

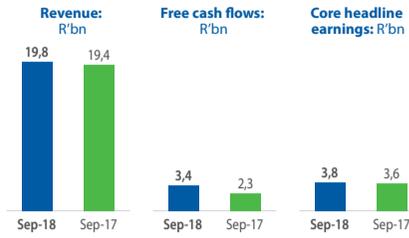


MULTICHOICE SOUTH AFRICA HOLDINGS PROPRIETARY LIMITED
(Registration number: 2006/015293/07) (MultiChoice or the group)

Interim results announcement

PHUTHUMA NATHI
SHARE THE FUTURE

Summary of interim results of the MultiChoice group for the six months ended 30 September 2018



The group experienced a stable first half of the financial year which saw marginal growth in both revenue and core headline earnings despite increased consumer pressure due to South Africa's economy being in a technical recession. Operating margins remain under pressure as a result of increased competition and our subscriber growth coming mainly from the lower tiers. The group continued its focus on cost optimisation and investment in local content to counter this margin pressure. Strong free cash flows were generated in the first half of the year, up 48% from the prior year.

We continue to deliver unrivalled local and international content, demonstrated by our live coverage of the 2018 Fifa World Cup and the best local shows such as The Herd and The Queen. Fresh and exclusive content such as Younger and Succession on Showmax have contributed to encouraging growth in unique monthly viewers by 18% and consumption of local content hours viewed to date has grown by 55%.

FINANCIAL REVIEW

The group's revenue for the period increased by 2,1% to R19,8bn. Subscription revenue growth of 3,3% to R13,8bn and advertising revenue growth of 5,4% to R1,5bn were offset by lower content cost recoveries from our African counterparties and the impact of the 1% VAT increase that was not passed onto our subscribers. Trading profit grew by 3,8% to R5,4bn for the interim period. Higher revenues and general cost containment contributed to this growth; this was partly offset by higher costs driven by soccer world cup activities such as subsidy costs and marketing spend. The group generated free cash flows of R3,4bn, up R1,1bn from the prior year, largely due to lower sports content prepayments and timing of capital expenditure.

MultiChoice continues to contribute positively to the South African economy with payments of R3,5bn in direct and indirect taxes in the review period, making MultiChoice one of the largest taxpayers in South Africa.

Phuthuma Nathi companies received a dividend of R1,32bn in September 2018. Phuthuma Nathi shareholders continue to enjoy a healthy return, with the scheme still outperforming its peer set.

UNBUNDLING AND LISTING ANNOUNCEMENT

In September 2018, Naspers announced its intention to list the Video Entertainment (VE) business separately on the JSE Limited (JSE) and to simultaneously unbundle the shares in the VE business to its shareholders. The new company will be named MultiChoice Group and will include MultiChoice South Africa (MCSA), MultiChoice Africa, Irdeco and Connected Video Africa. It is anticipated that the listing on the JSE will happen in the first half of 2019, subject to the approval of the requisite regulatory authorities.

In addition, Naspers intends to allocate for no consideration an additional 5% stake in MCSA to the Phuthuma Nathi (PN) companies. This will result in PN's interest in MCSA increasing from 20% to 25%.

Furthermore, post listing and subject to obtaining the necessary PN board and shareholder approvals, it is the ambition of MultiChoice Group that PN shareholders have the option to exchange up to 25% of their original shareholding in PN for MultiChoice Group shares, thereby unlocking incremental value for PN shareholders.

OPERATIONAL REVIEW

MultiChoice's customer base grew by 285 000 (2017: 278 000) for the six months ended 30 September 2018 and passed the milestone of 7,2m customers.

Technology

Our DStv Now service has continued to grow impressively during the period, boosted by significant sports broadcasts such as the Fifa World Cup finals and the renewed vigour of the Springbok rugby team. Over 200 000 simultaneous viewers were recorded on more than one occasion for these sporting events, an all-time high for any such event. We have extended DStv Now to all subscribers across all our territories and completed the linear channel rollout, every channel on the satellite platform is now also available online. Every DStv subscriber, regardless of their bouquet, has full access to all live and Catch Up content on the web or in the app.

A priority for us is to ensure that all our digital services are available on the widest possible range of devices. To this end, in August 2018, we deployed DStv Now on several new platforms, including leading smart TV brands such as Samsung and LG, on the latest Apple TV as well as Android TV set-top boxes. Along with our Showmax product, which was already available on these platforms, the inclusion of DStv Now means that more of our customers can now experience the best of digital television on the big screen in their living room.

