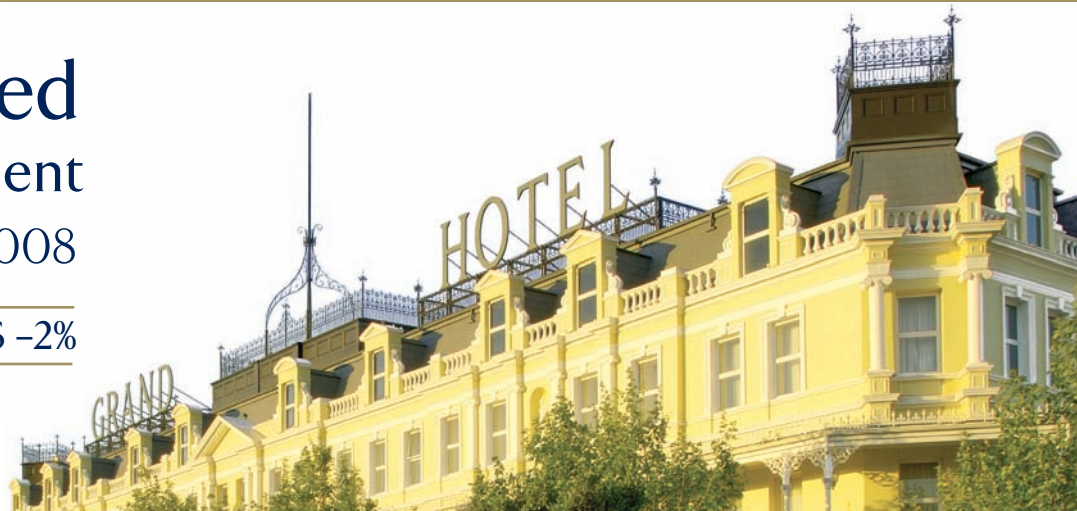


# Sun International Limited

## Profit and Dividend Announcement

for the six months ended 31 December 2008

Revenue +6% EBITDA -2% Adjusted HEPS -2%



("Sun International" or "the group" or "the company") Registration no 1967/007528/06 Share code: SUI ISIN: ZAE000097580

### GROUP INCOME STATEMENTS

R million	Six months ended 31 December 2008		Year ended 30 June 2008	
	Unaudited	% change	2007 Unaudited	2008 Audited
<b>Revenue</b>				
Casino	3 074	5	2 931	5 845
Rooms	474	13	421	881
Food, beverage and other	474	7	444	892
	<b>4 022</b>	<b>6</b>	<b>3 796</b>	<b>7 618</b>
Less: Promotional allowances	(62)		(59)	(117)
	<b>3 960</b>		<b>3 737</b>	<b>7 501</b>
Other income	-		-	13
Pension fund surplus recognition	-		-	12
Employee costs	(788)		(709)	(1 400)
Levies and VAT on casino revenue	(664)		(624)	(1 244)
Depreciation and amortisation	(317)		(278)	(568)
Promotional and marketing costs	(290)		(279)	(522)
Consumables and services	(429)		(376)	(777)
Property and equipment rental	(44)		(52)	(102)
Property costs	(148)		(125)	(252)
Other operational costs	(315)		(268)	(529)
BEE transaction charge	-		(182)	(182)
<b>Operating profit</b>	<b>965</b>	<b>14</b>	<b>844</b>	<b>1 950</b>
Foreign exchange profits/(losses)	65		(22)	69
Interest income	40		43	79
Interest expense	(361)		(289)	(601)
<b>Profit before tax</b>	<b>709</b>		<b>576</b>	<b>1 497</b>
Tax	(327)		(351)	(784)
<b>Profit</b>	<b>382</b>	<b>70</b>	<b>225</b>	<b>713</b>
<b>Attributable to:</b>				
Minorities	74		122	256
Ordinary shareholders	308		103	457
	<b>382</b>		<b>225</b>	<b>713</b>
<b>Number of shares (000's)</b>				
- in issue	88 849		88 504	88 014
- for EPS calculation	88 105		91 185	89 826
- for diluted EPS calculation	89 915		93 389	91 028
<b>Earnings per share (cents)</b>				
- basic	350		113	509
- headline	351	192	120	524
<b>Diluted earnings per share (cents)</b>				
- basic	343		110	502
- headline	344		117	517
<b>Dividends declared per share (cents)</b>	-		222	480
<b>EBITDA to interest (times)</b>	<b>4,3</b>		<b>5,6</b>	<b>5,4</b>
<b>Dividend payout (%)</b>	-		<b>63,7</b>	<b>64,2</b>
<b>HEADLINE EARNINGS RECONCILIATION</b>				
<b>Profit attributable to ordinary shareholders</b>	<b>308</b>		<b>103</b>	<b>457</b>
<b>Headline earnings adjustments</b>	<b>2</b>		<b>4</b>	<b>10</b>
Net loss on disposal and impairment of property, plant and equipment and intangible assets	2		2	14
Loss/(profit) on disposal of investments	-		2	(4)
Tax relief on the above items	-		6	5
Minorities' interests in the above items	(1)		(4)	(1)
<b>Headline earnings</b>	<b>309</b>	<b>183</b>	<b>109</b>	<b>471</b>

