

## **Good afternoon and welcome to the Peermont 2008 Results Presentation**

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

It is always a pleasure to address you in person. We have also opened our conference call lines to those of you that could not be present in person. We took heed of your requests last year and have loaded our presentation onto our website so that conference call participants may follow the slides if you so wish.

Our annual report for the year ended 31 December 2008 was released on Friday to the Bank of New York for distribution through Euroclear and ClearStream, and was also published on our website on Friday.

*Our presentation may contain certain forward-looking information, which of course should not be relied upon, especially in this uncertain economic climate.*

SLIDE

Our presentation will begin with a discussion of the macro-economic environment in the countries in which we operate, 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 by Grant. Finally, I will conclude with a brief discussion of the key initiatives for 2008, 2009 and beyond.

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South Africa did not escape the havoc caused by the global credit crunch in 2008. Although GDP growth for 2008 as a whole was a respectable 3,4%, the last quarter of 2008 saw the economy contract by 1,8% with the manufacturing and mining sectors (except for gold of course) being particularly hard hit. Fortunately South Africa was sheltered to some degree from the worst effects of the financial contagion by its well capitalised and well-regulated banks, whose investments in riskier offshore assets were dramatically limited by the mechanism of exchange controls. Botswana reported better

GDP growth at 4,2% for the year, but the effects of the global weakness in demand for diamonds have been acutely felt in Botswana as from October last year.

Inflationary pressures have eased in South Africa, with CPI having fallen to an annualised 8% by January 2009. While still outside the central bank's targeted range of 3-6%, inflation is now expected to be back within the target range later this year. Consequently interest rates are finally on their way down with cuts of 250bps from December 2008 until last week and a further 150bps in cuts expected by August 2009. Botswana began easing rates in February 2009 and is expected to follow a similar pattern of easing to the SA monetary authorities.

The ZAR/US\$ exchange rate weakened considerably toward the end of 2008, largely driven by risk aversion and the size of the current account deficit, which approached some 8% of GDP in South Africa, before recovering to levels closer to the 6,5% mark.

The budget surplus of around 1% of GDP last year has now swung to an anticipated 3% deficit for the 2009/10 fiscal year to help stimulate the economy.

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Forecast GDP growth for South Africa in 2009 is currently 1%, whilst inflation is expected to reduce to 5,9% for 2009. Final consumption expenditure by households is forecast to be negative in real terms, at minus 0,4% for 2009. Interest rates are expected to continue to decline as previously mentioned, improving disposable income levels.

The current account deficit is forecast to improve from around 8% of GDP to 6% of GDP, and the ZAR exchange rate is also forecast to improve slightly from last year's closing levels.

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South Africa is probably in recession, with the 4<sup>th</sup> quarter of 2008 showing real contraction of 1,8% and the first quarter of 2009 is similarly expected to be weak, with very weak manufacturing statistics in particular.

Based on these forecasts, we anticipate household expenditure growth of 5,5% in nominal terms for 2009 and 8,5% in 2010, which we would expect to be the main driver of top-line revenue growth for the casino industry in South Africa.

In our own group, we have seen revenue growth of the order of 7% for the first two months of the year, with March revenues to the 28<sup>th</sup> thus far showing an increase of 2% compared to the same 28 days in March 2008.

Fixed investment levels are approaching 25% of GDP in SA, with government spending more than compensating for the decreased rate of growth in private fixed investment. This is acting as a welcome stimulus package for the economy.

While consumers are expected to be positively impacted by declining interest rates and lower inflation, pending job losses (estimated by JP Morgan to be some 300 000 jobs for the SA economy in 2009) will have a dampening effect on consumers' propensity to spend.

The general elections set to take place on 22 April 2009 are expected to be the most interesting since the 1994 elections. This is because there is a significant new political party, COPE, recently formed by disenchanted high-profile ex-ANC members, who may well prevent the ANC from obtaining a 2/3 majority in the forthcoming elections.