Finally, to increase exposure to all our digital services, we continued to make our Showmax product available to DStv subscribers on favourable terms by offering Showmax subscriptions to DStv Compact subscribers at a significantly discounted price of R49.

Corporate social investment (CSI)

We remain committed to uplift, support and invest in our country and the communities in which we operate. Through our continued investment in long-term corporate, social and enterprise development initiatives, as well as the local manufacturing industry, we strive to enrich the lives of ordinary South Africans.

Our focus is on the following major initiatives:

MultiChoice Diski Challenge

The MultiChoice Diski Challenge has created opportunities for young, aspiring footballers to become professionals, and create a platform for interns working on a career in broadcasting. In its four seasons, 429 football matches have been played, more than 120 players were promoted to their first teams and over 100 players have played for national teams. Over the past four years, 140 of the matches were screened live on SuperSport and community television stations. These were produced by more than 40 broadcast trainees. This year, 15 new trainees were introduced to the programme. MultiChoice continues to offer free broadcast rights of the tournament, magazine show and highlights package to the community TV stations currently on DStv. Furthermore, the tournament has provided supplier opportunities to several enterprise development beneficiaries in broadcasting, marketing and activations.

SuperSport Rugby Challenge

The SuperSport Rugby Challenge's mission is to provide a platform for young rugby players to develop as they prepare to play on higher levels of rugby by taking professional rugby to communities. In total, 134 matches took place in the first two seasons. SuperSport also provided the rights to broadcast these matches and the related magazine show to the six community TV stations on DStv.

Let's Play

Let's Play reaches over 400 primary schools nationally and engages more than 380 000 learners a year through its Physical Education Programme. With the assistance of various stakeholders, Let's Play continues to build playing fields at primary schools across South Africa in an effort to ensure that our learners have suitable playing facilities. So far 22 facilities have been developed.

Magic in Motion

M-Net's Magic in Motion (MIM) Academy plays a critical role in developing skills in the film and TV industry and empowering the next generation of storytellers. This year, 13 students will be trained and will in the process produce four films, which will be shown on Mzansi Magic. The MultiChoice Enterprise Development Trust created an enterprise development pilot project that aimed to further develop talented MIM graduates by providing them with the opportunity to operate their own businesses and create and manage their own productions under the supervision of an established production house.

Technical support for community TV stations

MultiChoice has partnered with six community TV channels on the DStv platform, namely: Tshwane TV, GAU TV, 1KZN TV, BAYTV, SOWETO TV and Cape Town TV. MultiChoice provides technical support and equipment to the channels to ensure that they can receive and make use of the content rights and can improve the quality of their overall broadcast delivery.

Graduate and learnership programmes

MultiChoice has a graduate programme for young professionals in strategic areas of our business. Our internship programmes provide work experience and mentorship to 122 interns and we have absorbed 54% of these interns as permanent employees after completing the programme. A total of 111 learnerships were offered to unemployed individuals with physical challenges.

In 2018, MultiChoice launched a partnership with the University of Pretoria sponsoring the machine learning chair at the University of Pretoria to nurture scarce engineering talent in South Africa in the areas of artificial intelligence.

Content

Investing in the local production industry remains an imperative for MultiChoice. Our contributions to local entertainment and sport for the interim period were R1 051m (2017: R970m) and R682m (2017: R750m) respectively.

Mzansi Magic remains one of M-Net's most popular channels, with weekday telenovelas, Sunday-night drama and reality shows driving appointment viewing. Dramas such as The Herd and The Queen have played a significant role in strengthening the channel's content offering, and reality shows like Idols SA and Our Perfect Wedding are firm favourites with viewers.

M-Net 101 continues to provide Premium viewers with an unrivalled schedule of first and exclusive international series, as well as a local content slate that has continued to drive viewership and talkability. M-Net original, The Wedding Bashers, and local versions of big international formats such as Survivor SA and My Kitchen Rules South Africa, have grown audience share and social media engagement.

kykNET stands out as the most popular channel among Afrikaans DStv customers. Binnelanders, Getroud met Rugby and much-talked-about dramas like Sara se Geheim and Fynskrif continue to drive viewership. kykNET & kie, focusing on the Afrikaans DStv family market, is growing at an impressive pace.

Showmax's focus is on acquiring fresh and exclusive international content, with titles like Younger, The Crossing, Siren, Succession and Marvel's Runaways being big binge favourites for the platform.

