

DETAILED CAUTIONARY ANNOUNCEMENT RELATING TO THE PROPOSED BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("BEE") TRANSACTION (THE "TRANSACTION") TO BE UNDERTAKEN BY ADCOCK

1. Introduction

In March 2009, Adcock announced its intention to facilitate the introduction of meaningful and sustainable BEE equity participation in Adcock.

Adcock is pleased to announce the key terms of the Transaction, which will facilitate the introduction of additional BEE equity participation in Adcock. Adcock is committed to transformation through the introduction of broad-based BEE equity partners into its business to add to the significant progress it has made in the areas of, *inter alia*, employment equity, skills development, preferential procurement and enterprise development. The Transaction is being implemented as part of Adcock's committed efforts to achieve the objectives set out in the Department of Trade and Industry's Codes of Good Practice ("the Codes") and in anticipation of future requirements of a Healthcare Charter.

Adcock has concluded a detailed transaction framework agreement that will facilitate the acquisition of an effective 13% of its issued share capital post the Transaction by broad-based BEE groups. The Transaction will be funded through a combination of equity from the BEE groups (other than employees) and facilitation from Adcock and will be implemented at the Adcock level. The intention is to issue a new class of share capital to the BEE Participants (as defined below).

Subject to the fulfilment of the conditions precedent, listed in paragraph 8 below, Adcock intends to implement the Transaction by the end of March 2010.

2. Rationale for the Transaction

As a leading listed healthcare company in South Africa, it is Adcock's intention to embrace broad-based BEE equity participation as a key transformation initiative. Adcock was guided by the following key objectives in structuring and implementing the Transaction:

- positioning Adcock as South Africa's leading empowered healthcare company;
- supporting Adcock's market position and growth strategies (in both the public and private sectors);
- enhancing Adcock's commitment to broad-based empowerment and transformation;
- enhancing healthcare in South Africa;
- maximising Adcock's equity ownership scorecard (in terms of the Codes); and
- satisfying regulatory requirements.

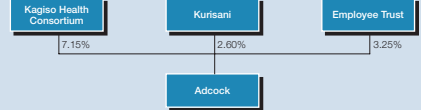
3. BEE Participants

The following BEE groups will participate in the Transaction:

- Kagiso Health Consortium and Kurisani Youth Development Trust ("Kurisani") (collectively referred to as the "Strategic Partners") will participate through one investment vehicle and will indirectly hold interests of 7.15% and 2.60% of Adcock's enlarged issued share capital respectively; and
- all permanent black (as defined in the Codes) employees of Adcock and its South African subsidiaries will participate through an employee trust, which will hold a direct interest of 3.25% of Adcock's enlarged issued share capital;

(collectively, the "BEE Participants").

The Transaction structure is illustrated below:



3.1 Strategic Partners

Adcock has selected the Kagiso Health Consortium and Kurisani as its Strategic Partners.

3.1.1 Kagiso Health Consortium

The two shareholders of the Kagiso Health Consortium are Kagiso Trust Investments (Proprietary) Limited ("KTI"), which owns 85.7% and Mookodi Technologies (Proprietary) Limited ("Mookodi"), which owns 14.3% of Kagiso Health Consortium. KTI and Mookodi will acquire effective equity interests of 6.13% and 1.02% of Adcock's enlarged issued share capital respectively.

KTI is a pre-eminent empowerment business grouping in South Africa, formed in December 1993 by the Kagiso Trust ("KT") as a vehicle for generating long-term sustainable financial support for KT. KTI invests and manages capital for KT, promotes the advancement of black executives and participates in the transformation of the South African economy. As a BEE pioneer, KTI has evolved over the past few years into a strategic investor and active shareholder. KTI seeks to invest in businesses over which it is able to exert its expertise and influence.

