

PROTECT AND LEVERAGE OUR EXISTING ASSET PORTFOLIO

Our diverse portfolio of assets includes world-class, five-star hotels, modern and well-located casinos, and premier resorts and events facilities. It is essential that we harness the full potential of our portfolio, explore land development opportunities, and review our offerings to identify properties that need reinvestment and upgrading, and those that may no longer be core to our strategy.

HIGHLIGHTS

- Finalised certain land development opportunities
- Finalised Wild Coast Sun's land settlement claim
- Opened the Maslow Time Square Hotel, on time and within budget.

CHALLENGES

- Roll-out of EBTs in our catchment areas continues to impact market share
- Protecting GrandWest's exclusivity
- Awarded one out of five casino licence bids in Latam.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Submitting our bid for the Wild Coast Sun licence renewal.	Submitted our bid for Wild Coast Sun's licence, which expires in August 2019.	Achieved
Commencing development of successful municipal gaming licence bids.	Submitted bids for a further five municipal licences, however, we were only awarded one licence (Iquique).	Limited progress
Restructuring the Carousel and pursuing land development opportunities at Carousel, Carnival City and Sibaya.	Received approval from the North West Gambling Board to restructure the Carousel operations.	In progress
	Looking to dispose of the Carousel unused land.	In progress
	Finalised agreements with a consortium of partners to develop the vacant land at Carnival City.	Achieved
	Concluded the land claim settlement to dispose of Sibaya land for R45 million.	Achieved
Completing the Boardwalk restructure and commencing with construction of the Boardwalk Mall.	Received partial approval for the restructuring application and began the union consultation process regarding affected employees. Commenced with the Boardwalk mall development.	Limited progress
Finalising the North West licence conditions.	Submitted our proposal for renewing licensing conditions.	In progress
Protecting GrandWest's exclusivity.	Conducted extensive stakeholder engagement in support of GrandWest's exclusivity and we are awaiting government's response on the draft bill.	In progress
Opening Maslow Time Square Hotel.	Opened the Maslow Time Square Hotel in March 2018.	Achieved
Managing the water crisis impacting our properties in the Western Cape and Eastern Cape.	Implemented various sustainable solutions to ensure our guests are not negatively impacted.	Achieved
Focusing on scheduled property repairs and maintenance.	Implemented a scheduled maintenance plan that prioritises property upkeep across our operations.	In progress

OVERVIEW

SOUTH AFRICA

Boardwalk's income decreased 4% with casino income down 3% and adjusted EBITDA in line with the prior year. This unit continues to be affected by the roll-out of EBTs. We launched a High Court challenge to the issuing of EBT licences on the basis that granting them breaches the exclusivity that Boardwalk paid for as part of its licensing bid commitments. We received partial approval for our restructure application, which will limit our ability to implement a full restructure. We are in discussion with the gambling board in this regard, and have started engagement with the unions. The shopping mall development is progressing slower than expected.

Carnival City income and adjusted EBITDA decreased 2% and 9% respectively. Although increased footfall continues, the average spend is dropping, reflecting the weak economic conditions. We entered into joint venture agreements with a consortium of construction companies to proceed with land development. The Carnival City Privé and a number of the hotel rooms will be refurbished in 2019.

The Carousel was severely impacted by Maslow Time Square, resulting in income declining 34%. We received approval from the North West Gambling Board to restructure the Carousel operations and consultations with the unions have commenced. We are exploring land development opportunities.

GrandWest's income and adjusted EBITDA increased 3% and 2% respectively. Slots income was up 2% and tables income was up 6%. GrandWest's exclusivity remains under threat, as draft legislation from the Western Cape to establish three zones for casinos in the Cape Metropole and to allow for the relocation of casino licences from the Western Cape to the Cape Metropole was released in February 2018. We submitted comments on the draft legislation and conducted comprehensive stakeholder engagement, which garnered positive support from the public against relocating licences.

Maslow is not trading to expectations, with income and adjusted EBITDA decreasing respectively by 4% and 59%. We focus on improving marketing and sales initiatives, and exploring opportunities to increase conferencing activity, particularly over weekends to increase footfall. Improving efficiencies in the hotel and food and beverage remains a priority to improve customer service levels.

Sibaya's income increased by 2% and adjusted EBITDA decreased by 2%. The Sibaya Privé and food and beverage offerings were refurbished during 2018. The recent opening of two EBT outlets in Sibaya's catchment areas is concerning. We continue to challenge the award of these licences on the basis that the correct process was not followed.

