

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 6 of this Circular apply, *mutatis mutandis*, throughout this Circular.

Shareholders are referred to page 3 of this Circular which sets out the detailed action required of Certificated and Dematerialised Shareholders.

If you are in any doubt as to the action you should take, please consult your broker, CSDP, attorney, accountant, banker or other professional adviser immediately.

If you have disposed of all of your Shares in Italtile, then this Circular, together with the accompanying Form of Instruction, should be forwarded to the purchaser to whom, or the broker, agent, CSDP or banker through whom you disposed of your Shares.

Italtile does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of any holder of Dematerialised Shares to notify such Shareholder of the action required of them in respect of the Rights Offer set out in this Circular.

ITALTILE
Limited

ITALTILE LIMITED

Incorporated in the Republic of South Africa

(Registration number 1955/000558/06)

Share code: ITE ISIN: ZAE000099123

("Italtile" or "the Company")

CIRCULAR TO SHAREHOLDERS OF ITALTILE

regarding

- a partially underwritten renounceable rights offer of 260 539 178 new Shares at a subscription price of R11.57 per Rights Offer Share, in the ratio of 22 Rights Offer Shares for every 100 Shares held at the close of business on Friday, 10 November 2017;

and enclosing

- a Form of Instruction for use by Certificated Shareholders only.

Rights Offer opens at 09:00 on

Monday, 13 November 2017

Rights Offer closes at 12:00 on

Friday, 24 November 2017

All the advisers whose names are included in this Circular have given and have not, prior to publication of this Circular, withdrawn their written consents for the inclusion of their names in the form and context in which they appear.

Corporate Adviser and
Sponsor

Merchantec
capital

Legal Adviser

Hogan
Lovells

Joint Underwriter

 **DZANA**
INVESTMENTS
DREAM. DEVELOP. DELIVER.

Joint Underwriter


Aka Capital

Date of issue: 6 November 2017

This Circular is available in English only. Copies of this Circular may be obtained from the registered office of the Company and the Sponsor at the addresses set out in the "Corporate information" section of this Circular during normal business hours from Monday, 6 November 2017 up to and including Friday, 24 November 2017 or on the Company's website at www.italtile.com.

A copy of this Circular, together with the Form of Instruction and other requisite documents referred to in section 99(4)(b) of the Companies Act, were filed and approved by the JSE. This Circular is not an invitation to the public to subscribe for Shares, but is issued in compliance with the Listings Requirements for the purpose of providing information to the public with regard to the Company.

DISCLAIMER

All transactions arising from the provisions of this Circular and the Form of Instruction shall be governed by and be subject to the laws of South Africa. The Rights Offer may be affected by the laws of the relevant jurisdictions of foreign Shareholders. Such foreign Shareholders should inform themselves about and observe any applicable legal requirements of such jurisdictions in relation to all aspects of this Circular that may affect them, including the Rights Offer. It is the responsibility of any foreign Shareholder to satisfy himself as to the full observation of the laws and regulatory requirements of the relevant jurisdiction in connection with the Rights Offer, including obtaining any governmental, exchange control or other consent or the making of any filings which may be required, the compliance with other necessary formalities, the payment of any issue, transfer or other taxes or requisite payments due in such jurisdiction. The Rights Offer is further subject to any other applicable laws and regulations, including the Exchange Control Regulations. Any foreign Shareholder who is in doubt as to his position, including without limitation his tax status, should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

CORPORATE INFORMATION

Italtile Limited

Date of incorporation: 25 February 1955

Place of incorporation: South Africa

Company Secretary and registered address of Italtile

E J Willis

(Registration number 1955/000558/06)

The Italtile Building

Corner William Nicol Drive and Peter Place

Bryanston, 2021

(PO Box 1689, Randburg, 2125)

Corporate Adviser and Sponsor

Merchantec Capital

(Registration number 2008/027362/07)

2nd Floor, North Block

Hyde Park Office Tower

Corner 6th Road and Jan Smuts Avenue

Hyde Park, Johannesburg, 2196

(PO Box 41480, Craighall, 2024)

Legal Adviser

Hogan Lovells (South Africa) Inc.

(Registration number 1992/006150/21)

140 West Street

Sandton, Johannesburg, 2196

(PO Box 78333, Sandton City, 2146)

Transfer Secretaries

Computershare Investor Services Proprietary Limited

(Registration number 2004/003647/07)

Rosebank Towers

15 Biermann Avenue

Rosebank, 2196

(PO Box 61051, Marshalltown, 2107)

FORWARD-LOOKING STATEMENT DISCLAIMER

This Circular includes statements about Italtile and/or the Italtile Group that are, or may be deemed to be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words such as “believe”, “aim”, “expect”, “project”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “will”, “estimated”, “potential” or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Italtile cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which Italtile operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by Italtile, as communicated in publicly available documents by Italtile, all of which estimates and assumptions, although Italtile believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Italtile or not currently considered material by Italtile.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of Italtile not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. Italtile has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

TABLE OF CONTENTS

	Page
Corporate information	Inside front cover
Forward-looking statement disclaimer	1
Action required by Shareholders	3
Important dates and times	5
Definitions and interpretations	6
Circular to Italtile Shareholders	10
1. Introduction	10
2. Background to and purpose of the Rights Offer	10
3. Nature of the business and prospects of Italtile	11
4. Particulars of the Rights Offer	12
5. JSE listings	17
6. Intended use of funds	17
7. Share capital	17
8. Directors	18
9. Directors' responsibility statement	19
10. Experts' consents	19
11. Costs	20
12. Documents available for inspection	20
Annexure 1 Table of entitlement	21
Annexure 2 Share trading history of Italtile	22
Annexure 3 Information on the underwriter: Dzana Investments	23
Annexure 4 Information on the underwriter: AKA Capital	24
Form of Instruction	Enclosed

ACTION REQUIRED BY SHAREHOLDERS

PLEASE TAKE CAREFUL NOTE OF THE FOLLOWING PROVISIONS REGARDING THE ACTION REQUIRED BY ITALTILE SHAREHOLDERS:

1. If you are in any doubt as to what action to take, you should consult your broker, CSDP, attorney, accountant, banker, or other professional adviser immediately.
2. If you have disposed of all of your Shares in Italtile, then this Circular, together with the accompanying Form of Instruction, should be forwarded to the purchaser to whom, or to the broker, agent, CSDP or banker through whom you disposed of your Shares, except that this Circular, together with the Form of Instruction, should not be forwarded or transmitted by you to any person in any territory other than South Africa unless the Rights Offer can lawfully be made to such person in such territory.
3. Shares in companies listed on the JSE can no longer be traded on the JSE unless they have been Dematerialised onto the Strate system. It is therefore suggested that Certificated Shareholders Dematerialise their Documents of Title and replace them with electronic records of ownership. In this regard, Shareholders may contact either a CSDP or broker, details of which are available from Strate at liaisondesk@strate.co.za or telephone +27 (0)11 759 5300 or facsimile +27 (0)11 759 5503.
4. Certificated Shareholders wishing to Dematerialise their Shares are advised that the Dematerialisation process can take between 1 (one) and 10 (ten) days, depending on the volumes being processed at the time.

SHAREHOLDERS WHO HAVE DEMATERIALISED THEIR ITALTILE SHARES

Dematerialised Shareholders:

1. will **NOT** receive a "printed" Form of Instruction, but will have their accounts updated with their Rights Offer Entitlement by their CSDP or broker;
2. should timeously instruct their CSDP or broker as to whether they wish to subscribe for all or part of their Rights Offer Entitlement, or sell all or part of their Rights Offer Entitlement or renounce all or part of their Rights Offer Entitlement, in the manner and time stipulated in the Custody Agreement;
3. who do not issue instructions to their CSDP or broker, will result in the CSDP or broker acting in accordance with the Custody Agreement; and
4. should note that Italtile assumes no responsibility and will not be held liable for any failure on the part of their CSDP or broker to notify them of the Rights Offer and to receive instruction in regard thereto.

