

VOX TELECOM LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/016433/06)
(Share code VOX)
(ISIN: ZAE000097234)
("Vox" or "the Company")

ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER TO ACQUIRE THE ENTIRE ISSUED SHARE CAPITAL OF VOX ("FIRM INTENTION ANNOUNCEMENT") AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Vox is pleased to announce that it has received an offer from Business Venture Investments No 1542 (Proprietary) Limited ("**BidCo**"), a special purpose vehicle held by Lereko Metier Trustees (Proprietary) Limited, acting in its capacity as a trustee of Lereko Metier Capital Growth Fund, Master's reference number IT 11855/06 and the LMCGF Parallel Trust 1, Master's reference number IT 12788/07 ("**Lereko Metier**") and Investec Bank Limited (collectively, the "**Consortium**") for that purpose, to acquire the entire issued and to be issued share capital in Vox ("**Vox Shares**"), by way of a scheme of arrangement in terms of section 114 of the Companies Act, No. 71 of 2008, as amended from time to time, ("**Companies Act**") to be proposed by the board of directors of Vox between Vox and its shareholders ("**Vox Shareholders**") ("**Scheme**").

The independent board of Vox, being those directors of Vox who act independently as contemplated in the Regulations issued pursuant to the Companies Act ("**Independent Board**"), BidCo and the Consortium have concluded a written implementation agreement dated 14 July 2011 ("**Implementation Agreement**") in relation to the Scheme.

The Implementation Agreement contains provisions relating to the implementation of the Scheme and certain undertakings of Vox, including terms regarding the conduct of the business of Vox in the interim period between the date of this Firm Intention Announcement and the implementation of the Scheme.

Vox has, in addition, entered into an exclusivity and non-solicitation agreement with the Consortium dated 26 June 2011 ("**Exclusivity Agreement**"), containing provisions which regulate the manner in which third party approaches will be dealt with by Vox, as more fully set out in paragraph 10 of this Firm Intention Announcement.

Vox Shareholders will, if the Scheme becomes operative, be entitled to receive, at their election:

- R0.45 (forty five cents) for every Vox Share held ("**Cash Consideration**"); or
- 1 (one) BidCo share for every 10 (ten) Vox Shares held ("**Consideration Shares**" or "**Reinvestment Option**"); or
- a combination thereof,

provided that, in the event that the Scheme becomes operative, any Vox Shareholder who has not made an election will be deemed to have elected to receive the Cash Consideration.

The Cash Consideration represents a premium of:

- 21.6% (twenty one point six percent) to the closing price of Vox Shares on the securities exchange operated by the JSE Limited ("**JSE**") as at 13 September 2010, being the last business day immediately prior to the date of the first cautionary announcement (the "**Publication Date**");
- 40.8% (forty point eight percent) to the volume weighted average price ("**VWAP**") of Vox Shares on the JSE for the 30 (thirty) days up to and including the Publication Date;
- 47.1% (forty seven point one percent) to the VWAP of Vox Shares on the JSE for the 6 (six) months up to and including the Publication Date;
- 25.8% (twenty five point eight percent) to the VWAP of Vox Shares on the JSE for the 12 (twelve) months up to and including the Publication Date;
- 21.6% (twenty one point six percent) to the closing price of Vox Shares as at 13 July 2011, being the last business day immediately prior to the date of this Firm Intention Announcement;
- 23.4% (twenty three point four percent) to the VWAP of Vox Shares on the JSE for the 30 (thirty) days up to and including 13 July 2011;
- 19.3% (nineteen point three percent) to the VWAP of Vox Shares on the JSE for the 6 (six) months up to and including 13 July 2011; and
- 19.0% (nineteen percent) to the VWAP of Vox Shares on the JSE for the 12 (twelve) months up to and including 13 July 2011.

2. RATIONALE FOR THE SCHEME

The last 3 (three) years have been challenging for Vox as a result of the following factors:

- a negative perception of small capitalisation companies exacerbated by the economic fallout from the global financial crisis which has resulted in poor liquidity in Vox Shares and a lack of institutional investor support;
- poor share price performance which has limited Vox's ability to conclude acquisitions, removed any value from employee share incentive schemes and had a negative effect on employee morale;
- an uncertain regulatory environment in the South African telecommunications industry; and
- the Dealstream collapse which created negative publicity.

As greater certainty and stability has more recently begun to prevail in the telecommunications regulatory environment, Vox has been required to evolve and adjust its strategy to continue providing compelling telecommunications products and services to its clients. The Consortium supports this strategy and believes that it will be best achieved in an unlisted environment where management can focus on delivering the new strategy without distraction, particularly as there is a potential for an impact on short term profitability as this change is implemented. To improve the prospects of success the Consortium has agreed to provide management with a revised incentive plan to align their interests with those of the Consortium to deliver long term value from Vox.

