



*Sun* International

**UNAUDITED INTERIM  
RESULTS ANNOUNCEMENT**

for the six-month period ended 30 June 2020

## Introduction

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The Covid-19 pandemic has had a significant impact on the group's results for the six-months ended 30 June 2020 with all the group's operations in lockdown from late March 2020 to 30 June 2020. In the face of pervasive challenges, Sun International has responded proactively to protect its business in the short term and position the group for sustainable recovery post the Covid-19 lockdown over the long term. The group's ongoing efforts to manage costs, implement efficiencies and improve the customer experience were bearing fruit prior to the onset of the Covid-19 pandemic, with the group achieving growth in revenue, adjusted EBITDA and the adjusted EBITDA margin. Debt was well under control with the benefits of deleveraging reflecting strongly in the financial results.

Results for the first two months of the current period showed continued progress on this trajectory. However, all the group's operations in South Africa were in lockdown following the declaration of a National State of Disaster by President Cyril Ramaphosa on 15 March 2020. Under the Disaster Management Act Regulations Alert Level Framework, gaming and leisure hospitality nationally remained under full lockdown until 1 July 2020.

Similar lockdowns were imposed on the group's operations in Latin America and the rest of Africa, which remain closed.

### Covid-19 lockdown response

The group responded quickly to the crisis, taking decisive action to protect balance sheet liquidity and minimise cash outflow. Critical actions taken included:

- pro-actively engaging with lenders in respect of debt service and covenant waivers;
- addressing the short-term liquidity risks, including up to a 60% reduction in payroll costs, deferring all capital investment other than critical spend, reducing operating costs and negotiating with service providers and suppliers for either a waiver, reduction or deferment of payments;
- engaging and communicating with government, regulators, customers, suppliers and staff;
- formulating start-up post lockdown operational plans including detailed safety protocols for staff and customers;
- announcing the closure of both Naledi Sun and Sun Carousel;
- focusing on cost reductions, optimising working capital, prioritising capital investment, formulating plans to achieve operational efficiencies and articulating plans to restructure certain parts of the group's business;
- accelerating the disposal of certain non-core assets; and
- successfully concluded the R1.2 billion rights offer.

These actions enabled the group to significantly reduce costs and, manage cash flow and available facilities. Those costs which could not be entirely eliminated include employee costs, rates and taxes, licence costs, security, certain IT software and services, insurance and water and electricity.



## Introduction continued

The table below summarises the approximate cash and amortised costs incurred for payroll and other expenses (excluding depreciation and amortisation) during March, April, May, June and July 2020:

R million	March 2020	April 2020	May 2020	June 2020	July 2020
<b>SOUTH AFRICA</b>	<b>439</b>	<b>184</b>	<b>131</b>	<b>108</b>	<b>215</b>
Payroll*	190	104	53	40	109
Other	249	80	78	68	106
<b>LATAM</b>	<b>193</b>	<b>82</b>	<b>66</b>	<b>21</b>	<b>92</b>
Payroll	89	32	29	30	34
Other**	104	50	37	(9)	58

\* Payroll costs in May and June 2020 were lower due to the group retaining the Temporary Employment Relief Scheme (TERS) benefit whereas in April 2020 it was paid to employees. June 2020 also includes a leave pay adjustment of R10 million and an Employee Tax Credits (ETC) of R4 million.

\*\* The reduction in June Latam expenses is due to the receipt of an insurance claim, relating to Iquique.

## Financial results for the six-month period ended 30 June 2020

### SIGNIFICANT REPORTING CHANGES

Our results were impacted by accounting for Sun International's investment in Sun Dreams in accordance with IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations due to the planned future disposal of Sun International's remaining 50% equity interest in Sun Dreams as per the SENS announcement released on 21 August 2020 along with the transfer of the 14.94% equity interest disposed of by Sun International in April 2019. In terms of IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations, the group's entire investment in Sun Dreams has been treated as a discontinued operation held for sale for the current reporting period under review.

Refer to page 14 of accounting policies section, with more details pertaining to the abovementioned disposal.

### GROUP RESULTS

The Covid-19 pandemic had a significant impact on the group, with all operations being closed for just over 3 months and March trading significantly disrupted. Consolidated income declined by 56% from R8.5 billion to R3.7 billion and adjusted EBITDA reduced by 96% from R2.1 billion to R79 million. Our group adjusted headline earnings declined from R172 million to a loss of R885 million with an adjusted headline loss of 702 cents per share.

## Introduction continued

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### SOUTH AFRICA

Income from the South African operations declined by 55% from the prior period to R2.5 billion with adjusted EBITDA down by 95% to R80 million. The net interest expense at R535 million included a hedge loss of R145 million following the unexpected reduction in the prime lending rate from 10% at 31 December 2019 to 7.25% at 30 June 2020 in response to the Covid-19 pandemic. As a result of the extended lockdown and anticipated slow recovery we incurred impairment charges of R1 179 million being Sun City (R900 million), Boardwalk (R180 million) and the Maslow Sandton (R99 million). The Tsogo put option liability reduced by R590 million due to the decrease of the underlying operation's adjusted EBITDA, which forms the base of the put option liability's valuation.

### LATAM

As a result of the decision to exit the group's investment in Sun Dreams, the results of Sun Dreams have been disclosed as discontinued operations. Income declined by 58% from R2.8 billion to R1.2 billion with adjusted EBITDA decreasing by 94% to R43 million.

In Peru we launched our online sports betting and gaming business under the brand SolBet which, although in its startup phase has shown a promising start to trading. On the back of SolBet, Sun Dreams will continue to capitalise on online gambling opportunities in Latam.

### NIGERIA

The Federal Palace in Nigeria went into lockdown in April 2020 as a result of the Covid-19 pandemic. Although it may resume trading, it has chosen not to do so due to the current limited demand in hospitality. We continue to actively consider and pursue the disposal of our equity interest in this business.

### eSWATINI

It remains unclear as to when our operations in eSwatini will be re-opened.



## Events subsequent to 30 June 2020

### Trading since re-opening

With the easing of the lockdown restrictions, the group's South African casino operations were able to resume trading with effect from 1 July 2020, subject to strict operational protocols being in place and limitations on the number of guests permitted in the casinos of up to 50% of normal guest capacity.

Regulations were amended a number of times:

- Accommodation for leisure allowed up to curfew on 12 July 2020
- 12 July 2020 imposition of the 9pm until 4am curfew
- 31 July 2020 curfew amended to 10pm until 4am
- 17 August 2020 leisure accommodation allowed together with the National Alert Status reduced to Level 2

Most of the group's bars and restaurants in the casinos although permitted to re-open have remained closed due to limited demand and the various restrictions on the sale and distribution of alcohol. Given the restrictions on inter -provincial travel up until 18 August 2020, the Sun City casino has also remained closed. The initial impact of the curfew saw an immediate drop off in gaming revenue which improved towards the end of July and has continued to improve in August.

The table below sets out the South African gaming revenue for July and the first 27 days of August for the operations that were permitted to re-open:

R million	2019	2020	2020 as a % of 2019
<b>July</b>			
Gaming			
Casino income	601	234	39%
Alternate Gaming			
LPM income	112	55	49%
SunBet income	11	12	109%
<b>First 27 days in August</b>			
Gaming			
Casino income	517	290	56%
Alternate Gaming			
LPM income	98	72	74%
SunBet income	12	13	108%

The South African operations that traded during July 2020 achieved combined adjusted EBITDA of R48 million.

The table below sets out the South African adjusted EBITDA for July 2020.

