Sun International

2019

UNAUDITED INTERIM RESULTS ANNOUNCEMENT

for the six-month period ended 30 June 2019

INTRODUCTION

The South African economy continues to underperform, with low GDP growth, high unemployment and an uncertain political landscape. Despite the difficult environment, the group's South African operations achieved 2% growth in income and 4% in adjusted EBITDAR. The margin improvement achieved was through a dedicated focus on efficiencies, cost containment and enhancing the guest experience. We are in the process of reviewing and restructuring our head office, which will result in further efficiencies and cost savings.

Growth in the Latam countries in which we operate have been subdued although GDP growth of around 3% for both Chile and Peru is still anticipated. Income from Latam was up 17% and adjusted EBITDA up by 6%. However, on a comparable basis, income was in line with the prior period and adjusted EBITDA decreased by 7%.

We continue to reduce our debt levels with South African debt down from R9.2 billion at 31 December 2018 to R8.8 billion and our bank debt covenant of debt to adjusted EBITDA down from 3.0 to 2.8 times.

In South Africa, we concluded agreements that will result in an increase in our equity interest in Sibaya and Sun Slots as follows:

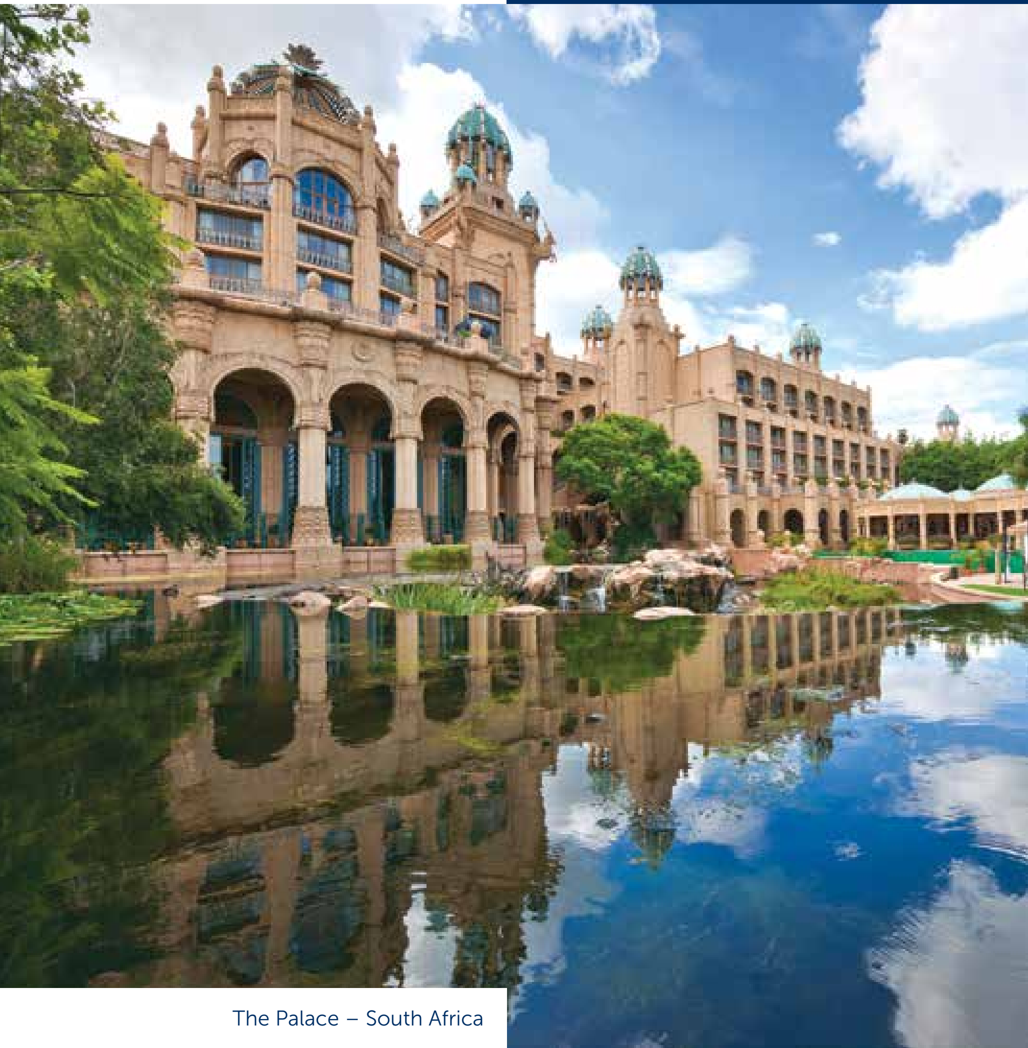
- We will increase our interest in Sibaya to 87.2% by the effective acquisition of a minorities' 22.4% interest. In addition, Sun International will acquire the minorities' 29.9% interest in Afrisun KZN Manco (Pty) Ltd and 3.7% equity interest in National Casino Resort Manco (Pty) Ltd for a total consideration of R540 million; and
- We will increase our interest in Sun Slots by 30% for a consideration of R504 million resulting in Sun Slots becoming a wholly-owned subsidiary.

Both Sibaya and Sun Slots have been trading well with the above transactions being concluded at attractive valuations and at levels where they will be earnings and cash flow enhancing. We completed the restructure of the Carousel at the end of May 2018 and will shortly complete the restructure of the Boardwalk. Our Wild Coast land claim was finally settled and we submitted our bid for renewal of the licence. The Eastern Cape Gambling Board has extended the existing Wild Coast Casino licence for six months to 28 February 2020.

In Latam, we will be disposing of a 14.94% interest in Sun Dreams for $86 million, thereby reducing our equity interest to 50%.

Significant reporting changes

Our results were impacted by the accounting for the disposal of a 14.94% interest in Sun Dreams in terms of IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations, wherein the group's entire investment in Sun Dreams has been treated as a discontinued operation and the adoption of IFRS 16: Leases. A full description of the impact is set out below in the Accounting Statement section on pages 8 to 11.



The Palace – South Africa

FINANCIAL OVERVIEW

for the six-month period ended 30 June 2019

R million	South Africa 2019	%	2018
Income	**5 526**	2	5 405
Adjusted EBITDA (excluding IFRS 16)	**1 426**	3	1 379
Adjusted EBITDA	**1 480**	7	1 379
Depreciation and amortisation	**(580)**	(3)	(565)
Adjusted operating profit	**900**	11	814
Foreign exchange profit	**(2)**	<(100)	5
Net interest	**(458)**	10	(511)
External interest	**(421)**	18	(511)
IFRS 16 interest**	**(37)**	<(100)	–
Profit before tax	**440**	43	308
Tax	**(182)**	(5)	(173)
Profit after tax	**258**	91	135
Minorities	**(152)**	(13)	(134)
Attributable profit	**106**	>100	1
Share of associates	**1**	(67)	3
Adjusted headline earnings	**107**	>100	4

* In the group statement of comprehensive income on page 12, Sun Dreams and Swaziland have been disclosed as discontinued operations in terms of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Sun Dreams is included as part of Latam in the above table.

** As a result of IFRS 16: Leases, being adopted.

To enable a more meaningful financial overview we have set out above the statement of comprehensive income for South Africa, Latam, Nigeria and Swaziland and have included adjusted headline earnings adjustments where relevant.

South Africa

Income from the South African operations was up 2% from the prior period to R5.5 billion with adjusted EBITDAR up 4% to R1.5 billion reflecting a EBITDAR margin of 27%. Given the difficult trading environment, management continues its focus on maximising efficiencies and reducing costs with this effort reflected in the improved margin. The current period also had the full impact of the 1% increase in the VAT rate, which was increased in April 2018.

Time Square, Sibaya and Sun Slots performed well with income increasing by 15%, 6% and 13% respectively. SunBet improved significantly with income up 146% and EBITDAR at R20 million from R2 million in the prior period. Disappointingly, Sun City (6%), Wild Coast (9%), Windmill (9%) and the Maslow (9%) experienced declining income.

