long-term investment approach in our manufacturing operations is to maximise our advantage in the industry using world-class technology to make exceptional quality and highly fashionable products. Ceramic has significant strategic value for the Group, given that one out of every two tiles, baths and toilets purchased in South Africa are manufactured by the business.

South Africa

Tiles

Increased manufacturing competition and the influx of imported product continued to squeeze margins, while delays in routine shutdowns and maintenance projects resulted in unplanned costs and downtime and poor capacity utilisation. Although tile sales value grew, supported by an increase in average selling prices, sales volumes, profits and margins declined in the period under review.

Notwithstanding the disappointing results, Ceramic made progress on its objectives. Production at the new Samca+ factory was improved; a new spray dryer was installed at the Samca Wall factory; and Gryphon successfully increased volumes of rectified tiles. A new kiln upgrade is also currently being implemented at Vitro, with commissioning scheduled for the last quarter of the new financial year. The new technology will improve yields and efficiencies and afford an opportunity to expand the rectified tile range.

In line with the Group's goal to reduce its reliance on the national energy grid, we commissioned an additional 2.2 MW solar power purchasing agreement at the Gryphon factory.

Sanitaryware

Betta reported improved sales value and did well to contain manufacturing cost increases to below 2%, however, a decline in volumes impacted on unit cost efficiencies and margins. Multiple import substitution products were developed and launched during the period, as well as several new-concept ranges of baths and sanitaryware. The division has also recently introduced Betta-branded sanitaryware, which accompanied by a strong marketing campaign, should gain traction. It is gratifying to report that Betta grew market share in the subdued trading conditions.

Australia

The trading environment remained challenging due to the impact of high interest rates on investment sentiment in the building sector, which caused weak demand for building materials. While the exorbitant gas price increases introduced in the prior year were mitigated by the business, electricity tariffs also rose steeply in the review period, driving up production costs. Despite these challenges, the operation reported an improved second six months, enabling the business to grow sales, profits and margins for the full year.

The project to expand capacity at the Centaurus factory has been paused and will be reconsidered once consumer demand recovers and construction and equipment costs stabilise.

Ezee Tile

While sales and stock turn improved, margins and profits were negatively impacted by once-off restructuring and relocation costs, significantly higher input costs, and production inefficiencies. In addition, cost-conscious consumers traded down, buying lower priced products in Ezee Tile's and competitors' ranges.

Although the relocation has taken longer than anticipated, it is pleasing to report that multiple production lines were commissioned at the new Vulcania facility, and the old Germiston plant is in the process of being closed down. The restructured business is expected to deliver notably improved efficiencies once the operation is fully bedded down. An indication of this is evident in the success achieved by improved procurement planning which reduced stock holding and increased stock turns on raw materials. Robust growth was reported in the specifications market, facilitated by an improved projects team and enhanced coordination with the Italtile Retail Commercial Projects division. Management is confident that the restructured Ezee Tile business offers significant upside.

INTEGRATED SUPPLY CHAIN: IMPORTERS

Cedar Point

During the review period, Cedar Point grew sales value through the store network; this growth was underpinned by an increase in average selling prices which had been withheld over the past year to support price-sensitive customers. Warehouse optimisation was a key focus during the year, and resulted in reduced stock control costs. Aligned with other operational improvements, enhanced stock demand forecast and planning was achieved with the retail stores, which improved the customer shopping experience. The business is currently in the process of implementing a new management system that will afford visibility of all imported stock from manufacturer to the customer to enhance efficiencies and service.

International Tap Distributors

ITD's sales, profit and margin metrics were lower, in light of weaker market demand and price-sensitive customers trading-down. The business did well to limit the impact of higher overhead costs through improved productivity and intensified cost-containment measures. Margin pressure due to the weakness of the local currency and higher input costs was partially offset by modest price increases, but for the most part, pricing was maintained to ensure affordability for customers. With the normalisation of external supply, the business successfully achieved high levels of business-critical stock to support the retail operations and significantly reduced surplus inventory.

Distribution Centre

Despite lower sales value, the business improved the stock turn rate and profitability; this was facilitated by astute procurement in the imported product segment. A pleasing increase in the distribution vehicles' utilisation rate was recorded, which also contributed to better efficiencies and cost containment. In addition, the control tower solution was implemented, which enables the business to manage lead times and gain better visibility of the shipping process.

