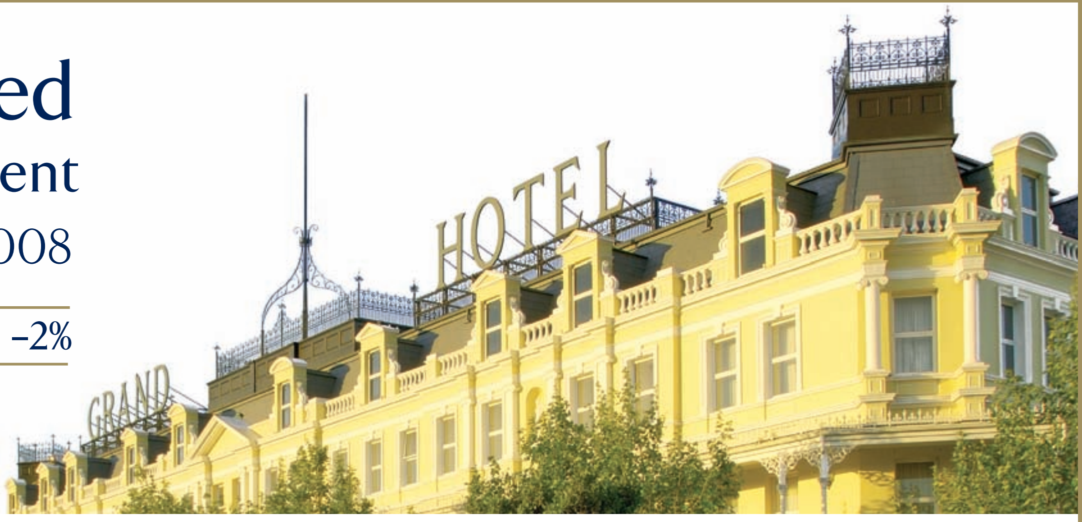
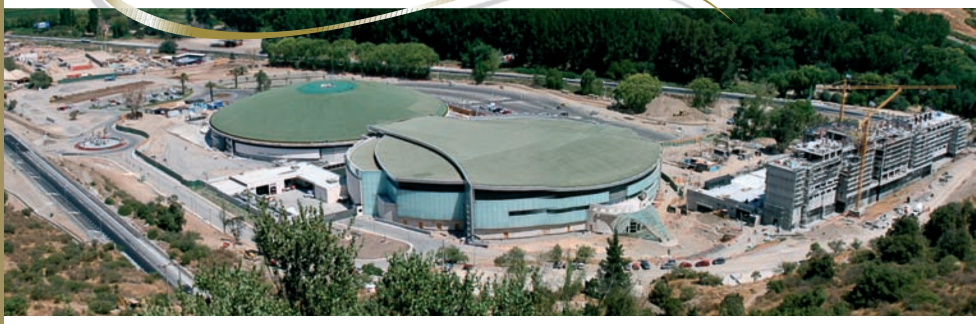
Sun International Limited

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 Unaudited	% change	2007 Restated Unaudited	Year ended 30 June 2008 Restated Audited
Revenue				
Casino	**3 074**	5	2 931	5 845
Rooms	**474**	13	421	881
Food, beverage and other	**474**	7	444	892
	4 022	6	3 796	7 618
Less: Promotional allowances	**(62)**		(59)	(117)
	3 960		3 737	7 501
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)
Operating profit	**965**	14	844	1 950
Foreign exchange profits/(losses)	**65**		(22)	69
Interest income	**40**		43	79
Interest expense	**(361)**		(289)	(601)
Profit before tax	**709**		576	1 497
Tax	**(327)**		(351)	(784)
Profit	**382**	70	225	713
Attributable to:				
Minorities	**74**		122	256
Ordinary shareholders	**308**		103	457
	382		225	713
Number of shares (000's)				
– 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
Earnings per share (cents)				
– basic	**350**		113	509
– headline	**351**	192	120	524
Diluted earnings per share (cents)				
– basic	**343**		110	502
– headline	**344**		117	517
Dividends declared per share (cents)	**–**		222	480
EBITDA to interest (times)	**4,3**		5,6	5,4
Dividend payout (%)	**–**		63,7	64,2
HEADLINE EARNINGS RECONCILIATION				
Profit attributable to ordinary shareholders	**308**		103	457
Headline earnings adjustments	**2**		4	10
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)
Headline earnings	**309**	183	109	471

GROUP CASH FLOW STATEMENTS

R million	Six months ended 31 December 2008 Unaudited	2007 Unaudited	Year ended 30 June 2008 Audited
Cash generated by operations before:	**1 344**	1 237	2 804
Working capital changes	**10**	(13)	68
Cash generated by operations	**1 354**	1 224	2 872
Tax paid	**(384)**	(375)	(783)
Cash retained from operating activities	**970**	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
Increase/(decrease) in cash balances	**259**	22	(239)

GROUP STATEMENT OF CHANGES IN EQUITY

Unaudited R million	Share capital and premium	Treasury shares	Other reserves(i)	Retained earnings	Minorities' interests	Total
Balances at 30 June 2008	**8**	**(1 839)**	**(1 170)**	**3 120**	**546**	**665**
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)
Balances at 31 December 2008	**30**	**(1 793)**	**(1 075)**	**3 201**	**843**	**1 206**

(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 Unaudited	2007 Unaudited	30 June 2008 Audited
ASSETS			
Non current assets			
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
	8 570	6 627	6 710
Current assets			
Loans and receivables	**89**	–	501
Accounts receivable and other	**857**	477	571
Cash and cash equivalents	**1 109**	1 111	850
	2 055	1 588	1 922
Total assets	**10 625**	8 215	8 632
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity	**363**	15	119
Minorities' interests	**843**	594	546
	1 206	609	665
Non current liabilities			
Deferred tax	**405**	410	412
Borrowings	**4 897**	4 421	3 821
Other non current liabilities	**212**	154	210
	5 514	4 985	4 443
Current liabilities			
Accounts payable and other	**1 447**	1 084	1 247
Borrowings	**2 458**	1 537	2 277
	3 905	2 621	3 524
Total liabilities	**9 419**	7 606	7 967
Total equity and liabilities	**10 625**	8 215	8 632
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	–
	1 493	2 945	3 173

SUPPLEMENTARY INFORMATION

R million	Six months ended 31 December 2008 Unaudited	% change	2007 Unaudited	Year ended 30 June 2008 Audited
EBITDA RECONCILIATION				
Operating profit	**965**	14	844	1 950
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
EBITDA	**1 367**	(2)	1 389	2 836
EBITDA margin (%)(ii)	**34**		37	37
ADJUSTED HEADLINE EARNINGS RECONCILIATION				
Headline earnings	**309**	183	109	471
Adjusted headline earnings adjustments	**–**		201	157
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(iii)	**27**		22	39
Adjusted headline earnings	**323**	(5)	340	720
Number of shares (000's)(iii)				
– for adjusted headline EPS calculation	**95 036**		97 627	96 268
– for diluted adjusted headline EPS calculation	**96 846**		99 831	97 470
Earnings per share (cents)				
– 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 Unaudited**	Six months to 31 Dec 2007 Unaudited	Year ended 30 June 2008 Audited	Six months to 31 Dec **2008 Unaudited**	Six months to 31 Dec 2007 Unaudited	Year ended 30 June 2008 Audited	Six months to 31 Dec **2008 Unaudited**	Six months to 31 Dec 2007 Unaudited	Year ended 30 June 2008 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 containments have 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	†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 aforegoing 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

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STUDIO 5