ITALTILE LIMITED

REVIEWED CONDENSED GROUP RESULTS

for the six months ended 31 December 2023, cash dividend declaration and changes to the Board

FINANCIAL HIGHLIGHTS

▼ 2%
System-wide turnover
R6,1 billion
2022: R6,2 billion

▼ 17%
Trading profit
R1,1 billion
2022: R1,4 billion

▼ 15%
Earnings per share
67,5 cents
2022: 79,5 cents

▼ 15%
Headline earnings per share
67,2 cents
2022: 79,2 cents

▲ 76%
Net cash
R1,5 billion
2022: R0,8 billion

▼ 16%
Ordinary dividend per share
27,0 cents
2022: 32,0 cents

▲ 10%
Net asset value per share
684,4 cents
2022: 620,6 cents

▼ 1%
Store network
214
June 2023: 216
December 2022: 214

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 include CTM, Italtile Retail and TopT, represented through a total network of 214 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 strives to remain the best manufacturer and retailer of tiles, sanitaryware and complementary products in Africa, by offering an unrivalled shopping experience with the right products, beautifully presented, at the right time, place and price.

OPERATING ENVIRONMENT

Trading conditions remained challenging in the six months ended 31 December 2023 ("Review Period"). Global demand for ceramic tiles was weak in many countries as macro-economic factors resulted in a decline in demand after strong growth in the post-pandemic years.

South Africa continued to record low economic growth in 2023, with high levels of unemployment and indebtedness, rising living costs and decreasing real wages. Country-specific risks, including sustained load shedding, poor service delivery as well as poor maintenance and development of infrastructure, and endemic crime and corruption, further weighed on consumer confidence. Securing the safety of our customers, employees and properties is a key priority and the costs of doing so continued to rise.

In the building and construction sector, homeowners' investment sentiment and spend continued to be constrained by sustained high interest rates and elevated input cost inflation, which impacted on affordability of products, installations and new build projects.

It was pleasing to see green shoots of recovery in the commercial sector, as projects that resumed after the pandemic reached the installation stages for finishing products, including tiles and sanitaryware.

Competition remained intense across the industry. In the retail segment, big-box retailers continued to roll out stores while the number of independent stores trading in ceramic tiles continued to grow. The impact of competition and margin pressure was evidenced by the closure of some stores of established operators during the Review Period, and further consolidation is expected in the coming year.

Competition during the Black Friday promotional period was fierce as retailers tried to entice customers in a sector that is currently constrained by high interest rates and cost of living pressures.

In the manufacturing segment, tile producers based locally, in Zambia and Zimbabwe expanded capacity. Excess global capacity, weak demand and the significant reduction in shipping costs resulted in high levels of competitively priced imported product. The scheduled opening of a new manufacturer in Mozambique will undoubtedly lead to further competition during the year.

CONSUMER TRENDS

Across the industry, the home improvement boom experienced after the pandemic has waned and activity has declined to pre-pandemic levels. In light of constrained disposable income, consumers remained extremely cost conscious. This is exemplified by the strong response of TopT's customers to the brand's 2023 Black Friday and year-end sales promotions and the trend of buying-down across most product categories as experienced by all three retail brands.

FOCUSED RESPONSE

Mindful of the adverse trading conditions and consumers' price sensitivity, the Group continued to focus on its primary goal: to deliver an unrivalled, added-value shopping experience for our customers by capitalising on the following levers:

- the integrated business model that ensures the right product at the right time, place and price, and enables us to optimise strategic price ladders and tactically absorb margin pressure to support sales volumes;
- our long-standing, high profile brands that strategically target homeowners across the demographic and economic spectrum and are widely recognised for offering exceptional service, quality and affordable fashion;
- our corporate ethos, which esteems profit sharing and partnerships with our people and incentivises them to participate in the success of the business; and
- our high-performance culture and unwavering focus on basic retail excellence disciplines, including constant innovation and investment in the omnichannel shopping experience; rigorous cost leadership; and ongoing improvements in productivity and operating efficiencies.

We appreciate our hard-working employees, who are commended for their efforts to retain and grow market share in the tightly contested fight for share of customers' wallets.

GROUP PERFORMANCE AND RESULTS

Management's emphasis during the Review Period was on optimising investments in people, technology and capital expenditure ("capex") projects across the business. Key to this focus was improving execution of the sales strategy in the retail division, remedying the shortcomings reported in the manufacturing division over the past year, and extracting the projected benefits of recently commissioned large-scale capex projects.

Encouragingly, the retail operation's results were creditable, given the high comparable base, fiercely competitive landscape and weak consumer demand. By continuing to meet our customers' expectations and desires for a beautiful home, our stores retained their leadership in their respective market segments.

While progress was made in the manufacturing division to correct internal under-performance, there remains room for improvement. Furthermore, the challenging external environment continued to restrict growth, particularly that of Ceramic. The generally softer consumer demand and over-stocked position of many wholesalers in the industry impacted negatively on sales, and in the absence of strong volumes and optimal use of manufacturing capacity, this operation's cost base and profitability were severely affected. Ceramic contributes significantly to Group profits, and hence the poor performance had a sizeable impact on the results of the wider business.

The Group's total system-wide turnover decreased by 2% to R6,1 billion (2022: R6,2 billion). System-wide turnover is the aggregate of the Group's consolidated turnover (total sales by Group-owned entities and corporate stores, excluding sales from owned supply chain and manufacturing businesses to corporate stores) and the retail turnover of Group franchisees.

Revenue from Group-owned stores and entities declined by 3% to R4,8 billion (2022: R5,0 billion).

