



MultiChoice delivered good topline growth in an extremely challenging economic environment. Consolidated revenues increased by 13% for the first six months of the financial year. An unparalleled line-up of sports and general entertainment content was the key driver of this performance. Core headline earnings rose by just over 12%, with cost-control measures a meaningful contributor. MultiChoice continues to play a constructive role in the communities in which it operates through our investment in multipronged corporate social initiatives, enterprise development and local manufacture.

FINANCIAL REVIEW

Consolidated revenues increased to R17,1bn, driven by growth in the customer base, programming revenues and advertising revenues. Our trading profits improved by 15% despite the tough economic environment in South Africa, compounded by the weaker exchange rate, cost pressures from expanding the customer base, investment in new technologies and local and international content costs. We continue to focus on cost control across the business. After paying all other costs, including taxes, core headline earnings were R3,6bn – an increase of 12,5% on the prior year. We generated positive free cash flows of R2,2bn. Our cash flows came under pressure due to a significantly weaker exchange rate and higher payments for sports and content rights.

MultiChoice contributed just under R2bn in taxes during the review period and employs 6 800 permanent employees.

Programme and film rights commitments have increased by R15bn since the prior year, primarily after MultiChoice finalised new sports rights agreements.

The assets and liabilities of Smart Village, a wholly owned subsidiary of the group, remain classified as held for sale at 30 September 2015.

A dividend of R6,2bn was declared payable to ordinary shareholders on 2 September 2015.

OPERATIONAL REVIEW

We increased our customer base by 160 000 in the period and now provide video-entertainment services to over 5,5m households in South Africa.

Technology

We improved our flagship personal video recorder (PVR), the DStv Explora, to enable customers to access our content more easily. Uptake of this PVR remains strong and our customers report high levels of satisfaction. DStv Catch Up was enhanced by introducing recommendations and 'pull' video-on-demand, which allows Premium customers with connected Explora devices to access a larger catalogue of DStv Catch Up content. DStv Now, our 'TV everywhere' product, now has more sports, movie and children's channels. BoxOffice, our movie rental service, has increased average monthly rentals by 5% to over 630 000 a month. ShowMax is an exciting new subscription video-on-demand service available to any consumer on a multitude of connected devices. It has a formidable content library (both local and international) of over 10 000 hours, more than any of its local peers. It was launched in South Africa in August 2015.

Corporate social investment (CSI)

MultiChoice continued to contribute to society by investing in initiatives that make a sustainable difference in the lives of participants. These initiatives are an integral part of our strategy.

Our flagship CSI initiative, the MultiChoice Diski Challenge, has grown over the past year to become an essential part of the football calendar. The first season had a number of successes: 41 players were promoted to the professional ranks, while 21 were selected for various national teams (five for Bafana Bafana). On the broadcast side of the project, a team of 43 interns (including 17 women), produced 44 live matches for TV. Our aim with Diski is to keep providing opportunities for young soccer players and broadcast professionals.

Content

The group continued to invest heavily in local content from across Africa. MultiChoice invested over R906m in local content and over R547m in local sports content in the review period. A new weekday telenovela set in the 1950s, The Road, was launched on Mzansi Magic in August, and Lokshin Bioskop – local films produced by up-and-coming producers – is another of M-Net's successful local investments. The Sunday night line-up performed well, with local reality formats including Idols, Our Perfect Wedding and Date My Family. Season 11 of Idols SA has delivered record voting numbers on all platforms.

The kykNET channel remains a firm favourite among our Premium customers. New shows such as Groot Ontbyt, a daily breakfast show simulcast on radio and TV, have added variety to the schedule. Die Republiek Van Zoid Afrika, a chat show presented by Karen Zoid, has seen musical collaborations recorded for the show topping radio and iTunes charts.

SuperSport remains the biggest funder of sport on the African continent. It invests in local leagues at all levels by paying broadcast licence fees, developing local administrators and production crews, improving facilities and helping federations to obtain sponsorships. The first NBA basketball match in Africa was host-broadcast by SuperSport to a worldwide audience.