Excluding the depreciation of R29 million relating to the right of use assets from capitalised leases, depreciation and amortisation was down 2%. Property and equipment rentals for the six-month period 30 June 2019 of R54 million were capitalised in terms of IFRS 16: Leases. Interest charges were down R90 million due primarily to the prior period's rights offer as well as cash flow from operations having reduced debt levels. This was offset in part by an interest charge of R37 million relating to the capitalised leased assets. The net impact of the capitalisation of the leased assets was a charge of R12 million before tax.

Although still high, the effective tax rate reduced from 60% to 46% due to the rights offer proceeds being used to reduce Time Square debt and reduced losses from Time Square where no tax relief is currently being accounted for against the losses.

Latam

Income from the Latam operations was up by 17% from the prior period to R2.8 billion with adjusted EBITDA (excluding IFRS 16 adjustments) up by 1% to R638 million. These results are not directly comparable to the prior period due to the acquisitions of Thunderbird Resorts in Peru in April 2018 and the Park Hyatt Hotel and Casino in Mendoza, Argentina in July 2018.

Latam*			Nigeria and Swaziland			Total		
2019	%	2018	**2019**	%	2018	**2019**	%	2018
2 783	17	2 382	**156**	3	152	**8 465**	7	7 939
638	1	631	**(8)**	(33)	(6)	**2 056**	3	2 004
668	6	631	**(8)**	(33)	(6)	**2 140**	7	2 004
(298)	(25)	(238)	**(16)**	–	(16)	**(894)**	(9)	(819)
370	(6)	393	**(24)**	(9)	(22)	**1 246**	5	1 185
3	(79)	14	**–**	–	–	**1**	(95)	19
(127)	(81)	(70)	**(23)**	(21)	(19)	**(608)**	(1)	(600)
(117)	(67)	(70)	**(23)**	(21)	(19)	**(561)**	7	(600)
(10)	<(100)	–	**–**	–	–	**(47)**	<(100)	–
246	(27)	337	**(47)**	(15)	(41)	**639**	6	604
(96)	(10)	(87)	**3**	(25)	4	**(275)**	(7)	(256)
150	(40)	250	**(44)**	(19)	(37)	**364**	5	348
(62)	48	(120)	**21**	5	18	**(193)**	18	(236)
88	(32)	130	**(23)**	(35)	(19)	**171**	53	112
–	–	–	**–**	–	–	**1**	(67)	3
88	(32)	130	**(23)**	(21)	(19)	**172**	50	115

On a comparable basis income was in line with the prior period at R2.4 billion and adjusted EBITDA decreased by 7% to R606 million.

Depreciation and amortisation increased by 25%, with R32 million attributable to the capitalisation of leases in terms of IFRS 16: Leases, and R19 million relates to current period depreciation from acquisitions made in the prior period. The net impact of the adoption of IFRS 16: Leases, on profit before tax for our Latam operations was a charge of R12 million. The minorities' share of income was down due to the lower profits and the acquisition of the 10% equity stake of minorities, concluded in June 2018.

The Latam effective tax rate (ETR) was affected by a 13% appreciation of the Chilean inflation index adjustment, compared to the June 2018 period that was impacted by a decrease of 3%. The hyper-inflation adjustment relating to our Argentinian operation, further increased the current period's ETR by 1%.

Nigeria

The Federal Palace continues to under perform, incurring a R3 million adjusted EBITDA loss and an attributable loss to the group of R19 million. We will shortly be appointing an advisor to assist us in disposing of our equity interest in this business.

Headline and adjusted headline earnings adjustments

Overall, group adjusted headline earnings increased from R115 million to R172 million with adjusted diluted headline earnings per share up by 30% to 136 cents.

The group has incurred a number of once-off or unusual items that have been adjusted for in headline and adjusted headline earnings, the most significant of which are described below.

Headline earnings adjustments include the following:

- profit on sale of the Lesotho management contract of R7 million.

Adjusted headline earnings adjustments include the following:

- restructuring and related cost of R12 million relating to the Carousel;
- forward exchange contract profit of R16 million;
- foreign exchange loss on inter-company loans of R5 million;
- amortisation of R54 million of the Sun Dreams intangible asset raised as part of a purchase price allocation adjustment;
- a decrease in the value of the Tsogo Sun put option of R24 million;
- tax on the above items of R11 million; and
- minorities' interest in the above items of R21 million.

CONDENSED INTERIM GROUP FINANCIAL STATEMENTS

for the six-month period ended 30 June 2019

Accounting policies

The condensed group financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for interim financial statements and the requirements of the South African Companies Act, No 71 of 2008, as amended, applicable to summary financial statements. The condensed interim group financial statements were prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and also to, as a minimum, contain the information required by IAS 34: Interim Financial Reporting. The accounting policies applied in the preparation of the group financial statements from which the summary group financial statements have been derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous group financial statements, unless otherwise stated. The unaudited condensed interim group financial statements should be read in conjunction with the audited group financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRS.

Accounting for Sun Dreams

Reference is made to the SENS announcement on 30 April 2019 where shareholders were informed that Sun International would dispose of a 14.94% interest in Sun Dreams to Pacifico Sur Limitada ("Pacifico"), which would result in each party holding a 50% equity interest in Sun Dreams.

As a result, the investment in Sun Dreams has been accounted for in line with the requirements of IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations. In terms of IFRS 5, the group is required to classify its full investment in Sun Dreams as Non-Current Assets Held for Sale even though it will continue to retain a non-controlling interest in this investment after the proposed disposal.

As a result, the assets and liabilities of Sun Dreams will be presented on a single line in the statement of financial position of Sun International at 30 June 2019. The comparative period statement of financial position has not been restated.

As the sale of the Sun Dream's investment represents an entire geographical area and the probability of the sale being concluded in the next 12 months is high, the planned sale meets the requirements set out in IFRS 5 for a Discontinued Operation. As a result of the above, the statement of comprehensive income of Sun International will reflect the results of the Sun Dreams group as a single line profit or loss from discontinued operations. For reporting purposes the statement of comprehensive income for the comparative period was restated.

The equity relating to Sun Dreams on a group consolidation level will remain unchanged.

As soon as the conditions precedent are met and the transaction becomes effective, in terms of IAS 27: Interest in Joint Ventures, the investment in Sun Dreams will be treated as a jointly controlled entity under IAS 31: Separate Financial Statements. The investment in Sun Dreams will subsequently be disclosed on a single line "Investment in Joint Venture" in the statement of financial position and "Profit or loss from Joint Venture" in the statement of comprehensive income.

Hyperinflation

IAS 29: Financial Reporting in Hyperinflationary Economies, has been applied by Nuevo Plaza Hotel Mendoza S.A., a subsidiary of Sun International, whose functional currency is the Argentine peso. The economy of Argentina was assessed to be hyperinflationary, effective 1 July 2018, and hyperinflation accounting has been applied, as if the economy has always been hyperinflationary. The results of this entity have been adjusted in terms of the measuring unit currency at the end of the period. The monetary gains or losses were immaterial for the current period.

Further, the results, financial position and cash flows of the group's subsidiary Nuevo Plaza Hotel Mendoza S.A. have been expressed in terms of the measuring unit currency at the reporting date.

A detailed table of indices is published monthly by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences and the extract below was used in our assessment.

Date	Base year	General Index Price	Inflation rate (%)
30 June 2019	11 July 2018	225 537	22.41

Except as described below, the accounting policies applied in these unaudited condensed interim group financial statements are the same as those applied in the last audited group financial statements for the year ended 31 December 2018.

The changes in accounting policies are also expected to be reflected in the audited group financial statements for the year ended 31 December 2019.

Standards implemented

The group has adopted IFRS 16: Leases, from 1 January 2019.

A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the group's financial statements.

CONDENSED INTERIM GROUP FINANCIAL STATEMENTS continued

for the six-month period ended 30 June 2019

IFRS 16: Leases

Definition of a lease

Previously, the group determined at contract inception whether an arrangement contained a lease under IFRIC 4: Determining Whether an Arrangement contains a Lease. The group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a lessee

The group leases many assets, including properties, gaming equipment and IT equipment.

As a lessee, the group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the group recognises right-of-use assets and lease liabilities for most leases.

