

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

ACQUISITION OF A 30% INTEREST IN INFRACO (VUMATEL AND DARK FIBRE AFRICA) THROUGH CASH INVESTMENT AND CONTRIBUTION OF CERTAIN VODACOM ASSETS INTO INFRACO

1. Introduction

Vodacom Group is pleased to announce that Vodacom (Pty) Limited (Vodacom) has entered into agreements to acquire a co-controlling interest in all of the material assets currently owned by Community Investment Ventures Holdings (Pty) Limited ("CIVH") including Vumatel (Pty) Limited ("Vumatel") and Dark Fibre Africa (Pty) Limited ("DFA") (as described below).

On completion of the transaction, Vodacom will hold a 30% equity interest in a newly formed entity ("InfraCo") that will house these assets as well as certain fibre assets which Vodacom will contribute into InfraCo.

CIVH will hold a 70% co-controlling interest in InfraCo and existing CIVH investors including Remgro Limited and New GX Investments (Pty) Ltd will remain invested in CIVH.

2. Nature of business

CIVH operates electronic communications infrastructure through, amongst others, its wholly owned subsidiaries Vumatel and DFA.

Vumatel is South Africa's leading fibre network operator which builds, owns and operates a high-speed fibre to the home ("FTTH") network using an open access model. Vumatel's network passes over 1.2 million homes and deployed over 31,000 kilometers of fibre infrastructure across South Africa

DFA is a leading provider of carrier grade dark fibre, specialising in building, installing, and operating national metro and access fibre infrastructure across South Africa, supplying a range of dark fibre and active managed fibre products to telecommunication operators and to enterprises. DFA owns and operates a long distance and metro fibre network spanning in excess of 13 000 km and 37 000 connected circuits, and typically secures long term contracts with its customers providing stable, secure revenues.

Pursuant to the transaction, Vodacom's FTTH and fibre-to-the-business ("FTTB") assets will be contributed into InfraCo, adding further scale and enhancing the combined footprint. These assets will be open access in keeping with the Vumatel and DFA's business models.

3. Strategic rationale

We expect that Vodacom's investment will accelerate South Africa's fibre reach, network quality and resilience, fostering economic development and help bridge South Africa's digital divide in some of the most vulnerable parts of our society.

Through Vodacom's investment, InfraCo would accelerate and expand its lower and middle-income product offering to deliver affordable high-speed broadband access to a broader population segment, including small and medium sized enterprises.

Vodacom's capital injection and strategic support will further accelerate the growth trajectory of InfraCo's fibre assets. The contribution of Vodacom's assets will add scale and enhance Vumatel and DFA's fibre footprint.

Vodacom's multi-product strategy aims to deliver improved, diversified, differentiated offerings to our customers. Core to this strategy is connectivity across both mobile and fixed. This transaction aligns with our strategy and is expected to enhance and scale our fixed offerings across both the consumer and business segments.

In addition to strategic alignment, our investment in Vumatel and DFA provides exposure to highly attractive and fast-growing businesses and South Africa's largest open access fibre players.

4. Transaction overview

The transaction is structured as a number of steps, all of which would occur at completion upon receipt of regulatory approvals. This will result in Vodacom obtaining a 30% shareholding in InfraCo, where Vodacom will jointly control InfraCo alongside CIVH who will hold the remaining 70% shareholding:

- 4.1. Step 1: CIVH will transfer all of its material assets and operations, including Vumatel and DFA, into a newly created entity: InfraCo;
- 4.2. Step 2: Vodacom will subscribe for new shares in InfraCo in return for R6.0 billion of cash;
- 4.3. Step 3: Vodacom will contribute its FTTH, FTTB and Business-to-Business transmission access fibre network infrastructure to the InfraCo, at a valuation of R4.2 billion in return for new shares in InfraCo; and
- 4.4. Step 4: Vodacom will acquire further (secondary) shares from CIVH sufficient to increase its shareholding to at least 30% in InfraCo at a pre-agreed formula.

The value of the secondary purchase as outlined in step 4 is a function of the valuation of InfraCo as described and so cannot be pre-calculated with certainty. Based on Vodacom's current expectations, including the date of closing and the InfraCo valuation, the secondary purchase is estimated to be approximately R3 billion. This would imply that the total purchase price paid by Vodacom, including the value of the transfer assets, equates to R13.2 billion.

Vodacom also has an option, which is exercisable for 180 days post transaction implementation, to acquire an additional 10% stake in InfraCo to increase its shareholding in InfraCo to 40% at the same implied valuation.

The transaction is subject to customary closing mechanics.

5. Suspensive conditions

The proposed transaction is subject to the fulfilment or waiver of amongst others the following suspensive conditions:

- 5.1. Vodacom procuring warranty and indemnity insurance in relation to the shares it acquires in InfraCo in terms of the transaction, on terms acceptable to it;
- 5.2. the transaction does not result in CIVH holding less than 50.1% of the InfraCo ordinary shares; and

5.3. no material adverse change occurs in respect of InfraCo, Vumatel and DFA, on the one hand, or Vodacom's asset contribution, on the other hand.

The transaction is subject to obtaining the following regulatory approvals:

- 5.4. South African competition authorities; and
- 5.5. Independent Communications Authority of South Africa.

6. Warranties and indemnities, and memorandum of incorporation of InfraCo

The transaction documents contains warranties and indemnities normal for transactions of this nature.

Vodacom Group confirms that the provisions of the memorandum of incorporation of InfraCo will neither frustrate nor relieve Vodacom Group's compliance with the JSE Listings Requirements.

7. Financial information on assets acquired

For the year ended 31 March 2021, CIVH's audited financial statements prepared under International Financial Reporting Standards reported net assets of R 8.7 billion and attributable loss to shareholders of R 1.1 billion.

8. Categorisation of the transaction

The proposed transaction is further classified as a Category 2 transaction in accordance with the terms of the JSE Listings Requirements.

9. Investor and analyst conference call

Vodacom Group CEO, Shameel Joosub, will host a conference call at 16:00 (SA time), 14:00 (London time) and 09:00 (New York time) today, 10 November 2021 to discuss the transaction. For conference call details please email vodacomir@vodacom.co.za.

Midrand
10 November 2021

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