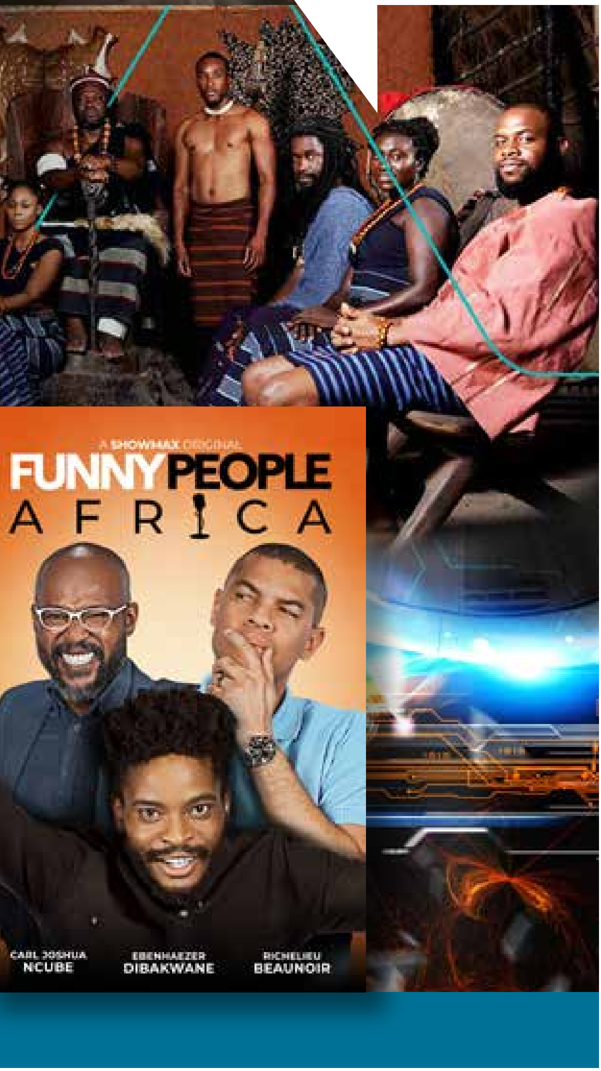
Condensed consolidated interim financial statements for the period ended 30 September 2019

MULTICHOICE
ENRICHING LIVES

MultiChoice Group Limited



MultiChoice
ENRICHING LIVES

Contents

EXECUTIVE REVIEW OF OUR PERFORMANCE

MultiChoice Group (MCG or the group) delivered solid results for the period ended 30 September 2019.

The group added 1.2m 90-day active subscribers, representing 7% year-on-year (YoY) growth, taking the overall 90-day active subscriber base to 18.9m households at 30 September 2019 (HY20). In the absence of specific one-off events in the prior year, subscriber growth rates reflected more normalised trends. The subscriber base is split between 10.7m households in the Rest of Africa (RoA) and 8.2m in South Africa (SA).

Revenue was up 4% (3% organic) to R25.7bn and included subscription revenue of R21.2bn, which grew at similar rates. Top line momentum was affected by the group's strategic decision not to increase Premium prices in SA. Hardware sales and advertising revenues were lower due to the one-off prior year events, while macro-headwinds in certain markets affected disposable income and thus consumer demand.

Group trading profit rose 22% to R4.8bn (33% organic) benefitting from a R0.7bn (R1.2bn organic) reduction in losses in RoA. A further R0.7bn in costs were eliminated from the base during HY20 as part of the group's cost optimisation programme. This resulted in overall costs being contained to a similar level as the prior period (-3% organic) and achieved the group target of keeping the growth rate in costs below that of revenue growth.

The group continued its strategic focus on local content, increasing the number of hours produced by 12%. As a result, the total local content hours in the library now exceeds 54 000 hours.

Core headline earnings, the board's measure of sustainable business performance, was up 24% on the prior period at R1.9bn, despite the impact of the additional 5% share in SA allocated to Phuthuma Nathi in March 2019. Excluding this once-off change in the SA non-controlling interest, core headline earnings would have grown 37% YoY.

Consolidated free cash flow of R2.4bn was up 32% compared to the prior period. This was achieved after an improvement in the trading result from the RoA and a lower investment in set-top boxes.

Capital expenditure (capex) of R0.3bn was in line with the prior period. The cash conversion ratio (EBITDA-capex/EBITDA) remains positive at 96%.

As one of the largest taxpayers in Africa, MCG paid direct cash taxes of R1.9bn. This was 9% higher than the previous period mainly due to a higher final tax payment in SA.

Net interest paid amounted to R164m, slightly up on the prior period primarily due to the impact of reclassifying operating leases as finance leases under IFRS 16. The group balance sheet remains strong with R9.9bn in net assets, including R6.9bn of cash and cash equivalents. Combined with R3.5bn in undrawn facilities, this provides R10.4bn in financial flexibility to fund our business plan. This strong financial position is after providing R0.8bn for share buy-backs (including R0.7bn to fund the MCG restricted share plan) and settling our R1.5bn dividend to Phuthuma Nathi.

Segmental review

South Africa

The SA business delivered solid results, reporting subscriber growth of 7% YoY or 0.6m subscribers on a 90-day active basis. Revenue growth of 2% (2% organic) to R17.0bn was muted as healthy subscriber growth in the mass market was negated by a 0% price increase on the Premium bouquet, which was well received and resulted in a stabilisation at 2019 year-end levels. As expected, the ongoing change in subscriber mix towards the mass market resulted in monthly average revenue per user (ARPU) declining 5% from R308 to R292.

