



# A global platform operator

integrated annual report 2015



# NASPERS



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# About this report

## GROUP

### » Scope of this report and assurance

Our integrated annual report combines financial and non-financial information for the year from 1 April 2014 to 31 March 2015 giving a full understanding of our group's performance. It was prepared using the guidelines of the Global Reporting Initiative (GRI G4), recommendations of the King Report on Corporate Governance in South Africa 2009 (King III), the International Integrated Reporting Council Framework, requirements of the Companies Act No 71 of 2008 ("Companies Act"), and International Financial Reporting Standards (IFRS).

This report includes the financial performance of the Naspers group and its subsidiaries, joint ventures and associates. The scope of reporting on non-financial performance is indicated in the detail of the report.

Our South African subsidiaries publish separate integrated reports on [www.multichoice.co.za](http://www.multichoice.co.za), [www.media24.com](http://www.media24.com) and [www.novus.holdings](http://www.novus.holdings).

Group reporting standards are continually being developed to make our disclosure more meaningful and measurable for stakeholders. This report excludes financial and non-financial targets or forward-looking statements other than explained below.

Information extracted from the audited Naspers Limited consolidated annual financial statements for the year ended 31 March 2015 has been included in this integrated annual report. Refer to page 121 for the PricewaterhouseCoopers Inc. (PwC) report. South African broad-based black economic empowerment (BBBEE) information was verified by Empowerlogic (MultiChoice) and AQRate Verification Services (Media24).

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### » Forward-looking statements

*This report may contain forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. While these forward-looking statements represent our judgements and expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These include factors that could adversely affect our businesses and financial performance. We are not under any obligation (and expressly disclaim any such obligation) to update or alter our forward-looking statements as a result of new information, future events or otherwise. Investors are cautioned not to place undue reliance on any forward-looking statements in this report.*



## » Statement of the board of directors on the integrated annual report

The audit committee and board reviewed the integrated annual report and the board approved the report. The summarised consolidated annual financial statements were prepared in accordance with IFRS and the South African Companies Act, while the integrated annual report was prepared using the guidelines of the Global Reporting Initiative (GRI G4), recommendations of the King Report on Corporate Governance in South Africa 2009 (King III) and the International Integrated Reporting Council Framework.

In our opinion the integrated annual report and financial statements fairly reflect the true financial position of the group at 31 March 2015 and its operations during this period.

On behalf of the board



**Koos Bekker**

*Chair*

Cape Town

26 June 2015



## Our values

Above all, we solve  
problems for customers



Our purpose

What we do

How we do it

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Enriching communities with content and commerce.

We develop outstanding products for customers in markets with growth potential. We enable better commerce, entertainment and information.

At heart, we are entrepreneurs. We push for performance in everything we do. We back local teams, and learn from each other. We're nimble and seize opportunities. Doing the right thing is our guiding principle.

## Introduction

Over the decades we have transformed thoroughly. Starting as a single-country newspaper group, we risked becoming an early investor in pay television and mobile telephony in one country. Then we grew into a video-entertainment leader and a major global consumer internet and ecommerce group in over 130 countries. Looking at our business as a whole on an economic interest basis and including our share of associates and joint ventures, almost 60% of our revenues are now derived from internet and ecommerce segments. Below 30% of our revenues are sourced in South Africa.



Today Naspers is a broad-based group with operations in ecommerce (especially online classifieds, retail, marketplaces, online services and payments) and other internet services, video entertainment and print media. We operate mainly in markets with high growth potential – Africa, China, Latin America, Central and Eastern Europe, Russia, India, Southeast Asia and the Middle East. Most of our businesses are market leaders in their sectors.

Naspers has its primary listing on the JSE Limited's stock exchange (JSE) in South Africa, where it forms part of the Top 10 index. It also has a level I American Depositary Receipt programme (ADR) listing on the London Stock Exchange (LSE) and trades on an over-the-counter (OTC) basis. International investors are therefore able to buy and sell Naspers securities either through the appropriate OTC market, on the LSE or JSE (details on page 142). (However, most trades de facto take place on the JSE.)





# Our business (continued)

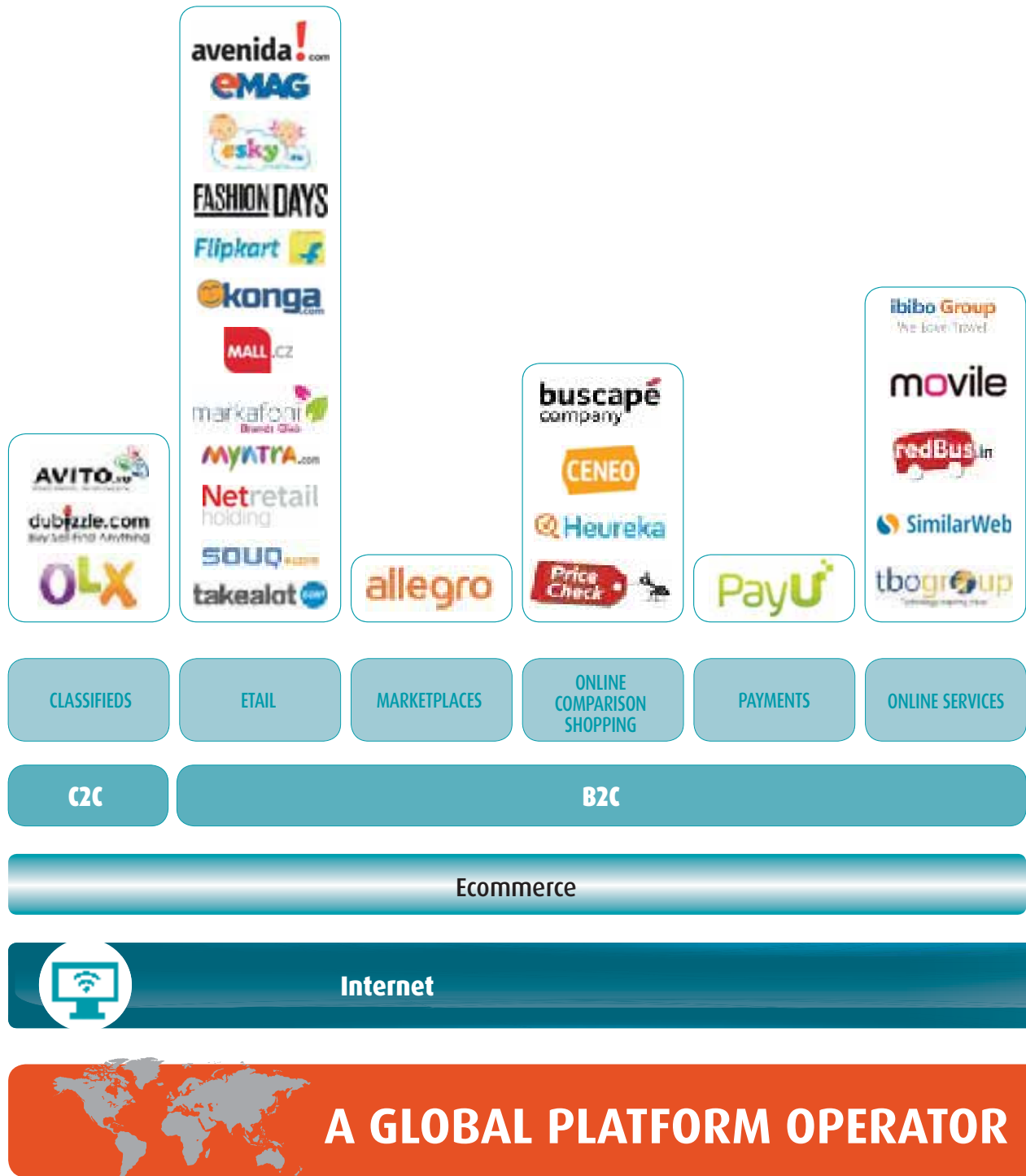
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Given our aim to be a player in selected ecommerce markets, global business units were reshaped under dedicated, specialised management. This improved clarity in terms of strategy, technology, systems and talent management. In addition, vertical (versus geographic) business specialisation leads to faster sharing of knowledge and innovation.



