MAIN SUN INTERNATIONAL RECORDS STRONG CONTRIBUTIONS TO REVENUE FROM NEW BUSINESSES IN VERY CHALLENGING ECONOMIC ENVIRONMENT

Revenue +10.3% to R5.8 billion

EBITDA -0.8% to R1.6 billion

Diluted Adjusted HEPS -19.0% to 332 cents

Interim gross cash dividend of 90 cents per share

Leading gaming and hospitality company Sun International today announced an increase in revenue of 10.3% to R5.8-billion at the half year. Revenue was boosted by insourced food and beverage revenue and new properties opened in the prior year, while comparable revenue excluding these new businesses increased by 4.6%. Monticello grew its revenues by 16.4% when translated into Rands, offsetting negligible growth in South Africa where the core casino revenue was up by only 0.6% due to the weak economic environment.

The board has declared a gross interim dividend of 90 cents (2014: 110 cents) per share. In considering the dividend, the board has taken into account the funding requirement of the projects under development as well as the prevailing economic environment.

Key achievements for the six months include:

- Finalising the merger of the group's Latin American interests with Dreams (now subject only to final gaming board approvals, anticipated Q1 2016)
- Making significant progress with the construction of its new casino entertainment complex at Menlyn Maine which will open during 2017
- Exercising its option to acquire a further 25% interest in GPI Slots (now subject only to gaming board approvals, anticipated Q1 2016)
- Progressing well through year 3 of the 5 year Sun City renovation plan
- Completing the insourcing of food and beverage operations
- Completing the implementation of the IFS Enterprise Resource Planning system and
- Making good progress with its International VIP gaming business

Sun International CE Graeme Stephens said that ongoing strategic changes in the group made comparisons to prior periods difficult. Key features of the past six months were the strong contributions to revenue from new businesses, in particular the insourcing of food and beverage in South Africa and the new properties in Panama and Colombia. These new businesses are yet to contribute meaningfully to EBITDA, hence the high growth in group revenue without a corresponding increase in profitability.

At a HEPS level, start-up losses, interest charges and the associated depreciation charges have had a negative impact on earnings. The core South African operations of the group still contribute 80% of revenue and the prevailing economic conditions in the country had resulted in extremely low casino revenue growth (0.6%), which is well below the level of cost escalation. This had been partially offset by the continued growth of Monticello in Chile, where the positive earnings growth was also amplified by the strengthening of the Peso against the Rand.

Another major strategic initiative over the past year has been the potential acquisition of the Peermont Group, which was prohibited by the Competitions Commission in December 2015. Given that the Competition Tribunal hearing dates have been set down for after the transaction deadline of 31 March 2016, the transaction cannot be concluded in time and it is anticipated that the transaction will simply terminate on 31 March 2016. With the termination of the transaction the Menlyn Maine note will come into effect in recognition of Peermont having lifted its objection to the relocation of Sun International's Morula casino licence to Menlyn Maine. Discussions are underway to cash settle the note for R675 million on 30 April 2016. This amount has been provided for through the statement of comprehensive income in the period under review. With the anticipated termination of the Peermont acquisition there is no longer any need for the potential rights offer that was announced in 2015.

Insourcing of the food and beverage operations has resulted in food and beverage now contributing more revenue to the group than hotel rooms. Latam's share of group revenue increased with the strong growth in Monticello's revenue and a full period of trading at the Ocean Sun Casino in Panama and the Sun Nao Casino in Colombia. Latam will continue to grow relative to the rest of the business and post the merger with Dreams is anticipated to contribute around 30% to 35% of group revenue.

EBITDA for the period was down marginally (0.8%) at R1.6 billion. As a result of the disappointing South African casino revenue growth and the addition of the new, low margin food and beverage business, the overall group EBITDA margin declined 3.0% to 27.4%.

Depreciation and amortisation was up 9.7% (2% on a comparable basis) primarily due to the inclusion of a full period of depreciation from Sun Nao Casino and the Ocean Sun Casino.

Net interest paid of R329 million was 19% higher than last year. The increase on last year is due to expensing interest on the Sun Nao Casino (Colombia) and the Ocean Sun Casino (Panama) developments, the converting of the group's US dollar denominated loans used for funding the newer Latam operations into Rands which attracts a higher interest rate, interest on the loans used to acquire the 25.1% interest in GPI Slots and generally higher interest rates. Although it comes at a higher interest cost, the conversion of the group's debt from US dollars to Rands was implemented prior to the recent significant devaluation of the rand and has saved a significant amount for the company.

Associates profits include the group's 25.1% interest in GPI Slots (from 1 January 2015), and the group's remaining interests in the African properties. Once the acquisition of the additional 25% interest in GPI Slots has been approved by the remaining gaming boards this investment will be consolidated.