The Scheme, if it becomes operative, will result in the delisting of Vox as detailed in paragraph 8 below. The Scheme will allow Vox Shareholders a cash exit opportunity at an attractive premium to the current and historical market prices of Vox Shares or the opportunity to remain invested in the business in an unlisted environment.

3. CONDITIONS PRECEDENT TO THE POSTING OF THE CIRCULAR

The posting of the circular to Vox Shareholders in relation to the Scheme is subject to the fulfilment or waiver (in whole or in part), by BidCo of the following conditions precedent:

- 3.1. the independent expert appointed by the Independent Board confirming in writing to the Independent Board and the Vox Shareholders that the Cash Consideration offered by BidCo to Vox Shareholders in terms of the Scheme is fair and reasonable;
- 3.2. the Independent Board recommending to the Vox Shareholders that they vote in favour of the Scheme;
- 3.3. registration of a prospectus in relation to BidCo with the Companies and Intellectual Property Commission and the requisite approvals being received from the JSE and the Takeover Regulation Panel ("TRP") for the posting of the circular (including the prospectus); and
- 3.4. the consents necessary in respect of the Scheme being obtained from all material service providers to the Company.

4. CONDITIONS PRECEDENT TO THE SCHEME

- 4.1. The implementation of the Scheme is subject to the fulfilment or, if appropriate, waiver, of the following outstanding conditions precedent, which must be fulfilled, or where appropriate waived, on or before the date which is 150 (one hundred and fifty) days from publication of this Firm Intention Announcement, or such later date as may be agreed in writing between Vox and BidCo:
 - 4.1.1. all regulatory approvals and consents necessary in respect of the Scheme being obtained, including, but not limited to approvals and consents from the JSE, the TRP, the South African competition authorities and the Financial Surveillance Department of the South African Reserve Bank;
 - 4.1.2. the special resolution necessary to approve the Scheme being proposed at a shareholders meeting of Vox Shareholders and adopted by a majority representing not less than 75% (seventy five percent) of the votes exercised by Vox Shareholders present and entitled to vote on such resolution, either in person or by proxy;
 - 4.1.3. the special resolution necessary to approve the Scheme not being opposed by 15% (fifteen percent) or more of the voting rights exercised on such resolution, or, should the resolution be opposed by 15% (fifteen percent) or more of the voting rights exercised on it, no person who voted against the special resolution requiring the Company to seek court approval in terms of section 115(3) of the Companies Act. This condition may be waived by BidCo;

- 4.1.4. if the special resolution necessary to approve the Scheme is opposed by 15% (fifteen percent) or more of the voting rights exercised on such resolution, and a person who voted against the special resolution requires the Company to seek court approval and BidCo waives the condition precedent in paragraph 4.1.3, and the Company does not elect to treat the special resolution as a nullity in terms of section 115(5) of the Companies Act, the court approves the special resolution in terms of section 115(3) of the Companies Act;
- 4.1.5. no leave to review the transaction being granted by the court, on an application within 10 (ten) business days after the vote, to any person who voted against the special resolution and who applied to the court for a review of the Scheme in terms of section 115(7) of the Companies Act. This condition may be waived by BidCo on condition that the court approves the special resolution in terms of section 115(3) of the Companies Act;
- 4.1.6. within the period prescribed under section 164(7) of the Companies Act, no valid demands having been received by Vox in terms of such section which, in aggregate, represent more than 5% (five percent) of the Vox Shares. This condition may be waived by BidCo; and
- 4.1.7. by the date on which each of the abovementioned conditions are fulfilled or waived (as the case may be), an adverse effect, fact, circumstance which is or might reasonably be expected (alone or together with any other such adverse effect, fact or circumstance) to be material with regard to the operations, continued existence, business, condition, assets and liabilities of Vox and its subsidiaries (whether as a consequence of the Scheme or not) has not occurred. For the purposes of this clause, to be material, the adverse effect, fact or circumstance must -
 - 4.1.7.1 have (or be reasonably expected to have) an adverse effect upon Vox's annual profit after tax ("**PAT**"), of not less than R10,000,000.00 (ten million rand); or
 - 4.1.7.2 constitute a change in the laws of the Republic of South Africa (including, without limitation, laws relating to taxation) which has (or may reasonably be expected to have) a material adverse effect upon the Scheme such that the effective direct or indirect cost of the Scheme would increase by 15% (fifteen percent) or more; or
 - 4.1.7.3 consist of a fall in the JSE All Share Index of 15% (fifteen percent) or more compared with such index as at the last trading day of June 2011.
- 4.2. Vox and BidCo have undertaken in favour of one another to use their respective reasonable commercial endeavours to do all things and take all steps as may be reasonably necessary or desirable in order to procure, insofar as it is lawfully able, the fulfilment of the above conditions.