However, the group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Post the IFRS 16 implementation, the group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the interest rate implicit in the lease. If the rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is re-measured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the group is reasonably certain to exercise such options, impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the group classified property leases as operating leases under IAS 17. These include property, building and gaming leases. The leases typically run for a period of between 5 to 10 years. Some leases include an option to renew the lease after the end of the non-cancellable period. Some leases provide additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the rate implicit to the lease or the lessee's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 has been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application being 1 January 2019; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with an annual renewal clause;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with an annual lease payment of less than R70,000;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

CONDENSED INTERIM GROUP FINANCIAL STATEMENTS continued

for the six-month period ended 30 June 2019

As a lessor

The group has no investment property and, therefore, does not act as a lessor.

The accounting policies as a lessor are not different from those under IAS 17. However, when the group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The group did apply IFRS 15: Revenue from Contracts with Customers, in the 2018 financial year to allocate consideration in the contract to each lease and non-lease component.

Impacts on transition

On transition to IFRS 16, the group recognised additional right-of-use assets and lease liabilities. The impact on transition is summarised below:

R million	1 January 2019
Lease liabilities	**1 136**
Reversal of straight-line lease accrual	**(237)**
Right-of-use assets presented in property, plant and equipment	**899**
Right-of-use assets presented in investment property	**–**
Deferred tax asset	**4**
When measuring lease liabilities for leases that were classified as operating leases, the group discounted lease payments using the lessee's incremental borrowing rate at 1 January 2019. The weighted average rate applied was between 9% and 10% for the different leases.	
Operating lease commitment at 31 December 2018 as disclosed in the audited group financial statements	**1 397**
Operating lease commitment at 30 June 2019 as disclosed in the unaudited condensed interim group financial statements	**17**

The carrying amounts of right-of-use assets are as below:

	Land and buildings	Equipment	Vehicles	Software	Total
Carry value at 1 January 2019	854	27	3	15	899
Depreciation for the six-month period ended 30 June 2019	(52)	(4)	(1)	(4)	(61)
Carry value at 30 June 2019	**802**	**23**	**2**	**11**	**838**

The carrying amounts and impact on the six-month period ended 30 June 2019 of right-of-use assets are as below:

R million	South African right-of use-asset	Latam right-of use-asset	Group right-of-use-asset
Balance at 1 January 2019	**563**	**336**	**899**
Depreciation for the six-month period ended 30 June 2019	(29)	(32)	(61)
Balance at 30 June 2019	**534**	**304**	**838**

The carrying amounts and impact on the six-month period ended 30 June 2019 of lease liabilities are as below:

R million	South African lease liability	Latam lease liability	Group lease liability
Balance at 1 January 2019	**800**	**336**	**1 136**
Interest expense for the six-month period ended 30 June 2019	37	10	47
Lease payments for the six-month period ended 30 June 2019	(54)	(30)	(84)
Balance at 30 June 2019	**783**	**316**	**1 099**

The group presents lease liabilities in 'loans and borrowings' in the statement of financial position.

Impact for the period ended 30 June 2019

As a result of applying IFRS 16, in relation to the leases that were previously classified as operating leases, the group initially recognised R899 million of right-of-use assets and R1 136 million of lease liabilities as at 1 January 2019. The balance of the right-of-use-asset and lease liability as at 30 June 2019 were R838 million and R1 099 million respectively. The IFRS 16 adjustments impacting the statement of financial position is only representative of our continuing operations, being the South African and Nigerian operations. The IFRS 16 impact on our Latam operations is included in the non-current assets/liabilities held for sale line and is representative of our discontinued operations.

CONDENSED INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six-month period ended 30 June 2019

R million	Unaudited six months ended 30 June 2019	Unaudited six months ended 30 June 2018**
Continuing operations		
Net gaming wins	**4 463**	4 331
Revenue	**1 133**	1 138
Income	**5 596**	5 469
Consumables and services	**(654)**	(702)
Depreciation and amortisation	**(564)**	(577)
Depreciation right-of-use***	**(29)**	–
Employee costs	**(1 231)**	(1 126)
Levies and VAT on casino income	**(1 035)**	(1 000)
LPM site owners' commission	**(179)**	(159)
Promotional and marketing costs	**(259)**	(306)
Property and equipment rentals	**(29)**	(75)
Property costs	**(355)**	(336)
Other operational costs	**(390)**	(402)
Operating profit	**871**	786
Foreign exchange (loss)/profit	**(16)**	21
Interest income	**6**	10
Fair value adjustment to put liability	**24**	54
Foreign exchange contract	**16**	–
Interest expense	**(498)**	(566)
External interest	**(461)**	(566)
IFRS 16 interest***	**(37)**	–
Share of equity accounted profits	**1**	3
Profit before tax	**404**	308
Tax	**(186)**	(183)
Profit for the period from continuing operations*	**218**	125
Profit for the period from discontinued operations*	**111**	210
Profit for the year	**329**	335

* The Sun Dreams financial information is reported in terms of IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations, resulting in the Sun Dreams and Swaziland financial information included in the single line profit from discontinued operations in the statement of comprehensive income.

** The prior period comparable financial information was restated for reporting purposes to align to the current period Sun Dreams disclosure in terms of IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations.

*** IFRS 16 implementation has resulted in rental expenditure reducing by R54 million, depreciation and interest expense increasing by R29 million and R37 million respectively for continuing operations, resulting in a net charge of R12 million to profit before tax.

CONDENSED INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME continued

for the six-month period ended 30 June 2019

R million	Unaudited six months ended 30 June 2019	Unaudited six months ended 30 June 2018**
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Gross profit on cash flow hedges	**4**	19
Currency translation reserve	**(178)**	267
Total comprehensive profit for the period	**155**	621
Profit for the period attributable to:	**329**	335
Minorities	**162**	198
Ordinary shareholders	**167**	137
Total comprehensive profit for the period attributable to:	**155**	621
Minorities	**177**	337
Ordinary shareholders	**(22)**	284
Total comprehensive (loss)/profit attributable to ordinary shareholders arises from:	**(22)**	284
Continuing operations*	**(94)**	(106)
Discontinued operations*	**72**	390

* The Sun Dreams financial information is reported in terms of IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations, resulting in the Sun Dreams financial information included in the single line profit from discontinued operations.

** The prior period comparable financial information was restated for reporting purposes to align to the current period Sun Dreams disclosure in terms of IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations.

HEADLINE EARNINGS AND ADJUSTED HEADLINE EARNINGS RECONCILIATION

for the six-month period ended 30 June 2019

R million	Unaudited six months ended 30 June 2019	Unaudited six months ended 30 June 2018*
Profit attributable to ordinary shareholders	**167**	137
Net profit on disposal of property, plant and equipment	**–**	(15)
Profit on sale of management contract (Lesotho)	**(7)**	–
Tax on the above items	**1**	2
Minorities' interests in the above items	**–**	2
Headline earnings	**161**	126
Straight-line adjustment for rentals	**–**	6
Pre-opening expenses	**–**	3
Restructure and related costs	**12**	8
Amortisation of Sun Dreams intangibles assets raised as part of PPA	**54**	63
Fair value adjustment on put option liabilities	**(24)**	(54)
Foreign exchange loss/(profit) on inter-company loan	**5**	(30)
Sun Dreams acquisition cost	**–**	10
Fair value of foreign exchange contract	**(16)**	–
Other	**13**	22
Tax relief on the above items	**(12)**	(7)
Minorities' interest in the above items	**(21)**	(32)
Adjusted headline earnings	**172**	115

R million	Unaudited six months ended 30 June 2019 Cents per share	Unaudited six months ended 30 June 2018 Cents per share
Earnings per share		
basic	**132**	109
diluted	**132**	133
Diluted adjusted headline earnings per share	**136**	105

* The prior period comparable financial information was restated for reporting purposes to align to the current period's Sun Dreams disclosure in terms of IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations.