DTT

DTH

Listed

 Video entertainment

 Print

# Our business (continued)

## GROUP

### » Internet

Our internet assets are spread across Eastern and Central Europe, China, Russia, Latin America, India, Southeast Asia, Africa and the Middle East. We offer a broad range of services, but focus on ecommerce. Notably:

#### ▷ Ecommerce platforms

- Consumer-to-consumer (C2C)
  - Classifieds (mainly general classifieds sites, with some property verticals)

- Business-to-consumer (B2C)
  - Etail
  - Marketplaces
  - Online comparison shopping
  - Payments
  - Online services such as travel and food ordering

#### ▷ Listed investments

- Tencent
- Mail.ru

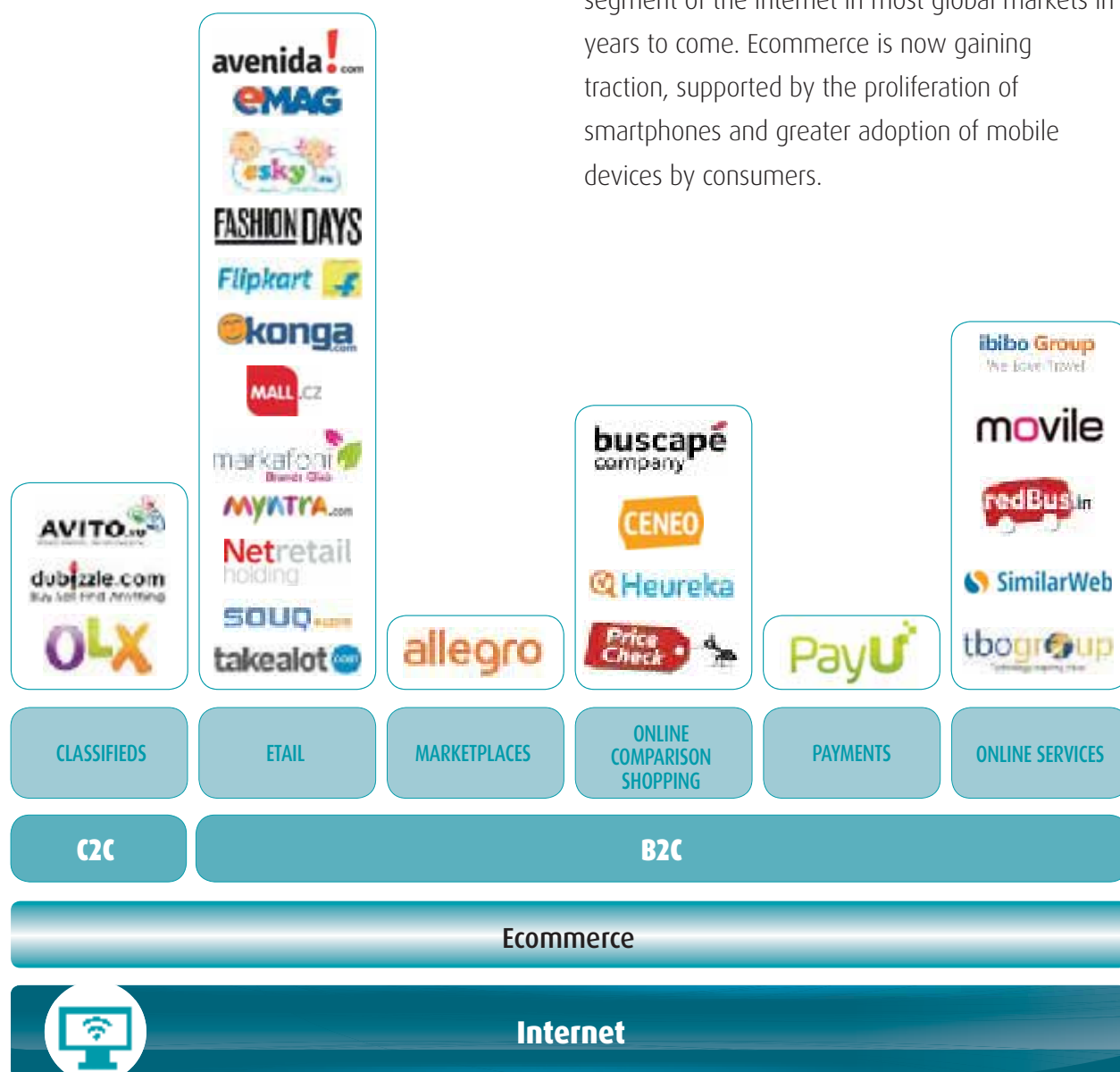
We believe ecommerce will be the largest segment of the internet in most global markets in years to come. Ecommerce is now gaining traction, supported by the proliferation of smartphones and greater adoption of mobile devices by consumers.

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## » Ecommerce sector by category

- ▷ **Etail:** We are building B2C etail businesses that help consumers purchase goods and services through online platforms.

In several markets we hold inventory for sale in our own warehouses and fulfilment centres and deliver items to the end consumer via owned or third-party distribution systems. Tight working capital management and merchandising expertise are key to producing economic returns.

In other markets our platforms facilitate third-party B2C and C2C transactions. In these cases we offer sales management tools and traffic generation, but do not hold

inventory directly. Revenues from these marketplaces include commission charged on successful transactions, as well as listing and promotional fees. In many markets we combine the first-party etail and third-party models.

We also offer online price-comparison services where consumers can source information on the specifications and product pricing from multiple vendors. We receive a fee from vendors for leads generated and/or transactions completed.

- ▷ **Classifieds:** We operate online classifieds platforms that facilitate local commerce in categories including items for sale, job



# Our business (continued)

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opportunities, services for hire, homes for sale and rent, and much more. Revenues from classifieds include listing and promotional fees as well as third-party advertising.

The business model requires significant upfront investment to build market leadership, with monetisation coming later. This often translates into several years of losses before profits are made.

- ▷ **Payments:** Under the PayU brand, we offer safe and easy payment for goods and services bought online. These are available to consumers on our own ecommerce platforms, as well as platforms operated by third parties. We differentiate our solutions by offering a broad range of local payment options to our customers and good conversion of interest to sales for our merchants.
- ▷ **Online services:** We invest in emerging opportunities, such as online travel, and

mobile-first and mobile-only services such as food ordering, and other mobile value-added services.

### » Video entertainment (previously pay television)

We operate video-entertainment platforms in sub-Saharan Africa. Our strategy is to deliver quality entertainment “anytime, anywhere and on any device”. Various technologies are used to offer direct-to-home (DTH) satellite, digital terrestrial television (DTT), online and mobile services. We also develop content protection and access-management technologies for internet, video-entertainment and mobile platforms.

Main operations include:

- ▷ **MultiChoice:** Leading provider of video-entertainment services, including online and mobile. The brands DStv, GOtv, BoxOffice and DStv Catch Up serve some 10m households in 50 African countries.



- ▶ **GoTv:** Leading provider of DTT video-entertainment services in Africa, with operations in eight countries and 114 cities.
- ▶ **M-Net:** General channel provider, sourcing content from international content owners and commissioning local productions.
- ▶ **SuperSport:** Premier funder and broadcaster of sport content across the African continent.
- ▶ **MWEB:** Consumer-focused internet service provider in South Africa.
- ▶ **Irdeto:** Global provider of content security management and delivery for pay-media companies.

## » Print

This segment comprises primarily digital media, newspapers, magazines, printing, distribution, book-publishing businesses and ecommerce ventures in South Africa. Our main operations include:

- ▶ **Media24:** Interests in newspapers, magazines and digital media, as well as printing, distribution, book publishing, ecommerce and financial data. Most of our businesses are market leaders in their sectors. Activities are conducted primarily in South Africa, with some operations in neighbouring countries and expansion into select territories in the rest of Africa, such as Nigeria and Kenya.
- ▶ **24.com:** A leading digital publisher in Africa.
- ▶ **Careers24:** Leading recruitment site in South Africa.
- ▶ **Spree:** Leading online fashion retailer in South Africa.



- ▶ **Novus Holdings Limited (“Novus Holdings”) (listed on the JSE in March 2015, previously Paarl Media Group):** A leading printing and manufacturing group in Africa.
- ▶ **Book publishing:** Leading position in the South African trade publishing market through Jonathan Ball Publishers and NB Publishers.

