

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 04 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 adviser immediately.

Action required:

In respect of the general meeting:

1. If you have disposed of all your Vodacom Group 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 Thursday 16 August 2018 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, 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 no later than 09:00 on Monday 13 August 2018 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 form of proxy is sent through to the transfer secretaries by no later than 09:00 on Wednesday 15 August 2018, provided that a shareholder or his or her proxy shall be entitled to deliver the form of proxy at any time before the proxy exercises any rights of the relevant shareholder at the general meeting. 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: US92858D2009 ADR code: VDMCY)
("Vodacom Group" or "the company")

CIRCULAR TO SHAREHOLDERS

Regarding a R16.4 billion broad-based Black Economic Empowerment transaction incorporating

- ▶ the issue of 49 689 995 Vodacom Group shares to YeboYethu Investment in exchange for 185 255 156 Vodacom SA ordinary shares and 64 761 185 as a specific issue for cash; and
- ▶ the approval of any financial assistance to be provided by the company, as contemplated in terms of section 44 of the Act, in relation to the BEE transaction.

and incorporating

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

Financial adviser to Vodacom Group, debt arranger and co-funder to YeboYethu and transaction sponsor to Vodacom Group



Legal and tax adviser to Vodacom Group and YeboYethu



Independent reporting accountants



Transfer secretaries to Vodacom Group



Financial adviser, co-funder and transaction sponsor to YeboYethu



Legal adviser to debt arranger and co-funders
ALLEN & OVERY

Independent expert to Vodacom SA



Independent expert to YeboYethu



Co-funder to YeboYethu



Financial adviser to Vodafone



Date of issue: Monday 16 July 2018

This circular is available in English only and copies thereof may be obtained from Monday 16 July 2018 to Thursday 16 August 2018 from: Vodacom Group's website (www.vodacom.com), and the registered office of Vodacom Group and the transaction sponsor at the addresses set out in the 'Corporate information' section of this circular.

CORPORATE INFORMATION

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
Place of incorporation: South Africa

Independent reporting accountants

PricewaterhouseCoopers Inc.
4 Lisbon Lane, Waterfall City
Jukskei View
2090
(Private Bag X36 Sunninghill 2175)

Financial adviser, co-funder and transaction sponsor to YeboYethu

Absa Limited
(acting through its Corporate and Investment banking division)
15 Alice Lane
Sandton
2196
(Private Bag X10056 Sandton 2146)

Co-funder to YeboYethu

Nedbank Limited
135 Rivonia Road
Sandton
2196
(PO Box 1144 Johannesburg 2000)

Financial adviser to Vodacom Group, debt arranger and co-funder to YeboYethu and transaction sponsor to Vodacom Group

Rand Merchant Bank
(a division of FirstRand Bank Limited)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196
(PO Box 786273 Sandton 2146)

Transfer secretaries

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

Legal and tax adviser to Vodacom Group and YeboYethu

Cliffe Dekker Hofmeyr Incorporated
1 Protea Place
Sandown
Sandton
2196
(Private Bag X40 Benmore 2010)

Legal adviser to debt arranger and co-funders

Allen & Overy (South Africa) LLP
6th Floor
90 Grayston
90 Grayston Drive
Sandton
2196

Independent expert to Vodacom SA

Ernst & Young Advisory Services (Pty) Limited
102 Rivonia Road
Sandton
2146
(Private Bag X14 Sandton 2146)

Independent expert to YeboYethu

BDO Corporate Finance Proprietary Limited
22 Wellington Road
Parktown
2193
(Private Bag X60500 Houghton 2041)

Financial adviser to Vodafone

Rothschild (South Africa) (Pty) Limited
3rd Floor Oxford Corner
32a Jellicoe Avenue
Rosebank
2196
(PO Box 411332 Craighall 2024)

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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 last practicable 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 04 of this circular apply, *mutatis mutandis*, to this section.

	2018
Announcement regarding the BEE transaction released on SENS	Monday 11 June
Announcement regarding the BEE transaction published in the South African press	Tuesday 12 June
Record date for posting the circular	Friday 6 July
Circular incorporating notice of general meeting posted to shareholders	Monday 16 July
Last day to trade in order to be eligible to attend and vote at the general meeting	Monday 6 August
Record date for attending and voting at the general meeting	Friday 10 August
Recommended day to lodge forms of proxy in respect of the general meeting by 09:00	Wednesday 15 August
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	Thursday 16 August
Results of general meeting released on SENS	Thursday 16 August
Estimated date of fulfilment of the general transaction conditions (on or about)	Friday 7 September
First implementation day (on or about) (if there are no appraisal rights exercised by YeboYethu shareholders)	Monday 10 September
First implementation day (on or about) (if any YeboYethu shareholders exercise their appraisal rights)	Tuesday 25 September

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.
3. Forms of proxy should be forwarded to be received for the orderly arrangement of matters on the date of the general meeting (but not required) by the company's transfer secretaries, by 09:00 on Wednesday 15 August 2018 for administrative purposes (or alternatively to handed to the chairperson of the general meeting prior to its commencement).

ACTION TO BE TAKEN BY SHAREHOLDERS

The definitions and interpretations commencing on page 04 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 CSDP, broker, banker, accountant, attorney 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 recommended 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 it to the transfer secretaries so as to reach them by no later than the recommended time, provided that a shareholder or his or her proxy shall be entitled to deliver the form of proxies at any time before the proxy exercises any rights of the relevant shareholder at the general meeting.

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 no later than 09:00 on Monday 13 August 2018 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 forms of proxy are sent through to the transfer secretaries by no later than 09:00 on Wednesday 15 August 2018, provided that a shareholder or his or her proxy shall be entitled to deliver the forms of proxy at any time before the proxy exercises any rights of the relevant shareholder at the general meeting. Participants must dial the following number, five minutes prior to start of the general meeting: +27 11 535 3600.

DEFINITIONS AND INTERPRETATIONS

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:

“Act”	means the Companies Act 71 of 2008 of South Africa, as amended;
“associates”	has the meaning ascribed to such term in the JSE Listings Requirements;
“BEE”	means broad-based black economic empowerment as contemplated in the BEE laws;
“BEE Act”	means the Broad-Based Black Economic Empowerment Act 53 of 2003 of South Africa, as amended;
“BEE Codes”	means the Codes of Good Practice on Broad-Based Black Economic Empowerment published in terms of the Republic of South Africa Government Gazette No. 36928 on 11 October 2013 under section 9(1) of the BEE Act, and the amended Information and Communication Technology Sector Code as gazetted in terms of section 9(1) of the BEE Act on 7 November 2016, in Government Gazette No. 1387;
“BEE laws”	means the BEE Act and the BEE Codes and any other charter, law or regulation by which ownership and/or control by black people is measured or a requirement relating thereto is imposed, provided such measurement or requirement is applicable to Vodacom Group and/or any of its South African subsidiaries;
“BEE Segment”	has the meaning assigned to such term in the JSE Listings Requirements;
“BEE transaction”	means Vodacom Group’s proposed R16.4 billion BEE transaction, detailed in paragraph 3 of the circular, to be implemented via a series of interlinked and inter-conditional transactions, namely: (i) the unwind of the existing Vodacom SA BEE transaction, (ii) the consolidation of Vodacom SA BEE shareholders’ interest in Vodacom SA into YeboYethu, (iii) the declaration of the special dividend to YeboYethu shareholders, (iv) a contribution by Vodacom Group (on its own behalf and for the benefit of the employer companies) to the Vodacom ESOP to enable the Vodacom ESOP to acquire and subscribe for YeboYethu ordinary shares, (v) the exchange of YeboYethu’s shareholding in Vodacom SA to Vodacom Group in return for the issue of shares by Vodacom Group; and (vi) the raising of funding by YeboYethu through the issue of preference shares to Vodacom Group and third-party funders and the use of the proceeds, among other things, to undertake the Vodacom Group specific issue;
“BEE transaction discounted subscription price”	means the BEE transaction share price, being the subscription price discounted by R1 950 759 847;
“BEE transaction share price”	means R143.35 per Vodacom Group share, which price was determined using the 60 day volume weighted average price of Vodacom Group shares to, and excluding, the last practicable date;
“black entity”	means: <ul style="list-style-type: none">▶ a company incorporated in accordance with the laws of South Africa, and which is both a “<i>B-BBEE owned company</i>” and a “<i>B-BBEE controlled company</i>” (as each of those terms are defined in the BEE Codes); or▶ (i) a vesting trust, (ii) a broad-based ownership scheme and/or (iii) a close corporation or an unincorporated entity or association, including a partnership, joint venture, syndicate or Stokvel, in each case under (i) to (iii) as may be determined from time to time by YeboYethu in its sole discretion as an entity or association that qualifies under the BEE laws for recognition and measurement of ownership, economic interest and control by black people such that YeboYethu may claim recognition of such ownership, economic interest and control under the BEE laws as being held by a majority of black people;
“black people” or “black person”	have the meanings assigned to such terms in the BEE Codes;
“board” or “directors”	means the board of directors of Vodacom Group, as set out in Annexure 4 of this circular;
“broker”	means any person registered as a “ <i>broker member equities</i> ” in terms of the rules of the JSE in accordance with the provisions of the Financial Markets Act;
“business day”	means any day other than a Saturday, Sunday or gazetted national public holiday in South Africa;
“certificated share”	means a share represented by a share certificate or other physical document of title, which has not been surrendered for dematerialisation in terms of the requirements of Strate;
“certificated shareholder”	means a shareholder who holds certificated shares;

“circular”	means this bound document, dated 16 July 2018, including the annexures, notice of general meeting and the form of proxy attached hereto;
“class A preference shares”	means the class A preference shares to be issued by YeboYethu to third-party funders in step 6 (paragraph 3.6). The number of class A preference shares to be issued is dependent on the fourth implementation day VGL VWAP, as more fully set out in paragraph 3.6. At an assumed fourth implementation day VGL VWAP of R121.19, the number of class A preferences to be issued in this step is 4 623 446;
“class B preference shares”	means the class B preference shares to be issued by YeboYethu to Vodacom Group in step 6 (paragraph 3.6). The number of class B preference shares to be issued is dependent on the number of class A preference shares issued, as more fully set out in paragraph 3.6. At an assumed fourth implementation day VGL VWAP of R121.19, the number of class B preferences to be issued in this step is 5 284 708;
“company secretary”	means the company secretary of Vodacom Group or her successor in title, as more fully detailed in the “Corporate information” section on the inside front cover of this circular;
“CSDP”	means a central securities depository participant as defined in the Financial Markets Act;
“Deloitte”	means Deloitte & Touche South Africa (IRBA registration number 902276), a professional partnership established in accordance with the laws of South Africa. Deloitte assisted Vodacom Group with the Monte Carlo model to determine the IFRS 2 charges;
“dematerialise”	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;
“dematerialised share”	means a share that has been dematerialised in accordance with the rules of Strate, evidencing ownership of shareholding in electronic format, which share may be traded on the JSE;
“dematerialised shareholder”	means a shareholder who holds dematerialised shares;
“EBITDA”	means, in terms of the covenants in the funding agreements, earnings before interest and taxation, impairment losses, profit/loss on disposal of investments, property, plant and equipment, and intangible assets, profit/loss from associate and joint venture, restructuring cost and BEE income/charge, but taking into account dividends or proceeds received of a similar nature, from an entity not consolidated within Vodacom Group;
“employer companies”	means certain South African subsidiaries of Vodacom Group that are employers of the Vodacom employees;
“existing Vodacom SA BEE transaction”	means the BEE ownership transaction implemented by Vodacom Group in 2008, in terms of which the Vodacom SA BEE shareholders acquired 6.25% of the issued share capital of Vodacom SA;
“EY”	means Ernst & Young Advisory Services (Pty) Limited (registration number 2006/018260/07), a public company duly registered and incorporated in accordance with the laws of South Africa. EY assisted Vodacom Group and the Vodacom SA BEE shareholders in an additional valuation reference to value the equity value of Vodacom SA, as it is unlisted;
“final implementation date”	means the date and moment in time when the BEE transaction is implemented in accordance with the implementation agreement;
“financial adviser”, “transaction sponsor” or “RMB”	means Rand Merchant Bank, a division of FirstRand Bank Limited, (registration number 1929/001225/06), a public limited company duly registered and incorporated in accordance with the laws of South Africa;
“Financial Markets Act”	means the Financial Markets Act, 19 of 2012 of South Africa, as amended;
“form of proxy”	means the form of proxy attached to this circular on page 47, and forming part of this circular;
“fourth implementation day VGL VWAP”	means the 5-day volume weighted average price of Vodacom Group shares to, and excluding, the fourth implementation day;
“funders” or “third-party funders”	means, collectively Absa Bank Limited, Nedbank and RMB, with whom YeboYethu and YeboYethu Investment concluded, on or about 3 July 2018, certain of the funding agreements, or individually, as determined by the context;
“funding agreements”	means those agreements concluded by and between, on the one hand, YeboYethu and YeboYethu Investment, and on the other hand, the funders and Vodacom Group on 3 July 2018, in terms of which YeboYethu and YeboYethu Investment shall obtain the necessary funding: (i) to make payment of YeboYethu’s transaction costs; (ii) to make payment of the special dividend; and (iii) to fund the majority of the subscription price for the Vodacom Group specific issue, which term shall include, among other things, the step 6 funders funding YeboYethu preference share subscription agreement and the step 6 Vodacom Group funding YeboYethu preference share subscription agreement, and the security documents concluded or to be concluded in relation thereto;

“funding period”	means the period commencing on the final implementation date and terminating on the later of (i) the date on which YeboYethu and YeboYethu Investment’s obligations under the funding agreements have been finally settled (excluding any post redemption tax liabilities that may be imposed on YeboYethu), and (ii) 23:59 on the 10th anniversary of the final implementation date;
“general meeting”	means the general meeting of shareholders to be held at Vodacom World, 082 Vodacom Boulevard, Midrand at 09:00 on Thursday 16 August 2018, for the purpose of considering and if deemed fit, passing the resolutions;
“general transactions conditions”	means those suspensive conditions upon which the commencement of the implementation of the BEE transaction on the first implementation day is suspensive, which general transaction conditions are set out in paragraph 6.1;
“GEPF”	means Government Employees Pension Fund, a fund established in terms of the Government Services Pension Act 57 of 1973 of South Africa, and renamed by the Government Employees Pension Law 1996 made by Proclamation 21 published in Government Gazette 17135 of 19 April 1996;
“GSM”	means the Global System for Mobile communications;
“IFRS”	means International Financial Reporting Standards as issued by the International Accounting Standards Board or its successor body;
“implementation agreement”	means the agreement concluded between the parties on 9 June 2018, which agreement sets out, among other things, the sequence of implementation of the BEE transaction;
“implementation day”	means the four consecutive business days over which the BEE transaction will be implemented. The first implementation day shall be the first business day following the fulfilment (or waiver) of the general transaction conditions on which, pursuant to any requirements of the JSE, the BEE transaction may begin to be implemented, provided that such date shall not be earlier than the expiry of the period within which the shareholders of YeboYethu are, to the extent applicable, entitled to issue a demand in terms of section 164 of the Act to exercise their appraisal rights as a consequence of the passing of the shareholders resolutions necessary to implement the BEE transaction, or such other later date as may be agreed in writing by the parties from time to time, and the terms “first implementation day” , “second implementation day” , “third implementation day” and “fourth implementation day” shall be construed accordingly;
“independent reporting accountant” or “PwC”	means PricewaterhouseCoopers Inc., (registration number 1998/012055/21), a personal liability company duly registered and incorporated in accordance with the laws of South Africa;
“Innovator Trust”	means the Innovator Trust (High Court of South Africa, Gauteng Local Division, Johannesburg, Master’s Reference Number IT 152/2014G), a trust duly constituted in accordance with the laws of South Africa, and one of the shareholders in YeboYethu with a beneficial holding of 8.33% of the ordinary share capital of YeboYethu, as at the last practicable date;
“ITA”	means the Income Tax Act 58 of 1962 of South Africa, as amended;
“JSE”	means JSE Limited, (registration number 2005/022939/06), a public company duly registered and incorporated in accordance with the laws of South Africa, or the securities exchange licensed in terms of the Financial Markets Act, owned and operated by that entity, as applicable;
“JSE Listings Requirements”	means the JSE Listings Requirements, as amended from time to time, whether by way of practice note or otherwise;
“last practicable date”	means the last practicable date prior to the finalisation of this circular, being Tuesday 3 July 2018;
“legal adviser” or “CDH”	means Cliffe Dekker Hofmeyr Incorporated, (registration number 2008/018923/21), a personal liability company duly registered and incorporated in accordance with the laws of South Africa;
“long stop date”	means the day preceding the date upon which the “Lock-In Period” (as such term is defined in YeboYethu’s memorandum of incorporation) expires, being, as at the last practicable date, 7 October 2018, or such later date as may be agreed by Vodacom Group and YeboYethu from time to time by way of signed written agreement concluded before the otherwise long stop date;
“M-Pesa”	means the mobile phone-based money transfer, financing and microfinancing service, launched in 2007 by Vodafone for Safaricom and Vodacom Group;
“MOI”	means the memorandum of incorporation of Vodacom Group;
“Nedbank”	means Nedbank Limited, (registration number 1951/000009/06), a public company duly registered and incorporated in accordance with the laws of South Africa;
“notice of general meeting”	means the notice of general meeting attached to this circular on page 44, and forming part of this circular;

