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INTERIM REPORT TO SHAREHOLDERS

The Board of Directors of K.L.E Group Limited is pleased to present the unaudited financial results for the first quarter ended March 31, 2013.

The company achieved revenues of \$62.263 million (2012: \$60.728 million), a \$1.535 million or 2.53% increase over the corresponding quarter of 2012. Despite this increase in revenues for the first quarter the company recorded a net loss for the period of \$17.270 million (2012: \$6.217 million) as a result of increases in cost of sales and administrative and other expenses as compared to the corresponding period last year.

To remain competitive in the prevailing environment we have held our prices constant despite being faced by price increases from our suppliers. This has impacted our margins but efforts are underway to recover by increasing the volume of our sales.

The impact of the price increases is also seen in the operating and administrative expenses. We have reorganised the company to take advantage of existing opportunities. This has resulted in increased administrative overheads. We expect that these increases will be mitigated in the coming months by contribution from the new ventures and growth in the existing ones.

The company's revenue performance is in line with the Directors' expectations for the first quarter. The January to March period is traditionally the most difficult one in the entertainment business because of the traditional pull-back in consumers' discretionary spending after the holiday season. The difficult economic climate and macro-economic uncertainty experienced during the first quarter of 2013, including the slide in the value of the Jamaican currency has impacted consumers' discretionary spending for this quarter even more than usual.

Nevertheless, the Directors are encouraged that notwithstanding these factors, the company was still able to deliver a modest increase in revenues for the period, compared to the prior year, and look forward to the remaining quarters with a positive outlook and an expectation of improved performance. During the period, the company commenced the roll-out of a new marketing thrust in respect of both "Fiction" night club and Usain Bolt's Tracks & Records restaurant. The initial responses have been encouraging and we expect this trend to continue.

The company's newest venture, "Famous" night club located in Portmore, St. Catherine, is scheduled to open its doors to the public this month. The company has benefited from tremendous sponsor support for this venture, and we thank our primary partners, Lime, Wray & Nephew and Pepsi-Cola for the faith they have shown in our ability to deliver an entertainment experience of the highest quality.

Our relationship with Odyssey Gaming Lounge (operated by the Supreme Ventures group) commenced late in the first quarter. These financial results do not therefore reflect the income earned by the company as a result of this relationship.

2013 is shaping up to be a pivotal year in the company's history, as we continue the process of building on the company's vision of being the premier entertainment and lifestyle group in Jamaica and beyond.