CHIEF FINANCIAL OFFICER'S MESSAGE

OPERATING ENVIRONMENT OVERVIEW

Trading in South Africa remains challenging with continued pressure on consumer disposable income, the VAT increase and a subdued economic climate. 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.

The group's back-to-basics strategy has made significant progress and we continue to implement initiatives that create further group-wide efficiency. South Africa's high debt levels were addressed through a R1.6 billion equity raise in June 2018 and strong cash flow generated from operations. Group borrowings decreased from R15 billion to R14.7 billion at 31 December 2018.

In Latam we acquired an additional 10% interest in Sun Dreams, increasing our interest to approximately 65%. Further, we concluded the acquisitions of Thunderbird Resorts in Peru for R317 million (US$26 million) and the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina for R333 million (US$25 million). Disappointingly, we only secured one of the five municipal licences, which we bid for in Chile.

FINANCIAL REVIEW

Group income increased by 7% to R16.4 billion for the year. South African comparable income was up 1% (excluding Maslow Time Square, Carousel, Fish River and Morula). In Latam, income from continuing operations increased by 6% on a comparable basis, with Monticello income up by 14%. As a result of a decision taken to exit the Sun Nao Casino in Colombia and Ocean Sun Casino in Panama, these operations were accounted for as discontinued for the year.

Group adjusted EBITDA increased by 5% to R4.4 billion and, on a comparative basis, was up 2% to R3.8 billion. The increase in VAT from 14% to 15% negatively impacted adjusted EBITDA by approximately R44 million.

Interest charges were higher due to the completion of the Maslow Time Square hotel (opened April 2018) and the arena (opened November 2017) where interest is no longer capitalised, as well as the acquisition of the 10% shareholding in Sun Dreams and the Latam acquisitions. The interest saved on the debt which was repaid through the proceeds of the R1.6 billion rights offer, partly offset the higher interest charges.

Due to the group's attributable share of the losses from Maslow Time Square increasing from R254 million in the prior year to R310 million, continuing adjusted headline earnings operations decreased from R485 million to R472 million, 3% below the prior year. Adjusted headline earnings per share were up 4% to 316 cents per share.

Due to the continued underperformance of Sun City, which is defined as a cash-generating unit (CGU), an impairment indicator was identified which resulted in an impairment of R306 million.

Headline and adjusted headline earnings adjustments

Headline earnings adjustments include the following:

- profit on disposal of assets of R12 million
- loss on the Colombian assets of R41 million
- impairment charge of R306 million on Sun City
- net impairment of Panama assets of R31 million.

Adjusted headline earnings adjustments include the following:

- reversal of a Colombian onerous lease provision of R31 million
- forward exchange contract losses relating to the Maslow Time Square development of R75 million
- foreign exchange profit on inter-company loans of R44 million
- the straight-lining of the Maslow and head office building lease expense of R13 million
- amortisation of R102 million of the Sun Dreams intangible assets raised as part of a purchase price allocation adjustment
- an increase in the value of the Tsogo Sun put options of R27 million
- tax on the above items of R118 million
- minorities' interest in the above items of R67 million.

Income by nature and geographic segment

South Africa continues to contribute majority of the group's income at 69%, Latam contributing 30% and Nigeria 1%. Gaming is the primary contributor to group income at 73%, alternate gaming contributes 8%, food and beverage 8%, rooms 8% and other income 3%.

Financial summary

R million	Audited year ended 31 December 2018	Change %	Audited year ended 31 December 2017*
Income	16 420	7	15 351
Adjusted EBITDA	4 357	5	4 143
Adjusted operating profit	2 816	4	2 298
Profit before tax	1 632	3	1 584
Profit after tax	967	(2)	989
Adjusted headline earnings	365	20	304
Basic earnings per share (cents)	(6)		(243)
Headling earnings per share (cents)	213		(175)
Diluted earnings per share (cents)	(6)		(243)
Diluted adjustments headline earnings per share (cents)	316		304
Dividends per share	–		–

* The prior year comparative financial information was restated to reflect the discontinued operations of Panama and Colombia as required by IFRS 5: Non-current Assets Held and Discontinued Operations. The group has restated the

prior year's weighted average number of shares to reflect the effect of rights offer as requested by IAS 33: Earnings per Share.

BORROWINGS

In June 2018, Sun International concluded an equity capital raise through a renounceable rights offer (rights offer) when it successfully raised an amount of R1.6 billion. The funds from the rights offer were utilised to settle debt.

Sun International's borrowings as at 31 December 2018 were R14.7 billion, a year-on-year decrease of R15.0 billion. South African debt reduced from R11.4 billion at 31 December 2017 to R9.2 billion due to strong cash flows and the rights offer. Latam debt, however, increased following the raising of a 10-year bond by Sun Dreams due to the funding of the minority interest acquisition.

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 R1.4 billion and available cash balances of R938 million.

Group borrowings (for the year ended 31 December 2018)

R million	Total debt	Minorities	Sun International
South Africa	9 174	1 310	7 864
SunWest	728	256	472
Afrisun Gauteng	608	32	576
Afrisun KZN	276	92	184
Emfuleni	507	76	431
Wild Coast Sun	234	70	164
Meropa	74	21	53
Teemane	73	18	55
Windmill	74	20	54
Golden Valley	(12)	(4)	(8)
Sun Slots	24	7	17
Maslow Time Square	5 070	722	4 348
Management and corporate	1 518	–	1 518
Nigeria	602	305	297
Shareholder loans	927	470	457
Sun International inter-company debt	(325)	(165)	(160)
Latam	4 890	1 461	3 429
Sun Dreams	4 103	1 461	2 642
Sun Chile	787	–	787
31 December 2018	14 666	3 076	11 590
31 December 2017	14 995	2 654	12 341

Debt covenants

	South Africa		Sun Dreams	
	Actual	Covenant	Actual	Covenant
Debt to adjusted EBITDA	3.0	3.5	3.0	4.5
Interest cover	3.2	3.0		

LOOKING AHEAD

We are confident that the positive steps taken by the government to deal with corruption and state-owned entities will positively impact the South African economy. However; we do not anticipate a tangible improvement in the short term. Consequently, we expect continued pressure on disposable income and hence trading to remain subdued.

Maslow Time Square achieved satisfactory 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.

We will continue to focus on improving our operations and guest experience. We are dealing with loss-making entities and in this regard have commenced with the restructure of the Boardwalk and Carousel operations.

Trading in Latam, particularly in Chile, is expected to remain positive with Chile's gross domestic product forecast to grow by 4%. We expect our new operations in Peru and Argentina to contribute positively in the first half of 2019. We will continue exploring growth opportunities in Latam, including in the online space where several countries are going through the process of regulating the industry.

Norman Basthdaw
Chief financial officer
29 March 2019