“NVF”	means notional vendor funding;
“own-name dematerialised shareholders”	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;
“parties” or “party”	means the parties to the BEE transaction and transaction agreements, being RBH, Thebe, Vodacom Group, Vodacom ESOP, Vodacom SA, YeboYethu, YeboYethu ESOP, and YeboYethu Investment;
“PIC”	means the Public Investment Corporation SOC Limited, (registration number 2005/009094/30), a state-owned company duly registered and incorporated in accordance with the laws of South Africa;
“prime”	means First National Bank Limited’s prime overdraft lending rate;
“pro forma financial effects”	means <i>pro forma</i> financial effects of the BEE transaction;
“RBH”	means Lisinfo 209 Investments (Proprietary) Limited, (registration number 2008/007293/07), a private company duly registered and incorporated in accordance with the laws of South Africa, the wholly-owned indirect subsidiary through which Royal Bafokeng Holdings (Proprietary) Limited holds its shares in Vodacom SA and one of the Vodacom SA BEE shareholders with a beneficial holding of 1.97% of the issued share capital of Vodacom SA, as at the last practicable date;
“recommended time”	means 09:00 on Wednesday 15 August 2018 or 24 hours prior to the recommencement of the relevant shareholders’ meeting (in case of a postponement or an adjournment);
“record date”	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;
“register”	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;
“relationship agreement”	means the relationship agreement concluded between Vodacom Group, YeboYethu and YeboYethu Investment on 9 June 2018, regulating their relationship following implementation of the BEE transaction which agreement principally includes YeboYethu and YeboYethu Investment’s respective undertakings to Vodacom Group to remain 51% black owned and controlled, as more fully set out in paragraph 4.8;
“resolutions”	means the special resolution and ordinary resolutions set out in the notice of general meeting;
“Rothschilds”	means Rothschild (South Africa) Proprietary Limited (Registration number 1999/021764/07), a public company duly registered and incorporated in accordance with the laws of South Africa;
“Safaricom”	means Safaricom Plc, (company number C.8/2002), a company incorporated in accordance with the laws of the Republic of Kenya and listed on the Nairobi Securities Exchange. In August 2017, Vodacom Group acquired a 34.94% indirect interest in Safaricom Plc by acquiring 87.5% of the issued share capital of Vodafone Kenya Limited. The consideration paid by Vodacom Group for this acquisition equated to R34.6 billion settled by way of an issue of 233 459 781 new Vodacom Group shares and a cash payment of R51.2 million;
“SENS”	means the Stock Exchange News Service of the JSE;
“shareholder”	means a registered holder of Vodacom Group shares;
“SMME”	means Small, Micro and Medium Enterprises;
“South Africa”	means the Republic of South Africa;
“special dividend”	means the dividend which YeboYethu will declare to YeboYethu shareholders as part of the BEE transaction;
“specific transaction conditions”	means the conditions upon which the implementation of each step in the BEE transaction is conditional (as the case may be), which specific transaction conditions are set out in paragraph 6.2;
“specific transaction conditions date”	means 15 October 2018, or such later date as may be agreed by Vodacom Group and YeboYethu from time to time by way of signed written agreement concluded before the otherwise specific transaction conditions date;
“step”	means the corresponding step of the BEE transaction, as set out in paragraph 3;
“step 2 RBH share exchange agreement”	means the agreement concluded between, among others, RBH and YeboYethu on 9 June 2018, in terms of which RBH will, in step 2 (paragraph 3.2), sell 55 126 215 Vodacom SA A shares and 7 560 000 Vodacom SA ordinary shares to YeboYethu and in return YeboYethu will issue 15 115 295 YeboYethu ordinary shares to RBH in consideration;

“step 2 Thebe share exchange agreement”	means the agreement concluded between, among others, Thebe and YeboYethu on 9 June 2018, in terms of which Thebe will, in step 2 (paragraph 3.2), sell 23 625 521 Vodacom SA A shares and 3 240 000 Vodacom SA ordinary shares to YeboYethu and in return YeboYethu will issue 6 477 984 YeboYethu ordinary shares to Thebe in consideration;
“step 4 ESOP contribution agreement”	means the agreement concluded between Vodacom Group and the Vodacom ESOP on 3 July 2018, in terms of which Vodacom Group (on behalf of itself and various employer companies) will, in step 4 (paragraph 3.4), make a capital contribution of R1 050 million to the Vodacom ESOP to enable it to acquire 11 544 805 YeboYethu ordinary shares, of which R300 million will be utilised to acquire up to a maximum of 3 298 516 YeboYethu ordinary shares from the existing YeboYethu ESOP and the remaining R750 million will be used to subscribe for up to a maximum of 8 246 289 YeboYethu ordinary shares, resulting in the Vodacom ESOP owning, post-implementation of the BEE transaction, 21.82% of YeboYethu ordinary shares;
“step 4 ESOP sale agreement”	means the agreement concluded between, among others, the YeboYethu ESOP and the Vodacom ESOP on 3 July 2018, in terms of which the YeboYethu ESOP will, in step 4 (paragraph 3.4) and on the second implementation day, or as soon thereafter as is practicable, sell up to a maximum of 3 298 516 YeboYethu ordinary shares (5.71% post BEE transaction) to the Vodacom ESOP;
“step 4 ESOP subscription agreement”	means the agreement concluded between, among others, the Vodacom ESOP and YeboYethu on 3 July 2018, in terms of which the Vodacom ESOP will, in step 4 (paragraph 3.4), subscribe for 8 246 289 (15.58% post BEE transaction) YeboYethu ordinary shares;
“step 5 YeboYethu and YeboYethu Investment share exchange agreement”	means the agreement concluded between, among others, YeboYethu and YeboYethu Investment on 9 June 2018, in terms of which YeboYethu will, in step 5 (paragraph 3.5), sell 167 255 156 Vodacom SA A shares and 18 million Vodacom SA ordinary shares to YeboYethu Investment, and in exchange YeboYethu Investment will issue 7 123 061 YeboYethu Investment shares to YeboYethu in consideration;
“step 5 YeboYethu Investment and Vodacom Group share exchange agreement”	means the agreement concluded between YeboYethu Investment and Vodacom Group on 8 June 2018, in terms of which YeboYethu Investment will sell, in step 5 (paragraph 3.5), 167 255 156 Vodacom SA A shares and 18 million Vodacom SA ordinary shares, being 3.95% of Vodacom SA shares, post the unwind of the existing Vodacom SA BEE transaction, to Vodacom Group and in exchange Vodacom Group will issue 49 689 995 Vodacom Group shares, which is 2.71% of the issued Vodacom Group shares (post the BEE transaction), to YeboYethu Investment in consideration;
“step 6 funders funding YeboYethu/YeboYethu Investment subscription agreement”	means the agreement concluded between, among others, YeboYethu and YeboYethu Investment on 9 June 2018, in terms of which YeboYethu, using the subscription proceeds from the step 6 funders funding YeboYethu preference share subscription agreement, will, in step 6 (paragraph 3.6), subscribe for YeboYethu Investment shares (at an issue price of R1 000 per share). The number of YeboYethu Investment shares issued in this step is dependent on the number of class A preference shares issued by YeboYethu, as more fully set out in paragraph 3.6. At an assumed fourth implementation day VGL VWAP of R121.19, the number of YeboYethu Investment shares to be issued in this step is 4 623 446;
“step 6 funders funding YeboYethu Investment/ Vodacom Group subscription agreement”	means the agreement concluded between YeboYethu Investment and Vodacom Group on 8 June 2018, in terms of which YeboYethu Investment, using the subscription proceeds from the step 6 funders funding YeboYethu/YeboYethu Investment subscription agreement, will, in step 6 (paragraph 3.6), subscribe for Vodacom Group shares. The number of Vodacom Group shares issued in this step is dependent on the number of class A preference shares issued by YeboYethu, as more fully set out in paragraph 3.6. At an assumed fourth implementation day VGL VWAP of R121.19, the number of Vodacom Group shares to be issued in this step is 40 833 194, which is 2.22% of issued Vodacom Group shares (post the BEE transaction);
“step 6 funders funding YeboYethu preference share subscription agreement”	means the agreement concluded between, among others, YeboYethu and the funders on 3 July 2018, in terms of which YeboYethu will, in step 6 (paragraph 3.6), issue the class A preference shares to third-party funders to raise subscription proceeds. The aggregate amount to be raised in subscription proceeds by YeboYethu through the issue of class A preference shares and class B preference shares is R9 908 154 034;
“step 6 Vodacom Group funding YeboYethu/YeboYethu Investment subscription agreement”	means the agreement concluded between, among others, YeboYethu and YeboYethu Investment on 9 June 2018, in terms of which YeboYethu, using a portion of the subscription proceeds from the step 6 Vodacom Group funding YeboYethu preference share subscription agreement, will, in step 6 (paragraph 3.6), subscribe for YeboYethu Investment shares (at an issue price of R1 000 per share). The number of YeboYethu Investment shares issued in this step is dependent on the number of class B preference shares issued by YeboYethu, as more fully set out in paragraph 3.6. At an assumed fourth implementation day VGL VWAP of R121.19, the number of YeboYethu Investment shares to be issued in this step is 2 709 310;

“step 6 Vodacom Group funding YeboYethu Investment/Vodacom Group subscription agreement”	means the agreement concluded between YeboYethu Investment and Vodacom Group on 8 June 2018, in terms of which YeboYethu Investment, using the subscription proceeds from the step 6 Vodacom Group funding YeboYethu/YeboYethu Investment subscription agreement, will, in step 6 (paragraph 3.6), subscribe for Vodacom group shares. The number of Vodacom Group shares issued in this step is dependent on the number of class B preference shares issued by YeboYethu, as more fully set out in paragraph 3.6. At an assumed fourth implementation day VGL VWAP of R121.19, the number of Vodacom Group shares to be issued in this step is 23 927 991, which is 1.30% of issued Vodacom Group shares (post the BEE transaction);
“step 6 Vodacom Group funding YeboYethu preference share subscription agreement”	means the agreement concluded between YeboYethu and Vodacom Group on 3 July 2018, in terms of which YeboYethu will, in step 6 (paragraph 3.6) issue class B preference shares to Vodacom Group to raise subscription proceeds. The aggregate amount to be raised in subscription proceeds by YeboYethu through the issue of class A preference shares and class B preference shares is R9 908 154 034;
“Strate”	means Strate (Proprietary) Limited, (registration number 1998/022242/07), a private company duly registered and incorporated under the laws of South Africa and a registered central securities depository in accordance with the Financial Markets Act;
“suspensive conditions”	means either the general transaction conditions or the specific transaction conditions or both, as the context requires;
“Takeover Regulation Panel”	means the Takeover Regulation Panel established in terms of section 196 of the Act;
“tax”	means all South African taxes that may become payable by a party concerned, including any income tax, secondary tax on companies, dividends tax, VAT, donations tax, securities transfer tax, uncertificated securities transfer tax, PAYE/employees’ tax, stamp duties, levies, assessments, imposts, deductions, charges and withholdings whatsoever in terms of any tax legislation, and all includes all penalties, additional tax and interest payable in terms of such tax legislation;
“Thebe”	means Main Street 661 Proprietary Limited, (registration number 2008/003181/07), a private company duly registered and incorporated in accordance with the laws of South Africa, the wholly-owned subsidiary through which Thebe Investment Corporation (Proprietary) Limited holds its shares in Vodacom SA and one of the Vodacom SA BEE shareholders with a beneficial holding of 0.84% of the issued share capital of Vodacom SA, as at the last practicable date;
“transaction agreements”	means collectively, the implementation agreement, the relationship agreement, the step 2 RBH share exchange agreement, the step 2 Thebe share exchange agreement, the step 4 ESOP contribution agreement, the step 4 ESOP sale agreement, the step 4 ESOP subscription agreement, the step 5 YeboYethu and YeboYethu Investment share exchange agreement, the step 5 YeboYethu Investment and Vodacom Group share exchange agreement, the step 6 funders funding YeboYethu/YeboYethu Investment subscription agreement, the step 6 funders funding YeboYethu Investment/Vodacom Group subscription agreement, the step 6 Vodacom Group funding YeboYethu/YeboYethu Investment subscription agreement, and the step 6 Vodacom Group funding YeboYethu Investment/Vodacom Group subscription agreement, or individually, as determined by the context;
“transfer secretaries” or “Computershare”	means Computershare Investor Services (Proprietary) Limited, (registration number 2004/003647/07), a private company duly registered and incorporated in accordance with the laws of South Africa;
“trigger event remedy notice”	means a notice sent by funders to alert YeboYethu that they have breached their covenants under and in terms of the funding agreements to which the funders are a party;
“VAT”	means South African value-added tax, as per the Value-Added Tax Act 89 of 1991 of South Africa, as amended;
“Vodacom employees”	means selected employees of Vodacom Group and the employer companies, which is all employees and executives, of Vodacom Group and the employer companies who will participate in the Vodacom ESOP, with a weighting in favour of lower level black employees, in particular black women;
“Vodacom ESOP”	means the Vodacom Siyanda Employee Trust (High Court of South Africa, Gauteng Local Division, Johannesburg, Master’s Reference Number IT001390/2018(G)), a trust duly constituted in accordance with the laws of South Africa, and created by Vodacom Group for the benefit of Vodacom employees;
“Vodacom Group” or “the company” or “Vodacom” or “VGL”	means Vodacom Group Limited, (registration number 1993/005461/06), a public company duly registered and incorporated in accordance with the laws of South Africa;
“Vodacom Group service agreement”	means the service level agreement concluded between Vodacom Group and YeboYethu on 9 June 2018, in terms of which Vodacom Group will provide, among other things, administrative support services including finance, company secretarial, tax and treasury services to YeboYethu;
“Vodacom Group share”	means an ordinary share in the issued share capital of Vodacom Group;

“Vodacom Group specific issue”	means the issues for cash of, in aggregate, 64 761 185 Vodacom Group shares at the BEE transaction discounted subscription price by Vodacom Group to YeboYethu Investment in step 6 (paragraph 3.6);
“Vodacom SA”	means Vodacom (Proprietary) Limited, (registration number 1993/003367/07), a private company duly registered and incorporated in accordance with the laws of South Africa; currently held 6.25% by Vodacom SA BEE shareholders and 93.75% by Vodacom Group;
“Vodacom SA A shares”	means class “A” ordinary shares in the share capital of Vodacom SA;
“Vodacom SA BEE shareholders”	means collectively, RBH, Thebe and YeboYethu, or individually, as determined by the context;
“Vodacom SA NVF transaction”	means the existing Vodacom SA BEE transaction facilitated by Vodacom SA through an NVF structure;
“Vodacom SA ordinary shares”	means ordinary shares in the share capital of Vodacom SA;
“Vodacom SA service agreement”	means the service level agreement concluded between Vodacom SA and YeboYethu in or about 2016, in terms of which Vodacom SA provided, among other things, administrative support services to YeboYethu;
“Vodacom SA shares”	means collectively, Vodacom SA A shares and Vodacom SA ordinary shares, or individually, as determined by the context;
“Vodafone”	means Vodafone Group Plc., (registration number 01833679), a public company duly registered and incorporated in accordance with the laws of England, which is the ultimate holding company of Vodafone International and Vodafone Investments SA;
“Vodafone International”	means Vodafone International Holdings B.V, (registration number 24235177), a private company registered and duly incorporated in accordance with the laws of the Netherlands, and one of the shareholders with a beneficial holding of 8.33% of the issued share capital of Vodacom Group, as at the last practicable date, a wholly-owned subsidiary of Vodafone;
“Vodafone Investments SA”	means Vodafone Investments (SA) Proprietary Limited, (registration number 1948/031037/07), a private company duly registered and incorporated in accordance with the laws of South Africa, and one of the shareholders with a beneficial holding of 56.18% of the issued share capital of Vodacom Group, as at the last practicable date, a wholly-owned subsidiary of Vodafone;
“YeboYethu”	means YeboYethu (RF) Limited, (registration number 2008/014734/06), a public company duly registered and incorporated in accordance with the laws of South Africa and one of the Vodacom SA BEE shareholders with a beneficial holding of 3.44% of the issued share capital of Vodacom SA, as at the last practicable date;
“YeboYethu board”	means the board of directors of YeboYethu;
“YeboYethu ESOP”	means the YeboYethu Employee Participation Trust (High Court of South Africa, Gauteng Local Division, Johannesburg, Master’s Reference Number IT 2065/2008 (G)), a trust duly constituted in accordance with the laws of South Africa, and created by Vodacom SA for the benefit of eligible employees and one of the shareholders in YeboYethu with a beneficial holding of 45% of the issued share capital of YeboYethu, as at the last practicable date;
“YeboYethu ESOP beneficiaries”	means the beneficiaries of the YeboYethu ESOP, who have a vested right to distribution, YeboYethu ordinary shares and capital appreciation;
“YeboYethu Investment”	means YeboYethu Investment Company (RF) Proprietary Limited, (registration number 2018/264887/07), a dormant private company duly registered and incorporated in accordance with the laws of South Africa and, on the final implementation date, a wholly-owned subsidiary of YeboYethu;
“YeboYethu Investment shares”	means ordinary shares in the share capital of YeboYethu Investment;
“YeboYethu N shares”	means automatically convertible “N” shares in the share capital of YeboYethu;
“YeboYethu NVF transaction”	means the existing NVF structure underpinning, and included in the terms of, the YeboYethu N shares;
“YeboYethu ordinary shares”	means ordinary shares in the share capital of YeboYethu;
“YeboYethu preference shares”	means collectively, class A preference shares and class B preference shares, or individually as determined by the context;
“YeboYethu shareholder”	means a registered holder of YeboYethu ordinary shares and/or YeboYethu N shares; and
“ZAR” or “R”	means South African rand, the lawful currency of South Africa.



Vodacom Group Limited

(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
(ISIN: ZAE000132577 Share code: VOD)
(ISIN: US92858D2009 ADR code: VDMCY)
("Vodacom Group" or "the company")

Directors

Independent non-executive

PJ Moleketi (Chairman), DH Brown, BP Mabelane, SJ Macozoma, TM Mokgosi-Mwantembe

Non-executive

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

Executive

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

CIRCULAR TO SHAREHOLDERS

1. Introduction

1.1 Background

Shareholders are referred to the announcements released on SENS on Monday 11 June 2018 and Wednesday 4 July 2018 and published respectively in the South African press on Tuesday 12 June 2018 and Thursday 5 July 2018 detailing the BEE transaction between Vodacom Group and YeboYethu.

During 2008, Vodacom Group facilitated a BEE ownership transaction in terms of which RBH, Thebe and YeboYethu, in aggregate, acquired an effective 6.25% shareholding in the issued share capital of Vodacom SA.

The existing Vodacom SA BEE transaction is scheduled to unwind on 8 October 2018.

In demonstrating its ongoing and continued commitment to transformation and broad-based BEE ownership in South Africa, Vodacom Group, together with Vodacom SA and the Vodacom SA BEE shareholders have entered into a number of agreements in terms of which the current shareholders of YeboYethu, together with the Vodacom SA BEE shareholders and the Vodacom ESOP will, through YeboYethu and YeboYethu Investment, acquire 6.23% of the issued shares in Vodacom Group (post issuance) in terms of a new BEE transaction.