ASSOCIATE INVESTMENT

The Group holds a 30% stake in ELK, a leading manufacturer and installer of kitchen, bathroom, vanity, built-in-cupboards, bar and storage design. This investment is aligned with our goal to provide customers with complete specialist solutions in home finishing. There are synergies between our businesses, with ELK manufacturing furniture for our integrated supply chain, while benefitting from cross-selling opportunities where ELK stores are situated on Group sites. During the period, ELK margins came under pressure due to increased input costs, including imported components.

We will continue to explore opportunities to open further ELK stores on our properties; identification and training of suitable franchisees is key to expanding the national footprint. ELK has a strong pipeline of projects for the first half of the new financial year.

PROPERTY PORTFOLIO

The Group's property portfolio affords strategic advantage to the retail brand operations by ensuring stores are well presented and maintained, and contribute to an inspirational, 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 R185 million was incurred on an ongoing retail property enhancement programme.

SUSTAINABILITY PRIORITIES

The Group's sustainability agenda is reinforced 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.

ENERGY JOURNEY PROGRAMME

Availability and pricing of energy are critical considerations in our business, specifically for the manufacturing division. Our retail operations can largely function without disruption during load shedding, albeit that shoppers tend to avoid those periods. The manufacturing operations employ extensive measures to mitigate the downtime, waste, and damage to equipment resulting from power outages.

During the period, R9 million was spent on diesel for back-up generators. The cost of lost sales, waste and equipment damage is not quantified, but did impact on productivity and profits. The Group's energy programme and the planned transition to renewable alternatives is outlined below.

Mitigating controls include:

- continuous manufacturing improvements are made to reduce gas and electricity consumption;
- solar capacity is installed at Ceramic's Gryphon, Samca+ and Samca Wall factories and at Ezee Tile's Vulcania plant. Back-up generators are also used;
- the Group has three entirely off-grid stores, which are serving as pilot studies for further stores;
- a small portion of domestic liquefied natural gas ("LNG") is supplied by Renergen, which diversifies our sourcing of energy but at a cost. This volume could increase over time; and
- active participation in the Industrial Gas Users Group ("IGUA-SA"), which is advocating for alternative gas supply solutions for industry.

Our strategic response to ongoing energy constraints and continuing to reduce our carbon footprint is to aggressively pursue projects that will facilitate reduced reliance on the national grid and decrease our carbon emissions. These include:

- currently converting 38 stores to hybrid power through a bridging battery solution;
- currently completing phase 2 of a solar installation at Samca Wall, which will provide an additional 0,6 MW of power;

- we are negotiating with a biogas supplier and expect the project to be commissioned in 2026; and
- in our manufacturing operations, we are also exploring the installation of additional solar power at Samca+; a combined heat and power plant project in Vereeniging; and an electricity-wheeling arrangement.

The lack of development of alternative LNG imports to the Pande and Temane gas fields in Mozambique is concerning, as Sasol has indicated that it could stop supplying gas as early as 2026. The repercussions for Ceramic Industries are serious if alternative bulk gas supply is not commercially available. In this regard, management is rigorously exploring alternatives, both in the IGUA-SA forum and independently.

STAFF SHARE SCHEMES

During the financial year, the Group implemented a new staff share scheme ("scheme"), which replaced the existing scheme. The Group's equity-settled Staff Share Schemes are designed to incentivise employees to participate in the growth and profitability of the business.

In this regard, the seventh allotment of shares under the previous scheme, granted in 2018, 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 R161 124 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 10 654 Italtile Limited shares each (dependent on the individual's effective income tax rate).

On 31 March 2023, in terms of the new scheme, awards were made to 535 qualifying employees of the Group and its franchisees. Awards to participants are in the form of units linked to shares held by a trust, and dividends accruing to participants from the date of issue of awards are retained by the trust to offset the future income tax liability of participants on vesting of the awards. Awards vest after three years if the participant remains in the employ of the Group or its franchisees.

As at 30 June 2023, there were 638 participants in the schemes, with awards linked to 5.5 million Italtile shares.