CONDENSED INTERIM GROUP STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

R million	Unaudited six months ended 30 June 2019	30 June 2018
ASSETS		
Non-current assets		
Property, plant and equipment	**11 310**	18 588
Intangible assets	**665**	2 824
Equity accounted investments	**27**	21
Loans and receivables	**110**	55
Pension fund asset	**33**	33
Deferred tax	**88**	814
	12 233	22 335
Current assets		
Accounts receivable and other	**934**	1 555
Shareholder loans	**–**	943
Cash and cash equivalents	**429**	862
	1 363	3 360
Non-current assets held for sale*	**11 039**	108
Total assets	**24 635**	25 803
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shareholders' equity before put option reserve	**3 727**	3 907
Put option reserve	**(1 286)**	(1 286)
Ordinary shareholders' equity	**2 441**	2 621
Minorities' interest	**1 801**	2 486
	4 242	5 107
Non-current liabilities		
Deferred tax	**11**	878
Borrowings	**7 700**	10 814
External borrowings	**6 996**	10 814
IFRS 16 lease liabilities**	**704**	–
Other non-current liabilities	**825**	1 054
Put option liability	**1 307**	1 251
	9 843	13 997
Current liabilities		
Accounts payable and other	**2 085**	2 314
Borrowings	**3 218**	4 249
External borrowings	**3 138**	4 249
IFRS 16 lease liabilities**	**80**	–
	5 303	6 563
Non-current liabilities held for sale*	**5 247**	136
Total liabilities	**20 393**	20 696
Total equity and liabilities	**24 635**	25 803

* The Sun Dreams financial information is reported in terms of IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations, resulting in the Sun Dreams assets and liabilities being disclosed as non-current assets and liabilities held for sale. The comparative information was not restated.

** As a result of the right-of-use asset and lease liability recognised in terms of IFRS 16: Leases.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

for the six-month period ended 30 June 2019

R million	Share capital and premium	Treasury shares and share options	Foreign currency translation reserve	Share-based payment reserve
Unaudited				
For the six-month period ended 30 June 2019				
Balance at 31 December 2018	**1 893**	**(394)**	**111**	**85**
Total comprehensive income for the period	**–**	**–**	**(193)**	**–**
Decrease in investment in Wild Coast	**–**	**–**	**–**	**–**
Dividends paid to minorities	**–**	**–**	**–**	**–**
Balance at 30 June 2019	**1 893**	**(394)**	**(82)**	**85**
Audited				
For the year ended 31 December 2018				
Balance at 31 December 2017	295	(424)	126	89
IFRS 9 adjustment	–	–	–	–
Restated balance at 1 January 2018	295	(424)	126	89
Total comprehensive income for the period	–	–	119	–
Treasury share options purchased	–	(7)	–	–
Reclassification of share options	–	37	–	(38)
Employee share schemes	–	–	–	34
Rights issue	1 598	–	–	–
Acquisition of minorities' interest	–	–	(134)	–
Capitalisation of loan to minorities' interest	–	–	–	–
Dividends paid to minorities	–	–	–	–
Balance at 31 December 2018	1 893	(394)	111	85
Unaudited				
FOR THE SIX MONTHS ENDED 30 JUNE 2018				
Balance at 31 December 2017	295	424	126	89
Total comprehensive income for the period	–	–	128	–
Rights issue	1 599	–	–	–
Realisation of Sun Dreams option	–	–	(108)	–
Acquisition of minorities' interest in Sibaya	–	–	–	–
Acquisition of minorities' interest in Sun Dreams	–	–	–	–
Increase in investment in Sun Dreams	–	–	–	–
Dividends paid to minorities	–	–	–	–
Balance at 30 June 2018	1 894	(424)	146	89

Reserve for non-controlling interests	Hedging and other reserve	Retained earnings	Ordinary shareholders' equity before put option reserve	Put option reserve	Ordinary shareholders' equity	Minorities' interest	Total equity
(2 503)	**17**	**4 555**	**3 764**	**(1 286)**	**2 478**	**1 808**	**4 286**
–	**4**	**167**	**(22)**	**–**	**(22)**	**177**	**155**
(12)	**–**	**–**	**(12)**	**–**	**(12)**	**23**	**11**
–	**–**	**–**	**–**	**–**	**–**	**(210)**	**(210)**
(2 515)	**21**	**4 722**	**3 730**	**(1 286)**	**2 444**	**1 798**	**4 242**
(2 386)	5	4 353	2 058	(4 651)	(2 593)	2 899	306
–	–	25	25	–	25	–	25
(2 386)	5	4 378	2 083	(4 651)	(2 568)	2 899	331
–	12	(7)	124	–	124	434	558
–	–	–	(7)	–	(7)	–	(7)
–	–	1	–	–	–	–	–
–	–	–	34	–	34	–	34
–	–	–	1 598	–	1 598	–	1 598
(117)	–	183	(68)	3 365	3 297	(575)	2 722
–	–	–	–	–	–	(533)	(533)
–	–	–	–	–	–	(417)	(417)
(2 503)	17	4 555	3 764	(1 286)	2 478	1 808	4 286
(2 386)	5	4 353	2 058	(4 651)	(2 593)	2 899	306
–	19	137	284	–	284	337	621
–	–	–	1 599	–	1 599	–	1 599
–	–	277	169	3 365	3 534	–	3 534
(16)	–	–	(16)	–	(16)	(2)	(18)
618	–	–	618	–	618	(618)	–
(805)			(805)		(805)		(805)
–	–	–	–	–	–	(130)	(130)
(2 589)	24	4 767	3 907	(1 286)	2 621	2 486	5 107

CONDENSED INTERIM GROUP STATEMENT OF CASH FLOW

for the six-month period ended 30 June 2019

R million	Unaudited six months ended 30 June 2019	Unaudited six months ended 30 June 2018
Cash generated by operations:	**2 539**	1 953
Vacation Club timeshare sales	**55**	74
Cash generated by operations	**2 594**	2 027
Tax paid	**(282)**	(407)
Cash generated by operating activities	**2 312**	1 620
Purchase of property, plant and equipment	**(506)**	(485)
Purchase of intangible assets	**(21)**	(34)
Purchase of subsidiary – Mendoza contingency payment	**(42)**	–
Acquisition of Thunderbird Resorts	**–**	(321)
Acquisition of minorities' interest in Sibaya	**–**	(17)
Acquisition of minorities' interest in Sun Dreams	**–**	(662)
Advance payment of Mendoza	**–**	(27)
Proceeds on disposal of a management contract	**7**	–
Proceeds on disposal of PPE and intangibles	**–**	83
Loan and investment income	**4**	22
Cash flows from investing activities	**(558)**	(1 441)
Purchase of treasury shares	**–**	(7)
Dividends paid	**(210)**	(130)
Interest paid	**(577)**	(626)
Interest on leased assets	**(47)**	–
Repayment of borrowings	**(814)**	(277)
Shareholder loan to Pacifico	**283**	(713)
Rights issue	**–**	1 599
Net cash flows from financing activities	**(1 365)**	(154)
Effect of exchange rates upon cash and cash equivalents	**(4)**	139
Increase in cash and cash equivalents	**385**	164
Cash and cash equivalents at beginning of the period	**980**	709
Decrease in cash and cash equivalents for assets held for sale	**(180)**	(11)
Group cash and cash equivalents at end of the period*	**1 185**	862

* The statement of cash flow is representative of the entire Sun International group and inclusive of discontinued operations, the prior year was not restated.

SUPPLEMENTARY INFORMATION

for the six-month period ended 30 June 2019

R million	Unaudited six months ended 30 June 2019	30 June 2018*
CONTINUING ADJUSTED EBITDA/EBITDAR RECONCILIATION		
Operating profit	**871**	786
Depreciation and amortisation	**593**	577
Net profit on disposal of property, plant and equipment	**(7)**	(15)
Straight-line adjustment for rentals	**–**	7
Restructure cost	**12**	–
Pre-opening expenses	**–**	2
Other	**3**	21
Rental expense	**29**	69
Adjusted EBITDAR**	**1 501**	1 447
Adjusted EBITDAR margin (%)	**27**	27
Reversal of rental expense	**(29)**	(69)
Adjusted EBITDA	**1 472**	1 378
Adjusted EBITDA margin (%)	**26**	25

* The prior period comparable financial information was restated as per required IFRS 5 disclosure. The Sun Dreams operations are disclosed as discontinued operations in line with IFRS 5 requirements in the current reporting period, this requires the comparable period to be restated by excluding the discontinued operations.

