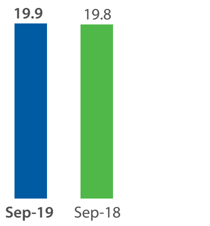
MULTICHOICE SOUTH AFRICA HOLDINGS PROPRIETARY LIMITED
(Registration number: 2006/015293/07) (MCSAH or the group)

Interim results announcement

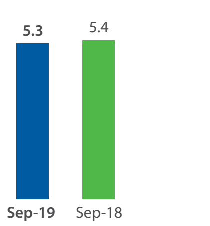
PHUTHUMA NATHI
SHARE THE FUTURE

Summary of interim results of the MultiChoice South Africa group for the six months ended 30 September 2019

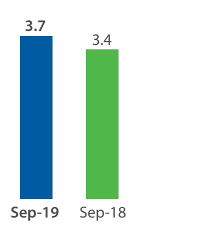
Revenue: R'bn



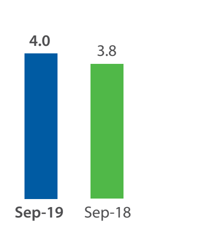
Trading profit: R'bn



Free cash flow: R'bn



Core headline earnings: R'bn



The group produced stable first-half revenues, with solid free cash flows and growth in core headline earnings. Revenue growth was muted as healthy growth in the mass market was negated by the strategic decision not to increase prices on the premium bouquet in the interest of driving retention. Trading profit of R5.3bn was slightly down from the prior period, mainly due to the cost of three major sport events in the first half and once-off restructuring costs in our customer care division. Cost optimisation, premium retention and driving local content to counter trading margin pressure remains the focus.

We continue to deliver an unrivalled sport offering, including the live coverage of the ICC Cricket World Cup, the Africa Cup of Nations (AFCON) and the Rugby World Cup. A new 24-hour WWE channel was launched in August 2019 and is available to subscribers from the Compact package upwards. Our local content is resonating well with our subscribers and our locally produced telenovela, The River, was nominated for its first international Emmy award.

FINANCIAL REVIEW

The group revenue for the period was R19.9bn. Subscriber revenue grew 2.1% to R14.1bn but was offset by a decrease in advertising revenue of 5.2% to R1.4bn due to the one-off prior year sport event, lower sublicensing revenues and lower recoveries from our Rest of Africa (RoA) segment due to cost optimisation and one-off prior year events. Trading profit at R5.3bn was marginally lower than the prior period, while margins remained broadly stable. We remain focused on optimising cost structures to ensure we achieve operating leverage, despite top-line pressure. The group generated positive free cash flow of R3.7bn, up 9% year-on-year (YoY), largely due to lower sport content prepayments. As one of the largest taxpayers in South Africa, the group's total tax contribution amounted to R3.9bn (direct R1.6bn and indirect R2.3bn) in the period.

MultiChoice South Africa declared a dividend of R6.0bn to shareholders in September 2019 in relation to the FY2019, of which the Phuthuma Nathi (PN) companies received R1.5bn.

SHARE EXCHANGE AND SCHEME OF ARRANGEMENT

The group remains fully committed to broad-based black economic empowerment and transformation (BBBEE). In line with prior commitments, MultiChoice Group (MCG) made an offer to Phuthuma Nathi (PN) shareholders on 25 September 2019, to exchange up to 20% of their PN shares for shares in MCG. The offer closed on 28 October 2019 and has resulted in 3.7m MCG shares being issued to PN shareholders, while MCG acquired 3.8m shares in PN in return. MCG overall interest in the group has therefore increased from 75.0% to 76.4%.

PN shareholders also approved the combination of PN 1 and PN 2 by way of a scheme of arrangement. The scheme will be effective on 28 November 2019.

OPERATIONAL REVIEW

Despite a tough economic climate in South Africa, we achieved YoY subscriber growth of 0.6m (+8%) on a 90-day active basis, driven by healthy subscriber growth in the mass market.

Content

We continue to bring our subscribers the best local and international general entertainment and sport content.

Our increased investment in local content, mainly through the Mzansi group of channels, is paying off, with our channels among the top performers in their peer group. Funding of this local content strategy for both our pay-TV and over-the-top (OTT) offering was facilitated through tight cost controls and efficiency gains in other areas of the business.

