Notice to shareholders

Italtile Limited
(Incorporated in the Republic of South Africa)
(Registration No 1955/000558/06)
("the Company" or "Italtile")
JSE code: ITE
ISIN code: ZAE000099123

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, please consult your Central Securities Depository Participant (CSDP), broker, banker, legal adviser, accountant or other professional adviser immediately.

It should be noted that the record date in terms of section 59 of the Companies Act, No 71 of 2008, as amended (the Companies Act) for Italtile shareholders to be recorded on the register in order to receive notice of the annual general meeting (AGM) is Friday, 19 September 2014.

The record date for determining which Italtile shareholders are entitled to participate in and vote at the AGM is Friday, 21 November 2014. Accordingly, the last day to trade in order to be on the register on the record date to participate and vote at the AGM shall be Friday, 14 November 2014.

Notice is hereby given that the 25th AGM of shareholders of Italtile will be held at Italtile Place, Cnr William Nicol Drive and Peter Place, Bryanston on Friday, 28 November 2014 at 08:00, for the following purposes:

ORDINARY BUSINESS

To receive the annual financial statements for the year ended 30 June 2014 of the Company and the Group, together with the reports of the directors and auditors.

Ordinary Resolution No 1 – Election of directors

1.1 RESOLVED THAT Ms S M du Toit, lead independent director, who is retiring by rotation in terms of the Memorandum of Incorporation of the Company and, being eligible, offers herself for re-election, be and is hereby re-elected as a director of the Company.

1.2. RESOLVED THAT Ms A Zannoni, who is retiring by rotation in terms of the Memorandum of Incorporation of the Company and, being eligible, offers herself for re-election, be and is hereby re-elected as a director of the Company.

1.3. RESOLVED THAT the appointment of Ms N Medupe as a director of the Company as an independent, non-executive director with effect from 20 August 2014 be and is hereby confirmed.

1.4. RESOLVED THAT the appointment of Mr N Booth as a director of the Company in his role as Chief Executive Officer with effect from 1 July 2014 be and is hereby confirmed.

1.5. RESOLVED THAT the appointment of Mr J N Potgieter as a director of the Company in his role as Chief Operations Officer with effect from 1 August 2014 be and is hereby confirmed.

1.6. RESOLVED THAT Mr G A M Ravazzotti's appointment as Chairman of the Board as a non-executive director of the Company be and is hereby confirmed.

A brief *curriculum vitae* in respect of these directors is contained on page 69 of this Integrated Annual Report.

Ordinary Resolution No 2 – Appointment of auditors

RESOLVED THAT Ernst & Young Inc. be and are hereby reappointed as independent auditors of the Company and Sarel Strydom, being a director of Ernst & Young Inc., be and is hereby appointed as the individual registered auditor who will undertake the audit of the Company for the ensuing period terminating on the conclusion of the next AGM of the Company.

Ordinary Resolution No 3 – Audit and Risk Committee

RESOLVED THAT, in terms of Section 94(2) of the Companies Act, 2008 (Act 71 of 2008) the following independent non-executive directors be and are hereby appointed as members of the Company's Audit and Risk Committee, subject to the re-election of Ms du Toit as a director in terms of resolution 1.1 above: S M du Toit (Chairman), S I Gama and S G Pretorius.

Ordinary Resolution No 4 – Non-binding advisory vote on the Company's remuneration policy

RESOLVED THAT the Company's remuneration policy as detailed on pages 59 to 60 of this Annual Report be and is hereby approved and adopted.

The reason for proposing this resolution is to request shareholders to signify their approval of the Company's remuneration policy by way of a non-binding advisory resolution as is provided for in the King Report on Governance for South Africa – 2009 (King III).

Ordinary Resolution No 5 – Unissued shares to be placed under the control of the directors

RESOLVED THAT the authorised but unissued ordinary shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company and that the directors be and are hereby authorised and empowered to allot and issue all or any of such ordinary shares to such person or persons on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the proviso that the aggregate number of shares to be allotted

and issued in terms of this resolution shall be limited to 15% (fifteen percent) of the authorised share capital and subject to the provisions of the Companies Act and the Listings Requirements of JSE Limited (JSE).

