



Safaricom acquisition Investor presentation

May 2017

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Transaction summary

Overview

- Vodafone currently holds a 40% interest in Safaricom through a wholly-owned subsidiary, Vodafone Kenya Ltd ('VKL')
- Vodacom has agreed to acquire an 87.5% interest in VKL, representing a 35% interest in Safaricom

Valuation

- 1.62x Vodacom shares per 100 Safaricom shares¹, representing:
 - (5.9)% discount vs 1.72x closing price as of 12 May 2017
 - (4.8)% discount vs 1.70x 1m VWAP
 - (0.6)% discount vs 1.63x 6m VWAP
- The exchange ratio implies a valuation for Safaricom:
 - 7.5x EV/FY17 EBITDA
 - 11.3x EV/FY17 OpFCF
 - 5.7% FY17 LFCF yield

Consideration

- Share swap transaction – issue of new Vodacom Group Limited shares
 - Vodacom will issue 227m new shares, resulting in total issued shares of 1 715m²

Financial effects

- Vodacom's 35% stake in Safaricom will be equity accounted as an associate investment
- Slightly HEPS accretive (excluding the effects of amortisation on intangibles on acquisition) based on FY17 results

Approvals and governance

- Transaction is subject to shareholder approval (excl Vodafone) and a general meeting will be held on 15 August 2017
- Vodacom will be entitled to appoint 3 directors to the board

¹ Shares issued to be adjusted for any Safaricom or Vodacom distributions between signing and closing.

² Including shares held in treasury.

Rationale | Strategic investment in a quality asset

Premier telecom operator in East Africa

- Market leader in the dynamic high growth Kenyan market
- State of the art infrastructure and spectrum portfolio
- M-Pesa is the best in class mobile money platform
- Upside potential from nascent fiber opportunities, further mobile penetration and data growth

Diversify Vodacom economic exposure

- Diversifies Vodacom's financial profile
- Complementary to Vodacom's existing footprint and simplification of structures

