



*(Incorporated in the Republic of South Africa)  
(Registration number: 1993/005461/07)  
("Vodacom" or "Vodacom Group")*

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*Terms of Vodacom's black economic empowerment ("BEE") transaction*

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- *R7.5 billion transaction*
- *Broad-based inclusive transaction*
- *Black groups, black public, Vodacom's employees, business partners and selected strategic partners*
- *R900 million equity included*
- *10 year transaction term*
- *10% entry discount*
- *10% fixed notional vendor finance rate*
- *Dividends on 50% of invested amount*
- *Facilitation in line with market norms*
- *Significant offer to black public detailed in the prospectus*
  - *14 400 000 YeboYethu shares*
  - *Offer closes on 11 September 2008*
  - *Preferential allocation to Vodacom SA's business partners*

## 1. Introduction

In an announcement dated 10 March 2008, Vodacom, a joint venture in which Telkom SA Limited holds a 50% interest, announced its intention to implement a R7.5 billion broad-based BEE ownership transaction.

Vodacom and its shareholders, Vodafone Group plc and Telkom SA Limited, are committed to meaningful participation by historically disadvantaged South Africans at all levels of the South African economy. In furthering this commitment Vodacom has concluded agreements that will facilitate the acquisition of an effective 6.25% interest in the issued ordinary share capital of Vodacom (Proprietary) Limited (“Vodacom SA” or “the Company”) by broad-based BEE groups (“the BEE Transaction”). The BEE Transaction will be funded through a combination of equity raised from BEE investors and notional vendor funding.

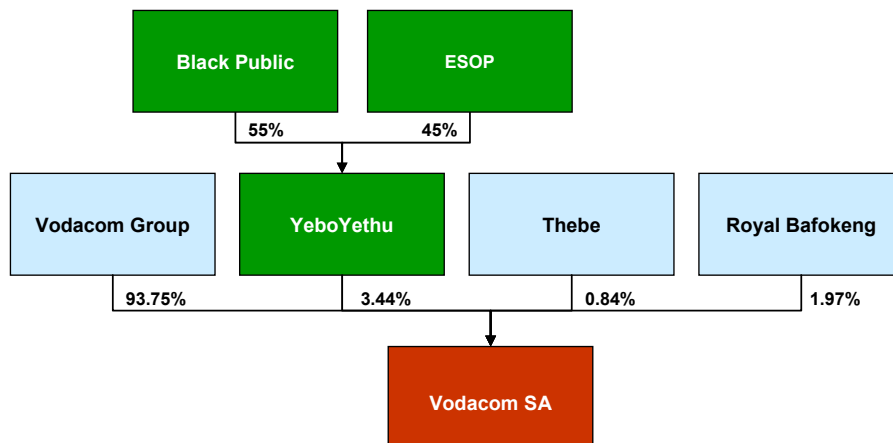
The BEE Transaction is one of the largest broad-based BEE transactions in the South African information and communications technology industry and includes a significant public offer to the broad-based black South African public through YeboYethu Limited (“YeboYethu”) (the “YeboYethu Offer”).

The BEE Transaction underscores Vodacom’s commitment to achieving sustainable, broad-based BEE ownership of Vodacom SA in line with the Codes of Good Practice on Broad-Based BEE (“the Codes”).

## 2. Overall BEE Transaction

### 2.1 Transaction structure

The BEE Transaction will be structured as follows:



The following BEE groupings will participate in the BEE Transaction and acquire an indirect/direct interest in Vodacom SA through the following entities:

- Black people (as defined in the Codes), black controlled groups and Vodacom SA’s black business partners (collectively the “Black Public”) will participate indirectly through YeboYethu, as set out in paragraph 3 below;
- Royal Bafokeng Holdings (Proprietary) Limited (“Royal Bafokeng”) and Thebe Investment Corporation (Proprietary) Limited (“Thebe”) (collectively referred to as “Strategic Partners”) will participate through wholly-owned subsidiaries directly in Vodacom SA, as set out in paragraph 4 below; and

- all Vodacom South African staff will participate through the YeboYethu Employee Participation Trust (“ESOP”), which will hold a direct interest in YeboYethu as set out in paragraph 5 below;  
(collectively the “BEE Participants”)

After the implementation of the BEE Transaction the effective participation in Vodacom SA and the approximate value of such shares on 30 July 2008 will be as follows:

	<b>Number of Vodacom SA shares  (m)</b>	<b>% of Vodacom SA post the BEE Transaction</b>	<b>% of the BEE Transaction</b>	<b>Current market value  (R'm)</b>
Black Public	90.0	1.89	30.00	2 250.0
Royal Bafokeng	94.5	1.97	31.50	2 362.5
Thebe	40.5	0.84	13.50	1 012.5
ESOP	75.0	1.55	25.00	1 875.0
Vodacom Group	4 500.0	93.75	-	112 500.0
<b>Total</b>	<b>4 800.0</b>	<b>100.00</b>	<b>100.00</b>	<b>120 000.0</b>

## **2.2 BEE Transaction mechanics**

Vodacom SA will facilitate the BEE Transaction through a 10% upfront discount of R750 million and by providing the BEE Participants with notional vendor finance of R5.85 billion for a period of 7 years (“Facilitation Period”).

