



NASPERS ANNUAL REPORT 2009

## Review of operations



*The Naspers group comprises the following interests:*

**Business overview**

**1**

Internet



**2**

Pay television



**3**

Print media



**4**

Technology



*Internet platforms mainly in Central and Eastern Europe, China, Russia, Brazil, Africa, India and Thailand. Services include e-commerce, communities, communication, social networks, entertainment and mobile applications.*



*Pay-television subscriber platforms and channels, including mobile television, in South and sub-Saharan Africa.*



*Magazines, newspapers, printing, distribution and book publishing in South Africa, as well as print media investments in Brazil and China.*



*Developing some underlying technologies for internet, pay-television and mobile platforms.*



## INTERNET



Ricardo 

Molotok

MXit

Sanook!

MWEB

Nimbuzz

ACL Wireless

Compera nTime

BuzzCity

### Revenue\* (in rand millions)



### Ebitda\* (in rand millions)



### Operating profit\* (before amortisation and other gains/(losses) in rand millions)



\* Including our share of Tencent and mail.ru.

### » INTERNET

In the previous year MIH bought Allegro, Ricardo and Gadu-Gadu. This year MIH acquired interests in BuzzCity (a mobile advertising network), Compera nTime (leading provider of mobile value-added services in Brazil) and Vatera (leading e-commerce trading platform in Hungary).

MIH also increased its stake in mail.ru, a Russian internet company, by 10%, taking its interest to 43%. In addition, Allegro and mail.ru increased their stakes in Molotok, the Russian-based e-commerce platform. Molotok is now jointly owned by MIH and mail.ru.

### Europe

Our European assets operate in the internet segments of




**INTERNET (continued)**

transaction platforms, communities, communication platforms, entertainment services and mobile applications. They derive their revenues principally from facilitating transactions through e-commerce, classifieds, payment services, comparison shopping, advertising, fee-based value-added services and communication services such as VoIP (voice over internet protocol).

The European portfolio is an aggregation of five main businesses. mail.ru is based in Moscow (Russia), Gadu-Gadu in Warsaw (Poland), the Allegro group in Poznan (Poland), the Ricardo group in Zug (Switzerland) and Nimbuzz in Rotterdam (the Netherlands). These operations are spread across 20 countries with offices in 28 cities.

mail.ru continued its strong growth, expanding its base to 78 million unique visitors with 58 million active email users.

mail.ru is the leader in Russia in mobile instant-messaging. Its casual platform grew to 10 million by the end of March 2009 and the social networking platform *Moi Mir* (My World) serves 26 million active users.

Gadu-Gadu extended its core instant-messaging leadership and increased its registered user base to 15 million. Gadu-Gadu's casual gaming portal has some 500 000 active users at the end of March 2009.

The Allegro group comprises auction and fixed-price transaction platforms, classifieds platforms (ie auto, real estate, jobs and travel classifieds), comparison and social shopping sites, as well as a payments platform. A number of these services operate across Poland, Czech Republic, Slovakia, Hungary, Bulgaria, Romania, Ukraine, Latvia, Lithuania and Estonia. Allegro expanded its operations in these markets during the year, whilst consolidating its position in Russia, where it





co-owns Molotok with mail.ru. The latter is the number one transaction trading platform in that market. In Hungary Allegro obtained a 100% interest in Teszvesz, a transaction platform, and acquired Vatera (an online auction platform). Arjan Bakker, chief executive of Allegro, and his team aim to invest in further diversification within Allegro's service offering.

Despite tough economic conditions affecting Western Europe, the Ricardo group consolidated its leading position in Switzerland and launched new operations in Greece and Austria. Nimbuzz, of which MIH now owns 38%, is a Netherlands-based technology firm focused on mobile instant-messaging aggregation and VoIP. The company officially launched its offering in May 2008 and has approximately five million registered users.



### India and South East Asia

In India ibibo developed its social networking and vertical search strongly over the past year. The joint venture with Tencent resulted in a number of new services being launched, including instant-messaging (IM), email and online casual games.

MIH is a 30% shareholder in ACL Wireless, an India-based mobile value-added services provider. ACL Wireless offers services in some 38 countries.



**78**  
million unique  
visitors to  
mail.ru



## INTERNET (continued)

During the year it launched a new mobile social network service, *frenzo*.

In Thailand *Sanook!* continued its leadership as the premier portal.

