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Review of Operations

REVIEW OF OPERATIONS

Reaching out through the internet, broadcast and print media

WWW



www.naspers.com



» REVIEW OF OPERATIONS

Today Naspers is one of the leading media groups in emerging markets. Our interests comprise the following:



Internet

Internet platforms in Eastern and Central Europe, China, Russia, Latin America, Africa, India and south-east Asia. Services include e-commerce, communities, communication, social networks, entertainment and mobile value-added services.



Pay television

Pay-television subscriber platforms in South Africa and sub-Saharan Africa. In addition, Naspers develops underlying technologies necessary for internet, pay-television and mobile platforms.



Print media

Magazines, newspapers, printing, distribution and book-publishing businesses in South Africa and sub-Saharan Africa, as well as print media investments in Brazil and China.

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» REVIEW OF OPERATIONS (continued)



» REVIEW OF OPERATIONS – Internet



INTERNET

Global internet usage grew unabated over the past year. A total of 1,7 billion people worldwide are now online, an 18% increase over the previous year. The most significant online growth occurred in Central and Eastern Europe, Latin America, China and Russia.



REVENUE
in rand millions



EBITDA
in rand millions



OPERATIONAL PROFIT
in rand millions

Europe

Here we operate in the internet segments of transaction platforms, communities, communication platforms, entertainment services and mobile value-added services. Revenues flow in principally through e-commerce, classifieds, payment services, comparison

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shopping, advertising, fee-based value-added services and gaming.

The European portfolio comprises five main businesses. Mail.ru is based in Russia, the Allegro group and Gadu-Gadu in Poland, the Ricardo group in Switzerland and Nimbuzz in the Netherlands. Operations are spread across 25 countries.

The **Allegro** group comprises fixed-price e-commerce transaction platforms, as well as auctions, classified advertisements (eg auto, real estate, jobs and travel), price comparison and social-shopping sites, plus a payments platform. A number of these services operate across Poland, Russia, the Czech Republic, Slovakia, Hungary, Bulgaria, Romania, Ukraine, Latvia, Lithuania, Estonia, Belarus, Kazakhstan and Serbia. The group recorded satisfactory growth during the review period. Page views grew to 78,4 billion and 156,8 million items were sold with a gross merchandise value of PLN8bn (R20,8bn), generating PLN664,5m (R1,7bn) in revenues.

Over the past year **Mail.ru** produced sound results in a difficult market, outgrowing its peers. The completion of the Astrum transaction makes Mail.ru the largest online communication and entertainment company in

Russia. During 2009 Mail.ru expanded its user base and by March 2010 had 123,7 million visitors to its portal, producing 17 million page views per month. The core mail platform continued to show strong growth with 308 200 users registering new accounts daily, whilst the social-networking component of Mail.ru added 173 600 new users each day. **Astrum** is the largest games developer and games platform operator in Russia.

Gadu-Gadu operated in a depressed advertising market but continued to further diversify its revenue streams. A total of 10,3 million monthly instant-messaging (IM) service people use this platform and, since the release of the new IM version, activity has increased.



» REVIEW OF OPERATIONS – Internet (continued)



Ricardo continues to lead in its core market and introduced new vertical services in Switzerland. Launches included *Ricardo Shops* [a business-to-consumer (B2C) merchant platform] and *Tradus.ch* (a general classifieds platform).

Nimbuzz, now 43,6% owned by MIH, is a Netherlands-based technology firm focused on mobile instant messaging and voice-over internet protocol (VoIP). During the review period, the company grew its user base to 17,1 million and launched its first

monetisation product, *NimbuzzOut* (comparable to SkypeOut).

South-east Asia

MIH's interests in India and the rest of south-east Asia grew both organically and through acquisition.

In India **ibibo**, our joint venture with Tencent, has established itself as the leader in social transactions. It was recognised by *Business Week* as one of the top 50 technology start-ups globally and ended the year as a top 30 website in the country. **ibibo** is now also the leading social gaming platform in India and launched *Tradus.in* and *goibibo* – both e-commerce initiatives.

