

Good afternoon and welcome to the Peermont 1st quarter 2013 Results Conference Call

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

We will be discussing our quarterly report for the three months ended 31 March 2013 that was released on Wednesday evening 29 May 2013, for distribution through the clearing systems, to investors listed on our mailing list and on our website.

Since our discussion may contain certain forward-looking information, it should be qualified by the factors referred to our quarterly report, 2012 annual integrated report as well as in the "Risk Factors" section of our website.

In summary, for the quarter:

1. Total revenues increased by 11.4% to R739.6 million from R663.8 million in the same quarter of 2012;
2. EBITDA increased by 14.2% to R272.7 million from R238.8 million in 2012. LTM EBITDA is R1 094.1 million for the 12 months to 31 March 2013;
3. Our EBITDA margin was 36.9% as compared to 36.0% in the same quarter of 2012, approximately one percent higher than the same quarter last year.

Our credit ratios, calculated with our usual adjustments, are as follows:

1. Net cash pay debt/LTM EBITDA is 4.4 times;
2. Total net debt through the PIK Notes/LTM EBITDA is 6.3 times; and
3. The estimated LTM EBITDA/historic net cash interest expense is 1.4 times.

As regards the macroeconomic environment in SA, economic growth surprised on the downside and slowed to 1.9% year-on-year for the first quarter of 2013 compared to

2.5% year-on-year for the fourth quarter of 2012. The growth forecast of the reserve bank has been revised downwards from 2.7% to 2.4% for 2013 and from 3.7% to 3.5% for 2014. The headline inflation rate remains in the upper end of the target range of 3 – 6% and was 5.9% in both March and April 2013. CPI is expected to peak at 6.1% for 2013 and average 5.8% for the full year.

Turning to the gaming industry, gaming revenues in Gauteng, South Africa's largest gaming market (based on levies paid by casinos on weekly gaming revenues), increased by 6.0% for the first quarter of 2013, as compared to a decline of 1.1% for the 4th quarter of 2012.

As regards Peermont's revenue growth, Emperors Palace had an excellent quarter with revenues increasing by 16.7%. While Botswana revenues declined by 4.8% in Rand terms, the balance of our South African operations generated revenue growth of 5.2% with strong contributions from our Graceland and Umfolozi properties. The collective revenues from operations other than Emperors Palace grew to R253.8 million for the quarter, comprising approximately 34% of group revenues.

Overall hotel trends in South Africa showed positive growth of 16.1% in RevPAR for Q1 of 2013. Our hotels generated rooms revenue of R69.8 million, an increase of 2.5% off an already high base. Hotel and resort revenue grew by 2.8% for the quarter. Growth was softer due to the decline in Botswana revenues diluting the growth in hotel and resort revenues for the rest of the group.

From an overall monthly group revenue perspective:

1. Within the first quarter, all three months showed positive revenue growth with 6.1% in January, 15.0% in February and 12.4% in March, respectively.
2. In April, revenue increased by 4.9% compared to April 2012. The variance in revenue growth between March 2013 and April 2013 was largely due to the Easter weekend and a total of five Sundays falling in March 2013 as opposed to Easter occurring in April during 2012.
3. May thus far is showing an increase in revenues of approximately 4.8% as compared to the same period last year.

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

Emperors Palace: Total revenues for the quarter were exceptional and increased by 16.7% to R485.8 million from R416.3 million in Q1 2012.

Gaming revenue for the quarter was up by 19.0% to R410.2 million. The gaming performance was boosted significantly by a group of foreign tables players visiting the casino during and after the African Cup of Nations football tournament which was hosted in South Africa in January and February 2013. The windfall from these visits provided a boost similar to the effect of the 2010 soccer world cup held in South Africa. As a result, our share of the Gauteng market (based on gaming levies paid by casinos on weekly gaming revenues) increased to approximately 25.9% for the quarter as compared to 22.7% for Q1 2012.

The average daily number of vehicles through the gate also increased by approximately 2.7% as compared to the same quarter in 2012 and the average spend per visitor has increased markedly by approximately 17.2% (based on 2.3 visitors per vehicle). As mentioned earlier the growth in gaming revenue was driven by certain individual players rather than by the general increase in footfall.

Hotel and resort revenues increased by 5.6% as compared to the prior period. Rooms revenue increased by 8.3% to R33.9 million for the three months compared to the same period in 2012 due to an increase in both occupancies and room rates. Average room occupancy levels were 81.3% for the quarter, an increase from 79.4% in the same period last year.

