ABOUT THIS REPORT

REPORTING APPROACH

We are pleased to present our fourth integrated annual report to our stakeholders. This report provides a consolidated review of our financial, economic, social and environmental performance on matters material to our strategy and our ability to create and sustain value into the future.

The financial and other information has been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), the South African Companies Act, 71 of 2008 (Companies Act), the JSE Limited (JSE) Listings Requirements, the King Report on Corporate Governance™ for South Africa, 2016 (King IV) and the International Integrated Reporting Council’s (IIRC) International <IR> Framework as applicable.

The group is continuously considering methods of improving its combined assurance model. Assurance for elements of this integrated annual report was provided through a combination of external and internal sources, in line with King IV and guidance from the IIRC. At this stage, external assurance is obtained as follows:

<table>
<thead>
<tr>
<th>Assured element</th>
<th>Assurance provided</th>
<th>Assurance provider</th>
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<tbody>
<tr>
<td>Consolidated financial statements</td>
<td>External audit</td>
<td>PricewaterhouseCoopers Inc. (PwC)</td>
</tr>
<tr>
<td>Broad-Based Black Economic Empowerment (B-BBEE) level 1 contributor status</td>
<td>Verification</td>
<td>Empowerdex Proprietary Limited</td>
</tr>
<tr>
<td>Internal audit</td>
<td>Internal controls</td>
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</tr>
<tr>
<td>Information Technology</td>
<td>Cyber security maturity</td>
<td>Performanta South Africa Proprietary Limited</td>
</tr>
</tbody>
</table>

SCOPE AND BOUNDARIES

The contents of this report relate to Southern Sun (Southern Sun or the company) and its subsidiaries (the group) for the 2023 financial year and beyond. This report covers Southern Sun’s performance for the year ended 31 March 2023 compared to the prior year ended 31 March 2022. The matters included address material issues for the group (Southern Sun and its subsidiaries), associates and joint ventures.

More detailed information is also contained in our supplementary reporting suite, accessible on www.southernsun.com/investors.

BOARD APPROVAL

The board is ultimately responsible for overseeing the preparation, presentation and integrity of the integrated annual report. The directors confirm that they have collectively reviewed the output of the reporting process and the content of the integrated annual report. The directors believe that this integrated annual report addresses material issues, is a fair presentation of the integrated performance of the group and offers a balanced view of the group’s strategy and how it relates to its ability to create value in the short, medium and long term. The board believes this report was prepared in accordance with the International <IR> Framework and approves the report for release. We welcome any feedback on the report, which may be addressed to companysecretary@southernsun.com.

John Copelyn
Chairman

Marcel von Aulock
Chief Executive Officer (CEO)

28 July 2023

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OUR OWNERS

Our key shareholder at 31 March 2023 was Hosken Consolidated Investments Limited (HCI), a JSE-listed investment holding company that directly and indirectly owned 40.6% of the total issued share capital of the company, including treasury shares.

The HCI shareholding is of particular importance to the group as it provides the bulk of the 59.9% effective black ownership. Our empowerment ownership is an important part of our transformation agenda and a factor considered by government and other public bodies in awarding contracts. Furthermore, our empowerment ownership may influence relationships with customers or suppliers as it contributes to their Broad-Based Black Economic Empowerment (B-BBEE) status.
JOINT STATEMENT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

OPERATIONS
The 2023 financial year began with a great deal of uncertainty. The recovery in trading volumes post the Covid-19 pandemic, which first started gaining momentum in FY22 Q3 but was brought to a sudden halt by the impact of the discovery of the Omicron variant and the subsequent red listing of South Africa in FY22 Q4. While the red listing was lifted quite quickly, the damage to that summer season was done. Fortunately, although FY23 Q1 was subdued, the balance of the year resumed the path to recovery and ended up surpassing all expectations, particularly in the second half of the year. Overall occupancy of 51.5% for the year is the result of FY23H1 occupancy at just over 46% and FY24H2 occupancy at just under 57%. Due to the group's high level of operational gearing, the second half consequently produced much higher profitability and pleasingly adjusted HEPS for the year, which at 30cps is above the pre-Covid adjusted HEPS of 26cps, albeit that the month of March 2020 was already heavily impacted by the pandemic.

