

Good afternoon and welcome to the Peermont 2nd quarter 2008 Results Conference Call

My name is Anthony Puttergill, Group CEO of Peermont and with me I have Grant Robinson, our Group Financial Director.

We will be talking to our quarterly report for the three and six months ended 30 June 2008 that was released yesterday for distribution through the clearing systems; to investors listed on our mailing list; and on our website.

As in previous reports, we have included an annexure setting out the pro forma unaudited group information for the quarter and six months ended 30 June 2008 to assist investors in comparing our performance to the pro forma numbers previously reported.

As a reminder our pro forma numbers are adjusted to exclude the once-off effects related to the buyout, delisting and re-organisation transactions completed on 24 April 2007, as well as the expected change in the Graceland shareholding.

The highlights of the results are as follows:

1. Pro forma total revenues increased by 10,3% to R634,3 million for the quarter from R575,2 million in 2007. Pro forma revenues for the 2nd quarter increased by 7,4% as compared to the R590,6 million reported for the first quarter of 2008;
2. Pro forma EBITDA increased by 9,2% to R261,5 million, from R239,4 million in 2007. This results in a pro forma LTM EBITDA of R1 005,8 million;
3. Our pro forma EBITDA margin decreased to 41,2% from 41,6% in the same quarter of 2007, but increased as compared to the 40,3% margin reported for the first quarter of 2008. If the effect of the write off of R3,4 million of previously capitalised casino licence application costs relating to the Mthatha casino licence is excluded, the pro forma EBITDA margin would have improved to 41,8%.

As a result of revenue growth, our pro forma credit ratios have improved as follows:

1. Net cash pay debt/LTM pro forma EBITDA has improved to 4,2 times, versus 6,3 times at the time of issuing the notes in April 2007;
2. Total net debt through the PIK Notes/LTM pro forma EBITDA has improved to 5,3 times, as compared to 7,3 times per the offering memo; and
3. The estimated LTM pro forma EBITDA/pro forma historic net cash interest expense has improved to 2,4 times, vs. 1,9 times per the offering memo.

We have adjusted the EBITDA figure above to include interest received and we have adjusted the net debt figures above to include:

1. the unamortised costs relating to the notes (which are being written up on an effective interest basis over the life of the loans);
2. The value of the derivative asset directly related to the SSN Debt; and
3. Cash balances on hand.

Our presentation will begin with a brief discussion of the macro-economic environment in SA, followed by an update of industry developments. I will then take you through certain financial and operating highlights, followed by a review of the financial results, focussing on cash flows and capex by Grant. Finally, I will conclude with a brief discussion of the key developments approved for 2008 and beyond.

GDP growth in SA for the second quarter of 2008 was reported at 4,9% real growth quarter on quarter on a seasonally adjusted and annualised basis, somewhat higher than expected due to the base effect caused by substantial electricity load shedding in Q1 2008. It is estimated that this growth would have been closer to 3,4% if the base effect is excluded.

The primary and secondary sectors experienced the strongest growth, due to the recovery in the mining and manufacturing sectors once electricity supply was restored. The retail, finance and real estate sectors continued to see activity levels negatively impacted by high interest rates. In particular, the retail sector recorded its first contraction in Q2 2008 since 1997.

As reported previously, the South African consumer is still under pressure. The effects of earlier oil and food and interest rate hikes are now well and truly working their way through the system. While the SARB placed interest rates on hold at its most recent Monetary Policy Committee meeting and interest rates are expected to decline next year, the full effects of previous rate hikes are expected to continue to take their toll on the consumer for some time.

In the second quarter, we have observed that growth appears to have been stronger from our wealthier market segment whilst growth from customers in other income categories has been much lower or negative. While all consumers have been affected by hikes in food and fuel prices, the majority of our South African customers fall into the middle class category - they own houses and cars and these are the people who have been hard hit by the recent interest rate hikes. In addition, growth in residential house prices has entered negative growth territory, resulting in a negative wealth effect. These factors have placed disposable income under considerable pressure for the majority of our customers. During the second quarter of 2008, we were fortunate to benefit from a strong run in our high-end tables play, which helped revenue grow by 10,3% as compared to 2007.