BOARD COMPOSITION

As advised in the SENS announcement published on 13 February 2023, Mr Ravazzotti retired as non-executive Chairman on 30 June 2023. He remains keenly involved in the business, his mentorship programmes, and in preserving our organisational culture, and we are privileged to be able to continue to draw on his extensive experience and wisdom in his role as non-executive director. Luciana Ravazzotti Langenhoven, formerly non-executive Deputy Chairman, was appointed as non-executive Chairman with effect from 1 July 2023. The Board congratulates Luciana and looks forward to her contribution in her new position.

PROSPECTS

Opportunities for growth lie in our focus areas for the forthcoming year.

Improved sales

- Improve execution of our sales strategy, complemented by improved ranges and supply from our integrated import and manufacturing businesses.

Operational excellence

- Improve efficiencies in Ezee Tile and Ceramic.
- Enhance the shopping experience for our customers by continuing to improve our ranges, presentation, service and affordable quality.
- Continue to invest in the digital experience.
- Capitalise on opportunities to substitute imported product.

Develop teams

- Recruit for and develop our depth of talent, leadership pipeline and competencies.
- Recruitment and development must continue to address disparities in under-represented groups in the business to meet our transformation goals.

Resource security

- Mitigate against risks associated with power, gas and water supply; set consumption reduction targets; and transition to renewable resources.

Entrench our purpose-driven approach to responsible citizenship

- Continue to contribute positively to our stakeholders and the various communities in which we operate by creating good quality employment; reducing our carbon footprint through our products, practices, properties and plants; and actively participating in constructive stakeholder engagements.

Despite our confidence that operational improvements can be made, the economic environment will determine consumer demand in the market. Without strong volumes and optimal use of capacity, our cost base and profitability will be negatively affected. Furthermore, local inflation is expected to continue to outpace that in competitor markets of India, China, Zambia and Tanzania, which will serve to intensify margin pressure.

OUTLOOK

While training and development are key drivers in our business, the persistent lack of specialist skills and the small human capital pool in our market segment remain challenging.

Continued instability of energy supply, deteriorating infrastructure, and increasing levels of crime, corruption and poor government performance are likely to continue to constrain gross domestic product growth and subdue consumer sentiment.

Notwithstanding this challenging outlook, we will continue to focus on the growth levers within our control and influence. Italtile's 54-year track record of trading through various turbulent periods, our robust operating model, quality assets and high-performance culture position us to improve our performance in the year ahead. We are also confident that the long-term dynamics of the housing market remain favourable.

SUBSEQUENT EVENTS

Other than the dividend declaration discussed below, no events have occurred subsequent to the review period which 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 a final gross ordinary cash dividend (number 114) for the review period ended 30 June 2023 of 21,0 cents per ordinary share (2022: 27,0 cents per share), to all shareholders recorded in the shareholder register of Italtile as at the record date of Friday, 15 September 2023. This final dividend, together with the interim gross ordinary cash dividend of 32,0 cents per share (2022: 34,0 cents per share), produces a total gross ordinary cash dividend declared for the year ended 30 June 2023 of 53,0 cents per share (2022: 61,0 cents per share), a decrease of 13%.

In accordance with paragraphs 11.17(a)(i) to 11.17(a)(ix) and 11.17(c) of the Listings Requirements of the JSE, ("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 ordinary dividend amount is 21,0 cents per share for shareholders exempt from the dividends tax;
- The net local ordinary dividend amount is 16,8 cents per share for shareholders liable to pay the dividends tax;
- The local ordinary dividend withholding tax amount is 4,2 cents per share for shareholders liable to pay the dividends 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, 64 691 990 shares held as B-BBEE 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, 12 September 2023. The shares will commence trading ex-dividend from the commencement of business on Wednesday, 13 September 2023 and the record date will be Friday, 15 September 2023. The dividend will be paid on Monday, 18 September 2023. Share certificates may not be rematerialised or dematerialised between Wednesday, 13 September 2023 and Friday, 15 September 2023, both days inclusive.

This full-long form and short-form announcement was published on SENS on 28 August 2023 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

INDEPENDENT REVIEWER

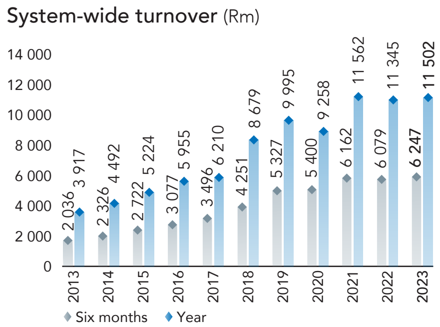
No forward-looking statements in this announcement have been reviewed or reported on by the Group's auditors.