SHAREHOLDERS WHO HAVE NOT DEMATERIALISED THEIR ITALTILE SHARES

Certificated Shareholders:

1. will have their Letter of Allocation created in electronic form with Computershare Investor Services to ensure that Certificated Shareholders have the same rights and opportunities in respect of the Rights Offer as Dematerialised Shareholders;
2. will receive a printed Form of Instruction in relation to the Letter of Allocation, providing for the sale of all, or part of, the rights embodied in the Form of Instruction, the subscription for Rights Offer Shares in terms thereof, or the renunciation of their rights and must act in accordance with the instructions thereon; and
3. who wish to **subscribe** for all of the Rights Offer Entitlement, must complete **Blocks (5) and (6)** of the Form of Instruction in accordance with the instructions contained therein, attach their cheques, banker's draft or EFT swift reference number for the appropriate amount and lodge same with the Transfer Secretaries as set out below:

Hand deliveries to:

Italtile Limited
c/o Computershare Investor Services
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196

Postal deliveries to:

Italtile Limited
c/o Computershare Investor Services
PO Box 61763
Marshalltown, 2107

Emailed to:

(only in the case where payment is by way of EFT)

corporate.events@computershare.co.za

so as to reach the Transfer Secretaries by no later than **12:00** on Friday, 24 November 2017.

Computershare Investor Services will not be responsible for any loss and/or damage whatsoever in relation to or arising from the late or non-receipt of emailed Forms of Instruction or owing to Forms of Instruction being forwarded to any other email

address other than the one provided above. Forms of Instruction shall be deemed to be received on the date reflected in Computershare Investor Services' electronic systems. Notwithstanding anything to the contrary, it is the responsibility of a Shareholder to ensure that his Form of Instruction is received by Computershare Investor Services;

4. will receive certificated share certificates in respect of the Rights Offer Shares;
5. will only be able to trade their Rights Offer Shares on the JSE once they have been Dematerialised (this could take between 1 (one) and 10 (ten) days, depending on the volume being processed at the time);
6. who wish to **sell** all or part of the rights allocated to them in terms of the Rights Offer must complete **Form A** on the enclosed Form of Instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein so as to reach the Transfer Secretaries by no later than **12:00** on Tuesday, 21 November 2017. Computershare Investor Services will endeavour to procure the sale of the Rights Offer Entitlement on the JSE on behalf of such certificated rights recipients and will remit the proceeds in accordance with the payment instructions reflected in the Form of Instruction, net of brokerage charges and associated expenses. Neither Computershare Investor Services, nor any broker appointed by it, will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales, the price obtained or any failure to sell such rights; and
7. who wish to **renounce** their Rights Offer Entitlement in favour of any named Renounee must complete **Form B** on the enclosed Form of Instruction and the Renounee must complete Form C on the enclosed Form of Instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein so as to reach the Transfer Secretaries by no later than **12:00** on Friday, 24 November 2017, together with a cheque, banker's draft or EFT swift reference number indicating the EFT payment for the appropriate amount.

IMPORTANT DATES AND TIMES

2017

Rights Offer Declaration Data announcement released on SENS	Monday, 23 October
Rights Offer Finalisation announcement released on SENS	Thursday, 2 November
Circular and Form of Instruction distributed to Certificated Shareholders	Monday, 6 November
Last day to trade in Italtile Shares in order to participate in the Rights Offer (<i>cum</i> entitlement) on	Tuesday, 7 November
Listing of and trading in the Letters of Allocation on the JSE under JSE code ITEN and ISIN ZAE000251328 commences at 09:00 on	Wednesday, 8 November
Italtile Shares commence trading ex-rights on the JSE at 09:00 on	Wednesday, 8 November
Record date for the Rights Offer for purposes of determining the Italtile Shareholders entitled to participate in the Rights Offer at the close of business on	Friday, 10 November
Rights Offer opens at 09:00 on	Monday, 13 November
Holders of Dematerialised Italtile Shares will have their accounts at their CSDP or broker automatically credited with their Letters of Allocation at 09:00 on	Monday, 13 November
Holders of Certificated Italtile Shares will have their Letters of Allocation credited to an electronic register at the Transfer Secretaries at 09:00 on	Monday, 13 November
Circular distributed to Dematerialised Shareholders, where applicable	Tuesday, 14 November
Last day to trade in Letters of Allocation on the JSE	Tuesday, 21 November
Last day for Form of Instruction to be lodged with the Transfer Secretaries by holders of Certificated Italtile Shares wishing to sell all or part of their Rights Offer Entitlement by 12:00 on	Tuesday, 21 November
Listing and trading of Rights Offer Shares commences on the JSE at 09:00 on	Wednesday, 22 November
Last day for Form of Instruction to be lodged with the Transfer Secretaries by holders of Certificated Italtile Shares wishing to subscribe for or renounce all or part of their Rights Offer Entitlement by 12:00 on (see note 2)	Friday, 24 November
Record date for Letters of Allocation	Friday, 24 November
Rights Offer closes at 12:00 and payment to be made on	Friday, 24 November
CSDP/broker accounts credited with Rights Offer Shares and debited with the payments due in respect of holders of Dematerialised Italtile Shares on	Monday, 27 November
Rights Offer Share certificates in terms of the Rights Offer posted to holders of Certificated Italtile Shares via registered post on or about	Monday, 27 November
Results of Rights Offer announced on SENS on	Monday, 27 November

Notes:

1. All references to dates and times are to local dates and times in South Africa.
2. Holders of Dematerialised Italtile Shares are required to notify their CSDP or broker of the action they wish to take in respect of the Rights Offer in the manner and by the time stipulated in the agreement governing the relationship between the Dematerialised Shareholder and his CSDP or broker.
3. Italtile share certificates may not be Dematerialised or Rematerialised between Wednesday, 8 November 2017 and Friday, 10 November 2017, both days inclusive.
4. CSDPs effect payment in respect of holders of Dematerialised Rights Offer Shares on a delivery versus payment basis.
5. To the extent that the rights are accepted, Dematerialised Shareholders will have their accounts at their CSDP or broker automatically credited with their rights and Certificated Shareholders will have their rights credited to an account at Computershare Investor Services.
6. Rights Offer share certificates to be issued in terms of the Rights Offer will be posted to persons entitled thereto, by registered post, at the risk of the Certificated Shareholders concerned.

DEFINITIONS AND INTERPRETATIONS

In this Circular and the annexures hereto, unless the context otherwise indicates, references to the singular include the plural and *vice versa*, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and *vice versa*, and the words in the first column hereunder have the meaning stated opposite them in the second column, as follows:

“AKA Capital”	AKA Capital Holdings Proprietary Limited (Registration number 2008/011478/07), a private company duly incorporated in accordance with the laws of South Africa and a black-owned investment holding company;
“B-BBEE”	Broad-based black economic empowerment, as such term is defined in the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, as amended;
“Board” or “Directors”	the Board of Directors of Italtile at the Last Practicable Date whose details are set out in paragraph 8 of this Circular;
“Business Day”	any day other than a Saturday, Sunday or a public holiday in South Africa;
“Ceramic”	Ceramic Industries Proprietary Limited (Registration number 1982/008520/07), a private company duly registered and incorporated in accordance with the laws of South Africa, of which Italtile Ceramics currently holds 95.47% of the issued share capital;
“Ceramic Acquisition”	the acquisition, as approved by Shareholders on 21 September 2016, by Italtile Ceramics of a further 74.55% of the issued share capital of Ceramic for a purchase consideration of R3.49 billion, which consideration was settled in cash (50%) and the balance by way of the issue of Italtile Shares at R11.57 per Share;
“Ceramic Acquisition Circular”	the circular to Italtile Shareholders, dated 23 August 2016, pertaining to the Ceramic Acquisition;
“Ceramic Foundation Trust”	Ceramic Foundation Trust, a trust duly registered in terms of the Trust Property Control Act, No. 57 of 1988, under IT number 1187/09;
“Certificated Share”	an Italtile Share that has not been Dematerialised, title to which is evidenced by a Document of Title;
“Certificated Shareholder”	an Italtile Shareholder who holds Certificated Shares;
“Circular”	this bound document, dated 6 November 2017, including the annexures hereto and incorporating a Form of Instruction;
“Common Monetary Area”	South Africa, the Republic of Namibia and Kingdoms of Lesotho and Swaziland;
“Companies Act”	the Companies Act, 2008 (Act 71 of 2008), as amended;
“Computershare Investor Services” or “Transfer Secretaries”	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company duly incorporated in accordance with the laws of South Africa;
“CSDP”	a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act, appointed by an individual Shareholder for the purposes of, and in regard to Dematerialisation;
“Custody Agreement”	the agreement which regulates the relationship between the CSDP or broker and each beneficial holder of Dematerialised Shares;
“Dematerialisation”	the process by which Certificated Shares are converted into electronic format as Dematerialised Shares and recorded in Italtile’s Uncertificated Securities Register;
“Dematerialised Share”	an Italtile Share that has been Dematerialised or has been issued in Dematerialised form, and recorded in Italtile’s Uncertificated Securities Register;