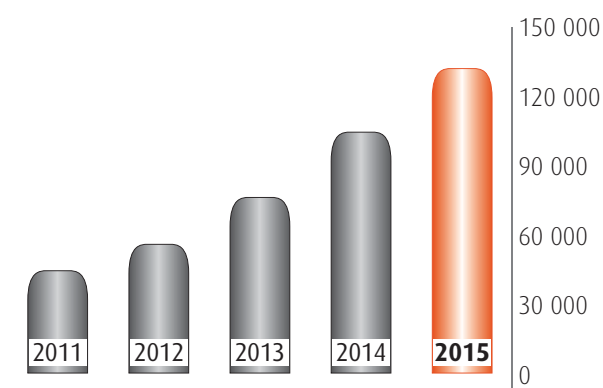


# Key figures for 2015

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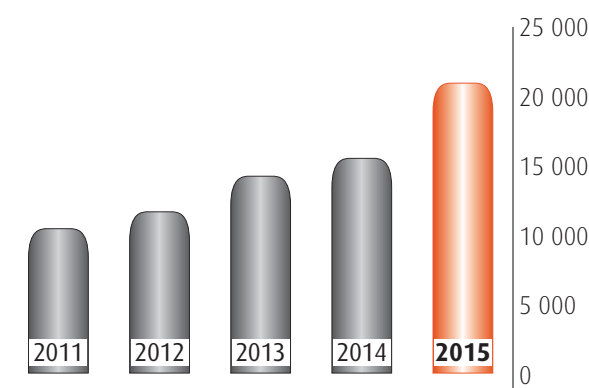
Revenue<sup>(1)</sup>

R'm



Trading profit<sup>(1)</sup>

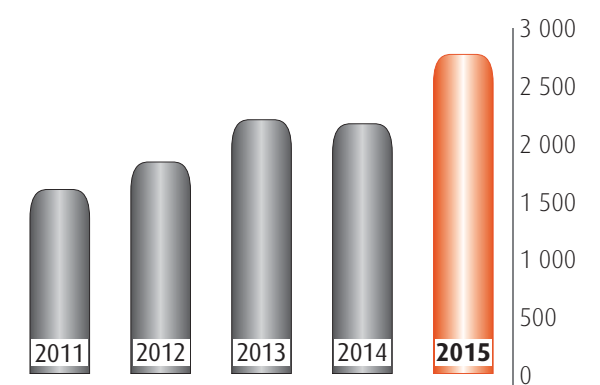
R'm



## PERFORMANCE

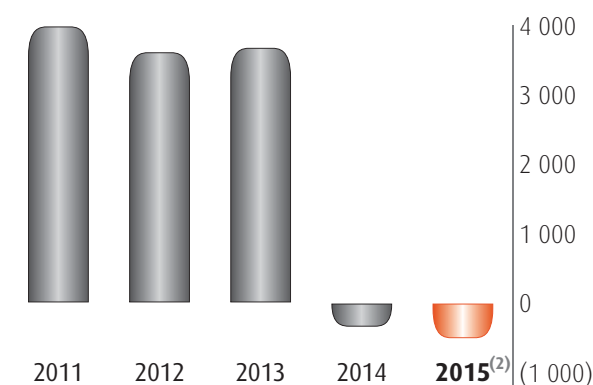
Core HEPS

cents



Free cash flow

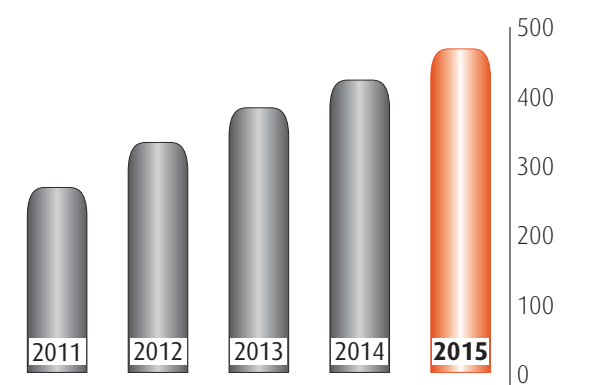
R'm



## GOVERNANCE

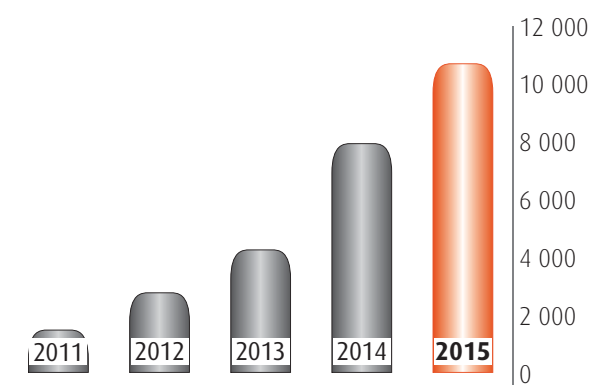
Dividend per share

cents



Development spend<sup>(1)</sup>

R'm

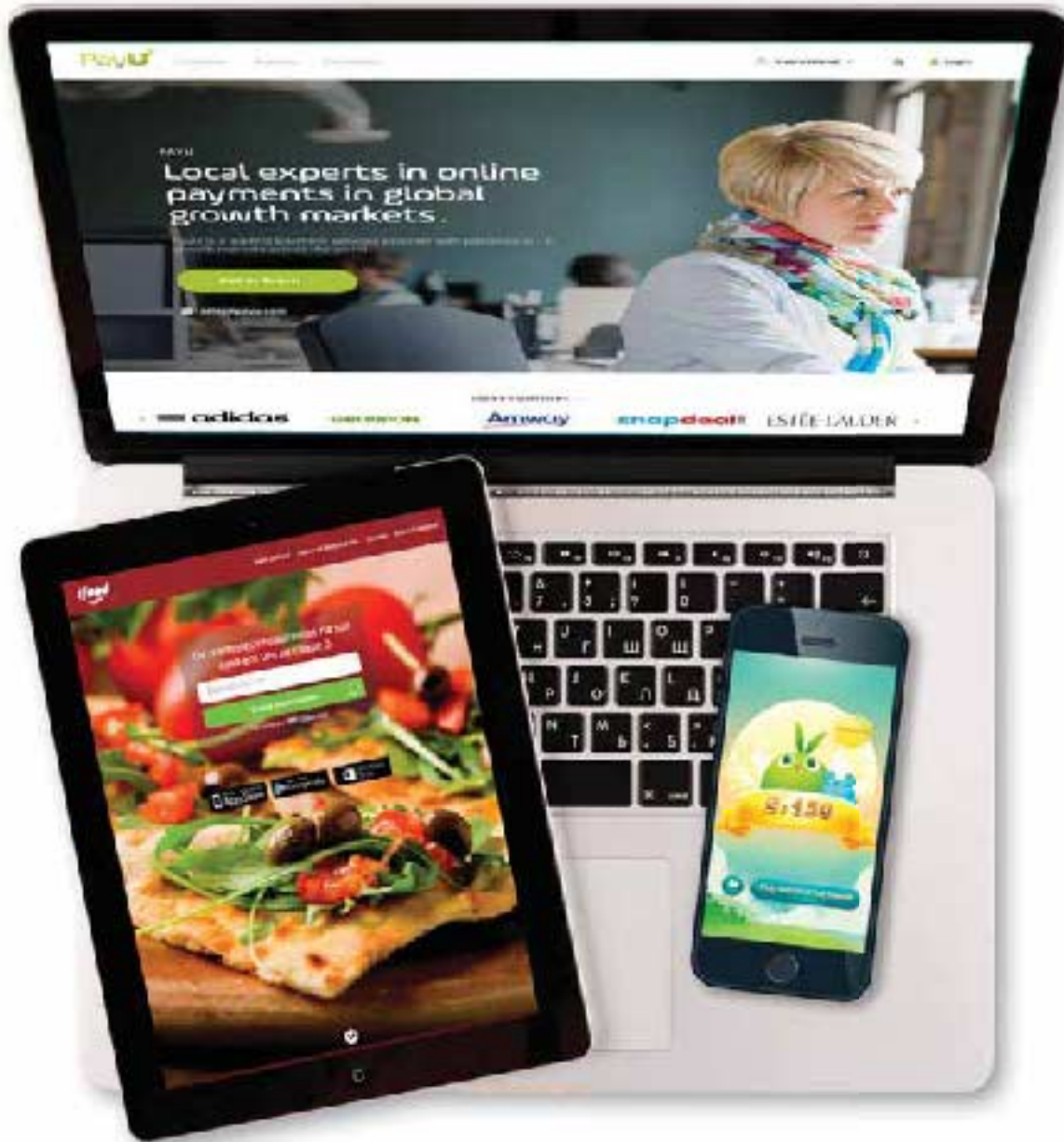


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<sup>(1)</sup> Including associates and joint ventures on a proportionate basis.

<sup>(2)</sup> We report a free cash outflow in the current year of R515m, largely due to increased capital expenditure to build our DTT footprint and in-country video-entertainment production facilities in East and West Africa.



## » Users and services

- ▷ Mobile internet remains a battleground in all internet service categories. Online retail (etail) and classifieds are growing fast in a changing ecommerce landscape. Business models are evolving to match customers' increasing expectations.
- ▷ We are now the world's largest classifieds group measured by users and net new listings.
- ▷ We are now market leader in transactions in online travel in India, as well as online food delivery in Brazil.
- ▷ Our consolidated PayU brand gives buyers and sellers efficient and secure payment solutions.
- ▷ Tencent continues to build next generation online-to-offline (O2O) services by investing and partnering with leading companies such as 58.com, Dianping and Koudai. User engagement is increasing by providing local



# Operational snapshot (continued)

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services to users such as transportation, lifestyle, restaurant bookings and movie tickets.

