

Naspers Limited
(Registration number: 1925/001431/06)
(Naspers or the group)
JSE share code: NPN ISIN: ZAE000015889
LSE code: NPSN ISIN: US6315122092

Interim results announcement
for the six months ended 30 September 2020

COMMENTARY

September 2020 marked the first anniversary of the listing of Prosus on the Euronext Amsterdam stock exchange. This created Europe's largest consumer internet company and a new investment opportunity on the global technology stage, improving the group's access to international internet investors. A year on, ownership of Prosus continues to expand and diversify. The group's recent inclusion in Europe's leading index, the Euro Stoxx 50, is expected to attract additional European investor interest over time.

Given the wide geographical span of our operations and significant mergers and acquisitions (M&A) activity in ecommerce, reported earnings are materially impacted by foreign exchange movements and the effects of acquisitions and disposals. Where relevant in this report, we have adjusted for these effects. These adjustments (pro forma financial information) are quoted in brackets after the equivalent metrics reported under International Financial Reporting Standards (IFRS).

The earnings for the period ended 30 September 2020 compared to 30 September 2019 are impacted by the contribution from the Prosus group post its listing and creation of the free float resulting in a significant non-controlling interest of the group. As at 30 September 2019 we recognised 100% of the earnings compared to 72.66% in the current period.

The following segmental reviews are prepared on an economic-interest basis (which include consolidated subsidiaries and a proportionate consolidation of associates and joint ventures), unless otherwise stated.

SALIENT FEATURES

	Six months ended 30 September		Year ended 31 March
	2020	2019	2019
	US\$ 'm	US\$ 'm	US\$ 'm
Revenue	2 497	1 730	4 001
Operating loss	(274)	(282)	(720)
Earnings per ordinary share (US cents)	500	517	709
Headline earnings per ordinary share (US cents)	404	324	496
Core headline earnings per ordinary share (US cents)	363	379	646

SEGMENTAL REVIEW

The group's financial highlights for the period ended 30 September 2020 are outlined below:

	2019	2020	2020	Six months ended 30 September 2020				
	A	B	C	2020	2020	2020	2020	2020
				D	E	F(2)	G(3)	H(4)
	IFRS(1)	Group	Group	Foreign	Local	IFRS(1)	Local	IFRS
	US\$ 'm	composition	composition	currency	currency	US\$ 'm	currency	% change
		disposal	acquisition	adjustment	growth		growth	
		adjustment	adjustment	US\$ 'm	US\$ 'm		% change	% change
Revenue								
Ecommerce	2 089	(229)	262	(238)	970	2 854	52	37
- Classifieds	596	(38)	140	(43)	(20)	635	(4)	7
- Payments and Fintech	199	(8)	24	(18)	55	252	29	27

- Food Delivery	306	(7)	2	(112)	421	610	>100	99
- Etail	695	(6)	81	(39)	472	1 203	69	73
- Travel	146	(146)	-	-	-	-	-	(100)
- Other	147	(24)	15	(26)	42	154	34	5
Social and internet platforms	8 017	(82)	-	(55)	2 202	10 082	28	26
- Tencent	7 800	(25)	-	(33)	2 170	9 912	28	27
- Mail.ru	217	(57)	-	(22)	32	170	20	(22)
Media	139	-	2	(15)	(42)	84	(30)	(40)
Corporate segment	(2)	-	-	2	-	-	-	100
Intersegmental	-	-	-	(1)	-	(1)	-	-
Group economic interest	10 243	(311)	264	(307)	3 130	13 019	32	27
Trading profit								
Ecommerce	(433)	46	(35)	(3)	86	(339)	22	22
- Classifieds	42	16	(21)	(12)	(10)	15	(17)	(64)
- Payments and Fintech	(38)	3	(2)	(1)	-	(38)	-	-
- Food Delivery	(283)	3	(1)	3	91	(187)	33	34
- Etail	(37)	3	(1)	3	42	10	>100	>100
- Travel	(21)	21	-	-	-	-	-	100
- Other	(96)	-	(10)	4	(37)	(139)	(39)	(45)
Social and internet platforms	2 334	(63)	-	(18)	730	2 983	32	28
- Tencent	2 264	(7)	-	(16)	727	2 968	32	31
- Mail.ru	70	(56)	-	(2)	3	15	21	(79)
Media	4	-	-	4	(24)	(16)	>(100)	>(100)
Corporate segment	(9)	-	(1)	4	(3)	(9)	(33)	-
Group economic interest	1 896	(17)	(36)	(13)	789	2 619	42	38

(1) Figures presented on an economic-interest basis as per the segmental review.

(2) A + B + C + D + E.

(3) $[E/(A + B)] \times 100$.

(4) $[(F/A)-1] \times 100$.