The key features of the BEE transaction include, *inter alia*:

- ▶ transaction size of R16.4 billion;
- ▶ equity swap ratio of Vodacom SA to Vodacom Group of 73.0%;
- ▶ subscription price discount from Vodacom Group;
- ▶ R3.9 billion equity reinvested by the Vodacom SA BEE shareholders;
- ▶ R3.3 billion paid out to YeboYethu shareholders as a special dividend;
- ▶ continued listing of YeboYethu on the BEE Segment of the JSE;
- ▶ R750 million Vodacom ESOP subscription for new YeboYethu ordinary shares; and
- ▶ 60% gearing of YeboYethu (third party financing and vendor funding from Vodacom Group).

1.2 Rationale

The existing Vodacom SA BEE transaction is scheduled to unwind on 8 October 2018, as per the YeboYethu prospectus of 30 July 2008. Consistent with Vodacom Group's empowerment objectives to sustain and enhance its broad-based black ownership, the BEE transaction has been designed to provide liquidity and the opportunity for Vodacom SA BEE shareholders and the Vodacom ESOP to participate in an attractive growth opportunity. In order to structure the BEE transaction efficiently, Vodacom Group was guided by the following principles:

- ▶ to preserve Vodacom SA's current BEE ownership level by ensuring that black ownership is not diluted through the unwind of the existing Vodacom SA BEE transaction and the implementation of the BEE transaction;
- ▶ to provide significant liquidity and a return of capital to Vodacom SA BEE shareholders through the special dividend;
- ▶ to lower the cost of facilitating the BEE transaction, through gearing the BEE net asset value;
- ▶ to bolster and grow YeboYethu, which consolidates Vodacom BEE shareholders in a listed and tradeable platform, and enable trading from day one by an increased shareholder base;

- ▶ to provide BEE shareholders exposure to Vodacom Group's South African and international operations, including Safaricom; and
- ▶ to broaden ownership by including selected employees of Vodacom Group and employer companies, through the Vodacom ESOP.

1.3 Purpose of this circular

The purpose of this circular is to:

- ▶ provide shareholders with background information in relation to the existing Vodacom SA BEE transaction, to describe the rationale for and benefits of the BEE transaction and provide general information on the terms of the BEE transaction; and
- ▶ convene the general meeting in terms of the notice of general meeting, to consider and, if deemed fit, to approve the resolutions proposed thereat.

The resolutions required from the company's shareholders in order to enable the company to implement the BEE transaction are, as more fully set out in paragraph 5:

- ▶ a specific authority to issue Vodacom Group shares for cash to YeboYethu Investment, in terms of section 5.51 of the JSE Listings Requirements;
- ▶ an authority to issue shares, whether for cash or otherwise, to YeboYethu Investment, in terms of clause 5.7.2 of the company's MOI which requires that new issues of shares be approved by shareholders either on a general or specific basis; and
- ▶ an authority for the company to provide financial assistance, in the broad sense as envisaged by the transaction agreements and funding agreements as a whole, for the facilitation of the acquisition of its shares, in terms of section 44 of the Act.

2. Overview of the existing Vodacom SA BEE transaction

During 2008 Vodacom Group implemented the existing Vodacom SA BEE transaction in terms of which the Vodacom SA BEE shareholders acquired a 6.25% interest in Vodacom SA through a subscription for:

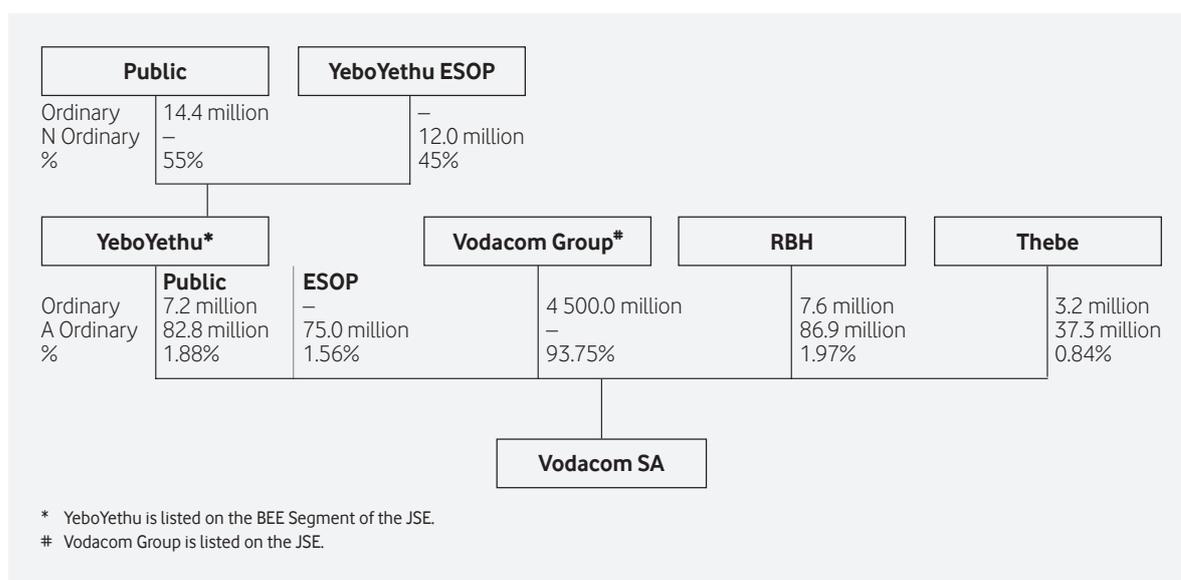
- ▶ 282 million Vodacom SA A shares; and
- ▶ 18 million Vodacom SA ordinary shares.

The issue of the Vodacom SA A shares was facilitated by Vodacom SA through a NVF structure. The Vodacom SA BEE shareholders made an equity contribution of R900 million (R378 million from RBH, R162 million from Thebe and R360 million from YeboYethu). In order to raise funds, YeboYethu offered 14.4 million YeboYethu ordinary shares for subscription by black people and black entities. In addition, the YeboYethu ESOP subscribed for 12 million YeboYethu N shares at a nominal amount in terms of the separate YeboYethu NVF transaction.

Vodacom Group facilitated the establishment of the Innovator Trust in 2014 with a loan facility of R750 million, an independent entity whose primary purpose is to develop and support black owned SMMEs in the information and communication technology sector. The Innovator Trust used a portion of the facility to purchase shares in YeboYethu, and uses the income from interest and dividends to develop black owned SMME's in the information and communication technology sector and advancement of black owned suppliers in Vodacom Group's supply chain.

In 2016, YeboYethu ordinary shares were listed on the BEE Segment of the JSE.

2.1 Vodacom SA current BEE transaction structure



3. Details of the BEE transaction

The BEE transaction is being concluded at a value that was negotiated and agreed between a willing seller (Vodacom SA BEE shareholders) and a willing buyer (Vodacom Group) and therefore constitutes fair market value. On instruction from the board, EY was appointed to undertake an independent valuation exercise on Vodacom SA. The report was finalised on 16 March 2018 and used as an additional reference point during the negotiations with the Vodacom SA BEE shareholders. EY performed a discounted cash flow valuation of Vodacom SA, a multiples valuation of Vodacom SA and a top-down valuation of Vodacom SA based on the market capitalisation of Vodacom Group and the contribution of Vodacom SA to Vodacom Group.

The BEE transaction will be implemented via a series of interlinked and inter-conditional steps as outlined below:

3.1 Step 1: first implementation day: unwind of the existing Vodacom SA BEE transaction

Step 1A: Implementation of the NVF structure

Vodacom SA will repurchase 114 744 844 (31 813 785 from RBH, 13 634 479 from Thebe, 30 298 842 from YeboYethu and 38 997 738 from YeboYethu ESOP) Vodacom SA A shares from the Vodacom SA BEE shareholders for a nominal consideration (R0.00001 per Vodacom SA A share, and R1 147.45 in aggregate) pursuant to the Vodacom SA NVF transaction terms, upon which the remaining Vodacom SA A shares will rank pari passu with the Vodacom SA ordinary shares in all respects and will be unencumbered consistent with the terms of issue thereof. It is anticipated that post the Vodacom SA repurchase, the Vodacom SA BEE shareholders will collectively hold 185 255 156 Vodacom SA shares (being 18 million Vodacom SA ordinary shares and 167 255 156 Vodacom SA A shares), or approximately 3.95% of Vodacom SA.

The board of directors of Vodacom SA will elect to make the payments pursuant to the repurchase contemplated above out of its contributed tax capital (as defined in section 1 of the ITA) and Vodacom SA will, in terms of paragraph 76(4) of the Eighth Schedule to the ITA notify each of RBH, Thebe and YeboYethu, as shareholders of Vodacom SA, of its election in this regard.

There are no additional requirements on the parties arising from the JSE Listings Requirements in terms of this step.

Step 1B: Conversion and partial acquisition of YeboYethu N shares

Following implementation of the Vodacom SA repurchase as set out in the paragraph above, the, 12 000 000 YeboYethu N shares in issue (in respect of which the YeboYethu ESOP is the sole shareholder), will automatically convert into YeboYethu ordinary shares according to their terms of issue and at the same time 3 318 908 of those shares shall be simultaneously acquired by YeboYethu for a nominal amount (R0.00001 per share, and R33.19 in aggregate) based on the existing YeboYethu NVF transaction terms.

Of the 8 681 092 YeboYethu ordinary shares held by the YeboYethu ESOP, which remain after the conversion and acquisition described above, up to a maximum of 3 298 516 will, as set out in step 4 (paragraph 3.4), be sold to the Vodacom ESOP pursuant to the step 4 ESOP sale agreement, and the remaining 5 382 576 YeboYethu ordinary shares will be transferred, together with the proceeds received by the YeboYethu ESOP from its sale to the Vodacom ESOP in terms of the step 4 ESOP sale agreement, to the existing vested YeboYethu ESOP beneficiaries in accordance with the terms of the YeboYethu ESOP trust deed and scheme rules, whereafter the YeboYethu ESOP will be wound-up.

The YeboYethu ESOP beneficiaries will be liable for income tax at their marginal tax rate (in terms of section 8C of the ITA) on the value of any proceeds received for the sale of shares and on the market value of the shares the YeboYethu ESOP beneficiaries retain once all restrictions are lifted.

The board of directors of YeboYethu will elect to make the payments pursuant to the repurchase contemplated above out of its contributed tax capital (as defined in section 1 of the ITA) and YeboYethu will, in terms of paragraph 76(4) of the Eighth Schedule to the ITA notify the YeboYethu ESOP, as shareholder of YeboYethu, of its election in this regard.

YeboYethu will, in terms of the JSE Listings Requirements, apply for those newly converted YeboYethu ordinary shares held by the YeboYethu ESOP after YeboYethu's acquisition in this step, to be listed. Save for such, there are no additional requirements on the parties arising from the JSE Listings Requirements in terms of this step.

3.2 Step 2: first implementation day: consolidation of Vodacom SA BEE shareholders' interests in Vodacom SA into a single vehicle

Each of RBH and Thebe will exchange their Vodacom SA shares for new YeboYethu ordinary shares in terms of asset-for-share transactions, thereby consolidating all of the Vodacom SA BEE shareholders' interests into a single vehicle, being YeboYethu.

In terms of the step 2 RBH share exchange agreement, RBH will sell its 55 126 215 Vodacom SA A shares and 7.56 million Vodacom SA ordinary shares to YeboYethu, and in return YeboYethu will issue 15 115 295 (valued at R2 410 284 967) new YeboYethu ordinary shares to RBH in consideration.

In terms of the step 2 Thebe share exchange agreement, Thebe will sell its 23 625 521 Vodacom SA A shares and 3.24 million Vodacom SA ordinary shares to YeboYethu, and in return YeboYethu will issue 6 477 984 (valued at R1 032 979 282) new YeboYethu ordinary shares to Thebe in consideration.

The sales by each of RBH and Thebe, and the issue of new ordinary shares in YeboYethu, will be done simultaneously and at fair market value.

YeboYethu's acquisitions in this step, and the transactions undertaken by YeboYethu in the BEE transaction generally, will, in line with a dispensation received from the JSE, be aggregated and treated as a single category 1 transaction (and reverse take-over) for YeboYethu, in respect of which it will be required to comply with the relevant provisions of section 9 of the JSE Listings Requirements. (This comment is not repeated below in relation to each of the transactions undertaken by YeboYethu in the BEE transaction). YeboYethu will apply for the newly issued YeboYethu ordinary shares to be listed. As the number of shares which YeboYethu will issue in this step will increase the securities issued by more than 50%, YeboYethu must include in its category 1 circular the information required to be disclosed for a pre-listing statement. YeboYethu's issues of shares in this step will not be issued for cash, but instead will be acquisition issues. Save for such, there are no additional requirements on the parties arising from the JSE Listings Requirements in terms of this step.

3.3 Step 3: second implementation day: YeboYethu declares a special dividend (distribution)

YeboYethu will declare a special dividend up to a maximum of R3 261 189 876 or, in all cases, R73.00 per YeboYethu ordinary share on the second implementation day, subject to YeboYethu meeting a solvency and liquidity test as contemplated by section 45 of the Act. The special dividend represents a significant liquidity event and equates to 2.9 times the YeboYethu shareholders' original equity contribution. The aforementioned represents a once off liquidity event and the Vodacom Group currently has no intention to settle the BEE transaction in cash.

Despite declaration, the payment of the special dividend will only occur in (and payment will be contingent upon) step 6 (in paragraph 3.6) (and each of the preceding steps) being implemented.

The board of directors of YeboYethu have elected not to make the payment of the step 3 special dividend out of its contributed tax capital (as defined in section 1 of the ITA) and such step 3 special dividend will be funded out of reserves.

The dividend will be declared pro-rata to all shareholders at the time of declaration and, as such, there are no additional requirements on the parties arising from the JSE Listings Requirements in terms of this step.

3.4 Step 4: second implementation day: Vodacom Group (on behalf itself and other employer companies) make a contribution to the Vodacom ESOP to enable it to acquire YeboYethu ordinary shares

In terms of the step 4 ESOP contribution agreement, Vodacom Group, on behalf of itself and the employer companies, will make a capital contribution of an aggregate amount of R1.05 billion to the Vodacom ESOP. In terms of the step 4 ESOP sale agreement the Vodacom ESOP will, on the second implementation day or as soon thereafter as it may be implemented, use the proceeds to purchase up to a maximum of 3 298 516 YeboYethu ordinary shares valued at R300 million from the YeboYethu ESOP (and the YeboYethu ESOP beneficiaries insofar as the rights therein have vested). In terms of step 4 ESOP subscription agreement, the Vodacom ESOP will use the balance of R750 million to subscribe for up to a maximum of 8 246 289 new YeboYethu ordinary shares for the benefit of YeboYethu ESOP beneficiaries.

Should any balance of the contribution remain after the sale and subscription above, the Vodacom ESOP will use those funds to acquire YeboYethu ordinary shares in the market after the implementation of the BEE transaction.

Insofar as the shares to be issued by YeboYethu to the Vodacom ESOP in this step will be issued for cash, YeboYethu will be required to comply with the provisions in the JSE Listings Requirements regulating specific issues for cash, section 5.51. YeboYethu will, in terms of the JSE Listings Requirements, apply for those newly issued YeboYethu ordinary shares to be listed. Save for such, there are no additional requirements on the parties arising from the JSE Listings Requirements in terms of this step.

3.5 Step 5: YeboYethu exchanges Vodacom SA shares for new Vodacom Group shares

A new special purpose vehicle, YeboYethu Investment, has been created for the purpose of holding YeboYethu's Vodacom Group shares. YeboYethu Investment will be a wholly-owned subsidiary of YeboYethu.

Second implementation day

After the implementation of the aforementioned steps and the consolidation of YeboYethu's shareholding in Vodacom SA, YeboYethu will exchange its Vodacom SA shares for YeboYethu Investment shares. In terms of the step 5 YeboYethu and YeboYethu Investment share exchange agreement YeboYethu will sell its 167 255 156 Vodacom SA A shares, valued at R6 430 960 748, and 18 million Vodacom SA ordinary shares, valued at R692 100 000, to YeboYethu Investment, and in return YeboYethu Investment will issue 7 123 061 new YeboYethu Investment shares to YeboYethu in consideration.

Third implementation day

After implementation of YeboYethu's exchange of Vodacom SA shares for YeboYethu Investment shares, and on the subsequent day YeboYethu Investment will exchange its Vodacom SA shares for new Vodacom Group shares on a fair market value basis of R7 123 060 748. In terms of the step 5 YeboYethu Investment and Vodacom Group share exchange agreement, YeboYethu Investment will sell its 167 255 156 Vodacom SA A shares and 18 million Vodacom SA ordinary shares to Vodacom Group and in return Vodacom Group will issue 49 689 995 new Vodacom Group shares in consideration at the BEE transaction share price.

Vodacom Group's acquisition in this step (and the transactions, as defined in the JSE Listings Requirements, undertaken by Vodacom Group in the BEE transaction on an aggregate basis) is, with reference to section 9 of the JSE Listings Requirements, less than 5% of any percentage ratio and, as such, the BEE transaction, nor any transaction therein, constitutes a category transaction for Vodacom Group. Vodacom Group will apply for the newly issued Vodacom Group shares to be listed. Vodacom Group's issue of shares in this step will not be issued for cash, but instead will be an acquisition issue. Save for such, there are no additional requirements on the parties arising from the JSE Listings Requirements in terms of this step.

3.6 Step 6: fourth implementation day: YeboYethu raises vendor funding and third party financing and subscribes for additional Vodacom Group shares

In aggregate, YeboYethu will raise R9 908 154 034 in subscription proceeds from the issue of the class A preference shares and class B preference shares. The number of class A preference shares to be issued by YeboYethu, however, will be, with reference to their aggregate subscription price, equal to the lesser of R5 833 333 333 and an aggregate subscription price which is equal to a 3 times share cover ratio as measured against the 5-day VWAP of a Vodacom Group share on the fourth implementation day. The number of class B preference shares will be equal to that number of class B preference shares which need to be issued, based on their aggregate subscription price, such that the total preference share funding received by YeboYethu (including the subscription funds received pursuant to the issue of the class A preference shares) is equal to R9 908 154 034.