Assuming full subscription by YeboYethu, the BEE Participants will invest R900 million of unencumbered equity in the BEE Transaction, which will be used to subscribe for Vodacom SA ordinary shares and Vodacom SA A shares (“A shares”) (Vodacom SA ordinary shares and A shares are collectively referred to as “Vodacom SA shares”) as follows:

- Royal Bafokeng and Thebe will contribute equity of R540 million, which will be utilised to subscribe for 10.8 million Vodacom SA ordinary shares and 124.2 million A shares;
- YeboYethu will subscribe for 7.2 million Vodacom SA ordinary shares and 82.8 million A shares on behalf of the Black Public; and
- YeboYethu will also subscribe for 75 million A shares at par value for the benefit of ESOP.

The A shares will constitute a separate class of shares in the share capital of Vodacom SA and will:

- have equal voting rights to Vodacom SA ordinary shares;
- be entitled to dividends only once the notional vendor finance outstandings (“Notional Outstandings”) are nil, or when the Vodacom SA Call Option as described in paragraph 2.3 below is exercised;
- the Notional Outstandings for each A share at the implementation date is R20.1087 (other than in respect of the A shares pertaining to the ESOP, where the Notional Outstandings will be R22.50 per A share);
- the Notional Outstandings will increase at 10% per annum, compounded semi-annually in arrears (“Notional Rate”); and

- the Notional Outstandings will be reduced by the notional dividends that each A share would have received if it was a Vodacom SA ordinary share. The notional dividends will be increased and compounded at the Notional Rate.

### **2.3 Vodacom SA Call Option**

Vodacom SA has the option to purchase, at the end of the Facilitation Period, such number of A shares (and Vodacom SA ordinary shares, if required) at par value, which will result in the Notional Outstandings being realised (“Vodacom SA Call Option”).

The number of A shares (and Vodacom SA ordinary shares, if required) in respect of which Vodacom SA will have the Vodacom SA Call Option will be determined using an independent fair market valuation of Vodacom SA.

After the exercise of the Vodacom SA Call Option, the BEE Participants will be left with such number of Vodacom SA shares having a market value based on the growth in value plus dividends in excess of the Notional Rate.

### **2.4 BEE Participants call option**

To allow the BEE Participants to retain their original shareholding immediately before the exercise of the Vodacom SA Call Option, BEE Participants will have the right to subscribe for Vodacom SA ordinary shares at fair market value.

### **2.5 BEE Transaction funding**

The BEE Transaction will be funded as follows:

	<b>Equity contribution (R'm)</b>	<b>Upfront discount (R'm)</b>	<b>Notional vendor finance (R'm)</b>	<b>Value of Vodacom SA shares acquired (R'm)</b>
Royal Bafokeng	378	236.25	1 748.25	2 362.50
Thebe	162	101.25	749.25	1 012.50
YeboYethu Offer	360	225.00	1 665.00	2 250.00
ESOP	-	187.50	1 687.50	1 875.00
<b>Total</b>	<b>900</b>	<b>750.00</b>	<b>5 850.00</b>	<b>7 500.00</b>

### **2.6 BEE Transaction facilitation cost**

The estimated facilitation cost of the BEE Transaction is approximately 2% of Vodacom SA's value, and nearly 30% of the BEE Transaction value, and is in line with comparable recent BEE transactions.

### **2.7 BEE Transaction term**

The BEE Transaction will have a 10 year term (“the Transaction Term”).

### **2.8 Dividend rights**

Vodacom SA is expected to declare at least 50% of Vodacom SA's consolidated annual after tax profits as a dividend to ordinary shareholders, subject to legal requirements and good business practice.

## **2.9 Governance of Vodacom SA**

Royal Bafokeng, Thebe and YeboYethu will each be entitled to appoint a board member to the board of Vodacom SA, which currently has 13 members.

### **3. Participation by the Black Public in the YeboYethu Offer**

The YeboYethu Offer will result in the Black Public acquiring ordinary shares in the issued share capital of YeboYethu, which will hold shares directly in Vodacom SA.

#### **3.1 Subscription in terms of the YeboYethu Offer**

14.4 million YeboYethu ordinary shares (“YeboYethu shares”) will be available for subscription by the Black Public. Of this, 3.6 million YeboYethu shares will be reserved for allocation to Vodacom’s black business partners.

The actual number of YeboYethu shares allotted will be dependent on the subscriptions received. If the YeboYethu Offer is under-subscribed, Royal Bafokeng and Thebe will have the right to subscribe for the shortfall.