R million	2019	2020	2020 as a % of 2019
Trading units	262	48	18%
Closed units	1	(41)	<(100%)
<b>TOTAL</b>	263	7	3%

## Events subsequent to 30 June 2020 continued

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### GAMING OPERATIONS

In spite of the extensive restrictions on trading, South African casino income was resilient for the month of July, achieving 39% of income compared to the prior comparative period. We expect casino results to continue to recover strongly following the lifting of the lock-down. Casino operations continued to post a strong recovery during the first 27 trading days of August, achieving 56% of the prior corresponding period's income.

### HOSPITALITY OPERATIONS

Hospitality properties remained predominantly closed during the month of July, given the restrictions on interprovincial travel for leisure in South Africa. With the recent announcement of the move to Alert Level 2, allowing all inter-provincial travel to resume, we will be opening Sun City on 2 September 2020. Given, the ongoing restrictions in international travel, we expect the recovery in hospitality to be slower and as such The Table Bay and the Maslow Sandton will remain closed until there is sufficient demand to justify their reopening.

### ALTERNATE GAMING

Sun Slots achieved 49% of income in the month of July and 74% in the first 27 days of August compared to the prior corresponding period despite still not at full capacity.

Following the resumption of several key global sporting competitions, SunBet delivered an exceptionally strong performance under the circumstances, achieving 9% and 8% of growth in income for July and up to 27 August respectively. We expect online gaming to continue to be a key source of growth for the business going forward.

### Sun Dreams Operations

In Chile, the casino regulator (SCJ) recently announced that casinos can re-open when active cases are less than 25 per 100 000 of the population of each city. While there is no certainty when this will occur, we anticipate that most of the group's operations will be re-opened by October 2020. However, it remains unclear as to when our operations in Peru and Argentina will be allowed to re-open.

### Insurance claim relating to Covid-19

Sun International has had in place an Assets All Risks insurance policy covering its South African operations, which contains an extension providing cover for Business Interruption (BI) following a Contagious and Infectious Diseases incident. As a result of the impact of the Covid-19 pandemic, the company took legal advice to ascertain whether it would have a BI claim, with the advice focused around the contagious and infectious disease policy wording and the causative trigger of the policy. Based on legal advice obtained, a comprehensive claim for all properties was prepared and submitted during mid-July and a Loss Adjustor (LA) was appointed to the matter.

The LA has finalised his evaluation report of our claim and this report together with our claim has been submitted to the insurers. Although there is no timeline stipulated in the policy by when insurers need to respond, the LA is actively engaging with our insurers for an urgent response to our claim.



## Events subsequent to 30 June 2020 continued

### Rights Offer

On 11 August 2020, the group announced the results of its R1.2 billion partially underwritten, renounceable rights offer of 127 174 696 rights offer shares at a subscription price of R9.44 per share, as detailed in the shareholder circular dated Monday 20 July 2020.

The rights offer was successfully concluded on Friday 7 August 2020, with the results below reflecting overwhelming shareholder support for the transaction:

<b>Applications/allocations</b>	<b>Number of shares</b>	<b>Percentage of Rights Offer shares</b>	<b>Value R million</b>
Subscription for rights offers shares	119 098 570	93.65%	1 124.3
Applications for excess rights offer shares	1 106 234	0.87%	10.4
<b>TOTAL APPLICATIONS FOR RIGHTS OFFER SHARES</b>	<b>120 204 804</b>	<b>94.52%</b>	<b>1 134.7</b>

As a result of the rights offer, the number of Sun International shares in issue has increased from 136.7 million to 263.9 million (126.4 million to 253.6 million excluding treasury shares).

The costs of the rights offer were limited to R19 million, with a significant portion of the costs being for fees payable to shareholders which provided irrevocable undertakings or partial underwrite commitments.

Overall, the decision to raise R1.2 billion to strengthen the group's liquidity was a proactive step, providing the business with an estimated additional 12 months liquidity, under total lockdown conditions. The resumption of trading for the casinos under the current level further improves the liquidity outlook for the group.

Once a stable business environment returns, the business will continue with its progress on deleveraging its balance sheet, simplifying its complex group structure and growing its attractive alternative gaming business.

## Events subsequent to 30 June 2020 continued

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### Section 189A process and other initiatives

Prior to the Covid-19 pandemic, management was in the process of reviewing employee structures at certain marginal operations as well as the cost base across the local South African operations. The South African Head Office restructure was concluded in February 2020 resulting in a head count reduction of 63 and realizing a TCOE saving of approximately R50 million per annum. The closure of our operations gave us the chance to undertake an in-depth review of our processes, operating structures, systems and guest offering and experience. This review resulted in the identification of costs savings in outsource and service provider contracts, IT systems and other general costs of over R250 million.

On 10 June 2020, Sun International informed its trade union, SACCAWU that it was embarking on a Section 189A retrenchment exercise. The proposed retrenchment would potentially impact approximately 2 300 employees across the group, with an estimated TCOE of R280 million. This retrenchment exercise will particularly impacts Sun City, Maslow Sandton, Boardwalk, The Table Bay and the Wild Coast and would likely have occurred irrespective of the Covid-19 pandemic.

The Covid-19 pandemic however required us to undertake a deeper review as we anticipate that it will take some time for our properties, especially our hotels and resorts, to recover. The 60 day consultation process which would have initially ended on the 18 August 2020 was extended so as to allow a voluntary retrenchment and early retirement exercise to be undertaken, in order to reduce the impact of the number of employees that will potentially be retrenched under the Section 189A exercise. This latter exercise, agreed by the Union on 17 August 2020, will take approximately 2 weeks to be completed. Thereafter, the group will resume and conclude the Section 189A consultation process with the union. Certain retrenchments at the various affected units will require gaming board approval and may take a little longer to implement

In Chile we have commenced a voluntary retrenchment exercise involving approximately 1 000 employees, with 451 employees having already accepted the voluntary retrenchment packages. This reduction will enable the business to control costs during the recovery period.





# Acquisition/disposal of interest in subsidiaries

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## South Africa

### ACQUISITION OF GPI'S 30% INTEREST IN SUN SLOTS

Shareholders are referred to the SENS announcement released on 2 July 2020, when shareholders were advised that as a result of the non-fulfilment of a condition precedent to the proposed transaction by 30 June 2020, the proposed transaction failed to become unconditional and accordingly had lapsed. Accordingly, Sun International (South Africa) Limited (70%) and GPI (30%) will retain their shareholdings in Sun Slots.

## eSwatini

We recently received an expression of interest to acquire our shareholding in the Royal Swazispwa for R50 million. The sale was conditional on the Ingwanyama waiving with his preemptive rights. The Ingwanyama through his authorised representative gave notice on 14 August that he intends exercising his preemptive rights and will be acquiring the group's interest in the Swazispwa for R50 million. We are in the process of negotiating the terms of the sale with the Ingwanyama's representatives which we anticipate concluding by the end of September 2020.

## Latam

### DISPOSAL OF THE GROUP'S INTEREST IN SUN DREAMS

Reference is made to the SENS announcement released on 21 August 2020 when shareholders were advised that Sun Latam had entered into an agreement with Nueva Inversiones Pacifico Sur Limitada ("Pacifico") whereby:

- Sun Latam and Pacifico had agreed to settle their dispute in respect of the disposal by Sun Latam of its 14.94% equity interest in Sun Dreams to Pacifico on 30 April 2019; and
- Pacifico, subject to obtaining Sun International shareholder and certain other approvals, would acquire Sun Latam's remaining 50% equity interest in Sun Dreams ('the Proposed Transaction'), on terms and conditions as more fully set out below and in the Share Purchase Agreement ('SPA') concluded between the parties on 20 August 2020.