- ▶ MultiChoice's "TV everywhere" strategy gained traction with the launch of Connected Services that offers customers access to a greater selection of entertainment. The DStv Catch Up service provides an expanded catalogue of over 1 200 hours of content and gives DStv Premium PVR customers access to content via their mobile devices in the form of 19 linear channels (including events channels) and some 1 600 DStv Catch Up titles.

- ▶ The launch of DStv Now enabled our DStv Premium PVR customers to watch the latest movies, series, live sport and DStv Catch Up content on their tablets or smartphones – anywhere, any time. MultiChoice also introduced an enhanced kids' catalogue, DStv Kids, on PVR and through the DStv Now app.

- ▶ BoxOffice, MultiChoice's video-on-demand service continued to grow with a monthly average of 600 000 movie rentals. The catalogue was expanded to 20 titles on the DStv Explora and an average of 100 titles online.

- ▶ Our news and content businesses are investing in digital, particularly mobile delivery, while managing costs in a challenging environment.

### » Our people

Competition for the best talent is increasing in most markets. We have created a group human

resources team to address this competitive challenge and focus on critical talent topics:

- ▶ Attracting senior talent with capabilities that are in short supply globally, such as mobile technology and ecommerce general management.
- ▶ Ensuring our compensation packages remain competitive.
- ▶ Ensuring we remain an attractive place to work for our people, and a respected partner and investor for our entrepreneurs and founders.
- ▶ Supporting skills and capability development.

### » Socio-economic development

- ▶ In South Africa some R2,7bn was spent on local sport and content during the financial year. SuperSport is by far the biggest funder of local sports on the African continent.
- ▶ We introduced the MultiChoice Diski Challenge, which focuses on youth development through a reserve league for the Premier Soccer League (PSL). This is a countrywide initiative run by the PSL and has been well received.





- ▷ Media24 focuses on education, digital media training and enterprise development: Most weeks each year, the flagship weekly magazines Huisgenoot, YOU and DRUM publish supplementary educational material that is in line with the school curriculum and used by teachers, learners and parents. The company plays a significant role in developing small independent publishers of community titles and provided digital media training to 150 members of the Association of Independent Publishers (AIP). Its flagship Corporate Social Investment (CSI) project, WeCan24, is a mobile-based national digital news schools network, which equips budding journalists with the technical platforms and journalistic skills to run their own online school news sites.
- ▷ A new echarity platform ([charyatywni.allegro.pl](http://charyatywni.allegro.pl)) was created to better connect an online



community willing to help others, with relevant non-governmental organisations seeking funds.

- ▷ The eMAG Foundation was launched by our leading Romanian etail business. Its flagship projects aim to revitalise the Romanian educational system and include: Aiming for the Olympiad – supporting children and teachers who aim to achieve higher performance in education.

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We strengthened our position in most markets by investing in people, technology, content and marketing.

**Koos Bekker**

## » Overview

We are pleased to present our integrated annual report for the year to 31 March 2015 to stakeholders.

Results for the review period reflect good progress across our video-entertainment (previously “pay-television”) and internet platforms. We strengthened our position in most markets by investing in people, technology, content and marketing – leading to growth ahead of competitors. Notably strong growth was seen in our classifieds and eetail businesses, with both formats gaining market share. Our position in mobile offerings strengthened versus competitors.

Core headline earnings grew

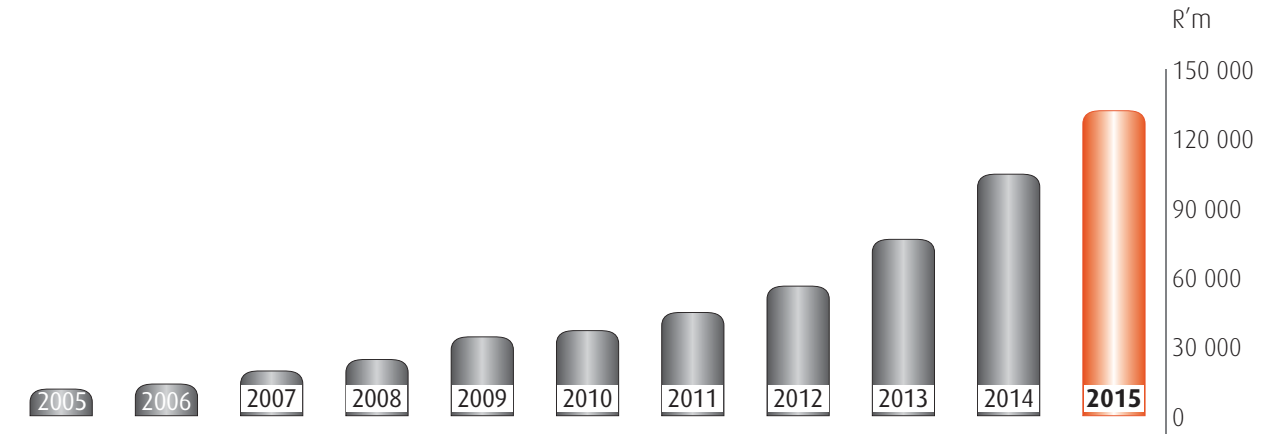
**30%**

to R11,2bn

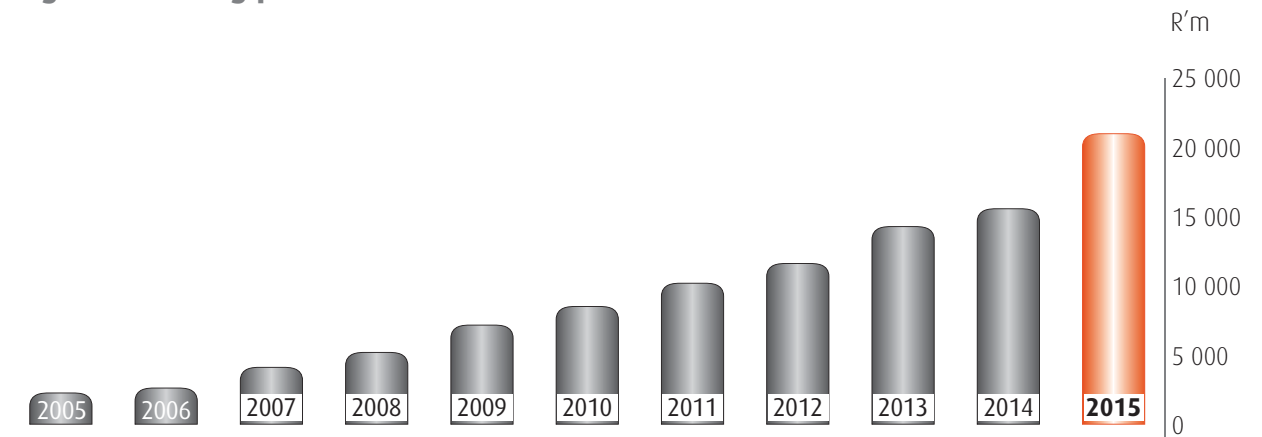
Core headline earnings, a measure we view as a reliable indicator of our sustainable operating performance, grew 30% to R11,2bn (2014: R8,6bn). This was mainly due to contributions from Tencent and some of our profitable ecommerce businesses. Taking a 10-year view, the group has grown segment revenues at a compounded annual rate of around 27%, and trading profits at 25%.



## Segment revenue<sup>(1)</sup>



## Segment trading profit<sup>(1)</sup>



<sup>(1)</sup> Including associates and joint ventures on a proportionate basis.

Our listed internet investments Tencent (particularly) and Mail.ru (less so) were major contributors to our equity-accounted results, increasing to R16,4bn (2014: R10,8bn). We congratulate them on their excellent management skills.

Our video-entertainment business made solid progress, passing a milestone to close at over 10,2m subscribers. In March 2015 Media24 successfully listed its printing business, Novus Holdings, raising R1,1bn in cash with this listing.

Looking ahead, we hope to build sustainable positions in growing markets. We focus on local

language and culture, creating an entrepreneurial spirit and a quality workforce.

### » Governance

As a multinational group, our risks differ by jurisdiction as detailed in the risk management section of this report. The board conducts the group's business with integrity, applying appropriate corporate governance policies and principles. Where Naspers subsidiaries are governed by independent boards of directors, these apply suitable governance practices and their committees are mandated to comply with

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relevant requirements. Naspers has a legal compliance programme, detailed on page 87.

The Naspers board is informed of subsidiary activities via a disciplined reporting structure. Strategies and business plans for financial and non-financial elements of operations are regularly reviewed. Part of management's remuneration is based on performance against targets (financial and operational), individual and group objectives, and is linked to strategic objectives.

We continually evaluate areas where governance can be improved. This is detailed in our application of King III in the governance frameworks of Naspers, MultiChoice and Media24 on page 86 (<http://www.naspers-reports.com/2015/corporate-governance.php>).

## » Environment in which we operate

The 2014 calendar year was a turbulent one for the global economy, with widely diverging impact. Each country and business in our

portfolio has its own unique challenges.