### GROUP CASH FLOW STATEMENTS

R million	Six months ended 31 December 2008		Year ended 30 June 2008	
	Unaudited	2007 Unaudited	2008 Audited	
<b>Cash generated by operations before:</b>	<b>1 344</b>	1 237	2 804	
Working capital changes	10	(13)	68	
<b>Cash generated by operations</b>	<b>1 354</b>	1 224	2 872	
Tax paid	(384)	(375)	(783)	
<b>Cash retained from operating activities</b>	<b>970</b>	849	2 089	
Cash utilised in investing activities	(1 035)	(645)	(1 548)	
Cash realised from investing activities	519	530	484	
Net cash outflow from financing activities	(237)	(699)	(1 305)	
Effects of exchange rate changes on cash and cash equivalents	42	(13)	41	
<b>Increase/(decrease) in cash balances</b>	<b>259</b>	22	(239)	

### GROUP STATEMENT OF CHANGES IN EQUITY

Unaudited R million	Share capital and premium	Treasury shares	Other reserves <sup>(i)</sup>	Retained earnings	Minor- ities' interests	Total
<b>Balances at 30 June 2008</b>	<b>8</b>	<b>(1 839)</b>	<b>(1 170)</b>	<b>3 120</b>	<b>546</b>	<b>665</b>
Share issue	22					22
Treasury share options purchased		(10)				(10)
Treasury share options exercised		56				56
Employee share based payments			15			15
Fair value adjustment on available-for-sale investment			5			5
Net profit on cash flow hedges			133	10		143
Transfer from hedging reserve to income statement			(165)			(165)
Acquisition of subsidiary				357		357
Disposal of interests to minorities			52	47		99
Acquisition of minorities' interests			(4)	(3)		(7)
Profit				308	74	382
Movement in currency translation differences			76	(6)		70
Realisation of currency translation differences			(17)			(17)
Dividends paid				(227)	(182)	(409)
<b>Balances at 31 December 2008</b>	<b>30</b>	<b>(1 793)</b>	<b>(1 075)</b>	<b>3 201</b>	<b>843</b>	<b>1 206</b>

(i) Included in other reserves are foreign currency translation reserve, share based payment reserve, available-for-sale investment reserve, financial instrument hedging reserve and profits and losses on purchase and sale of non-controlling interests.

