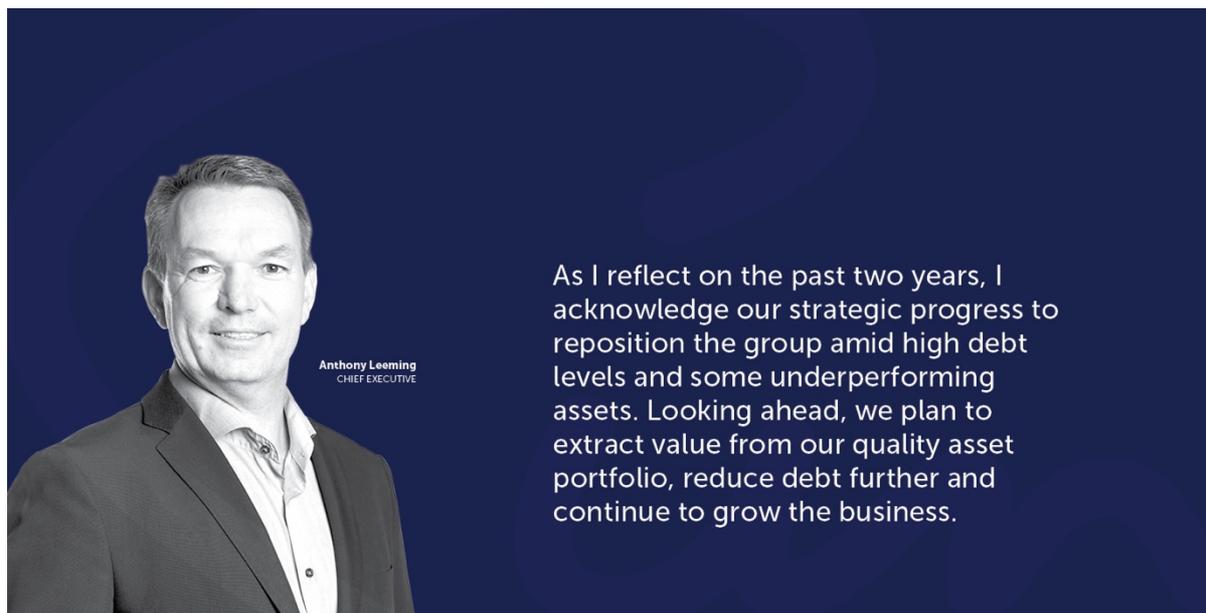


CHIEF EXECUTIVE'S MESSAGE



OVERVIEW

Trading in South Africa remained subdued with continued downward pressure on the consumer due to the economic environment, the 1% VAT increase and a weakening rand. With the shift in strategy to focus on operating as efficiently and optimally as possible and despite the increase in VAT, which cost the group R44 million before tax, comparative adjusted EBITDA was down 1% and revenue up 1% compared to the prior year. In Chile, trading improved in the second half of the year from a disappointing first half to achieve good growth in revenue and adjusted EBITDA.

We addressed the high debt levels in the South African business through a R1.6 billion equity raise in June 2018 and strong cash flow generated from operations. As a result, our South African debt reduced from R11.4 billion at 31 December 2017 to R9.2 billion at 31 December 2018 and our debt:adjusted EBITDA ratio reduced from 3.7 to 3.0. We will continue to focus on reducing debt in South Africa with a target debt:adjusted EBITDA ratio of below 2.5 times.

In Latam, we concluded the acquisition of an additional 10% interest in Sun Dreams during May 2018, at a purchase price of R832 million, increasing our interest to approximately 65%. We further concluded the acquisitions of Thunderbird Resorts in Peru for R317 million (US\$26 million) in April 2018 and the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina for R333 million (US\$25 million) in July 2018. Both these acquisitions were concluded at attractive valuations and will contribute positively to the group's performance. Disappointingly, we only secured one of the five municipal licences, which we bid for in Chile. While our bids all met the minimum criteria, we lost out to a competitor whose economic offer (additional tax) was substantially above ours, and at levels which would not generate satisfactory returns.

We continue to deal with loss-making entities and commenced with the restructure of the Boardwalk and Carousel operations. In Latam we closed the 66th and 65th floors of the Ocean Sun Casino and are now only operating the 2nd floor casino at significantly reduced cost. We are actively looking to dispose of the Ocean Sun property but will continue to operate it until it is sold. We will also be selling all our Colombian operations to another operating company in Colombia and will take a minority stake in the combined operations.