Sun City experienced difficult trading conditions, with income down 3%. Tables was impacted by a lower drop and slots came under pressure in the local market following the opening of a third EBT outlet in the catchment area and a weak economy. We focus on increasing conferencing activity, and marketing and sales initiatives to attract more local and foreign customers to enjoy Sun City's offerings. The rooms at the Cascades and the Palace of the Lost City are undergoing refurbishments, and plans are in place to expand the Vacation Club. In addition, the storm in December 2018 severely impacted Sun City, with the Vacation Club being the hardest hit. Sun City was insured against revenue losses and refurbishment costs.

The Table Bay was impacted by the water crisis in early 2018, which resulted in cancellations and a reduction in bookings. There was a notable improvement in forward bookings due to the indefinite move out of day zero. Room occupancy decreased by 6% to 69% and the average room rate improved by 6% to R3 188.

Maslow Time Square achieved income and adjusted EBITDA of R1.3 billion and R305 million respectively, with market share tracking at 14%. We received encouraging feedback on the Maslow Time Square Hotel, which opened at the end of March 2018. The hotel achieved occupancy of 48% at a room rate of R1 197. We continue to try increase our market share through focused marketing of our arena, hotel and conferencing facilities to drive an increase footfall to the precinct. As part of the group's commitment to the environment, MASlow Time Square's external design blends in with the surrounding green design principles and overall aesthetics of the Menlyn Maine eco-precinct.

Wild Coast Sun's income and adjusted EBITDA increased by 4% and 2% respectively. We submitted our bid for the casino licence renewal. The current casino licence will expire in August 2019. The land settlement claim was finalised in 2018 and the official handover will take place during 2019. Wild Coast Sun leads in the waste management space and recently achieved certification from the South African Green Buildings council as a zero-waste-to-landfill facility.

SunSlots continues to trade well with income and adjusted EBITDA increasing by 10% and 15% respectively.

Sustainable water solutions

Although the water crisis in the Eastern Cape and Western Cape significantly declined, management continues to look at implementing sustainable water solutions to ensure our guests are not negatively impacted should the water crisis escalate.

Maintaining our assets

We are improving the aesthetics of our casinos and hotels through a scheduled maintenance plan that prioritises the upkeep across our operations. Ongoing maintenance assists in driving footfall to our properties and improving customer service and satisfaction levels.

Cyber security

In South Africa, cyber attacks are increasing. Our internal detection processes noted an increase in these attacks. To mitigate this risk, we have a mature cyber practice and we actively engage several external experts to benchmark our ability to manage this risk. We also engage 'certified ethical hackers' who test our systems security biannually. Going forward, we will be scoring our cyber threat response and maturity to ensure best practice and to reduce our cyber insurance premiums.

LATAM

Sun Dreams submitted bids for its two municipal licences in Chile, namely Iquique and Porta Varas. Iquique was awarded a licence for a further 15 years. Although our bids met all the minimum criteria, we lost to a competitor whose economic offer (additional tax) was substantially above ours and at levels which would not generate satisfactory returns for us. Sun International has 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 currently 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.

Monticello benefited from its new arena and a refresh of its restaurant. This helped drive footfall and income, which was up 14% and adjusted EBITDA was up 37%. We only secured one of the five municipal licences we bid for in Chile (Iquique).

The closure of the International VIP Business and the 66th floor of the **Ocean Sun Casino** led to a decrease in income and a significant reduction in costs. We are pursuing opportunities to dispose of the business unit, however, until such time we will continue to operate the casino. Following the closure of the **Sun Nao Casino** in Colombia, we opened a few small low-cost halls using the machines and tables from the Sun Nao Casino. The group will dispose of these operations to another Colombian operator and will take a minority stake in the business. We settled the outstanding rental for the Sun Nao Casino at US\$1.5 million, US\$2.3 million below what we provided for. The Colombian and Panama operations are accounted for as discontinued operations.

The Peruvian operations (excluding Thunderbird Resorts) increased income by 4% and adjusted EBITDA remained in line with prior comparative period. **Thunderbird Resorts**, which acquisition was effective 11 April 2018 generated revenue of R194 million and adjusted EBITDA of R25 million.

The **Park Hyatt Hotel, Casino & Spa** in Mendoza, Argentina became unconditional on 11 July 2018 and has performed ahead of expectations in US dollar terms with a strong performance from the hotel. Its US dollar based income was offset partly by the casino, which was impacted by the weak currency.

LOOKING AHEAD

- ▶ Completing the Boardwalk restructure and commencing with construction of the Boardwalk Mall
- ▶ Restructuring the Carousel
- ▶ Pursuing land development opportunities at certain properties
- ▶ Finalising the North West licence conditions
- ▶ Protecting GrandWest's exclusivity
- ▶ Continuing with maintenance across our properties
- ▶ Managing our Latam operations to ensure they meet expectations
- ▶ Continually monitoring the risk of cyber attacks across the business.