Food and beverage revenue increased by 4.9% to R30.2 million in the quarter.

Cash costs increased by 12.4% to R310.1 million for the quarter. VAT and Gaming levies increased by 19.1% and management fees increased by 15.8%, both due to the increase in gaming revenues. Staff costs increased by 10.0% due to reduced vacancies and increased human resources accruals. The increase in utility and property cost was limited to 2.0% for the quarter mainly due to electricity savings. Promotions and marketing costs were largely flat with a R0.3 million or 0.9% increase as compared to the prior year, benefitting from a large spend in Q4 2012.

As a result of the 16.7% increase in revenue and 5.6% increase in cash costs, EBITDA for the quarter at EP increased by 25.2% to R175.9 million. The EBITDA margin increased from 33.7% in the same period last year to 36.2% for the current quarter.

As regards our other group operations, their overall performance was diluted by our Botswana operations which had a tough quarter amid heavily increased competition in the Gaborone hotel market. We estimate that the number of rooms in the Gaborone area increased by approximately 26% with the opening of three new hotels in April, July and September 2012. A further three hotels/lodges are expected to open in Gaborone during the remainder of 2013 and the first quarter of 2014. Botswana revenue in Pula terms decreased by 7,6% from P60,3 million to P55,7 million and EBITDA declined by 29.1% in the first quarter of 2013.

The rest of our South African operations generated overall revenue growth of 5.2% or R9.5 million and EBITDA grew by 4.7% or R3.7 million.

In particular, our Graceland and Umfolozi operations delivered good performances during the quarter.

Graceland continued a long revenue and EBITDA growth trend with revenue increasing by 10.7% and EBITDA by 25.5% to R13.3 million. Gaming revenues at Graceland increased by 9.0% while hotel and resort revenue increased by 15.8%, boosted by increased average room rates for the quarter. Cash costs were well controlled and increased by 5.4%, resulting in the expansion of the EBITDA margin from 27.6% to 31.3%.

Umfolozi generated growth of 13.0% in revenue and 19.8% in EBITDA. Umfolozi had a good quarter overall with growth in both gaming and hotel and resort revenues and improved margins.

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

Thereafter, I will cover recent developments.

I will now hand you over to Grant Robinson

Good afternoon

Finance income increased from R91.1 million in the quarter to March 2012 to R214.8 million in the comparable quarter of 2013. In 2013 the Rand weakened from R11.09 to R11.81 to the Euro, resulting in a mark-to-market gain of R209.4 million on the derivative instruments utilised to hedge the future coupon payments and the Senior Secured Notes liability recorded at March 2013.

This can be compared to the R88.1 million gain on translation of the Senior Secured Notes liability recorded at March 2012, which resulted from the Rand strengthening from R10.44 to R10.25 in the quarter.

Finance expenses for the three months ended March 2013 reflected an increase of R297.4 million from the prior period. The exchange rate movements explained earlier resulted in a R290.4 million loss on translation of the SSN liability as at March 2013 as compared to the R97.1 million mark-to-market loss on the derivative instruments utilised to hedge the SSN liability recorded at March 2012.

The remaining increase comprises increases in interest accruals on other liabilities such as the SSN and the deeply subordinated shareholder loans.

All interest relating to the notes and shareholder loans has been eliminated as non-cash flow in the statement of cash flows.

The taxation and deferred taxation credit of R62.9 million relates mainly to the effect of deferred taxation credits as a result of estimated taxation losses arising at Peermont and certain of its subsidiaries. The deferred taxation charge in the prior year was a result of the increase in the taxation rate applied to capital gains in South Africa from an effective 14.0% to 18.7% as announced by the Minister of Finance in February 2012.

Net cash inflow from operating activities for the three months was R248.5 million compared to R252.7 million in the comparative period in 2012. This translates into a cash conversion to EBITDA ratio of 77.2%. EBITDA generated an additional R34 million in cash. This was offset by an increased utilisation of cash in working capital of R37 million in the first quarter of 2013, mainly related to higher cash outflows for bonus payments and a lower value of accruals raised in the three months to March 2013 as compared to the prior period. These movements account for the bulk of the change in cash generated.

The taxation payments for both reported periods are for certain of our subsidiaries e.g. PGSH, PGMKZN and PGB where taxation flows continue to be incurred.