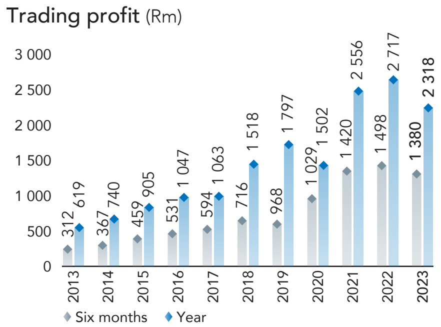
These condensed financial statements for the year ended 30 June 2023 have been reviewed by PricewaterhouseCoopers Inc. ("PwC"), who expressed an unmodified review conclusion thereon. A copy of the auditor's review report on the condensed financial statements is available for inspection at the Company's 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 auditor's 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 or on Italtile's website at https://italtile.com/investor-reports-and-results.asp.

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 financial statements.

Johannesburg
28 August 2023





SYSTEM-WIDE TURNOVER ANALYSIS

for the year ended 30 June 2023

(Rand millions unless otherwise stated)

	% increase/ decrease	**Reviewed year to 30 June 2023**	Audited year to 30 June 2022
Group and franchised turnover			
– By Group-owned stores and entities	2	**9 136**	8 981
– By franchise-owned stores	0	**2 366**	2 364
Total	1	**11 502**	11 345

STORE NETWORK

at 30 June

	2023			2022		
Region	**Franchise**	**Owned**	**Total**	Franchise	Owned	Total
South Africa						
– Italtile	**1**	**13***	**14***	1	13*	14*
– CTM	**32**	**42***	**74***	29	44*	73*
– TopT	**40**	**53***	**93***	37	53*	90*
– U-Light	**2**	**4***	**6***	3	4*	7*
Rest of Africa						
– Italtile	**–**	**1**	**1**	–	1	1
– CTM	**3**	**24***	**27***	3	22*	25*
– U-Light	**1**	**–**	**1**	1	–	1
	79	**137***	**216***	74	137*	211*

** Includes webstores.*

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2023

(Rand millions unless otherwise stated)

	% increase/ (decrease)	**Reviewed year to 30 June 2023**	Audited year to 30 June 2022
Revenue	2	**9 136**	8 981
Cost of sales		**(5 185)**	(4 867)
Gross profit	(4)	**3 951**	4 114
Other revenue and operating income		**396**	471
Operating expenses		**(2 034)**	(1 867)
Impairment of property, plant and equipment		**–**	(2)
Profit on sale of property, plant and equipment		**5**	1
Trading profit	(15)	**2 318**	2 717
Finance income		**65**	39
Finance costs		**(82)**	(63)
Profit from associates – after tax		**9**	7
Profit before taxation	(14)	**2 310**	2 700
Taxation		**(654)**	(765)
Profit for the period	(14)	**1 656**	1 935
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss:			
Foreign currency translation difference		**(42)**	17
Total comprehensive income for the period	(17)	**1 614**	1 952
Profit attributable to:			
– Equity shareholders		**1 605**	1 850
– Non-controlling interests		**51**	85
	(14)	**1 656**	1 935
Total comprehensive income attributable to:			
– Equity shareholders		**1 563**	1 867
– Non-controlling interests		**51**	85
	(17)	**1 614**	1 952
Earnings per share (all figures in cents):			
– Earnings per share	(13)	**132,6**	152,0
– Diluted earnings per share	(13)	**132,4**	151,5