Retail store turnover decreased by 6% compared to the prior corresponding period. Like-for-like retail store turnover (excluding sales of stores opened and closed during the current and corresponding period) declined by 3% in the Review Period. Lower sales volumes were partially offset by average price inflation of 2,6% (2022: 7%). Retail store turnover is defined as the aggregate turnover of all stores, both corporate and franchised, in the Group's retail network.

Ceramic's turnover was 6% lower, while Ezee Tile reported a pleasing 9% growth in sales resulting in a decline in combined manufacturing sales of 4% in the Review Period. Average selling price inflation across the division is estimated at 4% (2022: 7%). With input costs outpacing selling prices, Ceramic's margins reduced and resulted in a 32% decrease in profits, which heavily impacted on the Group's results.

Sales in the import businesses, Cedar Point, ITD and DC, were 9% lower compared to the previous corresponding period, based on weaker retail sales and reduced cost of imported product. Average selling price inflation is estimated at 2% (2022: 11%).

In the current inflationary environment, like-for-like operating cost growth was well-managed, at 3% (2022: 9%). Key focus areas were logistics and property costs, given consistently high fuel prices and increases in the costs of utilities. Manpower costs were targeted through improvements in productivity efficiencies, while stock control costs were contained due to improved inventory controls. Cost leadership is a core operating discipline and continues to be a key focus across the business.

Intense margin pressure persisted throughout the Review Period. The aggregated gross margin across the Group declined by three percentage points compared to the prior corresponding period. Margins reported by the respective business units reflect cost absorption to support our price-sensitive customers.

The Group's trading profit for the period declined by 17% to R1,1 billion (2022: R1,4 billion). As outlined, weak demand impacted on optimal capacity utilisation in Ceramic, which together with high input cost inflation, resulted in a higher cost base per unit manufactured.

Basic earnings per share ("EPS") decreased by 15% to 67,5 cents (2022: 79,5 cents), while basic headline earnings per share ("HEPS") declined by 15% to 67,2 cents (2022: 79,2 cents). The small disparity between EPS and HEPS is attributable to profits of R3 million realised on disposal of two properties during the Review Period.

The Group's consolidated inventory value decreased 5% to R1,3 billion (2022: R1,4 billion), reflecting the deliberate strategy to reduce the high stockholdings in Cedar Point and ITD, built up to mitigate against pricing volatility and supply chain delays during and subsequent to the pandemic.

With the completion of most of the Group's long-standing large-scale projects in the prior period, capex was contained to R308 million (2022: R412 million), incurred on two new stores, the Vitro factory's production line upgrade and general maintenance projects.

At 31 December 2023, the Group's robust cash balance was R1,5 billion (2022: R830 million). Material cash outflows for the period include:

- capital expenditure of R308 million (2022: R412 million);
- tax payments of R261 million (2022: R362 million);
- total dividend payments of R290 million (2022: R370 million); and
- purchase of own shares by the Group to the total value of R112 million (2022: R112 million).

The Group's net asset value per share at the end of the Review Period was 684 cents (2022: 621 cents).

DIVISIONAL REVIEW
RETAIL BRANDS:

CTM, Italtile Retail and TopT

The contest for share of wallet in our marketplace intensified as competition increased and disposable income remained strained. We continued to strive to differentiate our offering from our peers through the value we add for customers: cutting edge products and ranges complemented by fashion expertise and installation advice on their biggest investments. It is pleasing to report that regular customer sentiment surveys confirm our customers' satisfaction with our offering and their loyalty to our brands – endorsing our ongoing efforts to provide an uncompromising shopping experience. However, despite this rewarding positive sentiment, our retail brands collectively reported 3% lower first-half sales than the prior comparable period – reflecting the deterioration in consumer discretionary spend during the period.

CTM

The decline in CTM's sales and profits by mid-single digits remains a concern, as it is indicative of the stressed state of consumers in this broad mass middle market segment.

Despite disappointing sales, solid improvements were achieved by the brand during the Review Period, with the senior management team strengthened by the addition of two experienced retail experts. We are satisfied that progress is also being made in enhancing the quality of our stores and store operators across the business.

New regional management in Botswana was able to improve the Botswana operations and achieve growth in the region. Both the stores in the Namibia region and those in Botswana will report into the new management structure as we focus on sales growth and improved performance in these regions. The store in Zambia achieved modest growth off its low base after opening in the prior financial year.

CTM continues to invest and innovate in the shopping experience for our customers. The brand has recently partnered with a well-known multi-talented local fashion designer to curate an exclusive collection of tiles. The initial customer response to this 'designed with local flavour and made locally' initiative has been positive. Innovations in the omnichannel space have included the addition of online video content on our webstores to assist homeowners with design and installation expertise. CTM's online sales achieved growth, endorsing our ongoing investment in the digital shopping experience.

Results delivered by the CTM East African operations were affected by a deterioration in trading conditions in the region and devaluation of local currencies in both Tanzania and Kenya. Despite solid growth in the volume of units sold, increased sales of locally produced product resulted in a 5% decrease in the average retail selling price in Kenya and 2% in Tanzania, leading to reduced margins and profit for the Review Period.

CTM is represented by 75 stores in South Africa and 27 in the rest of Africa region. During the Review Period, one store was opened in Walmer, Eastern Cape.

Italtile Retail

This brand's residential market is sensitive to local political and social developments, and historically, in the lead-up to national elections, customers tend to defer investments in their homes. The size of this market has also declined over recent years, in line with sustained emigration. Total sales reported by Italtile Retail decreased slightly on the prior comparable period, and profits reported decreased by mid-single digits as higher LSM groups started to feel the effects of higher inflation. It is pleasing to report that the Commercial Projects division, which contributes approximately 10% of total brand turnover, delivered double-digit growth, building on the momentum gained in the prior reporting period. Increased activity in this segment is largely a reflection of green shoots in the local listed-property sector. Italtile Retail is widely recognised as the industry front-runner in environmentally sensitive products, both imported and manufactured locally by Ceramic, and this affords the brand significant competitive advantage in the commercial projects market, where green credentials are increasingly specified.