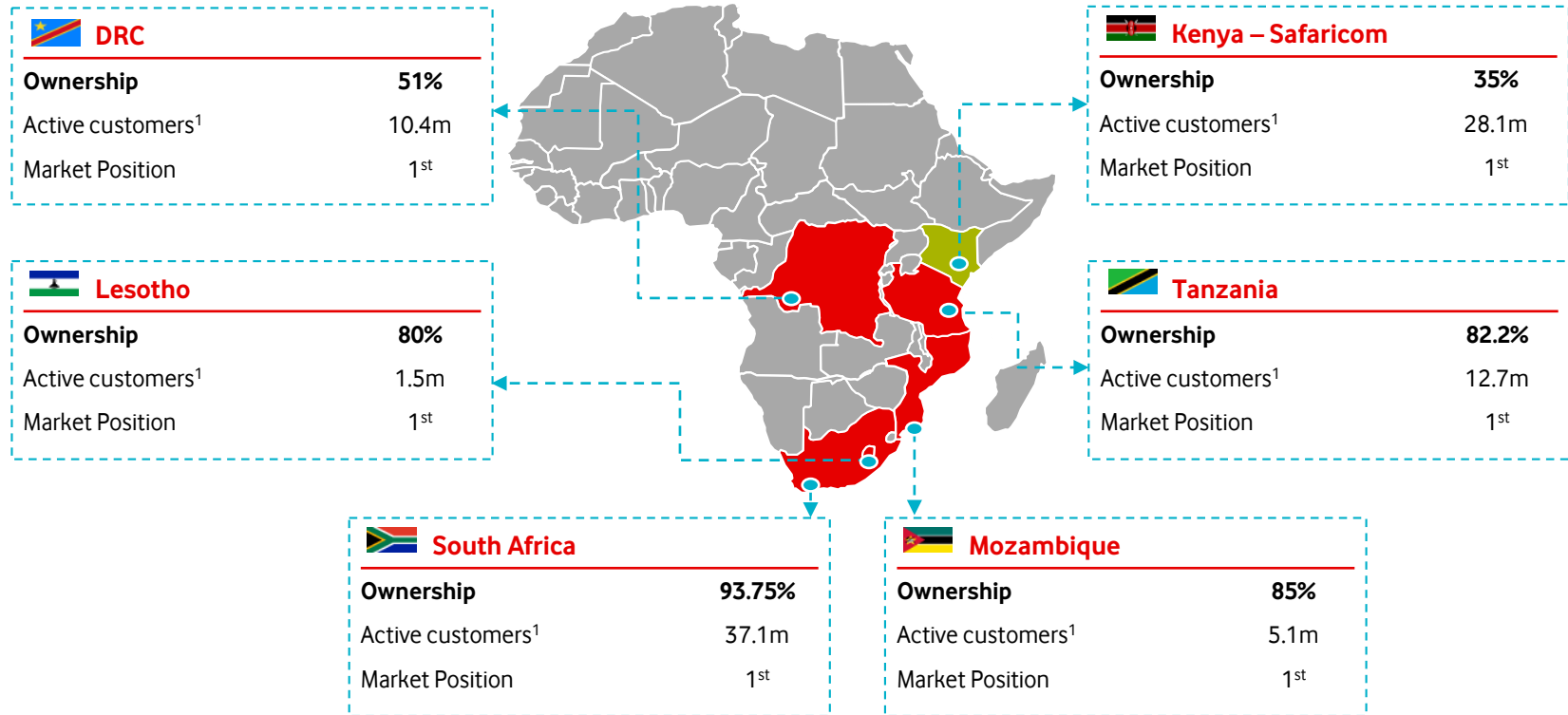
Financially attractive transaction

- Strategic stake acquired at an attractive valuation
- Strong historic operational performance expected to continue
 - Double digit revenue CAGR over last 5 years
 - 48% adjusted EBITDA margin
 - Generating high returns in excess of cost of capital

Ability to drive more value through closer cooperation

- Stronger regional presence in East Africa to drive regional and pan African enterprise propositions
- Improved sharing of best practices
- Ability to replicate M-Pesa success across other Vodacom territories

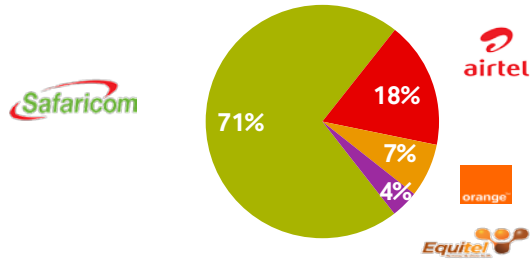
Vodacom Group | Presence in Africa



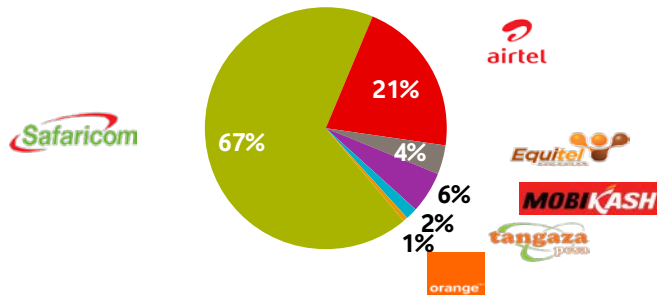
Source: Company public filings; ¹Active customers are based on the total number of mobile customers using any service during the last three months (total mobile customers for Safaricom as reported)

Kenya | Market overview opportunity

Mobile Telecom Market share¹



M-Pesa Market Share²



Kenyan macro environment (2016)³

- Population of 45m
- GDP per capita of US\$ 1 516 vs US\$ 5 261 for South Africa
- 6.0% real GDP growth and 6.3% inflation

Kenyan telecom market (2016)

- 39m mobile customers
- 88% mobile penetration vs 146% in South Africa

Source: Communications Authority of Kenya, quarterly report (Dec-2016), IMF World Economic Outlook (Apr-2017 Edition), WCIS as of Mar-2017