“Dematerialised Shareholder”	an Italtile Shareholder who holds Dematerialised Shares;
“Designated Bank Account”	the bank account, the details of which will be provided on request from the corporate actions department of Computershare Investor Services, contactable during ordinary business hours on +27 (0)86 110 0634;
“Documents of Title”	share certificates, certified transfer deeds, balance receipts and/or any other form of acceptable document of title acceptable to Italtile in respect of Italtile Shares;
“Dzana Investments”	Dzana Investments Proprietary Limited (Registration number 2007/010745/07), a private company duly incorporated in accordance with the laws of South Africa and a black-owned investment holding company;
“EFT”	Electronic Funds Transfer;
“Exchange Control Regulations”	the Exchange Control Regulations, promulgated in terms of section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
“Financial Markets Act”	the Financial Markets Act, 2012 (Act 19 of 2012), as amended;
“Form of Instruction”	the enclosed form of instruction in respect of a Letter of Allocation reflecting entitlement of Certificated Shareholders, and on which Certificated Shareholders must indicate to the Transfer Secretaries, whether they wish to take up, renounce or sell all or part of the Rights Offer Entitlement;
“Group” or “Italtile Group”	Italtile and its Subsidiaries;
“IFRS”	International Financial Reporting Standards;
“Italtile” or “the Company”	Italtile Limited (Registration number 1955/000558/06), a public company duly registered and incorporated under the laws of South Africa and listed on the JSE;
“Italtile Ceramics”	Italtile Ceramics Proprietary Limited (Registration number 1981/007176/07), a private company duly registered and incorporated under the laws of South Africa and a wholly owned subsidiary of Italtile;
“Italtile Empowerment Trust”	Italtile Empowerment Trust, a trust duly registered in terms of the Trust Property Control Act, No. 57 of 1988, under IT number 8366/2007;
“Italtile Foundation Trust”	Italtile Foundation Trust, a trust duly registered in terms of the Trust Property Control Act No. 57 of 1988, under IT number 1385/2012;
“Italtile Shareholders” or “Shareholders”	holders of Italtile Shares;
“Italtile Share Incentive Trust”	Italtile Share Incentive Trust, a trust duly registered in terms of the Trust Property Control Act, No. 57 of 1988, under IT number 409/93;
“Italtile Shares” or “Shares”	ordinary shares of no par value in the authorised and issued share capital of Italtile;
“JSE”	JSE Limited (Registration number 2005/022939/06), a public company duly incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act;
“Last Practicable Date”	Friday, 27 October 2017, being the last practicable date prior to the finalisation of this Circular;
“Legal Adviser”	Hogan Lovells (South Africa) Inc. (Registration number 1992/006150/21), a personal liability company duly registered and incorporated under the laws of South Africa;
“Letters of Allocation”	the renounceable (nil paid) letters of allocation issued by Italtile in electronic form conferring the right to subscribe for Rights Offer Shares pursuant to the Rights Offer;

“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time by the JSE;
“Merchantec Capital” or “Sponsor”	Merchantec Proprietary Limited (Registration number 2008/027362/07), a private company duly registered and incorporated under the laws of South Africa;
“Non-resident”	a person whose registered address is outside the Common Monetary Area;
“Offer Period”	the period of the Rights Offer, which opens at 09:00 on Monday, 13 November 2017 and closes on Friday, 24 November 2017;
“Rallen”	Rallen Proprietary Limited (Registration number 1967/006775/07), a private company duly registered and incorporated under the laws of South Africa, the current majority Shareholder of Italtile (59.96%) and, prior to the Ceramic Acquisition, the former majority (65.10%) shareholder of Ceramic and the majority Shareholder of Italtile (55.96%);
“Rand” or “R”	South African Rand, the official currency of South Africa;
“Ratio”	the ratio of 22 Rights Offer Shares for every 100 Shares held on the Record Date for the Rights Offer;
“Record Date for the Letters of Allocation”	Friday, 24 November 2017, being the last day for Shareholders to be recorded in the Register in order for Shareholders and/or their Renounees to be entitled to subscribe for the Rights Offer Shares;
“Record Date for the Rights Offer”	close of business on Friday, 10 November 2017, being the last day for Shareholders to be recorded in the Register in order for Shareholders to be entitled to participate in the Rights Offer;
“Register”	Italtile’s securities register, including the Uncertificated Securities Register;
“Rematerialised”	a Dematerialised Share that is converted back into a Certificated Share;
“Renounee”	the person in whose favour a Shareholder, who has received a Letter of Allocation, has renounced their Rights Offer Entitlement;
“Rights Offer”	the partially underwritten renounceable rights offer by Italtile to its Shareholders in terms of which Shareholders obtain the entitlement to subscribe for the Rights Offer Shares at a subscription price of R11.57 per Rights Offer Share in the ratio of 22 Rights Offer Shares for every 100 Shares held on the Record Date for the Rights Offer;
“Rights Offer Entitlement”	a Shareholder’s entitlement to subscribe for new Shares in the ratio of 22 Rights Offer Shares for every 100 Shares held on the Record Date for the Rights Offer, which entitlement arises as a result of the Rights Offer;
“Rights Offer Shares”	the 260 539 178 new Shares, offered to Shareholders pursuant to the Rights Offer;
“Rights Offer Participant”	a Shareholder entitled to participate in the Rights Offer;
“Securities Act”	the United States Securities Act of 1933, as amended;
“SENS”	the Stock Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“Strate”	the settlement and clearing system used by the JSE, managed by Strate Proprietary Limited (Registration number 1998/022242/07), a private company duly incorporated in accordance with the laws of South Africa and which company is a registered Central Securities Depository in terms of the Financial Markets Act;
“Subscription Price”	R11.57 per Rights Offer Share, payable on subscription for the Rights Offer Shares;
“Subsidiary”	a subsidiary as defined in the Companies Act;

“Uncertificated Securities Register”	the record of Dematerialised Shares administered and maintained by a CSDP and which forms part of the Register;
“Underwriters”	AKA Capital and Dzana Investments;
“Underwriting Agreements”	the agreements entered into between the Underwriters and Italtile, in terms of which the Underwriters have agreed to underwrite the Underwritten Shares Value on the terms and conditions set out therein;
“Underwritten Shares”	such number of Rights Offer Shares, subject to a maximum of 8 643 044 Rights Offer Shares, which Shares will be subject to a lock-in period of three years commencing on the second Business Day immediately after the Rights Offer closes;
“Underwritten Shares Value”	the amount of R100 000 019;
“USA” or “US”	the United States of America; and
“VWAP”	volume weighted average price.



ITALTILE LIMITED

Incorporated in the Republic of South Africa
(Registration number 1955/000558/06)
Share code: ITE ISIN: ZAE000099123
("Italtile" or "the Company")

Directors

Executive

J N Potgieter (Chief Executive Officer)
B G Wood (Chief Financial Officer)

Non-executive

G A M Ravazzotti (Chairman)
S M du Toit[^] (Lead Independent Non-executive Director)
S I Gama[^]
S G Pretorius[^]
N Medupe[^]
N V Mtetwa[^]

[^]Independent

CIRCULAR TO ITALTILE SHAREHOLDERS

1. INTRODUCTION

Further to the announcements published on SENS on 26 April 2016, 20 July 2016 and 6 September 2017 wherein Shareholders were advised, *inter alia*, that the Company intended to undertake a renounceable rights offer, on 23 October 2017 it was announced on SENS that the Company will undertake a partially underwritten rights offer in terms of which Italtile will offer a total of 260 539 178 Rights Offer Shares at a subscription price of R11.57 per Rights Offer Share in the ratio of 22 Rights Offer Shares for every 100 Shares held in Italtile on the close of business on the record date.

The purpose of this Circular and Form of Instruction is to furnish Italtile Shareholders with the relevant information pertaining to the Rights Offer and the implications thereof in accordance with the Listings Requirements.

In terms of the Rights Offer, Italtile Shareholders recorded in the Register at the close of trade on Friday, 10 November 2017 will be entitled to subscribe for the Rights Offer Shares in the Ratio, at the Subscription Price. Only whole numbers of Shares will be issued and Italtile Shareholders will be entitled to a rounded number of Shares, as set out in paragraph 4 below, once the Ratio has been applied.