The net effect of the above is that upon fulfillment of the suspensive conditions set out in the SPA, Pacifico will have acquired Sun Latam's 64.94% equity interest in Sun Dreams for \$160 million and possible certain future earnouts. The transaction is at an effective 2019 EBITDA multiple of 5.5x which may increase to a 6.5x multiple if the earnouts are achieved. The earnouts relate to the renewal of four of Sun Dreams SCJ licences by 31 December 2024 (Clp10.5 billion earnout (\$14 million) and these licenses achieving at least their 2019 EBITDAR for the 2025 calendar year (Clp31.8 billion earnout (\$42 million)). Accordingly, and on closing of the Proposed Transaction, Pacifico will become the sole shareholder of Sun Dreams.

The proceeds from the disposal will be used to settle Sun International's offshore debt in Latam of R637 million (Clp30.1 billion), with the remaining proceeds being repatriated to South Africa. An amount of \$15 million of the purchase consideration will be retained in escrow in Chile as security for the settlement of a potential tax claim as detailed in the group's financial statements.

## Acquisition/disposal of interest in subsidiaries continued

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### RATIONALE FOR THE PROPOSED TRANSACTION

Given the uncertainty that exists in Chile, including the impact of the Covid-19 pandemic, the renewal of the SCJ licences and the need for further capital, the Proposed Transaction gives Sun International the opportunity to realise its investment in Latam at an attractive valuation given the circumstances and the environment in which we are currently operating. It also brings significant liquidity to the South African operations which will allow for a further reduction in the group's borrowings and a resultant saving on interest charges.

The Proposed Transaction will become effective on the date of fulfilment, or where applicable waiver, of the last of the suspensive conditions. These include, among others, Sun International shareholder approval and the approval of the casino regulator in Chile.



Grand West, Cape Town

## Financial overview

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

R million	South Africa			Latam*			Nigeria and eSwatini			Total		
	2020	%	2019	2020	%	2019	2020	%	2019	2020	%	2019
Income	<b>2 473</b>	(55)	5 526	<b>1 166</b>	(58)	2 783	<b>66</b>	(58)	156	<b>3 705</b>	(56)	8 465
Adjusted EBITDA	<b>80</b>	(95)	1 480	<b>43</b>	(94)	668	<b>(44)</b>	<(100)	(8)	<b>79</b>	(96)	2 140
Depreciation and amortisation	<b>(499)</b>	14	(580)	<b>(270)</b>	10	(298)	<b>(16)</b>	–	(16)	<b>(785)</b>	12	(894)
Adjusted operating (loss)/profit	<b>(419)</b>	<(100)	900	<b>(227)</b>	<(100)	370	<b>(60)</b>	<(100)	(24)	<b>(706)</b>	<(100)	1 246
Foreign exchange profit/(loss)	<b>18</b>	>100	(2)	<b>(16)</b>	<(100)	3	<b>–</b>	–	–	<b>2</b>	100	1
Net interest	<b>(535)</b>	(17)	(458)	<b>(122)</b>	4	(127)	<b>(8)</b>	65	(23)	<b>(665)</b>	(9)	(608)
Net external interest	<b>(352)</b>	15	(413)	<b>(101)</b>	14	(117)	<b>(8)</b>	65	(23)	<b>(461)</b>	17	(553)
Hedge interest**	<b>(145)</b>	<(100)	(8)	<b>–</b>	–	–	<b>–</b>	–	–	<b>(145)</b>	(100)	(8)
IFRS 16 interest	<b>(38)</b>	(3)	(37)	<b>(21)</b>	<(100)	(10)	<b>–</b>	–	–	<b>(59)</b>	(26)	(47)
(Loss)/profit before tax	<b>(936)</b>	<(100)	440	<b>(365)</b>	<(100)	246	<b>(68)</b>	(45)	(47)	<b>(1 369)</b>	<(100)	639
Tax	<b>221</b>	>100	(182)	<b>75</b>	>100	(96)	<b>(41)</b>	<(100)	2	<b>255</b>	>100	(276)
(Loss)/profit after tax	<b>(715)</b>	<(100)	258	<b>(290)</b>	<(100)	150	<b>(109)</b>	<(100)	(45)	<b>(1 114)</b>	<(100)	363
Minorities	<b>78</b>	>100	(152)	<b>96</b>	>100	(62)	<b>55</b>	>100	22	<b>229</b>	>100	(192)
Attributable (loss)/profit	<b>(637)</b>	<(100)	106	<b>(194)</b>	<(100)	88	<b>(54)</b>	<(100)	(23)	<b>(885)</b>	<(100)	171
Share of associates	<b>2</b>	100	1	<b>(2)</b>	(100)	–	<b>–</b>	–	–	<b>–</b>	(100)	1
Group adjusted headline (loss)/earnings	<b>(635)</b>	<(100)	107	<b>(196)</b>	<(100)	88	<b>(54)</b>	<(100)	(23)	<b>(885)</b>	<(100)	172

\* Sun Dreams is reflected as discontinued operations as required by IFRS 5: Non-Current Assets and Liabilities Held for Sale from Discontinued Operations for the current and prior period.

\*\* Due to the impact of the Covid-19 pandemic on the South African economy, the South African Reserve Bank deemed it appropriate to reduce the national prime lending interest rate from 10.00% (December 2019) to 7.25% (June 2020) resulting in the total hedge accounting impact in the Statement of Comprehensive Income of R145 million

# Condensed interim group financial statements

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

## Accounting policies

The condensed group financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for preliminary 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 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 2019, which have been prepared in accordance with IFRS.

## Accounting for Sun Dreams

Reference is made to the SENS announcement released on 21 August 2020 when shareholders were advised that Sun Latam had entered into an agreement with Nueva Inversiones Pacifico Sur Limitada ("Pacifico") whereby:

- Sun Latam and Pacifico had agreed to settle their dispute in respect of the disposal by Sun Latam of its 14.94% equity interest in Sun Dreams to Pacifico on 30 April 2019; and
- Pacifico, subject to obtaining Sun International shareholder and certain other approvals, would acquire Sun Latam's remaining 50% equity interest in Sun Dreams ('the Proposed Transaction'), on terms and conditions as more fully set out below and in the Share Purchase Agreement ('SPA') concluded between the parties on 20 August 2020.

The net effect of the above is that upon fulfillment of the suspensive conditions set out in the SPA, Pacifico will have acquired Sun Latam's 64.94% equity interest in Sun Dreams for \$160 million and possible certain future earnings. Accordingly, and on closing of the Proposed Transaction, Pacifico will become the sole shareholder of 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. The relevant paragraph 8a of IFRS 5 states: "An entity that is committed to a sale plan involving loss of control of a subsidiary shall classify all the assets and liabilities of that subsidiary as held for sale when the criteria set out in paragraphs 6 to 8 are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale".



# Condensed interim group financial statements continued

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## FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

The assets and liabilities of Sun Dreams' have been presented on a single line in the statement of financial position of Sun International at 30 June 2020. The equity relating to Sun Dreams on a group consolidation level will remain unchanged for the current reporting period.

As the sale of the Sun Dreams' 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 IFRS5: Discontinued Operation. Consequently, 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.

As soon as the conditions precedent have been fulfilled and the transaction becomes effective, in terms of IAS 27, the investment in Sun Dreams will be treated as a disposal of an investment in a subsidiary.

Refer to page 9 of "Acquisition/disposal of interest in subsidiaries" section, which sets out further details pertaining to the rationale of the above mentioned disposal.

### Adjusted EBITDA

Adjusted EBITDA is defined as earnings before interest (which includes gains and losses on foreign exchange transactions), tax, depreciation, and amortisation, and is also presented before recognising expenses which are of an unusual and infrequent nature as a result of unforeseen and atypical events. Examples of adjusted expenses are set out below:

- loss on disposal of property, plant and equipment;
- straight line adjustment for rentals;
- impairment of non-current assets;
- pre-opening expenses;
- foreign exchange cover losses; and
- other non-recurring expenses which are of an unusual and infrequent in nature as a result of unforeseen and atypical events.