FINANCIAL REVIEW

The group delivered good results for the first six months ended 30 September 2020, despite Covid-19. Group revenue, measured on an economic-interest basis, was US\$13.0bn, reflecting growth of 27% (32%), a meaningful acceleration of 16pp (12pp) over the same period last year. Ecommerce revenues grew 37% (52%) year on year. Tencent grew revenues by a healthy 27% (28%). Group trading profit grew 38% (42%) to US\$2.6bn. Tencent's contribution to the group's trading profit improved 31% (32%).

Core headline earnings were US\$1.6bn - down 6% (5%). Core headline earnings are largely impacted by reduced earnings contributions in the current year from the Prosus group, post its listing in September 2019 and the creation of the free float resulting in a significant non-controlling interest of the group. As at 30 September 2019 we recognised 100% of the Prosus earnings compared to 72.66% in the current period. The non-controlling interest share in the core headline earnings for the period is US\$591m. We refer shareholders to the separate Prosus condensed consolidated interim financial statements which are free of the impacts outlined in this paragraph and outline the good increases in headline earnings and core headline earnings delivered by the group's operations. We remind shareholders that Prosus represents most of the group's operations. Overall, core headline earnings reflect strong performance of the group, driven by improved profitability from our Ecommerce units and the growing contribution from Tencent.

We ended the period with a strong and liquid balance sheet. We had a net cash position of US\$4.6bn, comprising US\$10.3bn in cash and cash equivalents (including short-term cash investments), net of US\$5.7bn in interest-bearing debt (excluding capitalised lease liabilities). We hold an undrawn US\$2.5bn revolving credit facility. Overall, we recorded net interest expense for the period of US\$41m.

In July 2020, Prosus, Naspers's 72.66%-owned subsidiary, successfully raised more than US\$2bn in debt, comprising its longest-dated US dollar offering to date and its debut euro notes offering. The offerings drew strong investor demand,

resulting in attractive pricing that reduced the group's average funding cost while extending the blended maturity profile of its outstanding notes to almost 12 years. The proceeds will be used for general corporate purposes, including future M&A activity, and to further augment the company's liquidity. Issuances consisted of 2050 US\$1bn 4.027% notes, 2028 €500m 1.593% notes and 2032 €500m 2.031% notes. The group has no debt maturities due until 2025.

Consolidated free cash inflow was US\$292m, a significant improvement on the prior year's free cash inflow of US\$19m. This reflects growth in our Ecommerce unit's profitability, dividends received from Tencent of US\$458m (2019: US\$377m) and improved working capital management.

There were no new or amended accounting pronouncements effective from 1 April 2020 with a significant impact on the group's condensed consolidated interim financial statements.

Effective 1 April 2020, the group made a voluntary change to its accounting policy on the subsequent measurement of written put option arrangements with non-controlling shareholders. Subsequent changes in the carrying value of put option liabilities previously recognised in the income statement in "Other finance income/(costs) - net" are now recognised through equity. We believe the change in accounting policy will provide more relevant information about the effects of underlying transactions with non-controlling shareholders. Written put option arrangements are considered equity transactions because the settlement with non-controlling shareholders does not result in losing control over a subsidiary. Furthermore, on initial recognition of the written put option liability, the group simultaneously recognises the non-controlling interest because the risks and rewards of ownership are not deemed to have transferred to the group until the written put option liability is settled.

The group has adopted this change in accounting policy retrospectively, however, the impact is insignificant to the consolidated statement of financial position as all previous remeasurements recognised through the income statement are already accumulated in equity as at the effective date of the change. The previous remeasurements accumulated in retained earnings have been reclassified to the "existing control business combination reserve". Consequently, comparative figures on the statement of financial position have been restated for the reclassification between retained earnings and other reserves. The carrying value of the written put option liabilities and the total equity of the group in the comparative periods remain unchanged. The condensed consolidated income statement and finance income/costs note have been restated for the remeasurement of written put option liabilities as these are now recognised directly in equity.

The company's external auditor has not reviewed or reported on forecasts included in this interim results announcement.

We continue to explore growth opportunities to advance our strategy, expand our ecosystem and position the business for sustainable growth. In our Classifieds segment, we merged letgo and OfferUp, resulting in a business with national reach across the United States (US), well positioned for growth in a highly competitive market. The merger included a new US\$120m investment round led by Prosus. Furthermore, we injected our Middle Eastern Classifieds assets into Emerging Markets Property Group (EMPG) and participated in a US\$150m financing round that valued the business at over US\$1bn. OLX Brazil has subsequently completed the US\$520m (BRL2.9bn) acquisition of leading real estate vertical Grupo ZAP, announced in March 2020. In our Payments and Fintech segment, we made an additional investment of US\$53m in Remitly to expand its footprint in the US, United Kingdom (UK) and Canada. We participated in Mail.ru's capital raise to fund growth initiatives, investing US\$25m. Finally, we are focused on increasing our exposure to edtech (educational technology) by investing US\$60m in Eruditus, a global professional higher-education online platform. In November we announced a total investment of US\$500m in Churchill Capital Corp II's planned acquisition of Software Luxembourg Holding S.A. (Skillsoft) and Global Knowledge Training LLC (Global Knowledge). The transaction will create the world's leading digital learning company with a comprehensive suite of on-demand and live virtual content.

