

ANNOUNCEMENT RELATING TO YEBOYETHU'S PARTICIPATION IN VODACOM GROUP'S PROPOSED BROAD-BASED BLACK ECONOMIC EMPOWERMENT OWNERSHIP TRANSACTION

11 June 2018

Highlights

- After successfully participating in Vodacom Group's existing BEE structure since 2008, the YeboYethu Board is pleased to announce its ongoing and increased involvement as Vodacom Group's BEE partner
- Subject to YeboYethu shareholder approval, YeboYethu has agreed to participate in a new BEE transaction in Vodacom Group up to a value of R17.5 billion, which involves the unwind of the current BEE scheme and a combination of re-investing and making an additional investment
- All of the Vodacom SA BEE shareholders' interests will be consolidated into YeboYethu
- YeboYethu's shareholding in Vodacom SA will be exchanged for ordinary shares in Vodacom Group, which provides exposure to Vodacom's local and international operations and a more direct reference price for the YeboYethu shares
- Whilst retaining their shareholding, YeboYethu shareholders will receive a special dividend, representing c.2.7 times their original equity contribution
- The new Vodacom Group BEE transaction will have a ten-year term
- YeboYethu shareholders will continue to have the ability to trade their shares on the BEE Segment of the JSE before and after the implementation of the transaction
- There is no lock-in period for YeboYethu shareholders
- Vodacom Group will facilitate the transaction consistent with precedent BEE transactions
- The transaction will be leveraged through vendor funding from Vodacom Group and third-party preference share funding from financial institutions
- The transaction will be implemented based on the 60-day volume weighted average price of a Vodacom Group share as at the pricing date, currently anticipated to be 3 July 2018
- YeboYethu shareholders will have the opportunity to vote on and approve the transaction at a general meeting of shareholders which is expected to take place on 17 August 2018

1. Introduction

During 2008, Vodacom Group facilitated a Broad-Based Black Economic Empowerment ("BEE") ownership transaction through the acquisition by Royal Bafokeng Holdings (Proprietary) Limited ("RBH") (which holds its shares in Vodacom (Proprietary) Limited ("Vodacom SA") through its subsidiary, Lisinfo 209 Investments (Proprietary) Limited), Thebe Investment Corporation (Proprietary) Limited ("Thebe") (which holds its shares in Vodacom SA through its subsidiary, Main Street 661 (Proprietary) Limited) and YeboYethu (collectively, the "Vodacom SA BEE shareholders"), in aggregate, of an effective 6.25% shareholding in the issued share capital of Vodacom SA (the "existing BEE transaction").

The existing 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 ("parties"), have entered into a suite of agreements in terms of which the current shareholders of YeboYethu, together with the Vodacom SA BEE shareholders and a newly formed employee share ownership scheme in the form of an employee trust with the beneficiaries acquiring vested rights upfront (the "Vodacom ESOP or Siyanda") will, through YeboYethu, acquire between 5.80% and 6.25% of the issued shares in Vodacom Group (post issuance) in terms of a new BEE ownership transaction (the "proposed BEE transaction").

The parties have entered into inter alia a relationship agreement and an implementation agreement to regulate and implement the proposed BEE transaction, as more fully described in paragraph 5.

In terms of the implementation agreement, the parties have agreed the key pricing parameters of the proposed BEE transaction, barring the Vodacom SA/Vodacom Group share exchange, which has been delayed to minimise the time period between the pricing date (as defined below) and the date of conclusion of the proposed BEE transaction, to reduce market risk and pricing volatility. Accordingly, implementation of the proposed BEE transaction will be implemented based on the 60-day volume weighted average price ("VWAP") of a Vodacom Group share on the exchange operated by the JSE Limited ("JSE"), up to the last practicable date prior to formal JSE approval of the Vodacom Group and YeboYethu circulars ("pricing date"). The pricing date is currently anticipated to be Tuesday, 3 July 2018.