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION
as at 30 June 2023

(Rand millions unless otherwise stated)	Reviewed year to 30 June 2023	Audited year to 30 June 2022
ASSETS		
Non-current assets	**6 434**	6 112
Property, plant and equipment	**5 739**	5 512
Right-of-use assets	**405**	354
Intangible assets	**12**	–
Investments in associates	**78**	70
Long-term financial assets	**145**	141
Goodwill	**19**	19
Deferred taxation	**36**	16
Current assets	**3 335**	2 637
Inventories	**1 315**	1 286
Trade and other receivables	**911**	853
Cash and cash equivalents	**1 049**	431
Taxation receivable	**60**	67
Total assets	**9 769**	8 749
EQUITY AND LIABILITIES		
Share capital and reserves	**7 768**	6 998
Stated capital	**4 314**	4 314
Non-distributable reserves	**47**	5
Treasury shares	**(1 087)**	(935)
Share option reserve	**204**	242
Retained earnings	**4 005**	3 070
Non-controlling interests	**285**	302
Non-current liabilities	**1 066**	1 026
Interest-bearing loans	**500**	500
Lease liabilities	**362**	343
Deferred taxation	**204**	183
Current liabilities	**935**	725
Trade and other payables	**647**	416
Provisions	**208**	200
Interest-bearing loans	**–**	52
Lease liabilities	**55**	47
Taxation payable	**25**	10
Total equity and liabilities	**9 769**	8 749

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

(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 year ended 30 June 2022								
Audited balance at 30 June 2021	4 314	(12)	(904)	219	2 736	6 353	360	6 713
Profit for the year					1 850	1 850	85	1 935
Other comprehensive income for the year		17				17		17
Total comprehensive income for the year		17			1 850	1 867	85	1 952
Purchase of own shares			(67)			(67)		(67)
Dividends paid					(1 349)	(1 349)	(55)	(1 404)
Transactions with non-controlling interests					(32)	(32)	(88)	(120)
Share incentive costs (including vesting)			36	23	(135)	(76)	–	(76)
Audited balance at 30 June 2022	4 314	5	(935)	242	3 070	6 696	302	6 998
For the year ended 30 June 2023								
Audited balance at 30 June 2022	**4 314**	**5**	**(935)**	**242**	**3 070**	**6 696**	**302**	**6 998**
Profit for the year	**–**	**–**	**–**	**–**	**1 605**	**1 605**	**51**	**1 656**
Other comprehensive income for the year	**–**	**42**	**–**	**–**	**–**	**42**	**–**	**42**
Total comprehensive income for the year	**–**	**42**	**–**	**–**	**1 605**	**1 647**	**51**	**1 698**
Purchase of own shares	**–**	**–**	**(104)**	**–**	**–**	**(104)**	**–**	**(104)**
Dividends paid	**–**	**–**	**–**	**–**	**(730)**	**(730)**	**(55)**	**(785)**
Transactions with non-controlling interests	**–**	**–**	**–**	**–**	**2**	**2**	**(13)**	**(11)**
Share incentive costs (including vesting)	**–**	**–**	**(48)**	**(38)**	**58**	**(28)**	**–**	**(28)**
Reviewed balance at 30 June 2023	**4 314**	**47**	**(1 087)**	**204**	**4 005**	**7 483**	**285**	**7 768**

CONDENSED GROUP CASH FLOW STATEMENT
for the year ended 30 June 2023

(Rand millions unless otherwise stated)	**Reviewed year to 30 June 2023**	Audited year to 30 June 2022
Cash generated by operations (note 7)	**2 976**	2 876
Finance income	**65**	39
Finance costs	**(51)**	(34)
Lease liability finance costs	**(31)**	(29)
Dividends paid	**(785)**	(1 404)
Taxation	**(633)**	(755)
Cash flow from operating activities	**1 541**	693
Additions to property, plant and equipment	**(671)**	(1 024)
Dividend income from associates	**2**	1
Additions to intangible assets	**(18)**	–
Proceeds on disposal of property, plant and equipment	**63**	17
(Increase)/decrease in long-term financial assets	**(4)**	3
Purchase of interest in subsidiaries and associates	**–**	(7)
Cash flow from investing activities	**(628)**	(1 010)
Increase in loans and borrowings	**–**	645
Decrease in loans and borrowings	**(52)**	(600)
Share scheme vesting	**(21)**	(136)
Acquisition of non-controlling interest	**(15)**	(120)
Treasury share movements	**(152)**	(67)
Lease liability payments	**(55)**	(55)
Cash flow from financing activities	**(295)**	(333)
Net movement in cash and cash equivalents for the period	**618**	(650)
Cash and cash equivalents at the beginning of the period	**431**	1 081
Cash and cash equivalents at the end of the period	**1 049**	431

SEGMENTAL REPORT
for the year ended 30 June 2023

(Rand millions unless otherwise stated)

