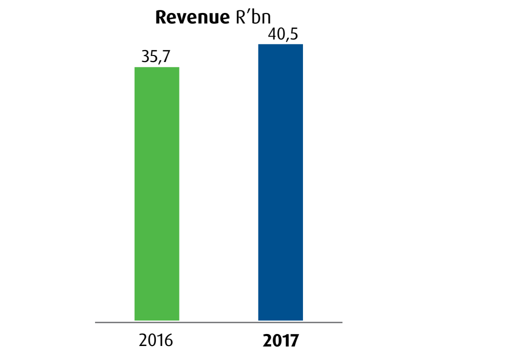
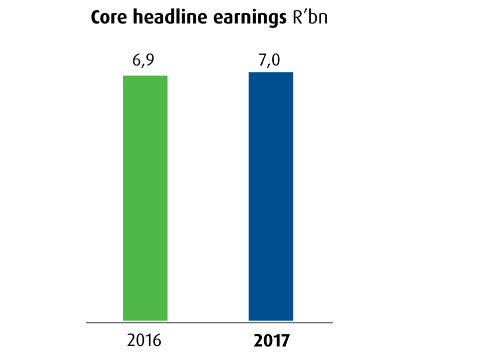
Annual results announcement

Summary of the annual results of the MultiChoice group for the year ended 31 March 2017

MultiChoice South Africa Holdings Proprietary Limited
(Registration number 2006/015293/07)
(MultiChoice or the group)





The group produced satisfactory financial results despite tough conditions in the South African economy, driven by lower commodity prices, drought, political uncertainty, continued currency weakness and shifts in the competitive landscape. Consolidated revenues increased by 14% for the review period. Core headline earnings were largely flat, given escalating content and decoder subsidy costs and a weaker exchange rate impacting foreign currency-denominated costs. Cost-control measures offset some of these impacts.

MultiChoice made several contributions to multifaceted corporate social investment initiatives aimed at enriching the lives of communities that we touch. These investments are important in building a sustainable business and contributing to the growth and development of our country.

FINANCIAL REVIEW

Consolidated revenues increased to R40,5bn, driven by higher revenues from subscribers, programming and advertising. Trading profit improved by almost 8%. Profitability was, however, affected by the continued weakness of the currency (we bill our customers in rand, but the largest part of the cost base is US dollar-denominated), rising competition for content, higher decoder subsidies and increased depreciation costs from the IS20B satellite that was launched in August 2016 and capitalised onto the balance sheet. To mitigate some of the impact, we continued to focus on cost reduction by implementing targeted, structured programmes. As a result, MultiChoice generated positive free cash flows of R7,8bn, reflecting lower content rights prepayments and satellite lease prepayments compared to the prior year.

On the balance sheet, fixed assets and lease liabilities increased materially after capitalising the IS20B satellite, with a corresponding decrease in transponder lease commitments. Current assets decreased year on year on reduced sports rights prepayments and lower financial assets related to currency hedges.

Programme and film-rights commitments decreased by R5,6bn from the prior financial year due to several sports rights coming into licence during the year and being brought onto the balance sheet.

MultiChoice contributed R5,8bn in taxes (R3,3bn direct and R2,5bn indirect) in the period, making it one of the largest taxpayers in South Africa. At 31 March 2017 we had a total workforce, including independent service providers, of just over 8 000 people.

MultiChoice sold its fibre network operator, SmartVillage, to MTN South Africa after the transaction was approved by the Competition Commission.

Certain assets and liabilities of our internet service provider, MWEB Connect, were classified as held for sale at 31 March 2017. Post year-end, the competition authorities approved the sale of these assets and liabilities, effective 31 May 2017.

PROSPECTS

In the year ahead, the focus is on continuing revenue growth, enhancing our offerings with innovative new products, investing in and developing new technologies, delivering the best in sport and general entertainment content, while continuing to improve our customer-service initiatives. The falling currency and rising content costs will continue to affect earnings and cash flows. It could therefore take some time before our initiatives to grow the base, and cut costs have a material positive impact.

The board recommends that an ordinary dividend of R6,5bn be paid to ordinary shareholders subject to the approval of shareholders at the annual general meeting on 30 August 2017.

OPERATIONAL REVIEW

MultiChoice added 625 000 customers (around 11% growth) across its packages in the review period, reaching a high of 6,3m households. This growth was supported by further investment in local and international content and successfully renegotiating key sports rights.