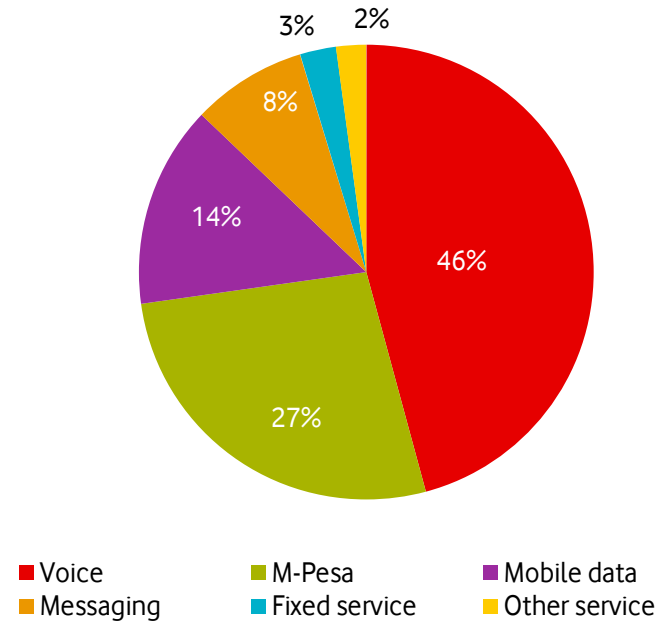
¹ Based on mobile customers. ² Based on customers. ³ Based on IMF 2016 latest estimates.

Safaricom | The premier East African telecom business

Key Business Highlights

- Pioneer in mobile money
 - 79%¹ of mobile customers using M-Pesa
 - c.19m active customers¹
- Well invested network infrastructure and spectrum portfolio
 - Mobile coverage: 2G: 95%; 3G: 85%
- Strong ongoing growth opportunity:
 - 88% Kenyan mobile penetration
 - 69%² of mobile customers using data
 - M-Pesa generates 27% of service revenue
 - Nascent opportunity in fixed line data
- Experienced management team with deep market knowledge

FY2017A Service Revenue Split

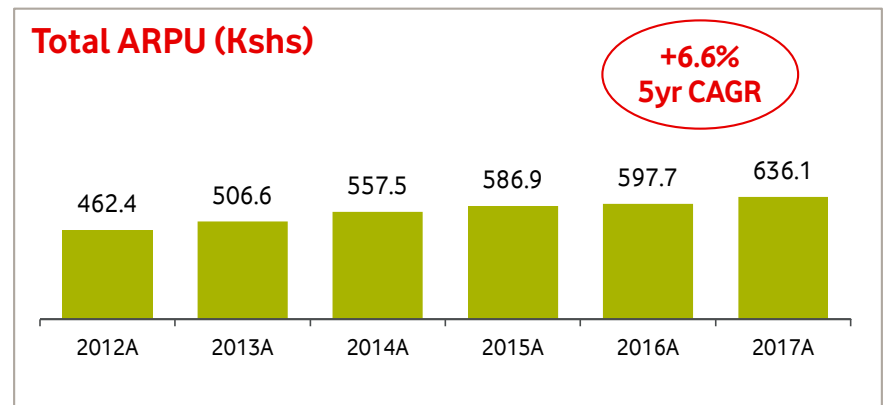
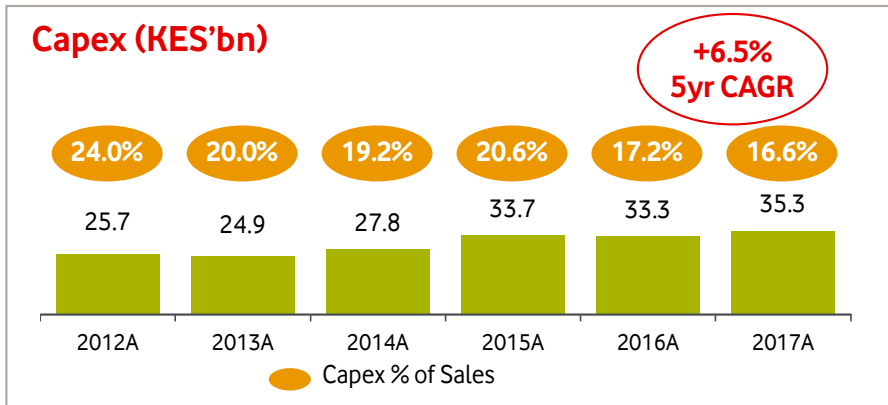
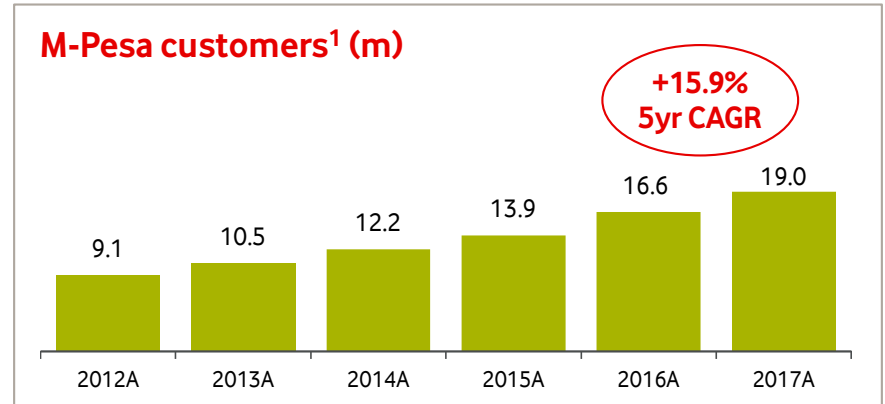
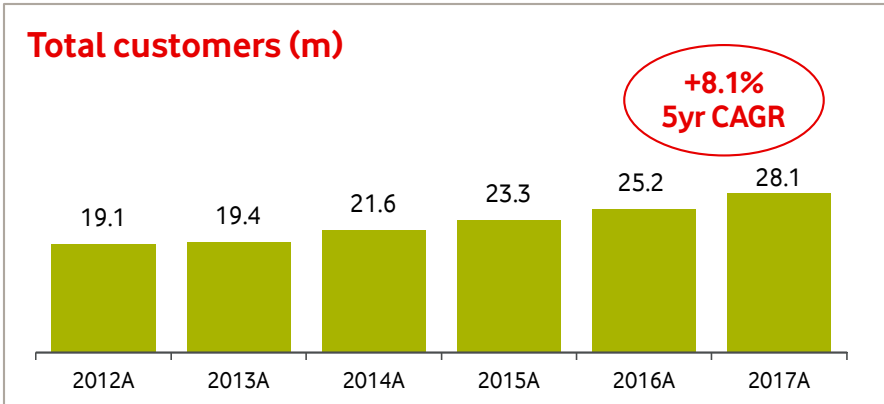


