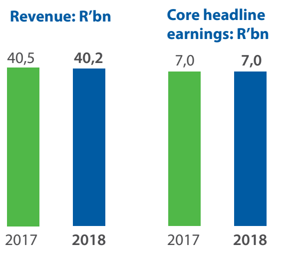
MULTICHOICE
ENRICHING LIVES

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

Annual results announcement

PHUTHUMA NATHI
SHARE THE FUTURE

Summary of the annual results of the MultiChoice group for the year ended 31 March 2018



The group has maintained its revenue and core headline earning levels in FY18, despite increased competition and a tough economic and uncertain political environment. Operating margin growth has been impacted by increased competition, which has driven up the cost of content and churn of subscribers from our premium bouquet. Our subscriber growth is mainly coming from the lower tiers, which has driven the business to continue its focus on cost reduction. The group continues to focus its efforts on product enhancements, optimising its cost structures, investing in local content, putting our customers first and investing for our online future.

FINANCIAL REVIEW Consolidated revenues decreased by 1% to R40,2bn. Lower MWEB revenues (after its sale in May 2017) and lower cost recoveries from our African counterparties (driven by forex and content costs savings) resulted in the decline of revenue. Despite the negative impacts referred to above, subscription revenues grew by 6,4%, mainly driven by an increasing customer base and annual price increases. Trading profit improved by 4,8% to end on R10,4bn. Content cost savings arising from a stronger rand/dollar exchange rate, a continued focus to cut non-performing content and general cost containment were the main contributors to this improvement, partially offset by higher decoder subsidies. Higher sports content prepayments and finance lease repayments due to the capitalisation of IS20B in September 2016, resulted in a 17% decline in free cash flow, ending the year on R6,4bn. Core headline earnings was flat year on year at R7,0bn.

On the balance sheet, non-current assets have decreased year on year due to lower capex spend, the sale of assets and current year depreciation. The stronger rand/dollar exchange rate contributed to lower non-current liabilities year on year, lower transponder lease liabilities at year-end, and lower current liabilities year on year, mainly due to lower foreign trade creditors. The renewal of key sports contracts resulted in the increase in programme and film-rights commitments year on year. Network and other service commitments declined year on year, mainly due to the sale of the MWEB business.

The group contributed R6,9bn in taxes (R4,2bn direct and R2,7bn indirect) in the period, making it one of the largest taxpayers in South Africa. The group continues to empower and enrich the lives of thousands of South Africans through the Phuthuma Nathi share schemes. The payment of a R1,3bn dividend to Phuthuma Nathi shareholders in September 2017 ensured that shareholders continued to prosper from their shareholdings in the scheme. At 31 March 2018 the group had a total workforce, including independent service providers, of just more than 7 200 people.

The group sold its internet service provider business, MWEB Connect, to Internet Solutions after the transaction was approved by the Competition Commission.

PROSPECTS In the year ahead we will continue to focus on giving our customers access to a world of entertainment – anywhere, anytime and on any platform. Our direct-to-home and online growth initiatives will remain focused on meeting our customers' expectations by airing the best in sport and general entertainment content on our various platforms. We will continue to invest in local content specific to customers, enhance our online product offerings and next-generation technologies, while continuing to focus on improving our customer experience.

The board recommends that an ordinary dividend of R6,6bn be paid to ordinary shareholders, subject to the approval of shareholders at the annual general meeting on 30 August 2018.

OPERATIONAL REVIEW Despite a tough economic and uncertain political environment, MultiChoice managed subscriber growth of more than 500 000 and it is now approaching 7m total subscribers. The trend of growth in the mass market continues, while our Premium tier is showing declining growth and the Compact tier is starting to stabilise. Improved churn management and cost control contributed positively to the growth in profitability of 4,8% (2017: 4%).

Technology: MultiChoice's flagship decoder, the award-winning DStv Explora, is changing the way our customers view their entertainment. The DStv Explora uses intuitive software and gives customers access to an extensive library of content through services like DStv Catch Up and BoxOffice.

Connecting their devices to the internet gives customers even more content through DStv Catch Up Plus and the extensive Showmax catalogue. As a result, we exceeded our connected Explora targets for the year, mainly due to the new and easier-to-use wi-fi connector, better marketing and stronger incentives for installers.

The DStv Now service remains one of the best all-round video-viewing environments available to customers on the African continent. The service supports streaming of 140 linear channels, and was further enhanced during the year.

Our online properties are gaining traction. To increase access to DStv Now, we have opened it to all bouquet tiers. Explora penetration, BoxOffice rentals and connected Explora connections also recorded pleasing growth during the year.