Following the implementation of the separation agreement with TSG, reported on in the prior year, the level of third-party management fees is less material to the group and 81 of our 95 hotels are now operated for our own account and the balance for external owners. This has given us the opportunity to revisit our segmental reporting and we now show regional revenue and profitability by province with the smaller provinces aggregated and Africa, the Sandton Consortium and the hotels we lease to external parties still disclosed separately.

This new disclosure reveals that all regions performed substantially better than the prior year as the recovery was experienced across the board. The Western Cape is the group's largest region in terms of Ebitdar and has experienced a strong recovery in international inbound tourism and event-related visitors. KwaZulu-Natal continued to perform well on the back of local travel, eventing and government-related business, a trend also seen in the Mpumalanga, Eastern Cape, Northern Cape, Free State and Limpopo provinces. Gauteng has recovered well relative to FY22 but certain hotels in outer Sandton and Rosebank are still well below pre-Covid-19 levels as new supply and a general lack of corporate travel is experienced.

In all regions the group has maintained the cost efficiency brought about by the substantial restructuring over the last two years and Ebitdar of R1 436 million was above the R1 352 million reported for FY20 despite occupancy being some 8 percentage points lower compared to FY20.

SOUTHERN SUN HAS AN IRREPLACEABLE PORTFOLIO OF HOTELS ACROSS THE COUNTRY.

OUR CURRENT ENTERPRISE VALUE (MARKET CAPITALISATION PLUS NET DEBT) REPRESENTS A SUBSTANTIAL DISCOUNT TO THE FAIR MARKET VALUE OF OUR PROPERTIES AND AN EVEN GREATER DISCOUNT TO THEIR REPLACEMENT VALUE. IN ADDITION TO MAINTAINING THE EFFICIENCIES WE HAVE ACHIEVED, THE GROUP HAS ADOPTED A MORE INWARD FOCUSED STRATEGY AND WILL BE LARGELY ALLOCATING AVAILABLE CAPITAL, BOTH FINANCIAL AND HUMAN, TO OUR EXISTING PORTFOLIO.
During FY23, the group has implemented two transactions previously reported to shareholders which has resulted in an aggregate reduction in the group’s gearing levels by R947 million, strengthening the balance sheet and positioning the group to maximise benefits from the recovery in trading.

The first of these transactions is the implementation of the transaction with TSG, referred to above, on 30 September 2022 which culminated in the termination of the various management and licensing agreements in respect of 15 hotels owned by TSG, the acquisition by the group of the Southern Sun Mbombela and StayEasy Mbombela hotels and related assets and net cash proceeds to the group of R257 million.

As part of the approvals required to implement the TSG transaction, shareholders also approved the group’s name change to Southern Sun, the final step in our rebranding process. Southern Sun is a well-known brand with more than 50 years of heritage and, having navigated the worst of the pandemic, the transaction with TSG presented the ideal opportunity to re-establish ourselves as the leading hospitality group in southern Africa and create excitement and optimism among our employees, suppliers and guests, all of whom continue to support us and have embraced the rebranding as a natural fit for the group.

The second transaction was the disposal of the group’s Southern Sun Ikoyi hotel in Ikoyi, Nigeria to Kasada for US$32 million and the assumption by the buyer of US$11 million net debt in country. A portion of the proceeds was used to settle the remaining US$7 million debt that the group had in Mauritius and the balance was repatriated to South Africa and used to settle local debt.

These transactions combined with better than expected trading, resulted in a year-end net debt position of some R1.3 billion, significantly down from R3.3 billion at the start of the pandemic. The group’s debt package has been favourably refinanced and all covenants normalised.

Trading volumes are expected to continue to recover and we are focusing on yielding rate where possible, while still ensuring we offer great value to our customers. The challenges we face are numerous and well documented, including load shedding and the cost of diesel, high interest rates, poor business confidence and large-scale municipal dysfunctionality across the country.

However the FY24 calendar has a number of large events including the upcoming BRICS summit in Johannesburg, multiple sporting events from the Netball World Cup, club and test rugby, to the world table tennis championship and the second ePrix scheduled to return to Cape Town. International visitors are showing good optimism among our employees, suppliers and guests, all of whom continue to support us and have embraced the rebranding as a natural fit for the group.