Trading profit was slightly down from the prior period at R5.2bn, predominantly due to the cost impact of broadcasting three major sport events in the first half and once-off restructuring costs in our customer care division. Despite these costs, the trading margin remained relatively stable at 30%.

SuperSport continues to deliver a truly world-class sport offering. During the reporting period, we broadcast the ICC Cricket World Cup, the African Cup of Nations and the start of the Rugby World Cup, where SuperSport is one of the official broadcasters.

Connected Video users on both the DStv Now and Showmax platforms continue to grow as online consumption increases. To position our business for the future, Showmax launched a localised version in Nigeria, and added a mobile-only application in Nigeria and Kenya. Continued improvements have been made to the user interface and the content slate including simulcasts with pay-TV (e.g. Game of Thrones), increased investment in original local content and the procurement of additional content for Connected Video platforms.

Rest of Africa

The RoA business grew the 90-day active subscriber base 7% YoY or 0.7m subscribers. Growth was affected by one-off sports events in the prior year and some country-specific issues. These included the current hyperinflationary economic environment in Zimbabwe, which has caused significant pressure on consumers due to the lack of US dollar liquidity, as well as severe electricity shortages in countries like Zambia as a result of the ongoing drought, which has impacted the demand for services like pay-TV.

Revenue of R7.8bn represented 5% growth YoY (3% organic), with subscription revenue contributing R7.1bn, up 8% YoY (6% organic). The main difference in growth rates between total revenue and subscription revenue was lower hardware sales in the current year due to one-off prior year growth campaigns. ARPU in the RoA at R111 (HY19: R115), was down due to an ongoing shift in subscriber mix as we increasingly penetrate the mass market. Material currency depreciation in the Angolan kwanza (34%) and the Zambian kwacha (24%) also affected the segment's financial results.

EXECUTIVE REVIEW OF OUR PERFORMANCE continued

Trading losses reduced 47% (73% organic) or R0.7bn (R1.2bn organic) to R0.8bn. Some portion (R0.6bn) of this organic improvement was due to non-recurring investment in decoder subsidies and content. The remaining R0.6bn improvement was as a consequence of subscription revenue growth, supported by a cost base which was well controlled at prior year levels.

Cash balances of R768m (FY19: R298m) held in Angola and Zimbabwe remain exposed to weaker currencies. The increase since 31 March 2019 is due to the lengthy administrative process to obtain approval to repatriate funds of the Angolan operation, which was recently converted from a franchise to a subsidiary. The approvals have now been received, with remittances recommencing slowly post 30 September 2019.

Technology segment

The Technology segment, Irdeto, delivered strong results. It contributed R0.9bn in revenues, an increase of 32% YoY (24% organic), underpinned by new customer wins in India direct-to-home (DTH) and the USA over-the-top (OTT). The revenue growth, when combined with tight cost controls and a favourable HY20 product mix, resulted in a fourfold increase in trading profit to R0.5bn.

To diversify its reliance on traditional broadcasting revenues, Irdeto continues to invest in connected industries, a market which is showing great promise. New services such as security solutions for internet video, online gaming and the Internet of Things, especially connected vehicles, currently contribute more than 30% of technology revenues. We expect this to continue to grow and contribute more meaningfully to group revenues in future.

Share exchange

The group remains fully committed to broad-based black economic empowerment and transformation. In line with prior commitments, an offer was made 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 shares being issued to PN shareholders, while MCG acquired 3.8m shares in PN in return. Following the conclusion of this share swap, our overall interest in MultiChoice South Africa increased from 75.0% to 76.4%.

Prospects

In the second half of FY20, subject to a stable regulatory environment, the group will continue to scale its video-entertainment services across the continent, mainly in the middle and mass markets.

We remain focused on ramping up our investment in local content and expanding our OTT offering. Seasonality normally has a bigger impact on our second-half performance, both in terms of customer growth and costs, and will largely determine our full-year performance. Combined with the risks associated with a weak macro- and consumer environment that appears to be deteriorating, we are cautious about expectations for the rest of the year. Despite these challenges, we remain committed to delivering solid financials and margin expansion going forward.

EXECUTIVE REVIEW OF OUR PERFORMANCE continued

Dividend

No interim dividend has been declared. The group remains on track to declare a dividend of R2.5bn for FY20.

Directorate

On 5 July 2019, Mr Jabulane (Jabu) Albert Mabuza and Dr Fatai Adegboyega Sanusi were appointed to the board as independent non-executive directors.

Ms Donna Maree Dickson resigned as group company secretary on 30 September 2019. The group is currently in the recruitment process to find a suitable replacement.

No other changes have been made to the directorate of the group.

Preparation of the condensed consolidated interim financial statements

The preparation of the condensed consolidated interim financial statements was supervised by the group's chief financial officer, Mr Tim Jacobs CA(SA).

We operate in 50 countries, resulting in significant exposure to foreign exchange volatility. This can have a notable impact on reported revenue and trading profit metrics, particularly in the RoA where revenues are earned in local currencies while the cost base is largely US dollar denominated.

Where relevant in this report, amounts and percentages have been adjusted for the effects of foreign currency and acquisitions and disposals to better reflect underlying trends. These adjustments (non-IFRS performance measures) are quoted in brackets as organic, after the equivalent metrics reported under International Financial Reporting Standards (IFRS). A reconciliation of non-IFRS performance measures (core headline earnings and free cash flow) to the equivalent IFRS metrics is provided in note 11 of these condensed consolidated interim financial statements. These non-IFRS performance measures constitute pro forma financial information in terms of the JSE Listings Requirements.