** Due to the impact of the implementation of IFRS 16: Leases, EBITDAR (Earnings before interest, tax, depreciation, amortisation and rentals) were included for comparable purposes.

SUPPLEMENTARY INFORMATION continued

for the six-month period ended 30 June 2019

('000)	Unaudited six months ended 30 June 2019	Unaudited six months ended 30 June 2018*
Number of shares for diluted EPS and HEPS calculation		
Weighted average number of shares in issue	**126 152**	102 410
Adjustment for dilutive share awards	**17**	–
Diluted weighted average number of shares in issue	**126 169**	102 410
Earnings per share (cents)		
– basic	**132**	109
– headline	**128**	123
– adjusted headline	**136**	105
– diluted basic	**132**	133
– diluted headline	**128**	123
– diluted adjusted headline	**136**	105
Continuing – earnings/(loss) per share (cents)		
– basic	**75**	9
– headline	**70**	–
– adjusted headline	**48**	(49)
– diluted basic	**75**	11
– diluted headline	**70**	–
– diluted adjusted headline	**48**	(49)
Discontinuing – earnings per share (cents)		
– basic	**57**	100
– headline	**58**	123
– adjusted headline	**88**	154
– diluted basic	**57**	123
– diluted headline	**58**	123
– diluted adjusted headline	**88**	154

* The Sun Dreams operations are disclosed as discontinued operations in line with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, requirements in the current reporting period, the comparable period was restated to demonstrate the same.

R million	Unaudited six months ended 30 June 2019	30 June 2018
TAX RATE RECONCILIATION		
Profit before tax	**404**	308
Share of associates' profits	**(1)**	(3)
Adjusted profit before tax	**403**	305
Effective tax rate	**46**	60
Preference share funding	**(3)**	(4)
Depreciation on non-qualifying buildings	**(2)**	(3)
Other non-deductible expenditure	**(2)**	(7)
Movement in put options	**1**	5
Exempt Income – dividend income	**–**	3
Exempt Income – other (Lessor contribution, Associated income and disposal of income earning structure)	**1**	–
Utilisation of tax losses not previously recognised	**–**	(1)
Tax losses not meeting recognition criteria	**(11)**	(25)
Adjustment for current tax of prior periods	**(2)**	–
South African corporate tax rate	**28**	28
OTHER METRICS		
Adjusted EBITDA to interest (times)*	**3.5**	3.1
Borrowings to adjusted EBITDA (times)*	**2.8**	3.2
Net asset value per share (Rand)	**31.0**	28.6
Capital expenditure (R million)	**527**	519

* Adjusted EBITDA is excluding IFRS 16 and represents South Africa.

Items identified above are included as headline and adjusted headline adjustments impacting operating profit in the segmental analysis.

SEGMENTAL REVIEW

for the six-month period ended 30 June 2019

R million	Income 2019	Income %	Income 2018	Adjusted EBITDAR 2019	Adjusted EBITDAR %	Adjusted EBITDAR 2018
GrandWest	**1 047**	(3)	1 075	**398**	(3)	409
Sun City	**740**	(6)	784	**56**	(36)	88
Sibaya	**667**	6	632	**234**	9	215
Time Square	**671**	15	582	**203**	55	131
Carnival City	**474**	1	469	**119**	(1)	120
Boardwalk	**254**	1	252	**40**	(9)	44
Wild Coast	**225**	(9)	247	**34**	(24)	45
Meropa	**151**	3	146	**47**	9	43
Windmill	**125**	(9)	138	**42**	(14)	49
Flamingo	**76**	(5)	80	**16**	(16)	19
Golden Valley	**81**	(4)	84	**13**	(19)	16
Carousel	**54**	(34)	82	**(13)**	(63)	(8)
The Table Bay	**167**	3	162	**54**	13	48
The Maslow	**62**	(9)	68	**(5)**	<(100)	4
Naledi	**10**	–	10	**(3)**	(50)	(2)
	4 804	–	4 811	**1 235**	1	1 221
Sun Slots	**637**	13	562	**157**	19	132
SunBet	**69**	>100	28	**20**	>100	2
	5 510	2	5 401	**1 412**	4	1 355
Management companies	**272**	3	263	**97**	4	93
Inter-company management fees	**(256)**	1	(259)	**–**	–	–
South African operations	**5 526**	2	5 405	**1 509**	4	1 448

* Depreciation for the six-month period 30 June 2019 is inclusive of additional depreciation resulting from right-of-use assets, in the adoption of IFRS 16: Leases.

Depreciation and amortisation*			Adjusted operating profit		
2019	%	2018	**2019**	%	2018
(73)	(4)	(70)	**323**	(4)	337
(109)	2	(111)	**(57)**	(90)	(30)
(40)	(14)	(35)	**192**	8	178
(131)	(8)	(121)	**70**	>100	9
(34)	28	(47)	**83**	17	71
(37)	(6)	(35)	**2**	(75)	8
(23)	4	(24)	**10**	(50)	20
(11)	–	(11)	**35**	13	31
(11)	(10)	(10)	**29**	(22)	37
(8)	(14)	(7)	**7**	(36)	11
(8)	–	(8)	**4**	(50)	8
(8)	11	(9)	**(21)**	(24)	(17)
(8)	20	(10)	**31**	19	26
(17)	<(100)	(7)	**(22)**	12	(25)
–	100	(1)	**(3)**	–	(3)
(518)	(2)	(506)	**683**	3	661
(38)	19	(47)	**118**	48	80
(1)	–	–	**18**	>100	1
(557)	(1)	(553)	**819**	10	742
(23)	(92)	(12)	**81**	13	72
–	–	–	**–**	–	–
(580)	(2)	(565)	**900**	11	814

SEGMENTAL REVIEW continued

SEGMENTAL INCOME ANALYSIS

for the six-month period ended 30 June 2019

			NET GAMING WINS					
	Net Gaming Wins		Slots		Tables		Alternate Gaming	
R million	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Continuing operations								
GrandWest	**998**	1 030	**838**	864	**160**	166	**–**	–
Sun City*	**241**	249	**195**	197	**46**	52	**–**	–
Sibaya	**627**	589	**472**	442	**155**	147	**–**	–
Time Square	**594**	509	**426**	364	**168**	145	**–**	–
Carnival City	**430**	438	**351**	356	**79**	82	**–**	–
Boardwalk	**210**	211	**186**	184	**24**	27	**–**	–
Wild Coast	**183**	196	**155**	161	**28**	35	**–**	–
Meropa	**134**	129	**117**	114	**17**	15	**–**	–
Windmill	**119**	133	**102**	108	**17**	25	**–**	–
Flamingo	**69**	73	**62**	67	**7**	6	**–**	–
Golden Valley	**72**	76	**68**	73	**4**	3	**–**	–
Carousel	**45**	73	**43**	67	**2**	6	**–**	–
The Table Bay	**–**	–	**–**	–	**–**	–	**–**	–
The Maslow	**–**	–	**–**	–	**–**	–	**–**	–
Naledi	**8**	8	**8**	8	**–**	–	**–**	–
	3 730	3 714	**3 023**	3 005	**707**	709	**–**	–
Sun Slots	**637**	562	**–**	–	**–**	–	**637**	562
SunBet	**69**	28	**–**	–	**–**	–	**69**	28
SunBet Time Square	**2**	2	**–**	–	**–**	–	**2**	2
SunBet Carnival	**2**	1	**–**	–	**–**	–	**2**	1
SunBet	**65**	25	**–**	–	**–**	–	**65**	25
	4 436	4 304	**3 023**	3 005	**707**	709	**706**	590
Management companies	**–**	–	**–**	–	**–**	–	**–**	–
Inter-company management fees	**–**	–	**–**	–	**–**	–	**–**	–
Total South African operations	**4 436**	4 304	**3 023**	3 005	**707**	709	**706**	590
Nigeria operations	**27**	27	**21**	23	**6**	4	**–**	–
Total continuing operations	**4 463**	4 331	**3 044**	3 028	**713**	713	**706**	590

* Sun City, including Vacation Club.