### GROUP BALANCE SHEETS

R million	31 December 2008		30 June 2008	
	Unaudited	2007 Unaudited	2008 Audited	
<b>ASSETS</b>				
<b>Non current assets</b>				
Property, plant and equipment	7 684	6 069	6 229	
Intangible assets	497	339	308	
Available-for-sale investment	48	44	44	
Loans and other non current assets	225	129	76	
Pension fund asset	22	10	22	
Deferred tax	94	36	31	
	<b>8 570</b>	<b>6 627</b>	<b>6 710</b>	
<b>Current assets</b>				
Loans and receivables	89	-	501	
Accounts receivable and other	857	477	571	
Cash and cash equivalents	1 109	1 111	850	
	<b>2 055</b>	<b>1 588</b>	<b>1 922</b>	
<b>Total assets</b>	<b>10 625</b>	<b>8 215</b>	<b>8 632</b>	
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Ordinary shareholders' equity	363	15	119	
Minorities' interests	843	594	546	
	<b>1 206</b>	<b>609</b>	<b>665</b>	
<b>Non current liabilities</b>				
Deferred tax	405	410	412	
Borrowings	4 897	4 421	3 821	
Other non current liabilities	212	154	210	
	<b>5 514</b>	<b>4 985</b>	<b>4 443</b>	
<b>Current liabilities</b>				
Accounts payable and other	1 447	1 084	1 247	
Borrowings	2 458	1 537	2 277	
	<b>3 905</b>	<b>2 621</b>	<b>3 524</b>	
<b>Total liabilities</b>	<b>9 419</b>	<b>7 606</b>	<b>7 967</b>	
<b>Total equity and liabilities</b>	<b>10 625</b>	<b>8 215</b>	<b>8 632</b>	
Annualised borrowings to EBITDA (times)	2,61	2,18	2,15	
Net asset value per share (Rands)	4,09	0,17	1,35	
Capital expenditure	833	456	861	
Capital commitments				
- contracted	611	592	1 168	
- authorised but not contracted	882	1 541	2 005	
- conditionally authorised	-	812	-	
	<b>1 493</b>	<b>2 945</b>	<b>3 173</b>	

### SUPPLEMENTARY INFORMATION

R million	Six months ended 31 December 2008		Year ended 30 June 2008	
	Unaudited	% change	2007 Unaudited	2008 Audited
<b>EBITDA RECONCILIATION</b>				
<b>Operating profit</b>	<b>965</b>	<b>14</b>	<b>844</b>	<b>1 950</b>
Depreciation and amortisation	317		278	568
Other income	-		-	(13)
Pension fund surplus recognition*	-		-	(12)
BEE transaction charge*	-		182	182
Property and equipment rental	44		52	102
Net loss on disposal and impairment of property, plant and equipment and intangible assets*	2		2	14
Ster Century guarantee provision*	-		4	3
Loss/(profit) on disposal of investments*	-		2	(4)
Pre-opening expenses*	19		7	8
Reversal of Employee Share Trusts' consolidation*	20		18	38
<b>EBITDA</b>	<b>1 367</b>	<b>(2)</b>	<b>1 389</b>	<b>2 836</b>
<b>EBITDA margin (%)<sup>(ii)</sup></b>	<b>34</b>		<b>37</b>	<b>37</b>
<b>ADJUSTED HEADLINE EARNINGS RECONCILIATION</b>				
<b>Headline earnings</b>	<b>309</b>	<b>183</b>	<b>109</b>	<b>471</b>
<b>Adjusted headline earnings adjustments</b>	<b>-</b>		<b>201</b>	<b>157</b>
Pre-opening expenses	19		7	8
Realisation of management contract	-		-	(13)
Pension fund surplus recognition	-		-	(12)
Foreign exchange (profits)/losses on intercompany loans	(19)		8	(11)
Ster Century guarantee provision	-		4	3
BEE transaction charge	-		182	182
Tax relief on the above items	(3)		16	20
Tax on share premium distributions received	-		-	48
Minorities' interests in the above items	(10)		(8)	(15)
Reversal of Employee Share Trusts' consolidation <sup>(iii)</sup>	27		22	39
<b>Adjusted headline earnings</b>	<b>323</b>	<b>(5)</b>	<b>340</b>	<b>720</b>
<b>Number of shares (000's)<sup>(iii)</sup></b>				
- for adjusted headline EPS calculation	95 036		97 627	96 268
- for diluted adjusted headline EPS calculation	96 846		99 831	97 470
<b>Earnings per share (cents)</b>				
- adjusted headline	340	(2)	348	748
- diluted adjusted headline	334	(2)	341	739

(ii) The EBITDA margin has been calculated on revenue before deducting promotional allowances.

(iii) The consolidation of the Employee Share Trusts is reversed as the group does not receive the economic benefits of the trusts.

### ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared in accordance with the recognition and measurement criteria of all applicable statements and interpretations of International Financial Reporting Standards (IFRS) and is presented in terms of the disclosure requirements set out in IAS 34 - Interim Financial Reporting. The accounting policies applied, other than described below, to the condensed consolidated financial information are consistent with those as set out in the annual financial statements for the year ended 30 June 2008.

The group has adopted hedge accounting prescribed by IAS 39 - Financial Instruments whereby changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. The ineffective portion is recognised immediately in the income statement. The effective portion of the gain or loss on the hedging



instrument recognised in equity, is subsequently removed and included in the income statement in the same period during which the hedged item affects profit.