Growth in Gaming revenues in South Africa's largest market, Gauteng, picked up slightly to 8,6% for the second quarter of 2008. When combined with the opening of the Silverstar casino on the West Rand, which is estimated to have increased its market share to between 9 and 10%, it is clear that this had a dilutory impact on competing casinos in Gauteng. Under the circumstances, EP has fared relatively well and has largely maintained market share in the second quarter. Some of the factors that assisted Emperors Palace include increased marketing focus on the specific geographic areas affected by the opening of Silverstar, the introduction of live poker in the last quarter of 2007 and the optimisation of our slots/tables mix also in the last quarter of 2007.

Revenue growth from the balance of the group operations was significantly healthier, growing by 17,4% for the second quarter as compared to the 7,3% reported for EP. As a result, revenues from other operations grew to R199,1m for the quarter, comprising 31% of group revenues.

Hotel trends in South Africa are still exhibiting healthy growth. Our results for the quarter reflect pro forma growth in hotel and resort revenue of 31,8%, with rooms revenue delivering exceptional growth of 28,6%. At this stage, forward bookings still look very positive and we continue to see opportunities to yield our hotel business effectively.

From an overall group revenue perspective:

1. Within the second quarter, we experienced revenue growth of 11% in April, 12% in May and 9% in June ;
2. More recently we have seen some softening in revenue growth. In July we generated revenue growth of around 4% and August, thus far, revenue is expected to be flat when compared to August 2007. The July and August growth was influenced both by a correction in our tables prize win % at EP, following a particularly buoyant run in the second quarter, and also by the non-availability of certain slot machines during the upgrade and testing of our gaming management system at EP, which has now been successfully completed.

I will now take you briefly through the operating performance highlights for the quarter:

Emperors Palace, our flagship operation, grew total revenues for the quarter by 7,3% to R435,2 million from R405,6 million in 2007.

Gaming revenue for the quarter increased by 5,1% to R368,6 million whilst hotel and resort revenues increased by 20,7% to R66,6 million.

Our slots revenue grew by only 1,2%, while our tables revenue increased by an exceptional 17% during the period. This was impacted by greater volatility in our tables play in our salon prive area, which had an excellent quarter. Slots revenue was impacted by some higher denomination slot machines making a loss for the quarter (although very profitable lifetime to date). Slots handle growth, a more reliable indicator of slots activity levels, grew by 6% for the quarter.

In comparison to market growth of 8,6% for the quarter, our revenue growth has held up exceptionally well considering the addition of the new Silverstar capacity to Gauteng revenues. This indicates that our marketing and promotional programme has been largely successful in maintaining market share despite significantly increased competition.

Rooms revenue grew by 29,4% to R27,7 million for the three months compared to the same period in 2007. Average room occupancy levels reached a record 90,9% for the quarter, clearly indicating the need for additional room capacity at our property.

EBITDA for the quarter increased by 5% to R177,5 million. The EBITDA margin declined from 41,7% in the same period last year to 40,8% for the current quarter as a result of increased marketing costs and the revenue growth being lower than the rate of inflation. Nevertheless, EBITDA grew by 13% in the second quarter as compared to the first quarter.

Marketing costs increased by 15,6% as compared to the same quarter in 2007. This is as a result of a more evenly balanced marketing programme throughout the year in 2008 as compared to marketing spend being more heavily weighted towards the second half of 2007.

Other costs at Emperors Palace were well contained, with payroll growing by only 4,8% as compared to the same quarter in 2007. As regards future payroll cost increases at Emperors Palace, we recently concluded a three year wage agreement with the relevant trade union, which will see us through and beyond the 2010 soccer world cup. The annual wage increase agreed with the bargaining unit amounts to the greater of 10,5% or R500 per employee per month for the period 1 July 2008 to 30 June 2009. For each

of the subsequent two years periods ending 30 June 2010 and 30 June 2011, the annual increase will amount to the greater of 8% or CPIX plus 2%. In the circumstances and considering the prevailing high rates of inflation, we believe this is a fair outcome for the company and its employees.