REVENUE FROM CONTRACTS WITH CUSTOMERS									
Total Revenue		Rooms		Food and Beverage		Other		Total Income	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
49	45	**1**	1	**29**	29	**19**	15	**1 047**	1 075
499	535	**217**	241	**158**	173	**124**	121	**740**	784
40	43	**7**	9	**30**	31	**3**	3	**667**	632
77	73	**18**	13	**43**	50	**16**	10	**671**	582
44	31	**7**	1	**28**	20	**9**	10	**474**	469
44	41	**18**	18	**20**	16	**6**	7	**254**	252
42	51	**17**	16	**18**	18	**7**	17	**225**	247
17	17	**5**	5	**12**	11	**–**	1	**151**	146
6	5	**–**	–	**6**	5	**–**	–	**125**	138
7	7	**–**	–	**6**	6	**1**	1	**76**	80
9	8	**3**	2	**5**	5	**1**	1	**81**	84
9	9	**1**	3	**–**	–	**8**	6	**54**	82
167	162	**135**	123	**28**	35	**4**	4	**167**	162
62	68	**37**	41	**24**	26	**1**	1	**62**	68
2	2	**1**	1	**1**	1	**–**	–	**10**	10
1 074	1 097	**467**	474	**408**	426	**199**	197	**4 804**	4 811
–	–	**–**	–	**–**	–	**–**	–	**637**	562
–	–	**–**	–	**–**	–	**–**	–	**69**	28
–	–	**–**	–	**–**	–	**–**	–	**2**	2
–	–	**–**	–	**–**	–	**–**	–	**2**	1
–	–	**–**	–	**–**	–	**–**	–	**65**	25
1 074	1 097	**467**	474	**408**	426	**199**	197	**5 510**	5 401
272	263	**–**	–	**–**	–	**272**	263	**272**	263
(256)	(259)	**–**	–	**–**	–	**(256)**	(259)	**(256)**	(259)
1 090	1 101	**467**	474	**408**	426	**215**	201	**5 526**	5 405
43	37	**22**	21	**21**	16	**–**	–	**70**	64
1 133	1 138	**489**	495	**429**	442	**215**	201	**5 596**	5 469

SEGMENTAL REVIEW continued

for the six-month period ended 30 June 2019

GrandWest's income and adjusted EBITDAR were down 3% to R1.1 billion and R398 million respectively. Although slots handle remained in line with the prior year, the win percentage decreased, resulting in slots gross income decreasing by 3%. Tables performance was impacted by a challenging environment, with a 13% decrease in drop resulting in a 4% decrease in overall tables income.

Sun City experienced difficult trading conditions, with income down by 6%. Trading for the period was volatile with a difficult start to the year following the December hail storm. Trading improved in May and June. However, the outlook remains uncertain. Occupancy for the period was at 61%, down 10% on the prior year with the average room rate down 2%, to R1 807.

Gaming income at R241 million was down 3%. As a result of the difficult trading and the high fixed cost base, adjusted EBITDAR was down by 36% compared to the prior period. We will shortly commence with a comprehensive review of Sun City's operations to achieve operation efficiency and to enhance the guest experience.

Sibaya's income increased by 6% with adjusted EBITDAR up by 9%. The refurbished Prive and food and beverage offering has been well received by guests and a continuing focus on the guest experience as well as tactical marketing interventions have ensured that Sibaya has maintained its market share following the opening of EBTs and the Sun Coast expansion which was completed in August 2018.

Time Square achieved income of R671 million and adjusted EBITDAR of R203 million. Its casino market share for the six-month period 30 June 2019 was at 14.6%,up from 13.5% reported at 31 December 2018. For the second quarter, market share was at 15.2% and the first five weeks post 30 June 2019 market share was at 17.4%. The hotel achieved occupancy of 53% at an average room rate of R1 225. As a result of a focus on costs and efficiency the adjusted EBITDAR margin of 30% improved throughout the period from the 23% achieved in the 2018 comparable period.

Carnival City's income was up by 1% and adjusted EBITDAR was down by 1%. Market share was at 10.5%, down by 0.6% on the prior period. The second quarter, however, has seen Carnival City's market share improve to 11.1%. Although the property continue to experience an increase in footfall, average spend continue to drop. We are currently refurbing the Prive and 15 of the hotel rooms. The Prive launch will coincide with the property's 20-year birthday celebrations.

Boardwalk's income increased by 1% with casino income in line with the prior period and adjusted EBITDAR down by 9% due to the restructure which is awaiting gambling board approval.

The shopping mall development is progressing well and we anticipate that construction will commence in early 2020.

Wild Coast's income decreased by 9% with adjusted EBITDAR down by 24%. The current casino licence expires in August 2019 and we submitted our bid for the casino licence renewal. The Eastern Cape Gambling Board has extended the existing Wild Coast Casino licence for six months to 28 February 2020.

The Table Bay's income was up by 3% with adjusted EBITDAR up by 13%. Occupancy at 70% improved by 3% and the average room rate increased by 5% to R3 227. The property is slowly recovering from the drop in foreign tourists as a result of the water crisis in 2018.

The **small urban casinos**, which include Meropa (Limpopo), Windmill (Free State), Flamingo (Northern Cape) and Golden Valley (Western Cape) collectively showed a decrease in income of 3% and adjusted EBITDAR declined by 1%.

The Carousel which has been severely impacted by Time Square was restructured at the end of May 2019 following receipt of gaming board approval. The restructure has resulted in the closure of the hotel and the tables department, a reduction in slots to 400 and a significant reduction in headcount. We anticipate that the property will generate a positive adjusted EBITDAR in the second half of the year.

Sun Slots continues to trade well with income and adjusted EBITDAR increasing by 13% and 19% respectively.

Management fees and related income of R272 million increased by 3% and adjusted EBITDAR by 4% to R97 million. The group's management company and head office is currently undergoing an optimisation and efficiency review which we expect will be concluded by November 2019.

SEGMENTAL REVIEW continued

for the six-month period ended 30 June 2019

The Latam segment review is set out below:

	Income		
R million	2019	%	2018
Monticello	**977**	2	955
SCJ licences	**826**	(1)	837
Municipal licences	**420**	(1)	424
Sun Chile office	**–**	–	–
Central office	**–**	–	–
Chile operations	**2 223**	–	2 216
Ocean Sun	**54**	(8)	59
Sun Nao	**10**	11	9
Peru, excluding Thunderbird Resorts	**134**	(10)	149
Comparable operations	**2 421**	–	2 433
Thunderbird	**149**	>100	57
Mendoza	**213**	100	–
	2 783	12	2 490
Constant currency adjustment	**–**	100	(108)
Total Latam operations	**2 783**	17	2 382
Average Rand: Clp exchange rate	**47.66**		49.81

* PPA adjustment included in central office.

** Depreciation for the six-month period 30 June 2019 is inclusive of additional depreciation resulting from the adoption of IFRS 16: Leases.

Our **Latam operations** performed below expectation with comparable income in line with the prior period at R2.4 billion and adjusted EBITDA decreasing by 7% to R606 million.

Monticello's income was up by 2% and adjusted EBITDA decreased by 8%. The decrease in adjusted EBITDA was due to increased marketing and promotional activity to attract Chinese customers.

The income from the **SCJ licences** declined by 1%, although adjusted EBITDA remained in line with the prior period.

Iquique, which is located in a copper mining region, was impacted by a stagnant local economy as well as a flood in February, damaging approximately 200 slot machines that were out of service for a prolonged period.

The Peruvian operations' (excluding Thunderbird Resorts) income decreased by 10% while adjusted EBITDA was down 17%. The decline in adjusted EBITDA was due to the lower income and an introduction of a new gaming tax which has resulted in gaming tax increasing by 4.8% on average. The gaming industry has declared this new tax unconstitutional and illegal, and has launched a legal challenge to its imposition. Sun Dreams has made a provision of R13 million relating to this tax. The adoption of IFRS 16: Leases, has resulted in an increase of depreciation of R32 million.

