

NUEVA INVERSIONES PACIFICO SUR LIMITADA

(Incorporated in the Republic of Chile)

(Registered in accordance with the laws of Chile, under taxpayer ID number: 76.383.274-0)

(“IPS”)

ANNOUNCEMENT BY IPS OF A PROPOSAL TO THE BOARD OF SUN INTERNATIONAL LIMITED (“SUN INTERNATIONAL” or the “COMPANY”) TO MAKE AN OFFER TO ACQUIRE 50.1% OF THE ISSUED SHARES OF SUN INTERNATIONAL AT ZAR 22.00 PER SHARE

1. INTRODUCTION

- 1.1. The shareholders of Sun International are hereby advised that, on 22 June 2020 (evening Chilean time, early morning 23 June 2020 South African time), IPS submitted a written proposal (the “**Proposal**”) to the board of directors of Sun International (the “**Sun International Board**”) expressing IPS’s intention to deliver to the Sun International Board a firm intention letter (“**Firm Intention Letter**”) communicating a firm intention to make an offer as contemplated in Parts B and C of Chapter 5 of the Companies Act, 71 of 2008, as amended (the “**Companies Act**”) and Chapter 5 of the Companies Regulations, 2011 (the “**Companies Regulations**”), in terms of which IPS (or its nominee) intends delivering to the Sun International Board a Firm Intention Letter to make a partial cash tender offer (the “**Proposed Partial Offer**”) to Sun International shareholders to acquire such number of ordinary shares in Sun International as would result in IPS (or its nominee) holding, in aggregate, up to 50.1% of the total issued ordinary shares in the Company, on a fully diluted basis (the “**Target Shareholding**”), for a cash price of ZAR 22.00 per share (the “**Offer Price**”).
- 1.2. The Offer Price represents a premium of: 44.26% to the Company’s closing share price of ZAR15.25 on June 22, 2020; 68.26% to the 1 month VWAP; and 50.09% to the 3 month VWAP.
- 1.3. IPS proposes to deliver the Firm Intention Letter to the Sun International Board as soon as it is satisfied with the matters listed as pre-conditions to the delivery of the Firm Intention Letter set out in paragraph 11.
- 1.4. Following the successful closing of the Proposed Partial Offer, IPS intends participating in the proposed rights offer (“**Proposed Rights Offer**”) contemplated in the circular to Sun International shareholders, dated 12 June 2020 (“**Sun EGM Circular**”), convening a general meeting (“**Sun EGM Meeting**”) to approve resolutions required to authorise the Sun International Board to undertake the Proposed Rights Offer. IPS is willing to underwrite at least 50.1% of the Proposed Rights Offer in order to provide certainty to Sun International Shareholders.
- 1.5. In order to address any immediate liquidity pressures of Sun International, IPS is willing to provide interim liquidity support in the form of a bridge loan of up to ZAR1.2 billion to Sun International (the “**Interim Liquidity Support**”) upon obtaining the irrevocable undertakings referred to in paragraphs 11.3 and 11.4 and subject to the condition that the Sun EGM Meeting is postponed as set out in paragraph 11.7 below. The proceeds of the Proposed Rights Offer should enable Sun International to discharge its repayment obligations under the terms of the Interim Liquidity Support.
- 1.6. Prior to the submission of the Proposal to the Sun International Board, IPS and the Sun International Board had engaged in discussions and correspondence regarding a possible transaction between IPS and Sun International to be concluded on substantially the same basis as that set out in the Proposal, in terms of which IPS indicated a desire to acquire 50.1% of the total issued ordinary shares of Sun International from Sun International shareholders by way of a partial offer. Further, IPS indicated a willingness to underwrite at least 50.1% of a rights offer to be undertaken by Sun International. This proposal was sent to the Sun International Board on June 11, 2020 (“**June 11, 2020 Proposal**”).
- 1.7. Whilst IPS was expecting to receive a response from the Sun International Board in respect of the June 11, 2020 Proposal, it became aware of an announcement released by Sun International through SENS on Friday, June 12, 2020 in which Sun International announced (the “**Sun EGM announcement**”) to shareholders that the Sun International Board intends embarking on a capital raising exercise in the form of the Proposed Rights Offer and that the Sun EGM Circular had been posted to shareholders of Sun International to approve resolutions required to authorise the Sun International Board to undertake the Proposed Rights Offer. On June 13, 2020, the Sun International Board formally notified IPS of its termination of our engagement.