Accordingly, although the aggregate funding received by YeboYethu from preference share subscription proceeds will remain constant, the split between the funding received by YeboYethu from class A preference shares and class B preference shares, will be dependent on the fourth implementation day VGL VWAP, which will only be known on the fourth implementation day. For illustrative purposes, below and later in the circular, the split between the funding received by YeboYethu from class A preference shares and class B preference shares has been based on a fourth implementation day VGL VWAP of R121.19.

In terms of the step 6 Vodacom Group funding YeboYethu preference share subscription agreement, YeboYethu will issue class B preference shares to Vodacom Group and raise R5 284 707 866. The class B preference shares will be unsecured. YeboYethu will use the subscription proceeds received pursuant to (i) the subscription by Vodacom ESOP (as set out in step 4 at paragraph 3.4 above) and (ii) the issue of the class B preference shares, to (a) fund the payment of the special dividend (as set out in step 3 at paragraph 3.3 above) and YeboYethu's transaction costs amounting to R64 million and (b) subscribe for 2 709 310 (at an issue price of R1 000 per share) additional YeboYethu Investment shares.

YeboYethu Investment will use the subscription proceeds received from YeboYethu above to subscribe for 23 927 991 (representing 1.30% of Vodacom Group shares, post the BEE transaction) new Vodacom Group shares, valued at R3 430 077 652, at a discount of R720 767 619.

In addition, in terms of the step 6 funders funding YeboYethu preference share subscription agreement, YeboYethu will issue class A preference shares to third-party funders and raise R4 623 446 168. The class A preference shares will be secured, among other things, through YeboYethu Investment issuing a guarantee and a pledge of the Vodacom Group shares held by it to the third-party funders. YeboYethu will use the entire subscription proceeds received pursuant to the issue of class A preference shares, to subscribe for 4 623 446 (at an issue price of R1 000 per share) additional YeboYethu Investment shares.

YeboYethu Investment will use the entire subscription proceeds received from YeboYethu above to subscribe for 40 833 194 (representing 2.22% of issued Vodacom Group shares, post the BEE transaction) new Vodacom Group shares, valued at R5 853 438 396, at a discount of R1 229 992 228.

Since the terms announcement, dated 11 June 2018, markets across the globe have been impacted by significant share price volatility. This has been driven by global factors including increased international trade uncertainty from tariff interventions mainly by the USA and China. Emerging markets have been particularly affected. International funds withdrew from riskier assets, creating negative pressure on emerging market economies and currencies. The impact of this can be clearly seen in the resultant volatile share prices across the South African market.

The table below illustrates what the split of the YeboYethu gearing amounts will be between the class A preference shares and class B preference shares based on various assumed 5-day VWAP's of a Vodacom Group share on the fourth implementation day and is provided for illustrative purposes only.

5-day VWAP of a Vodacom Group share on the fourth implementation day (Rand)	Class A share cover preference shares from third party funders (Rm)	Class B preference shares from Vodacom Group (Rm)	Total YeboYethu gearing (Rm)
150.00	5 723	4 185	9 908
140.00	5 341	4 567	9 908
130.00	4 959	4 949	9 908
121.19	4 623	5 285	9 908
120.00	4 578	5 330	9 908
110.00	4 196	5 712	9 908
100.00	3 815	6 093	9 908

Insofar as the shares to be issued by Vodacom Group to YeboYethu Investment in this step will be issued for cash, Vodacom Group will be required to comply with the provisions in the JSE Listings Requirements regulating specific issues for cash, section 5.51. Vodacom Group will, in terms of the JSE Listings Requirements, apply for those newly issued Vodacom Group shares to be listed.

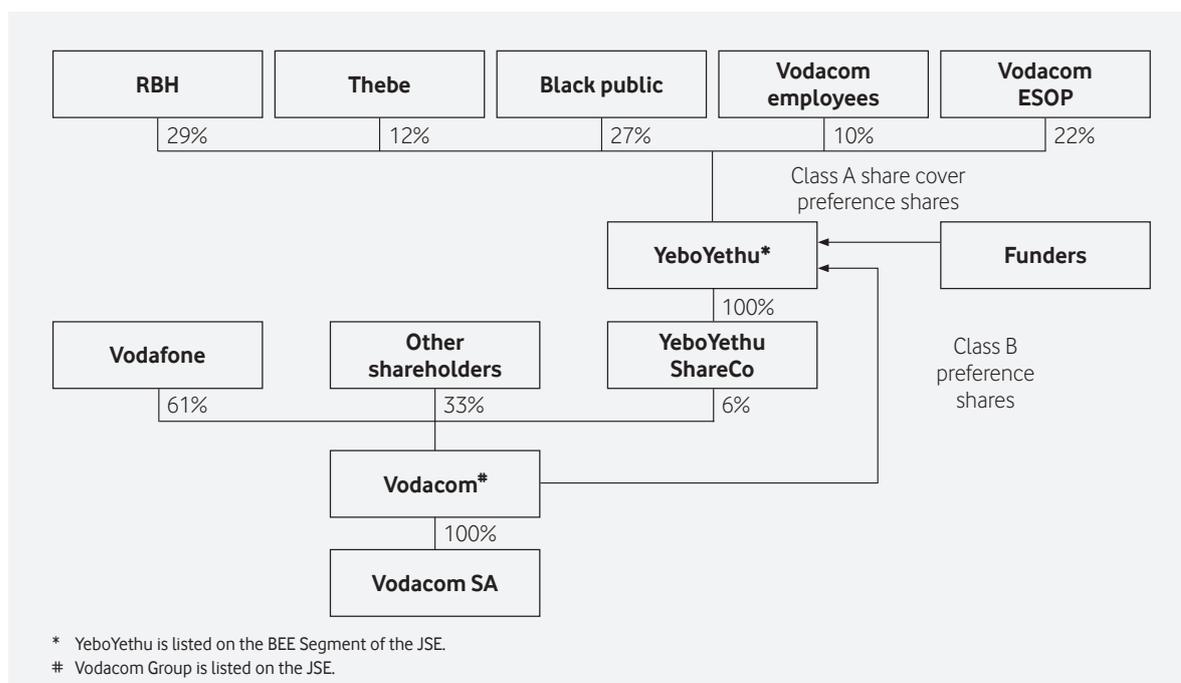
Insofar as the shares to be issued by YeboYethu in this step are not listed, and will not be listed, the provisions regulating specific issues for cash in the JSE Listings Requirements will not be applicable. The creation, however, of these shares in YeboYethu's memorandum of incorporation will, however, require YeboYethu shareholder approval, and the changes to YeboYethu's memorandum of incorporation will be subject to the JSE's approval, in accordance with the JSE Listings Requirements.

Save for the above, there are no additional requirements on the parties arising from the JSE Listings Requirements in terms of this step.

Following the implementation of the BEE transaction, Vodacom Group will own 100% of Vodacom SA.

3.7 Post-BEE transaction structure

Following the implementation of the BEE Transaction, the YeboYethu shareholding structure will be as follows:



4. Key terms of the YeboYethu structure

4.1 YeboYethu sources of funding

The table below sets out the sources of funding to discharge the payment obligations of the BEE transaction.

Sources of funding	Rm	%
Economic value of Vodacom discount of subscription price	1 951	11.8
Equity contribution – Vodacom SA BEE shareholders	3 862	23.4
Equity contribution by Vodacom Group and employer companies – Vodacom ESOP ¹	750	4.6
Class A preference shares from third party funders	4 623	28.1
Class B preference shares from Vodacom Group	5 285	32.1
Total	16 471	100

Uses of funding	Rm	%
Acquisition of Vodacom Group shares	16 407	99.6
Transaction costs	64	0.4
Total	16 471	100

Note 1: Total Vodacom ESOP contribution of R1 050 million, where up to a maximum of R300 million is utilised to acquire shares from the YeboYethu ESOP and R750 million is utilised to acquire for new YeboYethu ordinary shares. The balance of the contribution to the Vodacom ESOP will be used by the Vodacom ESOP following the final implementation date to acquire YeboYethu ordinary shares in the market.

4.2 Funding terms

The salient terms of the funding of the BEE transaction are summarised as follows:

	Class A preference shares	Class B preference shares
Facilities	Cumulative redeemable preference shares	
Issuer	YeboYethu	
Subscriber	Third-party funders	Vodacom Group
Final redemption date	<ul style="list-style-type: none"> ▶ 5 years commencing from subscription date. ▶ Intention to refinance for a further 5 years at the end of the initial subscription date. 	<ul style="list-style-type: none"> ▶ 10 years commencing from subscription date.
Service/redemption	<p>Ongoing Vodacom Group dividends received by YeboYethu Investment will be applied in accordance with an agreed priority of payments which, among others, includes:</p> <ul style="list-style-type: none"> ▶ the payment of taxes and administration costs; ▶ the service of a prescribed portion of the class A preference shares on a semi-annual basis; ▶ subject to the share cover ratio exceeding 2.4 times and the approval of the YeboYethu board of directors, an annual maximum dividend in favour of YeboYethu shareholders, in an amount equal to the greater of (i) R76 million (increased at 5% per annum) or the balance of the available cash (whichever is less), and (ii) 20% of the available cash; and ▶ the balance may be used to service the class B preference shares. 	
Dividend calculation	<p>Dividends on the class A preference shares will accrue daily, be compounded monthly and settled semi-annually, subject to a permitted dividend roll up of 135%.</p> <p>For additional information, the annual dividend in year 1 will be determined by applying 6.80% to the outstanding capital amount, resulting in a dividend of R312 million.</p>	<p>Dividends on the class B preference shares will accrue daily, be compounded monthly and be serviced, subject to available cash (taking into account the class A preference shares and provision for ordinary dividends), within a prescribed number of days of receipt by YeboYethu of distributions from YeboYethu Investment and/or cashflow receipts on account of the disposal of YeboYethu's shares in YeboYethu Investment.</p> <p>For additional information, the annual dividend in year 1 will be determined by applying 7.00% to the outstanding capital amount, resulting in a dividend of R374 million.</p>
Dividend rate	68% of prime.	70% of prime.
Security	<ul style="list-style-type: none"> ▶ Cession and pledge of (i) YeboYethu's transaction account, proceeds account and redemption reserve account; ▶ Cession and pledge of any shares or other securities held from time to time by YeboYethu (including its YeboYethu Investment shares); ▶ Guarantee by YeboYethu Investment; and ▶ Cession and pledge of (i) any shares or other securities held by YeboYethu Investment from time to time (including its Vodacom Group shares) and (ii) Yebo Yethu Investment's bank account. 	<ul style="list-style-type: none"> ▶ Unsecured.
Covenants	<ul style="list-style-type: none"> ▶ Entry cover ratio: cover of at least 3.0 times; ▶ Discussion trigger event: cover ratio less than or equal to 2.4 times; ▶ Trigger event: cover ratio less than or equal to 2.0 times; and ▶ Net debt/EBITDA ratio to be less than or equal to 2.5 times measured semi-annually at the consolidated Vodacom Group level utilising the 12 months' EBITDA prior to the reporting period. 	<ul style="list-style-type: none"> ▶ None.

Breach of covenants	<p>If the share cover ratio of 2.0 times is breached, the funders will deliver a pre-emptive right notice to Vodacom Group. Vodacom Group has 5 business days to elect to exercise its pre-emptive rights, which means that Vodacom Group has the right (subject to Vodacom Group shareholder approval) to do a share buy-back from YeboYethu Investments to purchase Vodacom Group shares in an amount that represents the outstanding class A preference share obligations. Vodacom Group has 20 business days after the 5 business days to pay the consideration into YeboYethu Investment bank account.</p> <p>If Vodacom Group fails to exercise its pre-emptive right, a trigger event remedy notice will be sent to YeboYethu.</p>	
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4.3 Listing and trading

YeboYethu will remain listed on the BEE Segment of the JSE after the final implementation date. YeboYethu shareholders will therefore continue to have the ability to trade their YeboYethu ordinary shares on the JSE, before and after the implementation of the BEE transaction. The shares held by the Vodacom ESOP will only become tradable by employees on the BEE Segment as described in paragraph 4.4.

An application for the listing of additional shares which were issued in the steps mentioned above, treated as a specific issue of shares for cash in YeboYethu, will be made to the JSE for listing of the entire issued share capital of YeboYethu on the BEE segment.

4.4 ESOP

Vodacom employees and management will participate in ownership of Vodacom Group through the Vodacom ESOP that will acquire vested rights to the YeboYethu ordinary shares acquired by the Vodacom ESOP subject to certain restrictions. Qualifying employees will be issued units in the Vodacom ESOP. The units representing vested rights to the underlying YeboYethu ordinary shares, will have a service condition that will lift in three equal tranches at the end of years 3, 4 and 5 respectively, but will only become fully tradable on the BEE Segment in equal tranches over a three year period starting from the end of the fifth year of the scheme (i.e. years 6, 7 and 8).

The Vodacom ESOP will encompass: two Vodacom Group and five employee representatives, as trustees. The trustees will vote on behalf of the beneficiaries during the life of the Vodacom ESOP Trust.

The Vodacom ESOP will receive the dividends as and when declared by YeboYethu, and the trustees will distribute the dividends to the beneficiaries.

4.5 Representation on the YeboYethu and YeboYethu Investment boards

YeboYethu ordinary shareholders will be entitled to nominate one director on the YeboYethu board for every 10% shareholding in YeboYethu, subject to the YeboYethu ordinary shareholders voting them in, as set out in Section 68 of the Act. Post the implementation of the BEE transaction it is expected that the YeboYethu board would comprise of a maximum of nine directors of which a majority (five) of the directors will be independent. The YeboYethu currently comprises of five directors – four of these directors are considered to be independent. A further four nominations of directors: two by RBH, one by Thebe and one by the Vodacom Group ESOP is expected. These nominations can only be considered and voted on by YeboYethu ordinary shareholders once the BEE transaction is approved by the current ordinary shareholders of YeboYethu and the requisite changes to the YeboYethu's memorandum of incorporation are made.

The overall composition of the YeboYethu board is subject to:

- ▶ at least a majority of the directors on the board being independent; and
- ▶ at least 50% of the directors on the board being black, and at least 25% of the directors on the board being black women.

It is intended that the YeboYethu Investment board mirrors the YeboYethu board.

4.6 Dividends

YeboYethu Investment will receive dividends on its Vodacom Group shares. Dividends received from Vodacom Group (and by YeboYethu from YeboYethu Investment) will be used to pay taxes, administration costs and to service the class A preference shares. 20% of the remaining amount after servicing the class A preference shares will, at the election of YeboYethu, be declared as a dividend to YeboYethu shareholders. The remaining balance may be used to service the class B preference shares. The BEE transaction has been structured such that YeboYethu will, subject to the share cover ratio exceeding 2.4 times and the approval of the YeboYethu board, be able to pay a dividend to YeboYethu shareholders at the outset of the BEE transaction, with an annual maximum dividend in favour of YeboYethu shareholders being an amount equal to the greater of (i) R76 million (increased at 5% per annum) or the balance of the available cash (whichever is less), and (ii) 20% of the available cash.

4.7 Estimated facilitation cost

The economic cost of implementing the BEE transaction for Vodacom Group and its shareholders is estimated to be approximately R2 394 million. This represents approximately c.14.6% of the transaction value and c.1.7% of the market capitalisation of Vodacom Group as at the last practicable date.

4.8 Relationship agreement

The relationship agreement governs the relationship between Vodacom Group, YeboYethu and YeboYethu Investment, being the parties thereto, in respect of the BEE transaction and comes into effect from the final implementation date and continues in force until the expiry of the funding period.

It sets out, *inter alia*, the "BEE principles" applicable during the funding period, restrictions applicable to YeboYethu and YeboYethu Investment during such period and the implications of any breach of same. The parties shall engage with each other in good faith from the 9th anniversary of the final implementation date to determine whether the relationship may be extended and the terms thereof.

Some of the salient features of the relationship agreement are discussed below.

- ▶ Each of YeboYethu and YeboYethu Investment warrants in favour of Vodacom Group that for the duration of the funding period it will, *inter alia*:
 - not dispose of or encumber its assets (other than as set out in the relationship agreement) without Vodacom Group's prior written consent;
 - repay its indebtedness under the funding agreements and maximise the net value points Vodacom Group would derive from YeboYethu on Vodacom Group's ownership scorecard;
 - procure no change is made to its memorandum of incorporation without Vodacom Group's prior written consent; and
 - not, save for in terms of the funding agreements, obtain further acquisition finance in respect of certain of their assets without Vodacom Group's prior written consent.

Each of YeboYethu and YeboYethu Investment further warrants in favour of Vodacom Group that it will be black owned and shall comply with and enforce the "B-BBEE Principles" (as defined in their respective memoranda of incorporation).

In the event that the "BEE principles" set out in the relationship agreement are breached, the agreement caters for a number of remedial actions, including a remedy period, provision for engagement between the parties, a deemed offer (with different discount rates applicable according to the breach event) and a pre-emptive right in favour of Vodacom Group (with a specified time period and discount rate applicable).

5. Resolutions required

5.1 Specific authority to provide financial assistance to YeboYethu

The subscription price discount (R1.95 billion) and class B preference shares (R5.28 billion), provided by Vodacom Group in connection with the BEE transaction, will ultimately enable YeboYethu, through YeboYethu Investment, to subscribe for new Vodacom Group shares. If and to the extent that these arrangements may be regarded as financial assistance by Vodacom Group as contemplated in section 44 of the Act, the board may not authorise the provision of such financial assistance unless such financial assistance is given pursuant to a special resolution of shareholders adopted within the previous two years, which special resolution approved the provision of such financial assistance either to a specific recipient or generally to a category of potential recipients and the specific recipient falls within that category.

Accordingly, Vodacom Group's providing of the financial assistance to YeboYethu will require the approval of the shareholders, by way of special resolution.

As required in terms of section 44 of the Act, the board has by resolution, acknowledged that it has applied the solvency and liquidity test and that since the test was done, there have been no material changes, and further reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the financial assistance.

5.2 Terms of the Vodacom Group specific issue

The board has resolved that Vodacom Group will, in terms of the step 6 agreements, issue 64 761 185 Vodacom Group shares to YeboYethu Investment. The Vodacom Group specific issue will be at the BEE transaction discounted subscription price.