As regards our other group operations, overall revenue grew by 17,4% or R29,5 million and EBITDA grew by 19,3% or R13,6 million. Overall this performance was particularly pleasing.

Weaker performances during the quarter at our Graceland, Frontier and Rio properties were more than offset by stronger performances at our Mmabatho, Khoroni, Umfolozi, Head Office and Botswana operations.

By way of highlighting the most notable weak and strong performances, Graceland had a poor quarter with revenues down 4,8% to R25,6 million and EBITDA down 15,9% to R5,8 million. This is mainly due to local economic factors as well as the disruption caused by ongoing road works to the major access route to the property from Johannesburg.

By contrast, Botswana had another exceptional quarter, with revenue growth of 44,4% to pula 50,7 million or R54,3 million and EBITDA growth of 88,4% to pula 17,1 million. Our Botswana operations continue to benefit from strong local economic activity, with gaming and hotel and resort revenue both showing strong growth. In addition, our operations benefited from the opening of a higher limit tables area as well as revenue from the two smaller casinos further to the north of Gaborone as from December last year.

I will now hand you over to Grant Robinson to deal with details of the cash flows, treasury activities and capital expenditures in the three months.

Thereafter I will cover new developments.

I will now hand you over to Grant Robinson

Good afternoon

Today we will report on the quarter and six months ended 30 June 2008 for Peermont. The comparative figures are for four months of the Old Peermont Global and two months of the current Peermont entity.

The reported information has been derived exclusively from the income statements of the predecessor and successor companies.

Main factors affecting the reported results

Change in holding of Emperors Palace

The information relating to the predecessor company for the four months ended 25 April 2007, only proportionately consolidated the Emperors Palace operation at approximately 83% whereas this operation is fully consolidated in the successor company. The full consolidation of Emperors Palace in the successor group adds significantly to the overall results of the group.

Group accounting

The revaluation of buildings at the date of acquisition by Peermont Global (Pty) Ltd and the increase in the rate of depreciation from approximately one to 2,6 percent, has made a significant impact on the overall depreciation charge.

Foreign exchange effects

The group is exposed to exchange rate fluctuations on the €416,1 million senior secured notes in issue and the related hedging contracts. IFRS requires that the €416,1 million notes liability be restated at spot through the finance charges line at each reporting date. The related FEC derivative instruments are also required to be fair valued at each reporting date.

The group has elected to discontinue cash flow hedge accounting for the movement in value of the coupon FEC's. This was based on advice for our auditors that, due to the credit contingent nature of a portion of the hedging instruments, the hedge effectiveness may not meet the parameters of IAS 39 and therefore, the resultant movement on these hedging contracts is now taken directly to the income statement at each reporting date.

The net effect of the €416,1 million foreign exchange exposure on the notes loan in the income statement for the three months to 30 June 2008 is a gain of R222,5 million. This gain reduces the foreign exchange loss on the notes exposure for the six month to R1 225,2 million. The loss on the notes exposure is off set by the gain on the hedging instruments of R1 322,6 in the same six months.

The effects of the volatility caused by the revaluations are still expected to net out over the of the foreign currency instruments period as the capital and coupon payments remain fully hedged.

All of these factors, mentioned above have a significant impact on the comparisons made with in the quarterly reports as provided.

Commentary on the results

We believe that the information provided in the report is fairly self explanatory. As Anthony has dealt with the pro forma results, which we believe will give investors and analysts a more comparable picture of the group's true performance, I will not specifically address the items set out in the quarterly report. We are happy to take questions on this section later in the conference call.

I will focus on the cash flows and capital expenditure sections of the quarterly report for clarification thereof.