- 1.8. IPS is of the view that if the Proposal described in this announcement were to culminate in the delivery of a Firm Intention Letter, this would be beneficial to Sun International, its shareholders, employees and other stakeholders. It will provide Sun International shareholders with an attractive alternative to the Proposed Rights Offer announced in the Sun EGM announcement. It will allow existing shareholders of Sun International the opportunity to monetise a portion of their shareholding for an attractive premium to the current share price should they wish to exit, and to participate in the future value creation of a recapitalised Sun International and benefiting from IPS's experience and capabilities, should they wish to remain invested.
- 1.9. In addition, IPS has noted statements in the Sun EGM circular and in the press relating to the implementation of a 60% reduction in payroll costs across the Sun International group. IPS believes that retaining staff and motivating employees is critical to the success of a business like Sun International and believes that the Proposal will provide Sun International with sufficient liquidity in the short term to preserve employment and salaries.
- 1.10. IPS has therefore decided to advise the shareholders of Sun International of the Proposal on the basis that, if the Proposal were to culminate in the delivery of a Firm Intention Letter to the Sun International Board upon fulfilment of the pre-conditions set out in paragraph 11 of this announcement, if accepted by Sun International, presents Sun International and its shareholders with an alternative transaction structure with more favourable commercial terms than those of the Proposed Rights Offer set out in the Sun EGM circular. It further provides the certainty of the required capital increase through the willingness of IPS to underwrite at least 50.1% of the Proposed Rights Offer.

2. SALIENT DETAILS OF PROPOSED PARTIAL OFFER

- 2.1. The Proposed Partial Offer is intended to be made pursuant to a tender offer in terms of Parts B and C of Chapter 5 of the Companies Act and in accordance with Chapter 5 of the Companies Regulations.
- 2.2. The Proposed Partial Offer is intended to be made to all qualifying Sun International shareholders (each an "**Offeree**") on a *pro rata* basis to acquire such number of ordinary shares in Sun International as would result in IPS (or its nominee) holding, in aggregate, at least the Target Shareholding at the Offer Price, based on the following assumptions, which IPS has made in good faith solely on the basis of publicly available information:
 - 2.2.1. Sun International has 136,730,964 ordinary shares in issue, of which 6,719,759 constitute treasury shares (i.e. Sun International has 130,011,205 ordinary shares in issue excluding treasury shares) as at 11 June 2020;
 - 2.2.2. Sun International, from the date of this announcement to the completion of the Proposed Partial Offer, does not declare or pay out any dividends or make any distributions of any nature as envisaged under the Companies Act, the listing requirements of the JSE Limited, or the Income Tax Act, 1962;
 - 2.2.3. no additional Sun International ordinary shares or securities are issued, placed or offered pursuant to any staff or management incentive schemes or any other circumstance as a consequence of the implementation of the Proposed Partial Offer;
 - 2.2.4. until the Proposed Partial Offer closes, the business of Sun International will continue to be conducted in the ordinary course of business and in accordance with its approved business plans and budgets; and
 - 2.2.5. the implementation of the Proposed Partial Offer will not give rise to any termination right, event of default or acceleration of debt repayment obligations owed by Sun International to any of its lending banks under its applicable funding arrangements, including in terms of any financial covenants in respect of a change of control in Sun International occurring.
- 2.3. The Proposed Partial Offer will be adjusted to take into account any assumption set out in paragraph 2.2 which turns out to be incorrect, including any distributions (as defined in section 1 of the Companies Act), buy-backs or other returns of capital, declared or paid, any ordinary shares issued or any share options granted or exercised (including the unwinding of the Dinokana transaction), or any binding agreement to do any of the foregoing, prior to the completion of the Proposed Partial Offer.
- 2.4. The Offer Price is intended to be paid in cash to each accepting Offeree. The value delivered by the Offer Price is detailed in paragraph 3 of this announcement.

