

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 05 of this circular apply, *mutatis mutandis*, to this whole circular.

If you are in any doubt as to what action you should take in relation to this circular, please consult your CSDP, broker, banker, accountant, attorney or other professional advisor immediately.

### Action required:

In respect of the general meeting:

1. If you have disposed of all your shares, this circular should be handed to the purchaser of such shares or to the CSDP, broker, banker or other agent through whom such disposal was effected.
2. The general meeting will be convened at Vodacom World, 082 Vodacom Boulevard, Midrand at 09:00 on Tuesday 18 July 2017 in order for shareholders to vote on the resolutions.
3. Shareholders or their proxies may participate in the general meeting by way of electronic means. Such shareholder (or proxy) will need to contact Mr Lebogang Ngcobo at Vodacom Group on +27 11 653 5922 by no later than 09:00 on Friday 14 July 2017 so that Vodacom Group can provide for a teleconference dial-in-facility. Shareholders are advised that, when such shareholder intends to participate via teleconference, we recommend that the voting proxies are sent through to the transfer secretaries by no later than 09:00 on Monday 17 July 2017. Participants must dial the following number, five minutes prior to start of the general meeting: +27 11 535 3600.
4. If you are a dematerialised shareholder other than with own-name registration, then your CSDP or broker, as the case may be, should contact you to ascertain how you wish to cast your vote at the general meeting, and thereafter cast your vote in accordance with your instructions. This should be done in terms of the agreement entered into between you, as a dematerialised shareholder, and the CSDP or broker. If you wish to attend the general meeting in person, via electronic participation or wish to be represented thereat, you should inform your CSDP or broker, as the case may be, of your intention to attend and vote at the general meeting or to be represented by proxy thereat in order for your CSDP or broker to issue you with the necessary letter of representation to do so. If you, as a dematerialised shareholder, have not been contacted by your CSDP or broker, it would be advisable for you to contact your CSDP or broker, as the case may be, as soon as possible and furnish them with your instructions in the manner and by the cut-off time stipulated in the aforesaid agreement between you and the CSDP or broker.



### Vodacom Group Limited

(Incorporated in the Republic of South Africa)  
(Registration number 1993/005461/06)  
(ISIN: ZAE000132577 Share code: VOD)  
(ISIN: 0592858D2009 ADR code: VDMCY)  
("Vodacom Group" or "the company")

## CIRCULAR TO SHAREHOLDERS

regarding

- ▶ the proposed acquisition by Vodacom Group of a 34.94% indirect interest in Safaricom from Vodafone by acquiring 87.5% of the issued share capital of Vodafone Kenya;
- ▶ the subscription by Vodafone for new Vodacom Group shares;
- ▶ the subscription by Vodafone for the new Vodacom Group shares in terms of section 41(1)(b) of the Act;
- ▶ the approval of the issue of the new Vodacom Group shares in terms of clause 5.7.2 of the MOI;

and incorporating

- ▶ a notice of the general meeting; and
- ▶ a form of proxy (to be completed by certificated shareholders and own-name dematerialised shareholders only).

Financial advisor



Independent expert

**Deloitte.**

Legal advisor



Independent reporting accountant



Transaction sponsor



Transfer secretaries

**Computershare**

Date of issue: 19 June 2017

The financial and transaction advisor, transaction sponsor, independent expert, transfer secretaries and legal advisor are acting exclusively for Vodacom Group, and no one else in connection with the proposed transaction and will not be responsible to anyone, other than Vodacom Group, for providing the protections afforded to clients of the financial and transaction advisor, transaction sponsor, independent expert, transfer secretaries and legal advisor, respectively, nor for providing advice in relation to the proposed transaction.

This circular is available in English only and copies thereof may be obtained from Monday 19 June 2017 to Tuesday 18 July 2017 from the registered office of Vodacom Group and the transaction sponsor at the addresses set out in the 'Corporate information' section of this circular.

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## CORPORATE INFORMATION

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### Company secretary and registered office

Sandi Linford  
Vodacom Group Limited  
Vodacom Corporate Park  
082 Vodacom Boulevard  
Midrand  
1685  
(Private Bag X9904, Sandton 2146)

Date of incorporation: 20 September 1993

### Financial advisor

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London  
EC4A 2BB

### Independent reporting accountant

PricewaterhouseCoopers Inc.  
32 Ida Street  
Menlo Park  
0081  
(PO Box 35296, Menlo Park 0102)

### Legal advisor

Edward Nathan Sonnenbergs Incorporated  
150 West Street  
Sandton  
2196  
(PO Box 783347, Sandton 2146)

### Transfer secretaries

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank  
2196  
(PO Box 61051, Marshalltown 2107)

### Transaction sponsor

Nedbank Limited (acting through its Corporate  
and Investment Banking division)  
135 Rivonia Road  
Sandton  
2196  
(PO Box 1144, Johannesburg 2000)

### Independent expert

Deloitte & Touche Registered Auditors  
Deloitte Place  
Building 8  
The Woodlands  
20 Woodlands Drive  
Woodmead  
2052  
(Private Bag X6, Gallo Manor 2052)

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## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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This circular may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. Generally, the words “**will**”, “**may**”, “**should**”, “**continue**”, “**believes**”, “**expects**”, “**intends**”, “**anticipates**”, “**plans**” or similar expressions that are predictive or indicative of future events identify forward-looking statements. These statements are based on the current expectations of management, including, without limitation, those concerning: strategy; the economic outlook for the industry; production; cash costs and other operating results; growth prospects and outlook for operations, individually or in the aggregate; liquidity and capital resources and expenditure and the outcome and consequences of any pending litigation proceedings, and are not based on historical facts. Accordingly, these statements are naturally subject to risks, uncertainties and changes in circumstances. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors, many of which are outside the control of Vodacom Group and its directors, that could cause actual results, and management’s plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. As such, forward-looking statements are no guarantee of future performance.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, business, competitive, market and regulatory environment, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this circular. Vodacom Group does not undertake any obligation (except as required by the JSE Listings Requirements or any other legal or regulatory requirement) to revise or update any forward-looking statement contained in this circular, regardless of whether that statement is affected as a result of new information, future events or otherwise.

No statement in this circular is intended as a profit forecast and no statement in this circular should be interpreted to mean that the earnings per share for the current or future years would necessarily match or exceed the historical published earnings per share.

## IMPORTANT DATES AND TIMES

The definitions and interpretations commencing on page 05 of this circular apply, *mutatis mutandis*, to this section.

	<b>2017</b>
Announcement regarding the proposed transaction published on SENS	Monday 15 May
Announcement regarding the proposed transaction published in the South African press	Tuesday 16 May
Record date for posting the circular	Friday 9 June
Circular incorporating notice of general meeting posted to shareholders	Monday 19 June
Last day to trade in order to be eligible to attend and vote at the general meeting	Tuesday 4 July
Record date for attending and voting at the general meeting	Friday 7 July
Recommended day to lodge forms of proxy in respect of the general meeting by 09:00	Monday 17 July
General meeting of shareholders to be held at 09:00 at Vodacom World, 082 Vodacom Boulevard, Midrand for the purpose of considering and, if deemed fit, approving, with or without modification, the resolutions proposed thereat	Tuesday 18 July
Results of general meeting released on SENS	Tuesday 18 July
Estimated date for fulfilment of the suspensive conditions (on or about)	Monday 31 July

**Notes:**

1. The dates and times indicated in the table above are subject to change. Any such changes will be released on SENS and published in the South African press.
2. All times referred to in this circular are references to South African standard time.

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## ACTION TO BE TAKEN BY SHAREHOLDERS

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The definitions and interpretations commencing on page 05 of this circular apply, *mutatis mutandis*, to this section.

This circular is important and requires your immediate attention. Please take careful note of the following provisions regarding the action required by shareholders. If you are in any doubt as to what actions to take, please consult your broker, CSDP, banker, attorney, accountant or other professional adviser immediately.

A form of proxy is attached for the convenience of certificated shareholders and own-name dematerialised shareholders who are unable to attend the general meeting, but who wish to be represented thereat. In order to ensure validity, it is recommended that duly completed forms of proxy should be returned to the transfer secretaries, so as to reach them by no later than the relevant time.

If the shareholder is a dematerialised shareholder other than with own-name registration, then the CSDP or broker, as the case may be, should contact the dematerialised shareholder to ascertain how they wish to cast their vote at the general meeting, and thereafter cast the vote in accordance with the instructions. This should be done in terms of the agreement entered into between the dematerialised shareholder and the CSDP or broker. If the dematerialised shareholder wishes to attend the general meeting in person, via electronic participation or wishes to be represented thereat, they should inform their CSDP or broker, as the case may be, of their intention to attend and vote at the general meeting or to be represented by proxy thereat in order for their CSDP or broker to issue them with the necessary letter of representation to do so. If a dematerialised shareholder has not been contacted by their CSDP or broker, it would be advisable for them to contact their CSDP or broker, as the case may be, as soon as possible and furnish them with their instructions in the manner and by the cut-off time stipulated in the aforesaid agreement between the dematerialised shareholder and the CSDP or broker.

If the shareholder is a certificated shareholder or an own-name dematerialised shareholder you may attend the general meeting in person and may vote at the general meeting. Alternatively you may appoint a proxy to represent you at the general meeting by completing the attached form of proxy and returning to the transfer secretaries so as to reach them by no later than the recommended time.

Shareholders or their proxies may participate in the general meeting by way of electronic means. Note that shareholders or their proxies will be able to participate in the general meeting, but not vote on the resolutions, via electronic communication. Such shareholder (or proxy) will need to contact Mr Lebogang Ngcobo at Vodacom Group on +27 11 653 5922 by no later than 09:00 on Friday 14 July 2017 so that Vodacom Group can provide for a teleconference dial-in-facility. When such shareholder intends to participate via teleconference, it is recommended the voting proxies are sent through to the transfer secretaries by no later than 09:00 on Monday 17 July 2017. Participants must dial the following number, five minutes prior to start of the general meeting: +27 11 535 3600.

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## DEFINITIONS AND INTERPRETATIONS

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In this circular, unless the context indicates a contrary intention, the words in the first column shall have the meanings assigned to them in the second column; the singular includes the plural and *vice versa*; an expression which denotes one gender includes the other gender; a natural person includes a juristic person and *vice versa* and cognate expressions shall bear corresponding meanings:

<b>“Act”</b>	means the Companies Act 71 of 2008 of South Africa, as amended;
<b>“actual cash”</b>	means the cash on hand in the bank accounts of Vodafone Kenya as at the fulfilment date;
<b>“adjusted EBITDA margin”</b>	means EBITDA as a percentage of total revenue (excluding construction revenue) plus other income;
<b>“agreement”</b>	means the sale of shares agreement entered into between Vodafone, Vodacom Group and Vodafone Kenya on the signature date, which sets out the terms of the proposed transaction, the salient terms of which are set out in paragraph 4 of this circular;
<b>“associates”</b>	shall bear the meaning ascribed thereto in the JSE Listings Requirements;
<b>“Board” or “directors”</b>	means the Board of directors of Vodacom Group, as set out on page 08 of this circular;
<b>“broker”</b>	means any person registered as a “broker member equities” in terms of the rules of the JSE in accordance with the provisions of the Financial Markets Act;
<b>“business day”</b>	means any day other than a Saturday, Sunday or gazetted national public holiday in South Africa, the Netherlands or Kenya;
<b>“CAGR”</b>	means compound annual growth rate;
<b>“cash consideration”</b>	means an amount equal to 87.5% of the actual cash (as defined above), less an amount equal to the applicable withholding tax payable in Kenya on dividends at the time of payment, subject to a maximum amount equal to the ZAR equivalent of KSh393 750 000 converted at the average KES/ZAR exchange rate over a ten day trading period ending on the shareholder vote date, which forms part of the purchase consideration (as such term is defined below);
<b>“certificated share”</b>	means a share represented by a share certificate or other physical documents of title, which has not been surrendered for dematerialisation in terms of the requirements of Strate and which may not be traded on the JSE;
<b>“certificated shareholder”</b>	means a shareholder who holds certificated shares;
<b>“circular”</b>	means this circular, dated Monday 19 June 2017, including the annexures, notice of general meeting and the form of proxy attached hereto;
<b>“company secretary”</b>	means the company secretary of Vodacom Group or her successor in title, as more fully detailed in the “Corporate information” section of this circular;
<b>“CSDP”</b>	means a central securities depository participant as defined in the Financial Markets Act;
<b>“dematerialise”</b>	means the process whereby physical share certificates are replaced with electronic records evidencing ownership of shares for the purpose of Strate, as contemplated in the Financial Markets Act;
<b>“dematerialised shares”</b>	means shares that have been dematerialised in accordance with the rules of Strate, evidencing ownership of shareholding in electronic format, which shares may be traded on the JSE;
<b>“dematerialised shareholder”</b>	means a shareholder who holds dematerialised shares;
<b>“director appointment right agreement”</b>	means the director appointment right agreement entered into between Vodafone Kenya, Vodacom Group and Vodafone on the signature date;
<b>“EBITDA”</b>	means earnings before interest, tax, depreciation and amortisation;
<b>“effective date”</b>	means the tenth business day after the fulfilment date;
<b>“financial advisor” or “Goldman Sachs”</b>	means Goldman Sachs International, registration number 2263951, a private unlimited company duly incorporated in accordance with the laws of England and Wales;
<b>“Financial Markets Act”</b>	means the Financial Markets Act, 19 of 2012 of South Africa, as amended;
<b>“fulfilment date”</b>	means the date on which the last of the suspensive conditions is fulfilled or waived;
<b>“general meeting”</b>	means the general meeting of shareholders to be held at Vodacom World, 082 Vodacom Boulevard, Midrand at 09:00 on Tuesday 18 July 2017, for the purpose of considering and if deemed fit, passing the resolutions;
<b>“GEPF”</b>	means Government Employees Pension Fund;