The parties have agreed the following key proposed BEE transaction parameters, which will be determined on the pricing date:

60-day VWAP of a Vodacom Group share on pricing date	From R155 to R165	From R150 to (but less than) R155	From R147.50 to (but less than) R150	From R145 to (but less than) R147.50	From R140 to (but less than) R145
Transaction size	R17.5 billion	R17.2 billion to R17.5 billion	R16.9 billion to R17.2 billion	R16.6 billion to R16.9 billion	R16.0 billion to R16.6 billion
Equity swap ratio of Vodacom SA to Vodacom Group	69.5%	71.0%	71.0%	71.5%	73.0%
Subscription price discount from Vodacom Group	10%/R1.75 billion	R1.75 billion	R1.75 billion to R1.94 billion	R1.94 billion to R2.06 billion	R2.06 billion to R2.22 billion
Equity reinvested by the Vodacom SA BEE shareholders	R4.5 billion	R4.4 billion to R4.5 billion	R4.1 billion to R4.4 billion	R3.8 billion to R4.1 billion	R3.4 billion to R3.8 billion
Special dividend paid to YeboYethu shareholders	R3.0 billion to R3.7 billion	R3.0 billion	R3.0 billion to R3.1 billion	R3.1 billion to R3.2 billion	R3.2 billion to R3.4 billion
Vodacom ESOP subscription for new YeboYethu ordinary shares	R750 million	R750 million	R750 million	R750 million	R750 million
Gearing of YeboYethu (third party financing and vendor funding from Vodacom Group)	60%	60%	60%	60%	60%

Based on an illustrative price of R152.50 per Vodacom Group share, YeboYethu would acquire a 6.25% shareholding in Vodacom Group. This illustrative price will be updated to the 60-day VWAP on the last practicable date prior to finalising the circular. (The 60-day VWAP per Vodacom Group share on Thursday 7 June 2018, prior to finalisation of this announcement amounted to R152.17 per share.)

2. Information relating to YeboYethu

YeboYethu was incorporated on 19 June 2008 as a special purpose vehicle to hold a direct investment in Vodacom SA and facilitate BEE in the mobile telecommunications sector. Since inception, over 100 000 black people have been able to hold, through investing in YeboYethu shares, a beneficial interest in Vodacom SA, South Africa's largest mobile communications operator (by customer and revenue). YeboYethu has a 3.44% stake in Vodacom SA.

YeboYethu's shares were listed on the BEE Segment of the JSE on 11 August 2016 as asset backed securities where YeboYethu's sole asset consists of the Vodacom SA shares held by YeboYethu.

3. Rationale for YeboYethu's participation in the proposed BEE transaction

Consistent with YeboYethu's objectives of maximising value for its shareholders ("YeboYethu shareholders") and facilitating ongoing investment as a BEE vehicle, the proposed BEE transaction has been designed to provide long term benefits to YeboYethu shareholders. To structure the proposed BEE transaction efficiently, the board of directors of YeboYethu ("YeboYethu Board") was guided by the following:

- Maximise the value of its current shareholding in Vodacom SA;
- Provide an immediate and significant cash return to YeboYethu shareholders after ten years of the existing BEE transaction;
- Ensure that its investment over the long term is maximised by effectively swapping shares in the unlisted Vodacom SA for the shares in the JSE listed Vodacom Group, thereby providing a direct reference price to its investment in a larger and more diversified group;
- With the direct reference price to Vodacom Group, there should be greater price discovery for a YeboYethu shareholder potentially reducing the overall discount to value;
- Ensure a sustainable and material shareholding is achieved at the Vodacom Group level;
- Consolidate the Vodacom SA BEE shareholders into the YeboYethu shareholding structure;
- Build on the successful relationship with Vodacom Group as its BEE shareholder; and
- Ensure the sustainability of the funding structure over the long term.

4. Information relating to Vodacom Group

The Vodacom Group launched its first GSM networks in South Africa in 1994. It commenced operations with mobile networks outside of South Africa as follows: Lesotho (1995), Tanzania (2000), DRC (2002) and Mozambique (2003).

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.

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

Vodacom Group is 64.5% majority owned by Vodafone, one of the world's largest communication companies by revenue.

5. Salient details of the proposed BEE transaction

The proposed BEE transaction will be implemented through a series of inter-conditional steps as outlined below. The values reflected below are based on an illustrative price of R152.50 per Vodacom Group share.

5.1 Background

During 2008 Vodacom Group implemented the existing 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 class "A" ordinary shares in the share capital of Vodacom SA ("Vodacom SA A shares"); and
- 18 million ordinary shares in the share capital of Vodacom SA ("Vodacom SA ordinary shares"),

(collectively, the "Vodacom SA shares").

The issue of the Vodacom SA A shares was facilitated by Vodacom SA through a notional vendor finance ("NVF") structure. The Vodacom SA BEE shareholders were required to make 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 ordinary shares in its share capital ("YeboYethu ordinary shares") for subscription by black individuals and black-owned companies. In addition, the YeboYethu Employee Participation Trust ("YeboYethu ESOP") subscribed for 12 million compulsorily convertible "N" shares ("YeboYethu N shares") at a nominal amount in terms of a separate NVF transaction.