Reviewed year to 30 June 2023	**Retail**	**Manufacturing***
Turnover	**5 396**	**5 316**
– From external customers*	**5 393**	**3 300**
– Intersegment	**3**	**2 016**
Turnover from franchise stores**	**2 366**	**–**
Achieved gross margin	**1 948**	**1 405**
Manpower costs	**(336)**	**(586)**
Depreciation	**(81)**	**(260)**
Impairment of property, plant and equipment	**–**	**–**
Profit on sale of property, plant and equipment	**1**	**1**
Trading profit	**553**	**771**
Finance income	**14**	**22**
Finance costs	**(5)**	**(9)**
Income from associates	**–**	**–**
Profit before taxation	**562**	**784**

* *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 R60 million disclosed in note 6.*
\### *Includes royalty income of R144 million disclosed in note 6.*

(Rand millions unless otherwise stated)

Audited year to 30 June 2022	Retail	Manufacturing*
Turnover	5 349	5 128
– From external customers*	5 349	3 052
– Intersegment	–	2 076
Turnover from franchise stores**	2 364	–
Achieved gross margin	1 957	1 565
Manpower costs***	(331)	(597)
Depreciation	(81)	(231)
Impairment of property, plant and equipment	(2)	–
Profit on sale of property, plant and equipment	1	#
Trading profit	570	1 052
Finance income	6	18
Finance costs	(1)	(1)
Income from associates	–	–
Profit before taxation	575	1 069

* *Turnover from external customers includes sales to franchise stores.*
** *Franchise stores are not controlled by the Group.*
*** *The 2022 Segmental report has been amended to separately disclose the manpower costs which contribute a significant portion of the operating expenses.*
\# *Less than R1 million.*
\## *Includes franchise income of R61 million disclosed in note 6.*
\### *Includes royalty income of R153 million disclosed in note 6.*

Supply and Support Services*	**Franchising**	**Properties**	**Associates**	**Consolidation**	**Total**
2 447	**–**	**–**	**–**	**(4 023)**	**9 136**
443	**–**	**–**	**–**	**–**	**9 136**
2 004	**–**	**–**	**–**	**(4 023)**	**–**
–	**–**	**–**	**–**	**(2 366)**	**–**
283	**#**	**–**	**–**	**263**	**3 899**
(225)	**(12)**	**(8)**	**–**	**–**	**(1 167)**
(30)	**(3)**	**(98)**	**–**	**–**	**(472)**
–	**–**	**–**	**–**	**–**	**–**
2	**#**	**#**	**–**	**–**	**5**
252##	**356###**	**386**	**–**	**–**	**2 318**
52	**–**	**33**	**–**	**(56)**	**65**
(35)	**#**	**(89)**	**–**	**56**	**(82)**
–	**–**	**–**	**9**	**–**	**9**
269	**356**	**330**	**9**	**–**	**2 310**

Supply and Support Services*	Franchising	Properties	Associates	Consolidation	Total
2 548	–	–	–	(4 044)	8 981
580	–	–	–	–	8 981
1 968	–	–	–	(4 044)	–
–	–	–	–	(2 364)	–
300	–	–	–	245	4 067
(223)	(4)	(5)	–	–	(1 160)
(21)	#	(105)	–	–	(438)
–	–	–	–	–	(2)
#	#	#	–	–	1
391##	331###	391	–	(18)	2 717
28	#	13	–	(26)	39
(20)	#	(67)	–	26	(63)
–	–	–	7	–	7
399	331	337	7	(18)	2 700

GEOGRAPHICAL ANALYSIS
for the year ended 30 June 2023

	(Rand millions unless otherwise stated)				
Reviewed year to 30 June 2023	**South Africa**	**Rest of Africa**	**Australia**	**Consolidation**	**Group**
Turnover	**11 404**	**1 077**	**678**	**(4 023)**	**9 136**
Non-current assets	**7 461**	**514**	**235**	**(1 776)**	**6 434**
Audited year ended 30 June 2022					
Turnover	11 450	985	590	(4 044)	8 981
Non-current assets	7 549	359	219	(2 015)	6 112

NOTES

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY

Basis of preparation

The reviewed 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 condensed reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and financial pronouncements as issued by the Financial Reporting Standards Council and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee 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 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 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 year ended 30 June 2023 and the financial position at 30 June 2023.

2. COMMITMENTS AND CONTINGENCIES

There are no material contingent assets or liabilities at 30 June 2023.