During the year the group acquired a 25% interest in BuzzCity in Singapore. It is a leading mobile social network operator and the second-largest mobile advertising network globally. BuzzCity received a number of awards, including “Best Mobile Social

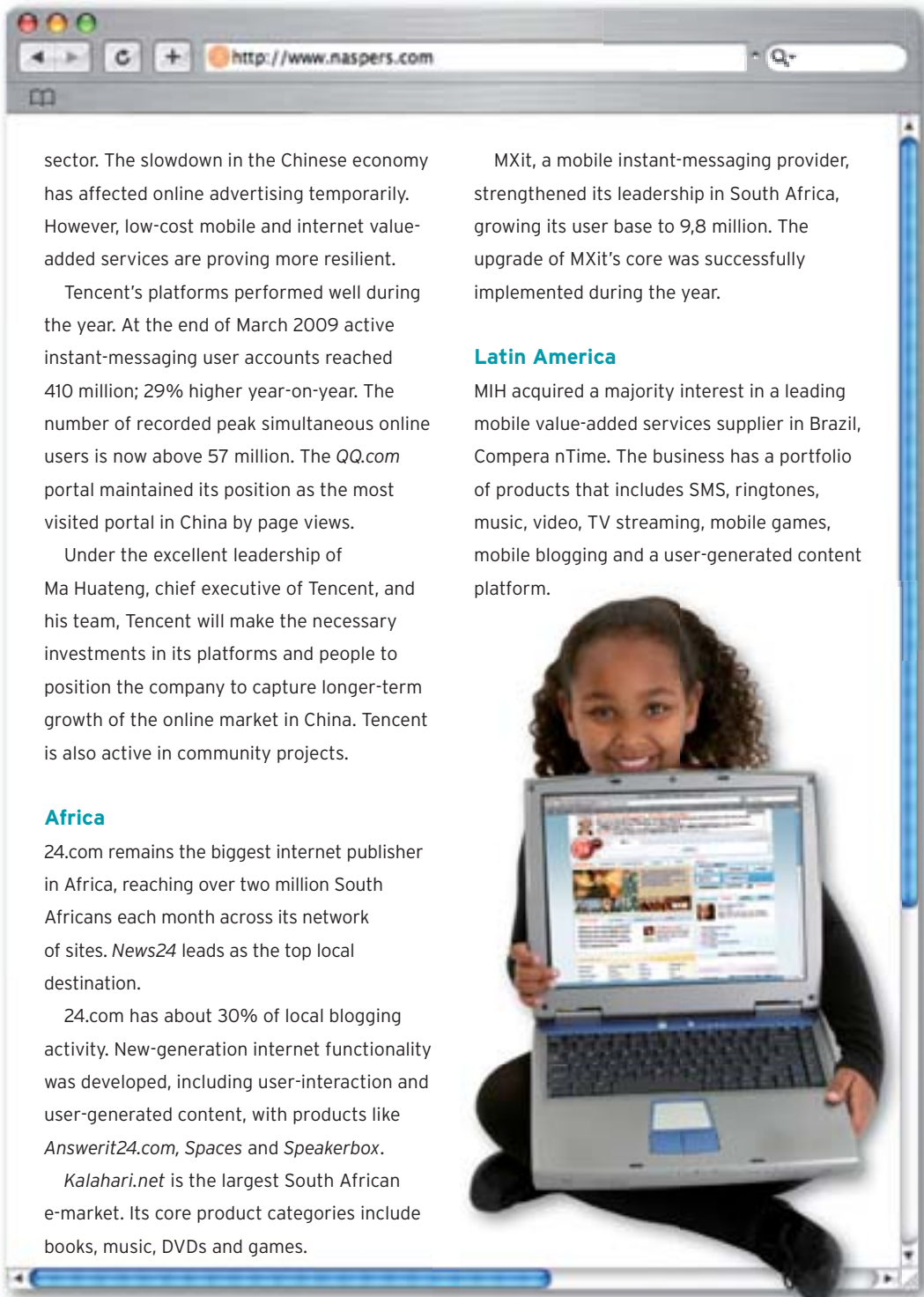
Networking Service” at the Global Mobile Awards 2008.

## China

Based on user numbers China became the largest internet market in the world during this year. Although this market is intensely competitive, it offers long-term growth potential.

Tencent celebrated its 10th anniversary by delivering excellent financial and operating results. The online games business, in particular, recorded growth in a highly competitive market. The launch of successful new games, including *Dungeon & Fighter*, played a big role. *QQ Dancer* appeals in particular to women, a previously neglected





sector. The slowdown in the Chinese economy has affected online advertising temporarily. However, low-cost mobile and internet value-added services are proving more resilient.

Tencent's platforms performed well during the year. At the end of March 2009 active instant-messaging user accounts reached 410 million; 29% higher year-on-year. The number of recorded peak simultaneous online users is now above 57 million. The *QQ.com* portal maintained its position as the most visited portal in China by page views.