Maslow Time Square achieved pleasing growth, with casino income up 19% in the second half of the year. With the opening of the Maslow hotel in April 2018, Maslow Time Square is now fully operational, and we anticipate that it will continue to gain further market share and achieve strong growth in revenue and adjusted EBITDA.

Our back-to-basics strategy made significant progress. We will continue implementing initiatives to build on group-wide efficiency. The benefits of this strategy are demonstrated in the South Africa operations' results. Key priorities going forward include creating further efficiencies; further reducing debt levels; eliminating losses at certain properties such as The Maslow in Sandton and the Carousel; and safeguarding The Table Bay's lease renewal, which expires in May 2022. The group's strategy remains unchanged, and we made good progress towards achieving the strategic objectives.

Further information is discussed in this review, the [chairman's message](#), the [chief financial officer's message](#) and the group's strategic objectives reviews:

- [improve our existing operations and guest experience](#);
- [protect and leverage our existing asset portfolio](#);
- [grow our business into new areas and products](#);
- [our people](#);
- [governance and sustainability](#).

OPERATIONAL SYNOPSIS

Driving efficiencies

Our vision is to better serve our customers by creating memorable experiences. This will lead to cost savings and preserving our vision of being an internationally recognised and respected gaming and hospitality group. Driving efficiencies and adopting new technologies in a considered framework, while consolidating enhanced productivity and effort, is Sun International's business as usual. Our newly established efficiency initiative team highlighted positives and negatives in the business. We identified improving staff service levels as an important initiative to enhance customer satisfaction levels. In addition to ongoing customer service training, we updated several standard operating procedures; developed online staff training; and will reintroduce our CLEAR^[1] principles for customer service.

¹ CLEAR principles: Choices, listening, expression, accountability and relationships.

We commenced several projects across the group to improve service levels and maintain our position as a choice destination. Service is a key differentiator in an increasingly competitive environment. The shared service rollout continues to improve back-office efficiencies, allowing the units' operational management to focus on delivering excellent customer service. We insourced our creative function, which improved the quality of our marketing content and direct marketing campaigns. Essential accounting system standardisation was achieved during 2018. This improved reporting across our South African operations, enhanced benchmarking against peers, and improved margins. Our workforce management system, Kronos, improved staff scheduling according to business demands and enabled more accurate labour cost measurement. The integration of our micros point-of-sale system with the integrated financial system (IFS) enhanced control and stock management, and the integration of our operational and gaming systems is ongoing. We drive these efficiencies and standardised systems across the business and noted potential cost savings in several areas, however there is still room for improvement.

South Africa

Maslow Time Square

The opening of Maslow Time Square's Hotel was met with excitement and anticipation and was well received by our customers. This marks the end of the R4.4 billion development project that began in 2016 and included the opening of the Maslow Time Square casino in April 2017, followed by the state-of-the-art Sun Arena opening in November 2017. Maslow Time Square has been trading for more than a full year and, although revenue growth is below expectations, it is on a steady growth trajectory. We are confident in Maslow Time Square casino's ability to gain market share (currently 14%) and grow income and EBITDA. We reduced the number of slots from 2 000 to 1 750 and we secured an extension to alcohol trading hours that encouraged footfall. We replaced some of our non-performing food and beverage outlets, which positively impacted profits and margins.

Sun City

Sun City experienced a tough trading year, with income down by 3%. The tables were impacted by a low hold percentage, and slots came under pressure in the local market following the opening of a third EBT outlet in 2017 and a weak local economy. We will review Sun City's operating model, improve margins and explore opportunities to attract new revenue in gaming and hospitality. Opportunities include developing an app to improve direct marketing and promote sales, and focusing on increasing foreign visits and foreign gaming revenue from China and India when government makes the announced changes to visa legislation. Upgrades to the Palace and Cascades rooms are underway and phase two of the Vacation Club refurbishments commences in 2018, with no displacement of business expected. The Vacation Club phase two 10-year ownership cycle ends in 2019 and will result in more inventory available for sale.

The storm at Sun City in December 2018, with the unprecedented volume of water and hail, caused significant damage. The team reacted proactively to prevent any serious injuries and turned the resort around so that the impact on guests was kept to a minimum. Following repairs, there is little visible damage, and we were covered by insurance from a business interruption and property damage perspective.

Sun City experienced community concerns regarding securing local procurement spend to provide socio-economic upliftment. Although we have made significant progress with local procurement spend, we increased our efforts and improved local procurement spend and established local procurement targets. We developed a more inclusive community stakeholder approach that determines the collective economic and social needs of these communities to create shared value.