Investments were made in the Philippines, where MIH acquired 51% of **sulit.com.ph** – a local website and online classifieds service. In Malaysia we acquired a 34% shareholding of **lelong.com.my** – an online trading platform.

Despite turbulence in Thailand, **Sanook!** developed its e-commerce business, launching two verticals in autos and real estate. **Sanook!** is the leading local portal in Thailand.

MIH increased its shareholding in **Buzz City** to 36%. This is a Singapore-based developer of cellular services, including a global mobile advertising network.



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China

Tencent again performed well in a highly competitive market. An improving economy and rapid growth of the internet industry in China enabled Tencent, with its diversified business model, to produce solid operating and financial results in 2009.

As the Chinese internet sector develops further, users are demanding better services. More intensified competition from experienced rivals continues to emerge. Tencent is increasing its investment in research and development, technical infrastructure and personnel development.

The operating platforms grew during the year. QQ's instant-messaging platform recorded peak concurrent users of over 105 million in March 2010, a new milestone. The online gaming platforms also performed strongly. Tencent continued to invest to improve its content offering and operating and service platforms, and to provide a better overall user experience.

Tencent's excellent performance is a tribute to its management team and employees, led by Ma Huateng.

Being listed on the Hong Kong Stock Exchange, extensive data on Tencent's operating and financial performance is available on its website (www.tencent.com).



» REVIEW OF OPERATIONS – Internet (continued)**Africa**

Kalahari.net is the market leader in South African e-commerce. The company provides the broadest range of products at competitive prices and has grown by 32% over the past year. Several new product categories are showing growth. **Kalahari.net Kenya** and **Kalahari.net Nigeria** were launched, leveraging the product catalogue from South Africa. In addition, *Kalahari.net's Market Place* was introduced in South Africa to offer consumer-to-consumer (C2C) trading for new and used products.

In October 2009 MIH acquired an interest in **Korbitec (Proprietary) Limited**, South Africa's leading property portal. Property24.com was merged with Korbitec as part of the transaction.

Korbitec/Property24 operates an end-to-end e-commerce platform preferred by property professionals and buyers and sellers of property in South Africa.

24.com is a leading internet publisher in South Africa, growing by 34% to some 2,7 million users across its network of websites. *News24* remains the top local destination with approximately 1,6 million users per month. A variety of subbrands including *Fin24*, *Sport24* and *Health24* are category leaders. During the year *News24* extended its brand into mobile applications for the iPhone, Android, Blackberry and Nokia platforms, and increased its wireless application protocol (WAP) mobile audience.

MXit South Africa, in which MIH has a 30% shareholding, continued robust growth in the mobile market, expanding its registered user base by 41% to 17 million. The stability of the *MXit* platform increased, leading to an increase in peak concurrent online users.

Latin America

In September 2009 MIH acquired 94,8% of **BuscaPé**, an e-commerce player in Latin America. The BuscaPé group operates various businesses: comparison



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shopping (*BuscaPé* and *BondFaro*), a platform for classified advertisements (*QueBarato*), a payment platform (*Pagamento Digital*), affiliate networking (*Lomadee*), market intelligence (*ebit*), fraud analysis (*FControl*) and financial-lead generation (*Cortacontas*). Recently BuscaPé acquired an interest in *Pagos Online*, the payment platform in Colombia.

During the year *Compera nTime*, our mobile value-added services operation in Brazil, acquired a competitor, *Yavox*. The enlarged group has been renamed **Mobile**. Operations were integrated and the business turned profitable. The portfolio includes SMSs, ringtones, music, videos, games, mobile blogging and user-generated content platforms.