During the year we combined Showmax Africa and DStv Digital Media operations into the Connected Video business unit to capitalise on synergies and offer all our over-the-top (OTT) products as added value for traditional pay-TV subscribers and for standalone subscriptions.

Our SuperSport digital products across web and mobile devices play an important part in the lives of African sports lovers. We provide match facts, statistics, insights, quality journalism and video highlights to all, and live video streams to paying customers.

Corporate social investment (CSI): MultiChoice achieved a level 1 BBBEE rating. We remain dedicated to our transformation programmes and to playing a key role in transforming our industry.

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, has reached more than 600 young footballers per season, with more than 100 being promoted to the PSL since 2014, including Premier Soccer League (PSL) stars such as Percy Tau, Sphesihle Ndlovu and Teboho Mokoena. More than 50 interns have produced over 150 live matches on SuperSport, and six community channels have benefited by being offered free Diski content, including live matches and the Diski magazine show.

Through the Magic in Motion (MiM) Academy, M-Net provides an extensive internship in filmmaking, where young film producers work with industry experts for handson experience. Over the past four years, 44 Academy interns have produced and directed eight original Mzansi Magic films. These have featured among Mzansi Magic's top 10 during the month of broadcast. One of the movies, Dipoloko, produced by the class of 2017, is currently the fourth-highest-rated movie in the Saturday night slot.

Since 2014 the MiM Career Expo has given learners a complete view of the industry, from the variety of jobs available, such as presenting, acting, camerawork and directing, to valuable insights from industry experts and practical exposure to several disciplines. In presenting the Career Expo, M-Net partners with tertiary and financial institutions, as well as production companies.

In 2017 we launched the MiM Alumni Network and hosted scriptwriting workshops by Portia Gumede, a successful South African writer and showrunner. The 20-hour intensive workshop teaches interns how to take a great idea or notion and work it to a credible story bible, how to create compelling characters, write a pilot, pitch your idea and how to work in a writers' room.

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 more than 1m children annually. Let's Play assists the Department with its school infrastructure project via the provision of playing facilities. Together with partners Hitachi Construction Machinery and Builders, eight multi-purpose artificial fields have been built at selected primary schools to date with another three to be built at beneficiary schools in 2018.

The MultiChoice enterprise and supplier development programme offers various forms of support, from improving the cash flow of these beneficiaries by paying them early, to business development support as well as legal and accounting assistance, granting funding for startups and access to the DStv platform as a marketing tool. Recognising the impact small businesses have on their communities, in 2018 we approved funding for 16 businesses, nine of which were startups.

Content: MultiChoice invested over R2,5bn (2017: R2,1bn) on local content and over R2,3bn (2017: R2,0bn) on local sports content in the review period.

This year saw the launch of Wedding Bashers (season 1), featuring celebrities Zavion Kotze, Denise Zimba, Siba Mtongana and Cindy Nell-Roberts as judges; the new local reality series Dancing with the Stars South Africa, and an innovative partnership with The Daily Show host, Trevor Noah, to produce a 13-part series, Trevor Noah Presents, which showcased 13 of the best new comedians in South Africa. M-Net 101 was also a headline sponsor for Noah's August 2017 South African tour. M-Net's Idols (season 13) performed well and M-Net's format of Our Perfect Wedding was a top-performing show on DStv.

The growth of Mzansi Magic has been driven by a resurgence of Isibaya, growth in The Queen (season 2) and the Monday night drama Is'thunzi. Isibaya's viewership increased year on year, while The Queen continues to hold the number-one position in its slot. Content highlights include the new drama, Lockdown, two reality shows (Papa Penny: Ahee and Meet the Ranakas) as well as returning seasons of Saints & Sinners and Utatakho. Our Perfect Wedding is the channel's highest-rated show, followed by Isibaya. A new drama, Imposter, premiered in October 2017.

A rebrand of VUZU AMP, 1Magic, launched as a more strategic content proposition with new original productions (flagship telenovela The River, dating reality Kheto'Mthadayo and drama UnMarried) have assisted in growing viewership for the channel.

During the year viewers also welcomed the anticipated return of: This Is Us, a number-one show in the US; the much anticipated American Gods, which the critics have likened to Game of Thrones; America's Got Talent (season 12); Ray Donovan (season 5); American Crime (season 3); Game of Thrones (season 7) with 55% higher ratings than season 6; Suits (season 7); and the big local reality show The Voice South Africa.

kykNET maintained its number-one position in the Premium Afrikaans market. Show highlights include the new drama by Paul C Venter, Knapsekêrels, the last Boer Soek 'n Vrou episodes, Binnelanders (with a compelling storyline about domestic abuse), Ons Sprokies Bruilof (the Afrikaans version of Our Perfect Wedding), Bravo! and Kwêla, and a number of Afrikaans music specials. kykNET also launched an original film-trivia game show, FliekNET Foendies, which is performing very well.