Cash flows

The cash flow information presented covers the cash flows for Peermont for the six months ended 30 June 2008 and those of Peermont and the predecessor company for the comparative period.

Cash flows generated from operating activities

Net cash inflow from operating activities for the six months was R512,2 million compared to R385,6 million in the comparative period in 2007. This translates into 102% of EBITDA. The cash conversion ratio to EBITDA, taking into account changes in working capital, taxation paid and maintenance capex remained high at 88%.

The main reasons for the cash generated from operating activities being in excess of EBITDA, are the non-cash flow nature of the Mthatha write off of R3,4 million and a timing difference relating to the payment of the group insurance premiums of approximately R10 million. In 2007 the cash was paid before the period end increasing prepayments, and in 2008 the amount was only paid after period end, keeping the cash on balance sheet.

Financial income

This consists mainly of the cash received on the cash deposits at financial institutions.

Financial expenses

This cost for the quarter is made up of the coupon payment on the notes of R208,7m made in April and the interest flows on debt in the Botswana and Frontier companies.

The finance expenses incurred in six months ended 30 June 2007 consisted predominantly of cash paid as preference dividends to the holders of R67,0 million and debt break costs at the time of the transactions of approximately R27,8 million. The balance consisted of the interest costs incurred on debt in the predecessor company, prior to the transactions. Some interest was incurred on the debt carried in certain subsidiaries, existing at the time of the transactions, and remaining after the buyout.

All interest relating to the shareholders loans has been eliminated as non cash flow at the balance sheet date.

We mentioned earlier in the presentation that our estimated LTM pro forma EBITDA/pro forma historic net cash interest expense has improved to 2,4 times, vs. 1,9 times per the offering memorandum. As part of the notes buyback process, we renegotiated our hedging arrangements, introducing cross currency swaps to hedge the notes foreign exchange risk. At the time a conscious decision was made to increase the payment profile on our cash flows to better utilise existing and future cash resources that were accumulating on our balance sheet. This decision has resulted in our pro forma future interest cash flows increasing from approximately R426 million to R685 million per annum. As a result of this, the cash flows required for the settlement of the notes capital is greatly reduced.

In future we expect this ratio to decline to approximately 1,5 times based on the future interest/forex cash flows vs. pro forma LTM EBITDA.

Taxation paid

The taxation payments for both reported periods are for certain of the subsidiaries, not affected by new debt raised for the buyout, e.g. Graceland, Botswana and Frontier, where taxation cash flows will continue to be incurred.

Cash flows from investing activities

Capital expenditure for the six months was a net R117,9 million, predominantly on new hotels being erected, maintenance of existing buildings and replacement of gaming equipment. This is discussed in more detail later in the presentation.

Cash flows from financing activities

The unwind of the hedges realised a cash inflow of R1 134,0 million at the beginning of May. The cash was utilised to repurchase €103,9 million of the senior secured notes at a cost of R1 129,2 million plus disbursements of R4,2 million. During the current period the net long term debt repayments of R13,8 million were made by the Botswana and Frontier operations.

Dividends paid

Dividends paid in the six months relate to the minority portion of the dividends paid by the Botswana company. The prior year period amount consisted of a dividend paid to Old Peermont Global shareholders before the buyout and the minority share of the dividend paid by the Botswana operating company.

Cash and cash equivalents

At June 2008 the Peermont Group had R623,9 million in cash resources available to buy back notes, service debt, fund working capital requirements and new projects. Included in this figure is approximately R40 million required for floats and approximately R45,7 million held on behalf of the beneficiaries of the group's consolidated trusts.

Capital expenditures

Our net capital expenditures in the six months ended 30 June 2008 and 2007 were R116,6 million and R55,4 million, respectively, representing approximately 9,4% and 5,2% of total revenue for those periods.

Our net maintenance capital expenditures in the six months ended 30 June 2008 and 2007 were R42,3 million and R55,4 million, representing approximately 3,4% and 5,2% of total revenue, respectively. Our maintenance capital expenditures for both quarters reported reflected ordinary course maintenance and replacement of gaming equipment, primarily slot machines, hotel furniture, fittings and equipment.