5. PRO FORMA EARNINGS AND NET ASSET VALUE EFFECT PERTAINING TO THE REINVESTMENT OPTION

The unaudited *pro forma* financial effects of the Reinvestment Option, for which the directors of Vox and BidCo are responsible, are provided for illustrative purposes only to provide information about how the Scheme will affect the financial position of the Vox shareholders who elect to receive the Reinvestment Option and the effect thereof on the earnings per share (“EPS”), diluted earnings per share (“DEPS”), headline earnings per share (“HEPS”) and diluted headline earnings per share (“DHEPS”) of Vox compared to BidCo as if the Scheme had become operative on 1 September 2010, and, for the purpose of net asset value per share (“NAVPS”) and net tangible asset value per share (“NTAVPS”) of Vox as compared to BidCo as if the Scheme had become operative on 28 February 2011. Because of their nature, the unaudited *pro forma* financial effects may not give a fair presentation of BidCo’s financial position and performance. The unaudited *pro forma* financial effects have been compiled from the reviewed consolidated financial statements of Vox for the six months ended 28 February 2011 and are presented in a manner consistent with the format and accounting policies adopted by Vox and have been adjusted as described in the notes set out below:

	Before the Scheme (Note1)	After the Scheme (Notes 2-5)	% Change
EPS (cents)	2.16	-0.15	-107%
DEPS (cents)	2.16	-0.15	-107%
HEPS (cents)	2.14	-0.17	-108%
DHEPS (cents)	2.14	-0.17	-108%
NAVPS (cents)	46.71	44.93	-4%
NTAVPS (cents)	9.08	7.30	-20%
Weighted average number of shares in issue ('000)	1,108,501	1,108,501	0%
Diluted weighted average number of shares in issue ('000)	1,108,501	1,108,501	0%

Notes:

- 1) The financial information in the "Before the Scheme" column has been based on the financial effects of the reviewed consolidated financial statements of Vox for the six months ended 28 February 2011.
- 2) The EPS, DEPS, HEPS and DHEPS included in the "After the Scheme" column have been prepared by including the earnings effects of the Scheme to the reviewed consolidated financial statements of Vox for the six months ended 28 February 2011, as if the Scheme had become operative on 1 September 2010.
- 3) The NAVPS and NTAVPS included in the "After the Scheme" column have been prepared by including the balance sheet effects of the Scheme to the reviewed consolidated financial

statements of Vox for the six months ended 28 February 2011, as if the Scheme had become operative on 28 February 2011.

- 4) The EPS, DEPS, HEPS and DHEPS included in the "After the Scheme" column have been adjusted for the following:
 - to include the additional charge in terms of IFRS 2: Share -based Payments, amounting to R4.3 million, incurred as a result of the accelerated vesting cancellation of management's Share Appreciation Rights ("SARS"), totalling 15,8m SARS;
 - to include the additional charge in terms of IFRS 2: Share -based Payments amounting to R1.5m, incurred as a result of the new management incentive scheme whereby preference shares will be issued to management, linked to a notional loan accruing interest at prime + 5% and sharing equally in dividends of BidCo.
 - to include the once-off transaction costs amounting to R19.7 million;
 - no dilutive impact by the SAR'S scheme for dilutive earnings per share or dilutive headline earnings per share calculation as these SAR's have a strike price of 54 cents per share and are currently out of the money;
 - to include the tax effect of R0.1m as a result of all the adjustments mentioned above;
- 5) The NAVPS and NTAVPS included in the "After the Scheme" column have been adjusted to include the once-off transaction costs amounting to R19.7 million.

The additional charge in terms of IFRS 2: Share -based Payments, amounting to R4.3 million, incurred as a result of the accelerated vesting cancellation of management's Share Appreciation Rights ("SARS"), totalling 15,8m SARS as well as the additional charge of R1.5m as a result of the new management incentive scheme whereby preference shares will be issued to management, linked to a notional loan accruing interest at prime + 5% and sharing equally in dividends of BidCo does not have an impact on the NAVPS and NTAVPS included in the "After the Scheme" column.
- 6) For ease of comparability, the *pro forma* calculations do not take into account the new capital structure proposed by BidCo, which will consist of 1 BidCo share for every 10 Vox shares in issue.