With the lower EBITDA and higher depreciation and interest charges, adjusted headline earnings of R346 million and diluted adjusted headline earnings per share of 332 cents were 19% below last year.

Significant adjusted headline earnings adjustments include not only the Menlyn Maine settlements of R747 million in relation to objections raised by Goldrush and Peermont but also an earn out payment of R195 million due to the minority shareholders of Monticello bought out by the group last year, as a result of Monticello's strong performance and the property achieving the earnings targets set out in the transactional agreements. Although this payment is effectively an increase in the purchase price for the minorities interests, in terms of IFRS 3 it is treated as an expense in the statement of comprehensive income.

The effective tax rate, excluding non-deductible preference share dividends, the Menlyn Maine settlements, withholding taxes and CGT, on South African income was 32% (2014: 31%). The Latam operations effective tax rate excluding the Monticello earn out was 25%.

Said Stephens: "*The challenges facing the global economy and the uncertainty regarding the Chinese economy continue to have a major impact on emerging market commodity-based countries such as South Africa and Chile. The South African economy is not only dealing with the global challenges but is being further impacted by the uncertain political and social challenges facing the country. Against this background, in particular a loss of business and consumer confidence, we expect subdued trading in the group's core South African casino business. In contrast, we expect the hotel side to continue to do well given the weak currency and the changes being made to visa requirements for foreign travellers*.

"*The short term outlook for Chile remains for lower growth than in recent years although the gaming industry continues to grow and consequently we expect Monticello to achieve reasonable results. The acquisition of the second tranche of 25% in GPI Slots will result in GPI Slots being consolidated and consequently revenue and EBITDA will increase. With steps being taken to restructure Panama and to grow the international VIP business we anticipate an improved performance in the second half of the year*.

"*We anticipate that the Dreams merger will be completed by the end of the 2016 financial year which will have a significant impact on the group's reported results. As it is largely a merger of equals with Sun*

International only buying up an additional 5% we do not expect a significant impact on adjusted headline earnings in the short term. It does however diversify the earnings base of the group and brings a number of expansion opportunities which will be considered in due course.

"*Through the improved performance of the new properties, new lines of business, insourcing of food and beverage and a continued focus on cost savings and efficiencies we anticipate growth in both revenue and EBITDA in the second half of the financial year*.

"*With respect to the dividend, the funding of projects underway always anticipated the simultaneous payment of dividends and the long term forecasts for the business and its debt levels indicate that dividends can still be comfortably paid. The economic environment is of some concern and should it worsen then the board will re-evaluate the payment of future dividends during this period of above-normal capital expenditure*."

Performance of key units

GrandWest revenue was up 2.4% with gaming revenue down 0.1%, partly reflecting a higher base in the prior period as well as a reduction in the play in the Prive. Revenue from the main casino floor was up 5%. Despite the lower gaming revenues and inflationary cost increases, cost saving initiatives contained the decrease in EBITDA (R455 million) to 3%.

Excluding the new VIP business, **Sun City** revenues were 7.5% up at R766 million, driven by a 40% increase in food and beverage revenue. Casino and rooms revenue were down 1.9% and 1.8% respectively. The decrease in casino revenue is primarily attributed to a lower hold on both tables and slots. Rooms revenue from the local South African market was marginally down on last year and although international rooms revenue was up, the growth would have been greater were it not for the visa restrictions which have curtailed international tourism despite the weaker Rand. With the revenue growth coming from the low margin food and beverage operations, EBITDA was 20% down on last year at R76 million. The ongoing significant refurbishment of Sun City will continue to cause some disruption to business, in particular during calendar 2016 as the Entertainment & Conference Centre undergoes its makeover. Contingency plans are in place to reduce the disruption to a minimum.

For the period under review we achieved R70 million in sales (revenue recognised over 10 years) of Vacation Club phase 1 units at a selling cost of R21.7 million. The unsold inventory is rented out achieving revenues of R29.7 million for the period. The timeshare is proving to be exceptionally popular with occupancy of 79% for the period and is becoming a key driver of results at Sun City.

Sibaya revenue at R602 million was 6.4% above last year but with casino revenue only up by 2.6%. EBITDA declined by 1% to R204 million as a result of the low casino revenue growth and property maintenance costs. Plans are being finalised to upgrade and add new features to the property in order to ensure that it remains relevant to its market.

Carnival City revenue was 2.6% ahead of last year at R561 million while gaming revenue declined by 1.0%, with slots revenue down 5.8% and tables up 26.4% on last year as a result of a refresh of the tables offering. Casino revenue in the last quarter was up 4% which is encouraging. EBITDA was 8.9% lower than prior year mainly due to the lower slot's revenue and cost pressures. A number of initiatives have been launched to refresh the property and increase footfall.

