

ANNUAL GENERAL MEETING – EXPLANATORY NOTES

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

Section 61(8) of the Companies Act requires directors to present the annual financial statements for the year ended 30 June 2016 to shareholders, together with the reports of the directors and the Audit Committee at the Annual General Meeting. These are contained within the Integrated Report.

Shareholders are advised that, in terms of section 62(3)(d) of the Companies Act, a copy of the complete annual financial statements for the preceding financial year may be obtained by submitting a written request to the Company Secretary, and electronic copies are available on the Adcock Ingram website  www.adcock.com.

PRESENTATION OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

Regulation 43(5)(c) of the Companies Regulations requires the Social and Ethics Committee, through 1 (one) of its members, to report to the shareholders on matters within its mandate at the Annual General Meeting. The Social, Ethics and Transformation Committee's report will be visually presented during the Annual General Meeting. The visual report is available on  www.adcock.com.

Ordinary Resolution 1 – Re-election of non-executive directors

In terms of the MOI, one-third of the non-executive directors are required to retire at each Annual General Meeting and may offer themselves for re-election. The MOI also provides that non-executive directors so to retire at each Annual General Meeting shall be any non-executive director(s) who were appointed by the Board to fill a vacancy or as an addition to the Board in terms of clause 15.5 of the MOI and those non-executive director(s) who at the date of the Annual General Meeting would have held office for a period of 3 (three) years or more since their last election, and amongst directors having equal tenure since their last election those shall retire in alphabetical order.

The following non-executive directors accordingly retire by rotation as required by the MOI:

- 1.1 Dr A Mokgokong; and
- 1.2 Mr R Morar.

Dr Mokgokong has offered herself for re-election and, having been evaluated and had her suitability for re-appointment confirmed by the Nominations Committee, is eligible for re-election.

A brief *curriculum vitae* in respect of Dr Mokgokong, is set out on page 53 of the Integrated Report.

To be approved, Ordinary Resolution 1 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

If Ordinary Resolution 1 is approved, the effect would be to elect the Dr Mokgokong as a non-executive director to the Board of the Company until such time as she resigns or is otherwise removed from office.

Ordinary Resolution 2 – Election of the Audit Committee members

Section 94(2) of the Companies Act requires the Company to elect an Audit Committee comprising at least 3 (three) non-executive director of the Board at each Annual General Meeting. In order to comply with this provision of the Companies Act, the Board, following a recommendation of the Nominations Committee, hereby nominates the following non-executive directors to be elected as members of the Audit Committee:

- 2.1 Mr M Sacks (Chairman) (as Ordinary Resolution 2.1);
- 2.2 Prof M Haus (as Ordinary Resolution 2.2); and
- 2.3 Dr R Stewart (as Ordinary Resolution 2.3).

A brief *curriculum vitae* in respect of each of the above non-executive directors offering themselves for re-election as a member of the Audit Committee, is set out on pages 52 and 53 of the Integrated Report.

To be approved, each of the resolutions for the election of members of the Audit Committee in Ordinary Resolution 2 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

If Ordinary Resolution 2 is approved, the effect would be to elect the abovementioned directors to the Audit Committee until the next Annual General Meeting of the Company.

ANNUAL GENERAL MEETING – EXPLANATORY NOTES CONTINUED

Ordinary Resolution 3 – Ratification of appointment of the executive directors

In terms of paragraph 18 of Adcock Ingram's MOI, the Board may from time to time appoint one or more executive directors as the Board deems fit, and such executive director shall not, whilst he/she continues to hold that position or office, be subject to mandatory retirement in terms of the MOI. However, in compliance with the JSE Listings Requirements, the appointment of such executive director to the office of director shall, in terms of paragraph 18.2.1 of the MOI, terminate if not ratified by ordinary resolution at the next annual general meeting following such appointment.

The following executive directors were appointed by the Board since the previous annual general meeting of the Company:

- 3.1 Ms D Neethling was appointed to the position of Chief Financial Officer and Executive Director of Adcock Ingram on 23 February 2016; and
- 3.2 Ms BJ Letsoalo was appointed as Executive Director: Human Capital and Transformation of Adcock Ingram on 25 August 2016.

It is accordingly necessary for the appointment of the abovementioned executive directors to be ratified by ordinary resolution at the annual general meeting. Brief curricula vitae in respect of Ms D Neethling and Ms B Letsoalo is set out on pages 50 and 51 of the Integrated Report.