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In Botswana, diamond production has been suspended at several mines due to the sharp decline in worldwide demand. Civil servants did not receive any cost of living increase in February 2009, with government announcing that it is looking for further budget spending cuts, less than a month after the budget speech in February. As regards the political climate, while a new President was announced last year, the ruling party is expected to remain in power following the September elections this year.

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Turning to the South African casino market in 2007/8, the figures are only aggregated by the National Gambling Board for the 12 months to 31 March each year. These figures are therefore 9 months out of sync with our reported results. Nevertheless they do provide useful information regarding trends.

It is clear that Gauteng is still the largest casino market in South Africa, accounting for 43% of South Africa's total casino revenues for the 12 months ended 31 March 2008. The casino industry as a whole generated revenue growth of 13% to 31 March 2008, but slowed down significantly in the second half of 2008, and even more significantly in the first two months of 2009.

#### SLIDE

The Silverstar casino, the 7<sup>th</sup> and last casino in Gauteng, was opened to the public in December 2007. This casino is located some 80km away from Emperors Palace and had a relatively limited impact on our business, with a greater impact on the closer Montecasino and Gold Reef City casino properties. Silverstar reportedly captured 8,5% of the Gauteng market in 2008. Considering the overall Gauteng GGR growth of 7,7% for 2008, the balance of the competing casinos in Gauteng experienced an aggregate decrease in GGR of around 1,5% in nominal terms in 2008.

As regards new licences, 5 casinos out of the maximum number of 40 licences still remain to be developed. These are in respect of the Mthatha region, which Peermont abandoned during 2008, the Burgersfort region in Limpopo, and one further casino in each of Mpumalanga, Free State and the Northern Cape provinces.

As regards internet gambling, once the final regulations supporting the Amended National Gambling Act become effective, we expect a limited number of internet gaming licences to be issued (10 as per the draft regulations). For these licences to be worth anything, there will have to be effective policing of the law. All internet gaming that is conducted outside of the law will have to be effectively shut down. We await developments in this regard with interest.

As a measure of its serious commitment to B-BBEE, the casino industry has set itself a target to attain a Level 4 rating by 2010 (i.e. 100% compliance) and individual companies that are members of CASA, have set in motion programmes and protocols to achieve this objective. The members of CASA have undertaken to undergo another full industry audit to verify this achievement by no later than April 2011. We are certain that this will be a first for any industry in the country.

As regards the roll-out of LPM's, it seems clear that this will pick up pace and will eventually roll out through all the provinces. This process is likely to keep the Provincial Licencing Authorities busy for quite some time.

There have been some notable regulatory developments in the area of electronic bingo terminals in bingo halls. Following the decision of the GGB to permit the licensing of certain types of slot machines in bingo halls some years ago, and the successful review of this decision by the Gauteng chapter of CASA in the courts, the Gauteng Gambling Act has recently been amended to give the responsible MEC wide powers in determining what constitutes the game of bingo. We will have to watch this space carefully to understand the intention behind this amendment. At least the number and size of these bingo halls is currently restricted.

In December 2008, Century Casinos announced that Tsogo Sun had acquired its two South African casino resorts, namely the Caledon Casino in the Western Cape Province and the Century Casino in Newcastle, KwaZulu-Natal Province. These South African operations were acquired at a value of R480m and neither of these casinos compete with any of our existing properties.

You may recall that due to a change in the provincial border between North West and Gauteng, the Morula Sun casino was effectively transferred from the North West to Gauteng in 2006. The number of casino licences allocated to North West reduced from 5 to 4, while the number allocated to Gauteng increased from 6 to 7, leaving the total number of casino licences in the country at 40. The North West province was probably not happy at the loss of casino tax revenue to its coffers, but had little choice at the time. Earlier this year, the North West Gambling Board published a notice in the newspapers calling for expressions of interest in a 5<sup>th</sup> casino licence, even though it does not have a

5<sup>th</sup> casino licence to allocate. Why has it done so? It would seem that it is clearly the intention to use the outcome of this process to petition the DTI to increase the allocation of casino licences to the province, especially as economic conditions deteriorate.