# Condensed interim group financial statements

## continued

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

### 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, cash flows and financial position 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 2020	30 June 2020	321 974	42.8

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 2019.

### Standards implemented

There were no new standards required to be adopted during the current reporting period.



Sibaya, Durban



# Condensed interim group statement of comprehensive income

FOR THE SIX-MONTH ENDED 30 JUNE 2020

R million	Unaudited 6 months ended	
	30 June 2020	30 June 2019
<b>CONTINUING OPERATIONS</b>		
Net gaming wins	1 969	4 463
Revenue	570	1 133
<b>INCOME</b>	<b>2 539</b>	<b>5 596</b>
Consumables and services	(345)	(654)
Depreciation and amortisation	(515)	(593)
Employee costs	(781)	(1 231)
Impairment of assets	(1 179)	–
Levies and VAT on casino revenue	(453)	(1 035)
LPM site owners commission	(88)	(179)
Promotional and marketing costs	(151)	(259)
Property and equipment rentals	(14)	(29)
Property costs	(312)	(355)
Other operational costs	(353)	(390)
<b>OPERATING (LOSS)/PROFIT</b>	<b>(1 652)</b>	<b>871</b>
Foreign exchange losses	(88)	–
Finance income	1	6
Finance expense	(556)	(498)
External interest	(373)	(453)
Hedge interest expense*	(145)	(8)
IFRS 16 interest	(38)	(37)
Fair value adjustment to put liability	590	24
Share of profit of investments accounted for using the equity method	2	1
<b>(LOSS)/PROFIT BEFORE TAX</b>	<b>(1 703)</b>	<b>404</b>
Tax	540	(186)
<b>(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>(1 163)</b>	<b>218</b>
<b>(LOSS)/PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS</b>	<b>(264)</b>	<b>111</b>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(1 427)</b>	<b>329</b>

Sun Dreams is reflected as discontinued operations as required by IFRS 5: Non-Current Assets and Liabilities Held for Sale from Discontinued Operations for the current and prior period.

\* Due to the impact of the Covid-19 pandemic on the South African economy, the South African Reserve Bank deemed it appropriate to reduce the national prime lending interest rate from 10.00% (December 2019) to 7.25% (June 2020) resulting in the total hedge accounting impact in the Statement of Comprehensive Income of R145 million.



## Condensed interim group statement of comprehensive income continued

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

R million	Unaudited 6 months ended	
	30 June 2020	30 June 2019
<b>OTHER COMPREHENSIVE INCOME:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Gross (loss)/profit on cash flow hedges	(124)	4
Currency translation reserve	592	(178)
<b>TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD</b>	<b>(959)</b>	155
<b>(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>	<b>(1 427)</b>	329
Minorities	(299)	162
Ordinary shareholders	(1 128)	167
<b>TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>	<b>(959)</b>	155
Minorities	(54)	177
Ordinary shareholders	(905)	(22)
<b>TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS ARISES FROM:</b>	<b>(905)</b>	(22)
Continuing operations	(735)	(94)
Discontinued operations	(170)	72

Sun Dreams is reflected as discontinued operations as required by IFRS 5: Non-Current Assets and Liabilities Held for Sale from Discontinued Operations for the current and prior period.

## Headline earnings and adjusted headline earnings reconciliation

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

R million	Unaudited 6 months ended	
	30 June 2020	30 June 2019
<b>(LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>	<b>(1 128)</b>	167
Profit on sale of management contract (Lesotho, Botswana and Colombia)	–	(7)
Impairment of assets	<b>1 191</b>	–
- Sun City	<b>900</b>	–
- Boardwalk	<b>180</b>	–
- Maslow Sandton	<b>99</b>	–
- Sun Dreams	<b>12</b>	–
Tax relief on above items	<b>(330)</b>	1
Minorities' interests on the above items	<b>(24)</b>	–
<b>HEADLINE (LOSS)/EARNINGS</b>	<b>(291)</b>	161
IFRS 16 liability reduction of lease (Peru)	<b>(23)</b>	–
Insurance claim (Iquique)	<b>(26)</b>	–
Restructure and related costs	–	12
Amortisation of Sun Dreams intangibles assets raised as part of PPA	<b>50</b>	54
Foreign exchange loss on inter-company loan	<b>96</b>	5
Fair value of foreign exchange contract	–	(16)
Fair value adjustment on put option liabilities	<b>(590)</b>	(24)
Other	<b>(3)</b>	13
Tax relief on above items	<b>(41)</b>	(12)
Minorities' interests in the above items	<b>(57)</b>	(21)
<b>ADJUSTED HEADLINE (LOSS)/EARNINGS</b>	<b>(885)</b>	172
<b>DISCONTINUED ADJUSTED HEADLINE (LOSS)/EARNINGS</b>	<b>(170)</b>	112
<b>CONTINUING ADJUSTED HEADLINE (LOSS)/EARNINGS</b>	<b>(715)</b>	60
	<b>Cents per share</b>	Cents per share
(Loss)/earnings per share		
Basic	<b>(894)</b>	132
Diluted	<b>(894)</b>	132
Diluted adjusted headline (loss)/earnings per share	<b>(702)</b>	136

*Sun Dreams is reflected as discontinued operations as required by IFRS 5: Non-Current Assets and Liabilities Held for Sale from Discontinued Operations for the current and prior period.*

## Condensed interim group statement of financial position

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

R million	Unaudited 6 months ended	
	30 June 2020	30 June 2019
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>	<b>11 524</b>	<b>12 233</b>
Property, plant and equipment	9 311	10 776
Right of use asset	325	534
Intangible assets	652	665
Equity accounted investments	31	27
Other investments, loans and assets	390	143
Deferred tax	815	88
<b>CURRENT ASSETS</b>	<b>845</b>	<b>1 363</b>
Inventory	106	103
Accounts receivable and other	376	752
VAT Receivable	68	5
Receiver of revenue	138	74
Cash & cash equivalents	157	429
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	<b>10 622</b>	<b>11 039</b>
<b>TOTAL ASSETS</b>	<b>22 991</b>	<b>24 635</b>
<b>EQUITY AND LIABILITIES</b>		
Capital and reserves	3 003	3 727
Put option reserve	(1 286)	(1 286)
Minorities	1 442	1 801
	3 159	4 242
<b>NON-CURRENT LIABILITIES</b>	<b>10 354</b>	<b>9 843</b>
Deferred tax	177	11
Borrowings	8 233	6 996
IFRS 16 lease liability	739	704
Other non-current liabilities	508	825
Put option liability	697	1 307
<b>CURRENT LIABILITIES</b>	<b>4 328</b>	<b>5 303</b>
Accounts payable and other	1 331	1 731
Deferred income and other liabilities	2	211
VAT payable	–	53
Receiver of revenue	123	90
Borrowings	2 845	3 138
IFRS 16 lease liability	27	80
<b>NON-CURRENT LIABILITIES HELD FOR SALE</b>	<b>5 150</b>	<b>5 247</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>22 991</b>	<b>24 635</b>

Sun Dreams is reflected as discontinued operations as required by IFRS 5: Non-Current Assets and Liabilities Held for Sale from Discontinued Operations for the current and prior period.