Technology

MultiChoice's flagship personal video recorder (PVR) decoder, the DStv Explora, maintained its popularity and was named TV gadget of the year by the authoritative technology magazine, Stuff. We launched the second generation, DStv Explora 2, a streamlined version at increasingly competitive prices. This offers customers the same great entertainment on DStv Catch Up and BoxOffice, as well as the ability to connect to the internet to enjoy the extended DStv Catch Up Plus library.

We again improved on-demand services this year. To ensure customers do not miss any of their favourite shows, we also enhanced the DStv Catch Up offering. Understanding that the connected world is the future, we continue to improve our technologies to connect customers to the greatest content anywhere, anytime. Through focused campaigns on the benefits of connecting Exploras to the internet, we exceeded our targets for the year: the connected Explora gives our customers internet access to a deeper library of the latest content. We boosted the connected experience by launching our 1 000 movie catalogue on DStv Catch Up Plus, giving connected subscribers access to 1 000 movies and integrating Showmax on the Explora. BoxOffice has a larger catalogue of 30 movies, including popular Bollywood titles and access from all bouquet tiers.

DStv Now has gained excellent traction and is available to all Premium users, not just those with a PVR. We improved DStv Now with an expanded range of linear channels (over 60), great DStv Catch Up and video-on-demand (VOD) offers. This has added depth to the customer offering and enhanced our anywhere, anytime proposition.

Showmax continues to make progress in the subscription video-on-demand (SVOD) market and we will continue to ensure it has a broad library of appealing content, available across platforms relevant to its customers.

Corporate social investment (CSI)

Through CSI initiatives, MultiChoice reinvests in communities and people to share its success and nurture new talent.

Our flagship CSI initiative, the MultiChoice Diski Challenge, contributes significantly to developing young players. In the inaugural three seasons, 306 Diski Challenge matches were played, over 100 players promoted from reserve league to premier league, and over 100 matches broadcast live on SuperSport. These matches were produced by 36 broadcast interns, many of whom now have permanent roles in the SuperSport business. The current season of the football competition was won by Mamelodi Sundowns, which went on to win the first MultiChoice International Challenge held as part of its football tour to the Netherlands. The competition included hosts, Excelsior, KAA Gent from Belgium, and Ichifuna from Japan. Notably, 20 of 21 players who qualified for South Africa in the Fifa U-20 World Cup in South Korea were regular participants in the Diski Challenge.

Through MultiChoice's Magic in Motion film and TV academy, M-Net provides an extensive internship in filmmaking where young film producers work with more experienced producers to gain practical experience. In its third year, the academy has given dynamic young South African graduates the opportunity to immerse themselves in a 12-month work-readiness programme. They work on local productions such as Isibaya, The Voice SA on M-Net, and M-Net-sponsored events such as Miss South Africa and the Cape Town Carnival, making every opportunity a learning experience and making the learners employable after their internship year.

SuperSport, through its Let's Play CSI initiative in partnership with the Department of Basic Education, is now active in thousands of schools nationwide, reaching over 1m children annually. Let's Play assists the department with its school infrastructure project. Together with partners Hitachi Construction Machinery and Builders, 18 fields have been built to date with another four to be built at beneficiary schools in 2017.

Content

MultiChoice invested over R2,1bn (2016: R1,7bn) on local content and over R2,0bn (2016: R1,2bn) on local sports content in the review period.

Mzansi Magic's flagship soap, Isibaya, and popular reality show, Our Perfect Wedding, are still its top-rated shows, with stellar performances from Date My Family and Utatakho. Mzansi Magic launched several telenovelas during the year, including Ring of Lies, Greed & Desire and The Queen, generating strong audiences.

Three new reality formats have strengthened channel viewing: Living the Dream with Somizi gives audiences a glimpse of the highs and lows that make this talented entertainer and businessman tick; The Ranakas is a spinoff of the highly successful VUZU AMP reality show Dineo's Diary starring Dineo Ranaka; and Papa Penny Ahee! follows the colourful life of legendary Tsonga disco king Penny Penny as he navigates life as a musician, polygamist, father of 17, community leader and son to his 90-year-old mother.

Mzansi Bioskop, M-Net's movie channel showcasing locally produced South African movies, continues to resonate with audiences. This year, 56 titles were produced by both new and more established companies.