How is national government likely to react to this? While I have learned that one can never say never, I would suspect that DTI will be very cautious and mindful of the perceived social risks of “over stimulating the latent demand for gambling” and I would suspect it is not the present inclination of national government to support the expansion of gaming supply in general, especially considering the rollout of LPM’s currently underway. My belief is that this request will be unsuccessful in the short to medium term.

There is a process underway to convert liquor licences, a move aimed at curtailing illegal liquor trading. We are currently permitted to serve liquor 24 hours per day in most of our establishments, and while we are aiming to retain this dispensation, we may be required to cease liquor sales between the hours of 4am – 10am, or in some cases between 2am and 10am.

#### SLIDE

Hotel revenue growth in South Africa, whilst still strong in 2008, showed signs of softening, especially towards the end of the year and beyond. As can be seen from the results of the STR survey covering the 2008 calendar year, REVPAR has increased by 14% in South Africa amongst all hotels. This was driven by ADR growth of 17% offset by a decline in occupancies from 72.5% nationally in 2007 to 70.6% for calendar 2008.

However, the trend in 2009 is noticeably weaker for South Africa overall, with YTD occupancies to Feb 09 decreasing to 60,4% as compared to 68,3% for the same period in 2008. ADR’s are up 5,9% in ZAR terms and REVPAR is down 9% for the same period. While there has been some recent good news in the form of sporting events such as the recent decision of the Indian Premier League to host its 2009 cricket tournament in South Africa, overall hotel trends in 2009 are expected to remain weaker, particularly in the Cape Town, Johannesburg and Pretoria regions.

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Turning now to the highlights of Peermont's financial performance for 2008, group revenues grew by 7% on a pro forma basis to R2 509 million while PF EBITDA grew by 5% to R1 016 million. EBITDA margins softened from just over 41% in 2007 to 40.5% in 2008. Over a five year period, our compound revenue growth has been 25% per annum and our compound EBITDA growth has been 28.5% per annum.

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As to the composition of our revenue, gaming accounted for 79% of our revenues in 2008 as compared to 82% in 2007. Rooms, food and beverage revenues increased their share of total revenues as a result of a phenomenal rooms performance in 2008 and the decision to in-source several food and beverage outlets. Our Botswana operations had a fantastic year and consequently increased their contribution from 7% in 2007 to 9% in 2008.

SLIDE

As to our reliance on Emperors Palace, this has diminished slightly with EP contributing 68% of total revenue in 2008 as compared to 70% of total revenues in 2007 and 65% of EBITDA in 2008 compared to 69% in 2007. Our Head Office and Botswana operations in particular increased their EBITDA contributions significantly. Our objective is to increase revenue from other units such that EP accounts for no more than 50% of our EBITDA by 2012.

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In 2008, EP grew revenues by 3% and EBITDA remained flat. The EBITDA margin decreased from a best-ever 40.4% in 2007 to 39% in 2008, which is still ahead of the average margin for the previous five years of 38,6%. Revenue growth was driven by slots revenue growth of 2,4% and rooms revenue growth of 16,1%. During 2008, we spent approximately R141 million on the construction of our 248 bedroom Peermont Metcourt hotel, which opened on 1 March 2009 and also on certain casino

improvements, such as a larger dedicated area to service members of our guest loyalty programme and a more exclusive live poker room. Gaming revenues accounted for 85% of total 2008 revenues at EP.

#### SLIDE

As we predicted last year, the shift in customer preferences away from lower hold video poker and stepper slot machines to higher hold multi-line video slots has peaked and customers are no longer demanding relatively more video product. In addition, because of a decline in the number of visits by lower level players, we have seen a shift in the mix towards higher end play, which offers lower hold percentages. These two factors have resulted in the slots win to handle % decreasing to 5.1% from 5.3% in 2007. The table game hold to drop % was impacted by our Baccarat loss in November 2008 and otherwise remained remarkably stable. Our hotel occupancies at EP, at an average of 88% in 2008, experienced very healthy growth, benefiting from our critical mass of facilities and our location adjacent to the OR Tambo international airport.