KT is a leading non-governmental organisation established in 1986 by Archbishop Desmond Tutu, the late Dr Beyers Naude and other clergy of the South African Council of Churches to finance and manage community development grass roots projects. KT is the largest black-led, independent development agency in South Africa with national broad-based beneficiaries, the majority of whom are rural black women. KT focuses on education, primarily funding and overseeing the implementation of education-based programmes. Its current flagship project, the Beyers Naude Schools Development Programme ("BNSDP"), focuses on key development projects at selected schools including infrastructure upgrades, designing of appropriate training programmes, curriculum and class management, development of leadership skills and sport and cultural activity programmes. There are currently more than 21,000 learners and 1,475 educators benefiting from the BNSDP.

KTI also administers the Eric Mooloo Scholarship Programme ("EMSP") that funds learners from within BNSDP who show an aptitude for maths and science and who come from impoverished backgrounds. EMSP enables learners to attend university to obtain degrees in fields such as science and engineering. At present, there are 28 students in the EMSP.

Mookodi is a 100% black-owned company formed in 1999 that focuses on emerging business opportunities in the healthcare industry. Mookodi's primary objective is to target business opportunities in the promotion, marketing and distribution of pharmaceuticals, medical devices, diagnostics and disposable supplies in the South African healthcare industry.

3.1.2 Kurisani

Kurisani is the investment arm of loveLife. loveLife is South Africa's national HIV/AIDS prevention campaign for young people and provides services and outreach programmes to protect and develop young people across South Africa. loveLife implements international best practice in behavioural change programmes. loveLife combines well-established public health techniques with innovative commercial marketing approaches to promote healthy living to young

- R1.3 billion BEE transaction
- Broad-based inclusive transaction
- Adcock's South African black employees and selected strategic partners
- R93.75 million equity contributed by strategic partners
- 10-year transaction term for strategic partners
- 7-year transaction term for qualifying employees
- 5% entry discount
- 9.5% fixed notional vendor finance rate
- Dividend reinvestment requirement on fixed percentage of dividends received
- Facilitation cost in line with market norms

people. loveLife's programmes are implemented in partnership with the South African Government across 850 hubs, which include 500 government clinics across South Africa and 130 community-based non-government organisations as well as 5,600 schools extending loveLife's reach into towns, villages and rural areas across the country. loveLife has management offices in 30 locations with 7,000 youth volunteers who implement loveLife's programmes annually and up to 100,000 youth participants per month passing through its programmes. loveLife has evolved into one of the most significant and relevant youth HIV/AIDS awareness and prevention efforts worldwide. Moreover, loveLife has developed into one of the largest youth development initiatives in South Africa.

3.2 Employee participation

25% of the Transaction has been set aside for black South African employees. All permanent black employees of Adcock and its South African subsidiaries, including such employees who are on secondment outside of South Africa will be eligible to participate in the Transaction ("Adcock qualifying employees"). The total value of the Transaction is R1,321 billion, based on the 10-day volume weighted average share price ("VWAP") of R50.91 per Adcock ordinary share on the JSE Limited ("JSE") as at the close of trade on 19 November 2009.

Post the implementation of the Transaction, the effective participation of the BEE Participants in Adcock will be as follows:

	Number of Adcock A-shares (Adcock)	% of Adcock post the Transaction	% of the Transaction	Market value* (Rm)
Kagiso Health Consortium	14.3	7.15	55	726.5
Kurisani	5.2	2.60	20	264.2
Employee Trust	6.5	3.25	25	330.2
Total	26.0	13.00	100	1,320.8

*Calculated using the 10-day VWAP as at close of trade on 19 November 2009

4. Transaction mechanics

The Transaction will be implemented through a specific issue of 26 million newly created unlisted A ordinary shares ("A-shares") (with a par value of R0.10 each) in the issued share capital of Adcock. Whilst the A-shares will represent a separate class of shares in Adcock they will rank *pari passu* in respect of voting and dividend rights with Adcock ordinary shares and will constitute 13% of Adcock's total issued shares post the Transaction.