However, a benefit of operating in multiple countries and embracing multiple technologies is that the aggregate risk profile is spread.

Surviving in such a dynamic environment, however, requires planning and agility.

During the review period, the use of **internet services** continued to expand. The global internet audience is forecast to pass the 3bn user mark in 2015 and more than half the world's population is expected to be connected to the internet by 2018. Mobile is leading the charge as the most disruptive innovation in the technology/internet space.

While internet access in various forms is creating opportunities for our internet ventures, it also requires our **video-entertainment** businesses to adapt fast. Personal video recorders (PVRs) make on-demand television a reality and, in sub-Saharan Africa, the advent of DTT networks is addressing a mass market that cannot afford satellite video entertainment.





**Ecommerce** continues to take market share from bricks-and-mortar shops. Over the next decade ecommerce is on track to emerge as the largest section of the internet in most countries around the world.

In a broader regulatory environment that continues to evolve, we operate a legal and regulatory compliance programme. African countries are now strengthening broadcasting regulation and new competition legislation is being introduced. Elsewhere in the world internet regulation is ramping up. Naspers's licences to provide services are subject to conditions that may change over time. Equally, our newspaper and magazine businesses are subject to several regulatory impacts. Our two

main South African units, MultiChoice and Media24, are complying with South African broad-based black economic empowerment (BBBEE) requirements.

## » Managing sustainability

Naspers invests massively to create useful products and services for customers. If successful, this will yield a sustainable return to investors. However, our obligations as a corporate citizen demand that we respect the natural environment and limit our impact as far as possible.

The Naspers group follows a structured approach to its sustainability strategy. Our governance model and ethical principles are communicated throughout the group.



Our approach to sustainability is described below.

Flowing from our business activities are investments in countries where we operate. We create business for local suppliers, employ people and pay taxes and levies to governments, which in turn helps to improve communities.

Our products and services directly affect local societies. Since each community has its challenges, each business makes a difference to its local community by contributing in line with our strengths and know-how.

Our people are a priority. There is a global shortage of talent and in some of our disciplines

we are focused on attracting, developing and retaining the best people.

The board determines strategy and is ultimately responsible for overseeing our group's performance. Management teams across our businesses implement these strategies, guided by the group's code of business ethics and conduct.

The board is responsible for the integrity of our integrated reporting. It tasked the audit and risk committees to oversee sustainability issues and to ensure that information is reliable and comparable to financial results.



In our social interactions, we focus in particular on challenges such as education, skills development and environmental sustainability. Our aim is to improve the living conditions of our employees, their families and the communities in which we operate, ultimately balancing profit, people and planet.

For more details, refer to the governance and sustainability section on our corporate website, [www.naspers.com](http://www.naspers.com).

## » Dividend

The board recommends that the annual gross dividend be increased 11% to 470 cents (previously 425 cents) per

listed N ordinary share, and 94 cents (previously 85 cents) per unlisted A ordinary share. If confirmed by shareholders at the annual general meeting on 28 August 2015, dividends will be payable to shareholders recorded in the books on Friday 18 September 2015. It will be released on Monday 21 September 2015.

The last date to trade cum dividend will be Friday 11 September 2015 (shares therefore to trade ex dividend from Monday 14 September 2015). Share certificates may not be dematerialised or rematerialised

between Monday 14 September 2015 and Friday 18 September 2015, both dates inclusive.





The dividend will be declared from income reserves. It will be subject to a dividend tax rate of 15%, yielding a net dividend of 399,5 cents per listed N ordinary share and 79,9 cents per unlisted A ordinary share to those shareholders not exempt from paying dividend tax. Such dividend tax will amount to 70,5 cents per listed N ordinary share and 14,1 cents per unlisted A ordinary share. The issued ordinary share capital as at 26 June 2015 was 419 203 470 N ordinary shares and 712 131 A ordinary shares. The company's income tax reference number is 9550138714.

## » Directors

During the financial year several changes to the board concurred.

Mr Steve Pacak (our excellent financial director) retired on 30 June 2014 from his executive position. Mr Basil Sgourdos was appointed to the board as financial director effective 1 July 2014. Mr Pacak became a non-executive director.

On 15 January 2015 Mr Mark Sorour, our experienced head of mergers and acquisitions, and already an alternate executive director, was appointed as an executive director.

Subsequent to the financial year-end on 17 April 2015, Mr Ton Vosloo, non-executive chair, as well as independent non-executive directors Messrs Boetie van Zyl and Yuanhe Ma, retired from the board. In addition, I rejoined the board as non-executive chair. Mr Vosloo served with great distinction on the Naspers board since March 1983. He chaired Naspers, as well as various group companies and board committees



with insight and tact for 23 years. Mr van Zyl was appointed to Naspers in January 1988 and served as independent lead director and on various other group structures. Mr van Zyl very ably chaired the Naspers audit, risk, and social and ethics committees. Mr Ma has served on the board since 2013 and other group boards and committees since February 2003 and provided valuable input. Furthermore, with effect from 29 May 2015 Naspers's non-executive director, Adv Fran du Plessis resigned from the board, having made valued contributions to various other group structures and committees since October 2003.

The board expressed its deep gratitude to these directors for their commitment to our group over many years. Their unique contributions were highly appreciated and will be missed.

In terms of the company's memorandum of incorporation, one third of non-executive

directors retires annually and reappointment is not automatic. Messrs Craig Enenstein, Don Eriksson, Fred Phaswana and Ben van der Ross retire by rotation at the annual general meeting but, being eligible, offer themselves for re-election.

At the annual general meeting shareholders will be asked to confirm these appointments and to consider the re-election of these directors (see notice on page 146).

On 9 June 2015 Prof Rachel Jafta was appointed to Naspers's audit and risk committees. Members of the audit committee are now Messrs Don Eriksson and Ben van der Ross and Prof Rachel Jafta. The board recommends shareholders reappoint them as audit committee members. On 17 April 2015 Mr Don Eriksson replaced Mr Boetie van Zyl as chair of the audit committee as Mr van Zyl retired, while with effect from 29 May 2015 Advocate du Plessis resigned.

In compliance with the Companies Act, shareholders will be asked to consider these proposals at the annual general meeting. The abridged curricula vitae of all directors appear on pages 92 to 97.

I thank my fellow board members for their highly valued guidance and support during another successful year. Our board appreciates the commitment of our top executives under Mr Bob van Dijk. Also our management teams and our employees around the world. We appreciate their enthusiasm and enterprise.



**Koos Bekker**

*Chair*

26 June 2015



# ☀ Chief executive's report

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We push for performance in everything we do.

**Bob van Dijk**

## » Overview

Based on a solid understanding of consumer behaviour, we build technology platforms in growth markets, aiming to stay ahead of changes in consumer engagement. Our platforms – currently in ecommerce, online services, video entertainment and print/digital media – are relevant in the lives of our customers.

Generally, platform businesses are the most valuable in media and the internet – consumer



destinations (starting points) with repeat use and positive word-of-mouth. Platforms often deliver attractive financials on the back of this strong position with consumers.

Executed well, the consumer base and cash flow from a strong platform can support the growth of valuable adjacent businesses.

Naspers has solid platforms in its global portfolio. For example video entertainment and the Allegro marketplace are businesses that address a real consumer need, are monetised in a sustainable way, and have extended into other markets.

## » Performance in context

On an economic-interest basis, revenue grew 26% during the year, mainly through solid growth in our ecommerce and video-entertainment segments. Continuing the trend of recent years, Almost 60% of total segment revenues came from our internet and ecommerce operations. Some R10,7bn was invested in developing our ecommerce platforms and enhancing our video-entertainment services across Africa. The rand and some of our other operating currencies depreciated against the US dollar. Core headline earnings, a measure the board considers a reliable indicator of sustainable operating performance, grew 30% to R11,2bn (2014: R8,6bn), mainly due to increased earnings contributions from Tencent and some of the profitable ecommerce businesses.

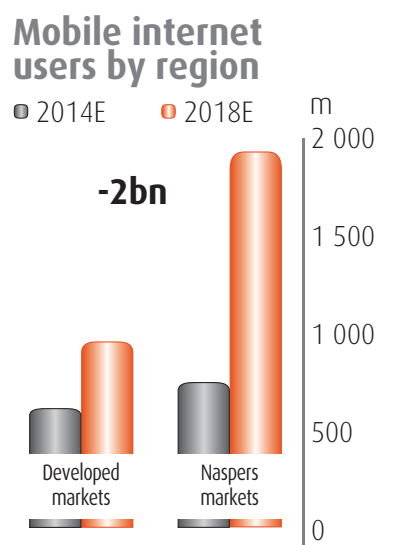
As a result, core headline earnings per N ordinary share grew 28% to R27,80.