The company's external auditor has not reviewed or reported on forecasts included in these condensed consolidated interim financial statements. The review conclusion of the company's external auditor is included on page 19 and the assurance report on non-IFRS measures included on pages 24 to 26. The auditor's report does not necessarily report on all the information contained in these condensed consolidated interim financial statements. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office.

On behalf of the board

Imtiaz Patel
Chair

Calvo Mawela
Chief executive

CONDENSED CONSOLIDATED INCOME STATEMENT

for the period ended 30 September

	Notes	Reviewed half-year 30 September 2019 R'm	Reviewed half-year 30 September 2018 R'm	% change
Revenue	3	**25 655**	24 782	4
Cost of providing services and sale of goods		**(13 860)**	(14 138)	
Selling, general and administration expenses		**(6 868)**	(6 523)	
Other operating (losses)/gains – net		**(1)**	23	
Operating profit		**4 926**	4 144	19
Interest income	5	**291**	466	
Interest expense	5	**(533)**	(949)	
Net foreign exchange translation losses	5	**(358)**	(1 431)	
Share of equity-accounted results		**(62)**	(60)	
Profit before taxation	6	**4 264**	2 170	96
Taxation		**(1 890)**	(1 435)	
Profit for the period		**2 374**	735	>100
Attributable to:				
Equity holders of the group		**1 467**	347	
Non-controlling interests		**907**	388	
		2 374	735	
Earnings per share				
Basic and diluted earnings for the period (R'm)		**1 467**	347	>100
Basic earnings per ordinary share (SA cents)		**336**	79	>100
Diluted earnings per ordinary share (SA cents)*		**334**	79	>100
Net number of ordinary shares issued (million)				
– at period end*		**433**	439	
– weighted average for the period		**436**	439	
– diluted weighted average for the period		**439**	439	

* *During the current period the group repurchased 6 085 790 treasury shares which resulted in a decrease in the number of ordinary shares issued. 5 549 545 shares were repurchased for the group's restricted share unit (RSU) scheme and 536 245 were repurchased as a general share buy-back. As at 30 September 2019, the RSUs have already been offered resulting in a dilutive impact in the current period.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 September

	Reviewed half-year 30 September 2019 R'm	Reviewed half-year 30 September 2018 R'm
Profit for the period	**2 374**	735
Total other comprehensive income, net of non-controlling interests, for the period:		
Exchange gain/(loss) arising on translation of foreign operations[(1)]*	**79**	(5 949)
Fair value (losses)/gains on investments held at fair value through other comprehensive income	**(20)**	70
Net movement in hedging reserve*	**(151)**	1 402
Net tax effect of movements in hedging reserve*	**10**	(593)
	(82)	(5 070)
Total comprehensive income/(loss) for the period	**2 292**	(4 335)
Attributable to:		
Equity holders of the group	**1 585**	(4 554)
Non-controlling interests	**707**	219
	2 292	(4 335)

Notes

[(1)] *Relates to translation of foreign currency RoA and Technology businesses. The movement relates mainly to the net liability position of RoA and the South African rand depreciation from a closing rate of R14.50 in FY19 to R15.14 in HY20 (R11.84 in FY18 to R14.15 in HY19). This movement is recognised in other reserves on the condensed consolidated statement of changes in equity.*

* *These components of other comprehensive income may be subsequently reclassified to the condensed consolidated income statement during future reporting periods.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September

	Notes	Reviewed half-year 30 September 2019 R'm	Audited full-year 31 March 2019 R'm
ASSETS			
Non-current assets		**23 567**	23 684
Property, plant and equipment	1	**17 136**	17 279
Goodwill and other intangible assets		**4 286**	4 283
Investments and loans		**249**	238
Amounts due from related parties	9	**190**	180
Derivative financial instruments		**220**	282
Deferred taxation		**1 486**	1 422
Current assets		**20 318**	17 319
Inventory		**1 001**	924
Programme and film rights*		**7 334**	5 133
Trade and other receivables		**4 446**	4 095
Derivative financial instruments		**620**	444
Cash and cash equivalents		**6 917**	6 723
Total assets		**43 885**	41 003
EQUITY AND LIABILITIES			
Equity reserves attributable to the group's equity holders		**13 482**	12 538
Share capital		**–**	–
Other reserves		**(13 095)**	(12 445)
Retained earnings		**26 577**	24 983
Non-controlling interests		**(3 563)**	(2 743)
Total equity		**9 919**	9 795
Non-current liabilities		**15 596**	15 186
Lease liabilities	1	**14 836**	14 441
Long-term loans and other liabilities		**59**	59
Amounts due to related parties	9	**157**	134
Derivative financial instruments		**8**	4
Deferred taxation		**536**	548
Current liabilities		**18 370**	16 022
Lease liabilities	1	**1 705**	1 290
Programme and film rights*		**6 236**	2 493
Provisions		**216**	136
Accrued expenses and other current liabilities		**10 060**	11 885
Derivative financial instruments		**153**	218
Total equity and liabilities		**43 885**	41 003

* *Programme and film rights assets and liabilities are higher than FY19 mainly as a result of football properties coming into licence in August each year. The increase in programme and film rights assets is also partially offset by lower content prepayments being made during the six-month period ending 30 September 2019 versus the prior period.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 September