To be approved, each of Ordinary Resolution 3.1 and Ordinary Resolution 3.2 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

If each of Ordinary Resolutions 3.1 and 3.2 are approved, the effect would be to ratify the Board's appointment of (i) Ms D Neethling to the position of Chief Financial Officer and Executive Director of Adcock Ingram; and (ii) Ms BJ Letsoalo to the position of Executive Director: Human Capital and Transformation of Adcock Ingram.

Ordinary Resolution 4 – Re-appointment of External Auditors

In terms of section 90(1) of the Companies Act the Company must appoint an auditor each year at its Annual General Meeting by way of an ordinary resolution of the shareholders entitled to exercise voting rights on that resolution. In terms of section 94(7)(a) (as read with section 90(2)) of the Companies Act, the Audit Committee of the Company must nominate a registered auditor for appointment as auditor of the Company who is, in the opinion of the Audit Committee, independent of the Company.

The Audit Committee has nominated Ernst & Young Inc. ("EY") as the independent external auditors of the Company. The Audit Committee is satisfied that EY and the individual auditor designated by Ernst & Young as responsible for performing the functions of the Company's auditor on behalf of Ernst & Young, namely Mr Dave Cathrall, can be regarded as independent and are thereby able to conduct their audit functions without any conflict or influence. The relevant section of the Audit Committee Report relating to the Audit Committee's nomination of EY as the auditors of the Company is contained on page 73 of the Integrated Report.

Ernst & Young Inc. has confirmed its willingness to continue in office and Ordinary Resolution 4 proposes the re-appointment of that firm as the Company's auditors with effect from 1 December 2016 until the next Annual General Meeting. As contemplated in section 90(3) of the Companies Act, the name of the designated auditor, Mr Dave Cathrall, forms part of the resolution. The resolution also notes the remuneration of the independent external auditors as determined by the Audit Committee of the Board.

To be approved, Ordinary Resolution 4 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

If Ordinary Resolution 4 is approved, the effect would be to approve the appointment of EY as the independent external auditors of the Company until the next Annual General Meeting of the Company.

Ordinary Resolution 5 – Delegation of Authority

This reason for Ordinary Resolution 5 is to authorise any 1 (one) director or the Company Secretary of the Company to do all such things and sign all documents and take all such action as he/she may consider necessary to implement the resolutions set out in the notice convening the Annual General Meeting at which Ordinary Resolution 5 will be considered.

To be approved, Ordinary Resolution 5 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

Ordinary Resolution 6 – Approval of the Remuneration policy

Chapter 2 paragraph 186 of King III dealing with boards and directors requires companies to table their remuneration policy to shareholders every year for a non-binding advisory vote at the Annual General Meeting. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. The Company's and the Group's remuneration report is contained on pages 58 to 67 of the Integrated Report. Ordinary Resolution 6 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into account when reviewing the Company's and the Group's remuneration policy.

To be approved, Ordinary Resolution 6 requires the support of more than 50% (fifty percent) of the voting rights exercised on the resolution.

Special Resolution 1 – Financial assistance to related and inter-related parties

It is important for the Group to be able to administer its cash resources efficiently. From time to time it is advisable for the Company to borrow from its subsidiaries, and to on-lend or provide loans to its subsidiaries and other potential recipients envisaged in Special Resolution 1 in accordance with the provisions of section 45 of the Companies Act. It is not possible to detail in advance all instances where such financial assistance could be required, and approval is accordingly sought as contemplated in section 45(3)(a)(ii) of the Companies Act generally for the provision of financial assistance to certain categories of potential recipients. If approved, this general authority will expire at the end of 2 (two) years from the date on which Special Resolution 1 is approved. In addition, it would be impractical and difficult to obtain shareholder approval every time the Company wishes to provide financial assistance as contemplated above. Accordingly, the Company requires flexibility and the authority to act promptly as the need arises, and the authority of this special resolution is sought in advance to obviate the need for shareholder approval in each instance.

To be approved, Special Resolution 1 requires the support of more than 75% (seventy five percent) of the voting rights exercised on the resolution.

If Special Resolution 1 is approved, the effect would be to authorise the Company to grant the aforementioned financial assistance to the relevant persons, subject to compliance with the MOI and the Companies Act (including but not limited to the Board being satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in section 4 of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company).