#### SLIDE

The average number of vehicles per day visiting the complex has decreased by 4,7% to 5 431 per day in 2008 from just over 5 700 per day in 2007. Of this %, we estimate that 1,2% was due to the closure of our Monsoon Lagoon facility as a nightclub. We estimate that each car contains an average of 2.3 visitors to the complex, resulting in approximately 12 500 visits to the complex each day. The growth in revenue can thus be attributed to increased average spend per visit. As regards market share, the average for 2008 was 24,8% as compared to 25,9% in 2007, largely as a result of the opening of the Silverstar casino. We expect our market share to settle at around the 25% level, making EP the joint leader in Gauteng market share.

#### SLIDE

In November last year, we completed the conversion of one of our non-gaming facilities to a dedicated poker den, to offer our poker players a more private poker experience. Our casino licence was furthermore amended to permit us to offer up to 22 live poker

tables (as compared to 13 previously). In addition, we also increased the size of our slots prime to accommodate 8 machines transferred from other areas. We also improved our guest loyalty facilities as previously mentioned. During 2008, we ran several major promotional campaigns and we also had a busy entertainment calendar featuring world-title boxing fights, tennis, comedy, celebrity appearances and culturally tailored music and other performances. We again faced very stiff competition in 2008, having to counter the launch of the Silverstar casino, and with Carnival City offering more rooms to their players and much improved parking facilities. Our labour relations have improved noticeably following the signature of a three year wage increase settlement in July 2008.

SLIDE

As regards highlights for the rest of the group, we can see from this slide that revenue grew by 16% in aggregate for 2008 and EBITDA grew by 17%, well ahead of the revenue and EBITDA growth generated by EP. The rest of the group generated EBITDA of R354 million from revenues of R813 million in 2008, an EBITDA margin of around 43,5%.

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This slide and the next are provided for information and set out the revenue and EBITDA performance of each individual unit. Amongst our properties, the Head Office, Botswana and Umfolozi properties did particularly well. Our Rio and Graceland properties did not have good years, with both being impacted by exceptional charges.

SLIDE

This is a continuation of the previous slide for reference purposes.

SLIDE

As regards key activities, here we have a photo of the exterior of our new Peermont Metcourt Hotel at Emperors Palace which is positioned as “chic and affordable”

SLIDE

Here we have a photo of some of the public areas in the new Metcourt hotel – showing very contemporary lines.

SLIDE

This is a picture of our new Peermont Metcourt hotel room, which is designed to look much bigger than its size of 20 or 23 square metres, as a result of being able to open up the bathroom area. We have 248 bedrooms, of which 70% are 20sqm in size and the balance are 23sqm as depicted in this photograph.

SLIDE

This slide depicts the entrance to our new Peermont Metcourt Hotel at our Rio property in Klerksdorp which also opened on 1 March 2009.

SLIDE

Here we have some of the public areas in the Peermont Metcourt at Rio, being slightly smaller to cater to the reduced size of 70 bedrooms.

SLIDE

The room configuration and layout is identical to the Peermont Metcourt at EP, with only the artwork and colours being different, to tie in to the vibrant carnival theme of our Rio property.

SLIDE

In May 2008, we re-launched our Khoroni property in Limpopo (formerly known as Tusk Venda), having spent some R25 million in 2007/8 to refurbish and upgrade the rooms, public areas, convention facilities and casino areas. The property has been well received, especially by government, which is a major customer for the complex.

SLIDE

Here we have a visual of our new Salon Prive at the Grand Palm in Gaborone, Botswana, which was opened to the public on 10 December 2008. As you can see, it is a vastly superior product compared to anything else on offer in Botswana.

SLIDE

We also refurbished the fifth floor of our Walmont Hotel, containing 36 rooms and a private business lounge and boardroom. This is a visual of our new bathrooms.

SLIDE

This slide shows the central bar area of our revamped Grand Palm main casino, which clearly has a fresh, contemporary appearance.

SLIDE

As regards the relocation of our Umfolozi casino to the Richards Bay waterfront, here we have an artists' impression of the new facilities. We have now finalised the amendments we requested to the environmental approvals and are awaiting the finalisation of a land claim to our satisfaction prior to taking transfer of the land from the city council and commencing construction.