	Share capital[1] Reviewed R'm	Other reserves[2] Reviewed R'm	Retained earnings Reviewed R'm	Non-controlling interests Reviewed R'm	Total equity Reviewed R'm
Balance at 1 April 2018	–	(7 156)	2 523	(1 325)	(5 958)
Profit for the period	–	–	347	388	735
Other comprehensive income	–	(4 901)	–	(169)	(5 070)
Total comprehensive loss for the period	–	(4 901)	347	219	(4 335)
Share-based compensation movement	–	–	113	–	113
Transactions with non-controlling shareholders	–	–	(53)	18	(35)
Foreign exchange movements on equity reserves	–	(160)	–	(79)	(239)
Contribution from parent[3]	–	–	23 178	–	23 178
Dividends declared[4]	–	–	(5 329)	(1 371)	(6 700)
Balance at 30 September 2018	–	(12 217)	20 779	(2 538)	6 024
Balance at 1 April 2019	**–**	**(12 445)**	**24 983**	**(2 743)**	**9 795**
Profit for the period	**–**	**–**	**1 467**	**907**	**2 374**
Other comprehensive income/(loss)	**–**	**118**	**–**	**(200)**	**(82)**
Total comprehensive income for the period	**–**	**118**	**1 467**	**707**	**2 292**
Share-based compensation movement	**–**	**–**	**127**	**47**	**174**
Treasury shares acquired[5]	**–**	**(768)**	**–**	**–**	**(768)**
Dividends declared[6]	**–**	**–**	**–**	**(1 574)**	**(1 574)**
Balance at 30 September 2019	**–**	**(13 095)**	**26 577**	**(3 563)**	**9 919**

Notes

(1) *Upon unbundling from Naspers Limited on 4 March 2019, 438 837 468 ordinary shares were issued at nominal value.*

(2) *Other reserves include treasury shares, the hedging reserve, fair value reserve and foreign currency translation reserve.*

(3) *The contribution from parent relates primarily to related party loan capitalisation between the group and Naspers Limited group companies. It also includes acquisitions of non-controlling interests by Naspers which are non-cash transactions for the group.*

(4) *Relates to dividends paid by companies in the group to previous legal owners. Non-controlling interest relates to dividends paid to Phuthuma Nathi.*

(5) *During the current period the group repurchased 6 085 790 treasury shares which resulted in a decrease in the number of ordinary shares issued. 5 549 545 shares were repurchased for the group's RSU scheme and 536 245 were repurchased as a general share buy-back.*

(6) *Relates mainly to dividends paid to Phuthuma Nathi.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 30 September

	Reviewed half-year 30 September 2019 R'm	Reviewed half-year 30 September 2018 R'm
Cash flows from operating activities		
Cash from operations	**5 277**	4 519
Cash generated from operating activities	**5 277**	4 519
Interest income received	**251**	220
Interest costs paid	**(415)**	(329)
Taxation paid	**(1 885)**	(1 729)
Net cash generated from operating activities	**3 228**	2 681
Cash flows from investing activities		
Property, plant and equipment acquired	**(253)**	(228)
Proceeds from sale of property, plant and equipment	**29**	24
Intangible assets acquired	**(51)**	(68)
Loans to related parties*	**(19)**	(16 342)
Repayment of loans by related parties*	**–**	17 199
Cash movements in other investments and loans	**(15)**	(10)
Net cash (utilised in)/generated from investing activities	**(309)**	575
Cash flows from financing activities		
Repayments of long- and short-term loans	**–**	(4)
Proceeds from related party funding**	**–**	3 730
Repayment of related party funding**	**–**	(166)
Repayments of lease liabilities***	**(487)**	(405)
Repayments of capital contribution from parent	**–**	(10)
Repurchase of treasury shares	**(768)**	–
Additional investment in existing subsidiary	**–**	(103)
Dividends paid****	**–**	(5 329)
Dividends paid by subsidiaries to non-controlling shareholders	**(1 574)**	(1 371)
Net cash utilised in financing activities	**(2 829)**	(3 658)
Net movement in cash and cash equivalents	**90**	(402)
Foreign exchange translation adjustments on cash and cash equivalents	**104**	515
Cash and cash equivalents at the beginning of the period	**6 723**	4 044
Cash and cash equivalents at the end of the period	**6 917**	4 157

* *Prior period amounts relate to gross inflows and outflows into the Naspers Limited group cash pool which was started at the end of FY17 to improve cash yield in the group. The cash pool with Naspers Limited ended in February 2019.*

** *Relates to the gross funding inflows and outflows received from Naspers Limited up until February 2019.*

*** *The current period amount includes R447m for transponder lease repayments.*

**** *Relates to dividends paid by companies in the group to previous legal owners.*

SEGMENTAL REVIEW
for the period ended 30 September

	Reviewed half-year 30 September 2019			Reviewed half-year 30 September 2018			Reviewed half-year 30 September 2019	Reviewed half-year 30 September 2018
	Revenue External R'm	Revenue Inter-segment R'm	Revenue Total R'm	Revenue External R'm	Revenue Inter-segment R'm	Revenue Total R'm	Trading profit R'm	Trading profit R'm
South Africa	**16 952**	**2 863**	**19 815**	16 686	3 004	19 690	**5 156**	5 378
Rest of Africa	**7 796**	**110**	**7 906**	7 411	366	7 777	**(830)**	(1 577)
Technology	**907**	**895**	**1 802**	685	940	1 625	**455**	117
Eliminations	**–**	**(3 868)**	**(3 868)**	–	(4 310)	(4 310)	**–**	–
Total	**25 655**	**–**	**25 655**	24 782	–	24 782	**4 781**	3 918

Reconciliation of consolidated trading profit to consolidated operating profit

Operating segments are identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-maker (CODM) in order to allocate resources to the segments and to assess their performance. The CODM has been identified as the board of directors of the group.