The group has historically reflected revenues for complimentary rooms, food and beverage provided to customers at the internal "selling" price with an equal amount reflected in marketing and promotional costs. In line with the requirements of IAS 18 – Revenue, the group has decided to disclose these expenses as a deduction from revenue and comparative results have been restated.

## EARNINGS AND DIVIDEND

Revenues for the six months to 31 December 2008 were 6% ahead of last year at R4 billion and 3% higher excluding non-comparable revenue from the new Monticello Grand Casino and Entertainment World in Chile. The group achieved gaming revenue growth of 5% and hospitality and other revenues of 10%. EBITDA of R1,4 billion for the six months was 2% down on last year and the EBITDA margin fell 2,6 percentage points to 34%. The margin was impacted by lower than inflation revenue growth, inflation-driven increases in costs in South Africa, together with the losses incurred by Monticello in its opening quarter. EBITDA excluding the Monticello loss was in line with the prior year which, under current difficult trading conditions, is considered satisfactory.

The prior year results include a BEE transaction charge of R182 million which recognised the difference between the price at which Grand Parade Investments Limited was granted an option over 5% of the equity in SunWest International (Pty) Limited and the estimated fair value thereof.

The weakening of the SA Rand during the period, partially offset by foreign exchange losses in Chile, resulted in a net exchange profit of R65 million, compared with a loss of R22 million last year.

The group's net interest charge increased by R75 million to R321 million. The higher interest charge results from higher rates compared to last year as well as the additional funding costs associated with the expansion of GrandWest and Carnival City together with the Monticello project.

Tax at R327 million was 7% below the comparable period. The overall effective tax rate however remained high in the period mainly as a result of the non deductibility of preference share dividends, higher STC charges due to the timing of dividend payments and the losses incurred by Monticello with no commensurate tax relief.

Adjusted headline earnings of R323 million were 5% below last year whilst diluted adjusted headline earnings per share of 334 cents were 2% below last year.

In light of the funding requirements of Monticello, the deteriorating trading conditions throughout the group and the requirements to fund the group's casino licence applications for the Wild Coast Sun and Boardwalk, the board has resolved to preserve cash flows and not declare an interim dividend.

## TRADING

### Segmental analysis

R million	Revenues			EBITDA			Operating profit		
	Six months to 31 Dec 2008	Year ended 30 June 2007	Year ended 30 June 2008	Six months to 31 Dec 2008	Year ended 30 June 2007	Year ended 30 June 2008	Six months to 31 Dec 2008	Year ended 30 June 2007	Year ended 30 June 2008
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
GrandWest	841	879	1 756	343	363	734	272	293	591
Sun City	590	563	1 147	89	98	223	32	47	115
Carnival City	514	485	954	180	165	329	140	125	252
Sibaya	402	392	782	142	142	294	108	107	224
Boardwalk	217	230	451	89	93	185	75	78	156
Carousel	156	158	318	43	46	91	29	34	66
Wild Coast Sun	153	150	299	27	30	62	20	22	47
Morula	130	123	243	28	28	55	16	16	31
Zambia	125	97	208	40	29	63	30	21	45
Meropa	114	107	215	45	43	86	36	35	69
Windmill	107	101	198	45	41	80	35	33	62
Table Bay	101	90	197	33	31	69	16	16	36
Botswana	95	71	151	34	24	51	27	18	39
Swaziland	93	84	157	15	13	21	11	9	12
Flamingo	66	65	127	22	23	44	17	18	33
Namibia	64	59	120	18	17	33	11	9	18
Golden Valley	54	40	87	16	11	24	7	4	10
Lesotho	50	49	97	7	9	16	6	7	12
Existing operations	3 872	3 743	7 507	1 216	1 206	2 460	888	892	1 818
Monticello – Chile	97	–	–	(23)	–	–	(37)	–	–
	3 969	3 743	7 507	1 193	1 206	2 460	851	892	1 818
Management activities	337	327	659	190	189	380	183	185	371
Central office & other	24	29	65	(16)	(6)	(4)	(28)	(18)	(23)
Eliminations	(308)	(303)	(613)	–	–	–	–	–	–
Other income	–	–	–	–	–	–	–	–	13
Other expenses #	–	–	–	–	–	–	(41)	(215)	(229)
	4 022	3 796	7 618	1 367	1 389	2 836	965	844	1 950
Promotional allowances	(62)	(59)	(117)	–	–	–	–	–	–
	3 960	3 737	7 501	1 367	1 389	2 836	965	844	1 950

# Items included indicated by \* on EBITDA reconciliation.

## GAMING

Comparable gaming revenue improved by 2% on last year. The rate of revenue growth has continued to slow as a direct result of declining disposable incomes and consumer confidence in the current environment.