2.5. Should the pre-conditions for the delivery of the Firm Intention Letter set out in paragraph 11 be fulfilled or waived, as applicable, further details regarding the Proposed Partial Offer and the terms and conditions of the Proposed Partial Offer will be made available in a firm intention announcement, as required by regulation 101 of the Companies Regulations, and in an offer circular to be posted to Sun International shareholders.

3. OFFER PRICE

The Offer Price represents a premium of: 44.26% to the Company's closing share price of ZAR15.25 on June 22, 2020; 68.26% to the 1 month VWAP; and 50.09% to the 3 month VWAP.

4. RATIONALE AND BENEFITS OF THE PROPOSAL

4.1. IPS believes Sun International has an attractive portfolio of properties in Africa and Latin America which needs to be protected against the devastating economic impact of the COVID-19 pandemic. The Proposal seeks to secure the future of Sun International and the legacy of Sol Kerzner through the Proposed Rights Offer which will assist Sun International in preserving the employment of its employees, in a time of severe economic stress.

4.2. IPS also believes it can add significant value in the management of Sun International's operations through its 20 years of experience in the industry. There are significant benefits to be extracted from IPS and Sun International sharing best practices, and from a further integration of Sun International's Latin American and African operations. IPS also sees significant opportunities in Latin America. The Proposal would allow Sun International to capitalize on these opportunities and enhance its leading market position in Latin America.

4.3. The Proposal allows those shareholders who want to exit the opportunity to monetize part of their stakes at a significant premium, and those shareholders who want to remain invested an opportunity to participate in the Proposed Rights Offer alongside IPS.

5. INFORMATION ON IPS

5.1. IPS is Sun International's partner in Latin America and owns approximately 35% of Sun Dreams S.A. ("**Sun Dreams**"), the Latin American subsidiary of Sun International operating casinos and lodging facilities across Chile, Colombia, Panama, Peru and Argentina.

5.2. IPS is owned by Claudio Fischer and Humberto Fischer, Chilean-national entrepreneurs with over 35 years each of executive experience in the gaming, entertainment, lodging, real estate and aquaculture industries. Claudio Fischer serves as Chairman of IPS and as Chairman of the Board of Directors of Sun Dreams. Humberto Fischer is a Board Member of Sun Dreams.

5.3. The Fischer brothers have been engaged in the gaming industry for 20 years, with a vision of providing world class entertainment through prime infrastructure and excellence in service, coupled with a strong commitment to responsible and sustainable gaming. The Fischer brothers started in 2000 with the Puerto Varas casino in southern Chile. Their casino portfolio continued growing and consolidating under the Dreams brand, becoming a leading player in Chile and expanding its regional footprint to Peru in 2013. In 2016, Dreams successfully completed a merger with Sun International's Latin American business to create Sun Dreams, one of the main casino operators in the region.

5.4. They are also pioneers in the Chilean salmon industry. In 1985 they founded Salmenes Pacifico Sur, a salmon farming company that became to be AquaChile, one of the largest aquaculture companies worldwide, listed in the Santiago Stock Exchange and focused on the production of Atlantic and Pacific salmon, sea trout and tilapia. In 2019, the Fischer brothers sold their 33% stake in AquaChile to Agrosuper for an equivalent Enterprise Value for 100% of US\$1.0bn. The transaction was the largest ever transaction in the Chilean salmon sector, and created the second largest worldwide salmon producer.

6. BOARD REPRESENTATION

6.1. IPS supports the corporate governance principles and practices as prescribed by the JSE Listings Requirements and the King Code on Corporate Governance, and within such prescribed framework and guidance wishes to have adequate representation on the Sun International Board.

6.2. In order to provide for adequate representation of IPS on the Sun International Board, a pre-condition to IPS delivering the Firm Intention Letter is that such resolutions as may be required for the appointment of IPS's nominee(s) to the Sun International Board are included in the agenda of the Postponed Sun EGM and submitted to the shareholders of Sun International to be considered and, if deemed fit, passed at

the Postponed Sun EGM, which resolutions may be expressed as being subject to the successful completion of the Proposed Partial Offer and IPS not waiving the Minimum Acceptance Threshold.

7. BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BEE)

IPS acknowledges the contribution that BEE shareholders have made to Sun International over an extended period of time. IPS also recognises the importance of social and economic transformation in the South African environment, is supportive of the achievement of BEE objectives, and intends to support Sun International in its continued efforts to foster the BEE initiatives and transformation of its South African business as a commercial imperative.

8. COMPANY NAME AND BRAND

IPS recognises the goodwill associated with Sun International's name and the strength of its brand within the markets it operates. The Proposal will not affect the continuity of the name and brand in the foreseeable future.

9. PROPOSED RIGHTS OFFER

Following the successful closing of the Proposed Partial Offer, IPS intends participating in the Proposed Rights Offer. In this regard, IPS is willing to provide Sun International with a guaranteed commitment that it will follow its rights corresponding with the full Target Shareholding under the Proposed Rights Offer, and if so requested, would be willing to underwrite at least 50.1% of the Proposed Rights Offer on the basis that the proceeds of the Proposed Rights Offer would be used to repay the Interim Liquidity Support.

10. INTERIM LIQUIDITY SUPPORT

10.1. As mentioned above, in order to address the immediate liquidity pressures of Sun International, IPS is proposing advancing the Interim Liquidity Support upon obtaining irrevocable undertakings referred to in paragraphs 11.3 and 11.4, subject to the condition that the Sun EGM Meeting is postponed in order to enable the resolutions referred to in paragraphs 13.3, 13.4 and 6.1 to be included in the agenda and submitted to the shareholders of Sun International to be considered and passed at such postponed meeting.

10.2. Set out below are the key terms upon which IPS is open to extending the Interim Liquidity Support to Sun International:

10.2.1. a principal amount of up to ZAR 1.2 billion;

10.2.2. an interest rate of 6.5%;

10.2.3. a maturity date which shall be the date on which the proceeds of the Proposed Rights Offer will be disbursed to Sun International, if the Proposed Partial Offer and Proposed Rights Offer are completed, or if the Proposed Partial Offer is terminated prior to completion for any reason, the date that is the earlier of the long-stop date of the Proposed Partial offer and the date of earlier termination;

10.2.4. appropriate level of security for the Interim Liquidity Support.

11. PRE-CONDITIONS TO DELIVERING THE FIRM INTENTION LETTER

The pre-conditions contained in the Proposal for IPS delivering the Firm Intention Letter to the Sun International Board, include:

11.1. successful completion of a due diligence investigation (including a commercial, financial, tax, legal and human resources due diligence) to the satisfaction of IPS (in this regard, IPS proposes conducting a limited red flag due diligence investigation, which is expected will take no longer than one week, from beginning to end, on the assumption that all information requested and agreed to be provided by Sun International is made available timeously and at the outset);

11.2. approval by the Takeover Regulation Panel ("TRP") of any cash guarantee or confirmation which it may require from IPS in relation to the Proposed Partial Offer;

11.3. obtaining irrevocable undertakings from key shareholders of Sun International irrevocably undertaking to (i) vote in favour of all resolutions required to implement the Proposed Partial Offer,

on terms acceptable to IPS and (ii) tender their ordinary shares pursuant to the Proposed Partial Offer, on its terms and subject to its conditions;

- 11.4. to the satisfaction of IPS, the Company having obtained from its lending banks: (i) written extensions of upcoming maturity dates in the relevant existing facilities and/or loan agreements to dates acceptable to IPS; and (ii) providing financial covenant waivers, including waivers of any covenants in respect of any change of control in Sun International occurring as a result of the Proposed Transactions, for periods acceptable to IPS;
- 11.5. confirmation from each counterparty to any material agreement (including any facility agreement, loan agreement, joint venture agreement, shareholder arrangements or put option agreement) that the Proposed Partial Offer will not result in the breach, default, acceleration, termination or amendment of, or any other adverse effect on, such material agreement or Sun International's business;
- 11.6. no equity issuance or placing or rights offer (including the Proposed Rights Offer) being launched and/or consummated prior to successful completion of the Proposed Partial Offer; and
- 11.7. Sun International procuring that the Sun EGM Meeting is postponed in order to enable the resolutions referred to in paragraphs 13.3, 13.4 and 6.1 to be included in the agenda of such postponed meeting (the "**Postponed Sun EGM**") and submitted to the shareholders of Sun International to be considered and, if deemed fit, passed at the Postponed Sun EGM.