Southern Sun has an irreplaceable portfolio of hotels across the country. Our current enterprise value (market capitalisation plus net debt) represents a substantial discount to the fair market value of our properties and an even greater discount to their replacement value. In addition to maintaining the efficiencies we have achieved, the group has adopted a more inward focused strategy and will be largely allocating available capital, both financial and human, to our existing portfolio.

We are planning a number of refurbishments and product refreshments over the next few years to ensure our product remains best in class and supports our desire to drive above-inflationary rate increases.

Some highlights include:
- The bedroom refurbishment at the Southern Sun Rosebank to align with the look-and-feel of the refurbished lobby which was launched as part of the hotel’s rebranding to a Southern Sun in February 2020.
- The refurbishment of the bedrooms and corridors at the Southern Sun Sandton (recently rebranded from Holiday Inn) following the restaurant upgrade and the introduction of a higher level suite offering.
- A substantial upgrade of the conference areas, corridors, bedrooms and lobby area of the Southern Sun Cullinan, our flagship hotel in the brand as well as the extension of the pool deck, and
- Mock-ups and design work for refurbishment at Southern Sun Bloemfontein, Southern Sun Mbombela and Southern Sun Newlands, among others.

This physical investment is supported by a focus on service delivery in all hotels across all departments, where the people of Southern Sun follow the commitments to customers, suppliers and colleagues to be consistent, be present and show respect. We continue to invest in training and development programmes across all levels of the business.

In addition to investing in our physical product we have taken advantage of the discount at which we trade, to invest in our business and have cumulatively repurchased just under 100 million ordinary shares representing some 6.7% of the company’s issued share capital for a total investment of some R430 million.

APPRECIATION

Our sincere gratitude goes to the people of Southern Sun for their continued support and dedication to our values. We also want to thank the group’s stakeholders and financiers for their support during the last few difficult years and through the recovery.

John Copelyn
Non-executive Chairman

Marcel von Aulock
Chief Executive Officer
South African Breweries Limited (SAB Limited) and hotelier, Sol Kerzner, partnered to create Southern Sun Hotels (Southern Sun), the largest hotel group in the southern hemisphere at the time. Southern Sun commenced operations with six hotels, including the iconic Beverly Hills Hotel in uMhlanga Rocks, Durban, and was subsequently involved in the development of many of the most prestigious hotels of the era, including the Cape Sun, Sandton Sun and Sun City. Southern Sun expanded through the acquisition and development of hotels in South Africa and neighbouring countries, throughout the 1970s and early 1980s.

Southern Sun was delisted from the JSE and became a wholly owned subsidiary of SAB Limited. Southern Sun entered into a joint venture with Accor SA, the French hotel group, to develop the Formula1 and Formula Inn range of hotels in South Africa and the first of 21 hotels opened the next year.

The casino interests of Southern Sun, including the newly built Sun City operations, were separated from its hotel business into what later became Sun International. Southern Sun retained the South African hotel operations during a difficult time for the hotel industry in South Africa as international sanctions against the apartheid government resulted in a severe contraction in demand.

Southern Sun expanded to 26 hotels. It then acquired the Holiday Inn South Africa hotel group, thereby establishing a nationwide distribution of 49 hotels, in both the upmarket and mid-market segments.

Southern Sun was delisted from the JSE and became a wholly owned subsidiary of SAB Limited. Southern Sun entered into a joint venture with Accor SA, the French hotel group, to develop the Formula1 and Formula Inn range of hotels in South Africa and the first of 21 hotels opened the next year.

The Tsogo Sun Group entered into a landmark empowerment deal, through which the hotel and casino businesses were housed under one entity owned 51% by an empowerment consortium and 49% by SABMiller plc. Through a series of transactions and acquisitions, HCI acquired the various empowerment shareholders’ interests in Tsogo Sun and remains a key shareholder of Southern Sun.

Tsogo Sun acquired Century Casinos’ operations in Caledon and Newcastle and in 2011 it acquired the Gold Reef Resorts portfolio, which consisted of seven casinos in South Africa, via a reverse listing.