Capital commitments (Rand millions)	30 June 2023	30 June 2022
– Contracted	**274**	256
– Authorised but not contracted for	**220**	229
Total	**495**	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 financial year, the Group implemented a new staff share scheme, which replaced the existing scheme implemented by the Group during the 2014 financial year. Both schemes are for the benefit of 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 specified allotment date in every year from implementation date. As a result, 5,5 million of the Group's shares net of forfeitures were held by qualifying staff members at 30 June 2023 (2022: 6,8 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 existing scheme, granted in 2019, vested on 31 August 2022. A total of 151 employees qualified for the vesting (2022: 104), of which two employees opted to retain the shares (2022: 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 (2022: 1 163 757) shares.

On 31 March 2023, in terms of the new staff share scheme, the Group made awards to 535 qualifying employees of the Group and its franchisees.

The schemes are classified as equity-settled schemes in terms of IFRS 2 Share-Based Payment, and have resulted in a total expense of R9,8 million (2022: R7 million) to the Group's income; an accelerated once-off charge of R3,8 million was recorded in the current year following the implementation of the new staff share scheme (2022: R nil).

5. EARNINGS PER SHARE

	Reviewed year to 30 June 2023	Audited year to 30 June 2022
Reconciliation of shares in issue (all figures in millions):		
– Total number of shares issued	**1 322**	1 322
– Shares held by the Italtile Share Incentive Trust	**(10)**	(10)
– Shares held by the Italtile Retention Trust	**(8)**	(8)
– Black economic empowerment treasury shares	**(62)**	(65)
– Shares held by Italtile Ceramics Proprietary Limited	**(32)**	(25)
– Shares held by Italtile Staff Share Scheme Trust	**(3)**	–
Shares in issue to external parties	**1 207**	1 214
Reconciliation of share numbers used for earnings per share calculations (all figures in millions):		
Weighted average number of shares	**1 210**	1 217
Dilution effect of share awards	**2**	4
Diluted weighted average number of shares	**1 212**	1 221
Reconciliation of headline earnings (Rand millions):		
– Profit attributable to equity shareholders	**1 605**	1 850
– Profit on sale of property, plant and equipment – after taxation	**(4)**	(1)
– Impairment of property, plant and equipment – after taxation	**–**	2
Headline earnings	**1 601**	1 851
Headline EPS (cents)	**132,3**	152,1
Diluted headline EPS (cents)	**132,1**	151,5
Dividends per share (cents)	**53,0**	61,0
Net asset value per share (cents)	**641,8**	575,0

No adjustments to earnings are required for diluted earnings 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 year to 30 June 2023	Audited year to 30 June 2022
Turnover#	**9 136**	8 981
– Retail	**5 393**	5 349
– Manufacturing	**3 300**	3 052
– Supply and support services	**443**	580
Royalty income from franchising	**144**	153
Other franchise income	**60**	61
	9 340	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 year to 30 June 2023	Audited year to 30 June 2022
Cash flows from operating activities:		
Profit before taxation	**2 310**	2 700
Adjusted for:		
Income from associates	**(9)**	(7)
Depreciation and amortisation	**402**	369
Depreciation – right-of-use asset	**70**	69
Finance cost – lease liability	**31**	29
Profit on sale of property, plant and equipment	**(5)**	(1)
Impairment of property, plant and equipment	**–**	2
Finance income	**(65)**	(39)
Finance costs (excluding lease liability finance costs)	**51**	34
Share-based payment expenses	**49**	75
Foreign currency translation difference	**41**	(8)
Working capital changes:		
Inventory	**(29)**	(122)
Trade and other receivables	**(109)**	(42)
Trade and other payables (including provisions)	**239**	(183)
Cash generated by operations	**2 976**	2 876

8. INTEREST-BEARING LOANS

A revolving credit facility of US$3,5 million (R52 million) was repaid at the end of June 2023. The facility was settled early (repayment was due in November 2025) given increased interest and foreign exchange rate exposures related to the facility.

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

On 28 November 2022, Four Arrows submitted a formal written offer to the Group to sell its remaining 6,7 million Italtile 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. EVENTS AFTER REPORTING DATE

Other than the dividend declaration, 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 30 June 2023 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
2022

Postal address
PO Box 1689
Randburg
2125

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

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 9000

Fax
+27 (11) 510 9060

www.italtile.com