GrandWest and Boardwalk experienced particularly difficult trading conditions due to economic conditions in their specific local markets. Given their deteriorating revenues, cost containment has been particularly focused at these operations. GrandWest revenue was 4% below last year and EBITDA 6% behind last year at R343 million. The EBITDA margin declined marginally to 40,8%. Boardwalk experienced a decline in revenues and EBITDA of 6% to R217 million and 4% to R89 million respectively for the period, the EBITDA margin however improved marginally to 41%.

Carnival City achieved revenue growth of 6% over last year. EBITDA grew 9% to R180 million with margins improving to 35% (34%). The group's share of the Gauteng market, which includes Morula, remained in line with the comparable period in the prior year. This was a significant achievement given the opening of the seventh casino in Gauteng in December 2007.

Sibaya achieved revenues of R402 million and EBITDA of R142 million, 3% ahead and in line with last year respectively. The EBITDA margin of 35,3% was 0,9 percentage points lower. The overall KwaZulu-Natal market grew by 7% in the period under review and Sibaya's share of the market at 35% was one percentage point below the comparable period in the prior year.

## HOTELS AND RESORTS

Rooms revenue of R474 million was 13% ahead of the previous year. An overall group occupancy of 77% (80%) was achieved, and the average room rate improved 14% due to higher yields and Zambia benefiting from favourable exchange rates.

Sun City's room occupancy of 81% was 3 percentage points below last year whilst the average room rate was 12% ahead. The resort generated an EBITDA of R89 million, which was 9% below last year having been impacted by additional costs relating to the Million Dollar Poker and Miss SA events which costs are unlikely to recur.

The Table Bay achieved an occupancy of 69% (72%) for the period, with the average room rate being 17% ahead of the previous year. This resulted in overall revenue growth of 12% and EBITDA of R33 million which was 6% ahead of last year. Costs were significantly impacted by higher property taxes.

The Royal Livingstone and Zambezi Sun achieved an aggregate occupancy of 71% (79%) at an average room rate of US\$178, 5% ahead of last year. Total revenue was 29% up on last year in SA Rands but flat in US dollar terms.

Trading conditions were relatively buoyant in Botswana and consequently a strong improvement in revenues and margins was achieved.

## MANAGEMENT ACTIVITIES

Management fee and related income of R337 million was 3% above last year reflecting the difficult trading conditions. EBITDA of R190 million was in line with the previous year, assisted by lower project investigation costs of R9,3 million (R16,1 million).

## DEVELOPMENTS

The Sun City Main Hotel refurbishment commenced in February 2007 with the second phase of the rooms refurbishment having been completed in November 2008. The total cost of the refurbishment was R260 million which includes the cost of replacing infrastructural items such as air-conditioning, plumbing and electrical items and refurbishing of back-of-house areas, including kitchens.

## BALANCE SHEET

The group's borrowings have increased since June 2008 by R1,3 billion to R7,4 billion predominantly as a result of the Monticello development being consolidated from 20 August 2008 and further expenditure on this project.

### Third party borrowings

R million	31 December 2008	31 December 2007	30 June 2008
SFI Resorts SA (Chile)	1 258	–	–
SunWest International (Pty) Ltd	837	513	759
Afrisun Gauteng (Pty) Ltd	511	367	454
Afrisun KZN (Pty) Ltd	441	369	447
Worcester Casino (Pty) Ltd	193	191	200
Meropa Leisure and Entertainment (Pty) Ltd	120	98	117
Emfuleni Resorts (Pty) Ltd	117	116	119
Mangaung Sun (Pty) Ltd	68	18	10
Teemane (Pty) Ltd	67	59	69
Central office	3 485	4 033	3 675
	7 097	5 764	5 850
Employee Share Trusts	258	194	248
	7 355	5 958	6 098

### Capital expenditure incurred during the six months:

R million	
Expansionary	
Monticello	1 577
Carnival City – parkade	15
	592
Refurbishment	
Sun City Main Hotel	54
Other ongoing asset replacement	187
Total capital expenditure	833

† Capital expenditure post 20 August 2008.