Southern Sun acquired a 50% interest in a consortium with Liberty called The Cullinan, which owned three hotels.

Southern Sun formed a joint venture with a consortium of B-BBEE investors to form Tsogo Sun, to pursue casino licence opportunities afforded through the enactment of the National Gambling Act which regulated gambling activities and promoted uniform standards in relation to gambling in South Africa. Early success saw the Tsogo Sun Group awarded casino licences in Mpumalanga (Emnotweni Casino in Mbombela and The Ridge Casino in Emalahleni) and most importantly the Montecasino licence in Fourways, Johannesburg. These were followed by the successful applications for Suncoast Casino in Durban and Hemingways Casino in East London.

The Tsogo Sun Group expanded its hotel operations into the rest of Africa.
In 2019, the group celebrated its 50th anniversary and on 12 June 2019, the hotel business was unbundled by Tsogo Sun, culminating in the separate listing of Tsogo Sun Hotels on the main board of the JSE.

Tsogo Sun acquired 26% of International Hotel Properties Limited (IHPL), a hotel-owning company in the United Kingdom.

Tsogo Sun acquired the remaining 53% of the joint venture owning and operating Formula1 hotels in South Africa from Accor SA and rebranded these properties as SUN1 hotels. This period also saw the group acquire an additional 10% interest in The Cullinan with that entity acquiring five hotels from Liberty that were previously managed by the Tsogo Sun Group, bringing the number of hotel properties in Cullinan to eight. In addition, Tsogo Sun acquired Southern Sun Hyde Park and The Grace in Rosebank (rebranded to 54 on Bath) hotels from Hyprop.

Offshore, Tsogo Sun acquired 75.5% of Ikyo Hotels Limited which owned Southern Sun Ikyo Hotel in Lagos, Nigeria, as well as a 25% interest in RBH Hotel Group Limited (RBH), a leading hotel management company in the United Kingdom.

In July 2014, SABMiller plc exited from its long-term 39.6% shareholding in Tsogo Sun through a fully marketed secondary placement.

In 2019, SABMiller plc exited from its long-term 39.6% shareholding in Tsogo Sun through a fully marketed secondary placement.

Covid-19, a black swan event never before experienced in the long history of the group, resulted in the deactivation of the vast majority of the group’s hotels in order to protect the health of our guests and employees. The group successfully rebrands the InterContinental hotel in Sandton to Sandton Towers and positions it together with the Sandton Sun as the Sandton Sun & Towers; the Holiday Inn Sandton is also rebranded to Southern Sun Sandton, introducing a new era of hospitality in the city. The group converts SunSquare Gardens into a pet friendly hotel and launches SunPet.

Local and international travel patterns normalise and trading levels continue to recover post Covid-19. Large scale exhibitions like Meetings Africa and Africa’s Travel Indaba are held for the first time since 2019, and the group is the Official Hotel Partner to the Rugby World Cup Sevens, as international sporting events return to South African shores.

In 2019, the group celebrated its 50th anniversary and on 12 June 2019, the hotel business was unbundled by Tsogo Sun, culminating in the separate listing of Tsogo Sun Hotels on the main board of the JSE.
The five key pillars of our sustainability include:

- **Level 1** (2022: Level 1) B-BBEE contributor
- **Black ownership 60%** (2022: 62%)
- **R2.8 billion** (2022: R1.8 billion) value added to black economic empowered businesses and government
- **45** (2022: 67) beneficiaries supported through the Southern Sun Entrepreneurs programme.

- **Non-declaration of dividends**
- **Reducing debt levels to R1.3 billion** (2022: R2.8 billion)
- **Maintaining cost efficiencies**
- **Managing liquidity**
- **Unutilised facilities plus cash of R1.6 billion** (2022: R2.0 billion)
- **3.2** (2022: 2.3) years weighted average expiry of debt facilities
- **99%** (2022: 57%) of the group’s net debt is hedged.

- **16 942** (2022: 18 783) hotel rooms across all market segments
- **82%** (2022: 84%) hotel guest satisfaction.

- **5 874** (2022: 5 998) direct employees
- **94%** (2022: 94%) of employees are African, Coloured and Indian and **56%** (2022: 56%) are women.