<b>“IFRS”</b>	means International Financial Reporting Standards as issued by the International Accounting Standards Board, or its successor body;
<b>“independent expert” or “Deloitte”</b>	means Deloitte & Touche, a South African partnership with IRBA number 902276;
<b>“independent expert report”</b>	means the opinion provided by the independent expert to the Board in respect of the proposed transaction as set out in Annexure 1 to this circular;
<b>“independent reporting accountant” or “PwC”</b>	means PricewaterhouseCoopers Inc., registration number 1998/012055/21, a personal liability company duly incorporated in accordance with the laws of South Africa;
<b>“JSE”</b>	means JSE Limited, registration number 2005/022939/06, a public company duly incorporated in accordance with the laws of South Africa, licensed as an exchange under the Financial Markets Act;
<b>“JSE Listings Requirements”</b>	means the JSE Listings Requirements, as amended from time to time by the JSE, whether by way of practice note or otherwise;
<b>“Kenya”</b>	means the Republic of Kenya;
<b>“KES”, “KSh” or “shilling”</b>	means Kenyan shillings, being the lawful currency of Kenya;
<b>“KPI”</b>	means key performance indicator;
<b>“last practicable date”</b>	means the last practicable date prior to the finalisation of this circular, being 8 June 2017;
<b>“legal advisor” or “ENS”</b>	Edward Nathan Sonnenbergs Incorporated, registration number 2006/018200/21, a company duly incorporated in accordance with the laws of South Africa;
<b>“long stop date”</b>	means Tuesday 31 October 2017;
<b>“MOI”</b>	means the memorandum of incorporation of Vodacom Group;
<b>“new Vodacom Group shares”</b>	means 233 459 781 ordinary Vodacom Group shares to be issued by Vodacom Group to Vodafone as summarised in paragraph 4 of this circular;
<b>“NSE”</b>	means the Nairobi Securities Exchange, the principal bourse in Kenya;
<b>“own-name dematerialised shareholders”</b>	means dematerialised shareholders who have instructed their CSDP to hold their dematerialised shares in their own name on the sub-register maintained by the CSDP and forming part of the register;
<b>“PIC”</b>	means the Public Investment Corporation SOC Limited, registration number 2005/009094/30, a state owned company duly incorporated in accordance with the laws of South Africa;
<b>“proposed transaction”</b>	means the acquisition of the sale shares as summarised in paragraph 4.1 of this circular;
<b>“purchase consideration”</b>	means the total consideration of R34 635 957 000 payable by Vodacom Group for the sale and transfer of the sale shares by Vodafone to Vodacom Group comprising the sum of an amount equal to (i) the subscription price of R34 584 732 000 payable by Vodafone for the 233 459 781 new Vodacom Group shares, which is an amount equal to 226 800 000 new Vodacom Group shares, based on the Vodacom Group share price on Friday 12 May 2017 (being the last trading day prior to the signature date of the agreement), and an additional 6 659 781 Vodacom Group shares to compensate Vodafone for the Vodacom Group distribution declared on 15 May 2017, the record date of which is expected to fall before the effective date of the transaction. The subscription price will be set off against the same amount of the purchase consideration plus (ii) the maximum cash consideration, which amounts to KSh393 750 000, equating to approximately R51 225 000, payable to Vodafone in cash;
<b>“record date”</b>	means the date established in terms of section 59 of the Act on which a company determines the identity of its shareholders and their shareholdings for the purposes of the Act;
<b>“recused directors”</b>	means Messrs V Badrinath, M Joseph, JWL Otty, M Pieters and RAW Schellekens having declared personal interest pursuant to section 75(5) of the Act and having recused themselves from participating in the evaluation and decision making of the proposed transaction;
<b>“register”</b>	means the register of certificated shareholders maintained by the transfer secretaries on behalf of Vodacom Group and the sub-registers of dematerialised shareholders maintained by the relevant CSDPs;
<b>“related party”</b>	shall bear the meaning ascribed thereto in the JSE Listings Requirements;
<b>“relevant time”</b>	means 09:00 on Monday 17 July 2017 or 24 hours prior to the recommencement of the relevant shareholders’ meeting (in case of a postponement or an adjournment);
<b>“resolutions”</b>	means the special resolution and ordinary resolutions set out in the notice of general meeting attached to and forming part of this circular;
<b>“Safaricom”</b>	means Safaricom Limited, company number C.8/2002, a company incorporated in accordance with the laws of Kenya and listed on the NSE;

<b>“Safaricom shares”</b>	means the number of shares in Safaricom in respect of which Vodafone Kenya is the registered and beneficial owner as at the signature date, being 16 000 000 000 shares;
<b>“sale shares”</b>	means 350 fully paid ordinary shares of KSh20 each, comprising 87.5% of the issued shares of Vodafone Kenya;
<b>“SENS”</b>	means the Stock Exchange News Service of the JSE;
<b>“shareholder(s)”</b>	means a registered holder of Vodacom Group shares;
<b>“shareholder vote date”</b>	means the date on which the resolutions are taken;
<b>“signature date”</b>	means Sunday 14 May 2017, being the date on which the agreement was signed;
<b>“South Africa”</b>	means the Republic of South Africa;
<b>“Strate”</b>	means Strate Proprietary Limited, registration number 1998/022242/07, a private company duly incorporated under the laws of South Africa and a registered central securities depository in accordance with the Financial Markets Act;
<b>“subscription price”</b>	means the subscription price payable by Vodafone for the new Vodacom Group shares, being R34 584 732 000;
<b>“suspensive conditions”</b>	means the suspensive conditions set out in paragraph 4.3 of this circular;
<b>“Takeover Regulation Panel”</b>	means the Takeover Regulation Panel established in terms of section 196 of the Act;
<b>“tax”</b>	means the income tax, capital gains tax, secondary tax on companies, dividend withholding tax, value-added tax payable in any country, stamp duty, securities transfer tax, uncertificated securities tax, PAYE, levies payable to any government authorities (such as UIF and employees tax), any taxation arising from new assessments of taxation and/or the reopening of any income tax assessments of Vodafone Kenya for any relevant period, donations tax, customs duty, transfer duties, imposts, deductions, charges and withholdings whatsoever in terms of any tax legislation, and all other forms of taxation, other than deferred tax benefits, and includes all penalties and interest payable as a consequence of any failure or delay in paying any taxes;
<b>“transaction sponsor” or “Nedbank”</b>	means Nedbank Limited (acting through its Corporate and Investment Banking division), registration number 1951/000009/06, a public company duly incorporated in accordance with the laws of South Africa;
<b>“transfer secretaries” or “Computershare”</b>	means Computershare Investor Services Proprietary Limited, registration number 2004/003647/07, a private company duly incorporated in accordance with the laws of South Africa;
<b>“US\$”</b>	means United States dollar, being the lawful currency of the United States of America;
<b>“VAT”</b>	means South African value-added tax, as per the Value-Added Tax Act, 89 of 1991, as amended;
<b>“Vodacom Group distribution”</b>	means any distribution declared by Vodacom Group to its shareholders after the signature date, the record date in respect of which is set to occur prior to the effective date;
<b>“Vodacom Group” or “the company”</b>	means Vodacom Group Limited, registration number 1993/005461/06, a public company duly incorporated on 20 September 1993 at Pretoria in accordance with the laws of South Africa;
<b>“Vodacom Group share”</b>	means an ordinary share in the issued share capital of Vodacom Group listed on the JSE;
<b>“Vodafone”</b>	means Vodafone International Holdings B.V., registration number 24235177, a private company duly incorporated in accordance with the laws of the Netherlands;
<b>“Vodafone Investments SA”</b>	means Vodafone Investments (SA) Proprietary Limited, registration number 1948/031037/07, a private company duly incorporated in accordance with the laws of South Africa;
<b>“Vodafone Kenya”</b>	means Vodafone Kenya Limited, company number C79550, a private company incorporated in accordance with the laws of Kenya;
<b>“Vodafone Plc”</b>	means Vodafone Group Plc., registration number 1833679, a public company duly incorporated in accordance with the laws of England;
<b>“ZAR”, “R” or “rand”</b>	means South African Rand, the lawful currency of South Africa.



**Vodacom Group Limited**  
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(Registration number 1993/005461/06)  
(ISIN: ZAE000132577 Share code: VOD)  
(ISIN: 0592858D2009 ADR code: VDMCY)  
("Vodacom Group" or "the company")

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## Directors

### Independent non-executive

MP Moyo (Chairman), DH Brown, BP Mabelane, TM Mokgosi-Mwantembe, PJ Moleketi

### Non-executive

V Badrinath, M Joseph, JW Otty, M Pieters, RAW Schellekens

### Executive

MS Aziz Joosub (Chief Executive Officer), T Streichert (Chief Financial Officer)

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# CIRCULAR TO SHAREHOLDERS

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## 1. Introduction

### 1.1 Background

Shareholders are referred to the announcement released on SENS on Monday 15 May 2017 and published in the South African press on Tuesday 16 May 2017 detailing the proposed transaction between Vodacom Group and Vodafone.

In terms of the proposed transaction, Vodacom Group will acquire a 34.94% indirect interest in Safaricom from Vodafone by acquiring 87.5% of the issued share capital of Vodafone Kenya. The total purchase consideration payable by Vodacom Group for the acquisition of 87.5% of the issued share capital of Vodafone Kenya equates to a total of R34 635 957 000.

The total purchase consideration is comprised of the sum of an amount equal to:

- (i) the subscription price of R34 584 732 000 payable by Vodafone for 233 459 781 new Vodacom Group shares, which is an amount equal to 226 800 000 new Vodacom Group shares, based on the Vodacom Group share price on Friday 12 May 2017 (being the last trading day prior to the signature date of the agreement), and an additional 6 659 781 Vodacom Group shares to compensate Vodafone for the Vodacom Group distribution declared on Monday 15 May 2017, the record date of which is expected to fall before the effective date of the proposed transaction. The subscription price will be set off against the same amount of the purchase consideration; plus
- (ii) the maximum cash consideration, which amounts to KSh393 750 000, (equating to approximately R51 225 000) payable to Vodafone in cash.

The proposed transaction is classified as a Category 2 transaction in terms of paragraph 9.5(a) of the JSE Listings Requirements, as well as a related party transaction in terms of paragraph 10.1(b)(i) of the JSE Listings Requirements. The related party relationship between Vodacom Group, Vodafone Plc and Vodafone is more fully described in paragraph 5 of this circular. As a related party transaction, the proposed transaction requires:

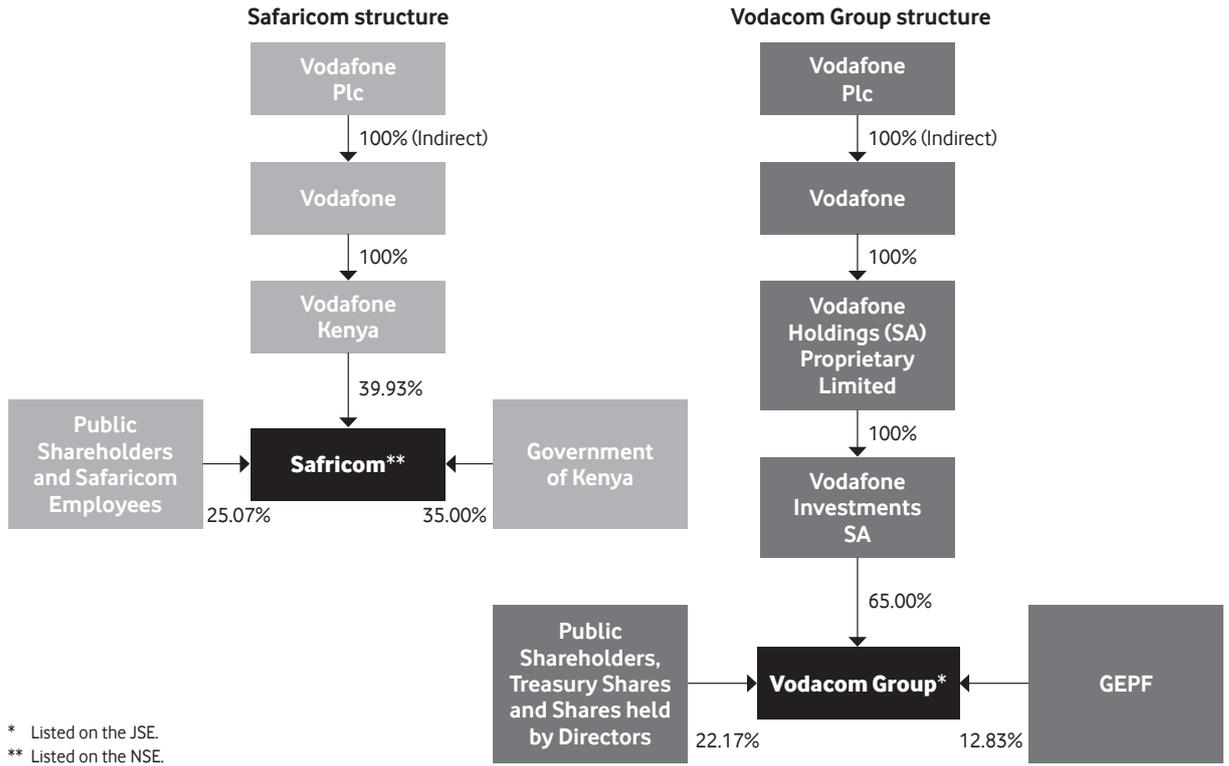
- ▶ the approval by ordinary resolution of the shareholders prior to the completion of the proposed transaction at the general meeting. Vodafone Plc and its associates will be taken into account in determining a quorum at the general meeting but the votes of Vodafone Plc and its associates will not be taken into account in determining the results of the voting in relation to ordinary resolution number 1; and
- ▶ a fairness opinion, which has been provided by the independent expert and is set out in Annexure 1 to this circular.