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

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

Please refer to the announcement to be published in the press tomorrow Tuesday 12 June 2018 for the diagram which illustrates the shareholding of the existing BEE transaction structure.

5.2 Proposed BEE transaction steps

5.2.1 Step 1: Unwind of the existing BEE transaction

Step 1A: Settlement of the NVF

Vodacom SA will repurchase 110 902 035 Vodacom SA A shares from the Vodacom SA BEE shareholders for a nominal consideration pursuant to the existing NVF transaction terms ("Vodacom SA repurchase"), upon which the remaining Vodacom SA A ordinary 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 189 097 965 Vodacom SA shares, or approximately 4.0% of Vodacom SA.

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

Following implementation of the Vodacom SA repurchase, the YeboYethu N shares will automatically convert according to their terms of issue and at the same time 3 154 468 of those shares shall be repurchased by YeboYethu for a nominal amount based on the existing YeboYethu NVF transaction terms. Of the 8 845 532 remaining YeboYethu ordinary shares held by the YeboYethu ESOP, a portion will, as set out in Step 4 (paragraph 5.2.4), be sold to the Vodacom ESOP, and the remainder of those shares will be transferred, together with the proceeds of those sales, to the existing vested beneficiaries of the YeboYethu ESOP, whereafter the YeboYethu ESOP will be wound-up.

5.2.2 Step 2: Consolidation of Vodacom SA BEE shareholders' interests in Vodacom SA in a single vehicle

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

RBH will sell its 56 191 660 Vodacom SA A shares and 7.56 million Vodacom SA ordinary shares to YeboYethu, and in return YeboYethu will issue 15 115 065 new YeboYethu ordinary shares to RBH in consideration.

Thebe will sell its 24 082 140 Vodacom SA A shares and 3.24 million Vodacom SA ordinary shares to YeboYethu, and in return YeboYethu will issue 6 477 885 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 value.

5.2.3 Step 3: YeboYethu declares a special dividend (distribution)

YeboYethu will declare a special dividend of R3 016 419 627 or R67.28 per YeboYethu ordinary share. The special dividend represents a significant liquidity event and equates to 2.7 times the original equity contribution.

Despite declaration, the payment of the special dividend will only occur in (and be contingent upon) Step 6 (and each of the preceding Steps) being implemented (paragraph 5.2.6).

5.2.4 Step 4: Vodacom Group employer companies make a contribution to the Vodacom ESOP to enable it to acquire YeboYethu ordinary shares

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. The Vodacom ESOP will use the proceeds to purchase up to a maximum of 2 988 919 YeboYethu ordinary shares valued at R300 million from the YeboYethu ESOP (and the YeboYethu ESOP beneficiaries insofar as the rights therein have vested), and will use the balance of R750 million to subscribe for 7 472 297 new YeboYethu ordinary shares for the benefit of vested 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 proposed BEE transaction.

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

A new special purpose vehicle, YeboYethu Investment Company (RF) (Proprietary) Limited ("YeboYethu Investment"), will be created for the purpose of holding YeboYethu's Vodacom Group shares, and will be a wholly-owned subsidiary of YeboYethu.

After the implementation of the aforementioned steps and the consolidation of YeboYethu's shareholding in Vodacom SA, YeboYethu will on the next day exchange its Vodacom SA shares for ordinary shares in the share capital of YeboYethu Investment ("YeboYethu Investment shares"). YeboYethu will sell its 171 097 965 Vodacom SA A shares and 18 million Vodacom SA ordinary shares to YeboYethu Investment, and in return YeboYethu Investment will issue 7 516 420 new YeboYethu Investment ordinary shares to YeboYethu in consideration.

After implementation of the exchange of Vodacom SA shares for YeboYethu Investment shares, and on the subsequent day, YeboYethu Investment will exchange its Vodacom SA shares for new ordinary shares in the share capital of Vodacom Group ("Vodacom Group shares") on a fair value basis. YeboYethu Investment will sell its 171 097 965 Vodacom SA A shares and 18 million Vodacom SA ordinary shares to Vodacom Group and in return Vodacom Group will issue 49 287 998 new Vodacom Group shares in consideration.