#### **3.2 Terms for participation by the Black Public in the YeboYethu Offer**

The public offer closes at 15h00 on Thursday, 11 September 2008. A prospectus setting out detailed terms of the YeboYethu Offer will be made available at most South African Post Office branches from 09h00 on 30 July 2008.

#### **3.3 Governance of YeboYethu**

The following directors have been appointed to the YeboYethu board:

<b>Independent directors</b>	<b>Non-independent directors</b>
Zarina Bassa	Shameel Joosub
Deenadayalen Konar	Peter Matlare
Thoko Mokgosi-Mwantembe	Tlhabeli C Ralebitso

### **4. Participation by Strategic Partners in the BEE Transaction**

Vodacom has selected Royal Bafokeng and Thebe as its Strategic Partners.

#### **4.1 Royal Bafokeng**

Royal Bafokeng is the primary investment vehicle of the Royal Bafokeng Nation, a 300 000 strong broad-based black community with its roots in an ancient kingdom in the North West Province. The Royal Bafokeng nation owns substantial platinum resources and has wisely reinvested the income received into education and health of the Royal Bafokeng Nation. Over the past 10 years, the Royal Bafokeng Nation has spent R2 billion on building schools and clinics, as well as infrastructure such as roads and sanitation in their community. Royal Bafokeng is responsible for the management and development of the commercial assets of the Royal Bafokeng Nation, for the sustainable benefit of the community.

## 4.2 Thebe

Thebe is one of the pioneers of broad-based BEE in South Africa. Its main shareholder, the Batho Batho Trust, is a community based organisation established to promote the social and economic development of black people and women. Thebe's business successes have been channeled into millions of rands that have been invested through the Batho Batho Trust in numerous community projects that directly transform and develop communities. Thebe's goal is to be a model of empowerment wherever it does business and it has forged many local partnerships that have contributed to the development of entrepreneurs, institutions and communities. Thebe's philosophy of Umuntu Umuntu Ngabantu ("we are what we are because of you and you are what you are, because of us") also precisely defines one of Vodacom's most important values.

## 4.3 Terms for participation by Strategic Partners

<b>Trading in Vodacom SA shares</b>	<ul style="list-style-type: none"><li>• No trading of Vodacom SA shares during the Facilitation Period.</li><li>• After the Facilitation Period until the end of the Transaction Term disposals of Vodacom SA shares will only be allowed to Vodacom approved BEE parties with at least the same or higher BEE status.</li></ul>
<b>Composition</b>	<ul style="list-style-type: none"><li>• The Strategic Partners need to comply with a number of BEE principles including those that regulate the identity and composition of the Strategic Partners together with any changes to shareholdings in their corporate group structures.</li></ul>
<b>Breach</b>	<ul style="list-style-type: none"><li>• To the extent that the Strategic Partners breach their obligations in terms of the BEE principles, they will be allowed to remedy the breach within a grace period. If the breach is not remedied and was caused by facts or circumstances in their control, the defaulting party will be deemed to have offered its shareholding in Vodacom SA to Vodacom at a discount to fair market value.</li></ul>

## 5. Participation by ESOP in the BEE Transaction

25% of the BEE Transaction has been set aside for Vodacom's South African staff. All permanent employees of Vodacom, Vodacom SA and their wholly-owned South African subsidiaries, including employees who are on secondment outside of South Africa will be eligible to participate in the BEE Transaction through the allocation of units in the ESOP ("ESOP Participants").

The ESOP will participate in the BEE Transaction through YeboYethu. The ESOP will own 12 000 000 compulsorily convertible class "N" shares in YeboYethu ("N shares") until the N shares convert into YeboYethu shares on the earlier of the exercise of the Vodacom SA Call Option or when the Notional Outstandings are nil.

### Key terms of the ESOP

<b>Term</b>	<ul style="list-style-type: none"><li>• The ESOP will have a term of 7 years ("ESOP Term").</li></ul>
<b>Vesting</b>	<ul style="list-style-type: none"><li>• 20% of the ESOP units will vest annually from inception.</li><li>• ESOP participants will only receive the value at the end of the ESOP Term.</li></ul>
<b>Conversion</b>	<ul style="list-style-type: none"><li>• N shares will automatically convert into a formula determined number</li></ul>

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of YeboYethu shares at the end of the ESOP Term.

- The YeboYethu shares will be distributed to ESOP Participants after the notional vendor finance and taxes have been settled.

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**Trading**

- No trading in ESOP units during the ESOP Term.
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**6. Further announcement**

A further announcement will be made once the YeboYethu Offer has closed.

**Midrand  
29 July 2008**

**Merchant bank to  
Vodacom and YeboYethu**



**Attorneys to Vodacom  
and YeboYethu**



**Reporting accountants**