Ordinary Resolution No 6 – General authority to issue shares, and to sell treasury shares, for cash

RESOLVED THAT the directors of the Company and/or any of its subsidiaries from time to time be and they are hereby authorised, by way of a general authority, to:

- allot and issue shares or options in respect of all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company, for cash, to such person/s on such terms and conditions and at such times as the directors in their discretion deem fit, subject to the Companies Act, the Memorandum of Incorporation of the Company, the Listings Requirements of the JSE and the following limitations:
  - The securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue.
  - Any such issue may only be made to public shareholders as defined by the Listings Requirements of the JSE and not to related parties.
  - The number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 15% (fifteen percent) of the number of issued ordinary shares, including instruments which are convertible into ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and underwritten) or acquisition (which has had final terms announced) may be included as though they were in issue at the date of application.
  - This general authority is valid until the earlier of the Company's next annual general meeting or expiry of a period of 15 (fifteen) months from the date that this authority is given.
  - A published announcement giving full details, including the impact on the net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share, will be published when the Company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue.
  - In determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company.
  - Whenever the Company wishes to use ordinary shares, held as treasury stock by a subsidiary of the Company, such use must comply with the Listings Requirements of the JSE as if such use was a fresh issue of ordinary shares.

In terms of the Listings Requirements of the JSE a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy at the AGM must be cast in favour of ordinary resolution number 6 for it to be approved.

Special Resolution No 1 – Acquisition of own securities

RESOLVED THAT the mandate be given to the Company (or any of its wholly owned subsidiaries) providing authorisation, by way of a general approval, to acquire the Company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act and the Listings Requirements of the JSE provided that:

- any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- this general authority be valid until the Company's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution number 1 (whichever period is shorter);
- an announcement be published as soon as the Company has cumulatively repurchased 3% (three percent) of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- repurchases by the Company, and/or its subsidiaries, in aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued share capital as at the date of passing this special resolution number 1 or 10% (ten percent) of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;
- the Board of Directors pass a resolution that they have authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group;

- repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date on which the transaction was effected; and
- repurchases may not be undertaken by the Company or one of its wholly owned subsidiaries during a prohibited period.

The reason for the passing of the above special resolution is to grant the Company a general authority in terms of the Act for the acquisition by the Company or any of its subsidiaries of securities issued by the Company, which authority shall be valid until the earlier of the next annual general meeting, or the variation or revocation of such General Authority by Special Resolution by any subsequent general meeting of the Company; provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this general meeting. The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire securities issued by the Company.

The following information, which is required by the Listings Requirements of the JSE with regard to the resolution granting a general authority to the Company to repurchase securities, appears on the pages of the financial statements to which this notice of AGM is annexed, is indicated below:

Directors of the Company	page 69
Major shareholders	page 118
Directors' interests in securities	page 118
Share capital of the Company	page 104
Responsibility statement	page 74
Material changes	page 75

There are no legal or arbitration proceedings, either pending or threatened against the Company or its subsidiaries, of which the Company is aware, which may have, or have had in the last 12 (twelve) months, a material effect on the financial position of the Company or its subsidiaries.

STATEMENT BY THE BOARD OF DIRECTORS OF THE COMPANY PURSUANT TO AND IN TERMS OF THE LISTINGS REQUIREMENTS OF THE JSE:

The directors of the Company hereby state that:

(a) the intention of the directors of the Company is to utilise the authority if, at some future date, the cash resources of the Company are in excess of its requirements. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and will ensure that any such utilisation is in the interests of the shareholders; and

(b) the method by which the Company intends to repurchase its securities and the date on which such repurchase will take place, has not yet been determined.

At the time that the contemplated repurchase is to take place, the directors of the Company will ensure that:

- the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date on which the repurchase is contemplated;
- the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries for a period of 12 (twelve) months after the date on which the repurchase is contemplated;
- the issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the business of the Company and its subsidiaries for a period of 12 (twelve) months after the date on which the repurchase is contemplated;
- the working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements for a period of 12 (twelve) months after the date on which the repurchase is contemplated; and
- the Company will provide its sponsor and the JSE with all documentation as required in Schedule 25 of the Listings Requirements of the JSE, and will not commence any repurchase programme until the sponsor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation.

Special Resolution No 2 – Financial assistance to related and inter-related entities

THAT the Board may, subject to compliance with the requirements of the Company's Memorandum of Incorporation and the Companies Act, authorise the provision by the Company, at any time and from time to time during the period of 2 (two) years commencing on the date of adoption of this special resolution, of direct or indirect financial assistance, by way of a loan, guarantee of a loan or other obligation or the securing of a debt or other obligation to any one or more related or inter-related companies or corporations of the Company and/or to any one or more members of any such related or inter-related company or corporation related to any such company or corporation as outlined in section 2 of the Companies Act, on such terms and conditions as the Board may deem fit.

The reason for the passing of this special resolution is that, on a strict interpretation of section 45 of the Companies Act, the Company may not provide the financial assistance contemplated in such section without a special resolution. The above resolution

gives the Board the authority to authorise the Company to provide direct or indirect financial assistance, by way of a loan, guaranteeing of a loan or other obligation or securing of a debt or other obligation, to the recipients contemplated in special resolution number 2.