6. UNDERTAKINGS

BidCo has received irrevocable undertakings and letters of intent from certain Vox Shareholders holding between them 444,319,700 (four hundred and forty four million three hundred and nineteen thousand seven hundred) Vox Shares to vote in favour of the Scheme and the resolutions to be proposed at the shareholders meeting, representing in aggregate 40.1% (forty point one percent) of the existing issued ordinary share capital of Vox and 53.4% (fifty three point four percent) of the Vox Shareholders entitled to vote at the Scheme meeting.

Vox Shareholders holding in aggregate 137,500,000 (one hundred and thirty seven million five hundred thousand) Vox Shares and representing in aggregate 12.4% (twelve point four percent) of the existing issued ordinary share capital of Vox have irrevocably undertaken to accept the Cash Consideration.

Vox Shareholders holding in aggregate 259,819,700 (two hundred and fifty nine million eight hundred and nineteen thousand seven hundred) Vox Shares and representing in aggregate 23.4% (twenty three point four percent) of the existing issued ordinary share capital of Vox have irrevocably undertaken to accept Consideration Shares. In addition, Lereko Metier has undertaken to accept Consideration Shares in return for the 275,396,137 (two hundred and seventy five million three hundred and ninety six thousand one hundred and thirty seven) Vox Shares held by it.

As a result, the maximum amount payable by BidCo if all other Vox Shareholders elect (or are deemed to have elected) to receive the Cash Consideration in return for their Vox Shares is

R257,978,174.00 (two hundred and fifty seven million nine hundred and seventy eight thousand one hundred and seventy four rand).

7. GUARANTEES AND CONFIRMATIONS TO THE TAKEOVER REGULATION PANEL

Investec Bank Limited has delivered an irrevocable, unconditional bank guarantee in compliance with the TRP requirements in favour of Vox to Vox and the TRP in an amount of R190,953,218.03 (one hundred and ninety million nine hundred and fifty three thousand two hundred and eighteen rand and three cents). In addition, Cliffe Dekker Hofmeyr Inc, on behalf of Lereko Metier, has provided to Vox and the TRP irrevocable written confirmation in compliance with the TRP requirements to the effect that it holds the sum of R67,024,956.38 (sixty seven million twenty four thousand nine hundred and fifty six rand and thirty eight cents) in its trust account in favour of Vox. The aggregate amount of the bank guarantee and the written confirmation is sufficient for the purpose of fully satisfying the Cash Consideration payable in terms of the Scheme having regard to the irrevocable undertakings received from Vox Shareholders to date to accept Consideration Shares in return for Vox Shares as referred to in paragraph 6 above.

BidCo will have sufficient authorised and unissued shares available to issue the maximum Consideration Shares.

8. TERMINATION OF VOX LISTING

Following implementation of the Scheme, application will be made to the JSE to terminate the listing of Vox Shares on the JSE.

9. SHAREHOLDINGS IN VOX AND ACTING AS PRINCIPAL

Lereko Metier Capital Growth Fund is the beneficial owner of 275,396,137 (two hundred and seventy five million three hundred and ninety six thousand one hundred and thirty seven) Vox Shares, comprising 24.84% (twenty four point eight four percent) of the issued share capital of Vox. Investec Bank Limited does not currently hold or control any Vox Shares or options to acquire any Vox Shares.

BidCo is the ultimate prospective purchaser and is acting alone and not in conjunction with, or as agent or broker for, any other party.

Paul Botha, a director of Lereko Metier, currently holds 250,000 (two hundred and fifty thousand) Vox Shares and the trustees for the time being of the Botha Family Trust, Master's reference number IT 55/1994 currently hold 220,000 (two hundred and twenty thousand) Vox Shares.

RMB Investments and Advisory (Proprietary) Limited holding 259,819,700 (two hundred and fifty nine million eight hundred and nineteen thousand seven hundred) Vox Shares has irrevocably committed to vote in favour of the Scheme and has elected to receive the Consideration Shares in respect of all their Vox Shares.

Mvelaphanda Group Limited holding 137,000,000 (one hundred and thirty seven million) Vox Shares has irrevocably committed to vote in favour of the Scheme and has elected to receive the Cash Consideration in respect of all their Vox shares.

Industrial Development Corporation of South Africa Limited holding 47,000,000 (forty seven million) Vox Shares has irrevocably committed to vote in favour of the Scheme.