A review of our channels resulted in the range of high-definition (HD) channels being expanded to 24. Several new or refreshed channels were launched in the period – M-Net launched M-Net City (previously M-Net Series) and M-Net Family (previously Magic World); BBC refreshed its channels to BBC Brit, BBC Earth in HD and added BBC First and ITV Choice. The Star Wars pop-up channel proved popular with customers.

Across all packages our customers can now tune in to 18 of the SABC's best regional radio stations, as well as a number of independent radio stations. A number of new shows premiered across the platform, some Express from the US – including Walking Dead on FOX and Trevor Noah's The Daily Show debut on Comedy Central. We refreshed our Indian offering with a new single comprehensive DStv Indian package, containing North and South Indian channels.

Regulatory

An amendment to the Copyright Act, as well as a new set of draft local content regulations, has been published for comment. We'll keep working closely with both government and the Independent Communications Authority of South Africa (Icasa), to find solutions that will be in the best interest of the industry.

BOARD OF DIRECTORS

On 11 September 2015 Mr Intiaz Patel was appointed chief executive officer for Video Entertainment (Naspers group). The search for his replacement is ongoing. Mr Patel will stay on as acting chief executive of the MultiChoice South Africa group until the new appointment has been made. He will remain a director on the MultiChoice South Africa Holdings board.

BASIS OF PRESENTATION

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting", the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa. The accounting policies applied in preparing these interim financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the previous consolidated annual financial statements.

The business is managed under one video-entertainment segment. 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 it 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, Nazeer Wadee CA(SA).

REPORT OF THE INDEPENDENT AUDITOR

These condensed consolidated interim financial statements for the period ended 30 September 2015 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified conclusion.

A copy of the auditor's report on the condensed consolidated interim financial statements 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
Chair
Randburg
27 November 2015

Intiaz Patel
Acting chief executive

Directors
F L N Letele (chair), S Dakile-Hlongwane, D G Eriksson, K D Moroka, B van Dijk, S J Z Pacak, M I Patel, K B Sibiyi, J J Volkwyn, N A Wadee, E Masilela

Group company secretary

L J Klink

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)

Consolidated statements of profit or loss	Six months ended 30 September		Year ended 31 March
	2015 R'm	2014 R'm	2015 R'm
Revenue	17 116	15 076	31 580
Cost of providing services and sale of goods	(8 421)	(7 808)	(16 646)
Selling, general and administration expenses	(3 592)	(2 957)	(6 117)
Operating profit	5 103	4 311	8 817
Interest received	105	84	144
Interest paid	(226)	(183)	(443)
Foreign exchange losses	(305)	(224)	(408)
Share of equity-accounted results	(29)	(6)	(28)
(Impairment of equity-accounted investments)/Reversal	(2)	1	8
Acquisitions and disposals	-	-	(213)
Profit before taxation	4 646	3 983	7 877
Taxation	(1 328)	(1 129)	(2 238)
Profit for the period	3 318	2 854	5 639
Attributable to:			
Equity holders of the group	3 318	2 854	5 639
Core headline earnings for the period (R'm)	3 625	3 172	6 349
Headline earnings for the period (R'm)	3 312	2 940	5 867

Reconciliation of operating profit to trading profit	Six months ended 30 September		Year ended 31 March
	2015 R'm	2014 R'm	2015 R'm
Operating profit	5 103	4 311	8 817
Finance cost on transponder leases	(106)	(89)	(188)
Amortisation of intangible assets	11	11	23
Impairment of assets	-	118	228
Other losses	(4)	1	6
Trading profit	5 004	4 352	8 886