### 1.2 Purpose of this circular

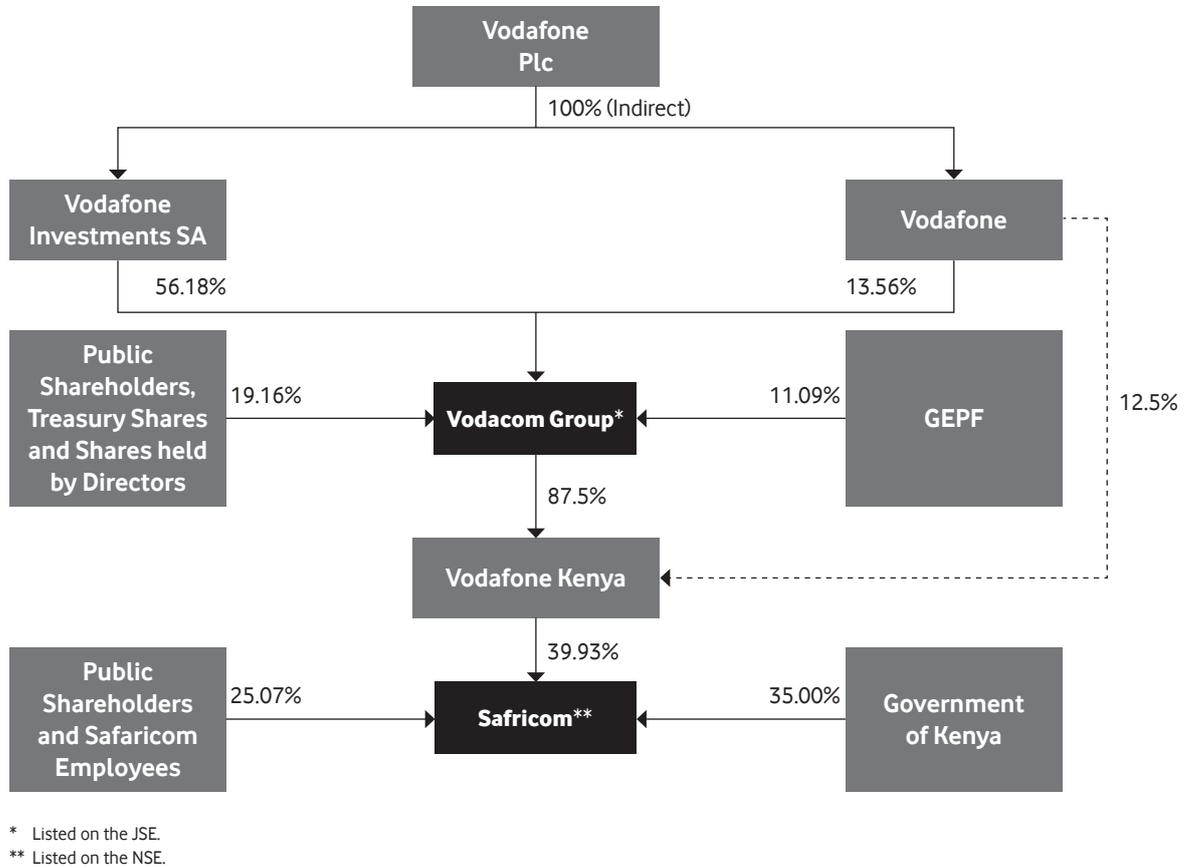
The purpose of this circular is to:

- ▶ provide shareholders with background information in relation to Vodafone Kenya and Safaricom, to describe the rationale for and benefits of the proposed transaction and provide general information on the proposed transaction;
- ▶ provide shareholders with the independent expert report in respect of the proposed transaction;
- ▶ advise shareholders of the Board's recommendation regarding the proposed transaction (as supported by the independent expert report); and
- ▶ convene the general meeting in terms of the notice of general meeting forming part of this circular, to consider and, if deemed fit, to approve the resolutions proposed thereat.

### 1.3 Pre-proposed transaction structure



### 1.4 Post-proposed transaction structure



## 2. Rationale

The proposed transaction presents a unique opportunity for Vodacom Group to acquire a significant strategic interest in the premier telecom operator in east Africa.

Safaricom is the market leader in Kenya with a 71% mobile customer market share, has one of Kenya's most recognisable brands and has a highly experienced management team. Safaricom is a high growth, high margin, and high cash generating business. For the year ended 31 March 2017, Safaricom delivered 14.2% revenue growth (excluding construction revenue\*), adjusted EBITDA margin of 48.1% and cash flow growth of 65.9%. Safaricom benefits from well-invested state-of-the-art infrastructure and is the only operator with a nation-wide network which currently provides 3G and 4G coverage to 85% and 25% of the population respectively.

The proposed transaction also offers an opportunity to diversify Vodacom Group's financial profile in a single transaction. Its interest in Safaricom would have contributed approximately 15% of its earnings (before amortisation for the fair value adjustment of assets on acquisition) based on Vodacom Group's net profits as reported in its audited consolidated annual financial results for the year ended 31 March 2017.

The proposed transaction will also expose Vodacom Group to the attractive high growth Kenyan market. Safaricom has a track-record of sustainable growth, having delivered a compound annual growth rate in revenue of 14.8% over the last five years while its future growth potential is underpinned by a broad range of fundamental drivers. Kenya is one of the largest and most advanced economies in east Africa, having made significant strides in technological innovation. It additionally benefits from an emerging, urban middle class with an appetite for high value goods. According to the International Monetary Fund, the Kenyan economy is projected to grow at 6% per annum over the next five years.

Mobile penetration in Kenya at 88% is still well below South Africa's mobile penetration of 146%, suggesting substantial further room for market expansion. In addition, data usage is expected to continue to grow, increasing customer demand for Safaricom's 3G and 4G mobile data, fixed line and digital services. Furthermore, Safaricom's leading mobile money platform, M-Pesa, is an important driver of Kenyan economic growth, providing essential financial services to over 19 million 30-day active customers.

Vodacom Group sees scope to create further value through closer cooperation between both companies, including best practice sharing; replication of Safaricom's success in M-Pesa in Vodacom Group's other operations; and the creation of new pan-African enterprise solutions in contiguous markets in east Africa and replicate Vodacom Group's success in big data analytics in South Africa in Kenya.

Following the proposed transaction, Vodacom Group will occupy a leading telco position in its markets, when combined, representing approximately one third of sub-Saharan Africa's gross domestic product.

## 3. Overview of Vodafone Kenya and Safaricom

Vodafone Kenya holds, as its only material asset, a 39.93% interest in Safaricom and is wholly-owned by Vodafone. Vodafone will retain a 12.5% interest in Vodafone Kenya, equivalent to a 4.99% interest in Safaricom, after completion of the proposed transaction.

Vodafone Kenya currently has a right to appoint, remove and/or replace four of Safaricom's ten directors. In terms of the director appointment right agreement, following the implementation of the proposed transaction, Vodafone will have the right to nominate one of the directors appointed by Vodafone Kenya to Safaricom for so long as it retains at least 12.5% of the issued share capital of Vodafone Kenya, while Vodacom Group will have the right to appoint three directors appointed by Vodafone Kenya to Safaricom's board.

Safaricom, established in 1997 and listed on the NSE with a market capitalisation of c.US\$8 billion, provides a range of integrated telecommunications services, including mobile and fixed voice, SMS, data and M-Pesa to over 28.1 million total customers, including both consumer and enterprise.

Safaricom is owned by the government of Kenya (35.00%), Vodafone Kenya (39.93%), public investors (25.00%) and Safaricom employees (0.07%).

Vodafone Kenya is a wholly-owned subsidiary of Vodafone and consequently does not prepare consolidated results. The results of Vodafone Kenya do not therefore include its share of the profits from its investment in Safaricom. The carrying value of the net assets of Vodafone Kenya as at 31 March 2017, being Vodafone Kenya's most recent reporting date, is KSh5 202 million, being an equivalent of R677 million<sup>1</sup> and profits attributable to the net assets for the year then ended of KSh23 297 million, being an equivalent of R3 205 million<sup>2</sup>.

### 3.1 Summary of Safaricom's latest results for the year ended 31 March 2017

For the financial year ended 31 March 2017, Safaricom generated total revenue of KSh212.9 billion (R29.3 billion<sup>2</sup>) (including construction revenue) growing at 14.2% (excluding construction revenue). Service revenue for the same period was KSh204.1 billion (R28.1 billion<sup>2</sup>) up year on year by 14.8%. Voice service revenue, comprising 45.8% of service revenue for the financial year ended 31 March 2017, grew by 2.9%. Non-voice service revenue over the same period grew by 27.2%, the largest individual segments being M-Pesa, which comprised 27.0% of service revenue and grew at 32.7%, and mobile-data, which comprised 14.4% of service revenue and grew at 38.5%.

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1. Calculated at the closing ZAR/KES exchange rate at 31 March 2017 of 7.6867.

2. Calculated at an average ZAR/KES exchange rate for the year ended 31 March 2017 of 7.2699.

\* Construction revenue relates to a national secure communication network and surveillance system for the National Police Service.

Adjusted EBITDA margin expanded from 44.5% for the financial year ended 31 March 2016 to 48.1% for the financial year ended 31 March 2017, representing an improvement of 3.6 percentage points. This improvement was predominantly driven by lower growth in direct costs. Safaricom continues to explore cost reduction initiatives with efforts focused on reducing transmission costs, network operating costs (including fuel) and IT operational costs.

Safaricom re-invested 16.6% of revenue in capital expenditure in the financial year ended 31 March 2017. Safaricom is currently investing in its initiative, termed "best network in Kenya", which aims to provide the best customer experience through improving network quality, capacity and coverage. Safaricom currently provides 3G and 4G coverage to 85% and 25% of the population respectively.

Operating free cash flow, defined as EBITDA less capital expenditure, grew by 37.1%. Cash flow conversion, defined as EBITDA less capital expenditure divided by EBITDA grew from 59.9% to 65.9% over the same period.

The directors of Safaricom recommended for approval the payment of a dividend per share of KSh0.97, representing a total dividend of KSh38.86 billion (R5.1 billion<sup>1</sup>) relating to the 31 March 2017 financial year. The dividend will be paid on or before 1 December 2017, subject to Safaricom shareholder approval at its annual general meeting, which is scheduled on 1 September 2017. Please see paragraph 4.5 as to the benefits of this for the Vodacom Group shareholder in respect of the Vodacom Group dividend policy.

### 3.2 Summary of Safaricom's historical financials and key performance indicators

Key KPIs, March year end	2013	2014	2015	2016	2017	5 year CAGR %
Total customers (million)	19.4	21.6	23.4	25.2	28.1	8.0
Service revenue ARPU* (KSh)	506.6	557.5	586.9	597.7	636.1	6.6

KSh billion, March year end	2013	2014	2015	2016	2017	5 year CAGR %
Revenue	124.3	144.7	163.4	195.7	212.9	14.8
% Growth <sup>1</sup>	16.2	16.4	12.9	14.1	14.2	
EBITDA	49.2	60.9	71.2	83.1	103.6	22.5
% Margin <sup>2</sup>	39.6	42.1	43.6	44.6	48.7	
Net profit	17.5	23.0	31.9	38.1	48.4	30.9
Capital expenditure	(24.9)	(27.8)	(33.7)	(33.3)	(35.3)	6.6
% of Revenue <sup>2</sup>	20.0	19.2	20.6	17.9	16.6	
EBITDA less capital expenditure	24.3	33.1	37.5	49.8	68.3	42.1
% Margin <sup>2</sup>	19.5	22.9	22.9	26.7	32.1	
% Cash flow conversion	49.4	54.4	52.7	59.9	65.9	
Net cash/(debt)	(5.2)	5.0	3.4	6.2	(10.6)	0.6
Net debt/EBITDA	0.1x	(0.1)x	(0.0)x	(0.1)x	0.1x	
Non-current assets	103.5	106.3	124.4	131.5	136.5	6.3
Current assets	25.4	28.3	32.6	27.7	25.2	3.5

Source: Safaricom public filings.

1. Growth rate for 2016 and 2017 excludes construction revenue of KSh9.3 billion and KSh0.1 billion respectively.

2. Margins calculated based on revenue excluding construction revenue.

\* Average revenue per user ("ARPU").

### 3.3 Comparison of Vodacom Group and Safaricom's headline financials

The table below translates Safaricom's revenue and EBITDA for the financial years ended 31 March 2017 from shilling into rand at the 12 month average rate of ZAR/KES 7.2699 for the year ended 31 March 2017.

	Safaricom (KShm) (100% basis)	Safaricom (Rm) (100% basis)	Safaricom (Rm) (34.94% basis)	Vodacom Group (Rm) (100% basis)
Revenue	212 885	29 283	10 232	81 278
EBITDA	103 610	14 252	4 980	31 238

The proposed transaction involves the acquisition by Vodacom Group of 87.5% of the issued share capital of Vodafone Kenya. Vodacom Group will directly own 87.5% of Vodafone Kenya and indirectly own 34.94% of the total share capital of Safaricom. The above is illustrative comparisons and will ultimately only reflect on the "net profit from associates and joint ventures" line within the Vodacom Group income statement.

1. Calculated at the closing ZAR/KES exchange rate at 31 March 2017 of 7.6867.

## 4. Details of the proposed transaction

### 4.1 Description of the proposed transaction

The purchase consideration which equates to a total of R34 635 957 000, payable by Vodacom Group to Vodafone for the sale and transfer of 87.5% of the issued share capital of Vodafone Kenya, is the sum of an amount equal to:

- (i) subscription price of R34 584 732 000 payable by Vodafone for 233 459 781 new Vodacom Group shares, which is an amount equal to 226 800 000 new Vodacom Group shares, based on the Vodacom Group share price on Friday 12 May 2017 (being the last trading day prior to the signature date of the agreement), and an additional 6 659 781 Vodacom Group shares to compensate Vodafone for the Vodacom Group distribution declared on Monday 15 May 2017, the record date of which is expected to fall before the effective date of the transaction as described in paragraph 4.2. The subscription price will be set off against the same amount of the purchase consideration; plus
- (ii) the maximum cash consideration, which amounts to KSh393 750 000, equating to approximately R51 225 000, payable to Vodafone in cash.

Vodafone Kenya holds 16 billion Safaricom shares. The implied share subscription and set-off ratio for the number of the new Vodacom Group shares to be issued, in respect of 87.5% of the 39.93% Safaricom shares held by Vodafone Kenya, is equivalent to 1.62 new Vodacom Group shares (cum dividend) for every 100 Safaricom shares held by Vodafone Kenya.

The agreed share subscription and set-off ratio of 1.62 implies:

- ▶ a 5.9% discount compared to the agreed subscription price of R34 584 732 000 being, the implied share subscription and set-off ratio of 1.72 based on the closing share prices of Vodacom Group and Safaricom on Friday 12 May 2017 (last trading day before announcement of the transaction);
- ▶ a 4.8% discount compared to the implied share subscription and set-off ratio of 1.70 based on the volume weighted average share prices of Vodacom Group and Safaricom for the 30 days prior to and including Friday 12 May 2017 (last trading day before announcement of the transaction);
- ▶ a 0.6% discount compared to the implied share subscription and set-off ratio of 1.63 based on the volume weighted average share prices of Vodacom Group and Safaricom for the 180 days prior to and including Friday 12 May 2017 (last trading day before announcement of the transaction); and
- ▶ a share price for Safaricom of KSh19.05 based on the Vodacom Group closing share price on Friday 12 May 2017 (last trading day before announcement of the transaction).

