

4 July 2018

UPDATE ON YEBOYETHU'S PARTICIPATION IN VODACOM GROUP'S PROPOSED NEW BROAD-BASED BLACK ECONOMIC EMPOWERMENT OWNERSHIP TRANSACTION, FINAL BEE TRANSACTION SHARE PRICE AND FURTHER CAUTIONARY

1. Introduction

Shareholders are referred to the announcement released on SENS on Monday 11 June 2018 and published in the South African press on Tuesday 12 June 2018 detailing the BEE transaction between Vodacom Group Limited ("Vodacom Group") and YeboYethu (the "BEE transaction") a copy of which can be found on the YeboYethu website at www.yeboyethu.co.za (the "terms announcement").

Unless otherwise indicated by the context, terms defined in the above terms announcement will have the same meanings herein.

As communicated in the terms announcement on 11 June 2018, the BEE transaction was to be priced on 3 July 2018 on the basis of the Vodacom Group share price to be determined on a 60-day volume weighted average price ("VWAP"). In the terms announcement, the various deal permutations and outcomes for YeboYethu were set out on a range of Vodacom Group share prices. The BEE transaction was priced on 3 July 2018, being the last practicable date prior to formal JSE Limited ("JSE") approval of the Vodacom Group and YeboYethu circulars ("pricing date").

Since the terms announcement, the Vodacom Group share price has reduced from above R150 per Vodacom Group share to around R123, broadly in line with the reduction in value on the overall JSE ALSI and reflecting overall weakness in emerging markets.

The final BEE transaction pricing of R143.35 based on the 60-day VWAP of a Vodacom Group share remains within the range set out in the terms announcement. A comparison of the final pricing parameters and indicative pricing used for the terms announcement is set out in paragraph 2.7.

As set out in the terms announcement, the YeboYethu, RBH and Thebe Boards have negotiated certain transaction parameters to ensure that YeboYethu retained value for its current investment in Vodacom SA whilst ensuring that the value received in Vodacom Group was also sufficiently protected.

At the final BEE transaction share price of R143.35:

- The end state percentage holding in Vodacom Group will remain at c.6.23% and YeboYethu will remain the third largest shareholder
- The BEE transaction will now be valued at approximately R16.41bn
- The equity swap ratio of Vodacom SA to Vodacom Group is increased to 73%
- The subscription price discount received by YeboYethu has increased to c. R1.95bn
- The cash dividend is not affected and is marginally increased to c. R3.26bn
- The overall leverage will remain at 60% ensuring the structure is sustainable over the longer term
- The overall structure and steps remain the same without change

All the value parameters are now final except the final split of the YeboYethu gearing amount between third party financiers (class A preference shares) and vendor funding from Vodacom Group (class B preference shares), which will be determined on the fourth implementation day based on the 5-day VWAP of a Vodacom Group share at that time.

The final BEE transaction parameters are as follows:

60-day VWAP of a Vodacom Group share on pricing date	R143.35
Transaction value	R16.41 billion
Number of Vodacom Group shares to be issued to YeboYethu	114.45 million
Transaction size	6.23%
Equity swap ratio of Vodacom SA to Vodacom Group	73.0%
Subscription price discount from Vodacom Group	R1.95 billion
Equity reinvested by the Vodacom SA BEE shareholders	R3.86 billion
Maximum special dividend to be paid to YeboYethu shareholders	R3.26 billion (R73.00 per YeboYethu share)
Vodacom ESOP subscription for new YeboYethu ordinary shares	R750 million*
5-day VWAP of a Vodacom Group share at pricing date	R121.19
Gearing of YeboYethu (third party financing and vendor funding from Vodacom Group)	R9.91 billion (60%)

*This amount is rounded up. The exact amount, given the YeboYethu price per share, is R749 999 984.55.

2. BEE transaction steps

The BEE transaction will be implemented through a series of interlinked and inter-conditional steps as outlined below. The values based on the final BEE transaction share price of R143.35 are as follows:

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

Step 1 A: Implementation of the NVF structure

Vodacom SA will repurchase 114 744 844 Vodacom SA A shares (31 813 785 from RBH, 13 634 479 from Thebe, and 69 296 580 from YeboYethu (30 298 842 of the "public A shares", and 38 997 738 of the "ESOP A shares" (as such terms are defined in Vodacom SA's memorandum of incorporation))) 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 ("Vodacom SA repurchase"), 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, or approximately 3.95% of Vodacom SA.

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

Following implementation of the Vodacom SA repurchase, the 12 000 000 YeboYethu N shares in issue will automatically convert according to their terms of issue and at the same time 3 318 908 of those shares shall be repurchased 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 repurchase described above, up to a maximum of 3 298 516 will,

as set out in step 4 (paragraph 2.4), be sold to the Vodacom ESOP, 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, to the existing vested beneficiaries of the YeboYethu ESOP in accordance with the terms of the YeboYethu ESOP trust deed and scheme rules, whereafter the YeboYethu ESOP will be wound-up.