As the issues of the shares by Vodacom Group to YeboYethu Investment will be for cash, Vodacom Groups' specific issue for cash will require the approval of the shareholders, by way of ordinary resolution (with a 75% voting threshold).

Considering the terms of the specific issue, the total shares issued by Vodacom can be illustrated as follows:

- a) Vodacom Group shares issued (49 689 995) in terms of step 5 above, where YeboYethu exchanges the Vodacom SA ordinary shares it obtained through the unwind of the existing Vodacom SA BEE transaction for new Vodacom Group shares;
- b) YeboYethu utilising the surplus cash obtained from the funders and vendor financier to subscribe for additional new Vodacom Group shares 64 761 185 (i.e. Class A preference shares: 40 833 194 and Class B with the Vodacom ESOP contribution: 23 927 991); and
- c) Based on the above, the total shares issued amount to 114 451 180.

6. Suspensive conditions

6.1 General transaction conditions

The commencement of the implementation of the BEE transaction on the first implementation day shall be suspensive upon the fulfilment or waiver of the following general transaction conditions on or before the long stop date:

- ▶ the requisite majority of Vodacom SA shareholders approving all the resolutions required to effect the BEE transaction;
- ▶ the requisite majority of Vodacom Group shareholders approving all the resolutions required to effect the BEE transaction;
- ▶ the requisite majority of YeboYethu shareholders approving all the resolutions required to effect the BEE transaction;
- ▶ filing of an amendment to, and/or replacement of, Vodacom SA's memorandum of incorporation, in a form acceptable to YeboYethu and Vodacom, which includes those amendments required to give effect to the BEE transaction;
- ▶ filing of an amendment to, and/or replacement of, YeboYethu's memorandum of incorporation, in a form acceptable to Vodacom SA, YeboYethu and Vodacom, which includes those amendments required to give effect to the BEE transaction;
- ▶ the transaction agreements becoming unconditional in accordance with their terms (save any specific transaction conditions (referred to below), and/or any conditions which relate to the implementation agreement becoming unconditional with its terms);
- ▶ the funding agreements becoming unconditional in accordance with their terms; and
- ▶ all regulatory consents required are received on an unconditional basis or, to the extent that any such regulatory consents are subject to any condition or qualification, the party or parties adversely affected by the condition or qualification confirm in writing to the other/s that the condition is acceptable to it or them, which confirmation shall not be unreasonably withheld or delayed.

Vodacom Group and YeboYethu may, by way of written agreement at any time prior to the long stop date, and provided that non-compliance therewith would not constitute a breach of law (for the avoidance of doubt, the JSE Listings Requirements constitute law, and any non-compliance therewith would constitute a breach of law) by any of the parties, waive any of the above general transaction conditions.

6.2 Specific transaction conditions

The implementation of each step of the BEE transaction shall be suspensive upon the fulfilment or waiver of the following specific transaction conditions on or before the specific transaction conditions date, which specific transaction conditions, amongst others, include:

- ▶ each step of the BEE transaction shall be suspensive upon the implementation of the previous step of the BEE transaction, which for the avoidance of doubt shall mean that each step of the BEE transaction shall not be capable of being implemented unless the previous step has been implemented in accordance with the sequence set out in paragraph 3 (save that sale by the YeboYethu ESOP to the Vodacom ESOP in step 4 must become unconditional, but need not be implemented, before such time as the next step becomes unconditional and is implemented); and
- ▶ each transaction agreement shall be suspensive upon the fulfilment (or waiver) of the specific transaction conditions in each of such transaction agreements.

Vodacom Group and YeboYethu may, by way of written agreement at any time prior to the date upon which the last of the general transaction conditions is fulfilled or waived, and provided that non-compliance therewith would not constitute a breach of law by any of the parties, waive any of the above specific transaction conditions, provided that the sequencing of the transaction steps is maintained.

7. Vodacom Group 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.

Vodacom Group intends to add back the day one non-recurring share-based payment charge relating to YeboYethu shareholders, excluding the Vodacom ESOP, in relation to the BEE transaction to headline earnings, as determined based on the JSE Listings Requirements, for the purpose of dividend calculation, for the 2019 financial year.

8. Pro forma financial effects of the BEE transaction

The table below sets out the *pro forma* financial effects of the BEE transaction on, *inter alia*, Vodacom Group's net asset value per share, net tangible asset value per share, basic earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share based on the most recently published audited consolidated annual financial statements of Vodacom Group for the year ended 31 March 2018.

The *pro forma* financial effects have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the published audited consolidated annual financial statements of Vodacom Group for the year ended 31 March 2018.

The *pro forma* financial effects are the responsibility of the directors of Vodacom Group Limited and were prepared for illustrative purposes only and may not, because of its nature, fairly present Vodacom Group's financial position, changes in equity and results of its operations or cash flows nor the effect and impact of the BEE transaction going forward. It does not purport to be indicative of what the financial results would have been, had the BEE transaction been implemented on a different date.

Accounting treatment

Unwind of existing Vodacom SA BEE transaction

The existing Vodacom SA BEE transaction was predominantly accounted for as an equity-settled share based payment scheme, and YeboYethu and the special purpose vehicles created by RBH and Thebe to acquire the Vodacom SA shares were consolidated in terms of IFRS 10: Consolidated Financial Statements ("IFRS 10"). Consequently, the unwind of the existing Vodacom SA BEE transaction will result in the special purpose vehicles created by RBH and Thebe being de-consolidated. The unwind will be accounted for within equity as it is a transaction with shareholders. Vodacom Group will continue to consolidate YeboYethu while YeboYethu ESOP will be wound up.

The BEE transaction

The BEE transaction will be implemented through a series of inter-conditional steps resulting in Vodacom Group issuing 114 451 180 new Vodacom Group shares to YeboYethu Investment, of which 49 689 995 are issued at the BEE transaction share price and 64 761 185 are issued at BEE transaction discounted subscription price.

The BEE transaction meets the requirements of an IFRS 2: Share-based Payment arrangement and will predominantly be accounted for as equity-settled, and will result in a once off share-based payment charge, as well as a recurring share-based payment charge for Vodacom ESOP, which will be expensed over the vesting period. Vodacom Group currently has no intention to settle the BEE transaction in cash. The Innovator Trust and a portion of the Vodacom ESOP will however be accounted for as cash-settled due to the accounting substance thereof, of which the charge relating to the Vodacom ESOP will be expensed over the vesting period. As this part of the share based payment is cash-settled, the share based payment liability will be re-measured at each reporting period.

Based on management's judgement and application of the control principles contained in IFRS 10, management concluded that Vodacom Group will consolidate YeboYethu, YeboYethu Investment and Vodacom ESOP. As a result, the 114 451 180 new Vodacom Group shares held by YeboYethu Investment in Vodacom Group will be treated as treasury shares (i.e. it will be excluded from shares in issue and weighted average number of shares in issue for accounting purposes). When the control principles in IFRS 10 are no longer met, YeboYethu and YeboYethu Investment will be de-consolidated and the new Vodacom Group shares held by YeboYethu Investment will no longer be classified as treasury shares.

	<i>Pro forma</i>		
	Before the BEE transaction ¹ (cents) (A)	after the BEE transaction ² (cents) (B)	Percentage change (%) (B/A)
Based on 31 March 2018			
Basic earnings per share	947	834	(11.9)
Diluted earnings per share	919	810	(11.9)
Headline earnings per share	923	810	(12.2)
Diluted headline earnings per share	895	786	(12.2)
Net asset value per share	3 792	3 607	(4.9)
Net tangible asset value per share*	3 255	3 070	(5.7)
Weighted average number of Vodacom Group shares in issue (millions)	1 620	1 620	
Weighted average diluted number of Vodacom Group shares in issue (millions)	1 622	1 668	
Number of Vodacom Group shares in issue (millions)	1 700	1 700	
– Total number of Vodacom Group shares in issue (millions)	1 721	1 836	
– Treasury shares (millions)	(21)	(136)	

* Net tangible asset value is calculated as net asset value attributable to the owners of the parent, less the value of goodwill, other intangible assets and deferred tax assets attributable to the owner of the parent.

Notes and assumptions:

- The Vodacom Group information reflected in the "Before the BEE transaction" column has been extracted from the audited consolidated annual financial statements of Vodacom Group for the year ended 31 March 2018.
- The Vodacom Group information reflected in the "*Pro forma* after the BEE transaction" has been calculated on the basis that all of the steps to unwind the existing Vodacom SA BEE transaction and all of the steps to implement the BEE transaction have been completed.
- The effects on basic earnings, diluted earnings, headline earnings, and diluted headline earnings per share are calculated on the basis that the BEE transaction was effective on 1 April 2017, while the effects on net asset value and net tangible asset value per share are calculated on the basis that the BEE transaction was effective on 31 March 2018 for purposes of presenting the *pro forma* financial effects thereof on Vodacom Group.

The *pro forma* adjustments are based on the following principal assumptions:

- Step 1: The unwind of the existing Vodacom SA BEE transaction
It has been assumed that the unwind of the existing Vodacom SA BEE transaction and the implementation of the NVF structure by way of a repurchase will take place in accordance with the memorandum of incorporation of Vodacom SA, resulting in Vodacom SA BEE shareholders collectively owning a shareholding of 3.95% in Vodacom SA.

Step 1 results in the de-consolidation of the special purpose vehicles through which RBH and Thebe own their Vodacom SA shares as well as the reversal of the non-controlling interest and the YeboYethu ESOP IFRS 2 liability which arose upon the offer to employees to take up interest-free loans with the underlying YeboYethu shares as security, and which will be extinguished upon unwinding the existing Vodacom SA BEE transaction. Vodacom Group will continue to consolidate YeboYethu.

- ▶ Step 2: Consolidation of Vodacom SA BEE Shareholders' interests in Vodacom SA in a single vehicle
This step does not give rise to any *pro forma* financial effects for Vodacom Group.
- ▶ Step 3: YeboYethu declares a special dividend
Other reserves are reduced for the impact of the declaration of the special dividend. The *pro forma* financial effects arising as a result of the settlement of the special dividend are described below.
- ▶ Step 4: Vodacom Group (on behalf of itself and other employer companies) make a contribution to the Vodacom ESOP to enable it to acquire YeboYethu ordinary shares
Other reserves and cash are each reduced for the impact of the R300 million acquisition of YeboYethu shares by Vodacom ESOP from YeboYethu ESOP, while there is no impact for the R750 million subscription for YeboYethu shares by Vodacom ESOP as it eliminates on consolidation.
- ▶ Step 5: YeboYethu exchanges Vodacom SA shares for new Vodacom Group shares
The 49 689 995 new Vodacom Group shares issued in exchange for the 3.95% shareholding that YeboYethu holds in Vodacom SA are treated as treasury shares on a consolidated level. This step results in an assumed IFRS 2 charge as described below and an increase in the total number of Vodacom Group shares in issue used for calculating dividend per share.
- ▶ Step 6: YeboYethu raises vendor funding and third party financing and subscribes for additional Vodacom Group shares

Class A preference shares

Borrowings are increased for YeboYethu's issue of class A preference shares to third party funders of R4 623 446 168. YeboYethu will use the entire subscription proceeds received to subscribe for 40 833 194 new Vodacom Group shares through its wholly owned subsidiary YeboYethu Investment at a discount of R1 229 992 228, based on the BEE transaction share price.

These shares are treated as treasury shares on a consolidated level. In addition, this step results in an IFRS 2 charge as described below and an increase in the total number of Vodacom Group shares in issue used for calculating dividend per share.

Finance cost at a rate of 68% of prime overdraft lending rate (non tax deductible) on the outstanding balance of the A preference shares has been assumed.

Class B preference shares

The issue of class B preference shares by YeboYethu to Vodacom Group of R5 284 707 866 does not give rise to any *pro forma* financial effects as it eliminates on consolidation. YeboYethu will use the subscription proceeds to:

- Fund the payment of the special dividend of R3 261 189 876 to YeboYethu shareholders (detailed in Step 3); and
- Settle assumed transaction costs of R64 million.

The remaining balance of the class B subscription proceeds as well as the subscription proceeds received from Vodacom ESOP through the subscription of YeboYethu shares to the value of R750 million will be used to subscribe for 23 927 991 new Vodacom Group shares through its wholly owned subsidiary YeboYethu Investment at a discount of R720 767 619 based on the BEE transaction share price.

These shares are treated as treasury shares on a consolidated level. In addition, this step results in an IFRS 2 charge as described below and an increase in the total number of Vodacom Group shares in issue used for calculating dividend per share.

3.1 The BEE transaction gives rise to the following assumed IFRS 2 charges:

- ▶ A non-recurring share-based payment charge of R1 275 million, relating to YeboYethu shareholders, excluding the Vodacom ESOP; and
- ▶ A total share-based payment charge of R1 119 million, relating to Vodacom ESOP, which will be recognised on a recurring basis in tranches over the vesting period. Vesting will take place in three equal tranches at the end of years 3, 4 and 5 respectively.

Accordingly, the *pro forma* financial effects assumes a charge of R1 491 million, consisting of the non-recurring charge, and one year's vesting charge of R216 million (net of tax), in relation to the Vodacom ESOP component.

Of the total assumed IFRS 2 charge of R2 394 million, R732 million relates to a cash-settled share-based payment arrangement. On initial recognition, the liability relating to the Vodacom ESOP and the Innovator Trust will be measured at fair value using the Monte Carlo Simulation based option pricing model. The value of the liability will be re-measured at each reporting period based on changes to the various valuation inputs.

The abovementioned share-based payment charges have been calculated using a Monte Carlo Simulation based option pricing model. The economic substance of the BEE transaction mimics that of a call option, with the value of the outstanding debt at the maturity date of the transaction as the strike price of the option.

A total assumed IFRS 2 charge of R2 394 million has been determined for this transaction at inception. The assumptions used in this model for purposes of the pro forma financial effects include:

- ▶ 114 451 180 new Vodacom Group shares;
- ▶ Vodacom Group share price of R123.09, being the Vodacom Group share price on the last practicable date;
- ▶ Volatility of 22.25% in the Vodacom Group share price, calculated using historical share price information since Vodacom Group's listing on the JSE;
- ▶ Expected costs to escalate by 6% per annum;
- ▶ Expected dividend yields of between 6.9% and 8.03%;
- ▶ The risk free rate used was based on an independently constructed zero coupon South African Rand interest rate swap curve ranging from 6.3% to 8.4%; and
- ▶ Fair value of equity contribution from non-staff shareholders of R3 005 million.

These assumptions will be updated when the final IFRS 2 charge is determined upon approval of the BEE transaction.

The IFRS 2 charge is most sensitive to changes in the share price of the Vodacom Group share. The table below illustrates what the IFRS 2 charge would be based on various Vodacom Group share prices, with all other assumptions remaining static. The table below is provided for illustrative purposes only.

Vodacom Group Limited share price (Rand)	IFRS 2 charge relating to recurring share-base payment charge after tax, illustrated for the year ended 31 March 2018 (Rm)	IFRS 2 charge relating to non-recurring share-based payment charge (Rm)	Total assumed IFRS 2 charge illustrated for the year ended 31 March 2018 arising as a result of the assumed Vodacom Group share price (Rm)	Decrease in earnings and headline earnings per share (cents)*
150.00	365	3 269	3 634	(224)
140.00	308	2 505	2 813	(174)
130.00	253	1 767	2 020	(125)
123.09**	216	1 275	1 491	(92)
120.00	200	1 059	1 259	(78)
110.00	155	389	544	(34)
100.00	103	284	387	(24)

* This column represents the decrease in earnings per share and headline earnings per share arising as a result of the total assumed IFRS 2 charge, after tax.

** Reflected in the pro forma financial effects of the BEE transaction.

Please note that the table above only includes the first year's recurring share-based payment charge and does not represent the total IFRS 2 charge for the entire scheme, which is R2 394 million based on the Vodacom Group share price on the last practicable date.

The IFRS 2 charge is also sensitive to the dividend yield that is input into the Monte Carlo valuation model. This will also change based on the Vodacom Group share price.

For the purpose of performing the valuation, an annual effective dividend yield of 8.01% was used. This effective dividend yield was based on a term structure of simple dividend yields that was calculated using Bloomberg analyst forecasts, as at the last practicable date, in conjunction with a projected future share price. The projected future share price was determined under a risk-neutral framework as dictated under option pricing theory. Typically, this results in a dividend yield higher than the historical average. In order to assess the sensitivity of this input, we performed a valuation using an assumed 5.92% average historical dividend yield. This assumed average historical dividend yield was determined based on historical dividend information over the period commencing from 16 May 2012, the date at which Vodacom Group revised its dividend policy, up to and including 29 June 2018. The IFRS 2 charge that would result using the assumed average historical dividend yield would have been as follows:

Vodacom Group Limited share price (Rand)	IFRS 2 charge relating to recurring share-base payment charge after tax, illustrated for the year ended 31 March 2018 (Rm)	IFRS 2 charge relating to non-recurring share-based payment charge (Rm)	Total assumed IFRS 2 charge illustrated for the year ended 31 March 2018 arising as a result of the assumed Vodacom Group share price (Rm)	Decrease in earnings and headline earnings per share (cents)*
123.09	224	1 403	1 627	(100)

* This column represents the decrease in earnings per share and headline earnings per share arising as a result of the total assumed IFRS 2 charge, after tax.

- 3.2 The calculation of diluted earnings and diluted headline earnings per share is based on the weighted average number of shares in issue, increased by the number of shares to be issued for no consideration under the BEE transaction. The assumed number of dilutive shares of 46 095 623 is based on issuing 114 451 180 Vodacom Group shares, assumed proceeds based on the outstanding preference share funding and the value of services to be provided by employees in the future and an average market price of the Vodacom Group share over the reporting period of R159.03.
- 3.3 The net assumed cash proceeds of R992 million (as detailed in the pro forma financial information set out in Annexure 2) is assumed to earn interest at an average rate of 6.44% percent, before taxation, which interest saving thereon is of a continuing nature.
- 3.4 Once-off transaction costs of R152 million including VAT (non tax deductible) (inclusive of the transaction costs in Step 6) are assumed to be settled in cash and have been expensed in profit or loss. YeboYethu will incur operating expenses in the ordinary course of business. The *pro forma* effects exclude any incremental increase in excess of historical levels in such expenses as this cannot be quantified as at the last practicable date prior of finalising the circular.