2. BACKGROUND TO AND PURPOSE OF THE RIGHTS OFFER

Further to the announcements published on SENS on 26 April 2016 and 9 June 2016, Shareholders were advised on 20 July 2016 that Italtile, through its wholly owned subsidiary, Italtile Ceramics, had submitted a binding offer to Ceramic and had entered into a written implementation agreement with Ceramic in terms of which the Ceramic Acquisition was to be governed. In terms of the Ceramic Acquisition, full details of which are set out in the circular to Italtile Shareholders dated 23 August 2016, the purchase consideration, which ultimately equated to R3.49 billion, was to be settled 50% in cash and 50% by the issue of Italtile Shares at an issue price of R11.57 per Share. The purchase consideration of R3.49 billion, which was paid in terms of the Ceramic Acquisition, was higher than the purchase consideration of R3.4 billion in the Ceramic Acquisition Circular as a result of a greater number of Ceramic shares participating in the scheme (as contained in the Ceramic Acquisition Circular) following the vesting of share awards in Ceramic post-August 2016 and prior to the implementation of the scheme, resulting in the issue of Ceramic shares to qualifying Ceramic employees.

Shareholders were further advised that in order to afford minority Shareholders the opportunity to avoid dilution of their Shareholding as a result of the Ceramic Acquisition, Italtile intended to undertake a renounceable rights offer.

In terms of the Rights Offer, Shareholders recorded in the Register on the Record Date for the Rights Offer will be entitled to subscribe for the Rights Offer Shares in the ratio of 22 Rights Offer Shares for every 100 Shares held, at a subscription price of R11.57 per Rights Offer Share.

The Ratio was determined based on the number of Italtile Shares that Rallen, the majority shareholder of Ceramic (65.10%) and the majority Shareholder of Italtile (55.96%) prior to the Ceramic Acquisition, would receive as part of the Ceramic Acquisition purchase consideration compared to the number of Italtile Shares held by Rallen prior thereto.

Given the rationale and motivation for the Rights Offer, Rallen has undertaken not to follow, renounce or sell its rights in terms of the Rights Offer in respect of the 578 259 185 Italtile Shares (which, on application of the Ratio, equates to 127 217 021 Rights Offer Shares) held prior to the Ceramic Acquisition. Rallen intends however, to follow its rights in terms of the 131 802 110 Italtile Shares (which, on application of the Ratio, equates to 28 996 464 Rights Offer Shares) received by Rallen as part of the Ceramic Acquisition purchase consideration so as to limit the dilution of its pre-Ceramic Acquisition shareholding of 55.96%. The Italtile Share Incentive Trust has undertaken to renounce, and not follow or sell, its rights in terms of the Rights Offer in respect of 2 625 810 Rights Offer Shares to the Ceramic Foundation Trust and has undertaken not to follow, renounce or sell its rights in terms of the Rights Offer in respect of its remaining 80 462 Rights Offer Shares. The Italtile Empowerment Trust has undertaken not to follow, renounce or sell its rights in terms of the Rights Offer in respect of all its 4 411 443 Rights Offer Shares. The Italtile Foundation Trust has undertaken to renounce, and not follow or sell, its rights in terms of the Rights Offer in respect of 4 079 392 Rights Offer Shares to the Ceramic Foundation Trust and has undertaken to follow its rights in terms of the Rights Offer in respect of its remaining 1 728 608 Rights Offer Shares.

On 22 August 2017 and on 6 September 2017 respectively, Shareholders were advised that the approval of the Ceramic Acquisition by the relevant competition authorities had been obtained and that the last outstanding condition precedent to the Ceramic Acquisition, being the granting by the JSE of the listing of the Italtile Shares to be issued as part consideration for the Ceramic Acquisition, had been fulfilled. Given the amount of time that has passed from inception of the Ceramic Acquisition to its conclusion, the Board has revised its initial intention to use the proceeds of the Rights Offer to solely satisfy future working capital requirements and to fund further capital expenditure in terms of the Group's future strategy. The Board has taken into consideration Italtile's increased cash reserves and has decided to settle the balance of the R1.22 billion cash portion owing to Rallen in terms of the Ceramic Acquisition as soon as reasonably possible after the Rights Offer has closed. Early settlement of the R1.22 billion cash portion, which was to have been settled in four-monthly payments, could save Italtile in excess of R80 million in finance costs. Any remaining balance of the Rights Offer proceeds will be used to satisfy future working capital requirements and to fund further capital expenditure in terms of the Group's future strategy as initially planned.

On 23 October 2017, Shareholders were advised that the Rights Offer was to be partially underwritten and that accordingly, Italtile has entered into underwriting agreements with Dzana Investments and AKA Capital. The introduction of Dzana Investments and AKA Capital (which are black-owned investment holding companies) as Shareholders in Italtile, will enhance the Company's B-BBEE ownership credentials. As set out in the Underwriting Agreements, the Underwriters will underwrite up to a maximum of 8 643 044 Rights Offer Shares for an underwriting fee of 3% and the Underwritten Shares will be subject to a lock-in period of three years commencing on the second Business Day immediately after the Rights Offer closes.

3. NATURE OF THE BUSINESS AND PROSPECTS OF ITALTILE

Italtile, which is listed on the main board of the JSE, is a franchisor and retailer of local and imported tiles, sanitaryware, bathware, laminated and vinyl flooring and other related home-finishing products.

The Group's retail brands, comprising CTM, Italtile Retail and TopT, are represented through a total network of 166 stores, 19 of which are located in the rest of Africa.

The Group's retail operation is strategically supported by a vertically integrated Supply Chain, investments in key suppliers, and an extensive property portfolio.

Historically, traditionally house-proud South Africans have invested relatively freely in upgrading or replacing their homes. However, with intensified pressure on disposable incomes, homeowners increasingly view property spend as a luxury indulgence and are significantly more discerning in their purchases, which are now less frequent than in prior years, and more selective in their choice of retailers.

Real disposable income is likely to decline further in the context of poor economic growth, limited job creation and significant increases in personal income taxes for middle and high-income earners. Country-specific risk also remains a factor and Italtile's management anticipates a weakening trend of the local currency.

Despite this contextual outlook, the Directors are of the opinion that Italtile, with its strong brands, and robust and resilient business model, should be able to capitalise on growth opportunities in the market, particularly given the relatively low per capita consumption of tiles in South Africa compared to peer economies.

While advancement of the store roll-out programme will be determined by market demand and availability of suitable sites and operators, Italtile's goal is to open a total of 20 new stores during financial year ending June 2018, including at least one Italtile

Retail store and three CTM stores. In addition, capacity in the supply chain will also continue to be developed to support anticipated growth over the long term.

4. PARTICULARS OF THE RIGHTS OFFER

4.1 Terms of the Rights Offer

- 4.1.1 Italtile Shareholders recorded in the Register at the close of business on Friday, 10 November 2017, are offered Rights Offer Shares at a subscription price of R11.57 per Rights Offer Share in the ratio of 22 Rights Offer Shares for every 100 Italtile Shares held, on the terms and conditions as set out herein and in the accompanying Form of Instruction. Only whole numbers of Shares will be issued and Italtile Shareholders will be entitled to rounded numbers of Shares once the Ratio has been applied.
- 4.1.2 Italtile will raise a maximum amount of R1.59 billion in terms of the Rights Offer.
- 4.1.3 The Record Date for purposes of determining which Shareholders are entitled to participate in the Rights Offer is Friday, 10 November 2017.
- 4.1.4 Upon their issue, the Rights Offer Shares will rank *pari passu* in all respects with the existing Italtile Shares.
- 4.1.5 The Letters of Allocation in respect of the Rights Offer are negotiable and will be listed on the JSE on Wednesday, 8 November 2017 under the JSE code ITEN and ISIN ZAE000251328. The Rights Offer Shares cannot be traded before such Rights Offer Shares are listed on the JSE on Wednesday, 22 November 2017.
- 4.1.6 The Rights Offer does not constitute an offer in any area of jurisdiction in which it is unlawful to make such an offer and in such circumstances, this Circular and accompanying Letter of Allocation are distributed for information purposes only.
- 4.1.7 The enclosed Form of Instruction contains details of the rights to which holders of Certificated Shares are entitled, as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those rights. Holders of Dematerialised Shares will be advised of the rights to which they are entitled as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those rights by their CSDP or broker in terms of the Custody Agreement entered into between such Dematerialised Shareholders and their CSDP or broker.
- 4.1.8 The Subscription Price is payable in full, in Rand, by qualifying Shareholders holding Certificated Shares on acceptance of the Rights Offer. CSDPs will make payment, on a delivery versus payment basis, in respect of qualifying Shareholders holding Dematerialised Shares who have accepted the Rights Offer. Qualifying Shareholders holding Dematerialised Shares who have accepted the Rights Offer must ensure that the necessary funds are deposited with the relevant CSDP or broker, as the case may be.