The consolidation of M-Net 101 and M-Net Edge reduced repeat broadcasts and delivered cost savings. Scheduling improvements to M-Net Movies Zone increased ratings, and a customer satisfaction survey carried out in April 2017 recorded a 15% drop in repeat complaints after introducing the reduced repeat strategy.

The group has successfully renewed key entertainment and sports rights, including the English Premier League (EPL), PSL in South Africa, UEFA Champions League (UCL), as well as the Discovery, Disney and Turner offerings. We also acquired the rights to the popular World Wrestling Entertainment (WWE), which we will showcase across sub-Saharan Africa. This, in addition to key once-off properties such as the Conor McGregor vs Floyd Mayweather fight (which drew record viewership across platforms in 2018), allows us to continue to serve our customers with top-quality international content.

The Mayweather/McGregor fight on 27 August 2017 achieved over 11m impressions across Twitter, Facebook and Instagram from 200 posts. It also boosted subscriber growth ahead of match day, with some 17 000 new Premium subscribers attributed to the event.

Pop-up channels continued to perform well and included: McGregor/Mayweather fight; M-Net Inspire; M-Net Movies Bond; M-Net Movies Fast and Furious; M-Net Binge, an ad-free weekend channel that featured popular titles such as The Night Of, Westworld, Grey's Anatomy and Game of Thrones; and M-Net Movies Bucket List, which was a four-week blockbuster countdown of 100 movies to see before you die.

Regulatory: Our strategy formulation and implementation are affected by regulatory developments, such as the Communications Ministry's review of the broadcasting sector and the 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 the state of competition in the broadcasting sector. Matters before competition authorities remain a key focus and that, together with regulatory challenges, are placing increasing demands on senior management's time.

An internal review of the ANN7 contract and MultiChoice South Africa's lobbying efforts, was undertaken and completed by the audit and risk committees of the MultiChoice South Africa board. No irregularities were found, but in the absence of national guidelines on lobbying and interaction with regulators and government, formalisation of MultiChoice's lobbying process has been proposed. MultiChoice management will develop guidelines for approval by the board. In addition, it was decided that ANN7's current contract will not be renewed when it ends in August this year and an open bid process has commenced for a replacement black-owned local news channel.

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

DIRECTORATE In order to improve separation of powers, Nolo Letele was released from being the acting group chief executive on 31 July 2017. The directors subsequently agreed to delegate the roles and responsibilities of MultiChoice's chief executive to the chief financial officer, Uvashni Raman (in additional to her current role), without a position or title change, on an interim basis. She fulfilled these roles until 8 June 2018 when the board, on recommendation from the remuneration and equity committee, appointed Imtiaz Patel, the Naspers video-entertainment segment chief executive officer, as an executive director to fulfil the roles and responsibilities of the chief executive for MultiChoice.

Group company secretary: On 19 March 2018 Carmen Koopman stepped down as company secretary for MultiChoice SA group to take up a role in the MultiChoice Africa business. Rochelle Gabriels, the MultiChoice SA chief financial officer, has been appointed in an acting position until the MultiChoice board has appointed a permanent company secretary.

PHUTHUMA NATHI (PN and PN2) The PN and PN2 annual general meetings will be held on 30 August 2018. The Phuthuma Nathi boards recommend that a dividend of 1 955,56 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 R1,32bn. The declaration of these dividends is subject to approval by shareholders at the annual general meetings on 30 August 2018.

Trading platform: The Registrar of Securities Services (the Registrar) has indicated that all traditional over-the-counter trading platforms like Phuthuma Nathi Investments (RF) Limited (Phuthuma Nathi) should regularise their affairs in terms of the Financial Markets Act, 2012 (the FM Act). Phuthuma Nathi has been engaging with the Financial Sector Conduct Authority to bring its affairs in line with the requirements of the FM Act. As part of this process MultiChoice and Media24 are investigating various options, including the establishment of a company, Yizani Phuthuma Nathi (YPN), which has applied for an exchange licence to facilitate the trading of broad-based black economic empowerment shares issued by companies within the Naspers group.

During this process, trading of Phuthuma Nathi shares on the current trading platform continues unchanged. Phuthuma Nathi continues to build on the positive engagement it has had with the Registrar and remains committed to complying with any directives and/or conditions issued by the Registrar. It is exempt from complying with the FM Act for a period of six months after the Registrar's decision on whether or not 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 2018 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), 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 2017.