## Condensed interim group statement of changes in equity

FOR THE SIX-MONTH ENDED 30 JUNE 2020

R million	Share capital and premium	Treasury shares and share options	Foreign currency translation reserve	Share based payment reserve	Reserve for non-controlling interests	Hedging and other reserve	Retained earnings	Ordinary share-holders' equity before put option reserve	Put option reserves	Ordinary share-holders' equity	Minorities' interests	Total equity
<b>UNAUDITED</b>												
<b>FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020</b>												
<b>BALANCE AT 31 DECEMBER 2019</b>	<b>1 893</b>	<b>(352)</b>	<b>(89)</b>	<b>60</b>	<b>(3 007)</b>	<b>194</b>	<b>5 208</b>	<b>3 907</b>	<b>(1 286)</b>	<b>2 621</b>	<b>1 614</b>	<b>4 235</b>
Loss for the period	-	-	-	-	-	-	(1 128)	(1 128)	-	(1 128)	(299)	(1 427)
Other comprehensive income for the period	-	-	348	-	-	(124)	-	224	-	224	244	468
Total comprehensive loss for the period	-	-	348	-	-	(124)	(1 128)	(904)	-	(904)	(55)	(959)
Dividends paid to minorities	-	-	-	-	-	-	-	-	-	-	(117)	(117)
<b>BALANCE AT 30 JUNE 2020</b>	<b>1 893</b>	<b>(352)</b>	<b>259</b>	<b>60</b>	<b>(3 007)</b>	<b>70</b>	<b>4 080</b>	<b>3 003</b>	<b>(1 286)</b>	<b>1 717</b>	<b>1 442</b>	<b>3 159</b>
<b>AUDITED</b>												
<b>FOR THE YEAR ENDED 31 DECEMBER 2019</b>												
<b>BALANCE AT 31 DECEMBER 2018</b>	<b>1 893</b>	<b>(394)</b>	<b>111</b>	<b>85</b>	<b>(2 503)</b>	<b>17</b>	<b>4 555</b>	<b>3 764</b>	<b>(1 286)</b>	<b>2 478</b>	<b>1 808</b>	<b>4 286</b>
Total comprehensive income for the period	-	-	(200)	-	-	177	653	630	-	630	258	888
Disposal of interest in Wild Coast Sun	-	-	-	-	(15)	-	-	(15)	-	(15)	26	11
Acquisition of interest in Sibaya (Afrisun KZN) and related entities	-	-	-	-	(489)	-	-	(489)	-	(489)	(104)	(593)
Treasury share options purchased	-	(1)	-	-	-	-	-	(1)	-	(1)	-	(1)
Reclassification of share options	-	43	-	(43)	-	-	-	-	-	-	-	-
Employee share schemes	-	-	-	18	-	-	-	18	-	18	-	18
Dividends paid to minorities	-	-	-	-	-	-	-	-	-	-	(374)	(374)
<b>BALANCE AT 31 DECEMBER 2019</b>	<b>1 893</b>	<b>(352)</b>	<b>(89)</b>	<b>60</b>	<b>(3 007)</b>	<b>194</b>	<b>5 208</b>	<b>3 907</b>	<b>(1 286)</b>	<b>2 621</b>	<b>1 614</b>	<b>4 235</b>

## Condensed interim group statement of cash flow

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

R million	Unaudited 6 months ended	
	30 June 2020	30 June 2019
<b>CASH GENERATED BY OPERATIONS BEFORE:</b>	<b>(468)</b>	2 539
Vacation Club timeshare sales	40	55
<b>CASH GENERATED BY OPERATIONS</b>	<b>(428)</b>	2 594
Tax paid	(54)	(282)
<b>CASH GENERATED BY OPERATIONS ACTIVITIES</b>	<b>(482)</b>	2 312
Purchase of property, plant and equipment	(242)	(506)
Purchase of intangible assets	(21)	(21)
Purchase of subsidiary – Mendoza contingency payments	–	(42)
Investment income	1	4
Proceeds on disposal of management contract	–	7
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(262)</b>	(558)
Dividends paid	(117)	(210)
Interest paid	(274)	(624)
Drawdown of borrowings	1 153	–
Repayment of borrowings	–	(814)
Shareholder loan to Pacifico	–	283
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>762</b>	(1 365)
Effect of exchange rates upon cash and cash equivalents	16	(4)
Increase in cash and cash equivalents	34	385
Cash & cash equivalents at beginning of the period	775	980
Decrease in cash & cash equivalents for assets held for sale	(127)	(180)
<b>CASH &amp; CASH EQUIVALENTS AT PERIOD END</b>	<b>682</b>	1 185
Cash & cash equivalents at period end for continuing operations	157	429
Cash & cash equivalents at period end for discontinued operations	525	756

*Sun Dreams is reflected as discontinued operations as required by IFRS 5: Non-Current Assets and Liabilities Held for Sale from Discontinued Operations for the current and prior period.*

## Supplementary information

FOR THE SIX-MONTH ENDED 30 JUNE 2020

R million	Unaudited 6 months ended	
	30 June 2020	30 June 2019
<b>ADJUSTED EBITDA RECONCILIATION (CONTINUING OPERATIONS)</b>		
<b>OPERATING (LOSS)/PROFIT</b>	<b>(1 652)</b>	871
Depreciation and amortisation	515	593
Net loss on disposal of property, plant and equipment	–	(7)
Impairment of assets	1 179	–
Restructure and related costs	–	12
Other*	(11)	3
<b>ADJUSTED EBITDA (CONTINUING OPERATIONS)</b>	<b>31</b>	1 472
<b>ADJUSTED EBITDA MARGIN (%)</b>	<b>1</b>	26

\* \*The consolidation of the Employee Share Trusts is reversed for the adjusted EBITDA reconciliation as the group did not receive the economic benefits of these trusts.

Sun Dreams is reflected as discontinued operations as required by IFRS 5: Non-Current Assets and Liabilities Held for Sale from Discontinued Operations for the current and prior period.

R million	Unaudited 6 months ended		
	2020	%	2019
<b>SUMMARY OF ADJUSTED EBITDA FROM CONTINUING AND DISCONTINUED OPERATIONS</b>			
<b>GROUP ADJUSTED EBITDA</b>	<b>79</b>	(96)	2 140
Continuing operations	31	(98)	1 472
Discontinued operations	48	(93)	668

## Supplementary information continued

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

R million	Unaudited 6 months ended	
	30 June 2020	30 June 2019
<b>NUMBER OF SHARES ('000)</b>		
– for basic EPS/HEPS/adjusted HEPS	<b>126 145</b>	126 152
– for diluted EPS/HEPS/adjusted HEPS	<b>126 145</b>	126 169
<b>(LOSS)/EARNINGS PER SHARE (CENTS)*</b>		
– basic (loss)/earnings per share	<b>(894)</b>	132
– headline (loss)/earnings per share	<b>(231)</b>	128
– adjusted headline (loss)/earnings per share	<b>(702)</b>	136
<b>CONTINUING – (LOSS)/EARNINGS PER SHARE (CENTS)*</b>		
– basic (loss)/earnings per share	<b>(760)</b>	75
– headline (loss)/earnings per share	<b>(103)</b>	70
– adjusted headline (loss)/earnings per share	<b>(567)</b>	48
<b>DISCONTINUED – (LOSS)/EARNINGS PER SHARE (CENTS)*</b>		
– basic (loss)/earnings per share	<b>(134)</b>	57
– headline (loss)/earnings per share	<b>(128)</b>	58
– adjusted headline (loss)/earnings per share	<b>(135)</b>	88

Sun Dreams is reflected as discontinued operations as required by IFRS 5: Non-Current Assets and Liabilities Held for Sale from Discontinued Operations for the current and prior period.

\* No difference is noted in both the current and prior period's diluted effect on basic, headline and adjusted headline (loss)/earnings per share.