The *pro forma* financial information of Vodacom Group is set out in **Annexure 1** 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.

The pro forma financial effects presented in the circular differ from those effects presented in the announcement to Vodacom Group shareholders dated 11 June 2018, due to updating the pro forma financial effects for the BEE transaction share price and due to the non-recurring impact arising from the IFRS 2 charge incorrectly being presented separately.

9. Authorised and issued shares

The authorised and issued share capital of Vodacom before and after the BEE transaction is as follows:

	Rm
Authorised share capital	
4 000 000 000 ordinary shares of no par value	–
Issued share capital before the BEE transaction	
1 721 413 781 ordinary shares of no par value	42 618
Less: 21 309 092 treasury shares of no par value	(1 792)
Issued share capital after the BEE transaction	
1 835 864 961 ordinary shares of no par value	57 074
Less: 135 760 272 treasury shares of no par value	(16 248)

10. Major shareholders

Insofar as is known to Vodacom Group, the following shareholders other than directors, 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 Investments SA	967 170 100	–	56.18
Vodafone International	143 459 781	–	8.33
PIC and GEPPF**	247 105 400	–	14.35
Total	1 357 735 281	–	78.86

* The above table is based on 1 721 413 781 shares in issue as at the last practicable date.

** PIC manages the GEPPF's shareholding in Vodacom Group.

Vodafone 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.

10.1 Shareholder undertakings

Vodacom Group has secured irrevocable support from Vodafone to vote in favour of all the relevant resolutions to effect the BEE transaction.

Shareholder	Direct beneficial shareholding	Indirect beneficial shareholding	Total percentage of shares
Vodafone Investments SA	967 170 100	–	56.18
Vodafone International	143 459 781	–	8.33
Total	1 110 629 881	–	64.51

The PIC has provided Vodacom Group with a letter of support whereby the PIC (this includes the GEPPF) has confirmed its support of the BEE transaction and has undertaken to vote in favour of all the requisite resolutions in respect of their shareholding in Vodacom Group.

Shareholder	Direct beneficial shareholding	Indirect beneficial shareholding	Total percentage of shares
PIC and GEPPF	247 105 400	–	14.35

In addition, Vodacom SA has also secured irrevocable undertakings from RBH and Thebe in order to implement the unwind of the existing Vodacom SA BEE transaction.

11. Information relating to Vodacom Group

11.1 Incorporation of Vodacom Group

Vodacom Group was incorporated and registered in South Africa on 20 September 1993 with the name Vodacom (Proprietary) Limited, registration number 1993/005461/07. It changed its name to Vodacom Group (Proprietary) Limited on 8 December 1994 and converted to a public company in May 2009 when it listed on the JSE.

11.2 History and nature of business

Vodacom Group launched its first GSM networks in South Africa in 1994. It commenced operations with mobile networks outside of South Africa as follows:

- ▶ 1995 in Lesotho;
- ▶ 2000 in Tanzania;
- ▶ 2002 in the DRC; and
- ▶ 2003 in Mozambique.

Vodacom Group is a leading African communications company providing a wide range of services including mobile and fixed voice, messaging, data, financial, Enterprise IT and converged services to over 103 million customers including Safaricom.

Vodacom Group's combined mobile networks cover a total population of over 284 million people (including Kenya) and through Vodacom Business Africa, Vodacom Group offers business managed services to enterprise in 32 countries.

Vodacom Group is 64.5% majority owned by Vodafone (through its subsidiaries Vodafone Investments SA and Vodafone International), one of the world's largest communication companies by revenue.

11.3 Prospects

Looking ahead, Vodacom Group's strategy to become a leading digital company and empower a connected society remains a key focus. Vodacom Group anticipates that its investments in Big Data, digital services platforms and sophisticated machine learning will increasingly allow Vodacom Group to provide customers with relevant propositions based on customers' needs. Vodacom Group's adoption and application of this technology puts it at the forefront of global developments and remains a key differentiator to its competitors. In turn, this should continue to drive revenue and customer growth across all markets.

Vodacom Group is encouraged by the renewed economic and political stability in South Africa and most of its International operations, including Kenya. Stability in foreign exchange and macroeconomic environments benefits Vodacom Group's operations and is expected to support more predictable results across our operations. However, unexpected volatility in political environment, currency and regulatory uncertainty continue to pose a risk.

Transforming revenue into new verticals, such as content, fibre, financial services and digital services, will also be a focal point. These services are complimentary to traditional revenue streams such as voice, messaging and data, but also to further leverage its strong brand, reach and reputation in the countries where Vodacom operates.

M-Pesa is a key driver of growth for Vodacom Group, with total M-Pesa customers now at 32.3 million including Safaricom, which makes Vodacom Group the biggest mobile money operator across the continent.

12. 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 other than as disclosed in the audited consolidated annual financial results statements of Vodacom Group for the year ended 31 March 2018.

13. Directors' information

13.1 Directors and senior management

The full names, positions and business addresses of the directors and senior management of Vodacom Group and its major subsidiaries are set out in **Annexure 4** to this circular.

13.2 Directors' shareholding in Vodacom Group

Insofar as is known to Vodacom Group, the following directors, beneficially held the following Vodacom Group shares, directly or indirectly, on the last practicable date:

Name of director	Direct	Indirect	Total	Total percentage of shares*
MS Aziz Joosub	1 208 842	–	1 208 842	0.07%
PJ Moleketi	643	15 480	16 123	<0.01%
Total	1 209 485	15 480	1 224 965	0.07%

* The above table is based on 1 721 413 781 shares in issue as at the last practicable date.

The following changes in the above interests have occurred between the end of the preceding financial year and the last practicable date. Mr Aziz Joosub was awarded 194 742 Vodacom Group shares on 15 June 2018 as part of the company's forfeitable share plan and forfeited 22 963 Vodacom Group shares on 18 June 2018.

13.3 Directors' remuneration

The remuneration of the directors will not be varied as a consequence of the BEE transaction.

13.4 Directors' interests in BEE transaction

The following directors have interests in the existing Vodacom SA BEE transaction and the BEE transaction:

13.4.1 Before the BEE transaction

Name of director	Direct	Indirect	Total	Total percentage of shares* [^]
MS Aziz Joosub	22 434*		22 434	0.09%
MS Aziz Joosub		90 108*	90 108	0.35%
Total	22 434	90 108	112 542	0.44%

* Underlying YeboYethu ordinary shares linked to 3 505 360 YeboYethu ESOP units held.

YeboYethu shares.

[^] Based on 26 395 300 YeboYethu shares in issue.

13.4.2 After the BEE transaction

Name of director	Direct	Indirect	Total	Total percentage of shares* [^]
MS Aziz Joosub	32 873*		32 873	0.07%
MS Aziz Joosub	16 563*		16 563	0.04%
MS Aziz Joosub		90 108	90 108	0.18%
Total	49 436	90 108	139 544	0.29%

* Underlying YeboYethu ordinary shares linked to Vodacom Group ESOP units held.

YeboYethu shares post conversion of YeboYethu ESOP units to YeboYethu shares.

[^] Based on 52 932 566 YeboYethu shares in issue.

There are no other 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.

14. Trading history of Vodacom Group shares on the JSE

A table setting out the price history of the Vodacom Group shares on the JSE has been included in **Annexure 3** to this circular.

15. Expenses

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

The expenses to be borne by Vodacom Group in respect of the BEE transaction are anticipated to be approximately R87 million (including VAT). The expenses are as follows:

Expenses	Payable to	R000 (including VAT)
BEE verification	EmpowerLogic	1 500
Call centre support	Vodacom/Link	1 500
Documentation and listing fees	JSE	1 445
Financial adviser	RMB	46 000
General meeting costs	Computershare	79
IFRS 2 valuation fee	Deloitte	400
Independent reporting accountant	PwC	1 497
Legal fees and tax advice	CDH	3 720
Marketing and call to action	Media Edge and/or Ogilvy	25 000
Printing, publication, distribution and advertising	Studio 5 Graphic Design Proprietary Limited	3 500
Transaction sponsor	RMB	403
Vodacom SA valuation fee	EY	1 940
Total		86 984

The expenses to be borne by YeboYethu in respect of the BEE transaction are anticipated to be approximately R64 million (including VAT). The expenses are as follows:

Expenses	Payable to	R000 (including VAT)
Documentation and listing fees	JSE	1 487
Funders' legal advice	Allen & Overy (South Africa) LLP	978
General meeting costs	Link Market services South Africa Proprietary Limited	360
Independent expert	BDO	518
Independent reporting accountants	PwC	1 926
Legal fees and tax advice	CDH	12 560
TRP fees	Takeover Regulation Panel	285
Success based fees		
Financial adviser	Absa Bank Limited	9 200
Funders participation fees	RMB, Absa Bank Limited and Nedbank	16 770
Debt arranging fees	RMB	20 124
Total		64 208

16. Directors' responsibility statement

The directors, whose names are set out on page 11 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 the JSE Listings Requirements.

17. Consents

Absa, Allen & Overy, BDO, CDH, Computershare, Deloitte, EY, PwC, RMB and Rothschilds 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, 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.

18. Transaction sponsor independence

RMB Corporate Finance is the financial adviser and transaction sponsor to Vodacom Group. As detailed in this circular, the RMB Lending Team is the debt arranger and co-funder to YeboYethu by way of subscription for YeboYethu's new class A preference shares. Notwithstanding, RMB Corporate Finance does not believe this will compromise its independence to act as financial adviser and transaction sponsor to Vodacom Group for the reasons set out below:

- ▶ RMB Corporate Finance is an entirely separate division from the RMB Lending Team, with strict Chinese walls maintained; and
- ▶ the funding facility will represent approximately 16.7% of the transaction value, but will represent an immaterial proportion of RMB's total loan portfolio.

19. Notice of general meeting

The general meeting will be held at Vodacom World, 082 Vodacom Boulevard, Midrand, at 09:00 on Thursday 16 August 2018 for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions proposed thereat.

Vodacom Group shareholders are referred to the attached notice of the general meeting for details on the resolutions to be proposed at the general meeting and the "action to be taken by shareholders" on page 03 of this circular for information on the procedure to be followed by Vodacom Group shareholders in order to exercise their votes at the general meeting.

20. Directors' opinion and recommendation

The directors are of the opinion that the BEE transaction is in the best interest of Vodacom Group and its shareholders and therefore recommend that Vodacom Group shareholders vote in favour of the resolutions to approve and implement the BEE transaction.

21. 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 16 July 2018 to Thursday 16 August 2018:

- ▶ a signed copy of this circular (available in English only);
- ▶ the MOI and Vodacom SA memorandum of incorporation;
- ▶ the transaction agreements;
- ▶ the funding agreements;
- ▶ the Vodacom Group service level agreement;
- ▶ the irrevocables and letter of support referred to in paragraph 10.1 of this circular;
- ▶ the audited consolidated annual financial statements of Vodacom Group for the three years ended 31 March 2016, 2017 and 2018;
- ▶ 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;
- ▶ the historical financial information of YeboYethu Investment for the period ended 31 May 2018 and the independent reporting accountant's audit report thereon; and
- ▶ the letters of consent referred to in paragraph 17 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 Tuesday 3 July 2018.

By order of the board
Vodacom Group Limited



Sandi Linford
Company Secretary

Signed at Midrand on 16 July 2018

Registered office of Vodacom Group

Vodacom Corporate Park
082 Vodacom Boulevard
Midrand
1685
(Private Bag X9904 Sandton 2146)

ANNEXURE 1: PRO FORMA FINANCIAL INFORMATION OF VODACOM GROUP

The tables below sets out the *pro forma* financial information of the BEE transaction on the audited consolidated annual financial statements of Vodacom Group for the year ended 31 March 2018. The *pro forma* financial information has been prepared for illustrative purposes only and because of its *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 BEE transaction going forward.

The purpose of the *pro forma* financial information is to illustrate the impact of the BEE transaction had it been effective 31 March 2018 for purposes of the *pro forma* consolidated statement of financial position and 1 April 2017 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 BEE 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 2018. 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 2018 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 2018

The *pro forma* consolidated income statement below presents the effects of the BEE transaction on the published audited consolidated financial statements of Vodacom Group for the year ended 31 March 2018 on the assumption that the BEE transaction was effective 1 April 2017.

R millions	Notes	Pro forma adjustments						Pro forma after the BEE transaction ⁷
		Vodacom Group Limited ¹	Unwind of the existing Vodacom SA BEE transaction ²	Finance cost on class A preference shares ³	Transaction cost and other expenses ⁴	Interest earned on surplus cash from transaction ⁵	IFRS 2 charge relating to recurring share-based payment charge ⁶	
Revenue		86 370	–	–	–	–	–	86 370
Direct expenses		(33 669)	–	–	–	–	–	(33 669)
Staff expenses		(5 509)	76	–	–	–	(293)	(5 726)
Publicity expenses		(1 913)	–	–	–	–	–	(1 913)
Other operating expenses		(12 441)	2	–	(152)	–	–	(12 591)
Share-based payment charges		(130)	–	–	–	–	(1 275)	(1 405)
Depreciation and amortisation		(9 959)	–	–	–	–	–	(9 959)
Impairment losses		(4)	–	–	–	–	–	(4)
Net profit from associate and joint venture		1 507	–	–	–	–	–	1 507
Operating profit		24 252	78	–	(152)	–	(293)	22 610
Profit on sale of associate		734	–	–	–	–	–	734
Finance income		703	–	–	–	60	–	763
Finance costs		(2 811)	–	(312)	–	–	–	(3 123)
Net loss on remeasurement and disposal of financial instruments		(785)	–	–	–	–	–	(785)
Profit before tax		22 093	78	(312)	(152)	60	(293)	20 199
Taxation		(6 531)	3	–	–	(17)	77	(6 468)
Net profit		15 562	81	(312)	(152)	43	(216)	13 731
Attributable to:								
Equity shareholders		15 344	81	(312)	(152)	43	(216)	13 513
Non-controlling interests		218	–	–	–	–	–	218
		15 562	81	(312)	(152)	43	(216)	13 731
Diluted earnings reconciliation								
Earnings, attributable to equity shareholders, for basic earnings per share		15 344	81	(312)	(152)	43	(216)	13 513
Adjusted for:								
Dilutive effect of potential ordinary shares in subsidiary		(432)	432	–	–	–	–	–
Earnings for diluted earnings per share		14 912	513	(312)	(152)	43	(216)	13 513

Pro forma consolidated income statement continued

for the year ended 31 March 2018

R millions	Notes	Pro forma adjustments							
		Vodacom Group Limited ¹	Unwind of the existing Vodacom SA BEE transaction ²	Finance cost on class A preference shares ³	Transaction cost and other expenses ⁴	Interest earned on surplus cash from transaction ⁵	IFRS 2 charge relating to recurring share-based payment charge ⁶	IFRS 2 charge relating to non-recurring share-based payment charge ⁶	Pro forma after the BEE transaction ⁷
Headline earnings reconciliation									
Earnings, attributable to equity shareholders, for basic earnings per share		15 344	81	(312)	(152)	43	(216)	(1 275)	13 513
Adjusted for:									
Net profit on disposal of property, plant and equipment and intangible assets		(5)	–	–	–	–	–	–	(5)
Net profit on disposal of property, plant and equipment and intangible assets		(10)	–	–	–	–	–	–	(10)
Tax and non-controlling interest impact		5	–	–	–	–	–	–	5
Impairment losses		4	–	–	–	–	–	–	4
Impairment losses		4	–	–	–	–	–	–	4
Tax and non-controlling interest impact		–	–	–	–	–	–	–	–
Profit on sale of associate		(397)	–	–	–	–	–	–	(397)
Profit on sale of associate		(734)	–	–	–	–	–	–	(734)
Tax and non-controlling interest impact		337	–	–	–	–	–	–	337
Headline earnings for headline earnings per share		14 946	81	(312)	(152)	43	(216)	(1 275)	13 115
Dilutive effect of potential ordinary shares in subsidiary		(432)	432	–	–	–	–	–	–
Headline earnings for diluted headline earnings per share		14 514	513	(312)	(152)	43	(216)	(1 275)	13 115
Number of shares (million)	8								
– for basic and headline earnings per share		1 620							1 620
– for diluted and diluted headline earnings per share		1 622							1 668
Earnings per share (cents)									
Basic earnings per share		947							834
Diluted earnings per share		919							810
Headline earnings per share		923							810
Diluted headline earnings per share		895							786

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 2018.
- The unwind of the existing Vodacom SA BEE transaction results in the special purpose vehicles created by RBH and Thebe being de-consolidated. Consequently, staff expenses, other expenses, tax and the dilutive impact of potential ordinary shares in subsidiary are reduced and/or reversed based on the actual impact thereof on the Vodacom Group for the year ended 31 March 2018. The relevant adjustments have been extracted from the underlying audited financial information contained in the audited consolidated annual financial statements of Vodacom Group for the year ended 31 March 2018.
- Finance costs are adjusted for the class A preference shares which bear interest at a rate of 68% of prime overdraft lending rate (non tax deductible) on the outstanding balance. Class B preference shares and the accompanying finance cost incurred have no impact on the Vodacom Group consolidated results as it eliminates on consolidation.

	Rm
Class A preference shares from third party financiers	4 623
Finance cost on class A preference shares at 68% of prime overdraft lending rate	(312)

- Once-off transaction costs of R152 million (including VAT), not deductible for tax purposes have been assumed.
- The net assumed cash proceeds of R992 million are assumed to earn interest at an average rate of 6.44% per annum, before taxation, which interest saving thereon is of a continuing nature.

	Rm
Proceeds from class A preference shares	4 623
Purchase of YeboYethu shares by Vodacom ESOP from YeboYethu ESOP	(300)
Special dividend paid by YeboYethu to its shareholders	(3 261)
Elimination of dividends received by Innovator Trust	82
Transaction costs of Vodacom Group and YeboYethu	(152)
Net cash proceeds	992

- The BEE transaction gives rise to the following IFRS 2 charges:
 - ▶ A non-recurring share-based payment charge of R1 275 million, relating to YeboYethu shareholders, excluding the Vodacom ESOP; and
 - ▶ A total recurring share-based payment charge of R1 119 million, relating to Vodacom ESOP, which will be recognised on a recurring bases in tranches over the vesting period (vesting is in three equal tranches at the end of years 3, 4 and 5 respectively).