As a result of the issue of the new Vodacom Group shares to Vodafone, the interest held by Vodafone in Vodacom Group will increase from 65.0% to 69.7% (including any adjustment necessary due to a Vodacom Group distribution). Following the proposed transaction, Vodacom Group's expected free float may be below the minimum free float requirement of 20% for its listing on the JSE. Should there be a breach in free float as a result of the proposed transaction, Vodacom Group has secured a two-year exemption from the JSE from the date of implementation of the proposed transaction. Vodafone has committed to Vodacom Group that, if required, it will sell up to 36.3 million of its shares in Vodacom Group before the exemption expires in order to rectify the position. The proposed transaction is subject to the fulfilment (or, if applicable, waiver) of the suspensive conditions summarised in paragraph 4.2 below.

The proposed transaction is a related party transaction in terms of the JSE Listings Requirements. The related party relationship between Vodacom Group, Vodafone Plc and Vodafone is more fully described in paragraph 5 of this circular.

### 4.2 Adjustment of the new Vodacom Group shares

In terms of the agreement, the new Vodacom Group shares to be issued by the company to Vodafone have been adjusted as Vodacom Group has declared a distribution to its shareholders, where the record date for such distribution is set to occur prior to the effective date. Such adjustment is equal to:

- ▶ the rand equivalent of the Vodacom Group distribution per Vodacom Group share (being ZAR 4.35 per Vodacom Group share);
- ▶ multiplied by the number of the new Vodacom Group shares immediately prior to any adjustment (being 226 800 000 new Vodacom Group shares); and
- ▶ divided by the closing price of a Vodacom Group share on the JSE on Friday 12 May 2017 (last trading day before announcement of the transaction) less the Vodacom Group distribution per Vodacom Group share.

Therefore an additional 6 659 781 new Vodacom Group shares will be issued by the company to Vodafone, resulting in a total of 233 459 781 new Vodacom Group shares being issued by the company.

As a result, a total of 233 459 781 new Vodacom Group shares will be issued at an implied issue price of R148.14 per Vodacom Group share in order to arrive at the same value of R34 584 732 000 which is to be settled via the issue of new Vodacom Group shares.

### 4.3 Suspensive conditions

The proposed transaction is subject to the fulfilment or waiver of the following suspensive conditions by no later than the long stop date:

- 4.3.1 the adoption by the existing shareholders of Vodafone Kenya of new articles of association in the form prescribed in the agreement (subject only to comment and sign off by Kenyan counsel for each of Vodacom Group and Vodafone) and the subsequent filing of the articles of association and the special resolution passed in respect thereof with the Kenyan Companies Registry;

- 4.3.2 Vodacom Group shareholders, other than Vodafone and its associates, approving the proposed transaction by means of an ordinary resolution as a related party transaction as contemplated in section 10 of the JSE Listings Requirements;
- 4.3.3 Vodacom Group shareholders approving:
  - 4.3.3.1 the issue of the new Vodacom Group shares by means of a special resolution as contemplated in section 41(1) (b) of the Act; and
  - 4.3.3.2 the issue of the new Vodacom Group shares by means of an ordinary resolution as contemplated in clause 5.7.2 of the MOI;
- 4.3.4 the receipt of the approval of the proposed transaction in writing from the Financial Surveillance Department of the South African Reserve Bank; and
- 4.3.5 the JSE having approving a listing of the new Vodacom Group shares on the JSE with effect from the effective date.

#### **4.4 Warranties and indemnities**

As required by JSE Listings Requirements, Vodacom Group confirms that warranties and indemnities applicable to the proposed transaction are normal for transactions of this nature.

#### **4.5 Dividend policy**

Vodacom Group intends to maintain its dividend policy of paying at least 90% of headline earnings, excluding the contribution of the attributable net profit or loss from Safaricom and any associated intangible amortisation. In addition, the company intends to distribute any dividend it receives from Safaricom, up to a maximum amount of the dividend received, net of withholding tax.

Dividends will be paid after consideration of the following factors: Vodacom Group intends to pay as much of its after tax profits as will be available after retaining such sums and repaying such borrowings owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, taking into account monies required for investment opportunities. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board or shareholders at the time of declaration, subject to the Act and the JSE Listings Requirements.

#### **4.6 Articles of association of Vodafone Kenya**

Vodacom Group confirms that the provisions of the articles of association of Vodafone Kenya will neither frustrate nor relieve Vodacom Group's compliance with the JSE Listings Requirements.

### **5. Regulatory requirements in respect of the proposed transaction**

The proposed transaction is a 'related party transaction' in terms of the JSE Listings Requirements as Vodacom Group will be transacting with a related party, being Vodafone. Vodafone is a material shareholder by virtue of being an indirect 65% shareholder in Vodacom Group and is also the direct 100% shareholder in Vodafone Kenya. The proposed transaction is further classified as a Category 2 transaction in terms of the JSE Listings Requirements as the purchase consideration, being the issue of the new Vodacom Group shares and the cash consideration, is 5% or more, but less than 30% of Vodacom Group's issued share capital and market capitalisation, respectively, as at the signature date.

In terms of the JSE Listings Requirements, the proposed transaction therefore requires, amongst other things:

- ▶ the approval of the shareholders by ordinary resolution at a general meeting prior to the completion of the proposed transaction, provided that Vodafone Plc and its associates will be taken into account in determining a quorum at the general meeting but the votes of Vodafone Plc and its associates will not be taken into account in determining the results of the voting in relation to such ordinary resolution; and
- ▶ the Board confirming that the transaction is fair insofar as the shareholders are concerned and that the Board has also obtained an opinion from an independent professional expert acceptable to the JSE to the effect that the proposed transaction is fair insofar as the shareholders are concerned.

Further, in terms of section 41(1) of the Act, the issue of the new Vodacom Group shares to Vodafone by Vodacom Group, being a person related to the Vodacom Group, requires shareholder approval by special resolution, and in terms of clause 5.7.2 of the MOI, the issue of the new Vodacom Group shares requires shareholder approval by ordinary resolution.

### **6. Pro forma financial effects of the proposed transaction**

The table below sets out the *pro forma* financial effects of the proposed transaction on the audited consolidated annual financial statements of Vodacom Group for the year ended 31 March 2017. The *pro forma* financial effects have been prepared for illustrative purposes only and because of their *pro forma* nature, it may not fairly present Vodacom Group's financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the proposed transaction going forward.

The *pro forma* financial effects have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the audited consolidated annual financial statements of Vodacom Group for the year ended 31 March 2017. The *pro forma* financial effects are presented in accordance with the JSE Listings Requirements and the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants.

The directors of Vodacom Group are responsible for the compilation, contents and preparation of the *pro forma* financial effects. Their responsibility includes determining that the *pro forma* financial effects have been properly compiled on the basis stated, which is consistent with the accounting policies of Vodacom Group and that the *pro forma* adjustments are appropriate for purposes of the *pro forma* financial information disclosed pursuant to the JSE Listings Requirements.

<b>Based on 31 March 2017</b>	<b>Before the proposed transaction (cents) (A)</b>	<b>After the proposed transaction (cents) (B)</b>	<b>Percentage change (%) (B/A)</b>
Basic earnings per share	915	853	(6.8)
Diluted earnings per share	886	828	(6.5)
Headline earnings per share	923	866	(6.2)
Diluted headline earnings per share	894	841	(5.9)
Net asset value per share	1 617	3 572	120.9
Net tangible asset value per share	1 004	1 099	9.5
Weighted average number of Vodacom Group shares in issue (millions)	1 467	1 701	
Weighted average diluted number of Vodacom Group shares in issue (millions)	1 469	1 702	
Number of Vodacom Group shares in issue (millions)	1 488	1 721	

#### Notes and assumptions:

- a) The Vodacom Group information reflected in the "Before the proposed transaction" column has been extracted from the audited consolidated annual financial statements of Vodacom Group for the year ended 31 March 2017.
- b) The effects on basic earnings, diluted earnings, headline earnings and diluted headline earnings per share are calculated on the basis that the proposed transaction was effective 1 April 2016, while the effects on the net asset value and net tangible asset value per share are calculated on the basis that the proposed transaction was effective 31 March 2017.
- c) Vodafone Kenya is an investment holding company, with its only material asset being the 39.93% investment in Safaricom. Management has determined that Vodacom Group will, through the acquired interest in Vodafone Kenya, be able to exercise significant influence over Safaricom, but not control Safaricom. The acquisition by Vodacom Group of a controlling interest of 87.5% in Vodafone Kenya is therefore treated as the acquisition of a subsidiary that does not meet the definition of a business. The 39.93% equity interest that Vodafone Kenya holds in Safaricom is treated as an investment in an associate in terms of IAS 28: Investments in Associates and Joint Ventures. IAS 28 requires that an investment in an associate is initially recognised at cost, including directly attributable transaction costs, and on the acquisition of an associate any difference between the cost of the investment and the investor's share of the fair values of the associate's identifiable assets and liabilities acquired is accounted for as notional goodwill.

The equity accounting method has been used to account for Vodafone Kenya's equity interest in Safaricom. Under the equity method, the 39.93% investment is initially recognised at cost, including directly attributable transaction costs. A provisional fair value allocation of the investment in the associate was performed. The resulting notional goodwill, calculated as the difference between the cost of the investment and Vodafone Kenya's share of the fair value of identifiable assets and liabilities of Safaricom is included in the carrying amount of the investment in associate. The identifiable tangible and intangible assets are assumed to be amortised over their respective useful lives as determined within the provisional fair value allocation exercise.

Vodafone will retain a 12.5% interest in Vodafone Kenya. Therefore, on consolidation, 12.5% of the net assets and earnings are allocated to non-controlling interest on the Vodacom Group consolidated statement of financial position.

A detailed fair value allocation will be performed on the effective date of the proposed transaction and may differ from the assumptions underlying these *pro forma* financial effects.

- d) The information relating to Vodafone Kenya has been extracted from the historical financial information of Vodafone Kenya for the year ended 31 March 2017. The historical financial information and the independent reporting accountant's review report thereon is available for inspection as stated in paragraph 17 of this circular. The financial information for Safaricom has been extracted from the published audited condensed consolidated financial statements for the year ended 31 March 2017 as published on the NSE on Wednesday 10 May 2017.
- e) For accounting purposes the assumed purchase consideration is determined as follows:

New Vodacom Group shares:

233 459 781 new Vodacom Group shares at an assumed ex dividend share price of R160.31 per new Vodacom Group share, being the closing share price of Vodacom Group on the last practicable date adjusted by R4.35 per share for the Vodacom Group distribution that will occur on Monday 26 June 2017 (the assumed price of the new Vodacom Group shares will be determined on the effective date of the proposed transaction and may differ from the assumptions underlying these *pro forma* financial effects).

The number of the new Vodacom Group shares has been fixed at 226 800 000, subject only to adjustment in respect of a Vodacom Group distribution where the record date for such distribution is set to occur prior to the effective date. Consequently, the *pro forma* financial effects assume that the new Vodacom Group shares of 226 800 000 are increased by 6 659 781 shares in relation to the Vodacom Group distribution declared on Monday 15 May 2017, the record date of which is expected to fall before the effective date of the transaction, as contemplated in paragraph 4.2.

In terms of IFRS, the acquisition of an interest in an associate represents the acquisition of a financial instrument, not the acquisition of a business. The fair value of a contract to acquire a financial instrument (i.e. the 39.93% interest in the associate) in exchange for a fixed number of new Vodacom Group shares will change in response to changes in the fair value of Vodacom Group, Safaricom and the ZAR/KES exchange rate. Such fair value changes, if material, will be recognised in profit/loss. The *pro forma* financial effects have been prepared on the assumption that the fixed number of new Vodacom Group shares reflect fair value of the purchase consideration and equity interest in Safaricom on the assumed effective dates of the proposed transaction, which is 1 April 2016 for purposes of calculating the effect on basic earnings, diluted earnings, headline earnings and diluted headline earnings per share, and 31 March 2017 for purposes of calculating the effect on net asset value and tangible net asset value per share. The *pro forma* financial effects do not reflect any adjustments that may result from movements in the fair value of Vodacom Group, Safaricom, or the ZAR/KES exchange rate between the date of signing the agreements and the effective date of the proposed transaction.

#### Cash consideration:

Assumed cash consideration of R51 225 000 for the equity interest in Vodafone Kenya, being Vodacom Group's share of KSh500 million less withholding tax converted at 7.6867, the closing ZAR/KES exchange rate at 31 March 2017.

- f) Assumed directly attributable transaction costs (non-recurring) to the value of R448 million have been added to the purchase consideration which has consequently increased notional goodwill by the same value. This consists of security transfer taxes of 1% of the assumed purchase consideration (for accounting purposes) amounting to R375 million, payable in Kenya, as well as professional fees and other transaction costs as disclosed in paragraph 12 of this circular, not linked to the issue of new Vodacom Group shares, and inclusive of VAT.
- g) All effects are of a recurring nature except where otherwise noted.
- h) Net tangible asset value is calculated as net asset value attributable to the owner of the parent, less the value of goodwill, other intangible assets and deferred tax assets attributable to the owner of the parent.
- i) The detailed notes and assumptions to the *pro forma* financial effects are presented in Annexure 3 to this circular and the *pro forma* financial effects should be read in conjunction with the *pro forma* consolidated income statement and the *pro forma* consolidated statement of financial position contained therein. The independent reporting accountant's assurance report on the *pro forma* financial information is contained in Annexure 2 to this circular.

## 7. Litigation statement

There are no legal or arbitration proceedings, including any pending or threats of such proceedings, that the Vodacom Group is aware, which may have, or would have had in the last 12 months, a material effect on the financial position of Vodacom Group.

## 8. Major shareholders

Insofar as is known to Vodacom Group, the following shareholders, beneficially held, directly or indirectly, an interest of 5% or more of the shares in issue as at the last practicable date:

Shareholder	Direct beneficial shareholding	Indirect beneficial shareholding	Total percentage of shares*
Vodafone Plc through Vodafone Investments SA	–	967 170 100	65.00
GEPF	190 952 935	–	12.83
PIC	43 227 006	–	2.90

\* The above table is based on 1 487 954 000 shares in issue as at the last practicable date.

Vodafone Plc is currently Vodacom Group's largest beneficial and controlling indirect shareholder. There is no history of any change in controlling shareholder(s) and trading objects of Vodacom Group and its subsidiaries during the previous five years.