Trading profit as presented in the segment disclosure is the CODM and management's measure of each segment's operational performance. A reconciliation of the segmental trading profit to operating profit as reported in the income statement is provided below:

	Reviewed half-year 30 September 2019 R'm	Reviewed half-year 30 September 2018 R'm
Consolidated trading profit	**4 781**	3 918
Lease interest on transponder leases	**329**	324
Amortisation of intangibles (other than software)	**(36)**	(40)
Other operating (losses)/gains – net	**(1)**	23
Share-based compensation	**(136)**	(67)
Severance provision	**(11)**	(14)
Operating profit per the income statement*	**4 926**	4 144

* *The condensed consolidated income statement discloses all reporting items from consolidated operating profit to consolidated profit before taxation.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the period ended 30 September

1. Basis of preparation

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 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 condensed consolidated 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, other than for the adoption of IFRS 16 as described below.

The condensed consolidated interim financial statements are presented on the going concern basis.

The condensed consolidated interim financial statements are presented in South African rand (R), which is the group's presentation currency, rounded to the nearest million. The closing US dollar exchange rate at 30 September 2019 of 15.14:1 (31 March 2019: 14.50:1) has been utilised for the consolidation of our RoA and Technology segments which have a US dollar presentation currency.

The condensed consolidated interim financial statements do not include all the notes of the type normally included in a set of consolidated annual financial statements. Accordingly, this report is to be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2019.

The group has adopted all new and amended accounting pronouncements issued by the International Accounting Standards Board that are effective for financial years commencing 1 April 2019. None of the new or amended accounting pronouncements that are effective for the financial year commencing 1 April 2019 had a material impact on the group.

Trading profit excludes the amortisation of intangible assets (other than software), but includes the finance cost on transponder lease liabilities and excludes impairment of assets, equity settled share-based payment expenses and other gains/losses.

New standards adopted as at 1 April 2019:

IFRS 16 *Leases*

The group has adopted IFRS 16 retrospectively from 1 April 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the standard's transitional provisions. The impact arising from the new leasing rules are therefore recognised in the statement of financial position on 1 April 2019. The impact of adopting the new standard is not material to the group. The group has elected the practical expedient not to reassess the definition of leases. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement Contains a Lease* (IFRIC 4).

Leasing activities

The group primarily leases transponders, office buildings, IT equipment and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes, except for the related transponder assets. Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss and represent no change from the previous reporting period's accounting treatment. Short-term leases have a term of 12 months or less. Low-value assets comprise leases with a value below R75 000 per annum.

For leases previously classified as finance leases, the group recognised the carrying amount of the lease asset and lease liability as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The most significant impact of this was the group's transponder leases, which resulted in a category transfer within property, plant and equipment of R15.7bn as at 1 April 2019.

Operating lease commitments disclosed as at 31 March 2019 amounted to R1.3bn. On adoption of IFRS 16 *Leases*, these existing operating lease commitments, excluding short-term and low-value commitments of R560m (R451m as at 30 September 2019), have now been recognised as right-of-use assets and obligations to make lease payments in the condensed consolidated statement of financial position. The group has recorded the corresponding lease liability, measured at the present value of the lease payments payable over the lease term, discounted at an average incremental borrowing rate of 8%. This has resulted in an increase in current and long-term liabilities, and a corresponding increase in non-current assets of R728m as at 1 April 2019 (R664m as at 30 September 2019).

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease term on a straight-line basis. The lease payments previously disclosed as operating expenses, under the right-of-use model, are now disclosed as depreciation and interest expense.

2. Review by the independent auditor

These condensed consolidated interim financial statements for the period ended 30 September 2019 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified conclusion thereon.

	Reviewed half-year 30 September 2019 R'm	Reviewed half-year 30 September 2018 R'm
3. Revenue		
Subscription fees*	**21 239**	20 422
Advertising**	**1 638**	1 673
Set-top boxes***	**848**	900
Installation fees	**156**	123
Technology contracts and licensing	**907**	685
Other revenue****	**867**	979
	25 655	24 782

* *Subscription fees – South Africa R14.1bn (HY19: R13.8bn) and RoA R7.1bn (HY19: R6.6bn).*
** *Advertising – South Africa R1.4bn (HY19: R1.5bn) and RoA R0.2bn (HY19: R0.2bn).*
*** *Set-top boxes – South Africa R0.5bn (HY19: R0.5bn) and RoA R0.4bn (HY19: R0.4bn).*
**** *Other revenue primarily includes sub-licencing and production revenue.*

The following table shows unsatisfied performance obligations resulting from long-term technology contracts as at 30 September 2019 and 31 March 2019.

Aggregate amount of the transaction price allocated to long-term technology contracts that are partially or fully unsatisfied	**228**	350

Management expects that 41% of the transaction price allocated to the unsatisfied contracts as of 30 September 2019 will be recognised as revenue during FY21 (R94m) and 31% (R72m) will be recognised as revenue in the FY22 reporting period. The remaining 28% (R62m) will be recognised as revenue in FY22 and thereafter. The amount disclosed above does not include variable consideration which is constrained.