Local versions of international reality shows such as The Voice SA and Idols SA continue to engage customers. The Voice is one of the world's most successful vocal competitions and reality formats – its second season was launched in January 2017 on M-Net channel 101. Idols SA season 12 closed in November with phenomenal audience figures and voting numbers. Carte Blanche, South Africa's longest-running investigative journalism programme, remains the flagship show for M-Net channel 101.

International series highlights on the M-Net channel during the year included Game of Thrones, Grey's Anatomy, Modern Family, The Big Bang Theory, The Night Of, the 68th Emmy Awards and Red Carpet: La La Land at the Emmys.

Strong new content was launched and popular series returned to kykNET during the year. These include Die Byl (a crime series inspired by the late SA super-sleuth, Piet Byleveld), Boland Moorde (crime-solving forensic drama based in the Western Cape) and Die Boekklub (a drama about an unexpected trip to the Karoo and an eclectic group of people).

The 2016 Olympic Games enjoyed substantial coverage with SuperSport dedicating six channels to the events, plus a 24-hour news channel. Every gold-medal event was broadcast live. Weeks later, the Paralympics was broadcast on two dedicated channels. The European soccer championship was another standout: with 24 teams, this was the biggest tournament of its kind ever, and available on all tiers. Every match was broadcast in high definition (HD), with a 24-hour channel reflecting the depth of coverage. The African Cup of Nations ensured 2017 started on a high and viewers on all packages enjoyed Cameroon's storming run to the title. As always, SuperSport's broadcasts were underpinned by expert analysis and commentary, supplemental magazine programming, online streaming and DStv Catch Up highlights.

Fifteen new HD channels were launched during the year across DStv packages: M-Net City, M-Net Movies Action, KykNET & Kie, Mzansi Wethu, Vuzu, M-Net Family, M-Net Movies All Stars, Crime and Investigation, History, Food Network, BBC First, VIA, Trace Urban, SuperSport Blitz and Channel O.

Customers also enjoyed five pop-up channels – M-Net Block Party showcased favourite comedies, latest comedy shows and the world's best stand-up comedians. The Harry Potter Festival gave fans an opportunity to watch all eight movies, behind-the-scenes specials and director's cut footage. M-Net Inspire and FliekNET (the extremely popular Afrikaans pop-up channel) added to December festivities. The Bond Festival saw the iconic 007 on subscriber screens in the world's longest-running movie franchise.

Regulatory

Various regulatory enquiries and policy reviews are under way. Our strategy formulation and implementation could be affected by regulatory developments, including the communications ministry's review of the broadcasting sector, proposed amendments to copyright legislation and the Film and Publications Act. In addition, the Independent Communications Authority of South Africa (Icasa) is conducting an inquiry into competition in the broadcasting sector.

MultiChoice endeavours to cooperate with all authorities to find solutions in the best interests of the broadcasting industry.

DIRECTORATE

Due to his increased responsibilities as chief executive of the Naspers video-entertainment segment, Imtiaz Patel stepped down as acting group chief executive and a director of MultiChoice South Africa Holdings on 22 March 2017. As an interim arrangement, the MultiChoice South Africa Holdings executive chair, Nolo Letele, assumed the duties of the South African group chief executive in addition to his executive chair duties. In line with internal governance requirements, the lead independent director on the MultiChoice South Africa Holdings board steps in, in this instance.

Group company secretary

Lurica Klink stepped down as the MultiChoice group company secretary, with effect from close of business on 9 June 2017, in order to pursue her career in Media24 Holdings Proprietary Limited. Carmen Koopman was appointed as the group company secretary for MultiChoice with effect from close of business on 9 June 2017. The board has reviewed the qualifications, experience and arm's length relationship of the company secretary and is satisfied therewith.

PHUTHUMA NATHI (PN and PN2)

The PN and PN2 annual general meetings will be held on 30 August 2017. The Phuthuma Nathi boards recommend that a dividend of 1 925,93 cents per PN and PN2 ordinary share be paid to PN and PN2 shareholders, respectively. This will result in a total dividend received by PN and PN2 shareholders of R1,3bn. The declaration of these dividends is subject to approval by shareholders at the annual general meetings on 30 August 2017.