12. FUNDING

IPS and its affiliates have sufficient cash resources and available facilities for the Proposed Partial Offer, the Interim Liquidity Support and IPS' commitment to support the Proposed Rights Offer. Therefore, IPS' Proposal is not conditional on raising any third party financing.

13. CONDITIONS PRECEDENT TO THE PROPOSED PARTIAL OFFER

It is anticipated that completion of the Proposed Partial Offer will be subject to the fulfilment or, where applicable, waiver (in whole or in part) of the following conditions:

- 13.1. to the extent required, appropriate regulatory approvals from relevant regulators being obtained, including from: (i) the Financial Surveillance Department of the South African Reserve Bank; (ii) the relevant competition authorities; (iii) the relevant national, provincial and state gaming authorities (iv) the TRP; and (v) the JSE;
- 13.2. valid minimum acceptances of the Proposed Partial Offer being received from the shareholders of the Company in relation to that number of ordinary shares in Sun International which shall constitute at least the Target Shareholding (**Minimum Acceptance Threshold**), provided that IPS at all times reserves the right to waive, either partially or in full, this Minimum Acceptance Threshold;
- 13.3. given that the Proposed Partial Offer will result in IPS owning in excess of 35% of the total issued shares of the Company, the Proposed Partial Offer being approved by a simple majority of the independent shareholders of the Company in terms of section 125(3)(b)(ii) of the Companies Act at the Postponed Sun EGM;
- 13.4. any other approvals of the Company's shareholders as may be required for the Proposed Partial Offer being obtained at the Postponed Sun EGM;
- 13.5. the TRP issuing compliance certificates with respect to the Proposed Partial Offer in terms of section 121(b) of the Companies Act, and granting any required exemption from the obligation to make a mandatory offer; and
- 13.6. such other conditions as are customary for a transaction of this nature and which may be identified during the course of the due diligence investigation.

14. COMPETITION ASPECTS OF THE OFFER

Based on publicly available financial and other information, as well as on market knowledge, IPS expects that the implementation of the Offer will require notification to, and approval by, various competition authorities. IPS does not anticipate any competition concerns and is fully aware of the importance that will be attached to the effect of the Proposal on the "public interest" in South Africa and Latin America jurisdictions, in particular in relation to employment and viability of the industry.

15. DISPUTE RELATING TO SUN DREAMS TRANSACTION

IPS and a Chilean subsidiary of Sun International are currently parties to a dispute relating to the proposed disposal by Sun International of an approximately 15% equity interest in Sun Dreams to IPS. The proposed disposal was announced by Sun International on 30 April 2019, however, did not complete as certain conditions precedent were not fulfilled by the longstop date of the contract. Subsequently, the parties have entered into arbitration proceedings relating to this proposed disposal, the details and contents of which are the subject of a non-disclosure agreement between IPS and Sun International. IPS's proposal to acquire 50.1% of Sun International is not expected to impact the timing and outcome these arbitration proceedings.

16. RESPONSIBILITY STATEMENT

Subject to the disclaimer in paragraph 17 below, the principals of IPS accept responsibility for the information contained in this announcement, accept full responsibility for the accuracy of such information and certify that, to the best of their knowledge and belief, the information contained in this announcement is true and nothing has been omitted which is likely to affect the importance of the information.

17. DISCLAIMER

- 17.1. Information included in this announcement relating to Sun International and its business has been derived solely from publicly available sources.
- 17.2. While IPS has included information in this announcement regarding Sun International that is known to IPS based on publicly available information, IPS has not had access to non-public information regarding Sun International and could not use such information for the purpose of preparing this announcement. Although IPS is not aware of anything that would indicate that statements relating to Sun International contained in this announcement are inaccurate or incomplete, IPS is not in a position to verify information concerning Sun International. IPS and its principals are not aware of any errors in such information. Subject to the foregoing and to the maximum extent permitted by law, IPS and principals disclaim all liability for information concerning Sun International included in this announcement.

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