» REVIEW OF OPERATIONS – Pay television



PAY TELEVISION
South Africa

The **MultiChoice** DStv subscriber base grew by 450 000, bringing the total households to 2,85 million at 31 March 2010. The *Compact* bouquet, which targets the emerging market, recorded growth of 245 000 to close the year on 716 000 homes. After a satisfactory festive season, MultiChoice experienced a slowdown of growth



REVENUE
in rand millions



EBITDA
in rand millions



OPERATIONAL PROFIT
in rand millions

in new subscriptions in the last quarter of the financial year.

The popular personal video recorder (PVR) reached 364 000, whilst the number of homes subscribing to the *XtraView* service grew to 416 000. This enables subscribers to enjoy two independent viewing environments by linking two decoders. The high-

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definition PVR (one of the most advanced in the world) and *XtraView* capability were developed by South African engineers.

A variety of new channels and programmes were added to the *DStv* offering to ensure it remains exciting. New channels include *Discovery World*, *Ignition* (auto), *Koowe* (children) and *Vuzu* (young adults). New media elements such as SMS and SNS were incorporated into the *Vuzu* offering. The *DStv* service offering was further enhanced with the launch of two more high-definition (HD) channels, namely *Discovery HD Showcase* and *SuperSport HD*. Preparation is under way for *Mzansi Magic*, a new channel for the emerging market.

Local productions remain a



drawcard. These include *Carte Blanche* and its two new spinoffs, *Carte Blanche Consumer* and *Carte Blanche Medical*. Also popular were *All Access*, *I Wanna Be* and the popular reality shows *Big Brother Africa* and *Survivor South Africa*.

The year under review started on a high note with the Indian Premier League cricket having been played in South Africa.

For the 2010 Fifa World Cup, **SuperSport** showcased five channels, with three broadcasting 24 hours daily.

There were also four daily magazine shows: *Chase the Makarapa*, *Woza Lunchtime*, *Supernova* and *Harambee*. In May 2010 topTV launched a competitive subscription satellite television service in South Africa.

The regulatory environment remains uncertain. The anticipated broadband policy is yet to be published, whilst doubt surrounds South Africa's standard for digital terrestrial television.

Final regulations on the digital migration process have been published by the Independent Communications Authority



» REVIEW OF OPERATIONS – Pay television (continued)



of South Africa (Icasa). These are intended to pave the way for a migration from the current analogue terrestrial to digital terrestrial broadcasting. Regulations and the invitation to apply for radio frequency spectrum to provide mobile television have been issued.

Customer service remains a key priority and a number of improvements have been implemented. A new customer care centre was opened in Randburg

to deal with increasing customer numbers, and the number of employees working in the call centre was boosted to manage call volumes.

More support was provided to the growing MultiChoice agency network to increase service. This includes adding counters and enabling the agencies to do immediate decoder swaps. The number of MultiChoice agencies increased by more than 10% to improve reach and ease of access. To ensure that MultiChoice services are readily available, the number of accredited installers was increased from 620 to 950.

MultiChoice takes its corporate social responsibility seriously. When launched in 2006, MultiChoice's Phuthuma Nathi was the largest empowerment transaction in the media sector. MultiChoice also runs various projects that uplift previously disadvantaged people in areas such as preferential procurement, community development and social investment initiatives.

Further details of MultiChoice's initiatives are included in the governance and sustainability section of this annual report and on its website (www.multichoice.co.za).

MWEB is being integrated into operations offering network services, delivering the group's content and data services over the internet, whilst continuing to offer electronic communications and network services to subscribers and corporate users.

Recently MWEB pioneered an uncapped ADSL broadband service, with unmetered broadband at affordable pricing. This has started the long-awaited revolution of the internet in South Africa through which broadband access will become mainstream.



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Sub-Saharan Africa

MultiChoice in the rest of Africa recorded growth despite the economic downturn. The DStv subscriber base increased by 184 000 to end the year on 1,1 million subscribers.

We expanded our Ku-band footprint and transponder capacity with the launch of the Eutelsat W7 satellite and successfully migrated services from the W4 and Sesat satellites. This increased capacity will enable the launch of new channels as well as HD television services.