Condensed consolidated statements of comprehensive income and changes in equity	Six months ended 30 September		Year ended 31 March
	2015 R'm	2014 R'm	2015 R'm
Balance at beginning of the year	8 346	7 968	7 968
Profit for the year	3 318	2 854	5 639
Total other comprehensive income, net of tax, for the year	142	7	194
Translation of foreign operations	(7)	(55)	2
Cash flow hedges	206	86	267
Tax on other comprehensive income	(57)	(24)	(75)
Share-based comprehensive movement	8	14	33
Movement in existing control business combination reserve	-	68	68
Dividends paid to shareholders	(6 200)	(5 500)	(5 500)
Translation of foreign operations	-	-	(56)
Balance at end of the year	5 614	5 411	8 346
Comprising:			
Share capital and premium	17 216	17 216	17 216
Retained earnings	2 975	3 074	5 859
Share-based compensation reserve	187	161	179
Existing control business combination reserve	(15 088)	(15 088)	(15 088)
Hedging reserve	307	27	158
Fair-value reserve	17	17	17
Foreign currency translation reserve	-	4	5
Total	5 614	5 411	8 346

Condensed consolidated statement of financial position	Six months ended 30 September		Year ended 31 March
	2015 R'm	2014 R'm	2015 R'm
ASSETS			
Non-current assets	12 283	11 485	12 360
Current assets	12 796	10 324	8 628
Non-current assets classified as held for sale	104	-	109
Total assets	25 183	21 809	21 097
EQUITY AND LIABILITIES			
Capital and reserves	5 614	5 411	8 346
Non-current liabilities	6 383	4 057	4 613
Current liabilities	13 169	12 341	8 122
Non-current liabilities classified as held for sale	17	-	16
Total equity and liabilities	25 183	21 809	21 097

Commitments	Six months ended 30 September		Year ended 31 March
	2015 R'm	2014 R'm	2015 R'm
Capital expenditure	448	384	46
Programme and film rights	31 498	16 532	18 416
Network and other service commitments	2 881	1 282	1 504
Transponder leases	8 086	6 916	7 248
Operating lease commitments	144	213	83
Set-top box commitments	793	623	588
Commitments	43 850	25 950	27 885

Condensed consolidated statements of cash flows	Six months ended 30 September		Year ended 31 March
	2015 R'm	2014 R'm	2015 R'm
Cash flow generated from operating activities	2 649	3 325	7 659
Cash flow utilised in investing activities	(425)	(642)	(1 251)
Cash flow utilised in financing activities	(2 341)	(3 372)	(6 512)
Net movement in cash and cash equivalents	(117)	(689)	(104)
Foreign exchange translation adjustments	34	60	24
Cash and cash equivalents at beginning of the period	2 493	2 594	2 594
Reclassification of cash to held for sale	17	-	(21)
Cash and cash equivalents at end of the period	2 427	1 965	2 493

Calculation of headline and core headline earnings	Six months ended 30 September		Year ended 31 March
	2015 R'm	2014 R'm	2015 R'm
Net profit attributable to shareholders	3 318	2 854	5 639
<i>Adjusted for:</i>			
- loss/(profit) on sale of property, plant and equipment	1	1	(5)
- impairment of assets	2	120	234
- reversal of impairment of assets	-	-	(10)
- gain from bargain purchase	-	-	(4)
- third-party compensation	(9)	-	(21)
- gain on loss of control	-	-	93
- profit on sale of intangible assets	(3)	(4)	(5)
	3 309	2 971	5 921
Total tax effects of adjustments	3	(31)	(54)
Headline earnings	3 312	2 940	5 867
<i>Adjusted for:</i>			
- amortisation of intangible assets	11	8	16
- foreign exchange losses	295	210	344
- IFRS 3 acquisition and remeasurement costs	-	-	89
- IFRS 2 equity-settled changes	7	14	33
Core headline earnings	3 625	3 172	6 349
Number of shares ('000)	337 500	337 500	337 500



INDEPENDENT AUDITOR'S REVIEW REPORTING 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 2015 and the related consolidated statement of profit or loss and condensed consolidated statement of changes of 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 2015 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: SN Madikane
Registered Auditor
Johannesburg
27 November 2015

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