Adjusted EBITDA			Depreciation and amortisation**			Operating profit		
2019	%	2018	**2019**	%	2018	**2019**	%	2018
260	(8)	282	**(89)**	(13)	(79)	**171**	(16)	203
310	–	310	**(21)**	(11)	(19)	**289**	(1)	291
142	(7)	152	**(19)**	–	(19)	**123**	(8)	133
(6)	(100)	–	**(1)**	(100)	–	**(7)**	(100)	–
(113)	(22)	(93)	**(62)**	(9)	(57)	**(175)**	(17)	(150)
593	(9)	651	**(192)**	(10)	(174)	**401**	(16)	477
(2)	82	(11)	**(36)**	8	(39)	**(38)**	24	(50)
–	100	(7)	**(6)**	54	(13)	**(6)**	70	(20)
15	(17)	18	**(51)**	<(100)	(12)	**(36)**	<(100)	6
606	(7)	651	**(285)**	(20)	(238)	**321**	(22)	413
31	>100	8	**(9)**	(13)	(8)	**22**	100	–
31	100	–	**(4)**	(100)	–	**27**	100	–
668	1	659	**(298)**	21	(246)	**370**	(10)	413
–	100	(28)	**–**	(100)	8	**–**	100	(20)
668	6	631	**(298)**	(25)	(238)	**370**	(6)	393

Thunderbird Resorts, which was acquired effective April 2018, generated income of R149 million and adjusted EBITDA of R31 million. The new tax has also impacted EBITDA.

The Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina, acquired in July 2018, generated R213 million in income and R31 million in adjusted EBITDA. Despite the weak Argentinian economy and depreciating currency, the property has benefited from Dollar-based income in the hotel operation.

Panama and Colombia losses have reduced significantly with Paname incurring an EBITDA loss of R2 million and Colombia breaking even. We continue to pursue opportunities to exit Panama. The Colombian operations have been merged with a local operator and we now hold a 50% interest in the operation.

SEGMENTAL REVIEW continued

for the six-month period ended 30 June 2019

	NET GAMING WINS							
	Net Gaming Wins		Slots		Tables		Alternate Gaming	
R million	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Latam operations*								
Monticello	**862**	843	**604**	604	**258**	239	**–**	–
Dreams SCJ licences	**652**	625	**605**	584	**47**	41	**–**	–
Dreams municipal licences	**380**	382	**343**	343	**37**	39	**–**	–
Central office	**–**	–	**–**	–	**–**	–	**–**	–
Chile operations	**1 894**	1 850	**1 552**	1 531	**342**	319	**–**	–
Ocean Sun	**46**	51	**25**	35	**21**	16	**–**	–
Sun Nao	**10**	7	**8**	6	**2**	1	**–**	–
Peru excluding Thunderbird	**134**	149	**91**	88	**43**	61	**–**	–
Latam comparable operations	**2 084**	2 057	**1 676**	1 660	**408**	397	**–**	–
Thunderbird	**146**	53	**107**	38	**39**	15	**–**	–
Mendoza	**120**	–	**105**	–	**15**	–	**–**	–
Constant currency adjustment	**–**	–	**–**	–	**–**	–	**–**	–
Total Latam operations	**2 350**	2 110	**1 888**	1 698	**462**	412	**–**	–

* Sun Dreams operations are included as discontinued operations in terms of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, in the statement of comprehensive income.

REVENUE FROM CONTRACTS WITH CUSTOMERS

	Total Revenue		Rooms		Food and Beverage		Other		Total Income	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	115	112	**9**	13	**105**	99	**1**	–	**977**	955
	172	212	**81**	92	**90**	120	**1**	–	**824**	837
	39	42	**12**	15	**27**	26	**–**	1	**419**	424
	–	–	**–**	–	**–**	–	**–**	–	**–**	–
	326	366	**102**	120	**222**	245	**2**	1	**2 220**	2 216
	7	8	**–**	–	**7**	7	**–**	1	**53**	59
	–	2	**–**	–	**–**	–	**–**	2	**10**	9
	1	–	**–**	–	**–**	–	**1**	–	**135**	149
	334	376	**102**	120	**229**	252	**3**	4	**2 418**	2 433
	6	4	**–**	–	**6**	4	**–**	–	**152**	57
	93	–	**90**	–	**–**	–	**3**	–	**213**	–
	–	(108)	**–**	–	**–**	–	**–**	(108)	**–**	(108)
	433	272	**192**	120	**235**	256	**6**	(104)	**2 783**	2 382

BORROWINGS BY SUBSIDIARY

for the six-month period ended 30 June 2019

R million	Debt	IFRS 16: Lease liability	Total debt	Minority share	Sun share
South Africa	**8 824**	783	**9 607**	1 518	**8 089**
SunWest	**488**	10	**498**	175	**323**
SunWest – V&A loan	**203**	–	**203**	71	**132**
Carnival City	**588**	5	**593**	32	**561**
Sibaya	**272**	3	**275**	91	**184**
Boardwalk	**509**	5	**514**	76	**438**
Wild Coast	**193**	47	**240**	120	**120**
The Maslow	**32**	472	**504**	151	**353**
Meropa	**64**	2	**66**	19	**47**
Flamingo	**72**	1	**73**	18	**55**
Windmill	**77**	1	**78**	21	**57**
Golden Valley	**(14)**	2	**(12)**	(4)	**(8)**
Sun Slots	**26**	41	**67**	20	**47**
Time Square	**5 100**	6	**5 106**	728	**4 378**
Management and corporate	**1 214**	188	**1 402**	–	**1 402**
Nigeria	**605**	–	**605**	306	**299**
Shareholder loans	**932**	–	**932**	472	**460**
Sun International inter-company debt	**(327)**	–	**(327)**	(166)	**(161)**
Latam	**705**	–	**705**	–	**705**
Sun Chile	**705**	–	**705**	–	**705**
Total continuing operations debt as at 30 June 2019	**10 134**	783	**10 917**	1 824	**9 093**
Sun Dreams	**3 733**	316	**4 049**	1 442	**2 607**
Total group debt as at 30 June 2019	**13 867**	1 099	**14 966**	3 266	**11 700**
Total group debt as at 31 December 2018	**14 666**	–	**14 666**	3 076	**11 590**

	South Africa		Chile – Sun Dreams	
R million	Covenant	Actual	Covenant	Actual
Debt to EBITDA (excluding IFRS 16)	3.25x	**2.8x**	4.5x	**2.9x**
Interest cover	3.0x	**3.5x**		

Borrowings

Sun International's borrowings (excluding IFRS 16 adjustments relating to the capitalisation of lease hold liabilities) as at 30 June 2019 were R13.9 billion, decreasing from R14.7 billion as at December 2018. South African debt reduced from R9.2 billion as at 31 December 2018 to R8.8 billion due to strong cash generation.

The Sun Dreams debt which is included in discontinued operations reduced by R370 million.

The group's statement of financial position remains resilient and the operations continue to generate strong cash flows. The group continues to trade within its debt covenant levels. The group has unutilised borrowing facilities of R1.3 billion and available cash balances of R429 million from continuing operations.

CAPITAL EXPENDITURE

for the six-month period ended 30 June 2019

R million	H1 six months Actual	H2 six months Forecast	December 12 months Forecast
South African operations			
Refurbishment and ongoing			
Sun City	**55**	148	203
GrandWest	**77**	50	127
Sibaya	**24**	66	90
Sun Slots	**48**	74	122
Other	**88**	156	244
Total South African ongoing capital expenditure	**292**	494	786
Latam operations			
Expansionary	**39**	67	106
Refurbishment and ongoing	**194**	220	414
Total Latam capital expenditure	**233**	287	520
Nigeria operations			
Refurbishment and ongoing	**2**	8	10
Total Nigeria capital expenditure	**2**	8	10
Total group capital expansion	**527**	789	1 316

ACQUISITION/DISPOSAL OF INTEREST IN SUBSIDIARIES

South Africa

Reference is made to the SENS announcements on 29 July 2019 and 30 August 2019 whereby shareholders were informed that Sun International will:

- Increase its equity interest to 87.2% in Sibaya by the effective acquisition of a minorities' 22.4% interest. In addition, Sun International will acquire the minorities' 29.9% interest in Afrisun KZN Manco (Pty) Ltd and 3.7% equity interest in National Casino Resort Manco (Pty) Ltd for a total consideration of R540 million. The acquisition is still subject to gaming board approval.
- Increase its equity interest in Sun Slots to 100% by way of the effective acquisition of GPI's 30% interest in Sun Slots for an amount of R504 million. The acquisition is still subject to gaming boards and GPI shareholder approvals.