The main developments in our business units are summarised below and the summary includes associates and joint ventures on a proportionate basis:

▷ **Internet:** This segment includes our ecommerce activities and listed investments and recorded strong revenue growth of 37%. Tencent performed well, with earnings attributable to shareholders measured in Tencent's local currency, growing by 54%. Our ecommerce segment recorded a 36% increase in revenue, but also at an increased trading loss of R6,1bn.

Ecommerce is growing fast. Given the different stages of maturity and the revenue structure of our ecommerce models, etail and marketplaces currently generate the bulk of ecommerce revenues. We are investing in our

platforms to grow ahead of our competitors and expand the market. We are also adjusting to the rapid shift to smartphones, which are becoming the primary internet device in many of our markets.



A number of agreements were concluded with Schibsted ASA Media Group ("Schibsted"), covering key classifieds assets in Latin America, Southeast Asia and Eastern Europe that should enhance our consumer offering and improve the outlook of our classifieds platforms in some of these regions.





# Chief executive's report

## GROUP

- ▶ **Video entertainment:** This segment produced another consistent performance, generating revenues of R42,4bn – up 17% year on year. The net subscriber base across Africa passed the 10m mark during the period.

Development spend rose 31% as we continue to invest in building our DTT services and online platforms, resulting in trading profit contracting by 6% to R8bn. Our DTT network is now substantially in place, with MultiChoice now operating in

11 countries and 114 cities. Our DTT base more than doubled, closing at 2,2m customers. Kenya is one of the first African countries to make the transition to digital after the analogue switchoff started in January 2015.

- ▶ **Print:** Like traditional media companies worldwide, Media24 faced challenges and managed marginal revenue growth. Trading profit declined as Media24 stepped up investment in internet and ecommerce opportunities.

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**DStv**  
Now



### » Significant acquisitions

The group invested R4,5bn during the year on acquisitions in the ecommerce sector and disposed of some smaller businesses in that same sector.

Key transactions included:

- ▶ Effective January 2015, the group entered into agreements with Schibsted, Telenor Holdings ASA and Singapore Press Holdings Limited to establish joint classifieds business activities in Brazil, Indonesia, Bangladesh and Thailand. The

group also acquired

Schibsted's Philippine classifieds business.

In February 2015 we entered into further agreements with Schibsted on acquiring Schibsted's

Romanian classifieds



business and the sale of the group's Hungarian classifieds business.

- ▷ Various acquisitions were made within the Mobile group, especially with respect to the group's online food-ordering business, iFood, which merged with Just Eat's Brazilian subsidiary.
  - ▷ In February 2015 the group acquired a 46,5% interest in Takealot Online (RF) Proprietary Limited ("Takealot") in exchange for its South African retail business, Kalahari.com, and the issue of Naspers N ordinary shares.
  - ▷ In March 2015 the group acquired the shares held in and loans extended by minority shareholders in its subsidiaries MIH Allegro B.V. and FixeAds B.V. under the terms of pre-existing exit agreements.
  - ▷ Also during March 2015 the group disposed of its subsidiary 7Pixel S.r.l. for R678m.
  - ▷ The group participated in two funding rounds of its associate Flipkart Limited ("Flipkart"). These funding rounds, in May and August 2014, resulted in additional investments of R555m and R2,67bn respectively. The group now has a 15,83% interest in Flipkart on a fully diluted basis.
  - ▷ We also invested a further R297m in cash in our joint venture, Konga Online Shopping Limited ("Konga"), in October 2014.
- At 31 March 2015 the group held a 40,2% interest in Konga on a fully diluted basis. After the end of the reporting period, the group invested a further US\$41m in Konga. Following this investment, the group continues to exert joint control over Konga



with its 50,9% interests on a fully diluted basis.

- ▷ In January 2015 the group disposed of the backend infrastructure of the MWEB Business, Optinet Services and Networks divisions, to Dimension Data and entered into a joint Wi-Fi business venture with Dimension Data by contributing its MWEB Wi-Fi division in exchange for a 49% interest. MWEB is now a consumer-focused internet service provider only.

## » Investor engagement

We are committed to providing timely, transparent and relevant information, which helps the investing public understand our business, governance, financial performance and prospects

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# Chief executive's report

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in a competitive environment. We disseminate information through a broad range of channels (including stock exchange news services, the corporate website and news distribution service providers). This is supplemented by direct communication such as investor conference calls, group presentations and one-on-one meetings.

During the year we conducted 327 meetings and teleconference calls with both equity and bond investors. We hosted an India ecommerce day in Bangaluru (Bangalore) and attended a number of conferences. Following the release of interim and full-year results, we conducted non-deal roadshows in South Africa, the United Kingdom and the United States of America.

## » Investing for growth

Over the past 100 years Naspers has gone through a good deal of change from a single-country print media company and an early investor in mobile telephony in one country to a multinational video-entertainment player and a global consumer internet/ecommerce company.

Mobile is transforming emerging markets faster in mature markets. For Naspers this means we are becoming a largely mobile-services company. Classifieds, etail and online payments are transforming ecommerce and we continue to invest to meet this demand. In our video-entertainment business, platform shifts occur from linear television services to video-on-demand (VOD). Our top priority is to give customers what they want.

This changing environment offers Naspers opportunities. The combination of our large and rapidly growing target markets, our platform offering for both ecommerce and content delivery, offers growth potential for the years ahead.

We are playing to win and are investing in proven business models that can become strong cash generators if executed well, such as classifieds, etail and DTT. In addition, we invest in new opportunities, such as online travel in India and mobile-only







services such as food ordering and other mobile value-added services.

We are also actively reinvesting in the growth of core models.

We believe this strategy is sound – our aim is to deliver value to our shareholders over the medium to long term and to contribute to the communities in which we operate.

## » People

We operate in industries where change happens quickly and an important part of our competitive advantage comes from the quality of our people. We invest to make sure we create an attractive place to be for all our people: entrepreneurs, engineers, leaders and professionals at all levels. We are providing our people with a meaningful purpose, the opportunity to learn and grow in an environment with great values, underpinned by a competitive reward strategy.

All over the world our people continue to prove their

commitment, innovation and agility. The

support and guidance of the Naspers board, as well as the boards of our subsidiaries, associates and joint ventures, is integral to our success. These contributions are valued and appreciated.

**Bob van Dijk**

Chief executive

26 June 2015



# Our strategy

## GROUP

Above all, we solve problems for customers.

## PERFORMANCE

- » Based on a solid understanding of consumer behaviour, we build technology platforms in growth markets, aiming to stay ahead of changes in consumer needs.

## GOVERNANCE

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- » Become more scalable as an operator, maintain above-market growth rates while improving profitability.
- » Be focused and strategic as an acquirer of assets.
- » Continue to place selective, strategic bets on emerging platforms that can represent the next wave of growth for the company.
- » Be the most desired partner for successful entrepreneurs in growth markets.



**The business we are building**

**Where we play**

**Our long-term goals and aspirations**

We observe consumer behaviour and technology changes when we set our strategic priorities:

- » The internet and especially mobile devices are taking share of consumer interest and time spent.
- » Platforms,etail and classifieds.
- » From a geographic perspective, we will continue our focus on growth markets.

For a fuller understanding of our group in context, we summarise key indicators in our major operating regions below:

	Population (m)	Internet users (m)	Internet pene- tration	Mobile users (m)	Mobile pene- tration	Smart- phone users (m)	Smart- phone pene- tration	PPP* GDP (US\$bn)	GDP per capita (US\$)
Africa and Middle East	1 440	446	31	1 218	85%	173	12%	9 104	6 322
China	1 374	646	47	1 360	99%	522	38%	15 982	11 632
Eastern Europe	214	110	51	295	>100%	90	42%	3 241	15 145
India	1 276	281	22	1 000	78%	140	11%	5 872	4 602
Southeast Asia	833	260	31	788	95%	167	21%	4 999	8 619
Latin America	580	313	54	459	79%	186	32%	7 977	13 753
Russia	142	87	61	253	>100%	65	46%	2 738	19 282
Western Europe	417	389	93	534	>100%	250	60%	15 815	37 926

\*Purchasing power parity.

Sources: IMF, BOA Merrill Lynch, CNNIC, IAMA, Emarketer.

## » Looking ahead

We focus on internet (specifically ecommerce) and video entertainment to create value for our shareholders over the medium to longer term. While we plan to expand our business mainly through organic growth, we are also prepared to strengthen our position with appropriate acquisitions, subject to a robust evaluation process.

## How we manage risk

### GROUP

Risk management is integral to the daily operations of our businesses. As a multinational multimedia group with activities in over 130 countries, we are exposed to a wide range of risks that may have serious consequences. While the diversified nature of the group spreads this exposure, it does add complexity.