For the purposes of the Transaction, the notional value of each A-share on the implementation of the Transaction will be deemed to be R48.36 per share, being equal to the 10-day VWAP of an Adcock ordinary share as at the close of trade on 19 November 2009 (R50.91) less a discount of 5% (the "Agreed Value").

4.1 Strategic Partners' participation

The key terms of the Strategic Partners' participation in Adcock are:

- the term of the Transaction will be 10 years ("Transaction term");
- for the first 7 years, the Strategic Partners will be locked-in, and will not be entitled to trade their Adcock A-shares (or their Adcock ordinary shares acquired through dividends received, as detailed below);
- thereafter for an additional 3 year period, the Strategic Partners will only be entitled to sell their shares to BEE parties that have at least the same or better "black" ownership status, as defined in the Codes;
- the Strategic Partners will contribute equity of R93.75 million ("Equity Contribution"), which will be used to subscribe for c. 1.9 million A-shares at the Agreed Value;
- the Strategic Partners will subscribe for c. 17.6 million additional A-shares (i.e. their total equity allocation less the A-shares subscribed for them by way of their Equity Contribution) at par value;
- during the Transaction term, the Strategic Partners will receive dividends in respect of the A-shares from Adcock on a *pari passu* basis with Adcock ordinary shares then in issue. The Strategic Partners will retain 15% of the dividends received with the balance of the dividends received (i.e. 85%) used, on a compulsory basis, to purchase Adcock ordinary shares at the then prevailing market price, which will also be subject to the Adcock Strategic Partner Repurchase Right (as defined below);
- at the end of the Transaction term, Adcock will be entitled to repurchase a certain number of A-shares (and Adcock ordinary shares, if applicable) from the Strategic Partners (or any BEE entities, that might acquire those shares after the initial 7-year lock-in period) at par value. The number of such shares will be calculated in terms of a repurchase formula, so as to give Adcock a required rate of return of 9.5% nominal annual compounded semi-annually ("mcs") calculated on the Agreed Value of the A-shares acquired by the Strategic Partners, less the Strategic Partners Equity Contribution (the "Adcock Strategic Partner Repurchase Right");
- following the exercise by Adcock of the Adcock Strategic Partner Repurchase Right, the remaining A-shares held by the Strategic Partners will automatically convert into Adcock ordinary shares; and
- after the end of the Transaction term and the aforementioned repurchase, the Strategic Partners (or any BEE entities, which might acquire those shares after the initial 7-year lock-in period) will be entitled to retain their remaining Adcock ordinary shares, which they will hold free of any restrictions.

4.2 Adcock employee participation

- The key aspects of the employee participation are:
 - 7-year tenure to the employee participation scheme ("employee Transaction term");

- Adcock qualifying employees will participate through an employee trust (to be formed) (the "Employee Trust"), which will issue trust units to Adcock qualifying employees. Each trust unit will represent a *pro rata* interest in the underlying value of the shares held by the Employee Trust;
- vesting of units will take place over 5 years, with 20% of allocated units vesting annually;
- Adcock qualifying employees will be subject to a further 2 year lock-in after the initial 5-year vesting period;
- the Employee Trust will subscribe for c. 6.5 million A-shares at par;
- the Employee Trust will pay for the par value of its A-shares through a grant from Adcock;
- during the employee Transaction term, the Employee Trust will receive dividends in respect of the A-shares from Adcock on a *pari passu* basis with Adcock ordinary shares then in issue. 100% of the dividends received will be used, on a compulsory basis, to purchase Adcock ordinary shares at the then prevailing market price, which will also be subject to the Adcock Employee Repurchase Right (as defined below);
- at the end of the employee Transaction term, Adcock will be entitled to repurchase a certain number of A-shares (and Adcock ordinary shares, if applicable) from the Employee Trust at par value. The number of such shares will be calculated in terms of a repurchase formula, so as to give Adcock a required rate of return of 9.5% (mcs) calculated on the Agreed Value of the A-shares acquired by the Employee Trust ("Adcock Employee Repurchase Right");
- following the exercise by Adcock of the Adcock Employee Repurchase Right, the remaining A-shares held by the Employee Trust will automatically convert into Adcock ordinary shares; and
- the Employee Trust will then distribute the remaining Adcock converted ordinary shares, after taxes have been settled, to the Employee Trust beneficiaries who will then be entitled to trade or retain their Adcock shares.