SLIDE

For reference purposes, I have included this slide setting out average daily slots and tables win at each casino property...

SLIDE

...Followed by this slide setting out hotel rooms, rates, occupancy and REVPAR.

SLIDE

**I now hand you over to Grant Robinson to talk in more depth about our 2008 financial performance.**

SLIDE – Intro

As was experienced by many operators in the casino and hotel industry in 2008, we too felt the impact of the global financial crisis. Higher interest rates, high fuel and food prices all resulted in lower disposable income for our customers.

SLIDE – Revenue and EBITDA

Pro forma revenues increased from R2 347 million in 2007 to R2 509 million in 2008, an increase of 6,9% for the year.

Pro forma EBITDA improved from a pro forma R968 million to pro forma R1 016 million in 2008, an increase of 5,0%.

The pro forma EBITDA margin declined from 41,2% to 40,5% in 2008.

At the time of the road show and during our subsequent results presentations we had indicated that where revenues did not increase by at least 8%, we expected to see a decline in the pro forma EBITDA margins. We were able to successfully maintain the margin for the first three quarters of the year but saw a decline in the final quarter.

SLIDE – EBITDA anomalies

On this slide we have detailed some of the larger anomalies that occurred during the year that impacted on our EBITDA:

- At the time of the September results call we notified investors of a particular player that had won an amount of R12 million playing Baccarat at Emperors Palace. This occurred in November and was the most successful run yet experienced by a single player playing Baccarat in our history at Emperors

Palace. By the time the player left Emperors Palace we had recouped R1 million of the loss to lose an overall R11 million to the player. The customer is a regular player at Emperors Palace and still visits us regularly.

- The total loss on the Umfolozi robbery was R700 000.
- A scam occurred at the Grand Palm in Gaborone where, soon after the change to coinless gaming and the move back to the refurbished casino, some players were able to take advantage of a system problem and benefited to the amount of R700 000.
- Graceland experienced a scam where almost the entire count room team were involved in a cash theft at a cost of R2,0 million.
- A change in the VAT calculation method utilised by the Graceland unit resulted in the underpayment of VAT in previous periods which required adjustment.
- Grand Palm wrote off pre-opening costs of R2,3 million on the temporary casino and the pre-opening costs related to the re-opening of the refurbished facility.
- In terms of the earlier casino relocation agreement with the North West Gambling Board, Rio is required to spend an additional R1,5 million on Corporate Social Responsibility projects from 2008 onward.
- Rio casino incurred pre-opening costs of R300 000 relating to the opening of the new hotel.
- Rio and Taung incurred R2,9 million relating to major repairs and maintenance required during the period.
- We wrote off R3,6 million of previously capitalised costs relating to the Mthatha licence.
- There were savings of R10,2 million as a result of lower incentive bonuses paid to executives as a result of the subdued results achieved for the year.

These are the more significant unexpected and/or once-off items impacting EBITDA in 2008.

SLIDE – Consolidated income statement

Anthony has already covered the main revenue drivers and the changes in each of these areas at the operations.

Rooms showed a particularly good performance increasing revenues by 24%.

The increase in Food and Beverage revenues was affected by the insourcing of the F&B functions at Khoroni and Mmabatho and normal organic growth.

Other revenues declined largely due to the closure of Monsoon Lagoon as a night club at Emperors Palace and the reduction in income from the previously outsourced F&B operations at Khoroni and Mmabatho.

Overall costs were relatively well contained but these will be dealt with in more detail later in the presentation.

Depreciation and amortisation has increased substantially as we were required to place fair values on the assets of the business on acquisition of the new company and we increased the rate of depreciation on buildings from an average 1% to 2,6% at the date of the transaction in 2007. This was also affected by the write off approximately R6 million of assets on the closure of the Chariots entertainment World, as part of the Emporium revamp at Emperors Palace.

Finance income and expenses are dealt with in a separate slide.