Source: Company filings, WCIS as of Mar-2017, Communications Authority of Kenya quarterly report (Dec-2016)

¹ M-Pesa 30 day active customers/ total 30 day active customers as of 31-Mar-2017

² Mobile data 30 day active customers/ total 30 day active customers as of 31-Mar-2017

Safaricom | Strong performance indicators

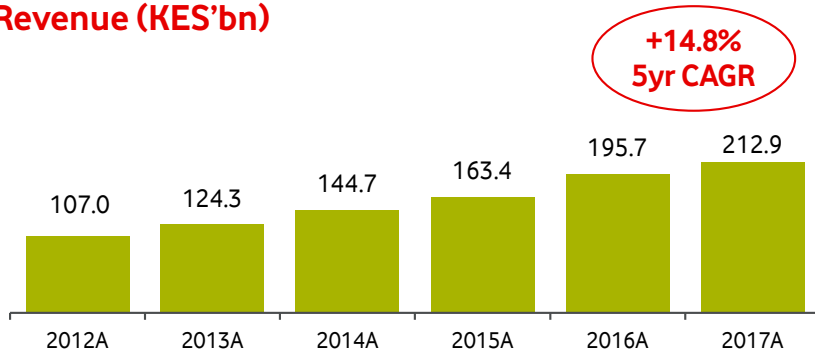


Source: Company Filings, Mar-YE

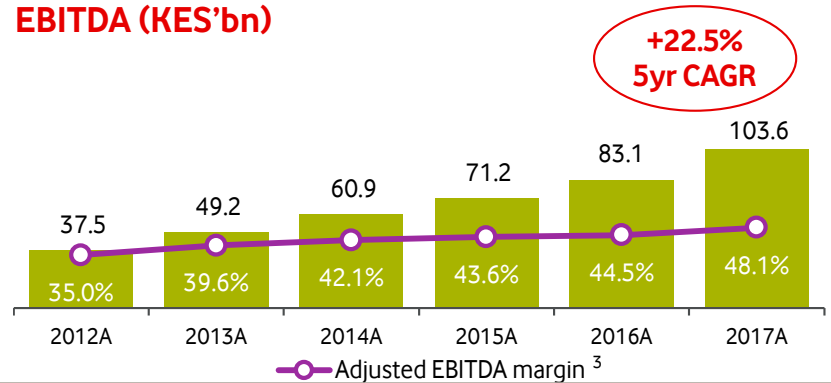
¹ Active customers refers to Mpesa customers that have been active in the past 30 days