*Excludes the Southern Sun Ikoyi hotel as well as the rooms of 15 hotels owned by TSG where the management and franchise agreements were cancelled following the conclusion of the Separation agreement between Southern Sun and TSG.
A COMPANY HAS TO STAY IN BUSINESS TO BE ABLE TO TAKE ADVANTAGE OF THE COMMERCIAL OPPORTUNITIES THAT ARE PRESENTED TO IT.

GROWTH

The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals utilised by the business. Growth in cash flows over time is generated through the optimal operation of the group’s capitals (organic growth) and building the tangible and intangible asset base of the group through developing and acquiring new businesses (inorganic growth).

ORGANIC GROWTH

Optimal operation of the group’s capitals generates growth in cash flow and thus value

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (Rm)</td>
<td>5 081*</td>
<td>2 708</td>
</tr>
<tr>
<td>Ebitdar (Rm)</td>
<td>1 436</td>
<td>590</td>
</tr>
<tr>
<td>Ebitdar margin (%)</td>
<td>28*</td>
<td>22</td>
</tr>
<tr>
<td>Adjusted headline profit/(loss) per share (cents)</td>
<td>30.0</td>
<td>(8.0)</td>
</tr>
<tr>
<td>Free cash flow (Rm)</td>
<td>753</td>
<td>223</td>
</tr>
<tr>
<td>Maintenance capital expenditure (Rm)</td>
<td>104</td>
<td>43</td>
</tr>
</tbody>
</table>

1 Includes discontinued operations

* Excludes the Separation payment

INORGANIC GROWTH

Building the tangible and intangible asset base of the group generates growth in cash flow and thus value

- Acquisition of 5 sectional title units at The Radisson Blu Waterfront Hotel
- Acquisition of StayEasy Mbombela and Southern Sun Mbombela
1. FINANCIAL STRENGTH AND DURABILITY
- Judicious use of gearing and adequate facilities
- Own most of our assets due to our 100% ownership of Hospitality

2. DELIVER TO OUR BENEFICIARIES
- Current shareholding, corporate social investment and enterprise development programmes are effective

3. SKILLED HUMAN RESOURCES
- Adequate resources and skills
- Engaged workforce

4. PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE
- Adequate maintenance capex
- Strong development skills in-house
- Proactive marketing of products and brands
- Management of booking channels
- Rebranding of hotels to Southern Sun’s collection of brands

5. REGULATORY COMPLIANCE
- Compliance is part of our corporate culture
- Compliance is viewed as a necessary investment and not an unavoidable cost

6. INORGANIC
- New projects/acquisitions

7. ORGANIC
- Significant focus on getting more out of existing businesses
- Continued cost focus
- Systems and values

GROWTH DRIVERS

ECONOMIC RECOVERY
- Growth in revenue per available room (Revpar) as economy improves through higher occupancies and the resultant rate increase and yielding opportunities
- Focus on costs to protect margins

LOCATION
- Hotels, restaurants and conference facilities in prime locations, where visibility and accessibility to major business hubs or points of leisure interest are important demand drivers

INVESTMENT IN SOUTH AFRICAN HOTELS
- Property acquisitions
- Management contracts in South Africa

ECO NOMIC CYCLE
- Hospitality industry’s economic cycle is generally closely tied to the macroeconomic cycle
- Cyclical and seasonal nature of the business links into the macroeconomic environment and key analytics on trends remain crucial to support investment decisions

EXPANSION IN OFFSHORE HOTELS
- Management contracts in Africa and the Middle East
- Investment in UK management company

PORTFOLIO MANAGEMENT
- Hotel operations require specialist expertise and are highly management and labour intensive
- A constant focus on improvement and development for each hotel is necessary in order to maintain products that are relevant to their markets

CAPITAL CAPACITY
- Maintain an appropriate weighting of debt and equity, Balance cash requirements for reinvestment with shareholders’ expectations for dividends
- Ensure sufficient flexibility to adapt to prevailing economic conditions in order to maintain and improve the portfolio
BUSINESS MODEL
OUR CAPITALS – RESOURCES AND RELATIONSHIPS

The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals utilised by the business.