## Supplementary information continued

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

R million	Unaudited 6 months ended	
	30 June 2020	30 June 2019
<b>TAX RATE RECONCILIATION</b>		
(Loss)/profit before tax	(1 703)	404
Share of associates' profits	(2)	(1)
<b>ADJUSTED (LOSS)/PROFIT BEFORE TAX</b>	<b>(1 701)</b>	<b>403</b>
	%	%
<b>EFFECTIVE TAX RATE</b>	<b>32</b>	<b>46</b>
Preference share funding	–	(3)
Depreciation on non-qualifying buildings	–	(2)
Other non-deductible expenditure	1	(2)
Movement in put options	(10)	1
Tax incentives	–	1
Exempt income – other	(1)	–
Tax losses not meeting recognition criteria	6	(11)
Adjustment for current tax of prior periods	–	(2)
South African corporate tax rate	28	28
<b>OTHER METRICS</b>		
Adjusted EBITDA to interest (times)	1.9x	3.5x
Borrowings to adjusted EBITDA (times)	5.6x	2.8x
Net asset value per share (Rand)	25.0	31.0
Capital expenditure R million	263	527

## Segmental review

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

The South African segment review is set out below:

R million	Income			Adjusted EBITDA			Depreciation and amortisation			Adjusted operating (loss)/profit		
	2020	%	2019	2020	%	2019	2020	%	2019	2020	%	2019
GrandWest	434	(58)	1 045	80	(80)	396	(61)	16	(73)	19	(94)	323
Sun City	336	(55)	740	(100)	<(100)	52	(107)	2	(109)	(207)	<(100)	(57)
Sibaya	295	(56)	667	63	(73)	232	(31)	23	(40)	32	(83)	192
Time Square	303	(55)	671	41	(80)	201	(107)	18	(131)	(66)	<(100)	70
Carnival City	195	(59)	473	1	(99)	117	(33)	3	(34)	(32)	<(100)	83
Boardwalk	106	(58)	254	(13)	<(100)	39	(29)	22	(37)	(42)	<(100)	2
Wild Coast Sun	110	(51)	225	(12)	<(100)	33	(20)	13	(23)	(32)	<(100)	10
Meropa	64	(58)	151	6	(87)	46	(9)	18	(11)	(3)	<(100)	35
Windmill	54	(57)	125	7	(83)	40	(11)	–	(11)	(4)	<(100)	29
Flamingo	32	(58)	77	(2)	<(100)	15	(8)	–	(8)	(10)	<(100)	7
Golden Valley	38	(54)	82	(8)	<(100)	12	(7)	13	(8)	(15)	<(100)	4
Carousel	23	(58)	55	(9)	31	(13)	(4)	50	(8)	(13)	38	(21)
Carousel	7	(87)	55	–	100	(13)	(2)	75	(8)	(2)	90	(21)
Sun Carousel	16	100	–	(9)	(100)	–	(2)	(100)	–	(11)	(100)	–
Table Bay	96	(43)	167	11	(72)	39	(8)	–	(8)	3	(90)	31
Maslow Sandton	29	(53)	62	(11)	<(100)	(5)	(4)	76	(17)	(15)	32	(22)
Naledi	4	(60)	10	(3)	–	(3)	–	–	–	(3)	–	(3)
<b>SOUTH AFRICAN OPERATIONS</b>	<b>2 119</b>	<b>(56)</b>	<b>4 804</b>	<b>51</b>	<b>(96)</b>	<b>1 201</b>	<b>(439)</b>	<b>15</b>	<b>(518)</b>	<b>(388)</b>	<b>&lt;(100)</b>	<b>683</b>
Sun Slots	303	(52)	637	56	(64)	156	(43)	(13)	(38)	13	(89)	118
SunBet	51	(26)	69	16	(16)	19	(1)	–	(1)	15	(17)	18
<b>SOUTH AFRICAN OPERATIONS</b>	<b>2 473</b>	<b>(55)</b>	<b>5 510</b>	<b>123</b>	<b>(91)</b>	<b>1 376</b>	<b>(483)</b>	<b>13</b>	<b>(557)</b>	<b>(360)</b>	<b>&lt;(100)</b>	<b>819</b>
Management companies	79	(71)	272	(43)	<(100)	104	(16)	30	(23)	(59)	<(100)	81
Intercompany management fees	(79)	69	(256)	–	–	–	–	–	–	–	–	–
	<b>2 473</b>	<b>(55)</b>	<b>5 526</b>	<b>80</b>	<b>(95)</b>	<b>1 480</b>	<b>(499)</b>	<b>14</b>	<b>(580)</b>	<b>(419)</b>	<b>&lt;(100)</b>	<b>900</b>

## Segmental review continued

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

### SEGMENTAL INCOME ANALYSIS

R million	NET GAMING WINS								REVENUE FROM CONTRACTS WITH CUSTOMERS										
	Net gaming wins		Slots		Tables		Alternate gaming		Total Revenue		Rooms		Food and beverage		Other		Total income		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	
<b>CONTINUED OPERATIONS</b>																			
GrandWest	416	998	355	838	61	160	–	–	18	49	1	1	9	29	8	19	434	1 047	
Sun City	85	241	71	195	14	46	–	–	251	499	93	217	68	158	90	124	336	740	
Sibaya	279	627	206	472	73	155	–	–	16	40	3	7	10	30	3	3	295	667	
Time Square	270	594	198	426	72	168	–	–	33	77	7	18	19	43	7	16	303	671	
Carnival City	181	430	140	351	41	79	–	–	14	44	2	7	9	28	3	9	195	474	
Boardwalk	85	210	78	186	7	24	–	–	21	44	7	18	9	20	5	6	106	254	
Wild Coast Sun	86	183	74	155	12	28	–	–	24	42	9	17	9	18	6	7	110	225	
Meropa	57	134	49	117	8	17	–	–	7	17	2	5	5	12	–	–	64	151	
Windmill	51	119	42	102	9	17	–	–	3	6	–	–	2	6	1	–	54	125	
Flamingo	29	69	28	62	1	7	–	–	3	7	–	–	2	6	1	1	32	76	
Golden Valley	33	72	32	68	1	4	–	–	5	9	2	3	3	5	–	1	38	81	
Carousel	15	45	15	43	–	2	–	–	8	9	–	1	–	–	8	8	23	54	
Table Bay	–	–	–	–	–	–	–	–	96	167	74	135	20	28	2	4	96	167	
Maslow Sandton	–	–	–	–	–	–	–	–	29	62	16	37	12	24	1	1	29	62	
Naledi	3	8	3	8	–	–	–	–	1	2	–	1	–	1	1	–	4	10	
<b>TOTAL OPERATIONS EXCLUDING ALTERNATE GAMING</b>	<b>1 590</b>	<b>3 730</b>	<b>1 291</b>	<b>3 023</b>	<b>299</b>	<b>707</b>	<b>–</b>	<b>–</b>	<b>529</b>	<b>1 074</b>	<b>216</b>	<b>467</b>	<b>177</b>	<b>408</b>	<b>136</b>	<b>199</b>	<b>2 119</b>	<b>4 804</b>	
Sun Slots	303	637	–	–	–	–	303	637	–	–	–	–	–	–	–	–	303	637	
SunBet	51	69	–	–	–	–	51	69	–	–	–	–	–	–	–	–	51	69	
<b>OPERATIONS INCLUDING ALTERNATE GAMING</b>	<b>1 944</b>	<b>4 436</b>	<b>1 291</b>	<b>3 023</b>	<b>299</b>	<b>707</b>	<b>354</b>	<b>706</b>	<b>529</b>	<b>1 074</b>	<b>216</b>	<b>467</b>	<b>177</b>	<b>408</b>	<b>136</b>	<b>199</b>	<b>2 473</b>	<b>5 510</b>	
Management companies	–	–	–	–	–	–	–	–	79	272	–	–	–	–	79	272	79	272	
Intercompany management fees	–	–	–	–	–	–	–	–	(79)	(256)	–	–	–	–	(79)	(256)	(79)	(256)	
<b>TOTAL SOUTH AFRICA</b>	<b>1 944</b>	<b>4 436</b>	<b>1 291</b>	<b>3 023</b>	<b>299</b>	<b>707</b>	<b>354</b>	<b>706</b>	<b>529</b>	<b>1 090</b>	<b>216</b>	<b>467</b>	<b>177</b>	<b>408</b>	<b>136</b>	<b>215</b>	<b>2 473</b>	<b>5 526</b>	