Net capital expenditure for the three months was R69.6 million. This includes R47.2 million on computer software and equipment on installation of the new gaming system. R1.4 million was spent on expansion capital expenditure.

During the current period net cash outflows from financing activities amounted to R12.7 million. This consisted mainly of R2.1 million on the normal redemption of debt by Head office and PGEFS and R11.3 million relating to the final redemption of the non-controlling shareholder's portion of the preference shares in PGB.

At 31 March 2013 the group had a net positive cash balance of R215.6 million. Details of cash of R60.5 million included in the quarter end balance, but not available to the group for third party flows, are detailed later in the call.

Our net capital expenditures in the three months ended 31 March 2013 and 2012 were R69.6 million and R30.7 million respectively, representing approximately 9.4% and 4.6% of total revenue for those periods. We expect the 2013 replacement capital expenditure to be approximately 6% of revenue for the year.

Our replacement capital expenditure during the quarter consisted of approximately R9.2 million spent on slots replacement throughout the group; R47.2 million on computer software and equipment on installation of the new gaming system; P1.1 million (R1.2 million) relating to refurbishment at the Metcourt Hotel in Francistown and the

Grand Palm in Gaborone; and, the balance on normal replacement capital expenditure. In 2012 our replacement capital expenditure consisted of R12.3 million on equipment in preparation for the new gaming system; P0.9 million (R1.0 million) on the refurbishment of the third floor of the Walmont Hotel in Gaborone; and, the balance on normal replacement capital expenditure.

Our expansion capital expenditure for the three months ended 31 March 2013 was R1.4 million spent on the Club Floor Lounge at Emperors Palace and the Chinese restaurant and spa at the Grand Palm resort.

At 31 March 2013, of the R550.0 million available under our RCF for working capital and general corporate purposes, R59.1 million of the facility had been utilised to provide guarantees to various gambling boards, suppliers and financial institutions. Cash included in the quarter end balances but not available to the group consists of approximately R30.0 million required for operational and cash floats and R30.5 million held on behalf of trust beneficiaries. After adjusting for the above, capacity of R490.9 million under the RCF and cash of R158.8 million was available for group requirements at 31 March 2013.

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

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

Firstly, the roll-out of the Bally gaming system across the group continues according to plan. The system is now up and running at our Botswana properties, Graceland, Emperors Palace and, most recently, Khoroni. During the installation at Emperors Palace, approximately 300 machines were offline each day for 10 days during testing by the GGB. Our other properties are scheduled to follow later in the year.

As regards the disposal of the previous head office premises at 152 Bryanston Drive, the transaction remains conditional on the rezoning of the property, which is in progress. The proceeds from the transaction will be used, inter alia, to settle the outstanding mortgage liability of approximately R26.7 million at 31 March 2013.

No further details have been made public regarding the implementation of the national withholding taxation based on gross gaming revenue, however this taxation is still anticipated to be implemented by the close of 2013 and is expected to take the form of an additional 1% national levy on a uniform provincial gambling taxation base.

We have taken legal opinion on the litigation relating to development of the Thaba Moshate Hotel Casino and Convention Resort in Burgersfort and are currently engaging the LGB to finalise the licence conditions and the wording and timing of construction guarantees. Once these matters are resolved to the satisfaction of the Peermont board, we intend to obtain shareholder approval to commence construction toward the end of 2013. The construction cost is currently anticipated to be c. R285 million.

Lastly, our Capital Structure Review continues to progress. Following our extended engagement with key stakeholders and their advisors, discussions have now progressed, with the support of key stakeholders, to include the minority shareholders in the group. We also intend to commence discussions with the minority subordinated debt holders in the near future. Furthermore, given the currently favourable capital market conditions for debt issuers the company has engaged intensively with local, as well as international, financial institutions to negotiate the refinancing of the Senior Secured Notes. While we believe we are making good progress with these negotiations, there can be no assurance that these efforts will lead to a definitive agreement and/or successful completion of any transaction involving the group's capital structure.

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

1. Total revenues increased by 11.4% to R739.6 million from R663.8 million in the same quarter of 2012;
2. EBITDA for the quarter increased by 14.2% to R272.7 million from R238.8 million in 2012. LTM EBITDA is R1 094.1 million for the 12 months to 31 March 2013;
3. Our EBITDA margin was 36.9% as compared to 36.0% in the same quarter of 2012.

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