



MultiChoice experienced a stable performance in the first six months of the financial year in the face of economic uncertainty and increased pressure on consumer spend in South Africa. Cost optimisation, improving customer satisfaction and expanding our digital offering remain key focus areas.

#### FINANCIAL REVIEW

Revenue was flat year on year at R19,4bn. Subscription and hardware revenue growth were offset by lower MWEB revenues (after its sale in May 2017) and lower content cost recoveries from our African counterparties. Trading profit at R5,1bn is the same as last year. Higher subsidy costs (driven by growth in Access customers), higher depreciation and lease interest due to capitalising the IS20B satellite in September 2016 were offset by content cost savings from strengthening in the rand/dollar exchange rate and targeted reductions in non-performing content. MultiChoice generated free cash flows of R2,3bn, down R1,3bn from the prior year, largely due to higher sports content prepayments and finance lease repayments due to the capitalisation of IS20B.

MultiChoice continues to contribute to the South African economy. We contributed over R3,5bn in direct and indirect taxes in the review period, making MultiChoice one of the largest taxpayers in South Africa. At 30 September 2017 we had a total workforce, including independent service providers, of around 7 400 people after the sale of the MWEB business to Internet Solutions during May 2017.

The increase in current liabilities on the balance sheet relates mainly to the use of the revolving credit facility and additional funding from Naspers for working capital requirements.

Programme and film-right commitments have increased post the March 2017 year-end after renewing sports contracts.

Phuthuma Nathi companies received a dividend of R1,3bn in September 2017. Phuthuma Nathi shareholders continue to enjoy a healthy return on their investments.

#### OPERATIONAL REVIEW

MultiChoice's customer base grew by 278 000 (2016: 318 000) for the six months ended 30 September 2017 and passed the milestone of 6,5m customers.

#### Technology

Our DStv Now service has seen impressive growth during the period by serving more than 8m play events to customers per month. In May 2017 we extended the DStv Now service to Compact and Compact Plus customers who can now also enjoy watching live TV channels on the go, and get access to our extended online DStv Catch Up services. In the period under review, 26 channels were added to the DStv platform, including the Ginx eSports TV channel, Sundance's critically acclaimed movie channel and Comedy Central. A dedicated playlist service has been introduced to our web and mobile applications to ensure customers are always aware of shows that suit their personal preferences.

An exciting enhancement to the digital product range is the ability to cast content to a TV screen via either Google Chromecast for Android users, or Airplay for Apple users. Customers continue to connect their Explora decoders to the internet to gain access to our extensive catalogue of DStv Catch Up Plus TV shows. The introduction of a new version of our USB wi-fi connector and several user-experience enhancements in the settings screens in June 2017 contribute to the growth in connected Exploras.

In September 2017 we included Showmax in the Premium package at no additional cost and the initial response has been very positive.

Through various social media platforms such as Facebook and our online self-service functionality, our customers can now access our services, pay bills, rent movies and fix errors without having to contact our call centres.

#### Corporate social investment

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 four major initiatives:

1. The SuperSport Rugby Challenge aims to re-establish the vital link between club and provincial rugby. By taking professional rugby to communities and broadcasting from club grounds, this initiative provides exposure for local club and provincial heroes, stokes the passion of fans and offers on-the-job training for broadcast interns and graduates. Sixty-seven matches were played during the inaugural 2017 season.
2. Let's Play's physical education challenge reached 435 primary schools nationally, engaging 379 381 learners during the period. With the assistance of various stakeholders, Let's Play continues to build playing fields at primary schools across South Africa to ensure learners have suitable facilities.
3. The MultiChoice Diski Challenge has created opportunities for young, aspiring footballers to become professionals, and creates a platform for interns working on a career in broadcasting. In the first three seasons of Diski, 309 football matches were played, over 90 players were promoted to their first teams and more than 100 players have played for national teams.
4. M-Net's Magic in Motion Academy plays a critical role in developing skills in the film and TV industries and empowering the next generation of storytellers. It gives young South Africans on-the-job training and the opportunity to work with experienced producers for hands-on experience. To date, 31 students have been trained and are making their mark in the industry. This year, 13 students will be trained and produce four films, which will be shown on Mzansi Magic.

#### Content

Investing in the local production industry is a key objective for MultiChoice. Our contributions to local entertainment and sport for the interim period grew to around R970m (2016: R950m) and R750m (2016: R630m) respectively.