In line with MultiChoice Africa’s commitment to delivering high-quality premium channels to as many homes in Africa as possible, a new low-price package, *DStv Access*, was added. This offers 25 high-quality family entertainment channels to subscribers at an affordable price.

Our focus on localising programming across the continent produced major productions such as *Big Brother Africa* – *The Revolution*, *Naija Sings*, *Great Africans*, *Comedy Club*, local dramas

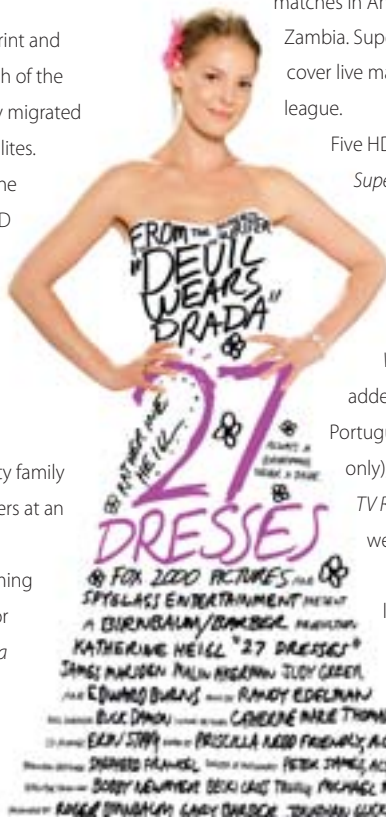
such as *Tinsel*, series and talk shows such as *Moments with Mo* in Nigeria and *The Patricia Show* in Kenya.

SuperSport is the biggest investor in local sport in Africa, covering more than 100 live football league

matches in Angola, Ghana, Nigeria, Kenya and Zambia. SuperSport also secured the rights to cover live matches from the Nigerian basketball league.

Five HD channels (*M-Net Africa HD*, *SuperSport HD*, *iConcerts HD*, *TVC HD* and *Discovery HD*) showcased in southern Africa. *eNews*, *Kidsco*, *BET*, *iConcerts*, *Channel Islam*, *Vuzu*, *Afro Music*, *Discovery World*, *Sound City* and *C-Music* were added to the English bouquets. For the Portuguese markets, *TV Zimbo* (Angola only), *Fox Next*, *Fox FX*, *TVC3*, *TV Mundial*, *TV Record News* and *Travel Channel* were added.

A recent milestone was the launch of two indigenous Nigerian-language channels on the DStv platform – *Africa Magic Hausa* and *Africa Magic Yoruba*.



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Pay-television competitors continue to enter various markets in Africa on different platforms. Four new direct-to-home (DTH) players launched or plan to launch services in Nigeria and Angola.

Pressure in the regulatory environment increased with the introduction of new broadcasting bills, regulations, licences and licence renewal requirements in Angola, Kenya, Namibia, Uganda and Swaziland.