4.2 Opening and closing dates of the Rights Offer

The Rights Offer will open at **09:00** on Monday, 13 November 2017 and will close at **12:00** on Friday, 24 November 2017.

4.3 Minimum subscription

- 4.3.1 The Rights Offer is partially underwritten and is not conditional on a minimum subscription.
- 4.3.2 Italtile has had discussions with certain existing Shareholders and has received commitments, by way of indications, that they will be following their rights to which they are, or will become, entitled and which commitments are in excess of 48.5% of the Rights Offer Shares excluding the rights in terms of the Rights Offer in respect of Rights Offer Shares for which Rallen, the Italtile Share Incentive Trust and the Italtile Empowerment Trust have undertaken not to follow, renounce or sell in terms of paragraph 2.

4.4 Underwriting

- 4.4.1 The Rights Offer is partially underwritten by the Underwriters up to a maximum of 8 643 044 Rights Offer Shares.
- 4.4.2 In terms of the Underwriting Agreements, an underwriting fee equal to 3% of the Underwritten Shares Value is payable by the Company to the Underwriters.
- 4.4.3 The Board has made due and careful enquiry to confirm that the Underwriters can meet their underwriting commitments in terms of the Underwriting Agreements.
- 4.4.4 The Underwriting Agreements will become irrevocable by not later than 16:30 on the day prior to finalisation date, being Thursday, 2 November 2017.
- 4.4.5 Details of the Underwriters, as required in terms of the Listings Requirements, are set out in Annexure 3 and 4 to this Circular.

4.5 Entitlement

- 4.5.1 Shareholders will have the right to subscribe for 22 Rights Offer Shares for every 100 Italtile Shares held on the Record Date for the Rights Offer.
- 4.5.2 The allocation of Rights Offer Shares will be such that Shareholders will not be allocated a fraction of a Rights Offer Share and as such, any Rights Offer Entitlement to receive a fraction of a Rights Offer Share which:
- is less than one-half of a Rights Offer Share, will be rounded down to the nearest whole number; and
 - is equal to or greater than one-half of a Rights Offer Share, but less than a whole Rights Offer Share will be rounded up to the nearest whole number.
- 4.5.3 The entitlement of a Certificated Shareholder as reflected in the appropriate block in the Form of Instruction which accompanies and forms part of this Circular, is dependent on their deemed existing holdings at the close of business on Friday, 10 November 2017.
- 4.5.4 Shareholders are referred to the table of entitlement set out in Annexure 1 to this Circular for their entitlement to the Rights Offer Shares.
- 4.5.5 Certificated Shareholders will have their Rights Offer Entitlement credited to an account in electronic format held at the Company's Transfer Secretaries, which will be administered by the Company's Transfer Secretaries on their behalf. The Enclosed Form of Instruction reflects the Rights Offer Shares for which the Certificated Shareholder is entitled to subscribe. The procedures that these Shareholders should follow for the acceptance, sale or renunciation of their Rights Offer Entitlements are reflected in the Form of Instruction.
- 4.5.6 Dematerialised Shareholders will have their Rights Offer Entitlements credited to their account by their CSDP or broker, in electronic form. The CSDP or broker will advise Dematerialised Shareholders of the procedure they need to follow for the acceptance, sale or renunciation of their Rights Offer Entitlement in accordance with their Custody Agreements.
- 4.5.7 The Letters of Allocation to which the Form of Instruction relates are negotiable and may be traded on the JSE.

4.6 Procedure for acceptance of the Rights Offer

Full details of the procedure for acceptance by Certificated Shareholders are contained in paragraph 3 of the accompanying Form of Instruction or in the case of Dematerialised Shareholders, as advised by their CSDP or broker.

The following should be noted:

- 4.6.1 acceptances are irrevocable and may not be withdrawn;
- 4.6.2 Dematerialised Shareholders must contact their CSDP or broker with regard to the procedure to be followed for acceptance of their Rights Offer Entitlement, and must act in accordance with the instructions received from their CSDP or broker; and
- 4.6.3 Certificated Shareholders should note the following:
- 4.6.3.1 acceptances by Certificated Shareholders may only be made by means of the accompanying Form of Instruction;
- 4.6.3.2 any instruction to sell or renounce all or parts of the Rights Offer Entitlement must be done in accordance with the requirements set out in paragraph 4.7 below and may only be made by means of the accompanying Form of Instruction;
- 4.6.3.3 Certificated Shareholders who wish to subscribe for only a portion of their Rights Offer Entitlement must indicate the number of Rights Offer Shares for which they wish to subscribe on the accompanying Form of Instruction;
- 4.6.3.4 payment of the Rand value of the subscription price may be made:
- 4.6.3.4.1 by cheque (crossed "not transferable" and with the words "or bearer" deleted) payable to "Italtile Limited – Rights Offer";
- 4.6.3.4.2 by banker's draft (drawn on a registered bank) payable to "Italtile Limited – Rights Offer"; or
- 4.6.3.4.3 by EFT into the Designated Bank Account (details of which are available from the corporate actions department of Computershare Investor Services, contactable during ordinary business hours on +27 (0) 86 110 0634);

- 4.6.3.5 properly completed Forms of Instruction together with the cheque, or banker's draft or EFT swift reference number (in accordance with paragraph 4.6.3.4 above) must be received from Certificated Shareholders by the Transfer Secretaries at the address referred to in paragraph 4.8.2 below by not later than **12:00** on Friday, 24 November 2017. Certificated Shareholders are advised to take into consideration postal delivery times when posting their Form of Instruction, as no postal deliveries will be accepted after 12:00 on Friday, 24 November 2017. Each cheque or banker's draft will be deposited immediately upon receipt for collection;
- 4.6.3.6 payment referred to in paragraph 4.6.3.4 above will, when the cheque or banker's draft has been paid and/or the EFT cleared into the Designated Bank Account, constitute an irrevocable acceptance of the Rights Offer upon the terms and conditions set out in this Circular and the accompanying Form of Instruction and may not be withdrawn. Should any cheque or banker's draft be subsequently dishonoured, Italtile may, in its sole discretion, and without prejudice to any rights that the Company may have, regard the Form of Instruction as null and void or take such steps in regard thereto as they deem fit; and
- 4.6.3.7 if any Form of Instruction and cheque, banker's draft or EFT is not received and cleared as set out above, the Rights Offer Entitlement will be deemed to have been declined by the Shareholder to whom the Form of Instruction is addressed and the right to subscribe for the Rights Offer Shares offered to such Shareholder or renounced in favour of his Renounee in terms of such Form of Instruction, will lapse, no matter who then holds it.

PLEASE NOTE THAT SHOULD YOUR CHEQUE, BANKER'S DRAFT OR EFT SWIFT REFERENCE NUMBER NOT ACCOMPANY THAT FORM OF INSTRUCTION, THE TRANSFER SECRETARIES WILL TREAT YOUR APPLICATION AS INVALID.

4.6 Excess applications for Rights Offer Shares

Excess applications will not be permitted.

4.7 Sale or Renunciation of Rights Offer Entitlement

- 4.7.1 Dematerialised Shareholders must contact their CSDP or broker with regard to the procedure to be followed in respect of the sale or renunciation of their Rights Offer Entitlement.
- 4.7.2 Certificated Shareholders who wish to sell all or part of their Rights Offer Entitlement as reflected in the Form of Instruction, must complete **Form A** of the Form of Instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein, to be received by no later than **12:00** on Tuesday, 21 November 2017. The Transfer Secretaries will endeavour to procure the sale of the Rights Offer Entitlement on the JSE on behalf of such Certificated Shareholder and will remit the proceeds in accordance with the payment instructions reflected in the Form of Instruction, net of brokerage charges and associated expenses. Neither the Transfer Secretaries, any broker appointed by them nor Italtile will have any obligation nor will any of these parties be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales, the price obtained, or any failure to sell such Rights Offer Entitlement. References in this paragraph to Certificated Shareholders include references to the person or persons executing the Form of Instruction and any person or persons on whose behalf such person or persons executing the Form of Instruction is/are acting and in the event of more than one person executing the Form of Instruction, the provisions of this paragraph shall apply to them, jointly and severally.
- 4.7.1 Certificated Shareholders who wish to sell all or part of their Rights Offer Entitlement will be liable for the costs as set out in Form A of the Form of Instruction.
- 4.7.2 Certificated Shareholders who do not wish to sell all or part of their Rights Offer Entitlement as reflected in the Form of Instruction and who do not wish to subscribe for any of the Rights Offer Shares offered in terms of the Form of Instruction, but who wish to renounce their Rights Offer Entitlement, must complete **Form B** of the Form of Instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein to be received by no later than 12:00 on Friday, 24 November 2017.