In 2014, the Registrar of Securities Services indicated that all traditional over-the-counter trading platforms, like Phuthuma Nathi, should regularise their affairs under the Financial Markets Act 2012. Phuthuma Nathi has been engaging with the Financial Services Board to bring its affairs in line with the requirements of this Act. As part of this process, MultiChoice and Media24 have established Yizani Phuthuma Nathi (YPN) which has applied for an exchange licence to facilitate trading of broad-based black economic empowerment shares issued by companies in the Naspers group. In the interim, trading of Phuthuma Nathi shares on the current platforms continue unchanged. Phuthuma Nathi is building on the positive engagement it has had with the Registrar. It is exempted from complying with the Act for six months after the Registrar's decision on whether to grant an exchange licence to YPN.

We look forward to an ongoing and prosperous relationship with our Phuthuma Nathi shareholders.

BASIS OF PRESENTATION

These summarised consolidated financial statements for the year ended 31 March 2017 have been extracted from the full set of audited consolidated annual financial statements for the same period, prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Pronouncements issued by the Financial Reporting Standards Council. As a minimum, these statements contain the information required by IAS 34 *Interim Financial Reporting* and in the manner required by the Companies Act of South Africa. Accounting policies applied in preparing the consolidated financial statements from which the summary financial statements were derived are aligned with IFRS and consistent with those applied in preparing the previous consolidated annual financial statements.

The group has adopted all new and amended accounting pronouncements issued by the International Accounting Standards Board (IASB), effective for financial years beginning on 1 April 2016.

The business is managed under one video-entertainment segment, and the balance sheet reflects the fair value of assets and liabilities.

Trading profit excludes amortisation of intangible assets (other than software), impairment of assets and other gains or losses, but includes the finance cost on transponder leases. Core headline earnings exclude non-recurring and non-operating items – we believe this is a useful measure of the group's sustainable operating performance. However, core headline earnings and trading profit are not defined terms under IFRS, are not reviewed and may not be comparable with similarly titled measures reported by other companies.

These reviewed financial results have been prepared under the supervision of the group's chief financial officer, Uvashni Raman CA(SA).

The complete annual financial statements are available on the MultiChoice and Phuthuma Nathi websites: **www.multichoice.co.za** and **www.phuthumanathi.co.za**

REPORT OF THE INDEPENDENT AUDITOR

The annual financial statements have been audited by the company's auditor, PricewaterhouseCoopers Inc., whose unqualified audit reports on the annual financial statements and annual results announcement are available for inspection at the registered office of the company and on the company's website. The auditor's report does not necessarily cover all the information in this annual results announcement. Shareholders are advised that to obtain a complete understanding of the nature of the auditor's work they should obtain a copy of that report, together with the annual financial statements, from the registered office of the company or the company's website.

On behalf of the board

Nolo Letele
Executive chair and acting chief executive

Randburg
23 June 2017

Consolidated statements of profit or loss

	Year ended 31 March 2017 R'm	Year ended 31 March 2016 R'm
Revenue	**40 544**	35 704
Cost of providing services and sale of goods	**(22 800)**	(19 187)
Selling, general and administration expenses	**(7 603)**	(7 179)
Other gains	**20**	
Operating profit	**10 161**	9 338
Interest received	**212**	153
Interest paid	**(674)**	(547)
Foreign exchange losses	**(251)**	(544)
Share of equity-accounted results	**(66)**	(43)
(Impairment of equity-accounted investments)/Reversal	**(10)**	(37)
Acquisitions and disposals	**87**	–
Profit before taxation	**9 459**	8 320
Taxation	**(2 631)**	(2 315)
Profit for the period	**6 828**	6 005
Attributable to:		
Equity holders of the group	**6 828**	6 005
Core headline earnings for the year (R'm)	**6 953**	6 879
Headline earnings for the year (R'm)	**6 747**	6 032

Reconciliation of operating profit to trading profit

	Year ended 31 March 2017 R'm	Year ended 31 March 2016 R'm
Operating profit	**10 161**	9 338
Finance cost on transponder leases	**(319)**	(228)
Amortisation of intangible assets	**35**	27
Impairment of assets	**49**	48
Other (gains)/losses	**(25)**	18
Trading profit	**9 901**	9 203