Both local and international content is key to viewership success, and we look forward to the next local venture, The Girl from St Agnes, which started filming in October 2018.

SuperSport acquired rights to the Serie A Italian Football League and the World Wrestling Entertainment (WWE) franchises. Other notable broadcast rights extended include the UEFA Champions League, the Indian Premier League (IPL) and the Masters Golf Tournament.

SuperSport hosted a successful broadcast of the 2018 Fifa World Cup with viewership increasing significantly across both the Compact and Premium packages where all 64 matches were broadcast in high definition.

The 2019 IRB Rugby World Cup takes place in Japan in October 2019 and SuperSport has been selected as one of four main broadcasters of the event to audiences across the world.

Regulatory

The regulatory landscape continues to evolve. Currently we are participating constructively in several regulatory processes that will enhance the growth and development of our sector.

DIRECTORATE

Mr M I Patel, the Naspers VE segment chief executive, was appointed as an executive director to fulfil the roles and responsibilities of the chief executive on 8 June 2018, but subsequently resigned as chief executive on 9 November 2018 and was replaced by Mr C P Mawela. Ms L Stephens and Ms O M Matloa were appointed as independent non-executive directors on 6 August 2018. Ms U Raman stepped down as chief financial officer with effect from 31 October 2018. Mr T N Jacobs replaced Ms Raman as chief financial officer with effect from 1 November 2018.

BASIS OF PRESENTATION

These summarised consolidated interim financial statements for the period ended 30 September 2018 have been extracted from the full set of reviewed consolidated 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 and standards issued by the International Accounting Standards Board (IASB), effective for financial years beginning on 1 April 2018.

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 costs 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 PN websites: www.multichoice.co.za and www.phuthumanathi.co.za.

EVENTS AFTER THE REPORTING DATE

During October 2018 management received confirmation that a contingent liability of R340m, which was disclosed at 31 March 2018, had been resolved in the group's favour with no further potential exposure for the group.

On 9 November 2018 the Competition Commission submitted its report to the Competition Tribunal in which it recommended that the channel distribution agreement concluded between MCSA and the South African Broadcasting Corporation (SABC) amounted to a merger that required notification. The business maintains that the agreement is a standard channel distribution agreement and it will be challenging the Competition Commission's recommendation in the proceedings to be held before the Competition Tribunal. No provisions or contingencies have been raised as at 30 September 2018.

REPORT OF THE INDEPENDENT AUDITOR

These condensed consolidated interim financial statements for the period ended 30 September 2018 have been reviewed by the company's auditor, PricewaterhouseCoopers Inc., whose unqualified report is available for inspection at the company's registered office and on its website, together with the financial statements identified in the auditor's report.

On behalf of the board

Nolo Letele

Executive chair

30 November 2018

Randburg

Directors

F L N Letele (executive chair), K B Sibiyi, S Dakile-Hlongwane, D G Eriksson, T N Jacobs, E Masilela, O M Matloa, C P Mawela, K D Moroka, S J Z Pacak, L Stephens, B van Dijk, J J Volkwyn

Group company secretary (acting)

R J Gabriels

Registered office

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

Transfer secretaries

Singular Systems Proprietary Limited, 25 Scott Street, Waverly 2090 (PO Box 1266, Bramley 2018)

Consolidated statements of profit or loss

	Six months ended 30 September		Year ended 31 March
	2018	2017	2018
	R'm	R'm	R'm
Revenue	19 793	19 391	40 165
Cost of providing services and sale of goods	(10 208)	(10 501)	(21 544)
Selling, general and administration expenses	(4 082)	(3 580)	(7 959)
Other gains	19	21	18
Operating profit	5 522	5 331	10 680
Interest received	175	185	320
Interest paid	(339)	(266)	(645)
Foreign exchange losses	(1 349)	(137)	660
Share of equity-accounted results	(61)	(49)	(97)
Acquisitions and disposals	–	118	118
Profit before taxation	3 948	5 182	11 036
Taxation	(1 120)	(1 428)	(3 247)
Profit for the period	2 828	3 754	7 789
Attributable to:			
Equity holders of the group	2 828	3 754	7 789
Core headline earnings for the period	3 836	3 591	7 030
Headline earnings for the period	2 828	3 668	7 692

Reconciliation of operating profit to trading profit

	Six months ended 30 September		Year ended 31 March
	2018	2017	2018
	R'm	R'm	R'm
Operating profit	5 522	5 331	10 680
Finance cost on transponder leases	(190)	(193)	(373)
Amortisation of intangible assets – excluding software	16	19	38
IFRS 2 share-based expense	38	37	51
Other gains	(19)	(21)	(18)
Trading profit	5 367	5 173	10 378