During the Review Period, management's focus was on developing depth of store leadership and internal improvements aimed at sustaining and enhancing the exceptional customer experience in our stores.

Italtile Retail has a national network of 15 stores and one store in Botswana. One store was opened during the Review Period, in Walmer, Eastern Cape.

TopT

This brand delivered low single-digit growth in sales and profits for the six months under review, finishing on a very strong note, with record sales reported in December 2023. This achievement is attributable to the robust response to TopT's promotional activity, which boosted traditionally strong year-end sales driven by customers returning to their rural homes for the holidays.

TopT offers a uniquely high standard of service and expertise in its entry-level market, adding unrivalled value for customers. In the Review Period, the brand made further progress in improving its overall offering, including enhancing the calibre of its store operators. Investment was also made in curating ranges which are better aligned with customers' expectations.

TopT has a national footprint of 92 stores. One store was opened during the period in Nhzelele, Limpopo, and two stores (Vredenburg, Western Cape and Bochum, Limpopo), were closed. In the period ahead, and in light of the subdued economy, TopT will continue to roll out new stores on a conservative basis.

U-Light
Following the brand's continued under-performance since it was launched, the decision has been taken to exit this business. The entity will be wound-up by the end of the current financial year.

WEBSTORES

The Group operates six webstores, one each for Italtile Retail and TopT, and four for CTM's markets in South Africa, Tanzania, Kenya and Botswana. Our omnichannel strategy is centred on delivering a personalised, differentiated digital experience for our customers that integrates seamlessly with our brick-and-mortar stores.

The online marketplace is a highly competitive and quickly evolving one, and the Group continues to invest in developing and enhancing its capability to grow the contribution of this sales channel. In the six months under review, focus was on integration of the digital strategy across retail operations, online webstores, Group marketing and the IT division to align improvement in the digital experience. Further investment was also made in specialised digital marketing skills, which will add impetus to this initiative.

During the Review Period, unique visitor numbers increased, while conversion rates decreased, indicative of consumers conducting more research and pricing comparisons online.

INTEGRATED SUPPLY CHAIN: MANUFACTURERS

Ceramic Industries and Ezee Tile
Over the previous financial year, the manufacturing division's performance failed to meet expectations.

In this regard, management's core focus in the Review Period was on ameliorating the operating inefficiencies experienced in the prior year and extracting projected benefits of the large-scale capex investments made over the past 18 months. Critical remedial actions were implemented, including the capacitating and restructuring of teams to leverage competencies, efficiencies, quality and costs.

Ceramic Industries
This business manufactures one out of every two tiles, baths and toilets purchased in South Africa, affording the Group significant strategic advantage.

Steep inflationary input costs, excess local and global production capacity, weak market demand and aggressive pricing by importers remained the key challenges facing the business in the six months under review. While foundations were laid for internal improvements and efficiency enhancements, sales, profits and margins were lower than the prior comparable period. Ceramic's 32% decline in profits remains the most significant drag on Group profitability.

Tiles

In the six months under review, among the improvements made was the installation of a new senior management team, which will impact positively on the business. Continued recruitment and development of specialist skills and competencies will remain major priorities to ensure adequate cover of key positions and capacitate the business to achieve its stretch targets.

In the new Samca+ factory, quality, throughput and yields started to improve toward the end of the review period, and the plant is close to achieving design capacity. Once the operation is operating at its full potential, it will start to unlock profitability.

It is anticipated that the new Vitro kiln upgrade will be commissioned in the third quarter of the current financial year. The upgrade will improve yields and efficiencies and enable production of new format rectified tiles, which will enhance Ceramic's competitive position in the market.

While the critical improvements made in the period will continue to impact positively on performance, for the business to grow materially and recover margins, strong sales volumes and optimal capacity utilisation are imperative.

Sanitaryware

Betta Sanitaryware's sales were in line with the prior comparable period, although margins declined significantly due to the deliberate strategy to withhold passing on price increases to the highly cost-conscious market. Betta recently launched multiple import-substitute products as well as several new-concept ranges of baths and sanitaryware, which grew market share for the business.

The commissioning of Betta's warehouse has been further delayed due to the challenges presented by the unique and complex software required to operate the five-storey facility. It is important to note that the delayed commissioning has no impact on existing operations.

Australia

This operation delivered another solid performance, growing sales, margins and profits. The stabilisation of energy costs (gas and electricity tariffs) assisted the good performance, which was achieved in a challenging trading environment featuring high interest rates and consequent weak consumer demand.

The capacity expansion planned for the Centaurus factory will remain on hold until market demand recovers and construction and equipment costs stabilise.

Ezee Tile

Ezee Tile's flagship plant in Vulcania, Gauteng, was fully commissioned during the Review Period after extensive delays caused initially by suppliers, local authorities and subsequently by difficulties bedding down the facility's infrastructure and technology, and a comprehensive organisational restructure. Teething problems experienced with new equipment have largely been resolved and the plant is slowly meeting the production standards expected.

In the six months under review, sales, profits and margins grew, albeit off a low base. Improved margins are attributable to better production efficiencies and average price increases of 4,4%. Margin pressure, is however, still being experienced due to cost-conscious customers buying down in the range.

During the Review Period, Ezee Tile concluded the acquisition of a sand quarry in Delmas, Gauteng, to secure long-term supply for the Vulcania factory. In addition, we commenced integration of the business into the Group's transport management system, which will improve delivery times and reduce costs.

Management is confident that there are opportunities to grow the business sustainably and build market share.

