

Strong growth from Kagiso Media Limited
Interim results for the six months ended 31 December 2010

Kagiso Media delivered a strong performance for the first six months of the 2011 financial year, even though the operating environment remained challenging with increasing price competition, and additional low yielding advertising inventory released into the market by the TV sector.

Operational review

- Broadcasting's margins decreased marginally to 48,0% primarily due to inventory discounting.
 - Jacaranda increased its share of Gauteng's audiences by 2% and has the province's the highest TSL within the LSM 6-10, 25-49 audience.
- The Information and Other segment delivered a reasonably healthy margin of 34%.
 - LexisNexis had a record December which significantly contributed to the improved margin.
 - Mobil Alliance had a good start to the year with the balance of the SABC World Cup contract to provide PVA's (Public viewing areas) completed in July.
- The operating profit of New Media improved by 62% to R6.8 million.
 - Gloo continued to broaden its client base, leading to strong growth and good margins.
 - MSN is making good progress with its sales ramp-up, breaking even in the first few months of trading.
- The margin of the Content segment showed a vast improvement of 21.7%.
 - Urban Brew Studios came in with a strong performance with revenue increase at 18%.
 - New content opportunities with key channel owners and better deal flow from traditional customers underpinned the growth.

Financial review

- Group revenue for the period under review, grew by 12.4% to R515.3 million
- The operating margin improved to 34.9% (31 December 2009: 33.9%) due to strong revenue growth and effective cost management

- Operating profit climbed 15.6% to R179.9 million
- Cash generated from operating activities rose 4% to R48.3 million
- Headline earnings per share up 31% to 98.8 cents
- Interim dividend increased to 50,0 cents per share

Commenting on the results, Kagiso Media CEO Murphy Morobe, said:

“Once again, Kagiso Media has shown resilience in the less-than-favourable market conditions which which marked the first half of the financial year. All of our operating segments have shown solid growth in revenue, which is particularly pleasing.”

“While we achieved a strong performance all around, LexisNexis which had been under pressure in the previous financial year, staged a strong turnaround in the six months under review. Both Gloop Digital Designs and Urban Brew Studios had very strong performances. Our radio stations continue to show resilience, with Jacaranda 94.2 making impressive gains in the Gauteng market. Kagiso.MSN, our joint venture with Microsoft’s MSN has performed beyond our expectations, and is already breaking even, validating our decision to invest in the portal.”

“Despite often fierce competition in the sectors in which we operate, Kagiso Media has been able to report higher operating margins across all our investment categories.”

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