Under the excellent leadership of Ma Huateng, chief executive of Tencent, and his team, Tencent will make the necessary investments in its platforms and people to position the company to capture longer-term growth of the online market in China. Tencent is also active in community projects.

### Africa

24.com remains the biggest internet publisher in Africa, reaching over two million South Africans each month across its network of sites. *News24* leads as the top local destination.

24.com has about 30% of local blogging activity. New-generation internet functionality was developed, including user-interaction and user-generated content, with products like *Answerit24.com*, *Spaces* and *Speakerbox*.

*Kalahari.net* is the largest South African e-market. Its core product categories include books, music, DVDs and games.

MXit, a mobile instant-messaging provider, strengthened its leadership in South Africa, growing its user base to 9,8 million. The upgrade of MXit's core was successfully implemented during the year.

### Latin America

MIH acquired a majority interest in a leading mobile value-added services supplier in Brazil, Compera nTime. The business has a portfolio of products that includes SMS, ringtones, music, video, TV streaming, mobile games, mobile blogging and a user-generated content platform.

## PAY TELEVISION



### NASPERS operators



Oracle Airtime Sales

kykNET

M-Net Action

M-Net Series

M-Net Movies

M-Net Stars

KooWee

AfricaMagic

Channel O

#### Revenue (in rand millions)

2008	11 542
2009	14 858

#### Ebitda (in rand millions)

2008	4 272
2009	5 197

#### Operating profit (before amortisation and other gains/(losses) in rand millions)

2008	3 940
2009	4 737

### » PAY TELEVISION

#### South Africa

The pay-television sector provides affordable entertainment and has proved its resilience in tough economic conditions when people cannot afford more expensive forms of entertainment. The gross base grew by 453 000 subscribers to close on 2,4 million households at 31 March 2009. The three lower-priced tiers (the entry-level *EasyView*; *Select*, which is a niche tier; and *Compact*, a mid-priced tier aimed especially at the growing emerging market) were strongly promoted. The *Compact* bouquet increased by 212 000 gross subscribers.

A new high-definition personal video recorder (PVR) was launched and further improvements



# CELEBRATE THE NEW YEAR WITH FRIENDS ...



6 hot new seasons

**Prison Break IV:**  
**Desperate Housewives V:**  
**Samantha Who II:**  
**Grey's Anatomy V:**  
**Ugly Betty II:**  
**Coconut II:**

of the best shows

**10 Feb at 19:30**  
**05 Mar at 20:30**  
Wednesdays at 19:00  
Mondays at 19:30  
Tuesdays at 19:30  
Wednesdays at 19:30



WHERE MAGIC L

Reaching

2,4

million households in South Africa



## PAY TELEVISION (continued)

will be introduced in the year ahead. PVR sales reached 330 000. This facility has revolutionised viewing habits, allowing subscribers to record content to view later, pause live television, as well as view and fast forward recorded content, all at the touch of a few buttons.

Our DStv bouquet comprising 87 channels was refreshed during the year. New channels added include *ESPN Classic*, *eNews*, *CNBC Africa*, *Nickelodeon*, *Saffron TV*, *AfricaMagic+*, *Setmax* and four new BBC channels. The live broadcast of the 2008 Beijing Olympics in high definition featured prominently, with six dedicated channels.

Local productions in various genres attracted growing audience numbers. Top performers included reality shows, *Idols V* and *Big Brother Africa III*; soap operas *Egoli* and *Binnelanders*; comedy show *Coconuts* and actuality show *Carte Blanche*.

However, margins came under pressure due to intense bidding for key sports rights. SuperSport is now by far the largest funder of sport on the African continent. Pressure on margins was further exacerbated by increased decoder subsidies to stimulate growth of the middle-class emerging market in particular.

The Randburg customer service centre was revamped to improve MultiChoice's service levels. Further improvements are in the pipeline.





MultiChoice South Africa, along with four other pay television licence applicants, was granted a pay-television broadcast licence in August 2008. M-Net’s licence was converted in terms of the new Electronic Communications Act.

Overall the MWEB subscriber base remained above 310 000 subscribers through the year, although broadband growth was recorded as subscribers migrated to broadband. New value-added mobile services, third-generation services, email services and a VoIP service were launched.

MWEB received an electronic communications network and an electronic communications network services licence, allowing it to provide its own infrastructure.

Subsequent to the year-end, MWEB’s sub-Saharan Africa business was sold to

Telkom International (Proprietary) Limited.

MultiChoice takes its corporate social responsibility seriously. When launched in 2006/2007, 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 corporate social investment initiatives.