COVID-19

We started the financial year in April 2020 responding to the onset of the Covid-19 pandemic, which has proven to be a global challenge. Despite the social and economic impact across the world, Naspers remained resilient and performed well in the first half of the current financial year - accelerating revenue growth, improving profitability and cash flow generation, and growing customer numbers as consumers moved online. Ecommerce revenues grew 37% (52%) year on year. Group trading profit grew 38% (42%).

Like most companies, Naspers faced challenges, particularly in countries where government lockdown regulations were

extensive and protracted, reducing economic activity. We quickly implemented our contingency plans and we saw a sharp recovery in all of our businesses as lockdown regulations began easing.

Throughout the crisis, we prioritised the health and wellbeing of our employees, safeguarded jobs as far as possible, and protected and positioned our business for the long term. When necessary, we extended support to our partners to ensure the supply chain remained strong, and donated to government Covid-19 response programmes.

After the easing of lockdowns and curfews in many countries in the second quarter, almost all business activities have resumed year-on-year growth. In addition, Tencent remained resilient throughout the pandemic and is performing well. Unfortunately, a second Covid-19 wave is impacting some markets in which we operate, however, we remain confident that the plans we have put in place and our firm financial position will ensure that we manage the potential impacts going forward. Longer term, we believe we will benefit from the acceleration of the underlying trends to online platforms which propel the growth of the consumer internet market, and we will ensure our businesses are positioned to emerge well from the crisis.

Preparation of the short-form results announcement

The preparation of the short-form results announcement was supervised by the group's financial director, Basil Sgourdos CA(SA). These results were made public on 23 November 2020.

ADR programme

Bank of New York Mellon maintains a GlobalBuyDIRECT(SM) plan for Naspers Limited. For additional information, please visit Bank of New York Mellon's website at www.globalbuydirect.com or call Shareholder Relations at 1-888-BNY-ADRS or 1-800-345-1612 or write to: Bank of New York Mellon, Shareholder Relations Department - GlobalBuyDIRECT(SM), Church Street Station, PO Box 11258, New York, NY 10286-1258, USA.

Important information

This report contains forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995 concerning our financial condition, results of operations and businesses. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control and all of which are based on our current beliefs and expectations about future events. Forward-looking statements are typically identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "intends", "estimates", "plans", "assumes" or "anticipates", or the negative thereof, or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. These forward-looking statements and other statements contained in this report regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved. Actual events or results may differ materially as a result of risks and uncertainties facing us and our subsidiaries. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. There are a number of factors that could affect our future operations and could cause those results to differ materially from those expressed in the forward-looking statements, including (without limitation): (a) changes to IFRS and associated interpretations, applications and practices as they apply to past, present and future periods; (b) ongoing and future acquisitions, changes to domestic and international business and market conditions such as exchange rate and interest rate movements; (c) changes in domestic and international regulatory and legislative environments; (d) changes to domestic and international operational, social, economic and political conditions; (e) labour disruptions and industrial action; and (f) the effects of both current and future litigation. The forward-looking statements contained in the report speak only as of the date of the report. We are not under any obligation to (and expressly disclaim any such obligation to) revise or update any forward-looking statements to reflect events or circumstances after the date of the report or to reflect the occurrence of unanticipated events. We cannot give any assurance that forward-looking statements will prove correct and investors are cautioned not to place undue reliance on any forward-looking statements.

Further information

This short-form results announcement is the responsibility of the directors and is only a summary of the information in the full condensed consolidated interim report. This short-form results announcement was released on 23 November 2020 and the full condensed consolidated interim financial statements can be found on the company's website, www.naspers.com and can be viewed on the JSE link, <https://senspdf.jse.co.za/documents/2020/JSE/ISSE/NPN/Interims.pdf>. Copies of the full condensed consolidated interim report may also be requested from the company's registered office, at no charge, during office hours. The condensed consolidated interim financial statements for the six months ended 30 September 2020 have

been reviewed by PricewaterhouseCoopers Inc., our independent auditor. Their unqualified report is appended to these condensed consolidated interim financial statements available on www.naspers.com. Any investment decision should be based on the full condensed consolidated interim report published on SENS and the company's website. The information in this short-form results announcement has been extracted from the reviewed information published on SENS, but the short-form results announcement itself was not reviewed.

On behalf of the board

Koos Bekker	Bob van Dijk
Chair	Chief executive

Cape Town
23 November 2020

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Sponsor: Investec Bank Limited

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