THE CAPITALS THAT GENERATE THESE CASH FLOWS INCLUDE:

<table>
<thead>
<tr>
<th>Capitals</th>
<th>Utilisation of the capitals</th>
<th>Strategic objective</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufactured</td>
<td>Significant focus is placed on the quality of the facilities and experiences offered at each of our hotels. To remain relevant, a variety of quality experiences must be provided at appropriate price points across all market segments. Our hotels have a wide geographic distribution that is key to the group’s competitive advantage. We have continuously invested in developing and maintaining our properties to keep them relevant and fresh.</td>
<td>Product relevance to customer experience, Growth</td>
<td>50</td>
</tr>
<tr>
<td>Natural</td>
<td>Our utilisation of natural capital is predominantly driven by our requirement for optimally located properties upon which we have instituted property-specific environmental management systems focused mainly on energy, water, waste management and responsible procurement.</td>
<td>Deliver to our beneficiaries</td>
<td>43</td>
</tr>
<tr>
<td>Human</td>
<td>People are at the core of delivering the Southern Sun experience, both front and back of house. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management and relevant support services. Employee development and engagement remain focus areas to ensure we attract and retain the highest-calibre people to drive our strategy.</td>
<td>Skilled human resources</td>
<td>55</td>
</tr>
<tr>
<td>Intellectual</td>
<td>Our brands underpin the quality experiences of our customers. We are consistently striving to innovate our physical product, technology, accessibility and brands to remain relevant to our customers. Our intellectual capital is largely driven by our people, processes and systems, market intelligence and specialist business partners.</td>
<td>Product relevance to customer experience, Regulatory compliance</td>
<td>50</td>
</tr>
<tr>
<td>Financial</td>
<td>Our ability to generate cash flows as well as access to well-priced debt and equity funding determines our ability to fund organic and inorganic growth.</td>
<td>Financial strength and durability</td>
<td>48</td>
</tr>
<tr>
<td>Social and relationship</td>
<td>The quality and strength of relationships with our key stakeholders are vital to the long-term sustainability of Southern Sun. Building trust and credibility with our key stakeholders is crucial to retaining our social and regulatory licence to operate.</td>
<td>Deliver to our beneficiaries, Regulatory compliance</td>
<td>43</td>
</tr>
</tbody>
</table>

Execution of a robust and adaptable strategy, informed by and responding to material risks and opportunities will lead to optimal utilisation of capitals and generation of cash flows and ultimately, value.

Our strategy in action section provides more insight into our performance and outlook as well as how our capitals are deployed in our strategy and business model to generate and sustain value in the long term.
BUSINESS MODEL

continued

OPERATING MODEL

KEY FEATURES
The group owns, leases and manages hotels in South Africa, sub-Saharan Africa, the Seychelles and United Arab Emirates.

PORTFOLIO PHILOSOPHY
There are five key elements to our business, which can be represented as follows:

<table>
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<tr>
<th>REAL ESTATE</th>
<th>MANAGEMENT OF HOTEL OPERATIONS</th>
<th>BRANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 LAND</td>
<td>3 OPERATIONS</td>
<td>5</td>
</tr>
<tr>
<td>2 BUILDINGS</td>
<td>4 MANAGEMENT</td>
<td></td>
</tr>
</tbody>
</table>

**REAL ESTATE**

- Southern Sun owns **76 hotels** in South Africa and a further five offshore.
- **1 LAND**
- **2 BUILDINGS**
- **70 Managed by the group**
- **6 Managed by external operators including Marriott and Radisson**

**SOUTH AFRICA**

- **5 HOTELS**
- **5 Managed by the group**

**OFFSHORE**

With 85% of our hotel real estate owned either through freehold or leasehold title, we prefer the asset-heavy hotel model as it provides strategic advantage of scale in South Africa. This model allows the group to retain control over its assets, thereby ensuring security of tenure and resilience through economic cycles. While this model is more capital intensive, it allows for greater returns on effort.
The group manages operations for both South African and offshore third parties as this is a low-risk option to enter new markets and to operate hotels as a franchisee where necessary due to brand differentiation requirements. However, the group does not act as a franchisor of its brands. In addition, the offshore division seeks to access new hotel opportunities either through management contracts or new builds (on its own or via joint ventures), primarily within its existing operating markets.