### PERFORMANCE

#### » Risk philosophy

Naspers identifies and manages risk in line with international best corporate governance practice and applies the relevant rules and regulations.

The board is responsible for the governance of risk and is satisfied with the effectiveness of the risk management process. Risk management plans and processes are presented, discussed and approved at risk committee meetings. Heat maps and registers of significant risks facing the group are discussed, along with management actions to control these risks within board-approved ranges of tolerance.

The diversified nature of the group helps spread risk, particularly in terms of global political and economic instability, market development, regulatory matters and currency fluctuations. Identifying risk and developing plans to manage risks are part of each unit's business plan. These are assessed annually by the board.

### GOVERNANCE

#### » Risk policy

The group's risk profile is based on a formal and planned approach to risk management. Risk identification, management and reporting are embedded in business activities and processes.

The group's risk policy applies to all operations where Naspers has more than 50% ownership and management control.

The policy applies to risks the group faces in executing its strategy, operations, reporting and compliance activities and it is reviewed annually. Some group companies have specific risk management functions whose output is reviewed by the Naspers risk committee.

Risk management supports, advises on, formulates, oversees and manages the risk management system and monitors the group's risk profile, ensuring major risks are identified and reported at the appropriate level in the group.

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## » Risk framework

The Naspers enterprise-wide risk management (ERM) framework is designed to ensure significant risks and related incidents are identified, documented, managed, monitored and reported in a consistent and structured manner across the group. It is modelled on the COSO ERM<sup>1</sup> framework, as well as the COBIT<sup>2</sup> framework for information technology (IT).



<sup>1</sup> COSO ERM: Committee of Sponsoring Organizations of Treadway Commission Framework for Enterprise-wide Risk Management.

<sup>2</sup> COBIT: Control Objectives for Information and Related Technology, the internationally accepted framework for IT governance.



# How we manage risk (continued)

## Major risks

We follow a process of identifying major risks in each of our managed business units, which includes both top-down and bottom-up approaches. These are reported to the risk committees of the respective boards, together with tolerance levels and plans for mitigation. The group then assesses the level of risk we wish to bear, given potential returns. From a group perspective, major risks include:

### OUR RISKS

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#### Competition and technical innovations

Our group operates in fiercely competitive markets. In media, convergence opens the landscape to global and non-traditional competitors. New technology threatens the future of television and traditional print media. Different media platforms fight for revenue. In ecommerce, we face both ecommerce specialists and traditional retailers.

#### Failure to capitalise on user migration to mobile

Internet use is rapidly moving to mobile devices. The use and engagement behaviour of mobile users are different to those operating on a desktop. If we fail to deliver our product and services adequately on mobile, it could severely affect our long-term prospects.

#### Critical talent

The group relies on individuals with detailed knowledge of our businesses and the markets in which we operate.

#### Global political and market developments

The Naspers group operates in global markets that are sensitive to political, economic and other events. These may influence our activities.

#### Legislation and regulation

Our industries are subject to increasing regulation. Failure or delays in obtaining or renewing approvals could affect us.

#### Currency fluctuations

The group reports in South African rand and this exchange rate may vary against other currencies. In addition, in several markets, we have substantial input costs in foreign currencies, so currency translation gains or losses may distort the group's financial accounts.

#### Technical failures

The internet is subject to a variety of risks, including technical failure, attacks, viruses, piracy and others. Our video-entertainment services are mostly delivered to customers via satellite, and any damage or destruction may disrupt services.

## HOW WE MANAGE THE ISSUE

The group devotes significant resources to analysing competitors, and to emerging trends in technology and consumer demand. Significant funds are spent developing new products and services. However, we may be caught off-guard by new technologies or startups, or by current competitors.

We respond by building mobile applications for our products and services first. We measure and track performance of our products and services on mobile. We will also continue to invest in developing online services and products.

Succession plans are prepared annually, with specific focus on recruiting and retaining entrepreneurs, leaders, engineers and professionals with hard-to-replace skills sets.

Although we can hardly influence such developments, we monitor them as best we can and try to adjust quickly. Developments in any country in which we operate could cause damage. We monitor current risks in those countries.

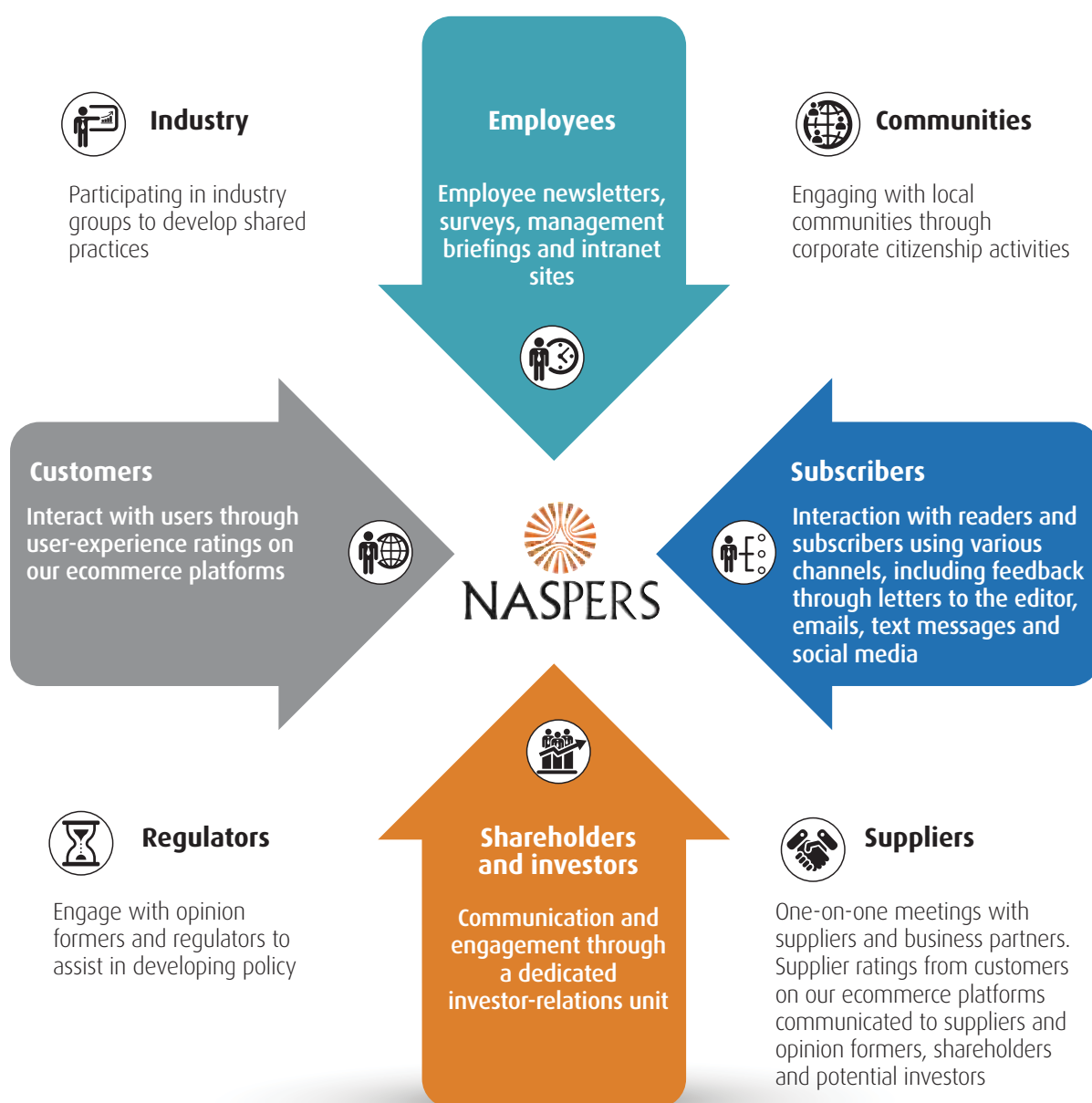
We strive to comply with applicable laws and regulations, and cooperate with regulators in countries in which we operate.

We have a policy to hedge 100% of our longer-term foreign currency transactions for at least 12 months and up to 24 months, where this is achievable and affordable.

Mitigating procedures range from backup capacity to built-in redundancy. The cost of each mitigating option is considered against the likelihood and impact of the risk occurring. In some cases, the result is that satellites or other key technical components remain unprotected or only partially covered.

For a detailed review of Naspers's material issues and how we manage these, refer to  <http://www.naspers-reports.com/2015/pdf/risk.pdf>.