Further details of MultiChoice’s corporate social investment and sustainability initiatives are available on its website ([www.multichoice.co.za](http://www.multichoice.co.za)).



**PAY TELEVISION** (continued)



## Sub-Saharan Africa

The gross subscriber base grew by 34% to close on 916 000 homes. Lower-priced bouquets addressing a broader market segment grew strongly to close on 313 000 gross subscribers.

The entry of new competitors resulted in a dramatic escalation in costs, particular for key sports rights.

MultiChoice strives to create more programme content on the continent. A "made in Africa for Africa" channel - *AfricaMagic+* - was launched. In addition, there are local productions with pan-continental appeal and country-specific productions. These included *Big Brother Africa III*, *East and Southern African Idols*, *Stand Up Zambia*, *Stand Up Uganda* and the *Comedy Club Live in Lagos*. Additionally, *The Patricia Show* in Kenya, *Moments With Mo* in Nigeria and the pan-African show *Studio 53* were produced for a second season.

The *DStv* English bouquet in most Africa countries now consists on average of 87 channels (depending on the territory). Additions include *BET*, *Sound City*, *Channel Islam*, *Nickelodeon*, a suite of four new BBC channels and *CNBC Africa*.

The live broadcast of the local soccer leagues in Zambia, Kenya, Angola and Nigeria use local production staff. In addition, a new sports broadcast studio was commissioned in Nigeria. Improving these leagues in the years ahead is a focus.

The carriage of free-to-air TV channels on *DStv* increased to 23. Tanzanian Broadcasting Corporation, Ghana Television, Nation Television Uganda and Citizen TV in Kenya were added.

Seven new channels were added to the Portuguese bouquet, which now comprises 51 channels. A new SuperSport Portuguese channel, *SuperSport Maximo 2*, was launched, as was a lower-priced Portuguese option, *Bué Mini*.

The regulatory environment across the continent remains fluid. New broadcast policies, laws and regulations are considered in Angola, Kenya, Tanzania, Botswana, Namibia and Swaziland. In addition, new digital migration policies are being formulated.

Several new competitors servicing their subscribers via direct-to-home and/or cable entered the market. Several others are researching the market to launch new direct-to-home services in the year ahead.



## PRINT MEDIA



Media 24



MIH  
PRINT MEDIA



Beeld



Daily Sun

City Press

Die Burger

DRUM

FAIRLADY

FHM

HUISgenoot/YOU

KICKOFF

Move!

ON THE DOT

Paarl Print

All Sports

Vejá

### Revenue\* (in rand millions)

2008	9 082
<b>2009</b>	<b>10 520</b>

### Ebitda\* (in rand millions)

2008	1 357
<b>2009</b>	<b>1 363</b>

### Operating profit\* (before amortisation and other gains/(losses) in rand millions)

2008	1 149
<b>2009</b>	<b>1 058</b>

\* Including our share of Abril.

## » PRINT MEDIA

### Brazil

The group has a 30% interest in Abril, the leading magazine publisher in Brazil.

Abril had a good year, achieving turnover and profit growth.

In the year under review, circulation market share increased to approximately 45% with growth of single-copy sales. Abril's share of the magazine advertising market in Brazil is 61%. Generally, magazines seem not as impacted by the migration to the internet as newspapers. Abril expanded its distribution business with the acquisition of Fernanda Chinaglia, which was merged with its own Dinape operation. Its printing business delivered a stable contribution.

Abril's school text book publisher, Atica & Scipione, had a satisfactory year and increased its market share of non-government school text books from 22% to 28%.

**China**

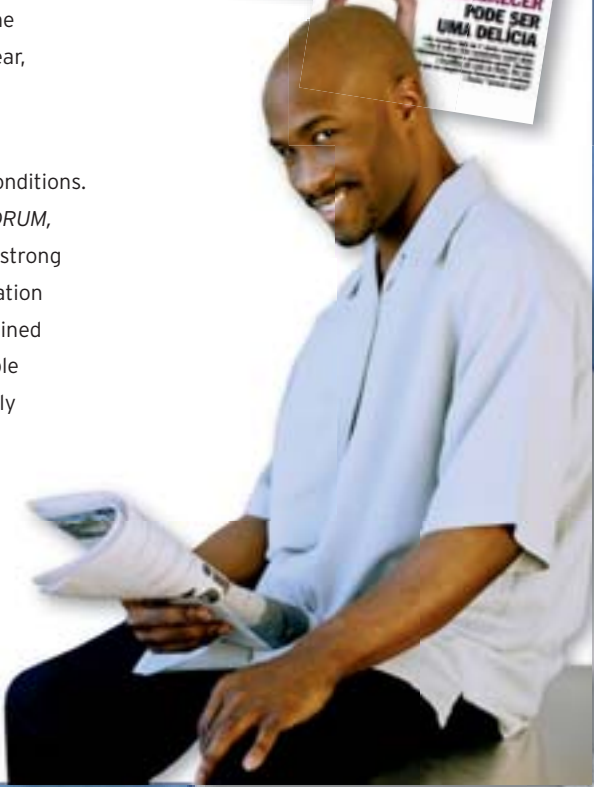
MIH now owns a 37% interest in Xin'an Media Corporation, a newspaper publisher in the fast-growing city, Hefei, in Anhui province. MIH also owns a 37% stake in the leading sports publisher in China, Titan Media, which benefitted from the Olympic Games.