INTEGRATED SUPPLY CHAIN: IMPORTERS

Cedar Point, International Tap Distributors and Distribution Centre

In the context of weak demand, management's key focus in this division was on improving efficiencies and productivity, and enhancing procurement, cost-containment and stock management.

Lower sales volumes in the retail stores impacted negatively on sales through these businesses. In a bid to support affordability for customers and drive volumes, Cedar Point elected to absorb margin pressure caused by higher import prices. Margins in ITD stabilised due to an improvement in the price of brassware raw materials. Distribution Centre delivered solid profits based on astute procurement in the imported product segment.

While the goal to reduce stockholding in all of these businesses was successfully achieved, this position will be closely monitored given potential import supply constraints that may develop due to ongoing local port inefficiencies and volatile shipping capacity. The possibility of supply problems arising from current disruptions in the Red Sea area is also of concern. In this light, the Group continues to build relationships with local suppliers, specifically of cabinets and other bathroomware, to mitigate against unpredictable pricing and supply.

ASSOCIATE INVESTMENT

Easylife Kitchens ("ELK")

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

ELK reported a pleasing performance for the six months under review, growing sales and profits, although margins were tactically reduced to boost volumes. The brand's promotional campaigns delivered a strong pipeline of projects, and management is optimistic that the business will report strong results for their year ended 29 February 2024.

Management of Italtile and ELK continue to explore opportunities for further synergy between the businesses, with ELK manufacturing furniture for our integrated supply chain, while benefitting from cross-selling opportunities where their stores are situated on our multi-node retail sites. Expansion of the national franchise network is ongoing, and we will continue to explore opportunities to open further ELK stores on our Group-owned properties.

PROPERTY PORTFOLIO

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

The property division also plays a key role in driving the Group's green initiatives to ensure environmental sustainability and reduced dependence on municipal services through programmes to implement solar and battery back-up, rainwater harvesting and boreholes.

While the portfolio's turnover-linked returns were lower due to weaker store sales, a small profit was made on the sale of two properties, being land that was no longer aligned with the Group's development programme.

Capex of R41 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 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.

ENERGY JOURNEY PROGRAMME

Availability and pricing of energy are critical considerations in our business, specifically for the manufacturing division, which accounts for 98% of the Group's total energy consumption.

Load shedding and unscheduled power interruptions

During the period, R2,7 million was spent on diesel and maintenance costs for back-up generators during load shedding and unscheduled power interruptions caused by state energy infrastructure failure. The cost of lost sales, waste and equipment damage continued to impact on productivity and profits.

In our retail operation, back-up battery or generator power enables most of our stores to trade without disruption during load shedding, however consumer sentiment is adversely affected by the outages and customers tend to avoid shopping during those periods, which usually also feature severe traffic congestion in suburban areas.

The manufacturing operations employ comprehensive measures, including load curtailment agreements and back-up power generation, to alleviate the downtime, waste and damage to equipment. Our evolving energy programme aggressively pursues projects that will facilitate sustainability of energy supply, reduce reliance on the national grid and decrease our carbon emissions. In this regard, the Group has contracted and installed capacity of 8,3 MW of solar power at our stores and factories.

Retail: Electricity is supplied by solar installed at 45 sites (inclusive of three totally off-grid stores). Following pilot installations, there is a planned roll out of the bridging battery solution, based on the returns to be extracted, as well as the costs of securing the installations.

Manufacturing: 5,2 MW installed capacity is supplied from solar installations at our Gryphon, Samca+, Samca Wall and Ezee Tile Vulcania plants. In addition, approximately 8% of Ceramic's requirements are contracted to domestic liquefied natural gas ("LNG") supplier, Renergen, which diversifies our energy basket, but at a cost. Depending on availability and pricing, this supply may be increased in time.

Sustainability of energy supply

Of critical concern at the moment is the uncertainty surrounding Sasol's supply of LNG from the Pande and Temane gas fields in Mozambique. Sasol has indicated that it is likely to terminate supply from this source as early as mid-2026, which has significant repercussions not only for Ceramic, but the wider local economy.

Management is urgently investigating opportunities and developments to secure future gas supply to the factories, both independently, and through the Industrial Gas Users Group ("IGUA-SA") forum.

Furthermore, management also continues to explore other energy solutions including developing a biogas supply, a combined heat-and-power plant and electricity-wheeling arrangements.

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.

New staff share scheme

On 31 March 2023, the Group implemented a new staff share scheme to replace the previous scheme. In terms of this 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 31 December 2023, there were 497 participants in the new scheme, with awards linked to 2,5 million Italtile shares. The next award of shares for this scheme will take place at the end of March 2024.

Previous staff share scheme

In terms of the previous scheme, the final vesting of awards, granted in August 2020, took place on 31 August 2023. A total of 110 employees qualified, with all employees opting to receive the net value of the awards in cash. Cash payments after tax averaged R146 512 per individual (aggregate payments including income tax totalled R23,0 million), funded by the sale of the related shares to the market. This scheme has now been discontinued.

CHANGES TO THE COMPANY SECRETARY AND BOARD COMMITTEE

With effect from 1 December 2023, Ms E J Willis stepped down as Company Secretary after twenty years of service to the Group. Ms Willis will continue to serve as Company Secretary for various unlisted subsidiary entities within the Group. The Board warmly thanks Ms Willis for her valued service throughout her tenure and looks forward to her continued contribution in her new role.

Acorim Proprietary Limited ("Acorim") were appointed to replace Ms Willis as Company Secretary with effect from 1 December 2023. The Board is satisfied that Acorim has the experience, qualifications and expertise to fulfil the position.