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

22 June 2018
Randburg

Summarised consolidated statements of profit or loss

	Year ended 31 March 2018 R'm	Year ended 31 March 2017 R'm
Revenue	40 165	40 544
Cost of providing services and sale of goods	(21 544)	(22 800)
Selling, general and administration expenses	(7 959)	(7 603)
Other gains	18	20
Operating profit	10 680	10 161
Interest received	320	212
Interest paid	(645)	(674)
Foreign exchange gains/(losses)	660	(251)
Share of equity-accounted results	(97)	(66)
Impairment of equity-accounted investments	–	(10)
Acquisitions and disposals	118	87
Profit before taxation	11 036	9 459
Taxation	(3 247)	(2 631)
Profit for the year	7 789	6 828
Attributable to:		
Equity holders of the group	7 789	6 828
Core headline earnings for the year (R'm)	7 030	6 953
Headline earnings for the year (R'm)	7 692	6 747

Reconciliation of operating profit to trading profit

	Year ended 31 March 2018 R'm	Year ended 31 March 2017 R'm
Operating profit	10 680	10 161
Finance cost on transponder leases	(373)	(319)
Amortisation of intangible assets	38	35
Impairment of assets	–	49
Other gains/(losses)	33	(25)
Trading profit	10 378	9 901

Summarised consolidated statements of comprehensive income and changes in equity

	Year ended 31 March 2018 R'm	Year ended 31 March 2017 R'm
Balance at the beginning of the year	8 098	8 283
Profit for the year	7 789	6 828
Total other comprehensive income, net of tax, for the year	(486)	(552)
Cash flow hedges	(609)	(697)
Revaluation of investments	(47)	(18)
Tax on other comprehensive income	170	163
Changes in other reserves		
Share-based comprehensive movement	(33)	39
Dividends paid to shareholders	(6 500)	(6 500)
Balance at the end of the year	8 868	8 098
Comprising:		
Share capital and premium	17 216	17 216
Retained earnings	7 423	6 117
Share-based compensation reserve	21	72
Existing control business combination reserve	(15 051)	(15 051)
Hedging reserve	(852)	(413)
Fair-value reserve	111	157
Total	8 868	8 098

Summarised consolidated statements of financial position

	Year ended 31 March 2018 R'm	Year ended 31 March 2017 R'm
ASSETS		
Non-current assets	17 047	17 964
Current assets	10 053	9 868
Non-current assets classified as held for sale	–	378
Total assets	27 100	28 210
EQUITY AND LIABILITIES		
Capital and reserves	8 868	8 098
Non-current liabilities	8 877	10 128
Current liabilities	9 355	9 768
Non-current liabilities classified as held for sale	–	216
Total equity and liabilities	27 100	28 210

Commitments

	Year ended 31 March 2018 R'm	Year ended 31 March 2017 R'm
Capital expenditure	92	60
Programme and film rights	32 782	25 388
Network and other service commitments	664	1 499
Operating lease commitments	216	399
Set-top box commitments	1 764	1 410
Commitments	35 518	28 756

Summarised consolidated statements of cash flows

	Year ended 31 March 2018 R'm	Year ended 31 March 2017 R'm
Cash flow generated from operating activities	7 461	9 054
Cash flow utilised in investing activities	(390)	(715)
Cash flow utilised in financing activities	(7 325)	(7 695)
Net movement in cash and cash equivalents	(254)	644
Foreign exchange translation adjustments	(74)	(245)
Cash and cash equivalents at the beginning of the year	2 601	2 286
Reclassification of cash to held for sale	–	(84)
Cash and cash equivalents at the end of the year	2 273	2 601

Calculation of headline and core headline earnings

	Year ended 31 March 2018 R'm	Year ended 31 March 2017 R'm
Net profit attributable to shareholders	7 789	6 828
Adjusted for:		
– Profit on sale of property, plant and equipment	(3)	(11)
– Impairment of assets	–	39
– Reversal of impairment of assets	–	(46)
– Gain from bargain purchase	–	(2)
– Profit on sale of investments	(118)	(85)
– Profit on sale of intangible assets	(4)	1
	7 664	6 724
Total tax effects of adjustments	28	23
Headline earnings	7 692	6 747
Adjusted for:		
– Amortisation of intangible assets	33	30
– Foreign exchange gains/(losses)	(710)	147
– IFRS 2 equity-settled changes	6	29
– Deferred tax for provision reversal	9	–
Core headline earnings	7 030	6 953
Number of shares ('000)	337 500	337 500

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

Acting group company secretary
R J Gabriels

Registered office
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)

Bastion

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 summarised consolidated statements of financial position as at 31 March 2018, the consolidated statements of profit or loss, the summarised consolidated statements of comprehensive income and changes in equity and the summarised consolidated statements of 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 2018.

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 Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 8 June 2018.

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
22 June 2018