Beijing Media Corporation Limited, in which the group has a 9,9% interest and which operates a leading Beijing newspaper, the *Beijing Youth Daily*, had a satisfactory year, despite tough advertising markets.

**South Africa**

Media24 experienced difficult trading conditions. Emerging market products, like *Move!*, *DRUM*, *Sunday Sun* and *Son* continued to show strong circulation growth. Generally, the circulation of our magazines and newspapers remained resilient. As a matter of fact, when people are affected by a recession, they typically spend more time at home and use media more.

However, advertising revenue grew by single digits, while input costs like paper, ink and fuel increased more. Management acted decisively to reduce the cost base, which included staff reductions and the closing of unprofitable titles.





**PRINT MEDIA** (continued)



With a circulation of more than  
**500 000**

*Daily Sun* is the largest daily newspaper on the African continent



### Newspapers

The past year saw a number of changes at Media24 Newspapers, including several key editorial appointments. Media24 Newspapers sought closer cooperation between community newspapers and daily titles, and refocused to accommodate a shift in advertising buying patterns.

*Daily Sun* remains the continent's largest daily newspaper, with a circulation of more than 500 000. *Sunday Sun's* circulation grew to 214 357. The tabloid publication *Son* grew circulation to 107 899.

### Magazines

The past year was tough for magazine publishing in South Africa. Difficult economic conditions resulted in the closure of some titles.

The magazines division implemented savings by revising paper stock, stringent control over book sizes and print orders, and staff reductions. More expensive paper and ink prices placed pressure on profit margins, countering a portion of these savings.



 PRINT MEDIA (continued)



### Media

On 17 April 2009 a devastating fire destroyed the Paarl Print plant, resulting in the death of 13 people and causing serious injury to a further four. Our heartfelt condolences go to those that lost loved ones, and our thoughts are with those that suffered injury and trauma. Investigations as to the cause of the fire are still in progress. This followed on a fire at Paarl Gravure that destroyed one of the plant's Cerutti presses in February.

Despite these events, the group's printing operations recorded a satisfactory performance. Margins came under pressure though.

In 2008 Media24 sold its newspaper printing operations to Paarl Media. These plants were incorporated under Paarl Coldset and will now be more commercially focused to grow third-party revenues.

### Via Afrika

The book publishing business had a satisfactory year, with good results from start-ups in Zambia and Namibia. The *Smile Education* business, with its "learn through play" products, and the IDEM business, which provides schools with learning and teaching support materials, joined forces as *idem smile* and have shown growth. The acquired adult basic education business, Stimela, exceeded expectations.

Via Afrika is focused on developing interactive educational products, and mobile and digital content distribution.

### Sustainability and corporate social investment

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 effective management of occupational health and safety risks, as well as the development of employees.

Media24 produced its first official scorecard compliant with the South African department of trade and industry's Codes of Good Practice through an independent verification agency. Media24 is proud to have achieved full marks for both the enterprise development and socio-economic development components. More details of the company's social investment initiatives can be obtained on its website ([www.media24.co.za](http://www.media24.co.za)).



## TECHNOLOGY

 **NASPERS operators**

**irdeto**



### » TECHNOLOGY

Irdeto delivered 15 million conditional access units during the year. This growth slowed as its customers adjusted to the economic situation.


The Chinese market began to slow immediately after the Olympics.

Agreements with two direct-to-home (DTH) operators in the fast-growing Indian pay-TV market were concluded.

Both include conditional access, middleware, integration and support services.

Irdeto BSS concluded agreements to deploy the latest version of its product and is successfully upgrading multiple sites at existing customers, Telenor group and DirecTV Latin America.

By combining Entriq, Cloakware and Irdeto's other technologies, opportunities have been created for the mass market still to migrate to digitised services. Also for operators combining broadcast and internet content.

Conditional access 

Middleware

Business Support Systems

Entriq

Content management

Cloakware