Mzansi Magic remains one of M-Net's most popular channels, with weekday telenovelas, Sunday-night drama and reality shows driving appointment viewing. Shows like Idols SA, Our Perfect Wedding and ground-breaking dramas such as Lockdown and iNumber Number remain firm favourites with our customers.

Local content is driving viewership on M-Net. Local versions of reality shows The Voice and My Kitchen Rules, along with Carte Blanche, are improving ratings on the channel.

kykNET viewers enjoyed a variety of new shows that added to the outstanding content slate. The channel's very popular soaps Suidooster, Getroud met Rugby and Binnelanders continue to perform well.

Showmax focused on acquiring fresh and exclusive content. Tali's Wedding Diary, a Showmax Original Series, started filming in June.

SuperSport extended its broadcast rights to the English Premier League. Agreements were also finalised for SuperSport to remain the pay-TV broadcast partner to the next Winter and Summer Olympic Games in 2018 and 2020 respectively.

On 27 August, SuperSport broadcast the fight between Floyd Mayweather and Conor McGregor – the richest and most spectacular boxing match in history.

In April, M-Net Binge was launched on channel 900. Premium customers can now watch box sets of the latest seasons of their favourite shows. Pop-up channels remain popular with customers – the M-Net Movies Fast & Furious pop-up channel was aired in April, and in June, Black Belt was the first pop-up channel on the Compact package.

During the period, we grew our high-definition channel offering to 44 channels.

#### Regulatory

Various regulatory enquiries and policy reviews are under way. MultiChoice endeavours to cooperate with all authorities to find solutions in the best interest of the broadcasting industry.

#### BASIS OF PRESENTATION

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) 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. The accounting policies applied in the preparation of these interim financial statements are in terms of 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, Uvashini Raman CA(SA).

The complete annual financial statements are available on the MultiChoice and Phuthuma Nathi websites: [www.multichoice.co.za](http://www.multichoice.co.za) and [www.phuthumanathi.co.za](http://www.phuthumanathi.co.za).

#### REPORT OF THE INDEPENDENT AUDITOR

These condensed consolidated interim financial statements for the period ended 30 September 2017 have been reviewed by the company's auditor, PricewaterhouseCoopers Inc., who expressed an unmodified conclusion thereon. 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

Executive chair

Randburg

29 November 2017

#### Directors

F L N Letele (executive chair), K B Sibiyi, 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

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)

#### Condensed consolidated statements of profit or loss

	Six months ended 30 September 2017 R'm	2016 R'm	Year ended 31 March 2017 R'm
<b>Revenue</b>	<b>19 391</b>	19 402	40 544
Cost of providing services and sale of goods	(10 501)	(10 289)	(22 800)
Selling, general and administration expenses	(3 559)	(3 819)	(7 583)
<b>Operating profit</b>	<b>5 331</b>	5 294	10 161
Interest received	185	120	212
Interest paid	(266)	(272)	(674)
Foreign exchange losses	(137)	(290)	(251)
Share of equity-accounted results	(49)	(40)	(66)
Impairment of equity-accounted investments	–	–	(10)
Acquisitions and disposals	118	3	87
<b>Profit before taxation</b>	<b>5 182</b>	4 815	9 459
Taxation	(1 428)	(1 367)	(2 631)
<b>Profit for the period</b>	<b>3 754</b>	3 448	6 828
<b>Attributable to:</b>			
Equity holders of the group	3 754	3 448	6 828
Core headline earnings for the period	3 559	3 636	6 953
Headline earnings for the period	3 668	3 437	6 747

#### Reconciliation of operating profit to trading profit

	Six months ended 30 September 2017 R'm	2016 R'm	Year ended 31 March 2017 R'm
<b>Operating profit</b>	<b>5 331</b>	5 294	10 161
Finance cost on transponder leases	(193)	(119)	(319)
Amortisation of intangible assets	19	17	35
(Reversal)/Impairment of assets	–	(69)	49
Other losses/(gains)	16	(13)	(25)
<b>Trading profit</b>	<b>5 173</b>	5 110	9 901

