CHIEF EXECUTIVE OFFICER'S REPORT

The Group ended the period with a loss for the year from continued operations of R1 599 million compared to a profit in the prior year of R112 million. Included in the loss for the current year is the impairment of goodwill of R1 501 million relating to the goodwill recognised upon the acquisition of eMedia Investments Proprietary Limited. Also included in the loss is the impairment of goodwill of subsidiary Coleske Artists of R31 million and an impairment of the investment in an associate company, Da Vinci Media, of R64 million. EBITDA for the Group ended on R178 million compared to R405 million in the prior year, a 56% decrease year-on-year. Headline earnings for the Group amounted to a loss of R12.5 million compared to a profit of R98 million in the prior year.

The only asset of the Group is a 67.69% interest in eMedia Investments, the company that owns e.tv, eNCA and Openview.

Tough trading conditions continued for the free-to-air broadcasting industry with advertising revenue remaining flat. Despite this, the Group showed an increase of 5% in advertising revenue from R1 505 million to R1 573 million. The results were also impacted by the new MultiChoice agreement with eMedia Investments. In this regard, licence fee revenue was cut substantially in the current year. In addition, the Group continued to invest in the Openview platform which remains loss making.

e.tv's share of broadcast audience remains under pressure mostly due to the popularity of local dramas commissioned by the SABC. The group has implemented various schedule changes including the launch of an additional local drama in April 2018. While the SABC commissions a substantial amount of local programming, at much higher cost than equivalent international content, our ability to commission additional local dramas is limited by our production budget and profitability. Our schedule will remain under pressure while the SABC continues to operate under a subsidised regime, however we are confident that our current schedule should arrest any significant decline.

The reduction in the movie slots, and a detailed analysis of the movie inventory, necessitated a once-off write-down of the movie inventory of R68.8 million. This is included in programming costs and other cost of sales which has shown an 11% increase year-on-year. A new revenue and content acquisition system was implemented to ensure better content acquisition in future.

Openview (inclusive of the e.tv multi-channel business) earned advertising revenue of R60 million and incurred content costs of R173 million. Operating costs, including retail subsidies of R74 million amounted to R255 million. The net operating loss of Openview amounted to R366.6 million (R394.5 million in 2017). Openview set-top box activations continue to grow at an average of 35 000 per month. At the end of the period, a total of 1 149 217 (778 493 in 2017) boxes have been activated and a total of R74 million (R99 million in 2017) has been spent on retail subsidies. The SES-5 satellite contract was terminated in December.

The group will increase its content investment in the Openview platform during 2019 and recently announced that it will launch a news channel on Openview during the last quarter of 2018. In addition an Afrikaans block of programming, including news and current affairs, will also be launched in the first half of the new financial year. While these programmes and channels will be loss making in the beginning, they are part of the content that is required to promote set-top box uptake and viewership. Openview currently attracts about 3,5% of the television audience in South Africa and break-even is estimated to be in the region of 6%.

eNCA continues to be the most watched 24-hour news channel in the country with over 49.82% of the market share. As mentioned, the amount received from MultiChoice has reduced from this year, however costs are being well controlled in this entity.

Certain of the Group's other subsidiaries have performed satisfactorily for the year. These include Sasani Africa and Strika Entertainment, while other assets have underperformed but shown improvement towards the latter part of the financial year. Management continues to review non-core and peripheral business and will exit these businesses when opportunities present themselves.

The television market is facing numerous technology and viewership challenges which will require the Group to continually assess its strategic alternatives. Our investment in Openview provides the Group with strategic flexibility and is part of our plan to address the challenges of the impending digital migration transition. We continue to engage government on their DTT and DTH plans and we are pleased that the new minister of communications has adopted an open mind and pragmatic approach to the conversion to digital broadcasting. We are optimistic that the department, under her leadership, will manage this transition effectively and choose plans that will enable the transition to happen as expeditiously as possible while limiting the cost thereof to the fiscus and industry participants.

Long-standing chairperson John Copelyn intends to resign as chair of eMedia Holdings and as non-executive director of eMedia Investments with effect from the end of October 2018. He will remain on the board of eMedia Holdings as a non-executive director.

André van der Veen
Chief Executive Officer
25 July 2018