Management expects that 35% of the transaction price allocated to the unsatisfied contracts as of 31 March 2019 will be recognised as revenue during FY20 (R123m) and 31% (R109m) will be recognised as revenue in the FY21 reporting period. The remaining 34% (R118m) will be recognised as revenue in FY22 and thereafter. The amount disclosed above does not include variable consideration which is constrained.

All other technology contracts are for periods of one year or less or are billed based on time incurred.

	Reviewed half-year 30 September 2019 R'm	Reviewed half-year 30 September 2018 R'm
4. Headline earnings		
Net profit attributable to shareholders	**1 467**	347
– Loss/(profit) on sale of property, plant and equipment	**2**	(4)
– Impairment of investment	**24**	–
	1 493	343
– Total tax effects of adjustments	**–**	1
– Total non-controlling interest effects of adjustments	**(6)**	–
Headline earnings	**1 487**	344
Basic and diluted headline earnings for the year (R'm)	**1 487**	344
Basic headline earnings per ordinary share (SA cents)	**341**	78
Diluted headline earnings per ordinary share (SA cents)*	**339**	78
Net number of ordinary shares issues (million)		
– at period end*	**433**	439
– weighted average for the period	**436**	439
– diluted weighted average for the period*	**439**	439

* *During the current period the group purchased 6 085 790 treasury shares which resulted in a decrease in the number of ordinary shares issued. 5 549 545 shares were repurchased for the group's RSU scheme and 536 245 were repurchased as a general share buy-back. As at 30 September 2019, the RSUs have already been offered resulting in a dilutive impact in the current period.*

	Reviewed half-year 30 September 2019 R'm	Reviewed half-year 30 September 2018 R'm
5. Interest income/(expense)		
Interest income		
Loans and bank accounts	**245**	202
Other	**46**	264
	291	466
Interest expense		
Loans and overdrafts	**(91)**	(416)
Transponder leases	**(329)**	(324)
Other	**(113)**	(209)
	(533)	(949)

A significant portion of the group's operations are exposed to foreign exchange risk. The table below presents the net loss from our foreign exchange exposure and incorporates effects of qualifying forward exchange contracts that hedge this risk.

Net loss from foreign exchange translation and fair-value adjustments on derivative financial instruments		
On translation of liabilities	**(134)**	(328)
On translation of transponder leases*	**(437)**	(1 642)
On translation of forward exchange contracts	**213**	539
Net foreign exchange translation losses	**(358)**	(1 431)

* *Current period movement relates to rand depreciation from a closing rate of R14.50 in FY19 to R15.14 in HY20 on our US dollar transponder lease liability.*

6. Profit before taxation

In addition to the items already detailed, profit before taxation has been determined after taking into account, inter alia, the following:

	Reviewed half-year 30 September 2019 R'm	Reviewed half-year 30 September 2018 R'm
Depreciation of property, plant and equipment	**(1 293)**	(1 200)
Amortisation of other intangible assets	**(132)**	(159)
Net realisable value adjustments on inventory, net of reversals*	**(197)**	(444)
Other operating (losses)/gains – net	**(1)**	23

* *Net realisable value adjustments relate to set-top box subsidies in SA and RoA segments.*

7. Commitments and contingent liabilities

Commitments relate to amounts for which the group has contracted, but that have not yet been recognised as obligations in the condensed consolidated statement of financial position.

	Reviewed half-year 30 September 2019 R'm	Reviewed half-year 30 September 2018 R'm
Commitments		
– Capital expenditure	**20**	68
– Programme and film rights	**29 275**	33 376
– Set-top boxes	**1 704**	2 049
– Lease commitments*	**451**	1 288
– Other	**2 025**	2 032
	33 475	38 813

* *Current year commitments relates to short-term leases and leases of low value assets.*

The group operates a number of businesses in jurisdictions where taxes may be payable on certain transactions or payments. The group continues to seek relevant advice and works with its advisers to identify and quantify such tax exposures. Our current assessment of possible withholding and other tax exposures, including interest and potential penalties, amounts to approximately R2.0bn (31 March 2019: R1.8bn). No provision has been made as at 30 September 2019 for these possible exposures.

8. Financial instruments

The group's activities expose it to a variety of financial risks such as market risk (including currency risk, fair-value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The fair values of the group's financial instruments that are measured at fair value are categorised as follows:

Financial instrument	Reviewed half-year 30 September 2019 R'm	Audited full-year 31 March 2019 R'm	Valuation method	Level in fair-value hierarchy
Financial assets				
Investments held at fair value through other comprehensive income	**136**	155	Quoted prices in a public market	Level 1
Forward exchange contracts	**764**	643	Fair-value derived from forward exchange rates that are publicly available	Level 2
Currency depreciation features	**76**	83	The fair-value is calculated based on the LIBOR rate of 1.82%	Level 3
Financial liabilities				
Forward exchange contracts	**10**	15	Quoted prices in a public market	Level 1
Forward exchange contracts	**151**	207	Fair-value derived from forward exchange rates that are publicly available	Level 2

Currency depreciation features relate to clauses in content acquisition agreements that provide the group with protection in the event of significant depreciation of the purchasing entity's functional currency relative to the currency of the content acquisition agreement. The fair value of currency depreciation features is measured through the use of discounted cash flow techniques. Key inputs used in measuring fair value include the terms and benchmark rates contained in content acquisition agreements and spot exchange rates prevailing at the relevant measurement dates.