5.2.6 Step 6: YeboYethu raises vendor funding and third party financing and subscribes for additional Vodacom Group shares

YeboYethu will issue class B preference shares in its share capital ("class B preference shares") to Vodacom Group and raise R4 732 666 667. 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 5.2.4 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 5.2.3 above) and transaction costs amounting to R66 million and (b) subscribe for 2 400 247 additional YeboYethu Investment shares.

YeboYethu Investment will use the subscription proceeds received from YeboYethu above to subscribe for 19 084 628 new Vodacom Group shares at a discount of R510 158 659.

In addition, YeboYethu will issue class A preference shares in its share capital ("class A share cover preference shares") to third party funders and raise R5 833 333 333. The class A share cover preference shares will be secured 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 the class A share cover preference shares, to subscribe for 5 833 333 additional YeboYethu Investment shares.

YeboYethu Investment will use the entire subscription proceeds received from YeboYethu above to subscribe for 46 381 473 new Vodacom Group shares at a discount of R1 239 841 341.

5.3 Final structure

Please refer to the announcement to be published in the press tomorrow Tuesday 12 June 2018 for the diagram which illustrates the YeboYethu shareholding structure, following the implementation of the proposed BEE transaction.

6. Key terms of the YeboYethu structure

6.1 YeboYethu sources of funding

The table below sets out the sources of funding to discharge the payment obligations in terms of the proposed BEE transaction. The values reflected below are based on an illustrative Vodacom Group share price of R152.50. (the 60-day VWAP per Vodacom Group share on Thursday 7 June 2018, prior to finalisation of this announcement amounted to R152.17 per share).

Sources of funding	Rm	%
Economic value of Vodacom Group discount of subscription price	1 750	10.0
Equity contribution - Vodacom SA BEE shareholders (including YeboYethu shareholders)	4 500	25.6
Equity contribution by employer companies - Vodacom ESOP(1)	750	4.3
Class A share cover preference shares from third party funders	5 833	33.2
Class B preference shares from Vodacom Group	4 733	26.9
Total	17 566	100.0
Uses of funding	Rm	%
Transaction costs	66	0.4
Acquisition of Vodacom Group shares	17 500	99.6
Total	17 566	100.0

Note 1: Total ESOP contribution of R1 050 million, where up to a maximum of R300 million is utilised to acquire shares from the YeboYethu ESOP and up to a maximum of R750 million subscribe for new YeboYethu shares

6.2 Funding terms

The salient terms of the funding for YeboYethu are summarised as follows:

	Class A share cover preference shares	Class B preference shares
Facilities	Cumulative redeemable preference shares	
Issuer	YeboYethu	
Subscriber	Third party funders	Vodacom Group
Final redemption date	- 5 years commencing from subscription date - Intention to refinance for a further 5 years at the end of the initial subscription date	- 10 years commencing from subscription date
Service/redemption	Ongoing Vodacom Group dividends received by YeboYethu Investment will be applied in accordance with an agreed priority of payments which, among others, includes: - the payment of taxes and administration costs; - the service of a prescribed portion of the class A share cover preference shares on a semi-annual basis; - subject to the share cover ratio exceeding 2.4 times and the approval of the YeboYethu Board, a minimum annual trickle 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 - subject to applicable restrictions in terms of the Income Tax Act, No. 58 of 1962, the balance used to service the class B preference shares.	
Dividend calculation	Dividends on the class A share cover preference shares will accrue daily, be compounded monthly and settled semi-annually, subject to a permitted dividend roll up of 135%	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 share cover 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
Dividend rate	68% of First National Bank's prime overdraft lending rate ("prime")	70% of prime
Security	- Cession and pledge of the YeboYethu proceeds account and redemption reserve account - Cession and pledge of YeboYethu's YeboYethu Investment shares - Guarantee by YeboYethu Investment - Cession and pledge of YeboYethu Investment's Vodacom Group shares	Unsecured
Covenants	- 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 - 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.	None

6.3 Listing and trading

Subject to the fulfilment or waiver of the suspensive conditions set out in paragraph 8 (some to be fulfilled prior to beginning to implement, and others during implementation), the proposed BEE transaction will be implemented over four successive business days, commencing on the first business day upon which, pursuant to any requirements of the JSE, the proposed 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 exercise their appraisal rights as a consequence of the passing of the resolutions to approve and implement the proposed BEE transaction ("Implementation Date"). YeboYethu will remain listed on the BEE Segment of the JSE after the Implementation Date. Registered holders of YeboYethu ordinary shares ("YeboYethu ordinary shareholders"), with the exception of the Vodacom ESOP, will therefore continue to have the ability to trade their YeboYethu ordinary shares on the JSE, before and after the implementation of the proposed BEE transaction.