2.2 Step 2: first implementation day: 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 asset-for-share transactions, thereby consolidating all of the Vodacom SA BEE shareholders' interests into a single vehicle, being YeboYethu.

RBH will sell its 55 126 215 Vodacom SA A shares and 7.56 million Vodacom SA ordinary shares (valued at R2 410 284 967) to YeboYethu, and in return YeboYethu will issue 15 115 295 new YeboYethu ordinary shares to RBH in consideration.

Thebe will sell its 23 625 521 Vodacom SA A shares and 3.24 million Vodacom SA ordinary shares (valued at R1 032 979 282) to YeboYethu, and in return YeboYethu will issue 6 477 984 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.

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

YeboYethu will declare a special dividend of 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 46 of the Companies Act, 2008, as amended. The special dividend represents a significant liquidity event and equates to 2.9 times the YeboYethu shareholders' original equity contribution. 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 2.6) (and each of the preceding steps) being implemented.

2.4 Step 4: second implementation day: 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, 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), and will use the balance of R750 million to subscribe for 8 246 289 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 BEE transaction.

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"), has been created for the purpose of holding YeboYethu's Vodacom Group shares. YeboYethu Investment would 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 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 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 ordinary 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. 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.

2.6 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 3x 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 A 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 class A preference shares and class B preference shares will be determined with reference to the 5-day VWAP of a Vodacom Group share on the fourth implementation day. For illustrative purposes, below and later in the announcement, the split of the class A preference shares and class B preference shares is based on an assumed 5-day VWAP of a Vodacom Group share on the fourth implementation day of R121.19.

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 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 2.3 above) and 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 new Vodacom Group shares (representing 1.30% of Vodacom Group shares, post the BEE transaction), valued at R3 430 077 652, at a discount of R720 767 619.

In addition, YeboYethu will issue class A preference shares to third party funders and raise R4 623 446 168. 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 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 new Vodacom Group shares (representing 2.22% of Vodacom Group shares, post the BEE transaction), valued at R5 853 438 396, at a discount of R1 229 992 228.

The Vodacom Group share price is a material input in calculating the financial effects of the transaction. 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 (R'm)	Class B preference shares from Vodacom Group (R'm)	Total YeboYethu gearing (R'm)
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

2.7 Comparison of transaction parameters to terms announcement

The table below shows a comparison of the key pricing parameters of the BEE transaction between the terms announcement and this pricing announcement. The overall gearing of the BEE transaction structure does not increase (remains at 60%) but the BEE equity reinvestment and Vodacom discount ratios change. The discount from Vodacom increases from R1.75 billion to R1.95 billion (R200 million increase). As a result of the smaller deal size (R16.4 billion vs. R17.5 billion) and the proportional increase in the facilitation from Vodacom, the equity reinvestment from BEE investors decreases from R4.50 billion to R3.86 billion (R638 million decrease) and the overall funding required reduces from R10.50 billion to R9.91 billion (R592 million decrease).