9. Related party transactions and balances

There have been no significant related party transactions and balances in the current period.

10. Events after the reporting period

The group remains fully committed to broad-based black economic empowerment and transformation. In line with prior commitments, an offer was made 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 shares being issued to PN shareholders, while MCG acquired 3.8m shares in PN in return. Following the conclusion of this share swap, our overall interest in MultiChoice South Africa increased from 75.0% to 76.4%.

Subsequent to 30 September 2019, under the group's general authority to repurchase shares, 1.1m treasury shares were repurchased for a total value of R125m.

INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

To the shareholders of MultiChoice Group Limited

We have reviewed the condensed consolidated interim financial statements of MultiChoice Group Limited, contained in the accompanying interim report on pages 5 to 18, which comprise the condensed consolidated statement of financial position as at 30 September 2019 and the related condensed consolidated income statement, condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes.

Directors' responsibility for the interim financial statements

The directors are responsible for the preparation and fair presentation of these interim financial statements in accordance with 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 performed 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.

Other matter

We have not reviewed future financial performance and expectations expressed by the directors included in the commentary in the accompanying interim financial statements and accordingly do not express a conclusion thereon.

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 Group Limited for the six months ended 30 September 2019 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: Brett Stephen Humphreys
Registered auditor
Johannesburg
11 November 2019

11. Non-IFRS performance measures

The group has presented certain revenue, cost and trading profit metrics in constant currency, excluding the effects of changes in the composition of the group (non-IFRS performance measures) in the following tables. The non-IFRS performance measures are the responsibility of the board of directors and is presented for illustrative purposes. Pro forma information presented on a non-IFRS basis has been extracted from the group's management accounts, the quality of which the board is satisfied with.

Shareholders are advised that, due to the pro forma nature of the non-IFRS performance measures and the fact that it has been extracted from the group's management accounts, it may not fairly present the group's financial position, changes in equity, results of operations or cash flows.

The non-IFRS performance measures have been prepared to illustrate the impact of changes in foreign exchange rates and changes in the composition of the group on its results for the period ended 30 September 2019. The following methodology was applied in calculating the non-IFRS performance measures:

1. Foreign exchange/constant currency adjustments have been calculated by adjusting the current period's results to the prior period's average foreign exchange rates, determined as the average of the monthly exchange rates for that period. The constant currency results, arrived at using the methodology outlined above are compared to the prior period's actual IFRS results. The relevant average exchange rates (relative to the South African rand) used for the group's most significant functional currencies, were US dollar (HY20: 14.61; HY19: 13.50); Nigerian naira (HY20: 24.76; HY19: 26.88); Angolan kwanza (HY20: 23.60; HY19: 19.04); Kenyan shilling (HY20: 7.04; HY19: 7.49) and Zambian kwacha (HY20: 0.89; HY19: 0.78).
2. Adjustments made for changes in the composition of the group mergers and acquisitions (M&A) relate to acquisitions and disposals of subsidiaries. For mergers, the group composition adjustments include a portion of the prior year results of the entity with which the merger took place. There were no significant changes in the composition of the group during the respective reporting periods.

An assurance report issued in respect of the non-IFRS performance measures, by the group's external auditor, is available at the registered office of the company.

11. Non-IFRS performance measures continued

The adjustments to the amounts reported in terms of IFRS that have been made in arriving at the non-IFRS performance measures are presented in the tables below:

11.1 Key performance indicators

As at 30 September	2018 reported	2019 currency impact R'm	2019 organic growth	2019 reported	2019 versus 2018 reported %	2019 versus 2018 organic growth %
90-day active subscribers ('000s)*	17 645	**n/a**	**1 232**	**18 877**	7	7
South Africa	7 597	**n/a**	**566**	**8 163**	7	7
Rest of Africa	10 048	**n/a**	**666**	**10 714**	7	7
90-day active ARPU (R)**						
Blended	200	**1**	**(12)**	**189**	(6)	(6)
South Africa	308	**–**	**(16)**	**292**	(5)	(5)
Rest of Africa	115	**2**	**(6)**	**111**	(3)	(5)
Subscribers ('000s)***	13 900	**n/a**	**1 152**	**15 052**	8	8
South Africa	7 206	**n/a**	**469**	**7 675**	7	7
Rest of Africa	6 694	**n/a**	**683**	**7 377**	10	10
ARPU (R)**						
Blended	249	**1**	**(15)**	**235**	(6)	(6)
South Africa	326	**–**	**(15)**	**311**	(5)	(5)
Rest of Africa	166	**3**	**(11)**	**158**	(5)	(7)

* *All subscribers that have been active in the previous 90 days.*

** *ARPU represents a non-IFRS unaudited operating measure of the average revenue per subscriber (or user) in the business on a monthly basis. The group calculates ARPU by dividing average monthly subscription fee revenue for the period (total subscription fee revenue during the period divided by the number of months in the period) by the average number of subscribers during the period (the number of subscribers at the beginning of the period plus the number of subscribers at the end of the period, divided by 2). Subscription fee revenue includes BoxOffice rental income but excludes decoder insurance premiums and reconnection fees which are disclosed as other revenue in terms of IFRS.*

*** *Subscriber numbers are a non-IFRS unaudited operating measure of the actual number of paying subscribers at 30 September of the respective year, regardless of the type of programming package to which they subscribe.*