With effect from 1 December 2023, Ms Susan du Toit stepped down as Chairperson of the Remuneration Committee ("Committee") but remains a member thereof; Ms Alex Mathole, an existing member of the Committee, assumed the role of Chairperson. Accordingly, the Committee is comprised as follows: A Mathole (Chairperson); G A M Ravazzotti; S M du Toit; S G Pretorius and L R Langenhoven.

The Board would like to extend its appreciation to Ms du Toit for her significant contribution during her tenure as Chairperson of the Committee and welcomes her continued participation.

PROSPECTS

Management will strive to achieve growth in real terms in the next six months. There are opportunities to further entrench the Group as a point of difference for our customers. Executing operational excellence will be our key driving force across our portfolio of retail and manufacturing assets.

Despite increased competition in the sector, our stores are uniquely positioned to deliver an unrivalled shopping experience. Our vertically integrated business model, local manufacturing supply and bespoke solution ranges of industry-leading fashionable products afford our operators a significant competitive advantage.

In our manufacturing operations there remains opportunity to unlock internal efficiencies, optimise our human capital resource and leverage our investments in cutting-edge technology and equipment to recover market share and attract new customers. It is critical that we grow volumes and optimise capacity utilisation to reduce our cost base to drive up profitability.

Margin pressure is likely to intensify as new manufacturers increasingly resort to aggressive pricing to buy market share; this will be exacerbated by a new manufacturer commencing trading in Mozambique in the next few months, which will expand production capacity in the region even further. Strategically managing margin will remain a key priority for the Group, facilitated by improvements in productivity, efficiencies and cost leadership.

As discussed in the commentary on our energy journey programme, resource security is of paramount importance, specifically to our manufacturing operations. Ensuring affordable, adequate and sustainable supply of energy will be a critical imperative in the forthcoming period.

OUTLOOK

The weak economic growth and difficult trading conditions experienced during the Review Period are likely to persist for the remainder of the current financial year. While easing of inflation could continue, a decrease in interest rates is only expected subsequent to the financial year-end. A recovery in the building cycle is only expected once interest rates decline and consumer confidence improves. Geopolitical tensions may continue to have an adverse impact on shipping costs and capacity as well as on oil and gas prices. Country-specific risks, particularly sustained load shedding, will continue to weigh on consumer sentiment. Furthermore, in light of the uncertain outcome of the forthcoming national government elections, homeowners are likely to remain conservative in their investment decisions in the short-term.

Notwithstanding subdued consumer sentiment and constrained disposable income, management will continue to focus on the growth levers within the Group's control, by prioritising consistent innovation and investment in delivering industry-leading products and an unsurpassed shopping experience for customers.

Over the longer term, management is optimistic that the long-term dynamics of the housing market are favourable: South Africa is under-housed, with a young, growing, upwardly mobile urban population, aspiring to become homeowners.

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 ordinary cash dividend (number 115) for the Review Period ended 31 December 2023 of 27,0 cents per ordinary share (2022: 32,0 cents) to all shareholders recorded in the shareholder register of Italtile as at the record date of Friday, 8 March 2024.

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

- the dividend has been declared out of income reserves;
- the local dividend withholding tax rate is 20% (twenty percent);
- the gross local ordinary dividend amount is 27,0 cents per share for shareholders exempt from the dividends tax;
- the net local ordinary dividend amount is 21,6 cents per share for shareholders liable to pay the dividends tax;
- the local ordinary dividend withholding tax amount is 5,4 cents per share for shareholders liable to pay the dividend tax;
- Italtile's income tax reference number is 9050182717; and
- the Group has 1 321 654 148 shares in issue including 17 888 901 shares held by the share incentive and retention trusts, 64 152 192 shares held as Broad-Based Black Economic Empowerment ("BBBEE") treasury shares and 40 811 945 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, 5 March 2024. The shares will commence trading ex-dividend from the commencement of business on Wednesday, 6 March 2024 and the record date will be Friday, 8 March 2024. The dividend will be paid on Monday, 11 March 2024. Share certificates may not be rematerialised or dematerialised between Wednesday, 6 March 2024 and Friday, 8 March 2024 both days inclusive.

The full long-form and short-form announcements were published on SENS on 19 February 2024 and are 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 11 325 6363 or roxanne@acorim.co.za.

For and on behalf of the Board

L A Foxcroft	**B G Wood**
Chief Executive Officer	*Chief Financial Officer*

Johannesburg
16 February 2024

INDEPENDENT REVIEWER

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

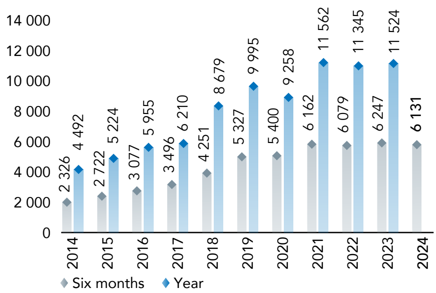
The condensed consolidated interim financial statements for the six months ended 31 December 2023 have been reviewed by PricewaterhouseCoopers ("PwC"), who expressed an unmodified conclusion thereon. A copy of the auditor's report on the condensed consolidated interim financial statements is available 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 auditor's engagement, they should obtain a copy of PwC's unmodified review opinion together with the accompanying financial information from the Company Secretary who is contactable on +27 11 325 6363 or roxanne@acorim.co.za or on Italtile's website at https://www.italtile.com.

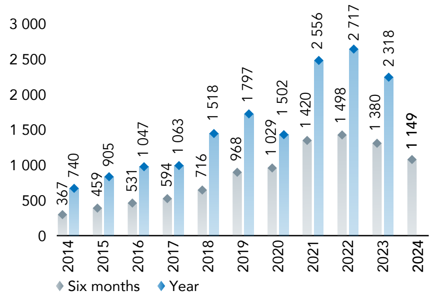
The Board takes full responsibility for the preparation of this announcement and confirms that the financial information has been correctly extracted from the underlying reviewed condensed financial statements.