It is difficult to foresee the exact details of financial assistance that the Company may be required to provide over the next two years. It is essential, however, that the Company is able to organise effectively its internal financial administration. For these reasons and because it would be impractical and difficult to obtain shareholder approval every time the Company wishes to provide financial assistance as contemplated above, it is necessary to obtain the approval of shareholders, as set out in special resolution number 2.

It should be noted that this resolution does not authorise financial assistance to a director or a prescribed officer or any company or person related to a director or prescribed officer.

Special Resolution No 3 – Approval of non-executive directors' remuneration

THAT, in terms of section 66(9) of the Companies Act, payment of the remuneration for the non-executive directors of the Company be approved as follows:

(i)
- A basic annual fee of R45 000 (forty five thousand Rand).
- R20 000 (twenty thousand Rand) per Board meeting attended.
- R22 000 (twenty two thousand Rand) per strategy session.
- R17 000 (seventeen thousand Rand) per committee meeting attended, with the chairman of such meeting being paid R21 000 (twenty one thousand Rand).

(ii) The Chairman to receive an annual fee of R1 million p.a. with effect from 1 July 2014, subject to the approval thereof by the shareholders.

(iii) The fees payable to directors as detailed in (i) above shall, but only until the expiry of a period of 12 (twelve) months from the date of the passing this special resolution no 3 (or until amended by a special resolution of shareholders prior to the expiry of such period), escalated as determined by the Remuneration Committee of the Company, up to a maximum of 15% (fifteen percent) per annum per amount as set out above.

Explanatory note to special resolution number 3

The Companies Act requires that remuneration paid to directors for their services as directors must be approved by the shareholders.

Special Resolution No 4 – Proposed amendment to the Employee Share Incentive Scheme

RESOLVED THAT clause 10.1 of the trust deed of the Italtile Employee Share Incentive Trust, a trust duly registered by the Master of the High Court under number IT 409/93, (Italtile Employee Share Incentive Trust) be and is hereby amended to provide that the purchase price to be paid by persons who are eligible for participation in the Italtile Employee Share Incentive Trust (Participant) in terms of offers of ordinary shares in the issued share capital of the Company (Italtile Shares) in terms of the Italtile Employee Share Incentive Trust will be the volume weighted average price of Italtile Shares on the JSE Limited for the 30 business days immediately prior to making the offer of the Italtile Shares to the proposed Participant in the Italtile Employee Share Incentive Trust.

For special resolution number 4 to be approved by Italtile Shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution, excluding all the votes attaching to all Italtile shares owned or controlled by persons who are existing Participants in the Employee Share Incentive Scheme.

Ordinary Resolution No 7 – Authority to sign documentation

RESOLVED THAT any director of the Company or the Company Secretary be and is hereby authorised to take all actions necessary and sign all documents required to give effect to the abovementioned special resolutions numbers 1 to 4 and ordinary resolutions numbers 1 to 6.

LITIGATION STATEMENT

The directors of the Company, whose names are given on page 69 of this Integrated Annual Report, are not aware of any legal or arbitration proceedings, pending or threatened against the Company, which may have or have had, in the 12 (twelve) months preceding the date of this notice, a material effect on the Company's financial position.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on page 69 of this Integrated Annual Report, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Integrated Annual Report contains all the information required by law and the Listings Requirements of the JSE.

MATERIAL CHANGE

Other than the facts and developments reported in this Integrated Annual Report, there have been no material changes in the affairs, financial or trading position of the Company since the signature date of this Integrated Annual Report and the posting date thereof. Shares held by the Company as treasury shares and the Italtile Share Incentive Trust will be excluded from the quorum and voting on the resolutions commissioned at the AGM.

VOTING AND PROXIES

A shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to attend, speak and vote in his or her stead. A proxy need not be a shareholder of the Company. For the convenience of registered shareholders of the Company, a form of proxy is enclosed herewith.

The attached form of proxy is only to be completed by those shareholders who are:

- holding Italtile ordinary shares in certificated form; or
- recorded on the electronic subregister in 'own name' dematerialised form.

Shareholders who have dematerialised their shares through a CSDP or broker and wish to attend the AGM, must instruct their CSDP or broker to provide them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and their CSDP or broker.

Forms of proxy must be lodged with the transfer secretaries of the Company at the address given below, by no later than 11:00 on Wednesday, 26 November 2014. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the AGM.

Holders of dematerialised Italtile shares wishing to attend the AGM must inform their CSDP or broker of such intention and request their CSDP or broker to issue them with the relevant authorisation to attend.

By order of the Board



E J Willis

Company Secretary

Johannesburg

22 September 2014