11. Non-IFRS performance measures continued

11.2 Group financials including segmental analysis

11.2.1 Segmental results

As at 30 September	2018 IFRS R'm	2019 M&A-related R'm	2019 currency impact R'm	2019 organic growth R'm	2019 IFRS R'm	2019 versus 2018 IFRS %	2019 versus 2018 organic growth %
Revenue	24 782	–	192	681	25 655	4	3
South Africa	16 686	–	–	266	16 952	2	2
Rest of Africa	7 411	–	132	253	7 796	5	3
Technology	685	–	60	162	907	32	24
Trading profit	3 918	–	(443)	1 306	4 781	22	33
South Africa	5 378	–	–	(222)	5 156	(4)	(4)
Rest of Africa	(1 577)	–	(405)	1 152	(830)	47	73
Technology	117	–	(38)	376	455	>100	>100

11.2.2 Revenue and costs by nature

As at 30 September	2018 IFRS R'm	2019 M&A-related R'm	2019 currency impact R'm	2019 organic growth R'm	2019 IFRS R'm	2019 versus 2018 IFRS %	2019 versus 2018 organic growth %
Revenue	24 782	–	192	681	25 655	4	3
Subscription fees	20 422	–	114	703	21 239	4	3
Advertising	1 673	–	20	(55)	1 638	(2)	(3)
Set-top boxes	900	–	1	(53)	848	(6)	(6)
Technology contracts and licensing	685	–	60	162	907	32	24
Other revenue	1 102	–	(3)	(76)	1 023	(7)	(7)
Operating expenses	20 864	–	635	(625)	20 874	–	(3)
Content	8 223	–	263	463	8 949	9	6
Set-top box purchases	3 113	–	84	(667)	2 530	(19)	(21)
Staff costs	2 792	–	64	222	3 078	10	8
Sales and marketing	1 094	–	11	(72)	1 033	(6)	(7)
Transponder costs	1 288	–	41	(11)	1 318	2	(1)
Other	4 354	–	172	(560)	3 966	(9)	(13)

11. Non-IFRS performance measures continued

11.3 Reconciliation of headline earnings to core headline earnings

Core headline earnings excludes non-recurring and non-operating items – we believe this is a useful measure of the group's sustainable operating performance. However, core headline earnings is not a defined term under IFRS and may not be comparable with similarly titled measures reported by other companies.

	Half-year 30 September 2019 R'm	Half-year 30 September 2018 R'm	% change
Headline earnings attributable to shareholders (IFRS)	**1 487**	344	332
Adjusted for (after tax effects and non-controlling interests):			
– Amortisation of other intangibles assets	**24**	25	(4)
– Acquisition-related costs	**–**	(1)	100
– Equity-settled share-based payment expense	**140**	78	79
– Foreign currency losses and fair-value adjustments	**457**	1 148	(60)
– Realised losses on foreign exchange contracts	**(202)**	(72)	>100
– Non-recurring current and deferred taxation impacts	**–**	21	(100)
Core headline earnings (R'm)	**1 906**	1 543	24
Core headline earnings per ordinary share (SA cents)	**437**	352	24

11.4 Reconciliation of cash generated from operating activities to free cash flow

	Half-year 30 September 2019 R'm	Half-year 30 September 2018 R'm	% change
Cash generated from operating activities	**5 277**	4 519	17
Adjusted for:			
– Transponder lease repayments (including interest)	**(776)**	(729)	6
– Net capital expenditure	**(275)**	(272)	1
– Investment income	**19**	–	100
– Taxation paid	**(1 885)**	(1 729)	9
Free cash flow	**2 360**	1 789	32

Report on the assurance engagement on the compilation of pro forma financial information included in the condensed consolidated interim financial statements

To the directors of MultiChoice Group Limited

We have completed our assurance engagement to report on the compilation of the pro forma financial information of MultiChoice Group Limited and its subsidiaries (the group) by the directors of MultiChoice Group Limited (the directors). The pro forma financial information, as set out on pages 20 to 23 of the MultiChoice Group condensed consolidated interim financial statements for the period ended 30 September 2019, consist of non-IFRS performance measures for the period ended 30 September 2019. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are specified in the JSE Limited (JSE) Listings Requirements and described on pages 20 and 23 of the condensed consolidated interim financial statements.

The pro forma financial information has been compiled by the directors to illustrate the impact of foreign currency by reflecting a constant currency to the prior period and significant acquisitions and disposals during the period (to reflect results on an organic basis) on certain earnings and cost measures. It also includes core headline earnings and free cash flow which are metrics management consider useful to understand the sustainable operating performance of the group. As part of this process, information about the group's financial performance has been extracted by the directors from the group's condensed consolidated interim financial statements for the six months period ended 30 September 2019, on which a review report has been published.

Directors' responsibility

The directors of the group are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described on pages 20 and 23 of the MultiChoice Group condensed consolidated interim financial statements for the period ended 30 September 2019.

Our independence and quality control

We have complied with the independence and other ethical requirements of sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (revised January 2018) and parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (revised November 2018) (together the IRBA Codes), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described on pages 20 and 23 of the condensed consolidated interim financial statements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information as issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information is solely to provide users with relevant information and measures used by the group to assess performance and to illustrate the impact of foreign currency movements and significant acquisitions and disposals on the company's unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described on pages 20 and 23 of the condensed consolidated interim financial statements.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Brett Stephen Humphreys
Registered auditor
Johannesburg
11 November 2019

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