## INTERNATIONAL EXPANSION

### Chile

Construction of Monticello located south of Santiago in Chile, is progressing, with the casino (1 500 slot machines and 80 tables) having opened to the public in October 2008. The very tight deadlines to deliver the casino necessitated a delay in completing the balance of the project and as a consequence the retail and entertainment components are scheduled for completion at the end of May 2009 and the hotel is expected to open in August 2009. In light of the global recession and resultant deteriorating economic conditions in Chile, it will be necessary to assist with the funding of certain concessionaires for the fast food and children's entertainment areas within the retail development. This will marginally increase the overall projected capital expenditure of US\$236 million.

The casino opened as required by the licence and as a consequence, has been operating in the midst of an active construction site without ancillary facilities and with certain access constraints. Under these circumstances, together with the extremely difficult economic conditions, trading to date has been well below expectations. However, there has been strong support for the MVG customer loyalty programme and once all the ancillary facilities are open, visitor numbers and revenues will improve significantly.

### Nigeria

The 150 room Federal Palace Hotel opened in August 2008 following the US\$10 million upgrade. The gaming laws in Lagos have been promulgated and the licence to operate a casino is now available.

Due to current economic conditions, the group has elected to delay the previously planned US\$167 million refurbishment of the Federal Palace Towers hotel and the development of a permanent casino. The group therefore intends operating both the refurbished five star Federal Palace Hotel and the existing three star Federal Palace Towers hotel (following minor upgrades to the latter) and constructing a temporary casino located in the Federal Palace Hotel at an estimated cost of US\$17 million.

The group will invest US\$28 million in acquiring a 49,5% interest in the company which owns and operates the development. The revised project expenditure of US\$24 million and certain once off restructuring costs of US\$8 million will be funded through the capital raised and a further US\$5 million loan from the group.

## EASTERN CAPE CASINO LICENCES

The Wild Coast Sun's casino licence expires in August 2009. The group submitted an application for a new licence to the Eastern Cape Gambling and Betting Board and the final determination remains outstanding. The bid proposal includes a R340 million upgrade and an enhancement to the resort.

The Boardwalk's casino licence in Zone 1 of the Eastern Cape expires in October 2010. A bid for a new casino licence was submitted on 30 January 2009 and includes plans for a five star hotel and conference centre, expanded gaming facilities and covered parking at an estimated cost of R1 billion. The announcement of the preferred bidder is expected in August 2009.

## DIRECTORATE

Mr DA Hawton will be retiring from the board of the company on 30 June 2009, having been chairman since 1989.

The position of chairman, following Mr Hawton's retirement, will be assumed by Mr MV Moosa. As he is not an independent director, the board has appointed Mr IN Matthews as lead independent director who will assume this position simultaneously with the foregoing appointment.

## OUTLOOK

Trading at the group's gaming operations is expected to remain subdued, whilst global economic conditions will negatively impact the hotels and resorts in the second half of the financial year.

The group will benefit from declining interest rates. However this will not offset the higher interest charges arising from Monticello. In addition, the extent of foreign exchange gains generated in the second half of the prior year is unlikely to recur. Adjusted headline earnings per share for the full year is therefore expected to be below that achieved for 2008.

The board is committed to ensuring that the group has the appropriate capacity to fund future opportunities and will consequently review the final dividend in light of conditions prevailing at the time.

For and on behalf of the board

DA Hawton  
Chairman

DC Coutts-Trotter  
Chief Executive

Registered office: 27 Fredman Drive, Sandown, Sandton 2031

Sponsor: Investec Bank Limited

Transfer secretaries: Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg 2001

Directors: DA Hawton (Chairman), DC Coutts-Trotter (Chief Executive)\*, RP Becker\*, PL Campher, MP Egan, Dr NN Gwagwa, IN Matthews, LM Mojela, MV Moosa, DM Nurek, E Oblowitz, GR Rosenthal \*Executive

Group Secretary: SA Bailes

26 February 2009



Sun International

www.suninternational.com

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