The transactions represents an opportunity for Sun International to increase its shareholding in these assets at attractive historical multiples. Both these transactions have the effect of simplifying Sun International's shareholding in these assets. Furthermore, these transactions will reduce the cash leakage through reducing minority dividends, will be cash accretive and will over time assist to further deleveraging Sun International's debt.

Latam

Reference is made to the SENS announcement on 30 April 2019 where shareholders were informed that Nueva Inversiones Pacifico Sur Limitada which owns 35.06% of the issued share capital of Sun Dreams had made an offer to acquire 14.94% of Sun International's shareholding in Sun Dreams which would result in each party holding a 50% equity interest in Sun Dreams. As a consequence of the disposal, Sun International has an opportunity to realise a portion of its investment in Sun Dreams. The proceeds from the disposal will be used to reduce Sun International's debt in Latam and in South Africa, further strengthening its balance sheet and reducing interest costs.

The disposal aligns the parties' interests in Sun Dreams to pursue growth opportunities as well as launch an Initial Public Offering in Chile. Sun International has negotiated a right of pre-emption over Pacifico's shares in the event that Pacifico decides to exit its interest in Sun Dreams. The transaction is still subject to regulatory approval which is expected in the next few weeks.

In terms of recent announcements regarding the proposed merger between Sun Dreams and certain gaming assets of Clairvest Chile and Inversiones San Andres, which were released on SENS on 24 May 2019 and 27 August 2019 respectively, the JSE has granted Sun International an extension of time until 31 October 2019 in which to post out its circular to shareholders. Further details in this regard will be communicated in due course.

Dividends

Given the need to reduce the debt levels and to fund the Sun Slots and Sibaya acquisitions, the board has decided not to declare and pay a dividend for the interim period ended 30 June 2019.

Update on strategic initiatives

Tourist Company of Nigeria (TCN)

We understand the Deloitte investigation has been completed with the report having been delivered to the Securities Exchange Commission (SEC) of Nigeria. We have received a number of unsolicited offers from third parties expressing an interest to acquire our shareholding and outstanding loan amount in TCN. We will shortly be appointing advisors to commence with a formal disposal process following resolution of the SEC investigation.

Chile municipal licences

With reference to the Chilean municipal licence bids:

- The bid for the Iquique municipal licence was awarded to Sun Dreams for a further period of 15 years. As a result of the municipality annexing a certain portion of the land on which the Iquique project was to be developed, subsequent to Sun Dreams winning the bid, Sun Dreams and the municipality are in discussions on how best to progress with the development. This had the effect of delaying the project, the payment of the higher taxes and the corresponding capital investment required; and
- Sun Dreams has launched a court challenge with regards to the award of the Puerto Varas and Pucon licences to Enjoy. It is the view of Sun Dreams and its legal team that the bids that were awarded did not comply with all of the prescribed legal and technical requirements.

SunWest exclusivity

There has been no further developments regarding the draft legislation to establish three zones for casinos in the Cape Metropole and to allow for the relocation of a casino licence.

We submitted comments on the draft legislation in August 2018.

Smoking legislation

In 2018, the Department of Health published the Draft Control of Tobacco Products and Electronic Delivery Systems Bill 2018 (the Draft Bill) for public comment. The Draft Bill, *inter alia*, proposes prohibiting any person from smoking in an enclosed public place or an enclosed workplace. The operation of casinos falls within the scope of this provision. The effect of the Draft Bill is that casinos may no longer be permitted to designate separate, indoor smoking areas/rooms. We have engaged with the gaming regulators on the matter and the Casino Association of South Africa (CASA) and have made submissions on the Draft Bill.

Gauteng gaming taxes

On 14 January 2019, the MEC responsible for Economic Development, Environment, Agriculture and Rural Development for the Gauteng Province amended Regulation 85 of the Gauteng Gambling Regulations, 1997.

The amendment purported to introduce a new tax regime for casinos in Gauteng. Prior to the amendment, Regulation 85 provided that casino licensees were liable to pay a gaming tax amounting to 9% of each licensee's gross weekly gambling income. In terms of the amendment, gaming taxes were to be determined with reference to a sliding scale of gross gaming income. The taxes were due to be implemented with effect from 1 April 2019.

CASA, on behalf of its members, vigorously opposed the implementation of the amendment resulting in the MEC's office agreeing to withdraw the implementation of the amendment and recommence the process, including conducting an updated assessment to determine the effect such a proposed tax would have on the Gauteng casino industry.

South African national gaming tax

It was announced in the 2019 budget speech presented by the Minister of Finance that draft legislation introducing a gambling tax in the form of a 1% gaming income levy would be published for public comment. This tax had previously been proposed and we will comment on the draft legislation when published.

Peru gaming taxes

In terms of a decree published in September 2018, from 1 January 2019, casinos will have to pay a monthly consumption tax levied against its machine and gaming table they offer on premises. The specific amounts will vary according to the level of gaming income reported by each machine or table. This represents an estimated additional tax of 4.8% to the current 12% tax on gross gaming income. The gaming industry has declared this decree unconstitutional and illegal, and has launched a legal challenge against the same.

Additional casino licence

In 2015, the Minister of Trade and Industry published a notice increasing the number of casino licences in South Africa from 40 to 41. The Casino Association of South Africa (CASA) opposed the Minister's actions on the grounds that the Minister failed to comply with the prescripts of the National Gambling Act, 2004. CASA failed in its attempts to overturn the Minister's decision in the North Gauteng High Court. A further appeal to the Supreme Court of Appeal was also unsuccessful. CASA is awaiting counsel's opinion on its prospects of success should the matter be taken on appeal to the Constitutional Court.

Outlook

With the uncertain international environment and local economy under pressure combined with weak local business confidence, we do not anticipate an improvement in trading conditions in the short term. Notwithstanding the subdued trading conditions, management will continue to focus on its key strategic objectives and optimising the business. We will place emphasis on improving our operations and guest experience and will continue to take the necessary action on loss-making entities. Time Square is expected to gain further market share and grow income and adjusted EBITDA and we will focus on growing our alternate gaming business.

Sun Dreams management is focusing on improving the performance in the second half of 2019 and will leverage off Chile and Peru's positive GDP forecast growth. We continue working on the IPO of Sun Dreams in Chile, exploring further growth opportunities in Latam, including in the online space, where a number of countries are going through the process of regulating this industry.

Approval of the interim group financial results

The unaudited interim group financial results were prepared under the supervision of the Chief Financial Officer, N Basthdaw: BCompt (Hons), CTA, CA(SA), MCom, HDip Company Law and approved by the board of directors on 30 August 2019.

For and on behalf of the board

JA Mabuza	**AM Leeming**	**N Basthdaw**
Chairman	Chief Executive	Chief Financial Officer

Registered office

6 Sandown Valley Crescent, Sandown,
Sandton 2196

Sponsor

Investec Bank Limited

Transfer secretaries

Computershare Investor Services (Pty) Ltd,
1st Floor, Rosebank Towers,
15 Biermann Avenue,
Rosebank, 2196

Directors

JA Mabuza (Chairman), PL Campher (Lead Independent Director), AM Leeming (Chief Executive)*, PD Bacon (British), N Basthdaw (Chief Financial Officer)*, EAMMG Cibie (Chilean), GW Dempster, Dr NN Gwagwa, CM Henry, VP Khanyile, BLM Makgabo-Fiskerstrand, S Sithole, ZP Zatu

* Executive

Group company secretary

AG Johnston

30 August 2019