The taxation credit for 2008 arose mainly as a result of the change in taxation rate from 29% to 28% and the release of deferred taxation balances arising from the change, the taxation savings arising from the translation of the Euro liability to spot rates at year end, and the gain on realisation of the FEC's being taxed at capital gains taxation rates.

The net result is a pro forma profit for the year of R18,8 million.

SLIDE – Finance expenses

This slide gives a break down of the interest, derivative and foreign exchange movements for the year.

The weakening of the rand from the date of the transaction at R9,605 to approximately R13,21 to the Euro at year end, resulted in a substantial increase in the value of the hedge derivatives during the year. R1 134 million was realised in April. This cash was utilised to reduce debt through the buy-back of SSN's. The balance of the gain arose in the remaining hedges subsequent to April.

The gain on waiver of debt, is the capital gain realised on the buy-back of the PIK Notes realised buy the PIK Notes borrower and passed down to the company.

The R139,6 million is the gain realised on bond buy-back as the purchase was made at approximately 89% of the bonds face value.

Conversely, the weakening rand resulted in a loss on restating SSN liability to the year end R/Euro spot rate of R1 699,3 million.

The interest paid portion of the finance charges consists of R542,2 million paid on the SSN's, R190,5 million accrued on the PIK Notes Loan and R236,1 million accrued on the PIK Equity Loan. Other interest is on the asset based borrowings in the group and the increase in the SSN accrual relates to the write-up of issue discount and costs, and some exchange rate movements.

#### SLIDE – Cost split

Overall costs were relatively well contained with employee costs up 4%, being driven by an average base increase of approximately 9%, offset by lower incentives and tight control over staffing levels. For example, at Emperors Palace we instituted a head count committee to review all replacement head count, especially those not affecting “front of house areas”.

VAT and Gaming levies are directly linked to revenues and the increase was at the expected 4% level.

Promotions and marketing costs were increased substantially, especially in the last quarter of 2008. In the 2008 year we ran major promotions including:

- The “Party at the Palace” - the 10<sup>th</sup> birthday celebration of Emperors Palace,
- Television and other advertising to combat the introduction of the Silverstar Casino,
- Increased complementary spend due to the increased levels of tracked play, and
- A special promotion on the New Peermont Metcourt Hotel at Emperors Palace where we invited players to stay at the hotel for free to assist us with snagging the new hotel.

all of which increased the overall spend.

This was also compounded by the fact that we had reduced marketing spend in the last quarter of 2007 due to a variety of major promotions coming to an end.

Other operational costs increased more in line with inflation, but include many of the anomalies that are listed on slide 5.2.

SLIDE – Balance sheet

There is no significant change in the balance sheet from that reported at the September quarter or the prior year.

The main assets comprise the Property, plant and equipment and casino licences. The largest liabilities are the SSN's and PIK Notes and Equity loans. The increase in the fixed assets relates primarily to the construction of the two new hotels and the refurbishment of the Grand Palm complex.

Working capital levels have remained flat and the increase in net debt is mainly due to the accrual of interest on the PIK Notes and PIK Equity Loans.

The equity has increased from R184,6 million to R196,1 million due to the profit earned in the year to December.

SLIDE – Capitalisation

The total gross senior debt was R5 646,3 million at year end and equal to 5,5 times pro forma EBITDA of R1 015,8 million. This was at 6,2 times at date of issue.

This is before the deduction of cash amounting to R422,1 million. The credit stats net of cash are reflected on the next slide.

Total gross debt through the PIK Notes was R6 635,9 million and 6,5 times pro forma EBITDA.

At 31 December 2008 we had utilised approximately R91 million of our revolver facility for the issue of guarantees to gambling boards and other institutions. This left R309 million available for working capital and other needs, as these arise.

#### SLIDE – Credit Stats

A fairer picture of the true credit statistics of the group is set out here. We have taken the base debt from the previous slide and adjusted it for:

- The unamortised bond costs that have to be written up over the life of the SSN's are added to the liability
- The derivative asset related to the FEC contracts is deducted (as the loss on the spot exchange rate it hedges is in the SSN liability) and
- Cash is deducted

This gives the user a true picture of the Senior net debt to EBITDA ratio.