Other properties

The Boardwalk received partial approval for its restructure application, and we are in the process of engaging with the union and the gaming board to implement the restructure. The shopping mall development is progressing well and we are confident development will commence later this year. The High Court challenge to licensing EBTs in Boardwalk's catchment area, which has breached Boardwalk's exclusivity, has made limited progress due to several delays on the part of the EBT operators and the gambling board.

Wild Coast Sun's licence expires in August 2019 and we have submitted our bid to extend this licence. The Wild Coast Sun's land claim settlement was a significant highlight and we expect the land to be transferred to the local community in the near future.

The Table Bay was impacted by the water crisis early in 2018, which resulted in cancellations and a slowdown in bookings. However, occupancy improved given the indefinite postponement of day zero. The Table Bay's lease renewal proposal was submitted to the Waterfront Company in July 2018, with a decision on the renewal expected during 2019.

Sibaya's income increased by 2% while adjusted EBITDA decreased by 2%. We are concerned about the recent opening of EBT outlets in Sibaya's catchment area. We are challenging the award of these licences on the basis that the correct process was not followed.

The Carousel was severely impacted by Maslow Time Square, resulting in income declining by 34%. We received approval from the North West Gambling Board to restructure the Carousel operations and we have commenced engagement with the union.

SunSlots income and adjusted EBITDA increased by 10% and 15% respectively. Adjusted EBITDA was impacted by the VAT increase. SunBet's new premium international software implemented during 2018 enriched our online sports betting offering, resulting in a significant growth in revenue. The new website design significantly enhanced SunBet's online user experience, increasing its sports content and betting market offering to cover over 100 000 live in-play sports events annually. The new platform effectively positions the group to explore entering new online gaming jurisdictions and products.

The small urban casinos, which include Meropa (Limpopo), Windmill (Free State), Flamingo (Northern Cape) and Golden Valley (Western Cape) collectively grew their income by 1% while maintaining adjusted EBITDA in line with the prior year.

Maintenance

Property maintenance is a key focus, with scheduled maintenance prioritised for the upkeep of all South African properties across our portfolio. We completed a major plant and equipment review to enable better planning and capex budgeting.

Land development opportunities

The group is exploring several land development opportunities across its asset portfolio to unlock value. We have finalised agreements with a consortium of partners to develop the vacant land at Carnival City and will look to dispose of the Carousel unused land which, following the restructure, will no longer be required. We reached an agreement to dispose of Sibaya land for R45 million. Proposals for Swaziland development are under consideration.

Rest of Africa

As indicated previously to shareholders, Sun International is looking to exit its investments in Swaziland and Nigeria. Although third parties have approached Sun International to acquire these two operations, there are certain outstanding regulatory matters and approvals that first need to be resolved before we can pursue these divestments.

Latam

Two strategic acquisitions were concluded in Latam during 2018. The first was the Sun Dreams acquisition of Thunderbird Resorts in Peru for US\$26 million in April 2018, which presents an opportunity for Sun Dreams to strengthen its position in Peru and diversify its asset base in Latam. Secondly, in July 2018 Sun Dreams acquired a 100% interest in the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina for US\$25 million. This acquisition aligns with the board's strategy of asset diversification across Latam and extending the average length of the group's licences. Both acquisitions were concluded at attractive valuations and began contributing positively to the group's performance.

Monticello performed well with income and adjusted EBITDA up 14% and 37% respectively. In Chile, Sun Dreams submitted bids for the two municipal licences it holds, namely Iquique and Puerto Varas, and three additional licences. Following the adjudication by the Superintendent of Casinos, only the Iquique licence was awarded to Sun Dreams for a further 15 years. All the other Sun Dreams' bids met the minimum requirements, but the economic offers submitted by the competitor bidders would not have delivered acceptable rates of return required by the boards of Sun Dreams and Sun International for similar projects of this nature.

Sun International launched a court application objecting to the award of Puerto Varas and Pucon licences on the basis that the competitor's bid did not meet the minimum requirements and the matter is in court. We anticipate that Puerto Varas will continue trading for the 2019 financial year, but the court challenge could delay the licensing process and impact revenue going forward. We are investigating various online sports betting opportunities in South America.

FINANCIAL SYNOPSIS

Our group financial performance was satisfactory considering the tough trading environment, and is detailed in the [chief financial officer's message](#).