6.4 ESOP

Qualifying Vodacom Group employees ("qualifying employees") 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. Qualifying employees will be issued units in the Vodacom ESOP. The units representing 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 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).

6.5 Funding period

Subject to the funding agreements, YeboYethu (and YeboYethu Investment) will be prohibited from selling its effective shareholding in Vodacom Group for a period of ten years. After ten years and subject to the final settlement of the then outstanding funding, YeboYethu (and YeboYethu Investment) will have no restriction on the trading of its shareholding in Vodacom Group.

6.6 Dividends

YeboYethu Investment will receive dividends on its Vodacom Group shares. Dividends received from Vodacom Group will be used to pay taxes, administration costs and to service non-recourse funding. 20% of the remaining amount after servicing the Vodacom Group non-recourse preference shares will, at the election of YeboYethu, be declared as a dividend to YeboYethu shareholders. The proposed 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 from the outset of the proposed BEE transaction, with a minimum annual trickle 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.

7. Pro forma financial effects of the unwind of the existing BEE transaction and the proposed BEE transaction (collectively the "proposed transactions")

The table below sets out the pro forma financial effects of the proposed transactions on, inter alia, YeboYethu's basic earnings per share, diluted earnings per share, headline earnings per share, diluted headline earnings per share, net asset value per share and tangible net asset value per share based on the most recently published audited annual financial results of YeboYethu for the year ended 31 March 2018.

The pro forma financial effects have been prepared using accounting policies that comply with International Financial Reporting Standards ("IFRS") and that are consistent with those applied in the published audited annual financial results of YeboYethu for the year ended 31 March 2018.

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

Accounting treatment

For accounting purposes, the proposed transactions will be implemented through a series of inter-conditional steps resulting in Vodacom Group issuing an assumed 114 754 098 new Vodacom Group shares to YeboYethu Investment based on the 60-day VWAP per new Vodacom Group share on the pricing date.

Based on the YeboYethu Board's judgement and application of the control principles contained in IFRS 10: Consolidated Financial Statements, the YeboYethu Board concluded that YeboYethu will consolidate YeboYethu Investment. As a result, the assumed 114 754 098 new Vodacom Group shares held by YeboYethu Investment in Vodacom Group will be reflected as a financial asset at fair value through profit or loss, in terms of IFRS 9: Financial Instruments, in the consolidated YeboYethu results. The fair value will be determined based on the listed share price of Vodacom Group in terms of IFRS 13: Fair Value Measurement and any resulting gains or losses will be recognised through profit or loss at each reporting date.

Based on 31 March 2018	Before the proposed transactions (cents) (A)	After the proposed transactions (cents) (B)	Percentage change (%) (B/A)
Basic earnings per share	3 464	5 016	44,8%
Diluted earnings per share	2 343	5 016	114,1%
Headline earnings per share	3 464	5 016	44,8%
Diluted headline earnings per share	2 343	5 016	114,1%
Net asset value per share	8 697	11 025	26,8%
Tangible net asset value per share	8 697	11 025	26,8%
Weighted average number of shares in issue (thousands)	14 395	52 306	
Weighted average diluted number of shares in issue (thousands)	21 277	52 306	
Number of shares in issue (thousands)	14 395	52 306	

Notes and assumptions:

The pro forma financial effects presented assume a Vodacom Group share price of R152.50 for illustrative purposes, and will be updated on the last practicable date prior to finalising the circular to be posted to YeboYethu shareholders (the 60-day VWAP per Vodacom Group share on Thursday 7 June 2018, prior to the finalisation of this announcement amounted to R152.17 per share).

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

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

- Step 1: The unwind of the existing BEE transaction

It has been assumed that the unwind of the existing BEE transaction and the settlement of the outstanding NVF will take place in accordance with the Memorandum of Incorporation ("Moi") of Vodacom SA resulting in YeboYethu holding shares in Vodacom SA.

Step 1 results in YeboYethu owning 2.1% in Vodacom SA and the conversion of N shares into YeboYethu ordinary shares. The pro forma financial effects assume a non-recurring fair value uplift of R1 271 million (net of deferred tax of R367 million) based on the assumed fair value of the Vodacom SA shares.