# We engage with our stakeholders through different channels



## » Stakeholders' issues and our response

Key issues for our business segments are set out below:

### INTERNET

Stakeholders	Response
<b>Customers</b> 	<p>Most of our internet businesses have adopted the net promoter score (NPS) metric to measure customer satisfaction. We focus on providing the best experience to all our customers, whether they are consumers, merchants or partners. On the merchant side, we are committed to working with upstream and downstream partners to provide quality solutions for their businesses.</p>
<b>Regulators</b> 	<p>We engage with legislators through our public policy teams in each region, so as to operate in an efficient and positive regulatory environment. The group also engages with regulators as part of its compliance activities. Group businesses are members of several industry bodies and associations to support development of specific sectors.</p>
<b>Employees</b> 	<p>Our most important asset is our people. At heart we are entrepreneurs, so we push for performance in everything we do. We back local teams and learn from each other.</p> <p>We want to be recognised for providing meaningful work, the opportunity to learn and grow, and be rewarded for a job well done. In this kind of culture we believe our people will be motivated to achieve by being personally responsible for high performance.</p> <p>Our group companies set and communicate clear goals and ambitions that are translated into local and personal goals so everyone understands the big picture. We encourage all our teams to discuss performance to enable everyone to learn and grow. We believe in ongoing education and training of our teams. We continue to find new ways to listen and talk with our teams about making Naspers the best place to work.</p>





## VIDEO ENTERTAINMENT

### Stakeholders

### Response

#### Customers



The video-entertainment group has a number of points for customer engagement. These include the call centre, email and SMSs as well as social media platforms (such as the DStv Forum, Twitter and Facebook). Customer insights from email research and field trial panels are used in product development.

#### Industry and business partners



The video-entertainment group plays an active and constructive role in the broadcast industry in all countries in which it operates. In South Africa: As a member of the National Association of Broadcasters, it has raised industry issues with the Department of Communications, the regulator, The Independent Communications Authority of South Africa (Icasa), and the parliamentary portfolio committee on communications. It is represented on the information and communications technology (ICT) policy review panel established to assist the minister in reviewing legislation governing the ICT sector. In the year ahead the video-entertainment group will take part in a number of industry workshops and policy-formulation processes and regularly engage with suppliers and business partners to develop shared practices.

#### Shareholders and investors



The video-entertainment group holds regular meetings with shareholders and investors where strategy, performance and material issues are discussed. The group also communicates via presentations (such as the annual and interim results report) as well as through annual general meetings.

#### Regulators



South Africa: The video-entertainment group takes part in regulatory processes initiated by Icasa. The objective is to develop an environment conducive to the growth of the ICT sector. The group also engages with opinion leaders and regulators to assist with policy development and is subject to regulation by the Broadcasting Complaints Commission of South Africa (BCCSA). We work closely with the BCCSA to ensure compliance as South Africa moves from an analogue to a digital environment. In Africa we engage with regulators in the countries in which we operate.

#### Employees



The video-entertainment group uses a number of media platforms (from print to electronic and face-to-face engagements) to interact with our employees and keep them informed of developments. In South Africa the group also has a Workplace Forum – a body that represents employees' interests and interacts with the company. The video-entertainment group communicates with local communities through our corporate citizenship activities.



## MEDIA24






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Stakeholders	Response
<b>Customers</b> 	Media24 divisions are active on social media platforms. Editorial teams use social media platforms such as Facebook and Twitter to engage with audiences on topical issues, share and promote content from their latest print and digital offerings, and test new ideas. Business units conduct client satisfaction surveys with, for example, advertising agencies, readers and digital audiences. This is done through various channels, including customer service call centres and surveys to determine net promoter score ratings.
<b>Shareholders</b> 	Media24 keeps shareholders informed of company developments by posting the integrated annual report, publishing provisional and interim reports in local newspapers and online, holding annual general meetings at which shareholders may ask questions, and by placing information on company websites.
<b>Industry</b> 	Media24 attends regular meetings with various industry bodies and is a member of local and international industry bodies. In South Africa these include: Print and Digital Media South Africa (PDMSA), Audit Bureau of Circulations of South Africa (ABC), South African Advertising Research Foundation (Saarf), South African National Editors' Forum (Sanef), Interactive Advertising Bureau (IAB) and South African Publishers Association (Pasa). Novus Holdings is a member of the Print Industries Federation of Southern Africa (Pifsa) and attends international industry events to remain abreast of developments.
<b>Regulators</b> 	Print media is regulated by the Press Code and the Advertising Standards Authority (ASA). Media24 abides by the codes and rulings of these regulatory bodies.
<b>Employees</b> 	Media24 is an employer of choice providing an inspiring working environment. Staff engagement is ongoing through management briefings and roadshows, weekly electronic newsletters, workshops, knowledge-sharing sessions on industry topics, an annual leadership conference and staff engagement surveys. Workplace Forums who represent employees regularly interact with management. Media24 invests substantially in leadership training and development.

# Balancing profit, people and our planet

## GROUP

Naspers creates communities, packages content and runs platforms. We connect people, distribute media products and conduct ecommerce. Our products and services play a developmental role in societies where we operate. We employ people, improve the quality of life and stimulate the economy where we operate.

## PERFORMANCE

Naspers is not only a business; as a responsible corporate citizen, we give back to our communities. Through a myriad of projects (see the sustainability section on [www.naspers.com](http://www.naspers.com)), our group companies touch the lives of millions of people around the world.

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Education is one of our most important contributions to the African continent. We help to improve literacy levels through various forms of print and digital media, from newspapers and magazines to school books and digital ventures, including social networking.

*Source: Summary of the group sustainable development policy.*



# Balancing profit, people and our planet (continued)

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Naspers is styled as a sustainable business, both in terms of the environment and sustainable profits. We view this as a journey, and we endeavour to ensure that our values and philosophy demonstrate this.

our employees, their families and the communities in which we operate, ultimately balancing profit, people and planet.

The value added statement on page 44 illustrates how the group distributes its earnings and how much it retains for reinvestment.

We contributed R10,4bn (or as much as 25% of the total wealth we created) to local governments where we have operations. This comprises various taxes and skills development levies and is more than double what we pay shareholders in dividends. In addition, the jobs we create stimulate further economic activity. No doubt Naspers has a significant effect on the economy of sub-Saharan Africa.

In the past year we paid some R12,6bn (30% of wealth created) to employees, which includes salaries, bonuses and benefits, and the cost of training and participation in group share incentive schemes. We provide jobs to over 24 000 (2014: 22 500) permanently employed people and contribute in a major way to the countries in which we operate.

To fund our growth, we rely on investors and providers of finance, who are compensated by dividends, share price appreciation and interest payments. This accounts for 11% of total earnings distributed. The remaining 34% has been reinvested to ensure we maintain a sustainable group.

The section on non-financial performance (page 68) focuses mostly on social and environmental projects with more detail on [www.naspers.com](http://www.naspers.com),

(<http://www.naspers-reports.com/2015/sustainable-investment.php>).

By harnessing our global infrastructure and ability to innovate and adapt in a changing world, we aim to address education, skills development and environmental sustainability. We hope to improve the living conditions of



# Value added statement

for the year ended 31 March 2015

## GROUP

Value added is defined as the value created by the activities of a business and its employees and is calculated as revenue less the cost of generating that revenue. The value added statement reports on the calculation of value added and its application across stakeholder groupings. This statement shows the total wealth created and how it was distributed, taking into account the amounts retained and reinvested in the group.

## PERFORMANCE

	31 March 2015 R'm	31 March 2014 R'm	Change %
Revenue	73 092	62 728	17
Cost of generating revenue	48 493	40 371	20
<b>Value added</b>	<b>24 599</b>	22 357	10
Income from investments	17 057	11 796	45
<b>Wealth created</b>	<b>41 656</b>	34 153	22

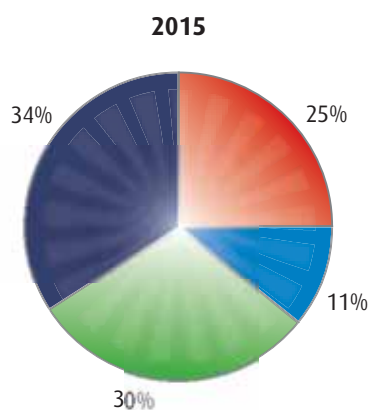
## GOVERNANCE

<b>Wealth distribution:</b>			
<b>Employees</b>			
Salaries, wages and benefits	12 590	10 610	19
<b>Providers of capital</b>	<b>4 467</b>	3 992	12
Finance cost	2 752	2 466	12
Dividends paid	1 715	1 526	12
<b>Governments</b>			
Total tax paid	10 439	9 219	13
<b>Reinvested in the group</b>	<b>14 160</b>	10 332	37
Depreciation and amortisation	3 305	3 118	6
Other capital items	(1 317)	2 966	(144)
Retained earnings	12 172	4 248	187
<b>Wealth distributed</b>	<b>41 656</b>	34 153	22

## FINANCIAL

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### Wealth distribution



- Paid to governments by way of tax
- Paid to providers of capital
- Paid to employees
- Reinvested into the group