REGULATORY OVERVIEW

The group continues to face some regulatory challenges, most notably the proposed smoking legislation. The effect of this legislation is that casinos will no longer be permitted to designate indoor smoking areas, which will impact casino revenues. Management continues to engage with gaming regulators on this matter, and the CASA made submissions on the draft bill. There is concern around changes to gaming taxes and allowing the relocation of licences in the Western Cape. Sun International responded to the Western Cape Government's gazette draft legislation with the view that there is no incremental value for an additional licence as it will result in revenue displacement. We conducted extensive engagement with various stakeholders regarding this issue. Based on stakeholder feedback, there was overwhelming public

support against an additional casino in the Cape Metropole. Management is challenging the proposed legislation that could impact GrandWest's exclusivity in the Western Cape.

PEOPLE OVERVIEW

Our people are important enablers to providing excellent customer service and creating lasting memories for our guests. During 2018, we implemented focused management development through our learning and development initiatives to drive improved customer service. The SunWay culture and employee value proposition were embedded across the business to reinforce a cohesive and ethical culture. We appreciate that our employees also feel the impact of the tough economic climate. To provide support around personal debt and financial management, we partnered with the ASISA Foundation to provide workshops on financial literacy, which were attended by over 1 300 employees. The group is making good progress on most elements of the B-BBEE scorecard. We maintained our Level 1 status in accordance with the Tourism Sector Codes as at 31 July 2018.

Following a constitutional ruling in July 2018, we successfully onboarded about 1 200 temporary employees on 1 October 2018. This increased our headcount by approximately 8%. The onboarding process was managed seamlessly and without any complications. We conducted negotiations with the labour brokers and the trade unions to ensure an amicable resolution regarding employment contracts was reached prior to the onboarding.

SUSTAINABILITY OVERVIEW

Sustainability is a business imperative and our integrated sustainability strategy and commitments ensure Sun International maintains its operational and social licence to operate and safeguards the group's long-term prosperity. The group's sustainability agenda focuses on reducing our environmental footprint, improving the safety and wellbeing of our employees and guests, and contributing to the upliftment of our communities through our SED projects.

During 2018, our sustainability team continued to streamline sustainability functions across all units and established short, medium and long-term sustainability goals aligned with the group's overall business strategy. We made significant progress against this, including achieving the group's first zero-waste-to-landfill certification at Wild Cost Sun and a significant improvement in our lost-time injury frequency rates. The SED team also handed over the digital curriculum programme to the Department of Basic Education. Further detail on our [group sustainability](#) performance is available online.

GOVERNANCE OVERVIEW

Good progress was made in aligning Latam's governance framework. The Latam committees report into the South African board committees, allowing local operations to focus on operational matters while material matters are elevated to the group board. The governance integration between Latam and South Africa is a focus to further improve governance synergies.

The board strengthened its skills, experience, independence and diversity with the four new board member appointments. We restructured our executive management to include the general managers from our five largest South African properties^[2] and general management representation from our remaining seven properties. This resulted in improved buy-in and decision-making, as well as enhanced alignment with the group strategy.

² Big five properties include Carnival City, GrandWest, Sibaya, Sun City and Maslow Time Square.

OUTLOOK

South Africa is in a transitional phase and has repositioned itself to deal with issues of the past. Sun International is confident in the government's ability to take the country forward through its investment strategy and policies, and we support its drive against fraud and corruption. We acknowledge, however, that the country has high debt levels, currency volatility, high unemployment rates, potential sovereign downgrades, and major social and economic inequality. We appreciate that these challenges will take time to fix. We are optimistic about President Cyril Ramaphosa's positive sentiment around the tourism industry's ability to grow significantly and bring about transformation. In this regard, Sun International has an important role to play, and we look forward to helping rebuild and transform South Africa.

Trading in Latam, particularly in Chile, is expected to remain positive with Chile's GDP forecast to grow at a rate of 4% during 2019. We expect our new operations in Peru and Argentina to contribute positively in the first half of 2019. However, interest costs in Latam will increase following these acquisitions and the acquisition of the minority interest in Sun Dreams. We will continue 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.

The proceeds from the rights offer will continue to reduce interest costs in South Africa in the first half of 2019, although the number of shares in issue has increased.

APPRECIATION

In closing, I would like to thank Valli Moosa for his leadership, guidance and the significant contribution he made to the Sun International group over the past 14 years. I look forward to working with the new chairman, Jabu Mabuza, who I know will bring tremendous value to the business. I appreciate the commitment and discipline that my management team and employees demonstrated in this difficult trading environment. I look forward to building the SunWay culture, and I believe that by getting the basics right, we will reshape our business and continue to create lasting memories for our customers and our employees.



Anthony Leeming

Chief executive

29 March 2019