#### Letter of support

The PIC has provided Vodacom Group with a letter of support whereby the PIC (this includes the GEPF) has confirmed its support of the proposed transaction and has undertaken to vote in favour of the resolutions in respect of the shares held by the PIC in Vodacom Group.

## 9. Material changes

Save for the agreement, there have been no material changes in the financial or trading position of Vodacom Group and its subsidiaries since the end of the last financial period 31 March 2017 for which audited annual financial statements have been published.

In respect of Vodacom Group and its subsidiaries, there have been no material acquisitions (or disposals) within the three years preceding the date of this circular, and, other than the proposed transaction, there are no proposed material acquisitions (or disposals) to be made by Vodacom Group and its subsidiaries of any securities in or the business undertakings of any other company/(ies) or business enterprises or any immovable property/(ies) or other property/(ies) in the nature of a fixed asset or any option to acquire (or dispose of) such property/(ies).

## 10. Material contracts

There have been no material contracts, other than in the ordinary course of business, within the two years preceding the last practicable date, or concluded at any time, and which contain an obligation or settlement that is material to Vodacom Group or any of its subsidiaries as at the date of this circular.

## 11. Directors' information

### 11.1 Directors' shareholding in Vodacom Group

Insofar as is known to Vodacom Group, the following directors, including a director who has resigned in the last 18 months, beneficially held the following Vodacom Group shares, directly or indirectly, on the last practicable date:

Name of director	Direct	Indirect	Total
MS Aziz Joosub	875 361	–	875 361
MP Moyo	250	3 645	3 895
PJ Moleketi	643	15 480	16 123

### 11.2 Directors' shareholding in Vodafone Plc

Insofar as is known to Vodacom Group, the following directors, including a director who has resigned in the last 18 months, beneficially held the following number of Vodafone Plc shares, directly or indirectly, on the last practicable date:

Name of director	Direct	Indirect	Total
MS Aziz Joosub	970 576	–	970 576
V Badrinath	249 153	–	249 153
M Joseph	294 328	–	294 328
JWL Otty	71 071	274 770	345 841
M Pieters	228 390	–	228 390
RAW Schellekens	938 981	–	938 981
T Streichert	132 553	–	132 553
S Timuray*	1 729 638	–	1 729 638

\* Resigned on 8 December 2016.

No changes in the above interests have occurred between the end of the preceding financial year and the last practicable date.

### 11.3 Directors' interests in transactions

There are no material beneficial interests, whether direct or indirect, of directors including a director who has resigned in the last 18 months, in transactions that were effected by Vodacom Group during the current or immediately preceding year or during an earlier financial year and which remain in any respect outstanding or unperformed.

### 11.4 Directors' and managerial remuneration

Remuneration and benefits paid or accrued as payable, directly or indirectly, to directors or proposed directors, by the company, or group of which the company is a member, in their capacity as directors or in any other capacity, is disclosed in the company's annual financial statements for the year ended 31 March 2017.

A brief summary of existing contracts or proposed contracts, either written or oral, relating to the directors' and managerial remuneration, secretarial and technical fees and restraint payments payable by Vodacom Group and any of its major subsidiaries, is available for inspection as set out in paragraph 17 below.

It is the intention to reflect management's proportionate responsibility for Safaricom going forward in management's remuneration targets. The details of this will need to be discussed and agreed by the Vodacom Group Remuneration Committee.

## 12. Expenses

There were no preliminary expenses or issue expenses incurred by Vodacom Group within the three years preceding the last practicable date.

The expenses of the proposed transaction are anticipated to be approximately R67.1 million (excluding VAT). All expenses will be for the account of Vodacom Group. These expenses include the following:

Expenses	Payable to	R000 (excluding VAT)
Tax advice	Cliffe Dekker Hofmeyr	143
General meeting cost	Computershare	131
Independent expert	Deloitte	2 421
Purchase price allocation valuation	Deloitte	2 178
Legal fees	ENS	3 300
Financial and transaction advisor fee	Goldman Sachs	50 000
JSE documentation and ruling fees	JSE	68
JSE listing fee	JSE	2 033
Due diligence	KPMG Services Proprietary Limited	1 604
Transaction sponsor	Nedbank	750
Independent reporting accountant	PwC	3 439
Printing, publication, distribution and advertising expenses	Studio 5 Graphic Design Proprietary Limited	1 028
<b>Total</b>		<b>67 095</b>

## 13. Opinions and recommendations

### 13.1 Opinion of the independent expert

As required in terms of section 10.4(f) of the JSE Listings Requirements, the Board is required to obtain an opinion from an independent expert acceptable to the JSE regarding the fairness of the proposed transaction to the shareholders. The Board has appointed the independent expert to provide an opinion as to the whether the terms and conditions of the proposed transaction are fair to the shareholders. Subject to the conditions set out in the opinion letter that is included as part of Annexure 1 to the circular, the independent expert has provided an opinion that the terms and conditions of the proposed transaction are fair to the shareholders.

### 13.2 Statement of the Board

A Vodacom Group Board committee comprising only of the independent non-executive directors was set up to evaluate and approve the proposed transaction. The recused directors have recused themselves from participating in any discussions or evaluation of the proposed transaction from such Vodacom Group Board committee.

The Board has considered the terms and conditions of the proposed transaction and the independent expert's opinion. The Board (excluding the recused directors) is of the opinion that the proposed transaction is fair insofar as shareholders are concerned and should be supported. Accordingly, the Board (excluding the recused directors) unanimously recommends that shareholders vote in favour of the resolutions, at the general meeting.

Each of the directors who hold shares and is permitted to vote intends to vote his Vodacom Group shares in favour of the resolutions.

## 14. Directors' responsibility statement

The directors, whose names are set out page 08 of this circular, individually and collectively, accept full responsibility for the accuracy of the information provided in relation to Vodacom Group in this circular and certify that, to the best of their knowledge and belief, no facts have been omitted that would make any statement in this circular false or misleading and have made all reasonable enquiries to ascertain such facts and that this circular contains all information required by law and the JSE Listings Requirements.

## 15. Consents

ENS, Goldman Sachs, Nedbank, PricewaterhouseCoopers Inc., Deloitte and Computershare have consented in writing to act in their respective capacities and to their names being stated in this circular and in the case of the independent reporting accountant and the independent expert, the inclusion of their reports in the form and context in which they appear, and none of the aforementioned parties has withdrawn their consent prior to the publication of this circular.

## 16. Notice of general meeting

The general meeting will be held at Vodacom World, 082 Vodacom Boulevard, Midrand, at 09:00 on Tuesday 18 July 2017 for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions proposed thereat.

## 17. Documents available for inspection

The following documents, or copies thereof, will be available for inspection at the office of the company secretary during normal business hours at Vodacom World, 082 Vodacom Boulevard, Midrand, from Monday 19 June 2017 to Tuesday 18 July 2017:

- ▶ a signed copy of this circular (available in English only);
- ▶ the MOI and the memorandum of incorporation of the company's major subsidiary, Vodacom (Pty) Limited;
- ▶ the agreement and the director appointment right agreement;
- ▶ the letter of support received from the PIC;
- ▶ the audited consolidated annual financial results of Vodacom Group for the three years ended 31 March 2015, 2016 and 2017;
- ▶ the unpublished historical financial information of Vodafone Kenya for the year ended 31 March 2017 and a review opinion thereon compiled by the independent reporting accountant;
- ▶ the published (in Kenya) audited condensed consolidated financial statements of Safaricom for the year ended 31 March 2017;
- ▶ the independent expert report as reproduced in Annexure 1 to this circular;
- ▶ the independent reporting accountant's assurance report on the compilation of the *pro forma* financial information of Vodacom Group, as reproduced in Annexure 2 to this circular; and
- ▶ the letters of consent referred to in paragraph 15 of this circular.

### For and on behalf of Vodacom Group Limited

This circular was signed in Midrand on behalf of all the Vodacom Group directors in terms of powers of attorney granted on or about 9 June 2017.

By order of the Board

**Vodacom Group Limited**



**Sandi Linford**

*Company Secretary*

Signed at Midrand on 19 June 2017

### Registered office of Vodacom Group

Vodacom Corporate Park

082 Vodacom Boulevard

Midrand

1685

(Private Bag X9904, Sandton 2146)

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# ANNEXURE 1: INDEPENDENT EXPERT REPORT

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12 June 2017  
The Directors  
Vodacom Group Limited  
Vodacom Corporate Park  
082 Vodacom Boulevard  
Vodacom World  
Midrand

Dear Sirs

**Fairness opinion on the related party acquisition by Vodacom Group Limited (“Vodacom Group”) of 87.5% of the issued share capital of Vodafone Kenya Limited (“Vodafone Kenya”), a wholly-owned subsidiary of Vodafone International Holdings B.V. (“Vodafone”)**

## Introduction

The proposed transaction comprises the acquisition by Vodacom Group of 87.5% of the issued share capital of Vodafone Kenya from Vodafone for a total purchase consideration of R34 635 957 000 comprising the sum of an amount equal to (i) the subscription price of R34 584 732 000 payable by Vodafone for 233 459 781 new Vodacom Group shares, which is an amount equal to 226 800 000 new Vodacom Group shares, based on the Vodacom Group share price on Friday 12 May 2017 (being the last trading day prior to the signature date of the agreement), and an additional 6 659 781 Vodacom Group shares to compensate Vodafone for the Vodacom Group distribution declared on 15 May 2017, the record date of which is expected to fall before the effective date of the transaction. The subscription price will be set off against the same amount of the purchase consideration; and (ii) maximum cash consideration, which amounts to KSh393 750 000, equating to approximately R51 225 000, payable to Vodafone in cash.

On completion of the proposed transaction, Vodacom Group will directly own 87.5% of the issued share capital in Vodafone Kenya and, thereby, indirectly own 34.94% of the total issued share capital in Safaricom Limited (“Safaricom”). Further, Vodafone Group Plc (“Vodafone Plc”) will indirectly own approximately 69.7% (up from 65%) of the total issued share capital in Vodacom Group.

## Scope

Vodafone Plc, through Vodafone Investments (SA) Proprietary Limited (“Vodafone Investments SA”), its indirect, wholly-owned subsidiary, is entitled to exercise or control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of Vodacom Group, which entitlement qualifies Vodafone Plc and its associates as a related party in relation to Vodacom Group in terms of section 10.1 (b) (i) of the JSE Listings Requirements. Under section 10.4 (f) of the JSE Listings Requirements, a fairness opinion is required from an independent professional expert, acceptable to the JSE, indicating whether or not the terms and conditions of the proposed transaction are fair to the shareholders of Vodacom Group.

The board of directors of Vodacom Group has appointed the Corporate Finance division of Deloitte & Touche to act as the independent professional expert to provide the required opinion, indicating whether the terms and conditions of the proposed transaction are fair to the shareholders of Vodacom Group.

For purposes of our opinion, our assessment of fairness is primarily based on quantitative issues. The proposed transaction would be considered fair to shareholders of Vodacom Group if the number of consideration shares to be issued is within the range implied by the fair values of Vodacom Group and Vodacom Kenya shares.

Fairness opinions do not purport to cater for individual shareholders but rather the general body of shareholders. Also, an individual shareholder’s decision may be influenced by such shareholder’s particular circumstances and, accordingly, a shareholder should consult an independent advisor if in any doubt as to the merits or otherwise of the proposed transaction.

## Information considered

In arriving at our opinion we have considered the following information which has been provided by our data providers (Mergermarket, Capital IQ, Economist Intelligence Unit (“EIU”)), management of Vodacom Group, or obtained from publicly available sources:

Information relating to Safaricom, Vodafone Kenya and its subsidiaries:

- ▶ information on Safaricom and its subsidiaries, including the history, nature of business, products, key customers and competitor activity;
- ▶ audited financial information for Safaricom for the financial years ended 31 March 2014 to 2017;
- ▶ audited financial information for Vodafone Kenya for the financial years ended 31 March 2013 to 2015;
- ▶ unaudited financial information for Safaricom for the period ended February 2017, including a rolling forecast for the year ended 31 March 2017 and a comparison of year-to-date performance against budget;
- ▶ projected financial information for Safaricom for the financial years ending 31 March 2018 to 2022, including supporting presentations, as prepared by Safaricom management;

- ▶ projected financial information for Safaricom for the financial years ending 31 March 2018 to 2022, as prepared by Vodacom Group management;
- ▶ the draft financial and tax due diligence report on Safaricom produced by KPMG, dated 11 July 2016;
- ▶ the draft legal due diligence report on Safaricom produced by Edward Nathan Sonnenbergs Inc., dated 15 July 2016;
- ▶ an extract of a Board Subcommittee presentation produced by Vodacom Group, dated 11 May 2017;
- ▶ recent share prices and other publicly available financial information on listed companies with operations similar to those of Safaricom ("Safaricom peer companies");
- ▶ recent analysts' reports on Safaricom;
- ▶ publicly available information regarding the pricing of recent transactions in significant equity interests in companies with operations similar to those of Safaricom; and
- ▶ other publicly available information relevant to the industry in which Safaricom operates.

Information relating to Vodacom Group and its subsidiaries:

- ▶ information on Vodacom Group and its subsidiaries, including the history, nature of business, products, key customers and competitor activity;
- ▶ audited financial information for Vodacom Group for the financial years ended 31 March 2012 to 2017;
- ▶ unaudited, abridged financial information for Vodacom Group for the period ended 28 February 2017, including monthly and year-to-date performance for the period and a comparison against budget and prior year figures;
- ▶ projected financial information for Vodacom Group for the financial years ending 31 March 2018 to 31 March 2022 prepared by management;
- ▶ an extract of a board subcommittee presentation produced by Vodacom Group, dated 11 May 2017;
- ▶ recent share prices and other publicly available financial information on Vodacom Group and listed companies with operations similar to those of Vodacom Group ("Vodacom peer companies");
- ▶ recent analysts' reports on Vodacom Group and Vodacom peer companies;
- ▶ publicly available information regarding the pricing of recent transactions in significant equity interests in unlisted companies with operations similar to those of Vodacom Group;
- ▶ other publicly available information relevant to the industry in which Vodacom Group operates; and
- ▶ information and explanations obtained in discussions with management of Vodacom Group and its subsidiaries.

Information regarding the Vodafone Kenya acquisition:

- ▶ the draft circular dated 12 June 2017 to Vodacom Group Shareholders of which this report forms a part; and
- ▶ execution version agreement between Vodafone, Vodafone Kenya and Vodacom Group dated 14 May 2017.

Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, including publicly available information, whether in writing or obtained in discussion with management of Vodacom Group, Vodafone Kenya, Safaricom or their subsidiaries.

## **Our approach to considering the Vodafone Kenya acquisition and procedures performed**

In considering the terms and conditions of the proposed transaction we have performed the following procedures:

- ▶ considered the background information on Vodacom Group and Safaricom and their subsidiaries and associates;
- ▶ reviewed the historical and forecast financial information available for Vodacom Group and Safaricom;
- ▶ considered information made available by management of Vodacom Group and Safaricom;
- ▶ prepared indicative valuations of the ordinary shares of Vodacom Group and Safaricom;
- ▶ conducted appropriate sensitivity analyses on the valuation outcomes based on a reasonable range of key assumptions;
- ▶ considered the rationale for the proposed transaction;
- ▶ considered any reasonably probable beneficial and significant effect of the proposed transaction on the business and prospects of Vodacom Group, material interests of any director of Vodacom Group and the effect of the proposed transaction on those interests and persons; and
- ▶ considered qualitative aspects of the proposed transaction.

## **Valuation**

In considering the terms and conditions of the proposed transaction, we performed indicative valuations of the ordinary shares of Vodacom Group and the Vodafone Kenya shares at the last practicable date, being 8 June 2017.

For the purposes of our valuation analysis we used the income approach (discounted cash flow) as our primary approach. In addition, we considered the market approach (based on publicly available financial data for comparable publicly traded companies and for recent transactions in significant equity interests in comparable companies) as an alternative valuation approach to support the results of our income approach analysis.

We also considered the exchange rate between Kenyan Shilling and Rand and the sensitivity of our valuation of the Vodacom ordinary shares to this exchange rate.

In performing our valuation analysis of the Vodacom Group shares and Vodafone Kenya shares we considered the sensitivity of the valuations to changes in assumptions around key value drivers. We found that the key internal value drivers of the valuation of the ordinary shares of Vodacom Group and Vodafone Kenya are estimates of revenue growth, average revenue per user ("ARPU"), subscriber churn rates, active subscribers, active customers (M-Pesa), projected profit margins, movements in net working capital, and capital expenditure requirements.

Free cash flow is sensitive to these assumptions. The key external value drivers relate to the rates of economic growth, inflation and prevailing interest rates in Kenya and South Africa as well as market and industry conditions specific to the telecom sector, including mobile market penetration.

Our valuation results are also sensitive to the weighted average cost of capital applied in the discounted cash flow valuations.

Finally, we compared the number of the consideration shares to be issued to the number of shares implied by our ranges of fair values of the Vodafone Kenya shares and we considered the terms and conditions of the agreement.

## **Assessment of qualitative and other factors**

Our assessment of reasonableness included considering the proposed transaction consideration in relation to the prevailing trading prices of Vodacom Group and Safaricom prior to the announcement of the proposed transaction.

We note that, in terms of the circular, the Vodacom Group Board believes that the proposed transaction will present a unique opportunity to acquire a significant strategic interest in the premier telecom operator in East Africa.

Furthermore, Vodacom Group believes that the proposed transaction will benefit Vodacom Group as follows:

- ▶ exposure to the attractive high growth Kenyan market, being one of the largest and most advanced economies in east and central Africa that has made significant strides in technological innovation;
- ▶ value through closer cooperation between Vodafone Kenya and Vodacom Group, including best practice sharing;
- ▶ replication of Safaricom's success in M-Pesa in Vodacom Group's other territories;
- ▶ creation of new pan-African enterprise solutions in contiguous markets in East Africa;
- ▶ opportunity to diversify Vodacom Group's economic exposure and earnings profile in a single transaction; and
- ▶ an analysis of the 30 day, 60 day, 90 day, 120 day, 180 day and 1 year Volume Weighted Average Price of Safaricom indicates that the current proposed transaction would be beneficial to a Vodacom shareholder who alternatively would seek direct exposure to Safaricom.

## **Opinion**

Based upon and subject to the foregoing, we are of the opinion that the terms and conditions of the Vodafone Kenya acquisition are fair to the shareholders of Vodacom Group.

Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated as at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

## **Limiting conditions**

Forecasts relate to uncertain future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Consequently, forecast financial information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to the financial projections provided to us.

Our procedures and inquiries did not constitute an audit in terms of International Standards on Auditing. Accordingly, we cannot express an audit opinion on the financial data or other information used in arriving at our opinion.

## **Independence**

We confirm that we have no financial interest in Vodafone Kenya and Vodacom Group and in the outcome of the Vodafone acquisition. Furthermore, we confirm that our professional fees are not contingent upon the successful conclusion of the proposed transaction.

## **Consent**

We hereby consent to this letter being included in the circular to Vodacom Group shareholders to be issued on or about 19 June 2017.

Yours faithfully

**Charles Larbi-Odam**  
*Director*

Deloitte & Touche  
Corporate Finance  
Registered Auditors  
Woodlands Drive  
Woodmead  
Sandton  
2196"

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## ANNEXURE 2: INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF VODACOM GROUP

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"12 June 2017

The Directors  
Vodacom Group Limited  
Vodacom Corporate Park  
082 Vodacom Boulevard  
Midrand  
1685

**Independent reporting accountant's assurance report on the compilation of *pro forma* financial information of Vodacom Group Limited ("Vodacom Group" or "the company")**

### Introduction

Vodacom Group is issuing a circular to its shareholders ("circular") regarding the proposed acquisition by Vodacom Group of 87.5% of the issued share capital in Vodafone Kenya Limited from Vodafone International Holdings B.V. ("Vodafone") for a total purchase consideration of R34 635 957 000 comprising the sum of an amount equal to (i) the subscription price of R34 584 732 000 payable by Vodafone for 233 459 781 new Vodacom Group shares, which is an amount equal to 226 800 000 new Vodacom Group shares, based on the Vodacom Group share price on Friday 12 May 2017 (being the last trading day prior to the signature date of the agreement between Vodacom Group, Vodafone and Vodafone Kenya Limited), and an additional 6 659 781 Vodacom Group shares to compensate Vodafone for the Vodacom Group distribution declared on 15 May 2017, the record date of which is expected to fall before the effective date of the transaction. The subscription price will be set off against the same amount of the purchase consideration; (ii) maximum cash consideration, which amounts to KSh393 750 000, equating to approximately R51 225 000, payable to Vodafone in cash ("proposed transaction").

At your request and solely for the purposes of the circular to be issued on or about 19 June 2017, we present our assurance report on the compilation of the *pro forma* financial information of Vodacom Group by the directors. The *pro forma* financial information, presented in paragraph 6 and Annexure 3 to this circular, consists of the *pro forma* consolidated statement of financial position as at 31 March 2017, the *pro forma* consolidated income statement for the 12 months ended 31 March 2017 and the *pro forma* financial effects ("*pro forma* financial information"). The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the proposed transaction on the company's reported financial position as at 31 March 2017, and the company's financial performance for the year then ended, as if the proposed transaction had taken place at 31 March 2017 and 1 April 2016, respectively. As part of this process, information about Vodacom Group's financial position and financial performance has been extracted by the directors from the audited consolidated annual financial statements of Vodacom Group for the year ended 31 March 2017.

### Directors' responsibility

The directors of Vodacom Group are responsible for the compilation, contents and presentation of the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 6 and Annexure 3 to the circular. The directors of Vodacom Group are also responsible for the financial information from which it has been prepared.

### Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors ("IRBA code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

PricewaterhouseCoopers Inc. applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Reporting accountants' responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information, unless otherwise noted.

As the purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- ▶ the related *pro forma* adjustments give appropriate effect to those criteria; and
- ▶ the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 6 and Annexure 3 to the circular.

### **PricewaterhouseCoopers Inc.**

Director: D.B. von Hoesslin

Registered Auditor

Menlyn

12 June 2017”

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## ANNEXURE 3: PRO FORMA FINANCIAL INFORMATION OF VODACOM GROUP

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The tables below sets out the *pro forma* financial information of the proposed transaction on the audited consolidated annual financial statements of Vodacom Group for the year ended 31 March 2017. The *pro forma* financial effects have been prepared for illustrative purposes only and because of their *pro forma* nature, it may not fairly present Vodacom Group's financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the proposed transaction going forward.

The purpose of the *pro forma* financial information is to illustrate the impact of the proposed transaction had it been effective 31 March 2017 for purposes of the *pro forma* consolidated statement of financial position and 1 April 2016 for purposes of the *pro forma* consolidated income statement and on the assumptions set out below. The *pro forma* financial information presented below does not purport to be indicative of the financial results and effects of the proposed transaction if it had been implemented on a different date.

The *pro forma* financial information has been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the audited consolidated annual financial statements of Vodacom Group for the year ended 31 March 2017. The *pro forma* financial information is presented in accordance with the JSE Listings Requirements and the Guide on *Pro forma* Financial Information issued by the South African Institute of Chartered Accountants.

The directors are responsible for the compilation, contents and preparation of the *pro forma* financial information. Their responsibility includes determining that the *pro forma* financial information has been properly compiled on the basis stated, which is consistent with the accounting policies of Vodacom Group and that the *pro forma* adjustments are appropriate for purposes of the *pro forma* financial information disclosed pursuant to the JSE Listings Requirements.

The *pro forma* consolidated statement of financial position as at 31 March 2017 and the *pro forma* consolidated income statement for the year then ended, should be read in conjunction with the independent reporting accountant's assurance report thereon contained in Annexure 2 to this circular.

# Pro forma consolidated income statement

for the year ended 31 March 2017

		<i>Pro forma adjustments</i>				
	Notes	Vodacom Group Limited <sup>1</sup> Rm	Vodafone Kenya Limited <sup>2</sup> Rm	Safaricom Limited <sup>3</sup> Rm	Consolidation adjustments <sup>4</sup> Rm	<i>Pro forma</i> after the proposed transaction <sup>5</sup> Rm
<b>Revenue</b>		<b>81 278</b>	–	–	–	<b>81 278</b>
Direct expenses		<b>(30 483)</b>	–	–	–	<b>(30 483)</b>
Staff expenses		<b>(5 472)</b>	–	–	–	<b>(5 472)</b>
Publicity expenses		<b>(1 971)</b>	–	–	–	<b>(1 971)</b>
Other operating expenses		<b>(12 193)</b>	<b>(1)</b>	–	–	<b>(12 194)</b>
Broad-based black economic empowerment charge		<b>(75)</b>	–	–	–	<b>(75)</b>
Depreciation and amortisation		<b>(9 251)</b>	–	–	–	<b>(9 251)</b>
Impairment losses		<b>(84)</b>	–	–	–	<b>(84)</b>
Net profit from associate and joint venture	4.1	<b>1</b>	–	<b>2 661</b>	<b>(1 249)</b>	<b>1 413</b>
<b>Operating profit</b>		<b>21 750</b>	<b>(1)</b>	<b>2 661</b>	<b>(1 249)</b>	<b>23 161</b>
Finance income	4.2	<b>777</b>	<b>3 220</b>	–	<b>(3 169)</b>	<b>828</b>
Finance costs		<b>(2 818)</b>	–	–	–	<b>(2 818)</b>
Net loss on remeasurement and disposal of financial instruments		<b>(481)</b>	–	–	–	<b>(481)</b>
<b>Profit before tax</b>		<b>19 228</b>	<b>3 219</b>	<b>2 661</b>	<b>(4 418)</b>	<b>20 690</b>
Taxation	4.3	<b>(6 102)</b>	<b>(15)</b>	–	<b>(186)</b>	<b>(6 303)</b>
<b>Net profit</b>		<b>13 126</b>	<b>3 204</b>	<b>2 661</b>	<b>(4 604)</b>	<b>14 387</b>
<b>Attributable to:</b>						
Equity shareholders		<b>13 418</b>	<b>3 204</b>	<b>2 661</b>	<b>(4 785)</b>	<b>14 498</b>
Non-controlling interests	4.4	<b>(292)</b>	–	–	<b>181</b>	<b>(111)</b>
		<b>13 126</b>	<b>3 204</b>	<b>2 661</b>	<b>(4 604)</b>	<b>14 387</b>
<b>Diluted earnings reconciliation</b>						
Earnings, attributable to equity shareholders, for basic earnings per share		<b>13 418</b>	<b>3 204</b>	<b>2 661</b>	<b>(4 785)</b>	<b>14 498</b>
Adjusted for:						
Dilutive effect of potential ordinary shares in subsidiary		<b>(408)</b>	–	–	–	<b>(408)</b>
Earnings for diluted earnings per share		<b>13 010</b>	<b>3 204</b>	<b>2 661</b>	<b>(4 785)</b>	<b>14 090</b>

**Pro forma adjustments**

	Notes	Vodacom Group Limited <sup>1</sup> Rm	Vodafone Kenya Limited <sup>2</sup> Rm	Safaricom Limited <sup>3</sup> Rm	Consolidation adjustment <sup>4</sup> Rm	<i>Pro forma</i> after the proposed transaction <sup>5</sup> Rm
<b>Headline earnings reconciliation</b>						
Earnings, attributable to equity shareholders, for basic earnings per share		13 418	3 204	2 661	(4 785)	14 498
Adjusted for:						
Net loss/(profit) on disposal of property, plant and equipment and intangible assets		38	–	(4)	–	34
Net loss/(profit) on disposal of property, plant and equipment and intangible assets		58		(6)		52
Tax and non-controlling interest impact		(20)		2		(18)
Impairment losses		84	–	112	–	196
Impairment losses		84		128		212
Tax and non-controlling interest impact		–		(16)		(16)
Headline earnings for headline earnings per share		13 540	3 204	2 769	(4 785)	14 728
Dilutive effect of potential ordinary shares in subsidiary		(408)	–	–	–	(408)
Headline earnings for diluted headline earnings per share		13 132	3 204	2 769	(4 785)	14 320
<b>Number of shares (millions)</b>						
– for basic and headline earnings per share	6	1 467	–	–	234	1 701
– for diluted and diluted headline earnings per share		1 469	–	–	234	1 702
<b>Earnings per share (cents)</b>						
Basic earnings per share		915				853
Diluted earnings per share		886				828
Headline earnings per share		923				866
Diluted headline earnings per share		894				841

## Notes and assumptions:

- The Vodacom Group information has been extracted from the audited consolidated annual financial statements of Vodacom Group Limited for the year ended 31 March 2017.
- The acquisition by Vodacom Group of 87.5% of the issued share capital of Vodafone Kenya is treated as an investment in a subsidiary in terms of IAS 27: Separate Financial Statements. As Vodafone Kenya is an investment holding company, with its only material asset being the associate investment in Safaricom, the proposed transaction does not meet the definition of a business combination under IFRS 3: Business Combinations.