10. THIRD PARTY APPROACHES

Vox has, in terms of the Exclusivity Agreement, agreed that it will not (and will procure that certain other related persons will not) directly or indirectly:

- (i) solicit or initiate any expression of interest, enquiry, proposal or offer regarding any merger, amalgamation, share exchange, business combination, take-over bid, sale or other disposition of all or substantially all of Vox's assets, recapitalisation, reorganisation, liquidation, material sale or issue of treasury securities or rights or interests therein or thereto or rights or options to acquire any material number of treasury securities or any type of similar transaction, or series of transactions, which is likely to constitute a change of control in Vox (as defined in the Companies Act) or could reasonably be considered to be likely to preclude the Scheme or its implementation (each an "**Alternative Proposal**");
- (ii) participate in any negotiations with a third party regarding the implementation of any Alternative Proposal unless it constitutes a Superior Proposal (as defined below), it being agreed that any discussions (which do not constitute negotiations) with a third party in relation to any Alternative Proposal will be limited to those required to determine whether the Alternative Proposal is a Superior Proposal and to those which the Independent Board is required to enter into in order to discharge its lawful obligations;
- (iii) agree to, approve or recommend an Alternative Proposal (unless it constitutes a Superior Proposal); or
- (iv) enter into any agreement related to an Alternative Proposal (unless it constitutes a Superior Proposal).

Notwithstanding the above, nothing shall prevent Vox and/or the Independent Board from furnishing non-public information to, or entering into a confidentiality agreement and/or discussions with, any person in response to a bona fide Alternative Proposal that is submitted by such person after the signature date of the Exclusivity Agreement which is not withdrawn, provided:

- (i) the Independent Board concludes that such action is required in order for them to comply with their fiduciary obligations under applicable law, including without limitation their obligations under the Companies Act and/or any regulations promulgated thereunder;
- (ii) Vox informs BidCo in the event that it receives an Alternative Proposal, such information to be conveyed to BidCo by no later than 48 (forty eight) hours after receipt by Vox of the Alternative Proposal; and
- (iii) in the event that Vox provides such non-public information to such person, Vox provides BidCo with copies of all such due diligence materials exchanged between such person and Vox, to the extent not already provided to BidCo.

"Superior Proposal" means a bona fide Alternative Proposal received by Vox which the Independent Board determines would, if consummated in accordance with its terms, result in a transaction more favourable to Vox Shareholders than the Scheme, taking into account, *inter alia*, the likelihood of such transaction being completed within a reasonable period of time and the financing risks relating thereto.

Vox has agreed that should it receive an Alternative Proposal which the Independent Board determines is a Superior Proposal, it shall give BidCo written notice of such determination within 48 (forty eight) hours of the determination being made.

11. RECOMMENDATION AND FAIRNESS OPINION

The Independent Board intends, based on the information currently available to it, to make a unanimous recommendation to Vox Shareholders to vote in favour of the resolutions to be proposed at the shareholders meeting to approve the Scheme, provided that the Independent Board receives an opinion from the independent expert to the effect that the Cash Consideration is fair and reasonable and that the Reinvestment Option is reasonable.

The Independent Board has appointed KPMG Services (Proprietary) Limited, an independent advisor acceptable to the TRP, to provide it with external advice in relation to the Scheme and to make appropriate recommendations to the Independent Board for the benefit of Vox Shareholders.

The substance of the external advice and the views of the Independent Board will be detailed in the circular to be sent to Vox Shareholders in relation to the Scheme.

12. DOCUMENTATION

Further details of the Scheme will be included in the circular to be sent to Vox Shareholders, containing, *inter alia*, a notice of the meeting of Vox Shareholders, a form of proxy, a form of surrender and transfer and a prospectus in relation to BidCo. The circular is expected to be posted to Vox Shareholders on or about 19 August 2011. The salient dates in relation to the Scheme will be published prior to the posting of the circular.

13. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Following the release of this Firm Intention Announcement, the cautionary announcement originally published by Vox on 13 September 2010 and subsequently renewed, the last renewal of which took place on 2 June 2011, is hereby withdrawn and caution is no longer required to be exercised by Vox Shareholders when dealing in Vox Shares.

14. RESPONSIBILITY STATEMENT

BidCo and the Independent Board accept responsibility for the information contained in this Firm Intention Announcement. To the best of their respective knowledge and belief, the information contained in this announcement is true and nothing has been omitted which is likely to affect the import of the information.

Johannesburg
14 July 2011

**Corporate advisor and
Designated Advisor to Vox**
Grindrod Bank

Independent expert to Vox
KPMG

Legal and tax advisor to Vox
Webber Wentzel

**Corporate advisor to the
Consortium and BidCo**
Investec Corporate Finance

**Legal advisor to the
Consortium and BidCo**
Cliffe Dekker Hofmeyr

**Auditors and Reporting
Accountants to Vox and
BidCo**
Deloitte

**Communications advisor to the
Consortium**
Brunswick