Accordingly, the *pro forma* consolidated income statement includes a charge of R1 491 million, consisting of the non-recurring charge, and one year's vesting charge of R293 million (R216 million net of tax impact of R77 million), in relation to the Vodacom ESOP component.

Of the total assumed IFRS 2 charge of R2 394 million, R732 million relates to a cash-settled share-based payment arrangement. On initial recognition, the liability relating to the Vodacom ESOP and the Innovator Trust will be measured at fair value using the Monte Carlo Simulation based option pricing model. The value of the liability will be re-measured at each reporting period based on changes to the various valuation inputs.

The abovementioned share-based payment charges have been calculated using a Monte Carlo Simulation based option pricing model. The economic substance of the BEE transaction mimics that of a call option, with the value of the outstanding debt at the maturity date of the transaction as the strike price of the option. A total assumed IFRS 2 charge of R2 394 million has been determined for this transaction at inception. The assumptions used in this model for purposes of the *pro forma* financial effects include:

- ▶ 114 451 180 new Vodacom Group shares;
- ▶ Vodacom Group share price of R123.09;
- ▶ Volatility of 22.25% in the Vodacom Group share price, calculated using historical share price information since Vodacom Group's listing on the JSE;
- ▶ Expected costs to escalate by 6% per annum;
- ▶ Expected dividend yields of between 6.9% and 8.03%;
- ▶ The risk free rate used was based on an independently constructed zero coupon South African Rand interest rate swap curve ranging from 6.3% to 8.4%; and
- ▶ Fair value of equity contribution from non-staff shareholders of R3 005 million.

These assumptions will be updated when the final IFRS 2 charge is determined upon approval of the BEE transaction.

The IFRS 2 share-based payment charge consists of the following:

	Rm
Non-recurring share-based payment charge	1 275
Recurring share-based payment charge relating to the Vodacom ESOP	1 119
Total IFRS 2 charge	2 394
Recurring share-based payment charge to be recognized in tranches over remaining vesting period	(826)
<i>Pro forma</i> effect of IFRS 2 charge (before tax)	1 568
Taxation on the IFRS 2 charge relating to the Vodacom ESOP	(77)
<i>Pro forma</i> effect of IFRS 2 charge (after tax)	1 491

The IFRS 2 charge is most sensitive to changes in the share price of the Vodacom Group share.

Since the terms announcement dated 11 June 2018, markets across the globe have been impacted by significant share price volatility. This has been driven by global uncertainty as a result of increased international trade uncertainty from tariff interventions mainly by the USA and China, which could impact global growth. During this period there was also increased pressure on oil prices. Emerging markets were particularly affected by these impacts, from which South Africa is not sheltered. Funds withdrew from riskier asset to more risk free assets, creating negative pressure on emerging market economies and currencies, the effects of which are reflected in the volatile share prices on stock exchanges.

The table below illustrates what the IFRS 2 charge would be based on various Vodacom Group share prices, with all other assumptions remaining static. The table below is provided for illustrative purposes only.

Vodacom Group Limited share price (Rand)	IFRS 2 charge relating to recurring share-base payment charge after tax, illustrated for the year ended 31 March 2018 (Rm)	IFRS 2 charge relating to non-recurring share-based payment charge (Rm)	Total assumed IFRS 2 charge illustrated for the year ended 31 March 2018 arising as a result of the assumed Vodacom Group share price (Rm)	Decrease in earnings and headline earnings per share (cents)*
150.00	365	3 269	3 634	(224)
140.00	308	2 505	2 813	(174)
130.00	253	1 767	2 020	(125)
123.09**	216	1 275	1 491	(92)
120.00	200	1 059	1 259	(78)
110.00	155	389	544	(34)
100.00	103	284	387	(24)

* This column represents the decrease in earnings per share and headline earnings per share arising as a result of the total assumed IFRS 2 charge, after tax.

** Reflected in the *pro forma* financial effects of the BEE transaction.

Please note that the table above only includes the first year's recurring share-based payment charge and does not represent the total IFRS 2 charge for the entire scheme, which is R2 394 million based on the Vodacom Group share price on the last practicable date.

The IFRS 2 charge is also sensitive to the dividend yield that is input into the Monte Carlo valuation model. This will also change based on the Vodacom Group share price.

For the purpose of performing the valuation, an annual effective dividend yield of 8.01% was used. This effective dividend yield was based on a term structure of simple dividend yields that was calculated using Bloomberg analyst forecasts, as at the last practicable date, in conjunction with a projected future share price. The projected future share price was determined under a risk-neutral framework as dictated under option pricing theory. Typically, this results in a dividend yield higher than the historical average. In order to assess the sensitivity of this input, we performed a valuation using an assumed 5.92% average historical dividend yield. This assumed average historical dividend yield was determined based on historical dividend information over the period commencing from 16 May 2012, the date at which Vodacom Group revised its dividend policy, up to and including 29 June 2018. The IFRS 2 charge that would result using the assumed average historical dividend yield would have been as follows:

Vodacom Group Limited share price (Rand)	IFRS 2 charge relating to recurring share-base payment charge after tax, illustrated for the year ended 31 March 2018 (Rm)	IFRS 2 charge relating to non-recurring share-based payment charge (Rm)	Total assumed IFRS 2 charge illustrated for the year ended 31 March 2018 arising as a result of the assumed Vodacom Group share price (Rm)	Decrease in earnings and headline earnings per share (cents)*
123.09	224	1 403	1 627	(100)

* This column represents the decrease in earnings per share and headline earnings per share arising as a result of the total assumed IFRS 2 charge, after tax.

7. The Vodacom Group information reflected in the "Pro forma after the BEE transaction" column has been calculated on the basis that all of the steps to unwind the existing Vodacom SA BEE transaction and all of the steps to implement the BEE transaction have been completed.
8. Vodacom Group will consolidate YeboYethu, YeboYethu Investment and Vodacom ESOP in terms of the guidance of IFRS 10. As a result of this consolidation, the new Vodacom Group shares of 114 451 180 held by YeboYethu Investment in Vodacom Group will be consolidated and disclosed as treasury shares in the Vodacom Group consolidated results. As a result of the aforementioned, weighted average shares for the purposes of calculating earnings per share and headline earnings per share, excludes the treasury shares. Should the guidance of IFRS 10 no longer be met, YeboYethu and YeboYethu Investment will be de-consolidated, and the issued shares will no longer be classified as treasury shares. This will result in an increase in the weighted average number of shares of 114 451 180. The historical financial information of YeboYethu Investment for the period ended 31 May 2018 and the independent reporting accountant's audit report thereon is available for inspection as stated in paragraph 21 of this circular.
9. The calculation of diluted earnings and diluted headline earnings per share is based on the weighted average number of shares in issue, increased by the number of shares to be issued for no consideration under the BEE transaction. The assumed number of dilutive shares of 46 095 623 is based on issuing 114 451 180 Vodacom Group shares, the assumed proceeds based on the outstanding preference share funding and the value of services to be provided by employees in the future and an average market price of the Vodacom Group share over the reporting period of R159.03.

Pro forma consolidated statement of financial position

as at 31 March 2018

The *pro forma* consolidated statement of financial position below presents the effects of the BEE transaction on the published audited consolidated financial statements of Vodacom Group as at 31 March 2018 on the assumption that the BEE transaction was effective 31 March 2018.

R millions	Pro forma adjustments							Pro forma after the BEE transaction ⁸
	Vodacom Group Limited ¹	Unwind of the existing SA BEE transaction ²	Vodacom contribution to the Vodacom ESOP ³	YeboYethu exchanges Vodacom SA shares for new Group shares ⁴	YeboYethu raises vendor funding and third party financing and subscribes for additional Vodacom Group shares ⁵	Vodacom Group transaction costs ⁶	IFRS 2 charge relating to non-recurring share-based payment charge ⁷	
Assets								
Non-current assets	96 543	-	-	-	-	-	-	96 543
Property, plant and equipment	40 529	-	-	-	-	-	-	40 529
Intangible assets	9 073	-	-	-	-	-	-	9 073
Financial assets	430	-	-	-	-	-	-	430
Investment in associate	44 076	-	-	-	-	-	-	44 076
Investment in joint venture	6	-	-	-	-	-	-	6
Trade and other receivables	724	-	-	-	-	-	-	724
Taxation receivable	106	-	-	-	-	-	-	106
Finance receivables	1 320	-	-	-	-	-	-	1 320
Deferred tax	279	-	-	-	-	-	-	279
Current assets	34 822	(124)	(301)	-	1 380	(87)	-	35 690
Financial assets	4 532	-	-	-	-	-	-	4 532
Inventory	1 243	-	-	-	-	-	-	1 243
Trade and other receivables	14 819	(124)	-	-	-	-	-	14 695
Non-current assets held for sale	14	-	-	-	-	-	-	14
Finance receivables	1 463	-	-	-	-	-	-	1 463
Tax receivable	213	-	-	-	-	-	-	213
Bank and cash balances	12 538	-	(301)	-	1 380	(87)	-	13 530
Total assets	131 365	(124)	(301)	-	1 380	(87)	-	132 233
Equity and liabilities								
Fully paid share capital	42 618	-	-	7 123	7 333	-	-	57 074
Treasury shares	(1 792)	-	-	(7 123)	(7 333)	-	-	(16 248)
Retained earnings	28 731	67	(1)	-	(64)	(87)	(1 275)	27 371
Other reserves	(5 089)	699	(300)	-	(3 179)	-	991	(6 878)
Equity attributable to owners of the parent	64 468	766	(301)	-	(3 243)	(87)	(284)	61 319
Non-controlling interests	6 184	(263)	-	-	-	-	-	5 921
Total equity	70 652	503	(301)	-	(3 243)	(87)	(284)	67 240
Non-current liabilities	28 130	-	-	-	4 623	-	284	33 037
Borrowings	24 071	-	-	-	4 623	-	-	28 694
Trade and other payables	978	-	-	-	-	-	284	1 262
Provisions	388	-	-	-	-	-	-	388
Deferred tax	2 693	-	-	-	-	-	-	2 693
Current liabilities	32 583	(627)	-	-	-	-	-	31 956
Borrowings	8 220	(436)	-	-	-	-	-	7 784
Trade and other payables	23 958	(191)	-	-	-	-	-	23 767
Provisions	161	-	-	-	-	-	-	161
Tax payable	221	-	-	-	-	-	-	221
Dividends payable	23	-	-	-	-	-	-	23
Total equity and liabilities	131 365	(124)	(301)	-	1 380	(87)	-	132 233
Number of Vodacom Group shares in issue (millions)	1 700	-	-	-	-	-	-	1 700
Total number of shares in issue (millions)	1 721	-	-	50	65	-	-	1 836
Treasury shares (millions)	(21)	-	-	(50)	(65)	-	-	(136)
Net asset value per share (cents)	3 792	-	-	-	-	-	-	3 607
Tangible net asset value per share (cents)	3 255	-	-	-	-	-	-	3 070

Notes and assumptions

- The Vodacom Group information has been extracted from the audited consolidated annual financial statements of Vodacom Group for the year ended 31 March 2018.
- The unwind of the existing Vodacom SA BEE transaction results in the special purpose vehicles created by RBH and Thebe being de-consolidated. The unwind is accounted for within equity as it is a transaction with shareholders based on the actual impact thereof on the Vodacom Group for the year ended 31 March 2018. Vodacom Group will continue to consolidate YeboYethu while YeboYethu ESOP will be wound up. The relevant adjustments have been extracted from the underlying audited financial information contained in the audited consolidated annual financial statements of Vodacom Group for the year ended 31 March 2018.

	Rm
De-consolidation of trade and other receivables of RBH	(124)
De-consolidation of non-interest bearing borrowing of RBH	436
Reversal of YeboYethu ESOP IFRS 2 liability (Trade and other payables)	191
Total equity	503
De-consolidation of retained earnings of the special purpose vehicles	(67)
Reversal of non-controlling interest	263
Gain on unwind of the existing Vodacom SA BEE transaction	699
Contribution to YeboYethu ESOP (Note 3 below)	(300)
Special dividend to YeboYethu shareholders, net of the dividend received by the Innovator Trust (Note 5 below)	(3 179)
Transaction with shareholders	(2 780)

- Other reserves and cash are reduced for the impact of the R300 million acquisition of YeboYethu shares by Vodacom ESOP from YY ESOP (before security transfer tax of R1 million), while there is no impact for the R750 million subscription for YeboYethu shares by Vodacom ESOP as it eliminates on consolidation.
- YeboYethu exchanges Vodacom SA shares for the Vodacom Group shares through its subsidiary YeboYethu Investment. The 49 689 995 new Vodacom Group shares issued in exchange for the 3.95% shareholding that YeboYethu holds in Vodacom SA, valued at R7 123 060 748, based on the BEE transaction price, are treated as treasury shares on a consolidated level and has no impact other than the IFRS 2 charge as described below and diluting the dividend per share to shareholders.
- YeboYethu raises vendor funding and third party financing and subscribes for additional Vodacom Group shares.

Class A preference shares

Borrowings are increased for YeboYethu's issue of class A preference shares to third party financiers of R4 623 446 168. YeboYethu will use the entire subscription proceeds received to subscribe for 40 833 194 new Vodacom Group shares through its wholly owned subsidiary YeboYethu Investment at a discount of R1 229 992 228, based on the BEE transaction share price.

The historical financial information of YeboYethu Investment for the period ended 31 May 2018 and the independent reporting accountant's audit report thereon is available for inspection as stated in paragraph 21 of this circular.

Class B preference shares

The issue of class B preference shares by YeboYethu to Vodacom Group of R5 284 707 866 does not give rise to any pro forma financial effects as it eliminates on consolidation. YeboYethu will use the subscription proceeds to:

- ▶ Fund the payment of the special dividend of R3 261 189 876 to YeboYethu shareholders; and
- ▶ Settle transaction costs of R64 million.

The remaining balance of the class B subscription proceeds as well as the subscription proceeds received from Vodacom ESOP through the subscription of YeboYethu shares to the value of R750 million will be used to subscribe for 23 927 991 new Vodacom Group shares through its wholly owned subsidiary YeboYethu Investment at a discount of R720 767 619 based on the BEE transaction share price.

The total of 64 761 185 new Vodacom Group shares were issued at a value of R7 332 756 201. These shares are treated as treasury shares on a consolidated level. In addition, this step results in an assumed IFRS 2 charge as described below and an increase in the total number of Vodacom Group shares in issue used for calculating dividend per share.

Other reserves are adjusted as follows:

	Rm
Special dividend paid to YeboYethu shareholders	(3 261)
Elimination of dividends received by Innovator Trust	82
Net effect on other reserves	(3 179)

Cash and cash equivalents are adjusted as follows:

	Rm
Class A preference shares	4 623
Special dividend paid to YeboYethu shareholders	(3 261)
Elimination of dividends received by Innovator Trust on consolidation	82
Transaction costs	(64)
Net effect on cash and cash equivalents	1 380

6. Once-off transactions costs of R87 million including VAT (non tax deductible) (exclusive of the transaction costs above) are assumed to be settled in cash and have been expensed in profit or loss.
7. The BEE transaction gives rise to the following assumed IFRS 2 charges:
- ▶ A non-recurring share-based payment charge of R1 275 million, relating to YeboYethu shareholders, excluding the Vodacom ESOP; and
 - ▶ A total share-based payment charge of R1 119 million, relating to Vodacom ESOP, which will be recognised on a recurring basis in tranches over the vesting period of five years (vesting is in three equal tranches at the end of years 3, 4 and 5 respectively).

Accordingly, the *pro forma* consolidated statement of financial position is adjusted for the non-recurring charge which incorporates a charge in relation to the modification of the share based payment liability for the Innovator Trust.

Of the total assumed IFRS 2 charge of R2 394 million, R732 million relates to a cash-settled share-based payment arrangement. On initial recognition, the liability relating to the Vodacom ESOP (R448 million, not yet included in the statement of financial position as it will accrue over the vesting period) and the Innovator Trust (R284 million, as reflected in the statement of financial position above) will be measured at fair value using the Monte Carlo Simulation based option pricing model. The value of the liability will be re-measured at each reporting period based on changes to the various valuation inputs.

The abovementioned share-based payment charges have been calculated using a Monte Carlo Simulation based option pricing model. The economic substance of the BEE transaction mimics that of a call option, with the value of the outstanding debt at the maturity date of the transaction as the strike price of the option. A total assumed IFRS 2 charge of R2 394 million has been determined for this transaction at inception. The assumptions used in this model for purposes of the *pro forma* financial effects include:

- ▶ 114 451 180 new Vodacom Group shares;
- ▶ Vodacom Group share price of R123.09, being the Vodacom Group share price on the last practicable date;
- ▶ Volatility of 22.25% in the Vodacom Group share price, calculated using historical share price information since Vodacom Group's listing on the JSE;
- ▶ Expected costs to escalate by 6% per annum; and
- ▶ Expected dividend yields of between 6.9% and 8.03%;
- ▶ The risk free rate used was based on an independently constructed zero coupon South African Rand interest rate swap curve ranging from 6.3% to 8.4%; and
- ▶ Fair value of equity contribution from non-staff shareholders of R3 005 million.

These assumptions will be updated when the final IFRS 2 charge is determined upon approval of the BEE transaction.

Retained earnings, other reserves and trade and other payables are adjusted as follows:

	Rm
Non-recurring share-based payment charge	1 275
Recurring share-based payment charge relating to the Vodacom ESOP	1 119
Total IFRS 2 charge	2 394
Recurring share-based payment charge to be recognised in tranches over remaining vesting period	(1 119)
Total <i>pro forma</i> effect of non-recurring IFRS 2 charge (before tax) adjusted against retained earnings	1 275
Innovator Trust liability increased against trade and other payables*	(284)
IFRS 2 reserve adjusted against other reserves	991

* A liability is currently recognised to the value of the shares that the Innovator Trust is able to purchase in YeboYethu, limited to the loan facility. This liability increases due to the uplift in value of YeboYethu as a result of the BEE transaction.