Safaricom | Strong financial performance

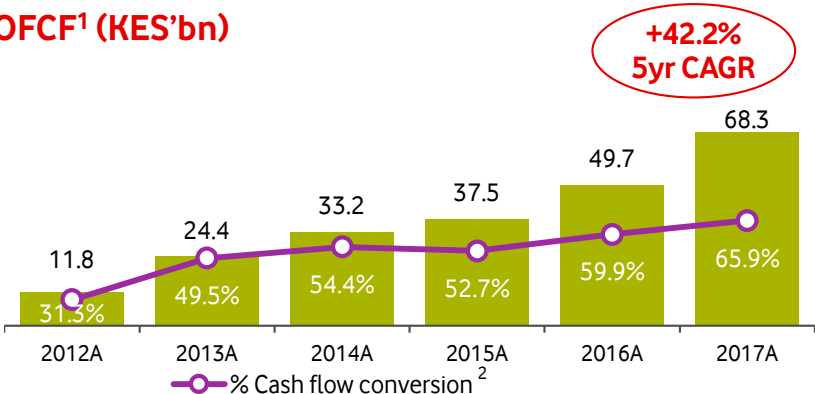
Revenue (KES'bn)



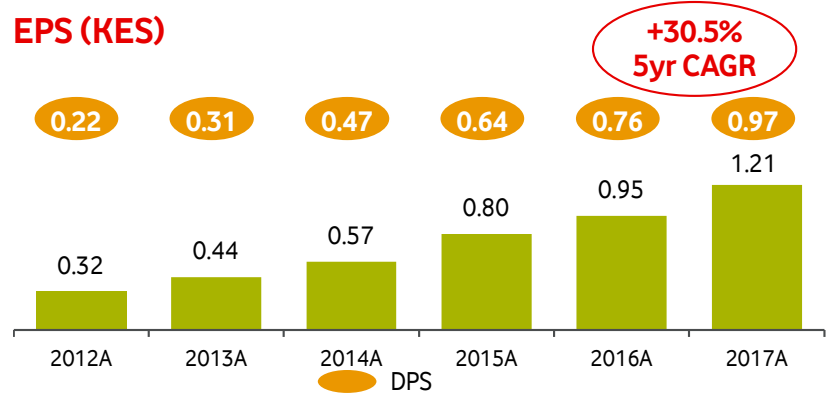
EBITDA (KES'bn)



OFCF¹ (KES'bn)



EPS (KES)



Source: Company Filings, Mar-YE

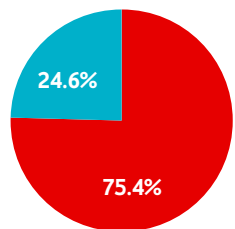
¹ Defined as EBITDA-Capex. ² Defined as (EBITDA-Capex)/EBITDA ³ Margin is calculated on total revenue (less construction revenue) plus other income

Diversify exposure | Complements growth strategy

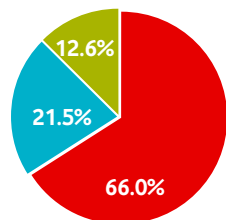
The proposed transaction is to be equity accounted in the Vodacom Group financial statements. The below charts are an illustrative contribution based on our proportionate shareholding in Safaricom; in practice Safaricom will only be reported in the "profit from associates" line within the Group income statement.