Condensed consolidated statements of comprehensive income and changes in equity

	Six months ended 30 September		Year ended 31 March
	2018	2017	2018
	R'm	R'm	R'm
Balance at the beginning of the period	8 868	8 098	8 098
Changes in accounting policy	107	–	–
Restated balance at the beginning of the period	8 975	8 098	8 098
Profit for the period	2 828	3 754	7 789
Total other comprehensive cost/(income), net of tax, for the period	1 924	292	(486)
Cash flow hedges	2 471	407	(609)
Revaluation of investments	70	(10)	(47)
Tax on other comprehensive income	(617)	(105)	170
Share-based comprehensive movement	51	37	(33)
Movement in foreign currency translation reserve	1	–	–
Dividends paid to shareholders	(6 600)	(6 500)	(6 500)
Balance at the end of the period	7 179	5 681	8 868
Comprising:			
Share capital and premium	17 216	17 216	17 216
Retained earnings	3 827	3 405	7 423
Share-based compensation reserve	3	75	21
Existing control business combination reserve	(15 051)	(15 051)	(15 051)
Hedging reserve	1 002	(112)	(852)
Fair-value reserve	181	148	111
Foreign currency translation reserve	1	–	–
Total	7 179	5 681	8 868

Condensed consolidated statement of financial position

	As at 30 September		As at 31 March	
	2018	2017	2018	2018
	R'm	R'm	R'm	R'm
ASSETS				
Non-current assets	16 004	18 710	17 047	
Current assets	14 658	12 380	10 053	
Total assets	30 662	31 090	27 100	
EQUITY AND LIABILITIES				
Capital and reserves	7 179	5 681	8 868	
Non-current liabilities	10 061	10 062	8 877	
Current liabilities	13 422	15 347	9 355	
Total equity and liabilities	30 662	31 090	27 100	

Commitments

	Six months ended 30 September		Year ended 31 March
	2018	2017	2018
	R'm	R'm	R'm
Capital expenditure	94	88	92
Programme and film rights	33 497	27 426	32 782
Network and other service commitments	1 772	799	664
Operating lease commitments	262	299	216
Set-top box commitments	987	1 736	1 764
Commitments	36 612	30 348	35 518

Condensed consolidated statements of cash flows

	Six months ended 30 September		Year ended 31 March
	2018	2017	2018
	R'm	R'm	R'm
Cash flow generated from operating activities	3 935	2 718	7 461
Cash flow utilised in investing activities	(202)	–	(390)
Cash flow utilised in financing activities	(4 161)	(3 947)	(7 325)
Net movement in cash and cash equivalents	(428)	(1 229)	(254)
Foreign exchange translation adjustments	230	(28)	(74)
Cash and cash equivalents at the beginning of the period	2 273	2 601	2 601
Cash and cash equivalents at the end of the period	2 075	1 344	2 273

*Less than R1 000 000.

Calculation of headline and core headline earnings

	Six months ended 30 September		Year ended 31 March
	2018	2017	2018
	R'm	R'm	R'm
Net profit attributable to shareholders	2 828	3 754	7 789
<i>Adjusted for:</i>			
– Profit on sale of property, plant and equipment	*	(3)	(3)
– Impairment of assets	*	–	–
– Reversal of impairment of assets	*	–	–
– Gain on disposal of disposal group held for sale	–	(118)	(118)
– Profit on sale of intangible assets	–	1	(4)
	2 828	3 634	7 664
Total tax effects of adjustments	*	34	28
Headline earnings	2 828	3 668	7 692
<i>Adjusted for:</i>			
– Amortisation of intangible assets	12	16	33
– Foreign exchange (gains)/losses	969	(120)	(710)
– Deferred tax for provision reversal	–	–	9
– IFRS 2 equity-settled changes	27	27	6
Core headline earnings	3 836	3 591	7 030
Number of shares (000)	337 500	337 500	337 500

*Less than R1 000 000.



INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

To the Shareholders of MultiChoice South Africa Holdings Proprietary Limited

We have reviewed the condensed consolidated interim financial statements of MultiChoice South Africa Holdings Proprietary Limited in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 September 2018 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of MultiChoice South Africa Holdings Proprietary Limited for the six months ended 30 September 2018 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Alinah Motaung
Registered Auditor
Johannesburg
30 November 2018

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Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschen
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.