Connected Video

Showmax improved its content line-up by making high-profile movies and shows available much sooner than before, in some cases at the same time as pay-TV. Viewer engagement with the Showmax service has increased substantially, with average viewing time per user up more than 25% YoY. Our introduction of limited sports into the Showmax offer as a beta test has been well received by our customers. Our focus remains on continuously improving the user experience and we have enhanced the recommendation engine and improved the content discovery functionality over the past few months.

DStv Now reached new levels of penetration among the pay-TV subscriber base, especially among higher-tier customers. This has been supplemented by a very pleasing increase in user engagement, especially during live sport events such as the Cricket and Rugby World Cups.

We continue to expand the penetration of our Explora devices into South African homes and passed the half-a-million mark for set-top-boxes connected to the internet. At the same time, our long-established BoxOffice movie rental service continues to be viewed in hundreds of thousands of homes, providing living-room access to the newest and best Hollywood blockbusters at the touch of a button.

Transformation and corporate social investment

As a level 1 BBBEE-rated company, we remain dedicated to our transformation programmes and playing a key role in transforming our industry. Our employee profile comprises 54% women and 46% men, while our leadership teams are diverse and proudly representative. Our top and senior management is 50% black, with women accounting for 47% of this total. The overall South African organisation comprises 85% black employees. We continue to contribute meaningfully towards corporate social responsibility programmes such as the MultiChoice Diski Challenge, Magic in Motion Academy and SuperSport's Let's Play initiatives. Our total corporate social investment during the six-month period was R31m.

Regulatory

Our industry is highly regulated. Recent years saw several policy reviews, sector inquiries and reviews initiated by regulators or our competition authorities, resulting in increased complexity in our operating environment. These include a review of the broadcast sector, a possible new Audio Visual and Digital Services White Paper that will bring OTT services into the regulatory fold, proposed amendments to copyright and protection of performers legislation, an inquiry into the state of competition in the broadcasting sector and review of existing regulations on sport events of national interest. Our approach to regulatory changes involves proactive and positive engagement and providing input into relevant industry discussions that have the potential to lead to regulatory changes.

DIRECTORATE

During the period, Octavia Matloa's appointment as non-executive director ended on 8 July 2019. Jabulane (Jabu) Albert Mabuza was appointed by the board as a director with effect from 5 July 2019.

GROUP COMPANY SECRETARY

Ms Donna Maree Dickson resigned from her secretariat duties as at 30 September 2019 and a process to find a replacement has commenced.

BASIS OF PRESENTATION

These condensed consolidated financial statements for the period ended 30 September 2019 have been extracted from the full set of reviewed condensed consolidated interim 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 interim financial statements from which the condensed consolidated financial statements were derived are aligned with IFRS and consistent with those applied in preparing the previous consolidated annual financial statements, except for the adoption of new or revised standards. The group has adopted all new and amended accounting pronouncements issued by the International Accounting Standards Board (IASB), effective for the financial year beginning on 1 April 2019.

The statement of financial position reflects the carrying value of assets and liabilities. Trading profit excludes amortisation of intangible assets (other than software), impairment of assets, other gains or losses and equity-settled share-based compensation, 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 MCSAH chief financial officer, Tim Jacobs CA(SA).

The complete reviewed condensed interim financial statements and review opinion are available on the MultiChoice and Phuthuma Nathi websites:
https://www.multichoice.com/multichoice-south-africa/ and **www.phuthumanathi.co.za.**

Events after the reporting period

During October 2019, the directors decided to liquidate the investment in Vast Networks (Pty) Ltd.

On behalf of the board

Nolo Letele
Executive chair

11 November 2019

Randburg

Directors
F L N Letele (executive chair), K B Sibiya, S Dakile-Hlongwane, D G Eriksson, K D Moroka, S J Z Pacak, J J Volkwyn, E Masilela, C P Mawela, T Jacobs, L Stephens, J A Mabuza

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Transfer secretaries
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25 Scott Street, Waverley, 2090 (PO Box 785261, Sandton, 2146)