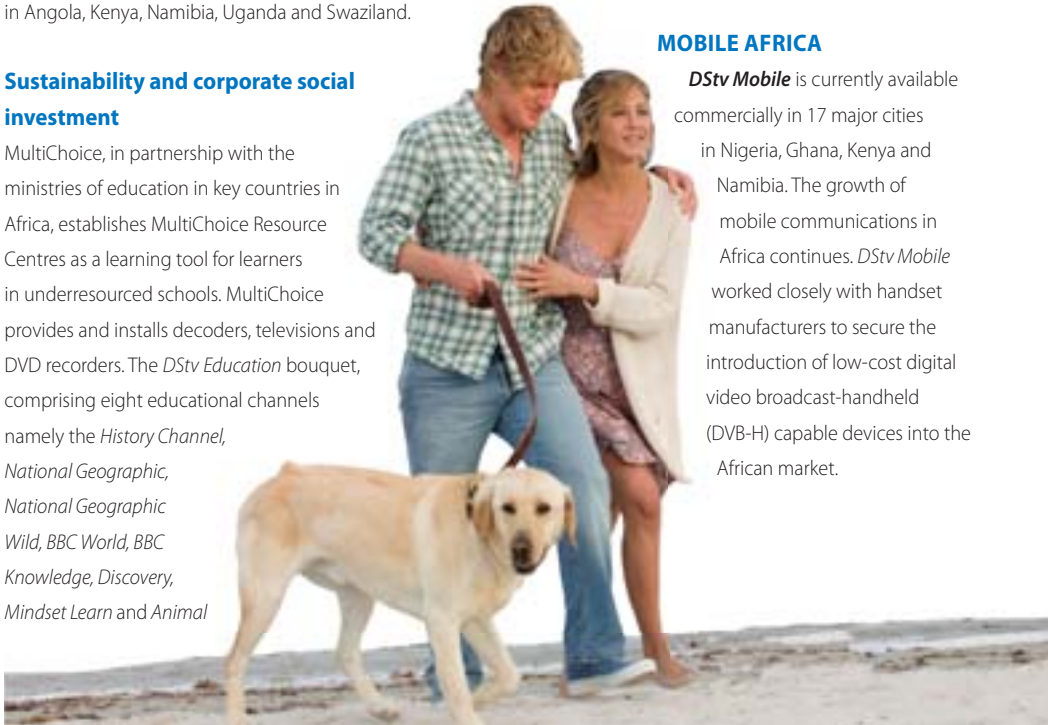
Sustainability and corporate social investment

MultiChoice, in partnership with the ministries of education in key countries in Africa, establishes MultiChoice Resource Centres as a learning tool for learners in underresourced schools. MultiChoice provides and installs decoders, televisions and DVD recorders. The *DStv Education* bouquet, comprising eight educational channels namely the *History Channel*, *National Geographic*, *National Geographic Wild*, *BBC World*, *BBC Knowledge*, *Discovery*, *Mindset Learn* and *Animal*

Planet, is provided free of charge to MultiChoice Resource Centres in over 800 schools in 24 countries. Additionally, educators in these schools are trained by MultiChoice on how to integrate this educational programming into the curricula and lesson plans. Further details are included in the governance and sustainability sections of this annual report.

MOBILE AFRICA

DStv Mobile is currently available commercially in 17 major cities in Nigeria, Ghana, Kenya and Namibia. The growth of mobile communications in Africa continues. *DStv Mobile* worked closely with handset manufacturers to secure the introduction of low-cost digital video broadcast-handheld (DVB-H) capable devices into the African market.



» REVIEW OF OPERATIONS – Pay television (continued)

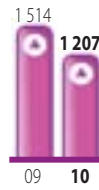


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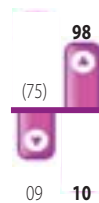
During the review period **Irdeto** further integrated into the group acquisitions concluded over the past few years. All Irdeto's activities have been merged as part of a strategy focused on offering integrated solutions to serve market needs. As a consequence, Irdeto has been able to reduce costs and at the same time improve profitability.

Highlights for the year include:

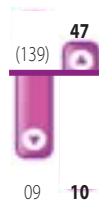
- » 15,8 million conditional access units delivered, representing a 5% increase



REVENUE
in rand millions



EBITDA
in rand millions



OPERATIONAL PROFIT
in rand millions

- » deployment of the new v6 Business Support System to upgrade existing customers such as the Telenor group and DirecTV Latin America, and
- » agreements with several operators in the Asia-Pacific market.

» REVIEW OF OPERATIONS – **Print Media**



PRINT MEDIA
South Africa

The South African print media operations are held in Media24.

Newspapers

It was a year of intense cost management for this business. Loss-making publications were closed, and businesses streamlined and refocused to ensure that optimal structures are in place for growth.



REVENUE
in rand millions



EBITDA
in rand millions



OPERATIONAL PROFIT
in rand millions



Cost savings were achieved through staff reductions and improved efficiency.