4.8 Payment

- 4.8.1 Payment of the Rand value of the Subscription Price may be made:
 - 4.8.1.1 by cheque (crossed "not transferable" and with the words "or bearer" deleted) payable to "**Italtile Limited – Rights Offer**";
 - 4.8.1.2 by banker's draft (drawn on a registered bank) payable to "**Italtile Limited – Rights Offer**"; or
 - 4.8.1.3 by EFT into the Designated Bank Account (details of which are available from the corporate actions department of Computershare Investor Services, contactable during ordinary business hours on +27 (0) 86 110 0634).

- 4.8.2 A cheque, a banker's draft or EFT swift reference number for the amounts payable in accordance with paragraph 4.8.1 above, together with a properly completed Form of Instruction, must be lodged by Certificated Shareholders with the Transfer Secretaries, as follows:

Hand deliveries to:

Italtile Limited
c/o Computershare Investor Services
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196

Postal deliveries to:

Italtile Limited
c/o Computershare Investor Services
PO Box 61763
Marshalltown, 2107

Emailed to:

(only in the case where payment is by way of EFT)

corporate.events@computershare.co.za

so as to reach the Transfer Secretaries by no later than **12:00** on Friday, 24 November 2017.

Computershare Investor Services will not be responsible for any loss and/or damage whatsoever in relation to or arising from the late or non-receipt of emailed Forms of Instruction or owing to Forms of Instruction being forwarded to any other email address other than the one provided above. Forms of Instruction shall be deemed to be received on the date reflected in Computershare's electronic systems. Notwithstanding anything to the contrary, it is the responsibility of a Shareholder to ensure that his Form of Instruction is received by Computershare Investor Services.

- 4.8.3 Please note that the Transfer Secretaries will effect delivery of share certificates against payment and should a cheque, banker's draft or EFT swift reference number not accompany the Form of Instruction, the application will be treated as invalid.
- 4.8.4 No acknowledgement of receipt will be given for a cheque, banker's draft or EFT received in accordance with the Rights Offer.
- 4.8.5 "Blocked Rand" may be used by emigrants and non-residents of the Common Monetary Area for payment in terms of the Rights Offer. In this regard, reference should be made to paragraph 4.9 which deals with Exchange Control Regulations.
- 4.8.6 Dematerialised Shareholders must timeously instruct their CSDP or broker as to the action they must take to enable the CSDP or broker to act on their behalf in terms of the agreement entered into between such Dematerialised Shareholders and the CSDP or broker.

4.9 Exchange Control Regulations

- 4.9.1 The following guideline is not a comprehensive statement of Exchange Control Regulations. If Shareholders or their Renounees are in any doubt as to the action they must take, they are advised to consult their professional advisers immediately.
- 4.9.2 In terms of the Exchange Control Regulations of South Africa, non-residents of the Common Monetary Area will be allowed to:
- 4.9.2.1 take up the Rights Offer Entitlement allocated in terms of the Rights Offer;
 - 4.9.2.2 purchase Letters of Allocation on the JSE; and
 - 4.9.2.3 subscribe for Rights Offer Shares arising from Letters of Allocation purchased on the JSE,
- provided that payment is received in foreign currency or in Rand from a Non-resident Account.
- 4.9.3 All applications by non-residents for the above purposes must be made through an authorised dealer in foreign exchange. Electronic statements issued in terms of Strate and any Rights Offer Share certificates issued pursuant to such applications will be endorsed "Non-resident".
- 4.9.4 Where a Rights Offer Entitlement in terms of the Rights Offer falls due to a former resident of the Common Monetary Area, which Rights Offer Entitlement is based on Shares blocked in terms of the Exchange Control Regulations, only emigrant blocked funds may be used to take up these Rights Offer Shares. Emigrant blocked funds may also be used to:

- 4.9.4.1 take up the Rights Offer Entitlement allocated in terms of the Rights Offer;
 - 4.9.4.2 purchase Letters of Allocation on the JSE; and
 - 4.9.4.3 subscribe for Rights Offer Shares arising from Letters of Allocation purchased on the JSE.
- 4.9.5 All applications by emigrants using emigrant's blocked funds for the above purposes must be made through the authorised dealer in foreign exchange controlling their blocked assets. Any Rights Offer Share certificates issued to such emigrants will be endorsed "Non-resident" and placed under the control of the authorised dealer through whom the payment was made. The proceeds due to emigrants from the sale of Letters of Allocation, if applicable, will be returned to the authorised dealer for credit to such emigrant's blocked accounts.

Electronic statements issued in terms of Strate and any Rights Offer Share certificates issued pursuant to blocked Rand transactions will be endorsed "Non-resident" and placed under the control of the authorised dealer through whom the payment was made. The proceeds arising from the sale of Letters of Allocation or arising from the sale of blocked Rights Offer Shares will be credited to the blocked accounts of the emigrant concerned.

- 4.9.6 Any Shareholder resident outside the Common Monetary Area who receives this Circular and Form of Instruction should obtain advice as to whether any governmental and/or other legal consent is required and/or other formality must be observed to enable a subscription to be made in terms of such Form of Instruction.
- 4.9.7 New Share certificates issued pursuant to the Rights Offer will be endorsed "Non-resident" and forwarded to the address of the relevant authorised dealer controlling such emigrant's blocked assets for control in terms of the Exchange Control Regulations of South Africa. Where the emigrant's Shares are in Dematerialised form with a CSDP or broker, the electronic statement issued in terms of Strate will be despatched by the CSDP or broker to the address of the emigrant in the records of the CSDP or broker.

4.10 Restricted jurisdictions

- 4.10.1 The Rights Offer Shares have not been and will not be registered under the Securities Act of the USA. Accordingly, the Rights Offer Shares may not be offered, sold, resold, delivered or transferred, directly or indirectly, in or into the USA or to, or for the account or benefit of, USA persons, except pursuant to exemptions from the Securities Act.
- 4.10.2 The Circular and the accompanying documents are not being, and must not be, mailed or otherwise distributed or sent in, into or from the USA. The Circular does not constitute an offer of any securities for sale in the USA or to USA persons.
- 4.10.3 The Rights Offer contained in the Circular does not constitute an offer in the District of Columbia, the USA, the Dominion of Canada, the Commonwealth of Australia, Japan or in any other jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer ("**Non-qualifying Shareholder**"). Non-qualifying Shareholders should consult their professional advisers to determine whether any governmental or other consents are required or other formalities need to be observed to allow them to take up the Rights Offer, or trade their entitlement.
- 4.10.4 To the extent that Non-qualifying Shareholders are not entitled to participate in the Rights Offer, such Non-qualifying Shareholders should not take up their Rights Offer Entitlement or trade in their Rights Offer Entitlement and should allow their rights in terms of the Rights Offer to lapse.
- 4.10.5 Shareholders holding Rights Offer Shares on behalf of persons who are Non-qualifying Shareholders are responsible for ensuring that taking up the Rights Offer, or trading in their Rights Offer Entitlement under that offer, do not breach regulation in the relevant overseas jurisdictions.

4.11 South African law

All transactions arising from the provisions of this Circular and the accompanying Form of Instruction shall be governed by and be subject to the laws of South Africa.

4.12 Tax consequences

Shareholders are advised to consult their professional advisers regarding the tax implications of the Rights Offer.

4.13 Documents of Title

- 4.13.1 Share certificates to be issued to Certificated Shareholders pursuant to the Rights Offer will be posted to persons entitled thereto by registered post, at the risk of the Shareholders concerned, on or about Monday, 27 November 2017.

- 4.13.2 Certificated Shareholders receiving new Certificated Shares must note that they will not be able to trade such Shares on the JSE until these Shares have been Dematerialised, which could take between 1 (one) and 10 (ten) days, depending on the volumes being processed at the time.
- 4.13.3 Dematerialised Shareholders will have their accounts updated at their CSDP or broker in respect of the Rights Offer Shares to be issued to them on or about Monday, 27 November 2017.
- 4.13.4 CSDPs will effect payment on a “delivery versus payment method” in respect of the holders of Dematerialised Italtile Shares.