Condensed consolidated statement of profit or loss

	Reviewed half-year 30 September 2019 R'm	2018 R'm
Revenue	**19 850**	19 793
Cost of providing services and sale of goods	**(10 212)**	(10 208)
Selling, general and administration expenses	**(4 185)**	(4 082)
Other net gains	**1**	19
Operating profit	**5 454**	5 522
Interest received	**210**	175
Interest paid	**(288)**	(339)
Net foreign exchange losses	**(283)**	(1 349)
Share of equity-accounted results	**(58)**	(61)
Impairment of equity-accounted investments	**(4)**	–
Profit before taxation	**5 031**	3 948
Taxation	**(1 401)**	(1 120)
Profit for the period	**3 630**	2 828

Reconciliation of operating profit to trading profit

	Reviewed half-year 30 September 2019 R'm	2018 R'm
Operating profit	**5 454**	5 522
Finance cost on transponder leases	**(199)**	(190)
Amortisation of intangible assets	**13**	16
Impairment of assets	**1**	–
IFRS 2 share-based payment expense	**54**	38
Other gains	**(2)**	(19)
Trading profit	**5 321**	5 367

Condensed consolidated statement of comprehensive income and changes in equity

	Reviewed half-year 30 September 2019 R'm	2018 R'm
Balance at the beginning of the year	**10 300**	8 868
Changes in accounting policy	**–**	107
Profit for the period	**3 630**	2 828
Total other comprehensive (loss)/income for the period	**(59)**	1 924
Cash flow hedges	**(54)**	2 471
Revaluation of investments	**(28)**	70
Tax on other comprehensive income	**23**	(617)
Changes in other reserves		
Share-based comprehensive movement	**(664)**	51
Dividends paid to shareholders	**(6 018)**	(6 600)
Other movements in retained earnings	**185**	–
Movement in foreign currency translation reserve	**1**	1
Balance at the end of the period	**7 375**	7 179
Comprising:		
Share capital and premium	**17 216**	17 216
Retained earnings	**2 165**	3 827
Share-based compensation reserve	**2 093**	3
Existing control business combination reserve	**(15 051)**	(15 051)
Hedging reserve	**786**	1 002
Fair-value reserve	**141**	181
Foreign currency translation reserve	**25**	1
Total	**7 375**	7 179

Condensed consolidated statement of financial position

	Reviewed half-year 30 September 2019 R'm	Audited March 2019 R'm
ASSETS		
Non-current assets	**15 664**	16 041
Current assets	**15 527**	13 989
Total assets	**31 191**	30 030
EQUITY AND LIABILITIES		
Capital and reserves	**7 375**	10 300
Non-current liabilities	**10 222**	10 212
Current liabilities	**13 594**	9 518
Total equity and liabilities	**31 191**	30 030

Commitments

	Reviewed half-year 30 September 2019 R'm	Audited March 2019 R'm
Capital expenditure	**17**	63
Programme and film rights	**28 047**	32 195
Network and other service commitments	**1 824**	1 790
Operating lease commitments	**33**	172
Set-top-box commitments	**1 296**	1 725
Commitments	**31 217**	35 946

Condensed consolidated statement of cash flows

	Reviewed half-year 30 September 2019 R'm	2018 R'm
Cash flow generated from operating activities	**4 274**	3 935
Cash flow utilised in investing activities	**(225)**	(202)
Cash flow utilised in financing activities	**(4 491)**	(4 161)
Net movement in cash and cash equivalents	**(442)**	(428)
Foreign exchange translation adjustments	**24**	230
Cash and cash equivalents at the beginning of the period	**2 080**	2 273
Cash and cash equivalents at the end of the period	**1 662**	2 075

Calculation of headline and core headline earnings

	Reviewed half-year 30 September 2019 R'm	2018 R'm
Net profit attributable to shareholders	**3 630**	2 828
Adjusted for:		
– Profit on sale of property, plant and equipment	*	*
– Impairment of assets	**1**	*
– Reversal of impairment of assets	**–**	*
– Impairment of investments	**24**	–
	3 655	2 828
Total tax effects of adjustments	**(2)**	*
Headline earnings	**3 653**	2 828
Adjusted for:		
– Amortisation of intangible assets	**9**	12
– Foreign exchange loss	**274**	969
– IFRS 2 equity-settled changes	**54**	27
Core headline earnings	**3 990**	3 836
Number of shares (000)	**360 000**	337 500

** Less than R1 000 000.*

Bastion