## Segmental review continued

FOR THE SIX-MONTH ENDED 30 JUNE 2020

### SEGMENTAL INCOME ANALYSIS

The Latam segment review is set out below:

R million	Income		Adjusted EBITDA		Depreciation and amortisation		Adjusted operating (loss)/profit	
	2020	2019	2020	2019	2020	2019	2020	2019
Monticello	411	977	62	260	(79)	(89)	(17)	171
Sun Dreams SCJ licences	330	826	90	310	(21)	(21)	69	289
Sun Dreams municipal licences	179	420	29	142	(18)	(19)	11	123
Sun Chile office	–	–	(5)	(6)	–	(1)	(5)	(7)
Central office	–	–	(101)	(113)	(14)	(12)	(115)	(125)
<b>CHILE OPERATIONS</b>	<b>920</b>	<b>2 223</b>	<b>75</b>	<b>593</b>	<b>(132)</b>	<b>(142)</b>	<b>(57)</b>	<b>451</b>
Peru excluding Thunderbird Resorts	71	134	(2)	15	(44)	(51)	(46)	(36)
Thunderbird	56	149	(7)	31	(9)	(7)	(16)	24
Ocean Sun	25	54	(15)	(2)	(23)	(36)	(38)	(38)
Sun Nao	–	10	–	–	–	(6)	–	(6)
Mendoza	94	213	(8)	31	(12)	(2)	(20)	29
<b>TOTAL LATAM OPERATIONS</b>	<b>1 166</b>	<b>2 783</b>	<b>43</b>	<b>668</b>	<b>(220)</b>	<b>(244)</b>	<b>(177)</b>	<b>424</b>
PPA adjustment	–	–	–	–	(50)	(54)	(50)	(54)
	<b>1 166</b>	<b>2 783</b>	<b>43</b>	<b>668</b>	<b>(270)</b>	<b>(298)</b>	<b>(227)</b>	<b>370</b>
Average Rand:Clp exchange rate	48.69	47.66						

## Segmental review continued

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

### SEGMENTAL INCOME ANALYSIS

R million	NET GAMING WINS								REVENUE FROM CONTRACTS WITH CUSTOMERS									
	Net gaming wins		Slots		Tables		Alternate gaming		Total revenue		Rooms		Food and beverage		Other		Total income	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Monticello	364	862	276	604	88	258	–	–	47	115	6	9	40	105	1	1	411	977
Dreams SCJ licences	251	652	234	605	17	47	–	–	79	172	46	81	33	90	–	1	330	824
Dreams Municipal licences	159	380	146	343	13	37	–	–	20	39	6	12	12	27	2	–	179	419
<b>TOTAL CHILE OPERATIONS</b>	<b>774</b>	<b>1 894</b>	<b>656</b>	<b>1 552</b>	<b>118</b>	<b>342</b>	<b>–</b>	<b>–</b>	<b>146</b>	<b>326</b>	<b>58</b>	<b>102</b>	<b>85</b>	<b>222</b>	<b>3</b>	<b>2</b>	<b>920</b>	<b>2 220</b>
Peru (excluding Thunderbird)	69	134	51	91	18	43	–	–	2	1	–	–	1	–	1	1	71	135
Thunderbird	54	146	40	107	14	39	–	–	2	6	–	–	–	6	2	–	56	152
Ocean Sun	21	46	11	25	10	21	–	–	4	7	–	–	3	7	1	–	25	53
Sun Nao	–	10	–	8	–	2	–	–	–	–	–	–	–	–	–	–	–	10
Mendoza	52	120	44	105	8	15	–	–	42	93	40	90	–	–	2	3	94	213
<b>TOTAL LATAM OPERATIONS</b>	<b>970</b>	<b>2 350</b>	<b>802</b>	<b>1 888</b>	<b>168</b>	<b>462</b>			<b>196</b>	<b>433</b>	<b>98</b>	<b>192</b>	<b>89</b>	<b>235</b>	<b>9</b>	<b>6</b>	<b>1 166</b>	<b>2 783</b>

Sun Dreams is reflected as discontinued operations as required by IFRS 5: Non-Current Assets and Liabilities Held for Sale from Discontinued Operations for the current and prior period.

## Borrowings by subsidiary

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

R million	Debt	Lease liability	Total debt	Minority share	Sun share
<b>SOUTH AFRICA</b>	<b>9 656</b>	765	<b>10 421</b>	1 344	<b>9 077</b>
SunWest	<b>803</b>	8	<b>811</b>	285	<b>526</b>
Afrisun Gauteng	<b>598</b>	4	<b>602</b>	32	<b>570</b>
Afrisun KZN	<b>339</b>	1	<b>340</b>	32	<b>308</b>
Emfuleni	<b>525</b>	3	<b>528</b>	79	<b>449</b>
Wild Coast Sun	<b>219</b>	43	<b>262</b>	131	<b>131</b>
Maslow Sandton	–	473	<b>473</b>	–	<b>473</b>
Meropa	<b>57</b>	–	<b>57</b>	17	<b>40</b>
Teemane	<b>70</b>	7	<b>77</b>	19	<b>58</b>
Windmill	<b>97</b>	1	<b>98</b>	26	<b>72</b>
Golden Valley	<b>7</b>	2	<b>9</b>	3	<b>6</b>
Sun Slots	<b>50</b>	41	<b>91</b>	27	<b>64</b>
Time Square	<b>4 859</b>	5	<b>4 864</b>	693	<b>4 171</b>
Management and corporate	<b>2 032</b>	177	<b>2 209</b>	–	<b>2 209</b>
<b>NIGERIA</b>	<b>761</b>	–	<b>761</b>	385	<b>376</b>
Shareholder loans	<b>1 173</b>	–	<b>1 173</b>	594	<b>579</b>
Sun International intercompany debt	<b>(412)</b>	–	<b>(412)</b>	(209)	<b>(203)</b>
<b>eSWATINI</b>	<b>25</b>	–	<b>25</b>	11	<b>14</b>
<b>LATAM</b>	<b>4 705</b>	318	<b>5 023</b>	1 448	<b>3 575</b>
Sun Dreams	<b>4 068</b>	318	<b>4 386</b>	1 448	<b>2 938</b>
Sun Chile	<b>637</b>	–	<b>637</b>	–	<b>637</b>
	<b>15 147</b>	1 083	<b>16 230</b>	3 188	<b>13 042</b>



## Borrowings by subsidiary continued

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

	South Africa		Chile	
	Covenant	Actual	Covenant	Actual
Debt to adjusted EBITDA	**	5.59x	4.5x	5.64x
Interest cover	**	1.88x		

\* The above covenant calculations excludes the impact of IFRS16, that's in accordance with our facilities agreement.

\*\* The lenders have waived the covenant for the 2020 financial period.

### Borrowings

Sun International's borrowings (excluding IFRS 16 adjustments relating to the capitalisation of leasehold liabilities) as at 30 June 2020 were R15.1 billion, an increase from R13.3 billion as at 31 December 2019.

South African debt increased from R8.8 billion at 31 December 2019 to R9.7 billion due to the funding of working capital outflow (approximately R500 million) and costs incurred during the lockdown and interest charges incurred. Net Debt to adjusted EBITDA (excluding the effect of IFRS 16) increased from 2.8x to 5.6x at 30 June 2020.