Special Resolution 2 – Proposed remuneration of non-executive directors payable with effect from 1 December 2016

Shareholders are requested to consider and if deemed appropriate, approve the proposed annual market related fees and remuneration payable monthly or quarterly (as may be arranged with individual directors) in arrears to non-executive directors for their services as directors (which for clarity includes their participation in sub-committees of the Board) with effect from 1 December 2016 until the next Annual General Meeting as set out in the table hereunder. Full particulars of all fees and remuneration for the past financial year are contained on page 67 the Integrated Report. Since the coming into effect of the Companies Act, in particular sections 65(11), 66(8) and (9), remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders (i.e. a resolution passed with the support of at least 75% (seventy five percent) of the voting rights exercised on the resolution) within the previous 2 (two) years.

To be approved, Special Resolution 2 requires the support of at least 75% (seventy five percent) of the voting rights exercised on the resolution.

Category	Current annual remuneration	Proposed annual remuneration payable with effect from 1 December 2016
Board		
Chairman	1 022 570	1 083 920
Deputy Chairman		500 000
Board member	233 965	248 000
Audit Committee		
Chairman	222 045	235 370
Audit Committee member	111 020	117 680
Risk and Sustainability Committee		
Chairman	222 045	235 370
Committee member	111 020	117 680
Human Resources, Remuneration and Nominations Committee		
Chairman	91 155	118 075
Committee member	57 850	61 270
Social, Ethics and Transformation Committee		
Chairman	85 545	118 075
Committee member	46 280	58 500

ANNUAL GENERAL MEETING – EXPLANATORY NOTES CONTINUED

Non-executive directors are paid an additional R13 000 (thirteen thousand Rand) each when they attend special meetings of the Board and/or sub-committees of the Board which last more than 3 (three) hours. The Chairman of the Board does not get paid any additional amount for attending meetings of sub-committees of the Board.

If Special Resolution 2 is approved, the effect would be to authorise the Company to pay the remuneration contemplated in the above table to the non-executive directors of the Company for their services as directors, with effect from 1 December 2016 until the next Annual General Meeting.

Special Resolution 3 – Share Repurchase

The Board believes that it may be prudent to obtain a general authority to repurchase the Company's shares to enable it to act promptly should the opportunity arise. Shareholders' approval, by way of a special resolution, is sought for a repurchase of the Company's shares, subject to the provisions of the JSE Listings Requirements and the Companies Act, as set out in the proposed resolution. This special resolution is subject to the statement of intent as set out above.

To be approved, Special Resolution 3 requires the support of at least 75% (seventy five percent) of the voting rights exercised on the resolution.

If Special Resolution 3 is approved, the effect would be to authorise the Company and/or its subsidiary company/ies by way of a general authority to acquire the Company's issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the Company subject to the provisions of the JSE Listings Requirements and the Companies Act as set out in Special Resolution 3.

Special Resolution 4 – Amendments to the Company's MOI

In terms of section 16(1)(c) of the Companies Act, the Company's MOI may be amended at any time if, *inter alia*, a special resolution to amend it is proposed by the Board and adopted at a shareholders' meeting of the Company.

The Board has proposed the amendments to the MOI as more fully set out in Special Resolution 4 for the reasons set out below:

- 4.1 The preferences, rights, limitations and other terms attaching to the A Ordinary Shares and the B Ordinary Shares, as set out in Schedule AB of the existing MOI, were peculiar to the holding of those shares under the previous Adcock Ingram BEE scheme. Pursuant to the resolution of the shareholders which approved such matters, passed by the requisite majority of shareholders on or about 10 July 2015, all of the issued A Ordinary Shares and B Ordinary Shares were repurchased by the Company from the holders thereof as at that date and the previous Adcock Ingram BEE scheme was terminated in accordance with the terms set out in the circular to Adcock Ingram's shareholders dated 28 May 2015. There are therefore no A Ordinary Shares or B Ordinary Shares currently in issue and the Board accordingly believes it prudent to amend the MOI to formally cancel and remove references to all the A Ordinary Shares and all the B Ordinary Shares in the authorised share capital of the Company. The effect of this amendment to the MOI will be to reduce the authorised share capital of the Company by the number of existing A Ordinary Shares and existing B Ordinary Shares, such that following the implementation of such amendment, the authorised share capital of the Company shall comprise 250 000 000 ordinary shares having a par value of R0,10 each in the share capital of the Company.
- 4.2 Clause 4.5. of the MOI as currently drafted reflects various minor inconsistencies with paragraph 10.1 of Schedule 10 to the JSE Listings Requirements. The Board accordingly proposes the amendments contemplated in item 13.2 of Special Resolution 4 above to ensure clarity and compliance by the Company with the JSE Listings Requirements.
- 4.3 Pursuant to Board Notice 108 of 2014 as published by the Financial Services Board in Government Gazette No. 37964, dated 29 August 2014, section 10.11 of Schedule 10 to the JSE Listings Requirements was amended to provide that the memoranda of incorporation of issuers may permit shareholders to approve resolutions proposed in respect of the matters listed in items 13.3.1 to 13.3.4 (inclusive) of Special Resolution 4 above, in writing, in terms of section 60 of the Companies Act. The Board proposes the amendments contemplated in item 13.3 of Special Resolution 4 to provide shareholders with the flexibility to approve the aforementioned matters in writing, should it be necessary or desirable in the applicable circumstances.
- 4.4 Clause 19.7.1, which specifies the formalities for passing a written resolution of the Board, creates a technical difficulty in that it requires all directors, including directors who have a personal financial interest or another common law conflict of interest in respect of the matters being considered and/or decided in terms of the applicable resolution, to sign and approve the written resolution. The Board accordingly proposes that clause 19.7.1 of the MOI be amended to provide that a resolution of the Board which is in writing, shall be valid and effectual as if it had been passed at a meeting of the Board duly called and constituted, if it is signed and approved by all of the directors, other than those directors who are conflicted (whether by reason of a personal financial interest or otherwise).