#### Condensed consolidated statements of comprehensive income and changes in equity

	Six months ended 30 September 2017 R'm	2016 R'm	Year ended 31 March 2017 R'm
<b>Balance at the beginning of the period</b>	<b>8 098</b>	8 283	8 283
<b>Profit for the period</b>	<b>3 754</b>	3 448	6 828
<b>Total other comprehensive cost/(income), net of tax, for the period</b>	<b>292</b>	(427)	(552)
Cash flow hedges	407	(540)	(697)
Revaluation of investments	(10)	(14)	(18)
Tax on other comprehensive income	(105)	127	163
Share-based comprehensive movement	37	16	39
Dividends paid to shareholders	(6 500)	(6 500)	(6 500)
<b>Balance at the end of the period</b>	<b>5 681</b>	4 820	8 098
<b>Comprising:</b>			
Share capital and premium	17 216	17 216	17 216
Retained earnings	3 405	2 607	6 117
Share-based compensation reserve	75	216	72
Existing control business combination reserve	(15 051)	(15 088)	(15 051)
Hedging reserve	(112)	(292)	(413)
Fair-value reserve	148	161	157
<b>Total</b>	<b>5 681</b>	4 820	8 098

#### Condensed consolidated statements of financial position

	Six months ended 30 September 2017 R'm	2016 R'm	Year ended 31 March 2017 R'm
<b>ASSETS</b>			
Non-current assets	18 710	17 913	17 964
Current assets	12 380	13 084	9 868
Non-current assets classified as held for sale	–	158	378
<b>Total assets</b>	<b>31 090</b>	31 155	28 210
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves	5 681	4 820	8 098
Non-current liabilities	10 062	14 858	10 128
Current liabilities	15 347	11 458	9 768
Non-current liabilities classified as held for sale	–	19	216
<b>Total equity and liabilities</b>	<b>31 090</b>	31 155	28 210

#### Commitments

	Six months ended 30 September 2017 R'm	2016 R'm	Year ended 31 March 2017 R'm
Capital expenditure	88	180	60
Programme and film rights	27 426	23 912	25 388
Network and other service commitments	799	1 640	1 499
Transponder leases	–	236	–
Operating lease commitments	299	208	399
Set-top box commitments	1 736	781	1 410
<b>Commitments</b>	<b>30 348</b>	26 957	28 756

#### Condensed consolidated statements of cash flows

	Six months ended 30 September 2017 R'm	2016 R'm	Year ended 31 March 2017 R'm
Cash flow generated from operating activities	2 718	4 095	9 054
Cash flow utilised in investing activities	*	(325)	(715)
Cash flow utilised in financing activities	(3 947)	(2 483)	(7 695)
<b>Net movement in cash and cash equivalents</b>	<b>(1 229)</b>	1 287	644
Foreign exchange translation adjustments	(28)	(147)	(245)
Cash and cash equivalents at the beginning of the period	2 601	2 286	2 286
Reclassification of cash to held for sale	–	2	(84)
<b>Cash and cash equivalents at the end of the period</b>	<b>1 344</b>	3 428	2 601

\* Less than R1 000 000.

#### Calculation of headline and core headline earnings

	Six months ended 30 September 2017 R'm	2016 R'm	Year ended 31 March 2017 R'm
<b>Net profit attributable to shareholders</b>	<b>3 754</b>	3 448	6 828
<i>Adjusted for:</i>			
– Profit on sale of property, plant and equipment	(3)	(11)	(11)
– Impairment of assets	–	–	39
– Reversal of impairment of assets	–	–	(46)
– Gain from bargain purchase	–	(2)	(2)
– Gain on disposal of business classified as held for sale	(118)	–	–
– Profit on sale of investments	–	–	(85)
– Profit on sale of intangible assets	1	–	1
	<b>3 634</b>	3 435	6 724
Total tax effects of adjustments	34	2	23
<b>Headline earnings</b>	<b>3 668</b>	3 437	6 747
<i>Adjusted for:</i>			
– Amortisation of intangible assets	16	14	30
– Foreign exchange (gains)/losses	(120)	169	147
– IFRS 2 equity-settled changes	27	16	29
<b>Core headline earnings</b>	<b>3 591</b>	3 636	6 953
Number of shares ('000)	<b>337 500</b>	337 500	337 500



## 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 statements of financial position as at 30 September 2017 and the related condensed consolidated statements of profit or loss, comprehensive income and 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 2017 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

29 November 2017

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