Boardwalk revenue of R308 million was 9.2% up on last year with the increase being achieved in food and beverage, rooms and conferencing, offsetting a significant decline of 4.2% in casino revenue. Casino revenue was impacted by the weak local economic environment and in particular by a new Electronic Bingo Terminal (EBT) operation opening and another one being expanded within the Boardwalk's catchment area. The low casino revenue growth and cost pressures resulted in EBITDA declining 23% to R66 million. Despite the obvious significant negative impact of EBTs, the Provincial regulator, notwithstanding our objections, intends allowing additional EBT outlets in the Boardwalk's catchment area.

The Table Bay Hotel achieved revenue growth of 20.2% to R144 million. The hotel benefited from the weak Rand and traditional source markets but there is still room for improvement from emerging source markets if the visa restrictions are eased. Occupancy increased 6.1% to 68.8% and the average daily rate was up 11%. EBITDA increased by 26.7% to R38 million and the EBITDA margin improved 1.4% to 26.6%.

The Maslow occupancy increased 6.5% to 67.9% and the room rate increased 5.3% to R1 154. Despite a reasonable and improving operational performance the property does not yet cover its straight line lease commitment.

The Federal Palace revenue was up 4.2% to N1 611 million (R114 million) on last year. There are various challenges currently facing the Nigerian economy such as the low oil price, Boko Haram and a weakening Naira and it has still not recovered from the significant impact that the Ebola epidemic had on the business last year. Occupancy at 47.1% was 1.4% below last year with the average room rate at N37 116 (R2 789) up 11.7%. Through a continued focus on costs EBITDA was 10.4% up on last year. We continue to face challenges in operating in Nigeria.

Monticello revenue was up 8% in local currency to Clp 45.4 billion (up 16% in Rand) with casino revenue up 6.3% to Clp 40 billion (R803 million). The property has now fully recovered from the impact of the 2013 smoking ban. EBITDA was up 27.7% to CLP13.4 billion (R267 million) with the abnormal increase being as a result of the management contract not being renewed this year due to the Dreams merger.

Excluding the impact of the management fees, EBITDA was only up 4.4% with the low increase attributed to higher marketing spend and higher energy costs which in Chile are priced in US Dollars.

Ocean Sun Casino revenue at US$10.5 million compares to revenue of US$3.8 million earned in 3.5 months last year and reflects the ongoing ramp up of the property. The casino has established itself as the top casino in the city. EBITDA for the period was still a loss of US$1.3 million compared to last year's loss of US$1.1 million and steps are being taken to restructure and improve profitability. The volumes on the main gaming floor remain disappointing but the property continues to gain traction in the international VIP market which contributed US$4 million in revenue. We continue to invest heavily in marketing and promotional activities to gain share in the local market as well as to grow the international VIP business. The property is currently overly reliant on VIP business which is volatile and has associated risks such as credit collection.

Sun Nao Casino has traded behind expectation achieving revenue of COP4.3 million (R19 million). The Nao Shopping Centre within which the casino is situated is currently only 75% let and the adjacent Intercontinental Hotel has not been fully completed with only 160 of its intended 284 rooms being available as at 31 December 2015. The EBITDA for the period was a loss of COP2.7 billion (R12 million). In order to improve revenues a VIP programme has been launched targeting customers from neighbouring countries and the USA where there are regular direct flights to Cartagena. Once the mixed use precinct is fully complete (anticipated first half 2016) it will be easier to assess the performance of the property, which was always intended to be a small, low risk entry to establish the potential for larger projects in Colombia.

With effect from 1 December 2014 the group's remaining interests in its **Namibia, Botswana and Lesotho** operations have been accounted for as associates and the Zambian operation as a joint venture. Other than the Royal Livingstone the properties sold to Minor are now trading under the Avani brand. Swaziland continues to be disclosed as a discontinued operation awaiting finalisation of the sale to Minor which is still delayed pending approval by the Swaziland authorities. Discussions are currently under way to dispose of the remaining interests in this portfolio to Minor. The 25.1% interest in GPI Slots has been accounted for as an associate with effect from 1 January 2015, and once the acquisition of the additional 25% interest is approved by the regulators it will be consolidated.

The Royal Livingstone and **Avani Victoria Falls** revenue was down 2% to R123 million. Occupancy for the period was down 4.7% to 45.4%, while the average daily rate was up 9% to R2 126. As a result of the lower revenues EBITDA was down 22% to R32 million.

GPI Slots

The group equity accounted R11 million in earnings from GPI Slots for the period and received R4.2 million in interest on its shareholder loan. The group acquired its 25.1% interest on 1 January 2015 so consequently there are no earnings included in the previous year. Revenue for the period and EBITDA were up 18.4% and 23% respectively with good growth coming from all regions.

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