- 4.5 Pursuant to Board Notice 274 of 2015 as published by the Financial Services Board in Government Gazette No. 39531, dated 18 December 2015, section 18.1(o) of Schedule 18 to the JSE Listings Requirements was amended to provide for a new fraction entitlement principle which will result in all allocations of securities being rounded down to the nearest whole number and a cash payment being made for the fraction at a beneficial holder level. The new fraction entitlement principle further provides that the weighted average traded price for the "last day to trade" (as defined in the JSE Listings Requirements) + 1 less 10% must be used as the cash value of the aforementioned cash payment. In terms of the letter issued by the JSE to sponsors, designated advisers and company secretaries of issuers on or about 19 February 2016 in respect of the treatment of fractions, issuers are afforded a period of up to 1 May 2017 to amend their memoranda of incorporation to provide for the aforesaid new fraction entitlement principle. The Board accordingly proposes the amendments contemplated in item 13.5 of Special Resolution 4 to ensure compliance by the Company with the JSE Listings Requirements.

A copy of the MOI incorporating the proposed amendments (which amendments are highlighted for shareholders' consideration) is available for inspection from 30 September 2016 until 24 November 2016 during normal business hours at the registered office of the Company at 1 New Road, Midrand, Gauteng and may be obtained from the Company's website at www.adcock.com.

In terms of section 164(2)(a) of the Companies Act, any notice given to shareholders of a meeting to consider adopting a resolution to amend the MOI of the Company by altering the preferences, rights, limitations or other terms of any class of shares in the Company in any manner materially adverse to the rights or interests of the holders of that class of shares must include a statement informing shareholders of their rights under the section 164 of the Companies Act. The Board is of the view that the adoption of the proposed amendments to the MOI in terms of Special Resolution 4 will not result in a material adverse change to the interests of the existing shareholders as contemplated in section 164(2)(a) of the Companies Act in as much as such shareholders do not hold A Ordinary Shares or B Ordinary Shares. Notwithstanding the foregoing, an extract of section 164 of the Companies Act, setting out shareholders' rights under that section, accompanies the notice of Annual General Meeting to which these explanatory notes are attached in the event that any shareholder believes a material adverse change may nevertheless occur.

To be approved, Special Resolution 4 requires the support of at least 75% (seventy five percent) of the voting rights exercised on the resolution.

If Special Resolution 4 is approved, the effect would be to amend the MOI in the manner contemplated by Special Resolution 4 and as explained above.

Quorum

The meeting of shareholders contemplated herein may begin, and a matter may begin to be debated at that meeting, only if the following quorum requirements are met as required by the Companies Act and the MOI:

1. subject to 2 and 3 below:
 - 1.1 a meeting of shareholders may not begin until sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of all of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and
 - 1.2 a matter to be decided at the meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of all of the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda;
2. once a quorum has been established at a meeting of shareholders, all the shareholders necessary to maintain such quorum must be present at that meeting to consider and vote on any matter;
3. despite the percentage figures set out in 1, as the Company has more than 2 (two) shareholders, a meeting may not begin, or a matter begin to be debated unless:
 - 3.1 at least 3 (three) shareholders are "present at the meeting" (as defined in the Companies Act); and
 - 3.2 the requirements of 1, are satisfied.