Vodafone Kenya is an indirect wholly-owned subsidiary of Vodafone Group Plc and consequently Vodafone Kenya does not prepare consolidated financial statements. The results of Vodafone Kenya therefore do not include its share of 39.93% of the profits from its associate, Safaricom, as it is Vodafone Kenya's accounting policy to carry its investment in Safaricom in its separate financial statements at cost.

The financial information for Vodafone Kenya has been extracted from the historical financial information of Vodafone Kenya for the year ended 31 March 2017. The historical financial information and the independent reporting accountant's review report thereon are available for inspection as stated in paragraph 17 of this circular.

The functional currency of Vodafone Kenya is the Kenyan shilling (KSh) and the results for the year ended 31 March 2017 have been translated at the twelve month average exchange rate to the South African rand of 7.2699.

- Management has determined that Vodacom Group will, through the acquired interest in Vodafone Kenya, be able to exercise significant influence, but not control, over Safaricom. The investment in Safaricom is therefore treated as an investment in an associate in terms of IAS 28: Investments in Associates and Joint Ventures. The financial information for Safaricom is based on the published audited condensed consolidated financial statements of Safaricom for the year ended 31 March 2017 as follows:

	Rm
Total comprehensive income of KSh48 444 million reported for the year ended 31 March 2017. The functional currency of Safaricom is the Kenyan shilling and the results for the year ended 31 March 2017 have been translated at the twelve month average exchange rate to the South African rand of 7.2699	<b>6 664</b>
Vodafone Kenya's share of profits from associate based on its equity share of 39.93%	<b>2 661</b>

- The consolidation adjustments which form part of the *pro forma* adjustments have been prepared using accounting policies in terms of IFRS and Vodacom Group's best estimates at time of presentation.
  - The consolidation adjustments against net profit from associate and joint venture include the following based on Vodafone Kenya's equity interest in Safaricom of 39.93%, prior to the allocation of the non-controlling interest of 12.5% in Vodafone Kenya as explained in note 4.4 below.

IAS 28 requires that an investment in an associate is initially recognised at cost and on the acquisition of an associate any difference between the cost of the investment and the investor's share of the fair values of the associate's identifiable assets and liabilities acquired is accounted for as notional goodwill. The purchase consideration for the proposed transaction has therefore been allocated between identifiable assets, liabilities and notional goodwill based on a provisional fair value allocation. The identifiable assets are assumed to be amortised over their respective useful lives as determined within the provisional fair value allocation. A detailed fair value allocation will be performed on the effective date of the proposed transaction and may differ from the assumptions underlying these *pro forma* financial effects.

	Rm
Indefinite life intangible assets.	<b>3 105</b>
Definite life intangible assets to be amortised over an assumed useful life of between 5 and 8 years.	<b>25 704</b>
Deferred taxation on intangible assets identified.	<b>(7 317)</b>
Gross identifiable intangible assets, net of deferred tax, based on provisional fair value allocation.	<b>21 492</b>
Assumed amortisation for the year ended 31 March 2017, net of taxation	<b>(3 128)</b>
Vodafone Kenya's share of 39.93% of the amortisation based on the provisional fair value allocation, net of taxation	<b>(1 249)</b>

- A consolidation adjustment of R3 169 million has been processed against Vodafone Kenya's finance income for the year ended 31 March 2017 to eliminate the dividend that Vodafone Kenya received from its associate Safaricom, on 2 December 2016.
- A consolidation adjustment of R186 million representing withholding tax of 10%, which will be applicable when Vodafone Kenya declares a dividend to Vodacom Group. The adjustment is based on Vodacom Group's share of the net profit of Safaricom for the year ended 31 March 2017, and on the assumption that the dividend which the directors of Safaricom recommended, subject to the shareholders' approval at Safaricom's annual general meeting, is approved and paid.

4.4 Non-controlling interests consist of the following:

	Rm
Vodafone's share of the reported net profit of Safaricom and the net profit of Vodafone Kenya, excluding the dividends Vodafone Kenya received from Safaricom.	<b>337</b>
Vodafone's share of amortisation based on the provisional fair value allocation, net of taxation.	<b>(156)</b>
	<b>181</b>

5. The Vodacom Group information reflected in the "Pro forma after the proposed transaction" column has been calculated on the basis that the proposed transaction has been implemented.
6. The number of the new Vodacom Group shares has been fixed at 226 800 000, subject only to adjustment in respect of a Vodacom Group distribution where the record date for such distribution is set to occur prior to the effective date. Consequently, the *pro forma* financial effects assume that the new Vodacom Group shares of 226 800 000 are increased by 6 659 781 shares in relation to the Vodacom Group distribution declared on 15 May 2017, the record date of which is expected to fall before the effective date of the transaction, as contemplated in paragraph 4.2 of the circular.

In terms of IFRS, the acquisition of an interest in an associate represents the acquisition of a financial instrument, not the acquisition of a business. The fair value of a contract to acquire a financial instrument (i.e. the 39.93% interest in the associate) in exchange for a fixed number of new Vodacom Group shares will change in response to changes in the fair value of Vodacom Group, Safaricom and the ZAR/KES exchange rate. Such fair value changes, if material, will be recognised in profit/loss. The *pro forma* financial effects have been prepared on the assumption that the fixed number of new Vodacom Group shares reflect fair value of the purchase consideration and equity interest in Safaricom on the assumed effective date of 1 April 2016 for purposes of presenting the *pro forma* financial effects of the proposed transaction on the *pro forma* condensed consolidated income statement.

The *pro forma* financial effects do not reflect any adjustment that may result from movements in the fair value of Vodacom Group, Safaricom, or the ZAR/KES exchange rate between the date of signing the agreements and the effective date of the proposed transaction.

# Pro forma consolidated statement of financial position

as at 31 March 2017

		Pro forma adjustments				
	Notes	Vodacom Group Limited <sup>1</sup> Rm	Vodafone Kenya Limited <sup>2</sup> Rm	Safaricom Limited Rm	Consolidation adjustments <sup>3</sup> Rm	Pro forma after the proposed transaction <sup>4</sup> Rm
<b>Assets</b>						
<b>Non-current assets</b>						
		52 127	200	–	43 018	95 345
Property, plant and equipment		40 181	–	–	–	40 181
Intangible assets		9 186	–	–	–	9 186
Financial assets		424	–	–	–	424
Investment in associate	3.1	–	200	–	43 018	43 218
Investment in joint venture		5	–	–	–	5
Trade and other receivables		971	–	–	–	971
Finance receivables		1 161	–	–	–	1 161
Deferred tax		199	–	–	–	199
<b>Current assets</b>						
		29 011	480	–	(918)	28 573
Financial assets	3.2	3 489	480	–	(415)	3 554
Inventory		1 268	–	–	–	1 268
Trade and other receivables		13 489	–	–	–	13 489
Non-current assets held for sale		114	–	–	–	114
Finance receivables		1 556	–	–	–	1 556
Tax receivable		222	–	–	–	222
Bank and cash balances	3.3	8 873	–	–	(503)	8 370
<b>Total assets</b>						
		81 138	680	–	42 100	123 918
<b>Equity and liabilities</b>						
Fully paid share capital	3.4	*	422	–	37 000	37 422
Treasury shares		(1 670)	–	–	–	(1 670)
Retained earnings	3.5	26 396	255	–	(255)	26 396
Other reserves		(663)	–	–	–	(663)
<b>Equity attributable to owners of the parent</b>						
Non-controlling interests	3.6	(1 067)	–	–	5 355	4 288
<b>Total equity</b>						
		22 996	677	–	42 100	65 733
<b>Non-current liabilities</b>						
		31 423	–	–	–	31 423
Borrowings		27 613	–	–	–	27 613
Trade and other payables		815	–	–	–	815
Provisions		360	–	–	–	360
Deferred tax		2 635	–	–	–	2 635
<b>Current liabilities</b>						
		26 719	3	–	–	26 722
Borrowings		3 762	–	–	–	3 762
Trade and other payables		22 700	3	–	–	22 703
Provisions		188	–	–	–	188
Tax payable		47	–	–	–	47
Dividends payable		22	–	–	–	22
<b>Total equity and liabilities</b>						
		81 138	680	–	42 100	123 918
Number of shares in issue (millions)	3.4	1 488	–	–	233	1 721
Net asset value per share (cents)		1 617	–	–	–	3 572
Tangible net asset value per share (cents)	5	1 004	–	–	–	1 099

\* Fully paid share capital of R100.

## Notes and assumptions:

1. The Vodacom Group information has been extracted from the audited consolidated annual financial results of Vodacom Group Limited for the year ended 31 March 2017.
2. The acquisition by Vodacom Group of 87.5% of the issued share capital of Vodafone Kenya shares is treated as an investment in a subsidiary in terms of IAS 27: Separate Financial Statements. As Vodafone Kenya is only an investment holding company, with its only material asset being the associate investment in Safaricom, the proposed transaction does not meet the definition of a business combination under IFRS 3: Business Combinations.

Vodafone Kenya is an indirect wholly-owned subsidiary of Vodafone Group Plc, consequently Vodafone Kenya does not prepare consolidated financial statements. The results of Vodafone Kenya therefore do not include its share of the profits from its associate Safaricom as it is Vodafone Kenya's accounting policy to carry its investment in Safaricom in its separate financial statements at cost.

The information for Vodafone Kenya has been extracted from the historical financial information of Vodafone Kenya for the year ended 31 March 2017. The historical financial information and the independent reporting accountant's review report thereon is available for inspection as stated in paragraph 17 in the circular.

The functional currency of Vodafone Kenya is the Kenyan shilling and the statement of financial position as at 31 March 2017 has been translated at the closing exchange rate to the South African rand of 7.6867.

3. Management has determined that Vodacom Group will, through the acquired interest in Vodafone Kenya, be able to exercise significant influence, but not control, over Safaricom. The investment in Safaricom is therefore treated as an investment in an associate in terms of IAS 28: Investments in Associates and Joint Ventures. The consolidation adjustments which form part of the *pro forma* adjustments have been prepared using accounting policies in terms of IFRS and Vodacom Group's best estimates at time of presentation.

### 3.1 Investment in associate consists of:

	Rm
Safaricom's shareholders' equity as at 31 March 2017, excluding goodwill and licence*	12 668
Fair value of indefinite life intangible assets	3 105
Fair value of definite life intangible assets	25 704
Deferred taxation on the fair value intangible assets identified	(7 317)
<b>Subtotal</b>	<b>34 160</b>
Vodafone Kenya's equity interest in Safaricom at 39.93%	13 642
Notional goodwill	29 576
<b>Vodafone Kenya's investment in associate</b>	<b>43 218</b>

\* The financial information for Safaricom is based on the published audited condensed consolidated financial statements of Safaricom for the year ended 31 March 2017. The functional currency of Safaricom is the Kenyan shilling and Safaricom's shareholder's equity as at 31 March 2017 has been translated at the closing exchange rate to the South African rand of 7.6867.

The purchase consideration for the proposed transaction has been allocated between identifiable assets, liabilities and notional goodwill based on a provisional fair value allocation of Vodafone Kenya's equity interest of 39.93%. A fair value allocation will need to be performed at the effective date of the proposed transaction and consequently may differ from the assumptions underlying these *pro forma* effects. Notional goodwill is denominated in the currency of the acquired entity and revalued to the closing rate at each reporting date.

Assumed directly attributable transaction costs (non-recurring) to the value of R448 million have been added to the purchase consideration which has consequently increased notional goodwill by the same value. This consists of security transfer taxes of 1% of the assumed purchase consideration (for accounting purposes) amounting to R375 million, payable in Kenya, as well as professional fees and other transaction costs as disclosed in paragraph 12 of this circular, not linked to the issue of new Vodacom Group shares, and inclusive of VAT.

- 3.2 In terms of the agreement, Vodafone will extract actual cash on hand in excess of KSh500 million from Vodafone Kenya subsequent to the effective date of the proposed transaction. Consequently, financial assets are reduced by R415 million (KSh3 189 million converted at 7.6867, the closing ZAR/KES exchange rate at 31 March 2017).

3.3 The reduction in bank and cash balances consist of:

	Rm
Assumed directly attributable transaction costs for all services rendered, including professional fees, printing and production cost as well as security transfer taxes have been taken into account in determining the <i>pro forma</i> financial effects and are assumed to be settled in cash.	(452)
Assumed cash consideration of R51 million for the equity interest in Vodafone Kenya, being Vodacom Group's indirect share of KSh500 million less withholding tax converted at 7.6867 (the closing ZAR/KES exchange rate at 31 March 2017).	(51)
	<b>(503)</b>

- 3.4 The proposed transaction involves the acquisition by Vodacom Group of 87.5% of the issued share capital of Vodafone Kenya from Vodafone and the subscription by Vodafone of new Vodacom Group shares such that the purchase consideration payable by Vodacom Group is the sum of an amount equal to the subscription price payable by Vodafone for the new Vodacom Group shares which will be set off against the same amount of the purchase consideration, and a maximum cash amount of KSh393.75 million (R51 million) to be paid by Vodacom Group to Vodafone. Vodacom Group will directly own 87.5% of the issued share capital of Vodafone Kenya and indirectly own 39.93% of the total share capital in Safaricom. Vodacom Group will therefore have an effective shareholding of 34.94% in Safaricom.

Fully paid share capital is adjusted as follows:

	Rm
233 459 781 new Vodacom Group shares at an assumed ex dividend share price of R160.31 per new Vodacom Group share, being the closing share price of Vodacom Group on the last practicable date adjusted by R4.35 per share for the Vodacom Group distribution that will occur on Monday 26 June 2017 (the assumed price of the new Vodacom Group shares will be determined on the effective date of the proposed transaction and may differ from the assumptions underlying these <i>pro forma</i> financial effects as explained below).	37 426
Assumed transaction costs relating to the issue of the new Vodacom Group shares.	(4)
Elimination of the share capital of Vodafone Kenya at 31 March 2017.	(422)
	<b>37 000</b>

The number of the new Vodacom Group shares has been fixed at 226 800 000, subject only to adjustment in respect of a Vodacom Group distribution to shareholders where the record date for such distribution is set to occur prior to the effective date. Consequently, the *pro forma* financial effects assume that the new Vodacom Group shares of 226 800 000 are increased by 6 659 781 shares in relation to the Vodacom Group distribution declared on Monday 15 May 2017, the record date of which is expected to fall before the effective date of this transaction, as contemplated in paragraph 4.2.