The IFRS 2 charge is most sensitive to changes in the share price of the Vodacom Group share. Since the terms announcement dated 11 June 2018, markets across the globe have been impacted by significant share price volatility. This has been driven by global uncertainty as a result of increased international trade uncertainty from tariff interventions mainly by the USA and China, which could impact global growth. During this period there was also increased pressure on oil prices. Emerging markets were particularly affected by these impacts, from which South Africa is not sheltered. Funds withdrew from riskier asset to more risk free assets, creating negative pressure on emerging market economies and currencies. The effects of which are reflected in the volatile share prices on stock exchanges.

The table below illustrates what the IFRS 2 charge would be based on various Vodacom Group share prices, with all other assumptions remaining static. The table below is provided for illustrative purposes only.

Vodacom Group Limited share price (Rand)	IFRS 2 charge relating to recurring share-base payment charge after tax, illustrated for the year ended 31 March 2018 (Rm)	IFRS 2 charge relating to non-recurring share-based payment charge (Rm)	Total assumed IFRS 2 charge illustrated for the year ended 31 March 2018 arising as a result of the assumed Vodacom Group share price (Rm)	Decrease in earnings and headline earnings per share (cents)*
150.00	365	3 269	3 634	(224)
140.00	308	2 505	2 813	(174)
130.00	253	1 767	2 020	(125)
123.09**	216	1 275	1 491	(92)
120.00	200	1 059	1 259	(78)
110.00	155	389	544	(34)
100.00	103	284	387	(24)

* This column represents the decrease in earnings per share and headline earnings per share arising as a result of the total assumed IFRS 2 charge, after tax.

** Reflected in the *pro forma* financial effects of the BEE transaction.

Please note that the table above only includes the first year's recurring share-based payment charge and does not represent the total IFRS 2 charge for the entire scheme, which is R2 394 million based on the Vodacom Group share price on the last practicable date.

The IFRS 2 charge is also sensitive to the dividend yield that is input into the Monte Carlo valuation model. This will also change based on the Vodacom Group share price.

For the purpose of performing the valuation, an annual effective dividend yield of 8.01% was used. This effective dividend yield was based on a term structure of simple dividend yields that was calculated using Bloomberg analyst forecasts, as at the last practicable date, in conjunction with a projected future share price. The projected future share price was determined under a risk-neutral framework as dictated under option pricing theory. Typically, this results in a dividend yield higher than the historical average. In order to assess the sensitivity of this input, we performed a valuation using an assumed 5.92% average historical dividend yield. This assumed average historical dividend yield was determined based on historical dividend information over the period commencing from 16 May 2012, the date at which Vodacom Group revised its dividend policy, up to and including 29 June 2018. The IFRS 2 charge that would result using the assumed average historical dividend yield would have been as follows:

Vodacom Group Limited share price (Rand)	IFRS 2 charge relating to recurring share-base payment charge after tax, illustrated for the year ended 31 March 2018 (Rm)	IFRS 2 charge relating to non-recurring share-based payment charge (Rm)	Total assumed IFRS 2 charge illustrated for the year ended 31 March 2018 arising as a result of the assumed Vodacom Group share price (Rm)	Decrease in earnings and headline earnings per share (cents)*
123.09	224	1 403	1 627	(100)

* This column represents the decrease in earnings per share and headline earnings per share arising as a result of the total assumed IFRS 2 charge, after tax.

- The Vodacom Group information reflected in the "*Pro forma* after the BEE transaction" has been calculated on the basis that all of the steps to unwind the existing Vodacom SA BEE Transaction and all of the steps to implement the BEE transaction have been completed.

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

10 July 2018

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

Report on the Assurance Engagement on the Compilation of *Pro Forma* Financial Information included in a Circular

Introduction

Vodacom Group Limited ("Vodacom or "the Company") is issuing a circular to its shareholders ("the Circular") regarding its proposed broad based black economic empowerment ownership transaction, whereby the existing Vodacom Proprietary Limited black economic empowerment ownership transaction will be unwound and consolidated into one single vehicle with a shareholding in the Company.

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of the Company by the directors. The *pro forma* financial information, as set out in paragraph 8 and Annexure 1 of the Circular, consists of the *pro forma* statement of financial position as at 31 March 2018, the *pro forma* statement of comprehensive income for the year then ended, the *pro forma* financial effects and related notes. The applicable criteria on the basis of which the directors have compiled the *pro forma* financial information are specified in the JSE Limited (JSE) Listings Requirements and described in paragraph 8 and Annexure 1 of the Circular.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the proposed broad based black economic empowerment ownership transaction. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's consolidated financial statements for the year ended 31 March 2018, on which an audit report has been published.

Directors' responsibility

The directors of the Company are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 8 and Annexure 1 of the Circular.

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).

The firm 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 of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 8 and Annexure 1 of the Circular.

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 issued by the International Auditing and Assurance Standards Board. 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 and described in the Circular.

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.

The purpose of *pro forma* financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, 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 by the directors in the compilation of the *pro forma* financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, 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.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction 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 8 and Annexure 1 to the Circular.

PricewaterhouseCoopers Inc.

Director: DB von Hoesslin

Registered Auditor

Johannesburg

10 July 2018

ANNEXURE 3: TRADING HISTORY OF VODACOM GROUP SHARES ON THE JSE

Below is the price history of the Vodacom Group shares on the JSE displaying the aggregate volumes and values traded and the highest and lowest prices traded each month over the twelve months and each day over the 30 days the last practicable date prior to the date of issue of the circular.

	High (R)	Low (R)	Close (R)	Volume (shares)	Value (R)
Monthly					
2017					
July	183.10	164.11	178.07	37 248 515	6 466 338 820
August	185.51	180.05	181.59	31 999 405	5 841 021 779
September	182.00	158.50	161.14	105 436 228	17 266 120 768
October	157.70	151.36	153.60	67 438 732	10 405 967 220
November	155.00	144.78	145.06	47 365 346	7 036 188 913
December	148.00	137.10	145.68	48 917 822	7 014 699 847
2018					
January	163.50	140.71	163.50	41 544 532	6 764 321 307
February	167.16	158.92	162.75	36 000 077	5 709 758 510
March	167.20	150.29	153.07	25 849 750	3 908 327 300
April	155.97	147.66	155.97	44 672 205	6 752 108 477
May	158.00	143.50	143.50	49 286 902	6 499 769 748
June	147.77	119.78	122.79	37 248 515	6 466 338 820
Daily					
2018					
May					
Tuesday 22 May	154.81	146.98	153.49	1 855 510	284 802 230
Wednesday 23 May	153.98	150.54	151.03	1 564 716	236 319 057
Thursday 24 May	154.96	151.10	152.58	1 405 245	214 412 282
Friday 25 May	154.85	151.20	153.75	1 522 316	234 056 085
Monday 28 May	156.77	153.02	154.94	800 836	124 081 530
Tuesday 29 May	154.94	148.55	148.55	2 892 557	429 689 342
Wednesday 30 May	149.01	144.57	144.57	2 552 407	369 001 480
Thursday 31 May	146.36	143.25	143.50	4 836 898	694 094 863
Friday 1 June	148.00	143.50	147.77	1 464 198	216 364 538
Monday 4 June	150.03	145.99	147.00	1 931 691	283 958 577
Tuesday 5 June	148.29	143.10	146.19	1 881 746	275 092 448
Wednesday 6 June	146.74	143.50	143.50	1 135 368	162 925 308
Thursday 7 June	145.66	142.84	142.99	1 480 065	211 634 494
Friday 8 June	144.53	140.30	144.45	1 695 561	244 923 786
Monday 11 June	144.92	139.26	140.31	1 926 568	270 316 756
Tuesday 12 June	142.98	138.70	138.96	1 562 883	217 178 222
Wednesday 13 June	138.92	136.30	137.50	1 826 470	251 139 625
Thursday 14 June	140.00	137.00	138.50	1 682 214	232 986 639
Friday 15 June	139.43	134.55	134.55	3 558 081	478 739 799
Monday 18 June	134.90	132.52	133.74	1 753 662	234 534 756
Tuesday 19 June	133.00	129.51	130.00	4 075 769	529 849 970
Wednesday 20 June	128.97	127.00	127.75	4 628 012	591 228 533
Thursday 21 June	127.82	123.11	123.15	5 156 650	635 041 448
Friday 22 June	128.29	123.99	126.82	3 333 904	422 805 705
Monday 25 June	127.00	123.25	123.65	1 467 178	181 416 560
Tuesday 26 June	124.51	122.19	122.44	1 635 764	200 282 944
Wednesday 27 June	121.99	118.00	119.78	2 513 959	301 122 009
Thursday 28 June	121.77	117.33	121.02	2 147 866	259 934 743
Friday 29 June	123.00	120.03	122.79	2 429 293	298 292 887
Monday 2 July	123.71	121.21	123.09	1 110 736	136 720 494

ANNEXURE 4: INFORMATION ON THE DIRECTORS AND SENIOR MANAGEMENT OF VODACOM GROUP AND ITS MAJOR SUBSIDIARIES

DIRECTORS OF VODACOM GROUP

Executive Directors:

Mohamed Shameel Aziz Joosub	
Position	Chief Executive Officer. Other directorships include Managing Director of Vodacom SA and a director of Safaricom
Business address	Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand 1685
Till Streichert	
Position	Chief Financial Officer. Other directorships include director of Safaricom, Vodacom SA and Vodacom Tanzania PLC
Business address	Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand 1685

Independent non-executive directors:

Phillip Jabulani Moleketi	
Position	Chairman. Other directorships include Chairman Brait SA, the Development Bank of South Africa and PPC Limited
Business address	Brait SA, Office Level 7, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
Sakumzi Justice Macozoma	
Position	Lead independent director. Other directorships include chairman of Safika Holdings and Tshipi é Ntle and Ntsimbintle Mining and a director at Volkswagen South Africa
Business address	Safika House, 89 Central St, Houghton Estate, Johannesburg 2198
David Hugh Brown	
Position	CEO of MC Mining Limited and director of Northam Platinum Limited
Business address	South Block, Summercon Office Park, 96 Sunset Avenue (Cnr Rockery Lane), Lonehill, Sandton 2191
Bafelelang Priscillah Mabelane	
Position	CEO of BP Southern Africa
Business address	BP House, 10 Junction Avenue, Parktown 2193
Thoko Martha Mokgosi-Mwantembe	
Position	CEO of Kutana Investment Group and other directorships include Knorr Bremse SA, Royal Bafokeng Platinum, and Old Mutual
Business address	178 Montecasino Blvd, Magaliessig, Sandton 2191
John William Lorimer Otty	
Position	Vodafone CFO for Africa, Middle East and Asia Pacific region
Business address	1 Kingdom Street, Paddington Central, London W26BY, United Kingdom
Michael Joseph	
Position	Director of Mobile Money at Vodafone Group Services Limited. Other directorships include Chairman of Kenya Airways, a director of Vodacom Mozambique, MFS Africa and Safaricom
Business address	1 Kingdom Street, Paddington Central, London W26BY, United Kingdom
Vivek Badrinath	
Position	Vodafone CEO for Africa, Middle East and Asia Pacific region and member of Vodafone Executive Committee. Other directorships include a director at Safaricom and Accor SA
Business address	1 Kingdom Street, Paddington Central, London W26BY, United Kingdom

Ronald Adrianus Wilhelmus Schellekens	
Position	Vodafone Group Human Resources director and a member of the Vodafone Executive Committee
Business address	1 Kingdom Street, Paddington Central, London W26BY, United Kingdom
Marten Pieters	
Position	Director of companies. Other directorships include Chairman of Supervisory Board of Investment Fund for Health in Africa B.V. and of the Social Investor Foundation for Africa
Business address	1 Kingdom Street, Paddington Central, London W26BY, United Kingdom

DIRECTORS AND SENIOR MANAGEMENT OF VODACOM SOUTH AFRICA

Nadya Bhattay	
Position	Chief Officer: Strategy and New Business
Business address	Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand 1685
Andries Daniel Jan Delport	
Position	Chief Technology Officer
Business address	Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand 1685
Nyimpini Mabunda	
Position	Chief Officer: Consumer Business Unit
Business address	Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand 1685
William Mzimba	
Position	Chief Officer: Vodacom Business
Business address	Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand 1685
Takalani Netshitenzhe	
Position	Chief Officer: Corporate Affairs
Business address	Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand 1685



Vodacom Group Limited

(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
(ISIN: ZAE000132577 Share code: VOD)
(ISIN: US92858D2009 ADR code: VDMCY)
("Vodacom Group" or "the company")

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the shareholders of the company will be held on Thursday 16 August 2018, 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 04 of the circular to which this notice of general meeting is attached ("**the circular**") apply, *mutatis mutandis*, to this notice of general meeting.

1. Ordinary resolution number 1 – approval for the specific issue of shares for cash

"RESOLVED THAT the company issue 49 689 995 new Vodacom Group shares at the BEE transaction discounted subscription price, to YeboYethu Investment in accordance with the step 6 funders funding YeboYethu Investment/Vodacom Group subscription agreement, and step 6 Vodacom Group funding YeboYethu Investment/Vodacom Group subscription agreement, in terms of section 5.51 of the JSE Listings Requirements."

Reason for and effect of ordinary resolution number 1

The reason for this resolution is that the JSE Listings Requirements require shareholder approval for the company to issue equity shares for cash in a specific issuance transaction.

The effect of this resolution is that it enables the company to issue shares for cash to YeboYethu Investment as an integral component of the BEE transaction, with the required authority of the shareholders of the company.

In terms of the JSE Listings Requirements the party being issued shares in a specific issue for cash, as well as that party's "associates" as defined therein, are excluded from the vote. It is recorded that neither YeboYethu Investment nor any of its associates presently hold any shares in the company, and accordingly this exclusion does not find application.

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

"RESOLVED THAT, the total issue of 114 451 180 new Vodacom Group shares to YeboYethu Investment pursuant to the transaction agreements, be and is hereby approved in terms of clause 5.7.2 of Vodacom Group's MOI and accordingly such shares are placed under the control of the board for this purpose."

Reason for and effect of ordinary resolution number 2

The reason for this resolution is that the company's MOI requires shareholder approval for the company to issue shares for cash in a specific issuance transaction.

The effect of this resolution is that it enables the company to issue shares for cash to YeboYethu Investment as an integral component of the BEE transaction, with the required authority of the shareholders of the company.

3. Ordinary resolution number 3 – authority

"RESOLVED THAT, any director of the company be authorised to do all things and take any action which they consider necessary or desirable in connection with the agreements and matters contemplated in these resolutions and to sign all such documents as may be reasonable or necessary to give effect to the resolutions referred to above."

Reason for and effect of ordinary resolution number 3

The reason for and effect of this resolution is to authorise a director of the company to generally implement the BEE transaction for and on behalf of the company.

4. Special resolution number 1 – financial assistance

"RESOLVED THAT the provision by the company of the following direct and/or indirect financial assistance, which facilitates the acquisition of Vodacom Group shares by YeboYethu Investment pursuant to the BEE transaction, be and is hereby approved in terms of section 44 of the Act:

- (i) the contribution to Vodacom ESOP as described in the circular in relation to step 4 of the BEE transaction;
- (ii) the granting of the subscription price discount to YeboYethu Investment as contemplated in the BEE transaction discounted subscription price; and
- (iii) any other general or incidental support or facilitation of a financial nature required to be given by the company as contemplated in the transaction agreements and funding agreements, including the payment of transaction costs."

Reason for and effect of special resolution number 1

The reason for this resolution is that the Act requires shareholder approval where a company provides financial assistance in connection with the acquisition of shares in the company. The aspects of the BEE transaction as described in this resolution amount to such financial assistance by the company. The Act further requires that the board be satisfied that the granting of such financial assistance will not place the company in breach of the solvency and liquidity test as defined in the Act, and that the terms of such financial assistance are fair and reasonable to the company. The company's board shall ensure compliance with these provisions.

The effect of this resolution is that it enables the company to financially facilitate the BEE transaction, in particular the acquisition by YeboYethu Investment of shares in the company.

Record date

The record date for shareholders to be registered in the securities register of the company for purposes of being entitled to attend, speak and vote at the general meeting is Friday 10 August 2018.

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 at the registration desk.

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 Monday 13 August 2018 so that Vodacom Group can provide for a teleconference. It is recommended that the forms of proxy are sent through to the transfer secretaries by no later than the recommended time.

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.

Ordinary resolution 1 to be adopted at this general meeting requires approval by way of a special majority. In other words, 75% of the shares voted at the general meeting.

Ordinary resolutions 2 and 3 to be adopted at this general meeting requires approval by way of a simple majority. In other words, 50% plus 1 share of the shares voted at the general meeting.

The special resolution to be adopted at this general meeting requires approval by way of a special majority. In other words, 75% of the shares voted at the general meeting.

Mr MS Aziz Joosub, the chief executive officer of Vodacom Group is a YeboYethu shareholder and will be a participant in the Vodacom ESOP, and as such, Mr Joosub is precluded from voting on any of the proposed resolutions to effect to the BEE transaction.

If Thebe, RBH or any other shareholder in YeboYethu have shares in Vodacom Group, they will be precluded from voting on any of the proposed resolutions to effect the BEE transaction.

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 the recommended time.

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

By order of the Board



Sandi Linford
Company Secretary

16 July 2018

IMPORTANT NOTES ABOUT THE GENERAL MEETING

Date: Thursday 16 August 2018 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.

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. Any form of proxy not received by this time must be handed to the Chairman of the general meeting at any time prior to the vote.

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 released 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: US92858D2009 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 Thursday 16 August 2018.

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 3)

	NUMBER OF ORDINARY SHARES		
	For	Against	Abstain
1. Ordinary resolution number 1 Approval of the specific issue of shares for cash			
2. Ordinary resolution number 2 Approving the issue of the new Vodacom Group shares in terms of the MOI			
3. Ordinary resolution number 3 Authority			
4. Special resolution number 1 Approval of financial assistance provided by the company for the BEE transaction			

(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 _____ 2018

Signature

Assisted by me (where applicable)

It is recommended that completed forms of proxy be lodged with the transfer secretaries by no later than the recommended time. 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.

NOTES TO THE FORM OF PROXY

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 the recommended time.
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

SUMMARY OF THE RIGHTS CONTAINED IN SECTION 58 OF THE ACT

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.