Net debt in Latam (excluding IFRS 16 adjustments relating to the capitalisation of leasehold liabilities), increased to R4.7 billion from R3.9 billion at 31 December 2019 due to the working capital outflow and interest charges during the lockdown period and a stronger Chilean Peso.

The South African lending group agreed to suspension of its debt repayments, waiver of covenant measures and debt rescheduling.

Certain of the key terms negotiated include:

- Capital payments deferred until 30 June 2021;
- Interest and preference dividend payments deferred until:
  - 31 December 2020 provided the group has sufficient levels of liquidity or 31 March 2021
  - Deferred interest will be capitalised to the respective loan and repaid over the repayment profile of the loan;
- Converted the on demand General Banking Facilities to a committed facility up to 30 June 2021;
- Measurement of covenants will be waived until 30 June 2021. Covenants will be agreed to with Lenders in the first quarter of 2021; and
- An increase in pricing which resulted in the average blended interest rate increasing by 1.2% from 31 December 2019.

In Chile, additional loans were raised to fund the debt repayments and to provide sufficient liquidity for the group to trade through the Covid-19 pandemic.

## Capital expenditure

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

R million	30 June 2020	30 June 2019
<b>SOUTH AFRICAN OPERATIONS</b>		
<b>REFURBISHMENT AND ONGOING</b>		
Sun City	37	55
GrandWest	28	77
SunSlots	8	48
Sibaya	30	24
Other	88	88
<b>TOTAL SOUTH AFRICAN CAPITAL EXPENDITURE</b>	<b>191</b>	292
<b>LATAM OPERATIONS</b>		
Expansionary	44	39
Refurbishment and ongoing	24	194
<b>TOTAL LATAM CAPITAL EXPENDITURE</b>	<b>68</b>	233
<b>NIGERIA AND eSWATINI OPERATIONS</b>		
Refurbishment and ongoing	4	2
<b>TOTAL GROUP CAPITAL EXPENDITURE</b>	<b>263</b>	527

As a result of the Covid-19 pandemic capex was suspended and other than critical and committed capex will be significantly reduced until there is more certainty as to the level of trading and the group's liquidity position



## Update on other key matters

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

### Tourist Company of Nigeria (TCN)

The Deloitte forensic investigation commissioned by the Nigerian Securities and Exchange Commission (SEC) regarding certain share transactions when Sun International invested in TCN has been completed and the findings report delivered to the SEC offices in Nigeria. To date we are still waiting for the SEC to make its final determination and to release its findings. In addition, we have received an unsolicited expression of interest from a third party looking to potentially acquire our shareholding and outstanding loan account in TCN. We are evaluating this expression of interest which could lead to a transaction being implemented following resolution of the SEC investigation.

### Chile municipal licences

#### MUNICIPAL LICENCES

With reference to the Chilean municipal licence bids:

- In 2018, Sun Dreams was awarded the bid for the Iquique municipal licence, for a further period of 15 years. Subsequent to being awarded the bid, it transpired that the local municipality had annexed a certain portion of the land on which the Iquique project was to be developed. Consequently, Sun Dreams and the municipality have engaged in discussions regarding how best to resolve this matter and progress with the development. This has had the effect of delaying the project including the payment of 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 awarded did not comply with all of the prescribed legal and technical requirements.

#### SCJ LICENCES

In a press release on 27 July 2020, the SCJ announced that they will commence with the process of bidding for the SCJ casino licences. The due date for bids is 18 January 2021. The Chilean Casino Association alleges that the renewal process does not comply with the regulatory framework currently in force and the SCJ is seeking to unilaterally change the terms which had previously been agreed. Sun Dreams has taken legal advice and will pursue legal action against the process.

### SunWest exclusivity

The Western Cape Twentieth Gambling and Racing Amendment Bill and the Western Cape Twenty-First Gambling and Racing Amendment Bill ('Bills'), were both published on 8 May 2020 in the Provincial Gazette Extraordinary, Notice Number 8235 which provides for the relocation of the outlying casino licence to the new Helderberg zone. If the Bills are enacted, GrandWest's exclusivity zone will be reduced from 75kms to 25kms. The Bills also introduce a new exclusivity fee and casino operator fees. Sun International submitted comments on the Bills on 11 August 2020.

## Update on other key matters continued

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

### 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. There have been no further developments regarding the Draft Bill since 2018.

### Gaming taxes

#### NORTH WEST PROVINCE:

In January 2020, the MEC of the North West Province responsible for gambling, gazetted an average increase in gaming levies of 2% per tier of gaming revenue (approximately R9 million per year). The matter is being opposed by the Casino Association of South Africa (CASA).

#### PERU GAMING TAXES:

In terms of a decree published in September 2018, from 1 January 2019, casinos in Peru will have to pay a monthly consumption tax levied against their machine and gaming tables which they offer on their 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 casino income. The gaming industry in Peru is challenging the imposition of this tax.

### Dividends

The board has decided not to declare a dividend for the interim period ended 30 June 2020.

### Going Concern

The directors considered the going concern status of the group taking into account the current financial position of the group, the raising of the R1.2 billion by way of a rights offer and the best estimate of the cash flow forecasts given the ongoing developments of the Covid-19 pandemic. The cash flow and liquidity projections for the group, including sensitivity analysis have been prepared for a period exceeding 12 months from the reporting date. After considering the above factors, including the discussions with lenders, the group considers the going concern method to be appropriate for the presentation of the interim financial report.



## Update on other key matters continued

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

### **Changes to the board of directors, appointments to committees and changes to important functions of directors**

#### **APPOINTMENTS**

On 20 March, Ms SN Mabaso-Koyana was appointed as an independent non-executive director on the Sun International board.

Mr GW Dempster was appointed as the new Lead Independent Director of the group with effect from 8 June 2020.

#### **RETIREMENTS**

Mr Leon Campher and Dr Lulu Gwagwa retired from the board on 12 May 2020.

#### **RESIGNATIONS**

There were no resignations of Sun International directors during the period under review.

## Outlook

The Covid-19 pandemic will have a significant impact on the South African and Chilean economies which will take some time to recover. With the recent resumption of trading in South Africa and the further lifting of restrictions we expect trading levels to continue to improve.

While we do not expect that there will be a quick recovery to previous trading levels we are optimistic that with the various costs saving and efficiency initiatives implemented and a dedicated focus on improving the customer experience that the group will recover from the Covid-19 pandemic and resume delivering strong returns to shareholders.

The disposal of Sun Dreams and the subsequent receipt of the proceeds will significantly strengthen the group's balance sheet and reduce interest charges.

## 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 28 August 2020.

For and on behalf of the board

**JA Mabuza**  
Chairman

**AM Leeming**  
Chief Executive

**N Basthdaw**  
Chief Financial Officer

## **Registered office**

6 Sandown Valley Crescent, Sandown, Sandton, 2196

## **Sponsor**

Investec Bank Limited

## **Transfer secretaries**

Link Market Services South Africa (Pty) Ltd  
13th Floor, 19 Ameshoff Street, Braamfontein, 2000

## **Directors**

JA Mabuza (Chairman), GW Dempster (Lead Independent Director), AM Leeming (Chief Executive)\*, PD Bacon (British), N Basthdaw (Chief Financial Officer)\*, EAMMG Cibie (Chilean), SN Mabaso-Koyana, CM Henry, VP Khanyile, BLM Makgabo-Fiskerstrand, S Sithole (Alt: TR Ngara), ZP Zatu.

\* Executive

## **Group company secretary**

AG Johnston  
28 August 2020

**SUN INTERNATIONAL LIMITED**

(Incorporated in the Republic of South Africa)

Registration number: 1967/007528/06

Share code: SUI

ISIN: ZAE 000097580

LEI: 378900835F180983C60

(Sun International or the group)

**[www.suninternational.com](http://www.suninternational.com)**