Despite difficult trading conditions, we grew both advertising and circulation market share.

Emerging-market products continue to perform well. *Daily Sun* is the largest daily newspaper in Africa, with an

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average circulation of almost 500 000. The tabloid publication, *Son*, now has a circulation of 124 572. A Sunday edition, *Sondag Son*, was launched with sales totaling 57 816. *City Press's* circulation now stands at 180 632.

In a challenging climate the broadsheet daily titles performed satisfactorily. The Sunday papers, *City Press* and *Rapport*, were both rejuvenated.

We plan to rebuild the profitability of newspapers in the medium term.

Magazines

The past year was one of the toughest for the magazine industry worldwide, marked by declines in advertising. Locally circulation remained remarkably stable. Thanks to the strength of our diverse portfolio of titles, Media24 magazines was able to grow its market share



for both advertising and circulation.

The division established a dedicated business unit, *Thought24*, to focus on the growing needs of the female emerging market, with titles such as *True Love*, *Move!* and *Real*.

New releases were limited, but included the successful launch of *Women's Health*. Some titles were closed.

Via Afrika

The book-publishing business had a tough year. Educational publishers underperformed, due mainly to reduced spend by education departments, whilst general publishers were hit by the economic downturn. However, some units, like NB Publishers, sailed on.



» REVIEW OF OPERATIONS – **Print Media** (continued)



Paarl Media

There was a tragic loss of life in a fire at Paarl Print. Support was given to individuals affected by this event. Their families are in our thoughts. Various lessons have been learnt from the incident as outlined in the sustainability section of this annual report. The re-establishment of Paarl Print as a book and sheet-fed process printer has subsequently been completed.

Margins came under pressure. We had numerous plant amalgamations or moves to ensure that efficiencies of scale and physical location are achieved.



A decision was taken to develop a new printing works in KwaZulu-Natal to enable Paarl Media to provide flexible production facilities to its target market.

On the Dot

On the Dot distributes media products ranging from printed publications to CDs, DVDs and consumer electronic devices. On the Dot focuses on different supply chains for books, magazines, newspapers, digital content, music, consumer electronics and leaflets.

Margins are under pressure, but the downturn is providing opportunities to grow market share, supported by a focus on operational efficiencies. On the Dot aims to expand its services. This embraces the broadest range of electronic devices possible and the delivery of physical goods using print-on-demand technology.



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In addition to its empowerment initiative, Welkom Yizani, Media24 is committed to uplifting the people in the communities in which it operates. It recognises its impact on the environment and the importance of effectively managing occupational health and safety risks, as well as developing its employees.

Media24 retained its top-level BEE accreditation and is now rated as a value-added supplier, allowing customers to claim 125% of spend as BEE spend. More details of the company's sustainability initiatives are contained in the governance and sustainability section of this annual report and on its website (www.media24.co.za).

Brazil

MIH Holdings has a 30% interest in Abril, the leading magazine publisher in Brazil.

Owing to the economic climate, advertisers postponed or cancelled in the first half of the year. Activities recovered encouragingly in the second half of the year. However, overall it was a challenging year for magazine advertising and the market decreased by an estimated 8,5%, while Abril saw a decrease of slightly less than 7%. During the year Abril maintained a 52% share of the magazine subscription market and increased its share of single-copy sales to 37,4%.



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Despite the tough operating conditions, Abril successfully contained costs, closed down a few projects and performed reasonably well.

During the year Abril acquired MTV, a channel that broadcasts a variety of popular music and reality television shows and the Civita family acquired Atica & Scipioni a school book publishing business from Abril.

China

The group has stakes in:

- » Xin'an Media Corporation, a newspaper publisher in the fast-growing city Anhui, in the Hebei province
- » the leading sports publisher in China, Titan Media, and
- » BMC, which operates a leading Beijing newspaper, the *Beijing Youth Daily*.

The economic climate affected these businesses to varying degrees, but progress was encouraging.