Johannesburg
16 February 2024

System-wide turnover (Rm)



Trading profit (Rm)



SYSTEM-WIDE TURNOVER ANALYSIS

for the six months ended 31 December 2023

(Rand millions unless otherwise stated)

	% increase/ (decrease)	**Reviewed six months to 31 December 2023**	Reviewed six months to 31 December 2022	Audited year to 30 June 2023
Group and franchised turnover				
– By Group-owned stores and entities	(3)	**4 798**	4 956	9 136
– By franchise-owned stores	3	**1 333**	1 291	2 366
Total	(2)	**6 131**	6 247	11 502

STORE NETWORK

	As at 31 December 2023			As at June 2023		
Region	**Franchise**	**Owned**	**Total**	Franchise	Owned	Total
South Africa						
– Italtile	**1**	**14***	**15***	1	13*	14*
– CTM	**32**	**43***	**75***	32	42*	74*
– TopT	**40**	**52***	**92***	40	53*	93*
– U-Light	**2**	**2**	**4**	2	4*	6*
Rest of Africa						
– Italtile	**–**	**1**	**1**	–	1	1
– CTM	**3**	**24***	**27***	3	24*	27*
– U-Light	**–**	**–**	**–**	1	–	1
	78	**136***	**214***	79	137*	216*

* *Includes webstores.*

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2023

(Rand millions unless otherwise stated)

	% decrease	**Reviewed six months to 31 December 2023**	Reviewed six months to 31 December 2022	Audited year to 30 June 2023
Revenue	(3)	**4 798**	4 956	9 136
Cost of sales		**(2 818)**	(2 764)	(5 185)
Gross profit	(10)	**1 980**	2 192	3 951
Other revenue and operating income		**220**	209	396
Operating expenses		**(1 054)**	(1 025)	(2 034)
Profit on sale of property, plant and equipment		**3**	4	5
Trading profit	(17)	**1 149**	1 380	2 318
Finance income		**55**	25	65
Finance costs		**(41)**	(38)	(82)
Profit from associates – after tax		**3**	1	9
Profit before taxation	(15)	**1 166**	1 368	2 310
Taxation		**(330)**	(371)	(654)
Profit for the period	(16)	**836**	997	1 656
Other comprehensive income				
Items that may be re-classified subsequently to profit or loss:				
Foreign currency translation difference		**3**	(15)	(42)
Total comprehensive income for the period	(15)	**839**	982	1 614
Profit attributable to:				
– Equity shareholders		**811**	965	1 605
– Non-controlling interests		**25**	32	51
	(16)	**836**	997	1 656
Total comprehensive income attributable to:				
– Equity shareholders		**814**	950	1 563
– Non-controlling interests		**25**	32	51
	(15)	**839**	982	1 614
Earnings per share (all figures in cents):				
– Earnings per share	(15)	**67,5**	79,5	132,6
– Diluted earnings per share	(15)	**67,5**	79,4	132,4

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

(Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2023	Reviewed six months to 31 December 2022	Audited year to 30 June 2023
ASSETS			
Non-current assets	**6 481**	6 335	6 434
Property, plant and equipment	**5 787**	5 657	5 739
Right-of-use assets	**421**	415	405
Intangible assets	**13**	17	12
Investments in associates and joint ventures	**81**	70	78
Long-term financial assets	**112**	140	145
Goodwill	**38**	19	19
Deferred taxation	**29**	17	36
Current assets	**3 693**	3 144	3 335
Inventories	**1 298**	1 362	1 315
Trade and other receivables	**888**	887	911
Cash and cash equivalents	**1 458**	830	1 049
Taxation receivable	**49**	65	60
Total assets	**10 174**	9 479	9 769
EQUITY AND LIABILITIES			
Share capital and reserves	**8 225**	7 534	7 768
Stated capital	**4 314**	4 314	4 314
Non-distributable reserves	**50**	20	47
Treasury shares	**(1 182)**	(1 047)	(1 087)
Share option reserve	**192**	213	204
Retained earnings	**4 554**	3 733	4 005
Non-controlling interests	**297**	301	285
Non-current liabilities	**618**	1 119	1 066
Interest-bearing loans	**–**	556	500
Lease liabilities	**394**	368	362
Deferred taxation	**224**	195	204
Current liabilities	**1 331**	826	935
Trade and other payables	**561**	593	647
Provisions	**179**	174	208
Interest-bearing loans	**500**	–	–
Lease liabilities	**55**	51	55
Taxation payable	**36**	8	25
Total equity and liabilities	**10 174**	9 479	9 769

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 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 six months ended 31 December 2022								
Audited balance at 30 June 2022	4 314	5	(935)	242	3 070	6 696	302	6 998
Profit for the year	–	–	–	–	965	965	32	997
Other comprehensive income for the year	–	15	–	–	–	15	–	15
Total comprehensive income for the year	–	15	–	–	965	980	32	1 012
Purchase of own shares	–	–	(99)	–	–	(99)	–	(99)
Dividends paid	–	–	–	–	(330)	(330)	(40)	(370)
Transactions with non-controlling interests	–	–	–	–	(2)	(2)	7	5
Share incentive costs (including vesting)	–	–	(13)	(29)	30	(12)	–	(12)
Reviewed balance at 31 December 2022	4 314	20	(1 047)	213	3 733	7 233	301	7 534
For the six months ended 31 December 2023								
Audited balance at 30 June 2023	**4 314**	**47**	**(1 087)**	**204**	**4 005**	**7 483**	**285**	**7 768**
Profit for the year	**–**	**–**	**–**	**–**	**811**	**811**	**25**	**836**
Other comprehensive income for the year	**–**	**3**	**–**	**–**	**–**	**3**	**–**	**3**
Total comprehensive income for the year	**–**	**3**	**–**	**–**	**811**	**814**	**25**	**839**
Purchase of own shares	**–**	**–**	**(112)**	**–**	**–**	**(112)**	**–**	**(112)**
Dividends paid	**–**	**–**	**–**	**–**	**(262)**	**(262)**	**(28)**	**(290)**
Transactions with non-controlling interests	**–**	**–**	**–**	**–**	**(5)**	**(5)**	**15**	**10**
Share incentive costs (including vesting)	**–**	**–**	**17**	**(12)**	**5**	**10**	**–**	**10**
Reviewed balance at 31 December 2023	**4 314**	**50**	**(1 182)**	**192**	**4 554**	**7 928**	**297**	**8 225**