Step	Description	Pricing announcement @R143.35	Terms announcement (assuming R152.50)
1 A	Aggregate Vodacom SA A shares repurchased from YeboYethu, RBH and Thebe	114 744 844	110 902 035
	Aggregate Vodacom SA shares held between YeboYethu, RBH and Thebe after the repurchase	185 255 156	189 097 965
	Aggregate % shareholding in Vodacom SA held between YeboYethu, RBH and Thebe after the repurchase	3.95%	4.03%
1 B	YeboYethu N shares automatically converted and simultaneously repurchased	3 318 908	3 154 468
	Aggregate remaining YeboYethu ordinary shares after the repurchase and conversion of YeboYethu N shares	8 681 092	8 845 532
2	Number of Vodacom SA shares to be exchanged by RBH for new YeboYethu ordinary shares	55 126 215 Vodacom SA A shares and 7.56 million Vodacom SA ordinary shares in return for 15 115 295 YeboYethu ordinary shares	56 191 660 Vodacom SA A shares and 7.56 million Vodacom SA ordinary shares in return for 15 115 065 YeboYethu ordinary shares
	Number of Vodacom SA shares to be exchanged by Thebe for new YeboYethu ordinary shares	23 625 521 Vodacom SA A shares and 3.24 million Vodacom SA ordinary shares in return for 6 477 984 YeboYethu ordinary shares	24 082 140 Vodacom SA A shares and 3.24 million Vodacom SA ordinary shares in return for 6 477 885 YeboYethu ordinary shares
3	YeboYethu special dividend	Up to a maximum of R3 261 189 876, in all cases or R73.00 per YeboYethu ordinary share	Up to a maximum of R3 016 419 627, in all cases or R67.28 per YeboYethu ordinary share
4	Vodacom Group capital contribution to the Vodacom ESOP	R1.05 billion	R1.05 billion
	Acquisition amount in respect of YeboYethu shares acquired by the Vodacom ESOP from the YeboYethu ESOP	Up to a maximum of R300 million	Up to a maximum of R300 million
	Number of YeboYethu shares acquired by the Vodacom ESOP from the YeboYethu ESOP	Up to a maximum of 3 298 516	Up to a maximum of 2 988 919
	Subscription amount for YeboYethu shares by the Vodacom ESOP	R750 million	R750 million
	Number of YeboYethu shares subscribed for by the Vodacom ESOP	8 246 289	7 472 297
5	Number of Vodacom SA shares held by YeboYethu post RBH and Thebe's sale of their shares in Vodacom SA to YeboYethu	167 255 156 Vodacom SA A shares and 18 million Vodacom SA ordinary shares	171 097 965 Vodacom SA A shares and 18 million Vodacom SA ordinary shares
	Number of YeboYethu Investment shares to be issued to YeboYethu in exchange for the Vodacom SA shares	7 123 061	7 516 420
	Number of Vodacom SA shares held by YeboYethu Investment	167 255 156 Vodacom SA A shares and 18 million Vodacom SA ordinary shares	171 097 965 Vodacom SA A shares and 18 million Vodacom SA ordinary shares
	Number of Vodacom Group shares to be issued to YeboYethu Investment in exchange for Vodacom SA shares	49 689 995	49 287 998
6A	class B preference shares	R5 284 707 866	R4 732 666 667
	Number of Vodacom Group shares subscribed for utilising a portion of the proceeds of the class B preference shares	23 927 991	19 084 628
	Vodacom Group discount	R720 767 619	R510 158 659
6B	class A preference shares	R4 623 446 168	R5 833 333 333
	Number of Vodacom Group shares subscribed for utilising the proceeds of class A preference shares	40 833 194	46 381 473
	Vodacom Group discount	R1 229 992 228	R1 239 841 341
Step 1-6B	Total number of Vodacom Group shares issued to YeboYethu	114 451 180	114 754 099
Step 1-6B	Percentage of Vodacom Group shares owned by YeboYethu	6.23%	6.25%

3. YeboYethu sources of funding

The table below sets out the sources of funding to discharge the payment obligations in terms of the BEE transaction. The values reflected below are based on the final BEE transaction share price of R143.35.

Sources of funding	Rm	%
Economic value of Vodacom Group discount of subscription price	1 951	11.8
Equity contribution - Vodacom SA BEE shareholders (including YeboYethu shareholders)	3 862	23.4
Equity contribution by employer companies - Vodacom ESOP	750	4.6
Class A share cover 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

*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 subscribe for new YeboYethu 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. Pro forma financial effects

It is intended that the pro forma financial effects based on the final pricing information will be included in the circular to be posted to YeboYethu shareholders on or about Monday 16 July 2018.

5. Salient dates and times

	2018
Record date for shareholders to be recorded on the register to receive a copy of the circular	Friday 6 July
Circular incorporating notice of general meeting posted to shareholders and announced on SENS, on or about	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 11:00	Thursday 16 August
General meeting of shareholders to be held immediately after the conclusion of the annual general meeting at approximately 11:00 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	Friday 17 August
Results of general meeting released on SENS	Friday 17 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
Dissenting shareholder salient dates	
Last date on which shareholders who voted against the s112 disposal resolution can require YeboYethu to seek court approval for the s112 disposal in terms of section 115(3)(a) of the Act (if applicable), on	Friday 24 August
Last date on which shareholders who voted against the s112 disposal resolution can make application to court in terms of section 115(3)(b) of the Act (if applicable), on	Friday 31 August
Last date for YeboYethu to send notice of adoption of the s112 disposal resolution in terms of section 164(4) of the Act to shareholders who provided written notice of objection of and subsequently voted against the s112 disposal resolution, on	Friday 31 August
Expected last date for dissenting shareholders to exercise their appraisal rights, on or about	Friday 21 September
First implementation day (on or about)	Tuesday 25 September

6. Further documentation

A circular containing details of the BEE transaction and a notice of general meeting will be posted to YeboYethu shareholders on or about Monday 16 July 2018.

7. Further cautionary announcement

As set out in paragraph 4, as the pro forma financial effects will be included in the circular to shareholders, YeboYethu shareholders are advised to continue to exercise caution when dealing in their YeboYethu shares until the circular has been issued. The circular will be available, once issued, on the YeboYethu website, www.yeboyethu.co.za and an announcement will be made on SENS to that effect.

Midrand
4 July 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 Vodacom SA
Ernst & Young

Independent expert to YeboYethu
BDO Corporate Finance (Pty) Ltd

Reporting accountants
PricewaterhouseCoopers Inc.

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