The majority of Southern Sun's occupancy depends on the transient traveller, government, corporates, sporting events, and group and convention markets. Relationships with key customers and travel intermediaries, and access to the correct distribution networks, are critical in driving both occupancies and average room rates throughout the group.

Hotel operations are managed via six operational departments, five of which are regionally based and one which is brand focused. The regional departments are Cape, KwaZulu-Natal, central northern, eastern northern and offshore (Africa, Seychelles and Middle East), while resorts (mostly timeshare) has a brand-based office due to its unique product offering.

In South Africa, the group will only manage operations for third parties if they are strategically important (due to partner requirements or location) and where there is no option to own.
SOUTHERN SUN’S KEY DIFFERENTIATOR IN SOUTH AFRICA IS ITS WIDE DISTRIBUTION OF QUALITY HOTEL PRODUCTS.

BUSINESS MODEL continued
OPERATING MODEL continued

BRANDS

LUXURY PORTFOLIO

Each hotel in the luxury portfolio is individually branded and operated according to its unique personality, inspired by its location, design and surroundings. These luxury hotels are typically graded as five-star hotels and are some of the most iconic properties in their regions. They include: Arabella Hotel, Golf & Spa near Hermanus; the Mount Grace Hotel & Spa in Magaliesburg; Sandton Sun and Sandton Towers in Sandton; Beverly Hills in uMhlanga; 54 on Bath in Rosebank and Paradise Sun on Praslin Island, Seychelles.

The group also operates an InterContinental branded hotel at the Johannesburg OR Tambo International Airport under licence from the InterContinental Hotels Group plc (IHG).

<table>
<thead>
<tr>
<th>Western Cape, KwaZulu-Natal, Gauteng, Seychelles</th>
<th>7 HOTELS</th>
<th>1,205 ROOMS</th>
</tr>
</thead>
</table>

LUXURY
**SOUTHERN SUN HOTELS AND SOUTHERN SUN RESORTS**

Southern Sun Hotels is our legacy full-service brand and is typically graded as four-star when applicable. The majority of these hotels are located in key urban nodes, servicing both business and leisure travellers. These renowned hotels have substantial food and beverage offerings as well as conference facilities.

Southern Sun Resorts include a significant timeshare offering and are located in attractive tourist destinations such as uMhlanga, Plettenberg Bay, Cape Town, the Drakensberg and Mpumalanga.

**GARDEN COURT**

The Garden Court brand is a well-established and successful midmarket offering, spanning 18 hotels with 3,933 rooms. This brand includes large, well-known hotels such as Garden Court Marine Parade and Garden Court Sandton City through to smaller properties such as Garden Court Morningside and Garden Court Victoria Junction.

**SUNSQUARE**

SunSquare hotels are our alternative and trendy offering to the mid-scale market. With properties at Cape Town City Bowl and Cape Town Gardens, these hotels are situated in great locations and include our creative in-house concept restaurants Vigour & Verve and Zepi.

**STAYEASY**

This brand comprises nine hotels with 1,370 rooms and caters to the economy segment. Offering great value and comfortable rooms, these hotels are in key business locations such as Century City and the City Bowl in Cape Town, Eastgate, Pietermaritzburg, and Pretoria. The group also has two StayEasy hotels in Lusaka, Zambia, and Maputo, Mozambique. The Maputo hotel is the latest StayEasy brand build.

**SUN1**

The SUN1 brand comprises the portfolio of economy hotels acquired from Accor, which were originally built as Formula1 hotels in South Africa. This portfolio consists of 21 hotels countrywide. SUN1 offers well-appointed rooms sleeping up to three guests at a great price. SUN1 Southgate, with 138 rooms, is the largest SUN1 hotel.

**SANDTON CONVENTION CENTRE**

The world-class Sandton Convention Centre with 22,000 m² of flexible event space, is the foremost venue for hosting exhibitions, events and conferences of all sizes and scales in South Africa. From meetings in 10-seater boardrooms to functions for 4,500 guests in the grand pavilion, the SCC can host every imaginable requirement. It is flanked by three of our hotels (Garden Court Sandton City, Sandton Sun and Sandton Towers), which together offer over 1,000 hotel rooms.