Condensed consolidated statements of comprehensive income and changes in equity

	Year ended 31 March 2017 R'm	Year ended 31 March 2016 R'm
Balance at the beginning of the year	**8 283**	8 346
Profit for the year	**6 828**	6 005
Total other comprehensive income, net of tax, for the year	**(552)**	112
Translation of foreign operations	**(0)**	(8)
Cash flow hedges	**(697)**	(84)
Revaluation of investments	**(18)**	158
Tax on other comprehensive income	**163**	46
Changes in other reserves		
Share-based comprehensive movement	**39**	20
Dividends paid to shareholders	**(6 500)**	(6 200)
Balance at the end of the year	**8 098**	8 283
Comprising:		
Share capital and premium	**17 216**	17 216
Retained earnings	**6 117**	5 660
Share-based compensation reserve	**72**	199
Existing control business combination reserve	**(15 051)**	(15 088)
Hedging reserve	**(413)**	120
Fair-value reserve	**157**	176
Total	**8 098**	8 283

Condensed consolidated statements of financial position

	As at 31 March 2017 R'm	As at 31 March 2016 R'm
ASSETS		
Non-current assets	**17 964**	12 788
Current assets	**9 868**	10 675
Non-current assets classified as held for sale	**378**	140
Total assets	**28 210**	23 603
EQUITY AND LIABILITIES		
Capital and reserves	**8 098**	8 283
Non-current liabilities	**10 128**	5 616
Current liabilities	**9 768**	9 689
Non-current liabilities classified as held for sale	**216**	15
Total equity and liabilities	**28 210**	23 603

Commitments

	As at 31 March 2017 R'm	As at 31 March 2016 R'm
Capital expenditure	**60**	29
Programme and film rights	**25 388**	30 986
Network and other service commitments	**1 499**	1 994
Transponder leases	**–**	8 467
Operating lease commitments	**399**	229
Set-top box commitments	**1 410**	422
Commitments	**28 756**	42 127

Condensed consolidated statements of cash flows

	Year ended 31 March 2017 R'm	Year ended 31 March 2016 R'm
Cash flow generated from operating activities	**9 054**	6 731
Cash flow utilised in investing activities	**(715)**	(1 237)
Cash flow utilised in financing activities	**(7 695)**	(6 057)
Net movement in cash and cash equivalents	**644**	(563)
Foreign exchange translation adjustments	**(245)**	352
Cash and cash equivalents at the beginning of the year	**2 286**	2 493
Reclassification of cash to held for sale	**(84)**	4
Cash and cash equivalents at the end of the year	**2 601**	2 286

Calculation of headline and core headline earnings

	Year ended 31 March 2017 R'm	Year ended 31 March 2016 R'm
Net profit attributable to shareholders	**6 828**	6 005
Adjusted for:		
– Loss/(Profit) on sale of property, plant and equipment	**(11)**	13
– Impairment of assets	**39**	39
– Reversal of impairment of assets	**(46)**	–
– Gain from bargain purchase	**(2)**	–
– Third-party compensation	**–**	(13)
– Profit on sale of intangible assets	**1**	(3)
	6 724	6 041
Total tax effects of adjustments	**23**	(9)
Headline earnings	**6 747**	6 032
Adjusted for:		
– Amortisation of intangible assets	**30**	19
– Foreign exchange losses	**147**	806
– IFRS 2 equity-settled changes	**29**	22
Core headline earnings	**6 953**	6 879
Number of shares ('000)	**337 500**	337 500

Directors
F L N Letele (executive chair and acting chief executive), K B Sibiya, S Dakile-Hlongwane, D G Eriksson, K D Moroka, B van Dijk, S J Z Pacak, J J Volkwyn, E Masilela, U Raman.

Group company secretary
C C Koopman

Registered office
MultiChoice City, 144 Bram Fischer Drive, Randburg 2194 (PO Box 1502, Randburg 2125)

Transfer secretaries
Equity Express, a division of Singular Systems Proprietary Limited , 71 Corlett Drive, Birnam 2196 (PO Box 1244, Bramley 2018)

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Independent auditor's report on the summary consolidated financial statements

To the Shareholders of Multichoice South Africa Holdings Proprietary Limited

Opinion

The summary consolidated financial statements of Multichoice South Africa Holdings Proprietary Limited, contained in the accompanying annual results announcement, which comprise the summary consolidated statement of financial position as at 31 March 2017, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Multichoice South Africa Holdings Proprietary Limited for the year ended 31 March 2017.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with IFRS and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 9 June 2017.

Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with IFRS, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: SN Madikane
Registered Auditor
Johannesburg
23 June 2017