The manner in which qualifying employees of Adcock Ingram Critical Care (Proprietary) Limited ("ACC") will be treated under the employee participation scheme if Baxter Healthcare S.A. ("Baxter") and Adcock exercise their respective call and put options in terms of the option agreement entered into between, *inter alia*, Adcock, ACC and Baxter (the "Baxter option agreement"), is still under discussion and subject to agreement with Baxter.

5. Transaction funding

The BEE Transaction will be funded as follows:

	Equity contribution (Rm)	Upfront discount (Rm)	Notional vendor finance (Rm)	Value of Adcock A-shares acquired (Rm)
Kagiso Health Consortium	68.8	36.3	621.4	726.5
Kurisani	25.0	13.2	226.0	264.2
Employee Trust	-	16.5	313.7	330.2
Total	93.8	66.0	1,161.0	1,320.8

6. Black shareholding in Adcock post the Transaction

Adcock has appointed EmpowerLogic (Proprietary) Limited, an accredited empowerment verification agency, to conduct a preliminary scoring of its BEE ownership initiatives in accordance with Code 100 of the Codes. It is estimated that, post the implementation of the Transaction, Adcock will have effective Black ownership of more than 25%, if mandated investments and foreign operations, as defined in the Codes, are excluded from Adcock's enlarged issued share capital. This will result in Adcock achieving a score in excess of 20 points in respect of the ownership element of the BEE scorecard per the Codes.

7. Facilitation cost

The underlying cost of the Transaction to Adcock ordinary shareholders will be calculated in accordance with the statement on share-based payments in terms of International Financial Reporting Standards ("IFRS 2"). The cost of the Transaction will be determined once the final terms of the Transaction have been finalised, but is expected to be c.4% (as a percentage of the market capitalisation of Adcock as at the date of this announcement). The cost of facilitation will be charged to Adcock's income statement. The facilitation cost provided to the Strategic Partners will be charged as a one-off upfront non-cash charge with the cost of the employee participation amortised over the life of the employee participation as a non-cash charge.

8. Conditions precedent

- The implementation of the Transaction will be subject to the following conditions precedent:
- signature of the requisite legal agreements with the BEE Participants;
 - the approval of Baxter pursuant to the Baxter option agreement;
 - establishment of the Employee Trust;
 - approval by Adcock ordinary shareholders in general meeting of the necessary special resolutions to increase the authorised share capital of Adcock and create the A-shares;
 - approval by Adcock's ordinary shareholders in general meeting of the resolutions required to implement the Transaction;
 - obtaining an opinion from an independent expert on the creation and issue of the A-shares;
 - registration by the Companies and Intellectual Properties Registration Office ("CIPRO") of the special resolutions passed in the general meeting; and
 - approval of the Transaction by the JSE.

9. Circular to Adcock ordinary shareholders

A circular providing information on the Transaction and a notice convening a general meeting of Adcock ordinary shareholders to approve the resolutions necessary to implement the Transaction will be posted to Adcock ordinary shareholders in due course.

10. Cautionary announcement

A further announcement will be published on SENS and in the press once the full terms, the salient dates and the financial effects of the Transaction have been finalised. Accordingly, Adcock ordinary shareholders are advised to exercise caution when dealing in their Adcock ordinary shares until a further announcement is made.

24 November 2009
Midrand

Merchant bank and transaction sponsor



Sponsor



Legal advisor



Communications advisor