Our expansion capital expenditures in the half year ended 30 June 2008 were R74,3 million, representing approximately 6,0% of total revenue for the period. This consisted of R46,8 million spent by Emperors Palace on the construction of the new Metcourt Hotel; payment by Botswana of R5,0 million for costs accrued in 2007 for the Sedibeng and Syringa casinos; R21,7 million incurred on the construction of the Metcourt Hotel at Rio in Klerksdorp; and R0,8 million on the relocation of the Tusk Umfolozi casino to Richards Bay. No expansion capital expenditure was spent in the first half of 2007.

Contingent liabilities

We previously reported that an issue had arisen regarding the taxability of a profit of R33,8 million made by one of our subsidiaries on realisation of a foreign exchange option exercised in 2005. We obtained legal opinion on the matter at the time and, based on this advice, treated the gain as non-taxable. The South African Revenue Service questioned the interpretation of the law and we have referred the matter to our taxation advisors. A second consenting opinion was obtained by the company but SARS are still disputing the treatment. Should SARS be successful in their challenge, the estimated exposure to the group is approximately R9,8 million.

PIK Notes Buyback

Subsequent to the period end, the company completed a PIK notes repurchase in terms of which the company purchased R64,4 million of PIK notes from the holders at 74% of the face value, or R47,6 million. All purchased notes will be cancelled.

The debt repurchase programme was financed from existing cash resources within the business, utilising a portion of one of our restricted payments baskets.

Mthatha Guarantee

The Eastern Cape Gambling and Betting Board have released the company from its obligation in terms of the guarantee provided when our bid commitment was made. This means that an additional R210 million of the revolver debt facility is now available for drawdown.

Rating Agencies

We are pleased to advise that Moodys have recently reconfirmed the company's rating for 2008 as B3. S&P reconfirmed the company's rating as B/Stable/- earlier in the year.

At this point, I'm handing you back to Anthony to take us through the final section dealing with new developments

Thank you Grant. I will now update you on recent developments.

The construction of the new 248 room Metcourt hotel at Emperors Palace is still progressing well within schedule and within budget of R170 million. The ground, first, second and third floors are expected to be handed over to operations by December this year, with the handover of the fourth and fifth floors scheduled to take place in February 2009 and full opening in March 2009.

As regards the Rio expansion project, we are progressing on schedule but achievement of the budgeted cost of R70 million will be challenging. The new hotel and ancillary facilities are still scheduled to open during the first quarter of 2009.

While the Peermont Board previously approved abnormal maintenance capital expenditure for Tusk Mmabatho of R17,6 million, as announced during the May 2008 conference call, it is likely that this project will only commence in the last quarter of 2008 and will continue into the first and second quarters of 2009. This project is for a refurbishment and upgrade of the rooms, restaurant, certain public facilities and the casino.

The Khoroni refurbishment is nearly complete with approximately R3,5 million to be spent on upgrading the conference areas, board room, salon prive and certain public facilities by the end of this month.

As announced during the previous quarterly results call, the Botswana board approved capital expenditure of approximately P21,8 million to refurbish the casino, the 5th floor of the Walmont hotel and upgrade the Livingstones restaurant at the Grand Palm complex in Gaborone. Work commenced in the second quarter of 2008 and is expected to be completed by the end of the year. The existing casino was successfully relocated this month in its entirety to existing convention space in the Walmont hotel and the impact of this disruption has not been as great as imagined. The upgrade of power back-up facilities in Botswana is expected to be completed in September 2008, within the approved budget of P4,2 million.