5. JSE LISTINGS

The JSE has granted listings for:

- 5.1 Nil paid Letters of Allocation in respect of 260 539 178 Rights Offer Shares from the commencement of trade on Wednesday, 8 November 2017, to the close of trade on Tuesday, 21 November 2017, both days inclusive; and
- 5.2 260 539 178 Rights Offer Shares from the commencement of trade on Wednesday, 22 November 2017.

6. INTENDED USE OF FUNDS

As set out in paragraph 2 of this Circular, Italtile will use the net proceeds of the Rights Offer to settle the balance of the cash portion owing to Rallen, in terms of the Ceramic Acquisition, as soon as reasonably possible after the Rights Offer has closed and any remaining balance of the net proceeds, after settling the amount owing to Rallen, will be used to satisfy future working capital requirements and to fund further capital expenditure in terms of the Group's future strategy.

7. SHARE CAPITAL

7.1 Authorised and issued share capital

The authorised and issued share capital of Italtile before and after the Rights Offer is set out in the table below.

Before the Rights Offer	Rm
Authorised share capital	
3 300 000 000 ordinary Shares of no par value	
Issued share capital	
1 184 268 992 ordinary Shares of no par value	2 564
Total issued share capital	2 564
Italtile has 93 953 252 treasury shares in issue which are held by entities within the Italtile Group, the Italtile Foundation Trust, Four Arrows Investments 256 Proprietary Limited, the Italtile Empowerment Trust and the Italtile Share Incentive Trust.	
After the Rights Offer	Rm
Authorised share capital	
3 300 000 000 ordinary Shares of no par value	
Issued share capital	
1 321 742 288 ¹ ordinary Shares of no par value	4 155
Total issued share capital	4 155

The potential participation in the Rights Offer by the entities holding the treasury shares may result in a change in the number of treasury shares on implementation of the Rights Offer.

Note:

- Assuming 137 473 296 new Rights Offer Shares (comprising 99 833 788 Rights Offer Shares offered, or renounced, to all Shareholders other than Rallen, the Italtile Empowerment Trust and the Italtile Share Incentive Trust, together with the 28 996 464 Rights Offer Shares in terms of which Rallen intends to follow its rights as well as the 8 643 044 Rights Offer Shares that may be subscribed for in terms of the Underwriting Agreements) are subscribed for. As set out in paragraph 2 above, Rallen has undertaken not to follow, renounce or sell its rights in terms of 127 217 021 Rights Offer Shares. The Italtile Share Incentive Trust has undertaken to renounce, and not follow or sell, its rights in terms of the Rights Offer in respect of 2 625 810 Rights Offer Shares to the Ceramic Foundation Trust and has undertaken not to follow, renounce or sell its remaining 80 462 Rights Offer Shares. The Italtile Empowerment Trust has undertaken not to follow, renounce or sell its rights in terms of the Rights Offer in respect of all of its 4 411 443 Rights Offer Shares. The Italtile Foundation Trust has undertaken to renounce, and not follow or sell, its rights in terms of the Rights Offer in respect of 4 079 392 Rights Offer Shares to the Ceramic Foundation Trust and has undertaken to follow its rights in terms of the Rights Offer in respect of its remaining 1 728 608 Rights Offer Shares.

8. DIRECTORS

8.1 Directors' information

The full names, ages and functions in the Group of the executive and non-executive Directors of Italtile at the Last Practicable Date are as follows:

Executive Director	Age	Capacity
Jan Potgieter	48	Chief Executive Officer
Brandon Wood	35	Chief Financial Officer
Non-executive Director		
Giovanni Ravazzotti	74	Non-executive Chairman
Susan du Toit	44	Lead Independent Non-executive Director
Siyabonga Gama	50	Independent Non-executive Director
Brand Pretorius	69	Independent Non-executive Director
Ndumi Medupe	46	Independent Non-executive Director
Gugu Mtetwa	37	Independent Non-executive Director

8.2 Directors of a major Subsidiary's information

The full names, ages and functions in the Group of the Executive and Non-executive Directors of the following major subsidiaries of Italtile, at the Last Practicable Date are as follows:

8.2.1 Italtile Ceramics

Executive Director	Age	Capacity
Tsundzukani Mhlanga	34	Financial Director
Jan Potgieter	48	Executive Director
Brandon Wood	35	Executive Director

8.2.2 Allmuss Properties Proprietary Limited

Executive Director	Age	Capacity
Jan Potgieter	48	Executive Director
Brandon Wood	35	Executive Director

8.2.3 Ceramic

Executive Director	Age	Capacity
Lance Foxcroft	39	Chief Executive Officer
Tshepo Molefakgotla	40	Chief Operations Officer
David Alston	63	Chief Financial Officer

8.3 Directors' interests in securities

8.3.1 Directors' interests

At the Last Practicable Date, the following Directors (and their associates) held, directly or indirectly, beneficial interests in 438 107 366 Shares in Italtile, representing approximately 36.99% of the total issued share capital of Italtile as follows:

Director	Beneficial		Total	Total
	Direct	Indirect	Shares	%
J N Potgieter	4 141 257	–	4 141 257	0.35
B G Wood	1 832 448	–	1 832 448	0.15
G A M Ravazzotti ¹	5 890 763	426 019 025	431 909 788	36.47
S M du Toit	–	23 873	23 873	0.00
S I Gama ²	200 000	–	200 000	0.02
	12 064 468	426 042 898	438 107 366	36.99

Notes:

1. As a result of the Ceramic Acquisition, Mr G A M Ravazzotti's direct beneficial and indirect beneficial interests in Shares in Italtile increased from 3 637 088 to 5 890 763 and from 345 980 215 to 426 019 025, respectively from the year ended 30 June 2017 to the Last Practicable Date.
2. Beneficial indirect interest in the Phithikeza Trust.
3. The Directors (and their associates) may participate in the Rights Offer. Such participation may result in a change in the number of Shares held by the Directors (and their associates) on implementation of the Rights Offer.

8.3.2 Former Directors' interests

At the Last Practicable Date, the following Director who resigned during the 18 months prior to such date, held, as far as the Board is aware, directly or indirectly, beneficial interests in 1 129 963 Shares in Italtile, representing approximately 0.10% of the total issued share capital of Italtile as follows:

Director	Beneficial		Total Shares	Total %
	Direct	Indirect		
N Booth ¹	1 129 963	–	1 129 963	0.10
	1 129 963	–	1 129 963	0.10

Notes:

1. Mr N Booth resigned from the Board with effect from 1 December 2016.

8.3.3 Associates' interests

At the Last Practicable Date, as far as the Board is aware, the associates of Directors, who held or controlled any Shares in the issued share capital of Italtile are listed as follows:

Associate	Beneficial		Total Shares	Total %
	Direct	Indirect		
Rallen	710 061 295	–	710 061 295	59.96
Seven and Three Family Trust	23 873	–	23 873	0.00
The Phithikeza Trust	19 360 000	–	19 360 000	1.63
Total	729 445 168	–	729 445 168	61.59

8.4 Directors' remuneration

The remuneration of the Directors will not be varied as a result of the Rights Offer as contained in this Circular.

8.5 Directors' service contracts

Each of the Executive Directors has concluded service contracts with terms and conditions that are standard for such appointments, which service contracts are available for inspection as set out in paragraph 12 below.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given in paragraph 8.1 above, collectively and individually, accept full responsibility for the accuracy of the information contained in this Circular and certify that, to the best of their knowledge and belief that 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 this Circular contains all information required by law and the Listings Requirements.

10. EXPERTS' CONSENTS

The Corporate Adviser and Sponsor, Legal Adviser and the Transfer Secretaries have consented in writing to act in the capacities stated and to their names being stated in this Circular and have not withdrawn their consents prior to publication of this Circular.

11. COSTS

The total estimated costs of the Rights Offer, which amount to approximately R7 670 555 excluding VAT, are detailed in the table below:

Nature of cost	Paid/payable to	Estimated amount (R)
Sponsor and Corporate Adviser fees	Merchantec Capital	600 000
Capital raising fee	Merchantec Capital	2 600 000
Legal fees	Hogan Lovells (South Africa) Inc.	875 000
Fees pertaining to the commitments provided in terms of the Underwriting Agreements	Dzana Investments AKA Capital	1 500 000 1 500 000
JSE documentation fee	JSE	25 000
JSE listing fee	JSE	463 000
Transfer Secretaries, Strate and Exchange Control fees	Computershare Investor Services, Strate and FirstRand Bank	50 000
Printing, publication and distribution	Bastion	57 555
Total		7 670 555

12. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection at the registered office of Italtile and the office of the Sponsor which addresses are set out in the "Corporate information" section of this Circular, during normal business hours from Monday, 6 November 2017 up to and including Friday, 24 November 2017:

- the Memorandum of Incorporation of Italtile and the memoranda of incorporation of its major Subsidiaries;
- copies of the audited annual financial statements of Italtile for the financial years ended 30 June 2017, 2016 and 2015;
- copies of the Underwriting Agreements;
- copies of the written consent letters referred to in paragraph 10 above;
- this Circular and the Form of Instruction;
- powers of attorney signed by the Directors; and
- copies of the Executive Directors' service contracts referred to in paragraph 8.5 above.