Diversify exposure

FY2017 Service revenue

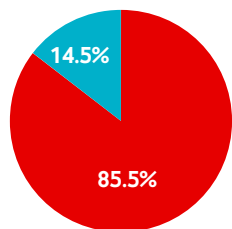


■ South Africa ■ International

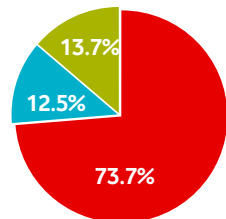


■ South Africa ■ International ■ Safaricom

FY2017 EBITDA



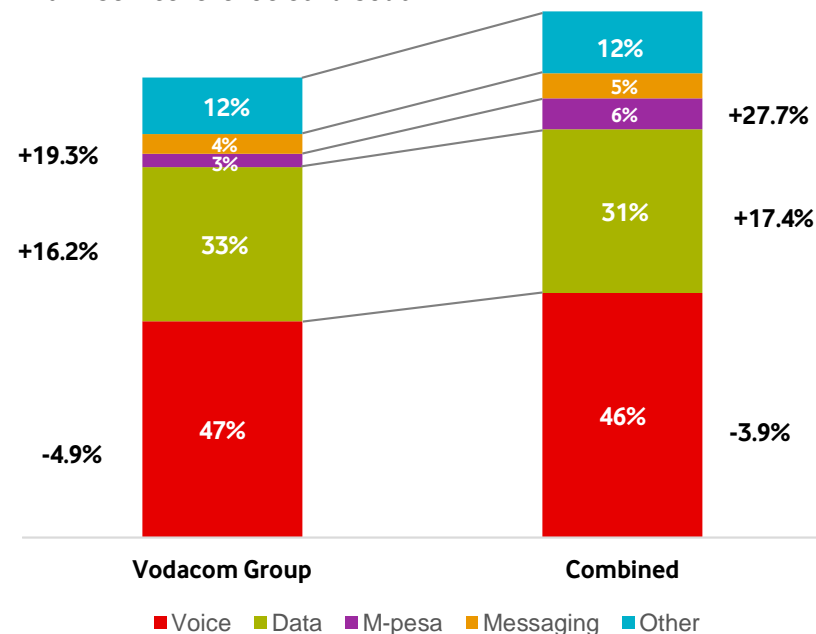
■ South Africa ■ International



■ South Africa ■ International ■ Safaricom

Enhances growth drivers

FY2017 Service revenue Contribution

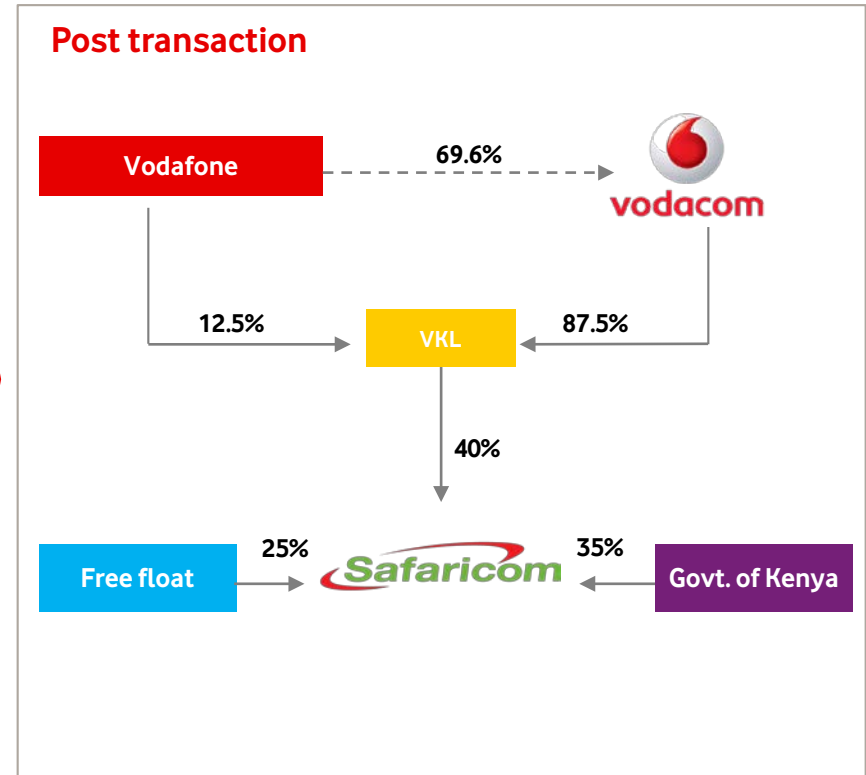
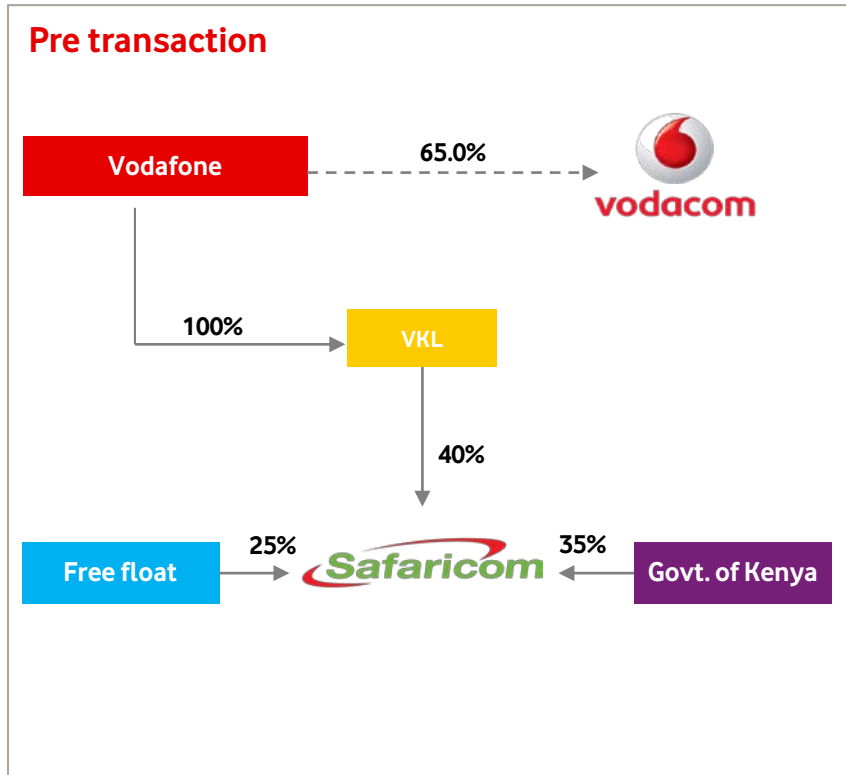