At our year end results presentation and during the conference call for the previous quarter's results, we indicated that in light of the significant competitive pressures in Gauteng, we were progressing with a research project focusing on extracting the best use of our existing entertainment, dining and gaming space at Emperors Palace. The project focused on improving the tenant mix at our Emporium, providing new entertainment attractions and a wider choice of dining facilities for patrons to attract more visitors to the complex. We have now completed our research and concluded that we need to upgrade our Emporium as follows:

- 1) We are going to add a state of the art new cinema complex consisting of 6 screens in the existing space occupied by our current Chariots children's amusement arcade. The largest of the cinema screens will also be used as a conference venue during the daytime.
- 2) We will relocate the existing amusement arcade to a smaller existing area more suited to the current demand levels for this form of entertainment.
- 3) We will reconfigure the balance of the space to increase the number of destination restaurants on the complex to give existing patrons more choice and to introduce new patrons to the complex.

Our overall objective for the Emporium upgrade is to increase footfall to the property by 500 000 additional new feet every year, to complement our gaming and other facilities, and result in the Emporium becoming a destination entertainment venue.

To minimise cost, the redevelopment has been proposed in a manner that does not require new building area and to minimise the scale of disruption, is proposed to take place in a phased manner from October this year to September 2009.

Subsequent to the production of our quarterly report, the Peermont board has approved the Emporium upgrade at a total budgeted cost of R76,75 million. This will be new capital expenditure over and above the approved maintenance capital expenditure for the year. This will be spread over 2008 and 2009, the majority of which will be spent in 2009.

In addition to this, and as part of the normal EP maintenance capital expenditure budget, we are currently enhancing certain gaming areas at a cost of some R12,3 million. This consists primarily of relocating the existing main floor live poker tables to an elegant poker den in the previous Café Roma restaurant, increasing the number of live poker tables from the current 8 to the full 12 licenced tables, with sufficient additional space to expand this to 15 tables if required. In addition, we are also increasing the size of our slots prive to accommodate 8 machines transferred from other areas and increasing the size of our winners circle loyalty club registration and service area.

More recently, In July and August this year we completed the software upgrade of our gaming management system at Emperors Palace. This resulted in some inconvenience to guests, particularly as certain banks of slot machines were unavailable for play during the software upgrade and testing by the gambling board. The upgrade has now been successfully completed.

As regards the planned relocation of the Tusk Umfolozi Casino at Empangeni to the Richards Bay waterfront area, we expect the Environmental Impact Assessment process and the land sale agreement to be concluded by the end of September 2008. Accordingly, construction commencement has been postponed until February 2009. Whilst the total approved budget for the project is R233 million, this is expected to increase slightly to R245 million in line with the applicable building cost escalation for the six months that the project has been delayed.

The Limpopo Gaming Board has not yet issued a new RFP for the Burgersfort licence. We continue to prepare and position ourselves to make a new bid for this licence once the RFP is issued.

As regards Mthatha, Peermont successfully engaged with the ECGBB for the release of our R210 million project guarantee. Due to the extensive delays caused by the land claims, legal challenges to the award of the licence and the increased building costs, we believe that the project in the form committed to in our licence bid, was no longer viable. The ECGBB agreed to release our guarantee on condition that the preferred bidder status for the licence was revoked. Accordingly, the guarantee has now been released. During the quarter, we wrote off R3,4 million of previously capitalised casino licence

application costs for this project. Had this write-off not been required, pro forma EBITDA for the quarter would have increased to 10,7% as compared to the 9,2% growth now reported.

The acquisition of the Head office building is expected to be finalised by the end of the year. We will be required to pay approximately R38 million for the building once the transfer is finalised.

The group's standby power upgrade process is expected to be completed by the end of September this year and is expected to be completed within the approved budget of R12,5 million.

I would like to end off by recapping the highlights of our performance for the quarter as follows:

1. Pro forma total revenues increased by 10,3% to R634,3 million for the quarter from R575,2 million in 2007;
2. Pro forma EBITDA increased by 9,2% to R261,5 million for the quarter, from R239,4 million in 2007. This results in a pro forma LTM EBITDA of R1 005,8 million;
3. Our pro forma EBITDA margin was 41,2% for the quarter as compared to 41,6% for the same quarter in 2007.

That brings me to the end of our presentation and I will now open the line for questions.