SIGNED BY J N POTGIETER, ON HIS OWN BEHALF AS A DIRECTOR AND ON BEHALF OF ALL THE OTHER DIRECTORS OF ITALTILE LIMITED, BEING DULY AUTHORISED IN TERMS OF POWERS OF ATTORNEY GRANTED TO HIM BY SUCH DIRECTORS

J N POTGIETER

Chief Executive Officer

6 November 2017

Johannesburg

TABLE OF ENTITLEMENT

The following table sets out the number of Rights Offer Shares to which a Shareholder is entitled.

Number of Italtile Shares held	Entitlement	Number of Italtile Shares held	Entitlement	Number of Italtile Shares held	Entitlement
1	0.22000	6 000	1320.00000	11 000 000	2420000.00000
2	0.44000	7 000	1540.00000	12 000 000	2640000.00000
3	0.66000	8 000	1760.00000	13 000 000	2860000.00000
4	0.88000	9 000	1980.00000	14 000 000	3080000.00000
5	1.10000	10 000	2200.00000	15 000 000	3300000.00000
6	1.32000	20 000	4400.00000	16 000 000	3520000.00000
7	1.54000	30 000	6600.00000	17 000 000	3740000.00000
8	1.76000	40 000	8800.00000	18 000 000	3960000.00000
9	1.98000	50 000	11000.00000	19 000 000	4180000.00000
10	2.20000	60 000	13200.00000	20 000 000	4400000.00000
20	4.40000	70 000	15400.00000	21 000 000	4620000.00000
30	6.60000	80 000	17600.00000	22 000 000	4840000.00000
40	8.80000	90 000	19800.00000	23 000 000	5060000.00000
50	11.00000	100 000	22000.00000	24 000 000	5280000.00000
60	13.20000	200 000	44000.00000	25 000 000	5500000.00000
70	15.40000	300 000	66000.00000	26 000 000	5720000.00000
80	17.60000	400 000	88000.00000	27 000 000	5940000.00000
90	19.80000	500 000	110000.00000	28 000 000	6160000.00000
100	22.00000	600 000	132000.00000	29 000 000	6380000.00000
200	44.00000	700 000	154000.00000	30 000 000	6600000.00000
300	66.00000	800 000	176000.00000	31 000 000	6820000.00000
400	88.00000	900 000	198000.00000	32 000 000	7040000.00000
500	110.00000	1 000 000	220000.00000	33 000 000	7260000.00000
600	132.00000	2 000 000	440000.00000	34 000 000	7480000.00000
700	154.00000	3 000 000	660000.00000	35 000 000	7700000.00000
800	176.00000	4 000 000	880000.00000	36 000 000	7920000.00000
900	198.00000	5 000 000	1100000.00000	37 000 000	8140000.00000
1 000	220.00000	6 000 000	1320000.00000	38 000 000	8360000.00000
2 000	440.00000	7 000 000	1540000.00000	39 000 000	8580000.00000
3 000	660.00000	8 000 000	1760000.00000	40 000 000	8800000.00000
4 000	880.00000	9 000 000	1980000.00000	50 000 000	11000000.00000
5 000	1100.00000	10 000 000	2200000.00000	60 000 000	13200000.00000

SHARE TRADING HISTORY OF ITALTILE

The highest, lowest and closing price of Shares of Italtile on the JSE for each month commencing from 1 October 2016 to 30 September 2017 and aggregated monthly volume is as follows:

Month ended	High (cents)	Low (cents)	Close (cents)	Volume
31 October 2016	1 480	1 400	1 455	4 047 643
30 November 2016	1 475	1 335	1 400	9 137 521
31 December 2016	1 449	1 300	1 393	2 476 667
31 January 2017	1 395	1 301	1 381	2 844 419
28 February 2017	1 420	1 300	1 400	16 183 841
31 March 2017	1 410	1 250	1 378	3 763 737
30 April 2017	1 380	1 200	1 344	7 930 361
31 May 2017	1 400	1 251	1 320	14 348 352
30 June 2017	1 379	1 201	1 250	8 940 131
31 July 2017	1 318	1 243	1 269	2 722 014
31 August 2017	1 445	1 225	1 415	7 777 000
30 September 2017	1 420	1 200	1 315	6 438 478

The highest, lowest and closing price of Shares of Italtile on the JSE, for the last 30 trading days, up to and including 27 October 2017 (being the Last Practicable Date prior to the finalisation of this Circular) and the daily volume are as follows:

Day ended	High (cents)	Low (cents)	Close (cents)	Volume
15 September 2017	1 300	1 250	1 280	524 729
18 September 2017	1 330	1 275	1 283	203 278
19 September 2017	1 300	1 280	1 300	45 472
20 September 2017	1 288	1 225	1 275	118 327
21 September 2017	1 325	1 274	1 310	1 592 042
22 September 2017	1 305	1 250	1 282	10 165
26 September 2017	1 310	1 250	1 299	99 936
27 September 2017	1 310	1 275	1 297	1 701 628
28 September 2017	1 300	1 275	1 288	335 614
29 September 2017	1 315	1 280	1 315	16 771
2 October 2017	1 320	1 275	1 275	85 316
3 October 2017	1 313	1 275	1 284	2 738 497
4 October 2017	1 306	1 286	1 290	361 456
5 October 2017	1 365	1 275	1 310	2 007 022
6 October 2017	1 365	1 295	1 299	71 939
9 October 2017	1 319	1 283	1 319	442 668
10 October 2017	1 340	1 324	1 340	108 746
11 October 2017	1 420	1 340	1 389	323 829
12 October 2017	1 410	1 365	1 379	14 283
13 October 2017	1 390	1 311	1 390	777 265
16 October 2017	1 400	1 380	1 399	9 699
17 October 2017	1 400	1 381	1 381	833
18 October 2017	1 405	1 380	1 398	348 938
19 October 2017	1 410	1 380	1 405	2 080
20 October 2017	1 408	1 380	1 390	134 749
23 October 2017	1 399	1 380	1 385	33 549
24 October 2017	1 405	1 333	1 380	134 699
25 October 2017	1 389	1 380	1 381	436 264
26 October 2017	1 390	1 380	1 387	512 146
27 October 2017	1 391	1 380	1 381	209 823

Source: JSE

INFORMATION ON THE UNDERWRITER: DZANA INVESTMENTS

The Rights Offer is jointly and partially underwritten by Dzana Investments. Details pertaining to Dzana Investments as required by the Listings Requirements are set out below:

1. DIRECTORS

Reuel Jethro Khoza, Mumsy Meisie Khoza and Nkateko Patience Khoza

2. COMPANY SECRETARY

Nkateko Khoza

3. DATE AND PLACE OF INCORPORATION

10 April 2007, Johannesburg

4. REGISTRATION NUMBER

2007/010745/07

5. REGISTERED OFFICE

First Floor Block A, 28 Sloane Street, Bryanston, Gauteng, 2021

6. AUDITORS

Grant Thornton

7. BANKERS

Nedbank

8. AUTHORISED SHARE CAPITAL

1 000 ordinary shares

9. ISSUED SHARE CAPITAL

120 ordinary shares

INFORMATION ON THE UNDERWRITER: AKA CAPITAL

The Rights Offer is jointly and partially underwritten by AKA Capital. Details pertaining to AKA Capital as required by the Listings Requirements are set out below:

- 1. DIRECTORS**
Nkhumeleni Samuel Nematswerani
- 2. COMPANY SECRETARY**
None
- 3. DATE AND PLACE OF INCORPORATION**
8 May 2008, Johannesburg
- 4. REGISTRATION NUMBER**
2008/011478/07
- 5. REGISTERED OFFICE**
First Floor Block A, 28 Sloane Street, Bryanston, Gauteng, 2021
- 6. AUDITORS**
Grant Thornton
- 7. BANKERS**
Nedbank
- 8. AUTHORISED SHARE CAPITAL**
1 000 ordinary shares
- 9. ISSUED SHARE CAPITAL**
40 ordinary shares