Following implementation of the Vodacom SA repurchase, the YeboYethu N shares will automatically convert according to their terms of issue and YeboYethu will repurchase 3 154 468 of those shares for a nominal amount based on the existing YeboYethu NVF transaction terms.

- Step 2: Consolidation of Vodacom SA BEE shareholders' interests in Vodacom SA into a single vehicle

This step gives rise to YeboYethu issuing 21 592 950 new YeboYethu ordinary shares to Thebe and RBH for an assumed consideration of R3 620 million in exchange for their investment in Vodacom SA. Stated capital and the investment in financial assets are increased accordingly.

- Step 3: YeboYethu declares a special dividend

Other reserves are reduced for the impact of the declaration of the special dividend (the special dividend is settled from the proceeds of the subscription in YeboYethu ordinary shares by Vodacom ESOP and the issue of the class B preference shares as described below).

- Step 4: Vodacom Group employer companies make a contribution to the Vodacom ESOP to enable it to acquire YeboYethu ordinary shares

This step gives rise to YeboYethu issuing up to a maximum of 7 472 297 new YeboYethu ordinary shares for a consideration of R750 million. Stated capital and cash and cash equivalents are increased accordingly.

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

The issue of an assumed 49 287 998 new Vodacom Group shares in exchange for the 4.0% shareholding that YeboYethu Investment holds in Vodacom SA does not give rise to any pro forma financial effects other than the investment in Vodacom SA being exchanged for an investment in Vodacom Group.

- Step 6: YeboYethu raises vendor funding and third party financing and subscribes for additional Vodacom Group shares

YeboYethu class A share cover preference shares

Borrowings are increased for YeboYethu's issue of class A share cover preference shares to third party financiers at the assumed value of R5 833 million. YeboYethu will use the entire subscription proceeds received to subscribe for 46 381 473 new Vodacom Group shares, through its wholly owned subsidiary YeboYethu Investment, at a discount of R1 240 million, assuming a Vodacom Group share of R152.50. The investment in financial assets is increased accordingly.

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

YeboYethu class B preference shares

Borrowings are increased for YeboYethu's issue of class B preference shares to Vodacom Group at the assumed value of R4 733 million. YeboYethu will use the subscription proceeds received plus the Vodacom ESOP subscription proceeds to:

- Subscribe for 19 084 628 new Vodacom Group shares through YeboYethu Investment at a discount of R510 million, assuming a Vodacom Group share price of R152.50. The investment in financial assets is increased accordingly;
- Fund the payment of the special dividend of R3 016 million to YeboYethu shareholders (detailed in Step 3); and
- Cash settle assumed once-off transaction costs of R66 million, which was expensed in profit or loss.

Finance cost at a rate of 70% of prime (non tax deductible) on the outstanding balance of the class B preference shares has been assumed.

Other pro forma financial effects

- Dividend income was calculated at 6.25% of the total dividends paid by Vodacom Group of R13 186 million for the year ended 31 March 2018.
- As discussed, the new Vodacom Group shares held by YeboYethu Investment in Vodacom Group will be treated as a financial asset at fair value through profit or loss. Accordingly, the pro forma financial effects assumes a gain on remeasurement of R1 358 million (net of deferred tax of R392 million) based on 114 754 098 new Vodacom Group shares at an assumed price of R152.50 per Vodacom Group share. On each subsequent reporting date, the investment in Vodacom Group will be adjusted based on movements in the fair value and such movements will be recognised in profit and loss.
- YeboYethu will incur operating expenses in the ordinary course of business. The pro forma financial 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 to finalising the announcement.

The pro forma financial effects based on the final pricing information will be included in the circular to be posted to YeboYethu shareholders.

8. Suspensive conditions

The implementation of the proposed BEE transaction is subject to the fulfilment or (where applicable) waiver of the following suspensive conditions on or before the day before the end of the current "lock-in period" in the YeboYethu memorandum of incorporation, currently being 7 October 2018, or such later date as may be agreed between Vodacom Group and YeboYethu (the "long stop date"):