This is currently at 4,6 times EBITDA compared to the 6,2 times at date of issue.

Cash pay interest to pro forma EBITDA has been calculated on two bases:

- using the next two actual coupon payments plus an estimated interest charge on the non-SSN debt. At 1,5 times, it is as predicted in the earlier conference calls.
- Using the actual cash pay interest for 2008. This gives us a coverage of 1,9 times.

In 2007 the EBITDA / cash pay interest coverage was 2,3 times. The decline in the ratio is expected due to the planned increased interest cash flows arising from the Cross Currency Swaps, which substantially reduces the refinancing risk and final cash flows.

Similarly the ratio for the Total Net Debt through the PIK Notes is 5,9 times as compared to 7,3 times at date of issue.

#### SLIDE – Sensitivity analysis

This slide intended is to give investors and indication of the sensitivity of our earnings.

Based on a decrease in revenues of R100, we estimate that the direct variable costs savings would be R32 consisting mostly of VAT and Gaming taxes, F&B cost of sales, variable cost savings per room night sold, casual wages and incentive schemes.

Management discretionary cost savings, based on specific decisions that could be made, is estimated at approximately R13 per R100 reduction in revenue.

Thus, the flow down effect of a R100 loss in revenue is expected to be approximately reduction of R55 in EBITDA.

#### SLIDE – Cash flow

The cash flow presented is on a combined predecessor/successor basis and **not** a pro forma basis. This is also not the entire cash flow but only the significant excerpts thereof. The full cash flow is in the Annual Financial Statements in an annexure to the slide presentation.

Net cash from operating activities is slightly lower than 2007 at R476,3 million mainly due to the increased cash flow resulting from the first coupon payment under the Cross Currency Swap hedge.

The cash flows from investing activities are dealt with on the next slide.

The most significant cash flow items relating to financing activities were:

- The repurchase of R1 129,2 million of SSN's in April;
- The realisation of R1 136,6 million of cash from the hedging instruments; and
- The repurchase of R177,3 million of PIK Notes at a cash utilisation of R122,0 million.

Cash balances reduced from R462,1 million in 2007 to R422,1 million at the end of 2008.

SLIDE – cash flow 2

The 2008 reported EBITDA of R1 022,8 million less taxation paid and the utilisation of cash in working capital results in a cash from operations of R984,5 million.

Our net maintenance capex for the year, including intangible assets, amounted to R143,5 million. This includes approximately R34 million exceptional maintenance capex spent on the refurbishment and upgrade of the Botswana operations as well as the normal maintenance capex on replacement of slots, etc.

If we exclude the abnormal capex mentioned above, this is within the projected guideline for maintenance capex of 4-5% of pro forma revenues.

Expansion capex of R209,3 million was spent on:

- |   |                |
|---|----------------|
| • The New Peermont Metcourt hotel at EP         | R140,1 million |
| • Gaming expansion at EP                        | R1,3 million   |
| • The New Peermont Metcourt hotel at Rio        | R59,4 million  |
| • Expansion at the Sedibeng and Syringa casinos | R6,3 million   |
| • Relocation of the Tusk Umfolozi complex       | R2,2 million   |

In addition we spent R3,0 million on acquiring the rights to operate the Queen of the Nile Restaurant at Emperors Palace.

SLIDE – Cash conversion

The group EBITDA cash conversion, excluding the discretionary expansion capex remains high in 2008 at 86%.

SLIDE – Board approved capex

We have set out the current board approved capex for 2009. The maintenance capex is that approved as part of our normal budgetary process for 2008. A portion of this is discretionary and can be managed as to the time and amount of the eventual spend.

The projects set out in the lower half of the slide are all projects which have been disclosed previously, reflecting the total expected capex and the estimated timing of the related cash flows.

The Umfolozi flows are made up of the remaining budget and an estimated timing of the cash flows.

The Rio and Emperors Palace hotel flows are the expected residual flows to the contractors.