Southern Sun’s key differentiator in South Africa is its wide distribution of quality hotel products. Delivering consistently exceptional guest experiences remains the focus at our hotels and differentiates them in a commoditised industry.

In each region, the group operates hotels across several well-recognised brands, servicing a variety of travellers seeking luxury, full service and economy offerings.

* Includes Tete Ferry Sun in Mozambique.
BUSINESS MODEL continued

Revenue contribution (%)

Ebitdar contribution (%)

1 Southern Sun owns a minority interest in both IHG Holdco and RBH and accordingly hotels owned and managed by these entities are excluded from the footprint.
2 Includes the Sandton Consortium hotels
3 Other includes Mpumalanga, Eastern Cape, Northern Cape, Free State, Limpopo, Investment properties and Manco.
PORTFOLIO SEGMENTATION

<table>
<thead>
<tr>
<th>Southern Sun operated</th>
<th>Owned/leased</th>
<th>Managed</th>
<th>Total</th>
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<td>- Luxury</td>
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<td>- Full service</td>
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<td>- Luxury</td>
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<tr>
<td>- Full service</td>
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<td>1 913</td>
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<td>- Economy</td>
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<td>1 402</td>
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WHY INVEST IN SOUTHERN SUN

1
HIGH-QUALITY ASSETS IN KEY LOCATIONS
We operate high-quality hotels in which we invest significant capital to continually maintain and improve.

The location of the majority of our hotel properties in urban areas throughout South Africa maximises public exposure and ensures access to critical supplies and services.

The wide geographic distribution of our hotel properties in South Africa is mainly in key urban centres and is a fundamental market differentiator.

2
VAST MAJORITY OF ASSETS OWNED
Our portfolio philosophy is based on a preference to own all components of the hotel businesses (land, buildings, operations, management and brand) wherever possible.

Although this approach can be more capital intensive, we believe it facilitates superior returns on effort, avoids the challenges of joint ownership and ensures control over strategic assets is retained.

Of the group’s 95 hotels, we own or lease 81 (representing 89% of our total rooms) and manage 14 for third parties.

3
RESPONSIVE TO CUSTOMER NEEDS
We seek to deliver the high-quality accommodation, conferencing, dining and eventing experiences that our guests desire.

The Southern Sun frequentGuest programme with SunRands currency provides us with detailed information about trends across our customer base and the activities of individual clients. This enables us to improve our offering in response to changing consumer behaviour and to meet the demands of members more effectively.
4 STRONG PORTFOLIO OF BRANDS

Within each region, the group operates hotels across a number of well-recognised brands, servicing a broad spectrum of travellers from luxury to economy.

Over our 54-year heritage, we have achieved strong recognition across the business and leisure markets in South Africa and Africa.

By having a centralised marketing department and plan, marketing spend at individual units can be re-directed, and in some cases rationalised, to focus on marketing initiatives that are beneficial across our entire portfolio. In recent years this has enabled efficiencies in our marketing efforts, reducing cost and improving brand alignment.

5 FINANCIAL STRENGTH AND DURABILITY

In order to withstand the impacts of macroeconomic cycles, we aim to ensure that debt is used prudently, with regular monitoring of our leverage ratios and other covenant requirements including our interest cover ratio and facility headroom.

The group also ensures availability of sufficient credit facilities with long-term maturities, providing additional sources of liquidity.

The group manages its interest rate risk for all South African debt, by using floating-to-fixed interest rate swaps, in line with its group policy, which requires a long-term hedging profile of approximately 50%, deviating to a minimum of 25% and a maximum of up to 100% of gross debt.

6 COMMITMENT TO BROAD-RANGING STAKEHOLDERS

We are committed to the upliftment and development of local communities. Key guiding principles in respect of the communities within which we operate commit us to actively engage in partnerships that bring measurable benefits to stakeholders, enable us to achieve our long-term business goals, and to support organisations which aim to strengthen and develop civil society.

During the year ended 31 March 2023, the group’s social investment in community development amounted to R9 million (2022: R11 million). This represents 0.28 percentage points (pp) more than the tourism sector code target.

We consider ourselves a leader in the empowerment of previously disadvantaged people, businesses and communities in South Africa.