- that on the pricing date the 60-day VWAP of a Vodacom Group share is equal to or greater than R140 and less than or equal to R165. If this is not the case, the parties may request for the pricing date to be delayed to consult as to whether the terms of the proposed BEE transaction can be amended such that the parties will proceed nonetheless. If agreement cannot be reached within 15 business days from the pricing date, and following such consultation (i) the price is still not within such range; and (ii) one of the parties does not want to proceed, this suspensive condition will fail;
- the requisite majority of Vodacom Group shareholders approving all the resolutions required to effect the proposed BEE transaction;
- the requisite majority of YeboYethu shareholders approving all the resolutions required to effect the proposed 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 Group, which includes those amendments required to give effect to the proposed 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 Group, which includes those amendments required to give effect to the proposed BEE transaction;
- filing of an amendment to, and/or replacement of, the YeboYethu ESOP's trust deed and scheme rules, in a form acceptable to YeboYethu, Vodacom Group and the YeboYethu ESOP, which includes those amendments required to give effect to the proposed BEE transaction;
- the proposed BEE transaction agreements being concluded and becoming unconditional in accordance with their terms;
- the funding agreements being concluded and becoming unconditional in accordance with their terms; and
- all regulatory consents being 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 confirming in writing to the other/s that the condition or qualification is acceptable to it or them, which confirmation shall not be unreasonably withheld or delayed.

Apart from these suspensive conditions, each specific agreement contemplated in paragraph 5.2 above contains its own suspensive conditions that must be fulfilled prior to it becoming enforceable, which specific transaction conditions must be fulfilled on or before 15 October 2018, or such later date as may be agreed between Vodacom Group and YeboYethu (the "specific conditions date"). The specific transaction conditions include the fact that all prior steps should have become unconditional and have been implemented and that Vodacom Group in certain circumstances has given written notice confirming that all of the suspensive conditions and steps prior to the relevant agreement have been fulfilled and/or implemented in accordance with the implementation agreement.

Vodacom Group and YeboYethu, may by way of written agreement, and provided that non-compliance therewith would not constitute a breach of law by any of the parties, waive any of the above general suspensive conditions. Any waiver of the general proposed BEE transaction conditions must occur on or before the long stop date, and any waiver of the specific transaction conditions must occur before the date upon which the last of the general transaction conditions are fulfilled or waived.

9. Category 1 transaction in terms of the JSE Listings Requirements

The YeboYethu ordinary shares are listed as asset backed securities ("ABS") on the BEE Segment of the JSE. An issuer of ABS is generally understood to have as its sole purpose the holding of the underlying assets and it is ordinarily not contemplated that such an issuer would engage in corporate actions or transactions.

The current YeboYethu structure would have to be wound up over time if value is to be released, considering there is no termination event in the agreements.

In order to implement the proposed BEE transaction and provide real economic returns to the YeboYethu shareholders, both immediately through the special dividend and over the longer term, YeboYethu has requested, and obtained approval from the JSE, to comply with sections 5 and 9 of the Listings Requirements of the JSE ("Listings Requirements") in respect of the proposed BEE transaction, as the requirements of section 19 which govern an issuer of ABS, are not applicable in this instance. After the implementation of the proposed BEE transaction, YeboYethu will remain listed as an ABS in terms of section 19 of the Listings Requirements.

Taking account of the requirements set out in sections 5 and 9 of the Listings Requirements, the composite, inter-conditional and inter-connected transactions comprising the proposed BEE transaction, where YeboYethu will dispose of all of its current assets underlying the ABS and replace them with new assets and at the same time YeboYethu will issue in excess of 50% of its current issued share capital, triggers the requirements for a category 1 transaction circular, including revised listing particulars, which will require shareholder

approval.

10. Takeover Regulation Panel ("TRP")

Step 5 of the proposed BEE transaction, in terms of which YeboYethu will exchange its Vodacom SA shares for ordinary shares in the share capital of YeboYethu Investment, and YeboYethu Investment will exchange its Vodacom SA shares for ordinary shares in the share capital of Vodacom Group, constitutes an affected transaction in terms of section 112 (read with section 115(2)(b)) of the Companies Act, No. 71 of 2008 ("Companies Act"), which requires shareholder approval by way of a special resolution, an opinion from an independent expert (as set out in paragraph 13 below) and the issue by the TRP of a compliance certificate in terms of section 121(b)(i) of the Companies Act.

None of the parties are acting in concert in relation to the proposed BEE transaction.

YeboYethu proposes to increase its authorised share capital to accommodate the issue of such shares as is required to implement the proposed BEE transaction.

Vodacom Group's authorised share capital is sufficient to implement the share exchange and the issue of shares, as more fully set out in paragraphs 5.2.5 and 5.2.6 above.

Vodacom Group does not directly, nor through any persons acting in concert with it, hold any beneficial interest in YeboYethu, or have an option to purchase any YeboYethu ordinary shares.