In terms of IFRS, the acquisition of an interest in an associate represents the acquisition of a financial instrument, not the acquisition of a business. The fair value of a contract to acquire a financial instrument (i.e. the 39.93% interest in the associate) in exchange for a fixed number of Vodacom Group shares will change in response to changes in the fair value of Vodacom Group, Safaricom and the ZAR/KES exchange rate. Such fair value changes, if material, will be recognised in profit/loss. The *pro forma* financial effects have been prepared on the assumption that the fixed number of new Vodacom Group shares reflect fair value of the purchase consideration and equity interest in Safaricom on the assumed effective date of 31 March 2017 for purposes of presenting the *pro forma* financial effects of the proposed transaction on the *pro forma* consolidated statement of financial position.

The *pro forma* financial effects do not reflect any adjustment that may result from movements in the fair value of Vodacom Group, Safaricom, or the ZAR/KES exchange rate between the date of signing the agreements and the effective date of the proposed transaction.

- 3.5 Elimination of the retained earnings of Vodafone Kenya at 31 March 2017.
- 3.6 Vodafone will retain a 12.5% interest in Vodafone Kenya. Therefore on consolidation, 12.5% of the net assets and earnings are allocated to non-controlling interest on the Vodacom Group consolidated statement of financial position.
4. The Vodacom Group information reflected in the "*Pro forma* after the proposed transaction" column has been calculated on the basis that the proposed transaction has been implemented.
5. Net tangible asset value is calculated as net asset value attributable to the owner of the parent, less the value of goodwill, other intangible assets and deferred tax assets attributable to the owner of the parent.



**vodacom**

**Vodacom Group Limited**

(Incorporated in the Republic of South Africa)

(Registration number 1993/005461/06)

(ISIN: ZAE000132577 Share code: VOD)

(ISIN: 0592858D2009 ADR code: VDMCY)

("Vodacom Group" or "the company")

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## NOTICE OF GENERAL MEETING

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Notice is hereby given that a general meeting of the company will be held on Tuesday 18 July 2017, at Vodacom World, 082 Vodacom Boulevard, Midrand, Johannesburg, South Africa at 09:00, for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions set out below.

The definitions and interpretations commencing on page 05 of the circular to which this notice of general meeting is attached apply, *mutatis mutandis*, to this notice of general meeting.

It should be noted that all of the ordinary resolutions and the special resolution below are inter-conditional.

### 1. Ordinary resolution number 1 – approval for the proposed transaction

"RESOLVED THAT the proposed transaction, being the proposed acquisition by Vodacom Group of 87.5% of the entire issued share capital of Vodafone Kenya from Vodafone, pursuant to the agreement entered into between Vodafone, Vodafone Kenya and Vodacom Group on Sunday 14 May 2017, on terms and conditions more fully set out in paragraph 4 of this circular, be and is hereby approved as a related party transaction in terms of section 10 of the JSE Listings Requirements."

### 2. Ordinary resolution number 2 – approval of the issue of the new Vodacom Group shares

"RESOLVED THAT, subject to and conditional on the suspensive conditions, to which the agreement is subject, being fulfilled and ordinary resolution number 1 and the special resolution being adopted by the shareholders the issue of the new Vodacom Group shares be and is hereby approved in terms of clause 5.7.2 of Vodacom Group's memorandum of incorporation and the directors be and are hereby authorised to issue the new Vodacom Group shares to Vodafone."

### 3. Special resolution – granting authority to issue the new Vodacom Group shares to Vodafone

"RESOLVED THAT, subject to and conditional on the suspensive conditions, to which the agreement is subject, being fulfilled and ordinary resolutions number 1 and 2 being adopted by the shareholders, the issue of the new Vodacom Group shares is approved in terms of section 41(1)(b) of the Act, and the directors be and are hereby authorised to issue the new Vodacom Group shares to Vodafone, the subscription price in respect of which will be set off against the same amount of the purchase consideration pursuant to the proposed transaction in terms of the agreement."

#### Reason for and effect of the special resolution:

The reason for the special resolution is for shareholders to give authority to the directors in terms of section 41(1)(b) of the Act to issue the new Vodacom Group shares to Vodafone, being a person related to Vodacom Group, which subscription price will be set off against the same amount of the purchase consideration for the acquisition of the sale shares. The effect of the special resolution is that the issued share capital of Vodacom Group will be increased by the number of the new Vodacom Group shares to be issued to Vodafone in accordance with the agreement.

#### Record date

The record date for shareholders to be registered in the books of the company for purposes of being entitled to attend, speak and vote at the general meeting is Friday 7 July 2017.

In accordance with the Act, shareholders attending the general meeting will need to present reasonable satisfactory identification such as an identity book, passport or driver's license to the chairman and the chairman must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

## Participation by way of electronic means

Shareholders or their proxies may participate in the general meeting by way of electronic means, but will not be able to vote via electronic means on the resolutions. Such shareholder (or proxy) will need to contact Mr Lebogang Ngcobo at Vodacom Group on +27 11 653 5922 by not later than 09:00 on Friday 14 July 2017 so that Vodacom Group can provide for a teleconference. It is recommended that the voting proxies are sent through to the transfer secretaries by no later than 09:00 on Monday 17 July 2017.

Participants must dial the following number, five minutes prior to start of the general meeting: +27 11 535 3600.

## Voting and proxies

Shareholders are entitled to attend, speak and vote at the general meeting.

Shareholders may appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder of the company.

In accordance with the company's memorandum of incorporation, voting shall be by ballot only.

The ordinary resolutions to be adopted at this general meeting require approval by way of a simple majority. In other words, 50% plus 1 share of the shares to be voted at the general meeting.

In terms of the JSE Listings Requirements, the proposed transaction is a related party transaction as Vodafone Plc, by virtue of its shareholding in Vodacom Group, is a material shareholder (as defined in the JSE Listings Requirements) of Vodacom Group. Accordingly, Vodafone Plc and its associates will be taken into account in determining a quorum at the general meeting but the votes of Vodafone Plc and its associates will not be taken into account in determining the results of the voting in relation to ordinary resolution number 1.

The special resolution to be adopted at this general meeting requires approval of at least 75% of the shares represented in person or by proxy at this general meeting.

Certificated shareholders holding own name shares that have been dematerialised in accordance with the rules of Strate, evidencing ownership of shareholding in electronic format, which shares may be traded on the JSE, but not in their own name must furnish their CSDP or broker with their instructions for voting at the general meeting. If your CSDP or broker, as the case may be, does not obtain instructions from you, it will be obliged to act in accordance with your mandate furnished to it, or if the mandate is silent in this regard, complete the form of proxy enclosed.

Unless you advise your CSDP or broker, in terms of the agreement between you and your CSDP or broker by the cut off time stipulated therein, that you wish to attend the general meeting or send a proxy to represent you at this general meeting, your CSDP or broker will assume that you do not wish to attend the general meeting or send a proxy.

If you wish to attend the general meeting or send a proxy, you must request your CSDP or broker to issue the necessary letter of authority to you. Shareholders holding dematerialised shares, and who are unable to attend the general meeting and wish to be represented thereat, must complete the form of proxy enclosed in accordance with the instructions therein and lodge it with or mail it to the transfer secretaries.

It is recommended that forms of proxy (which form may be found enclosed) be forwarded to reach Computershare Investor Services Proprietary Limited (in its capacity as transfer secretaries), by no later than 09:00 on Monday 17 July 2017.

The completion of a form of proxy does not preclude any shareholder from attending the general meeting.

By order of the Board  
**Vodacom Group Limited**



**Sandi Linford**  
Company Secretary

19 June 2017

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## IMPORTANT NOTES ABOUT THE GENERAL MEETING

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**Date:** Tuesday 18 July 2017 at 09:00.

**Venue:** Vodacom World, 082 Vodacom Boulevard, Midrand.

**Time:** The general meeting will start promptly at 09:00. Shareholders wishing to attend are advised to be at Vodacom World no later than 08:45. Reception staff will direct shareholders to the general meeting venue.

**Admission:** Shareholders, representatives of shareholders and proxies attending the general meeting are requested to register at the registration desk in the auditorium reception area at the venue. Proof of identity may be required for registration purposes.

### Other important notes

#### 1. General

Shareholders wishing to attend the general meeting have to ensure beforehand with the transfer secretaries that their shares are in fact registered in their name. Should this not be the case and the shares are registered in any other name or in the name of a nominee company, it is incumbent on shareholders attending the general meeting to make the necessary arrangements with that party in whose name the shares are registered to be able to attend and vote in their personal capacity. The proxy form contains detailed instructions in this regard.

#### 2. Certificated shareholders and own name dematerialised shareholders

If you are the registered holder of certificated shares or hold dematerialised shares in your own-name and you are unable to attend the general meeting but wish to be represented at the general meeting, you must complete and return the attached form of proxy in accordance with the instructions contained therein so as to be received by the transfer secretaries, by no later than the recommended time.

#### 3. Dematerialised shareholders

If you are the holder of dematerialised shares, other than with "own-name" registration, you must provide your CSDP or broker with your voting instructions for the general meeting in terms of the custody agreement entered into with your CSDP or broker. If, however, you wish to attend the general meeting in person or by electronic participation, or to be represented thereat, then you must request your CSDP or broker to provide you with the necessary letter of representation to do so.

#### 4. Proxies

Shareholders are advised that forms of proxy should reach the transfer secretaries as indicated in note 2 above by no later than the recommended time.

#### 5. Enquiries

Any shareholder having difficulties or queries with regard to the general meeting or the above may contact Lebogang Ngcobo, on +27 11 653 5922.

#### 6. Results of the general meeting

The results of the general meeting will be posted on SENS as soon as practicably possible after the general meeting.



**Vodacom Group Limited**  
(Incorporated in the Republic of South Africa)  
(Registration number 1993/005461/06)  
(ISIN: ZAE000132577 Share code: VOD)  
(ISIN: 0592858D2009 ADR code: VDMCY)  
("Vodacom Group" or "the company")

## FORM OF PROXY

For use by certificated and own-name dematerialised shareholders at the general meeting to be held at 09:00 at Vodacom World, 082 Vodacom Boulevard, Midrand, Johannesburg, South Africa on Tuesday 18 July 2017.

I/We (Please print full names)

of (address)

telephone number

cellphone number

e-mail address

being the holders of

shares in the company, hereby appoint (see Note 1)

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

the Chairman of the general meeting as my/our proxy to attend and speak and vote for me/us on my/our behalf at the general meeting which will be held for the purpose of considering and, if deemed fit, passing the ordinary and special resolutions to be proposed and at each adjournment of the meeting and to vote for or against the ordinary and special resolutions or to abstain from voting in respect of the shares in the issued capital of the company registered in my/our name/s, in accordance with the following instructions (see Note 2).

Insert an "X" or the number of shares (see Note 2)

	NUMBER OF ORDINARY SHARES		
	For	Against	Abstain
<b>1. Ordinary resolution number 1</b> Approval of the proposed transaction			
<b>2. Ordinary resolution number 2</b> Approving the issue of the new Vodacom Group shares in terms of the MOI			
<b>3. Special resolution</b> Granting authority to issue the new Vodacom Group shares to Vodafone			

(Indicate with an "x" or the relevant number of shares, in the applicable space, how you wish your votes to cast). Unless otherwise directed the proxy will vote as he/she thinks fit.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2017

Signature \_\_\_\_\_

Assisted by me (where applicable) \_\_\_\_\_

**It is recommended that completed forms of proxy be lodged with the transfer secretaries by no later than 09:00 on Monday 17 July 2017. However, shareholders are entitled to deliver voting proxies to the chairman at any time prior to the vote.**

**Please read the notes on the reverse side of this proxy form.**

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## NOTES TO THE FORM OF PROXY

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1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the general meeting" but any such deletion must be initialed by the shareholder. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder.
3. Please insert an "X" in the relevant space according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company insert the number of shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable at the meeting. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
4. It is recommended that forms of proxy be received by the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107), email proxy@computershare.co.za, by no later than 09:00 on Monday 17 July 2017.
5. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and voting in person at the meeting to the exclusion of any proxy appointed in terms of this form of proxy.
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairman of the general meeting.
7. Any alterations or corrections made to this form of proxy must be initialed by the signatory/ies.
8. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Computershare Investor Services Proprietary Limited.
9. The Chairman of the general meeting may accept any form of proxy which is completed other than in accordance with these notes if he is satisfied as to the manner in which the shareholder wishes to vote.

**Transfer secretaries:**

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank 2196  
PO Box 61051, Marshalltown 2107  
Telephone: 011 370 5000  
Email: proxy@computershare.co.za

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## Summary of the rights contained in section 58 of the Act

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**In compliance with the provisions of section 58(8)(b)(i) of the Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Act, is set out immediately below:**

1. a shareholder entitled to attend and vote at the general meeting may appoint any individual as a proxy to attend, participate in and vote at the general meeting in the place of the shareholder. A proxy need not be a shareholder of Vodacom Group;
2. a shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
3. a copy of the instrument appointing a proxy must be delivered to Vodacom Group, or to any other person on behalf of Vodacom Group, before the proxy exercises any rights of the shareholder at the general meeting;
4. a proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid for one year or such period expressly set out in the appointment (unless such appointment is revoked or expires earlier as provided for in section 58 of the Act);
5. a proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy;
6. the appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder;
7. irrespective of the form of the instrument used to appoint a proxy, the appointment of a proxy is revocable (unless the proxy appointment expressly states otherwise) by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to Vodacom Group. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to Vodacom Group as required in the first sentence of this paragraph;
8. a proxy is entitled to exercise, or abstain from exercising, any voting right of the Shareholder without direction, except to the extent that the memorandum of incorporation, or the instrument appointing the proxy, provides otherwise;
9. if the instrument appointing the proxy or proxies has been delivered to Vodacom Group, as long as that appointment remains in effect, any notice that is required by the Act or the MOI to be delivered by Vodacom Group to the shareholder, must be delivered by Vodacom Group to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed Vodacom Group to do so in writing; and (ii) paid any reasonable fee charged by Vodacom Group for doing so; and
10. attention is also drawn to the notes to the form of proxy.