The purchase of the head office building was processed in February 2009 at R38,0 million, which was 100% debt funded.

SLIDE – Estimated financing schedule

This slide sets out the expected asset based project debt to be raised against these projects

**AT THIS POINT I WILL HAND YOU BACK TO ANTHONY TO DISCUSS OUR PLANNED KEY INITIATIVES**

## SLIDE

As regards key initiatives for 2008 and 2009 we have focused considerable energy on our property refurbishment and upgrade programmes to ensure that our product remains competitive. By the end of this year, all of our properties, barring our Umfolozi property in Empangeni, will have been enhanced to the level that we are comfortable will place them on a superbly competitive footing. Wherever we have significantly enhanced our product, it has given us the opportunity to relaunch our product afresh within the Peermont brand architecture.

## SLIDE

We have repositioned our Mondior Hotel at EP in 2009, enabling us to improve ADRs following an exercise where it was re-graded from a three star to a four star hotel. We have also upgraded our Walmont Hotel at the Grand Palm in Botswana.

A major initiative for us in 2009 is the redevelopment of the Emperors Palace Emporium at a net cost of approximately R77 million which is now well underway. This entails:

- 1) The addition of a state of the art new cinema complex consisting of 6 screens in the existing space previously occupied by our Chariots children's amusement arcade. These cinema screens, particularly the largest, will also be used as a conference venue during the daytime;
- 2) The relocation of the existing amusement arcade to a smaller existing area; and
- 3) The reconfiguration of the balance of the space to increase the number of destination restaurants on the complex to give existing patrons more choice and to attract new patrons to the complex.

The redevelopment of the restaurants and fast food court is expected to be completed by August this year, with the cinemas scheduled for completion in December 2009. The closure of several food and beverage outlets while under redevelopment has impacted visitor numbers and is likely to continue to do so until the redevelopment process is complete.

Earlier this month we completed the conversion of all our casino slots floors at Emperors Palace to a coinless, smart card-based mode of operation and eliminated the option of coin-based play. We were the last casino in Gauteng to offer the option of coin-based play to our customers and it is fair to say that Gauteng slots players are now well and truly used to coinless play. This conversion should help with the overall efficiency of the slots floor. Towards the end of last year we converted our Rio, Mmabatho and Grand Palm slots floors to coinless play and this year and next will see the conversion of all remaining slots floors in our group to coinless operation.

We have completed the in-sourcing of food and beverage outlets where we felt it was necessary to offer our guests improved quality and service standards.

The upgrade of our casino management system from Aristocrat System 6000G to Aristocrat System 7000 at Emperors was not as successful as anticipated and consequently a series of software upgrades are scheduled to be installed by the developer over the next six months to ensure the system operates as originally intended.

While we have completed and opened the two new Peermont Hotels at EP and Rio, we do not anticipate commencing construction of the new Umfolozi Hotel Casino and Convention Resort at the Richards Bay waterfront until the second half of 2009. This is because we have yet to satisfy ourselves as to the outcome of a land claim which was lodged over the land to be acquired from the city council. The total projected cost of this project was R245 million.

As regards funding, we have received in-principle credit approval for R100 million of project debt funding for the construction of the new Umfolozi project, which we anticipate will be utilised in 2010. As regards our RCF of R400 million which expires in April 2010, we have recently requested extension of these facilities for a further period of 1-2 years beyond April 2010. To date, we have only utilised these facilities to provide guarantees e.g. for gambling levies and prizes to various provincial gambling boards. The current utilisation of these guarantee facilities amounts to some R95 million.

As regards the 5 casino licences remaining to be developed in SA, we will assess these opportunities as and when they arise and taking into account our funding position at the time.

Our goal is still to diversify our revenue sources such that EP contributes only 50% of EBITDA by 2012. We are thus still cautiously looking further afield at gaming and hospitality opportunities in other African countries to sustain our longer term objectives. Naturally this will depend on our ability to fund such opportunities.

At the same time, we are also assessing opportunities to reduce the level of gearing within the group and we are looking for ways to refinance our debt structure locally ahead of the 2014 maturity date.

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