11. Specific Issue for Cash

The proposed BEE transaction includes a specific issue for cash by YeboYethu to the Vodacom ESOP, which issue will be subject to shareholder approval.

12. Memorandum of Incorporation

The YeboYethu memorandum of incorporation will be amended to align with the new proposed BEE transaction. Details of the amendments to the MoI which include, inter alia, the conversion of YeboYethu's par value shares to no par value shares, the increase in the authorised share capital of YeboYethu and the authority to create new classes of shares and take on material debt, will be included to the circular to YeboYethu shareholders.

13. Opinions and recommendations

The YeboYethu Board comprises of the following independent non-executive directors: ZBM Bassa, S Sithole, SM Radebe and AM Hall.

An independent board has been constituted for purposes of Regulation 81(j) of the Takeover Regulations, ("Independent Board") comprising three of the four independent non-executive directors of the YeboYethu Board.

In accordance with Regulation 90 of the Takeover Regulations, the Independent Board appointed BDO Corporate Finance Proprietary Limited ("BDO Corporate Finance") as the independent expert for the purpose of providing the Independent Board with external advice in respect of the proposed BEE transaction in the form of a fair and reasonable opinion.

Similarly, the YeboYethu Board appointed BDO Corporate Finance as the independent expert for purposes of providing the YeboYethu Board with external advice in regard to the fairness of the proposed BEE transaction.

Based on its independently performed fairness evaluation, BDO Corporate Finance is of the preliminary opinion that, as at the date this announcement, the terms of the proposed BEE transaction are fair to holders of YeboYethu ordinary shares. The finalised BDO Corporate Finance opinion will be included in the circular to YeboYethu shareholders.

The Independent Board and the YeboYethu Board collectively, unanimously support the proposed BEE transaction. The Independent Board and YeboYethu Board's recommendation to YeboYethu shareholders will be included in the circular to shareholders.

14. Responsibility statement

The Independent Board and YeboYethu Board jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm that, after having made all reasonable inquiries and to the best of their knowledge, the information in this announcement is true and there are no other facts omitted from this announcement, which omission would make any statement in this announcement misleading.

15. Irrevocable support from YeboYethu shareholders

YeboYethu has secured irrevocable support from its shareholders to vote in favour of all the relevant resolutions to effect the proposed BEE transaction. To date, the following YeboYethu shareholders that hold 50.76% of the YeboYethu shares at the last practicable date have given irrevocable undertakings as aforesaid:

Shareholder	Direct beneficial shareholding	Indirect beneficial shareholding	Total percentage of shares ("N" ordinary shares and ordinary shares)
YeboYethu Employee Participation Trust	12 000 000 N shares	-	45.46
The Innovator Trust	1 199 367 ordinary shares	-	4.54
Royal Bafokeng Nation Platinum Broad-Based Economic Empowerment Trust	200 000 ordinary shares	-	0.76
Total	13 399 367	-	50.76

16. Further documentation

As set out above, additional details will be provided via a further announcement to YeboYethu shareholders following the pricing date, which will also include a detailed transaction timetable.

A circular containing full details of the proposed BEE transaction, including a notice of general meeting, will be posted to YeboYethu shareholders, the date of which posting is anticipated to be on or about 16 July 2018.

17. Shareholder information

YeboYethu has embarked on a detailed communications campaign to keep YeboYethu shareholders abreast of developments and information relating to the proposed BEE transaction. The communications campaign includes -

- regional media statements;
- live radio;
- information videos; and
- digital reach-out and town-halls;

Post release of this announcement, further information will also be available on YeboYethu's website, www.yeboyethu.co.za.

18. Cautionary announcement

As set out in paragraph 1, as the exact pricing has not been finalised and will only be finalised at the pricing date, YeboYethu shareholders are advised to exercise caution when dealing in their YeboYethu shares until the pricing date announcement has been issued on the Stock Exchange News Service of the JSE.

Midrand
11 June 2018

Financial adviser, co-funder and transaction sponsor to YeboYethu
Absa Corporate and Investment Bank, a division of Absa Bank Limited

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)

Legal and tax adviser to Vodacom Group and YeboYethu
Cliffe Dekker Hofmeyr Inc.

Legal adviser to the debt arranger and co-funders
Allen & Overy (South Africa) LLP

Independent expert to YeboYethu
BDO Corporate Finance (Pty) Ltd

Reporting accountants
PricewaterhouseCoopers Inc.

Co-funder
Nedbank Corporate (a division of Nedbank Limited)