CONDENSED GROUP CASH FLOW STATEMENT
for the six months ended 31 December 2023

(Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2023	Reviewed six months to 31 December 2022	Audited year to 30 June 2023
Cash generated by operations (note 7)	**1 339**	1 654	2 976
Finance income	**55**	25	65
Finance costs	**(23)**	(22)	(51)
Lease liability finance costs	**(18)**	(16)	(31)
Dividends paid	**(290)**	(370)	(785)
Taxation	**(261)**	(362)	(633)
Cash flow from operating activities	**802**	909	1 541
Additions to property, plant and equipment	**(308)**	(412)	(671)
Dividend income from associates	**–**	–	2
Additions to intangible assets	**(5)**	–	(18)
Proceeds on disposal of property, plant and equipment	**59**	49	63
Decrease/(increase) in long-term financial assets	**33**	1	(4)
Purchase of interest in subsidiaries and associates	**(17)**	–	–
Cash flow from investing activities	**(238)**	(362)	(628)
Increase in loans and borrowings	**–**	19	–
Decrease in loans and borrowings	**–**	(15)	(52)
Share scheme vesting	**(12)**	(12)	(21)
Acquisition of non-controlling interest	**–**	(2)	(15)
Acquisitions of treasury shares	**(112)**	(112)	(152)
Lease liability payments	**(31)**	(26)	(55)
Cash flow from financing activities	**(155)**	(148)	(295)
Net movement in cash and cash equivalents for the period	**409**	399	618
Cash and cash equivalents at the beginning of the period	**1 049**	431	431
Cash and cash equivalents at the end of the period	**1 458**	830	1 049

SEGMENTAL REPORT
for the six months ended 31 December 2023

(Rand millions unless otherwise stated)

Reviewed six months to 31 December 2023	**Retail**	**Manufacturing***
Turnover	**2 736**	**2 679**
– From external customers*	**2 735**	**1 817**
– Intersegment	**1**	**862**
Turnover from franchise stores**	**1 333**	**–**
Achieved gross margin	**994**	**673**
Manpower costs	**(178)**	**(314)**
Depreciation	**(45)**	**(133)**
Impairment of property, plant and equipment	**–**	**–**
Profit on sale of property, plant and equipment	**#**	**#**
Trading profit	**275**	**353**
Finance income	**9**	**12**
Finance costs	**(3)**	**(5)**
Income from associates	**–**	**–**
Profit before taxation	**281**	**360**

* *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 R38 million disclosed in note 6.*
\### *Includes royalty income of R77 million disclosed in note 6.*

(Rand millions unless otherwise stated)

Reviewed six months to 31 December 2022	Retail	Manufacturing*
Turnover	2 911	2 797
– From external customers*	2 906	1 778
– Intersegment	5	1 019
Turnover from franchise stores**	1 291	–
Achieved gross margin	1 054	816
Manpower costs***	(182)	(303)
Depreciation	(41)	(131)
Impairment of property, plant and equipment	–	–
Profit on sale of property, plant and equipment	2	1
Trading profit	295	502
Finance income	7	12
Finance costs	(3)	(3)
Income from associates	–	–
Profit before taxation	299	511

* *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 R33 million disclosed in note 6.*
\### *Includes royalty income of R75 million disclosed in note 6.*

Supply and Support Services*	Franchising	Properties	Associates	Consolidation	Total
1 239	**–**	**–**	**–**	**(1 856)**	**4 798**
246	**–**	**–**	**–**	**–**	**4 798**
993	**–**	**–**	**–**	**(1 856)**	**–**
–	**–**	**–**	**–**	**(1 333)**	**–**
148	**#**	**–**	**–**	**138**	**1 953**
(89)	**(5)**	**(4)**	**–**	**–**	**(590)**
(12)	**(2)**	**(52)**	**–**	**–**	**(244)**
–	**–**	**–**	**–**	**–**	**–**
#	**#**	**(3)**	**–**	**–**	**(3)**
101##	**226###**	**194**	**–**	**–**	**1 149**
37	**–**	**25**	**–**	**(28)**	**55**
(13)	**#**	**(48)**	**–**	**28**	**(41)**
–	**–**	**–**	**3**	**–**	**3**
125	**226**	**171**	**3**	**–**	**1 166**

Supply and Support Services*	Franchising	Properties	Associates	Consolidation	Total
1 350	–	–	–	(2 102)	4 956
272	–	–	–	–	4 956
1 078	–	–	–	(2 102)	–
–	–	–	–	(1 291)	–
153	#	–	–	141	2 164
(89)	(5)	(4)	–	–	(583)
(15)	#	(49)	–	–	(236)
–	–	–	–	–	–
1	#	#	–	–	4
139##	235###	209	–	–	1 380
17	–	11	–	(22)	25
(12)	#	(42)	–	22	(38)
–	–	–	1	–	1
144	235	178	1	–	1 368

GEOGRAPHICAL ANALYSIS
for the six months ended 31 December 2023

(Rand millions unless otherwise stated)

Reviewed six months to 31 December 2023	South Africa	Rest of Africa	Australia	Consolidation	Group
Turnover	**5 713**	**589**	**352**	**(1 856)**	**4 798**
Non-current assets	**7 908**	**504**	**232**	**(2 163)**	**6 481**
Reviewed six months to 31 December 2022					
Turnover	6 167	568	323	(2 102)	4 956
Non-current assets	7 374	495	215	(1 749)	6 335

NOTES

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY

Basis of preparation

The reviewed interim condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the 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 2023, 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 2023 and the financial position at 31 December 2023.