Source: Company Filings.

Note: ZAR converted to KES at average FX rate for FY2015/16 and FY2016/17. % are for the growth 2015-16 to 2016-17.

Transaction structure

Vodafone will transfer part of its stake in Safaricom to Vodacom in exchange for newly issued shares



Source: Company

Note: Vodacom and Safaricom shareholdings based on total shares in issue (including treasury shares). Ownership in Safaricom is effective ownership through Vodafone Kenya Limited

Timetable and key requirements

Key Dates

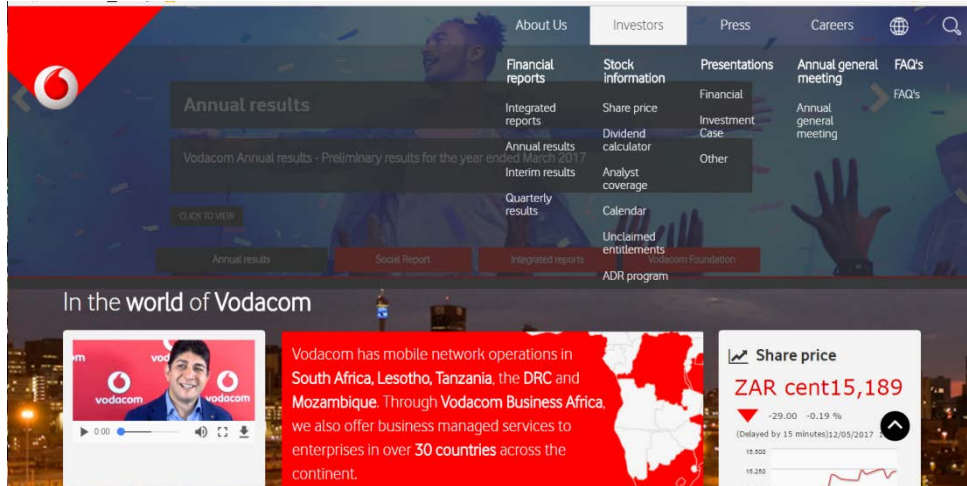


Key milestones and requirements

- SARB approval
- Ordinary resolution approving the transaction as a related party transaction in terms of JSE Listings Requirement
 - It should be noted that Vodafone will not be able to vote on the matter but will be counted for quorum
- Special resolution to issue consideration shares in terms of section 41(1)(b) of the Companies Act
 - Vodafone can vote on this resolution
- Ordinary resolution to approve the issue of the consideration shares in terms of clause 5.7.2 of Vodacom's memorandum of incorporation
- The Capital Markets Authority of Kenya confirming that Vodacom is not required to make a mandatory offer to the remaining shareholders of Safaricom

Contacts

Visit Our Website for More Information



<http://www.vodacom.com/about-us/investors/investors-home>

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Thank you