2. COMMITMENTS AND CONTINGENCIES

There are no material contingent assets or liabilities at 31 December 2023.

Capital commitments (Rand millions)	**31 December 2023**	31 December 2022	30 June 2023
– Contracted	**179**	202	275
– Authorised but not contracted for	**105**	325	220
Total	**284**	527	495

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

On 31 March 2023, the Group implemented a new staff share scheme, which replaced the previous scheme implemented by the Group during the 2014 financial year. In terms of this scheme, awards of 2,7 million of the Group's shares were made to 535 qualifying employees of the Group and its franchisees. 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.

The eighth allotment of shares in the previous scheme, granted in 2020, vested on 31 August 2023. A total of 110 employees qualified for the vesting (2022: 151), of which none opted to retain the shares (2022: two), and hence received the net value of the awards in cash. This resulted in a decrease in treasury shares of 1 419 798 (2022: 1 693 135) shares. This scheme has now been discontinued.

As a result, 2,5 million of the Group's shares net of forfeitures were held by qualifying staff members at 31 December 2023 (2022: 3,0 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 schemes are classified as equity-settled schemes in terms of IFRS 2 Share-Based Payment and have resulted in a total expense of R6,4million (2022: R3,5 million) to the Group's income.

5. EARNINGS PER SHARE

	Reviewed six months to 31 December 2023	Reviewed six months to 31 December 2022	Audited year to 30 June 2023
Reconciliation of shares in issue (all figures in millions):			
– Total number of shares issued	**1 322**	1 322	1 322
– Shares held by the Italtile Share Incentive Trust	**(10)**	(10)	(10)
– Shares held by the Italtile Retention Trust	**(8)**	(8)	(8)
– Black economic empowerment treasury shares	**(64)**	(64)	(65)
– Shares held by Italtile Ceramics Proprietary Limited	**(41)**	(32)	(32)
Shares in issue to external parties	**1 199**	1 208	1 207
Reconciliation of share numbers used for earnings per share calculations (all figures in millions):			
Weighted average number of shares	**1 202**	1 214	1 210
Dilution effect of share awards	**#**	2	2
Diluted weighted average number of shares	**1 202**	1 216	1 212

Less than 1 million.

Reconciliation of headline earnings (Rand millions):			
– Profit attributable to equity shareholders	**811**	965	1 605
– Profit on sale of property, plant and equipment – after taxation	**(3)**	(3)	(4)
Headline earnings	**808**	962	1 601
Headline EPS (cents)	**67,2**	79,2	132,3
Diluted headline EPS (cents)	**67,5**	79,1	132,1
Dividends per share (cents)	**27,0**	32,0	53,0
Net asset value per share (cents)	**684,4**	620,6	641,8

No adjustments to earnings are required for diluted earnings per share calculations, as the share schemes 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 2023	Reviewed six months to 31 December 2022	Audited year to 30 June 2023
Turnover[#]	**4 798**	4 956	9 136
– Retail	**2 735**	2 906	5 393
– Manufacturing	**1 817**	1 778	3 300
– Supply and Support Services	**246**	272	443
Royalty income from franchising	**77**	75	144
Other franchise income	**38**	33	60
	4 913	5 064	9 340

[#] *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 2023	Reviewed six months to 31 December 2022	Audited year to 30 June 2023
Cash flows from operating activities:			
Profit before taxation	**1 166**	1 368	2 310
Adjusted for:			
Income from associates	**(3)**	(1)	(9)
Depreciation and amortisation	**205**	200	402
Depreciation – right-of-use asset	**39**	36	70
Finance cost – lease liability	**18**	16	31
Profit on sale of property, plant and equipment	**(3)**	(4)	(5)
Finance income	**(55)**	(25)	(65)
Finance costs (excluding lease liability finance costs)	**23**	22	51
Share-based payment expenses	**39**	39	49
Foreign currency translation difference	**7**	9	41
Working capital changes:			
Inventory	**17**	(76)	(29)
Trade and other receivables	**16**	(81)	(109)
Trade and other payables (including provisions)	**(130)**	151	239
Cash generated by operations	**1 339**	1 654	2 976

8. INTEREST-BEARING LOANS

An interest-bearing loan of R500 million bears interest at three-month JIBAR plus 1,3% and is repayable in full in November 2024 and is thus classified as a current liability. From June 2022, an interest rate swap was entered into to fix the variable interest rate at 6,85% on this loan. The loan is a financial liability measured at amortised cost in terms of IFRS 9.

A revolving credit facility of US$3,5 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 Investments 256 Proprietary Limited ("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 31 December 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
72 Peter Place
Bryanston
Gauteng
2191

Postal address
PO Box 1689
Randburg
2125

Transfer secretaries
Computershare Investor Services Proprietary Limited

Company Secretary
Acorim Proprietary Limited

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

Bastion

ITALTILE LIMITED

Physical and registered address
The Italtile Building
72 Peter Place
Bryanston
Gauteng
2191

Postal address
PO Box 1689
Randburg 2125
South Africa

Telephone
+27 (11) 510 9000

Fax
+27 (11) 510 9060

www.italtile.com