

Good afternoon and welcome to the Peermont 2013 Results Conference Call

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

Our Annual Integrated Reports and Annual Financial Statements for the year ended 31 December 2013 were released for distribution on Wednesday evening 2 April 2014, through the trustees, and were also published on our website at the same time.

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

I would like to start off with an update on the group equity capital restructure and refinancing process.

In November of last year, we announced that we had reached agreement with our shareholders and subordinated creditors to recapitalise the group and raise approximately R5.3 billion of new Rand-denominated debt.

We are pleased to report that the main agreements relating to the debt refinancing were signed on 31 March and 1 April. The new R4.1 billion six-year senior debt finance package is underwritten by Rand Merchant Bank and was jointly arranged with ABSA, Investec and Standard Bank. Over and above this R4.1 billion senior debt package, an agreement for a new Working Capital Facility of R250 million is scheduled to be executed next week.

The senior debt is supplemented by a c. R1.2 billion six-and-a-half-year Rand-denominated mezzanine debt package provided by certain of the group's existing stakeholders. This will be in the form of Rand-denominated PIK Notes in respect of which the PIK Note Purchase Agreement was also signed on 31 March.

The new c. R5.3 billion debt package will be used to refinance existing local and foreign debt, including the Euro-denominated SSNs, which mature on 30 April, and the associated currency hedges. The SSNs will be settled at maturity at their par value.

The existing 2015 PIK Notes will be replaced with preference shares in PGH II, the issuer of the existing PIK Notes. Overall group debt levels will be further reduced through the equitisation of the deeply subordinated PIK Equity Loan via the issue of ordinary shares amounting to approximately 72% of the group's equity.

The new capital structure reduces the debt levels of the group, enhances its long-term sustainability and allows for greater flexibility to pursue further growth opportunities. It also significantly lowers debt funding costs and eliminates expensive currency hedging and foreign exchange rate risk going forward.

Many of the conditions precedent for the refinancing have been fulfilled and we expect the remaining conditions precedent to be satisfied on or about 11 April and for the equity restructuring steps to be implemented in the week commencing 14 April.

The proceeds from the new financing arrangements are scheduled to be received by 25 April 2014. This will enable us to pay the SSNs at maturity in accordance with the indenture, after the related hedges currency hedges (which are in the money) are settled.

Turning to our results for the fourth quarter and the year. In summary, for the quarter:

1. Total revenues increased by 6.6% to R821.8 million from R770.7 million in the same quarter of 2012; and
2. EBITDA increased by 4.7% to R304.9 million from R291.2 million in 2012; and

For the year ended 31 December 2013, as compared to the prior year:

1. Total revenues for the year exceeded R3bn for the first time and increased by 7.8% to R3 078.6 million;
2. EBITDA increased by 7.8% to R1 142.5 million; and

3. EBITDA margin remained stable at 37.1% as compared to 2012.

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

1. Net cash pay debt/LTM EBITDA is 4.2 times;
2. Total net debt through the PIK Notes/LTM EBITDA is 6.2 times; and
3. The estimated LTM EBITDA/historic net cash interest expense is 1.4 times.

As regards the **macroeconomic environment in South Africa**, economic growth in the fourth quarter has recovered somewhat from the low base in the third quarter and is reported at 3.8% quarter-on-quarter compared to 0.7% quarter-on-quarter for the third quarter of the year. The SA Reserve Bank's growth forecasts have been trimmed downwards from 2.8% to 2.6% for 2014 and from 3.3% to 3.1% for 2015.

The headline inflation rate was reported at 5.3% for November 2013 and 5.4% for December, resulting in an average annual inflation rate of 5.7% for the 2013 year, within the target range of 3 – 6%. However, the Reserve Bank is currently forecasting a temporary breach of the target range with a forecast inflation rate of 6.3% for 2014 and then reverting to within the target range at 5.8% for 2015.

The rate of unemployment for the fourth quarter of 2013 is reported at 24.1%, a slight improvement from the 24.5% for the same quarter in 2012.

Growth in household consumption remained subdued at 2.0% for the fourth quarter as unemployment, inflation and high debt levels continue to affect consumer confidence.

The prime interest rate remained at 8.5% throughout 2013. The 50 basis points rate increase that was implemented in January 2014 is expected to place some additional pressure on consumer spending, especially taking into account that the average household debt levels, although steadily declining, remained relatively high at 74.3% of disposable income in Q4 2013.

Turning to the South African casino market in 2012/2013, based on the figures aggregated by the National Gambling Board for the 12 months to 31 March, Gauteng remains the largest casino market in South Africa, accounting for 44% of South Africa's total casino revenues for the period.

Casino gaming revenues in Gauteng, South Africa's largest gaming market (based on levies paid by casinos on weekly gaming revenues), increased by 3.9% for the year ended December 2013 with growth of only 1.8% for the fourth quarter.

Overall hotel trends in South Africa showed growth in RevPAR of 8.4% for 2013, driven by average room rates while overall occupancies in the market declined slightly to 63.8%.

I will now give you an overview of our **operating performance for the fourth quarter**:

Revenue for the group increased by 6.6% to R821.8 million. Growth in gaming revenue was a satisfactory 5.8% for the quarter. Emperors Palace grew its gaming revenue for the quarter by a modest 5.0%, while a number of our other operating units reported good growth in gaming revenue for the quarter. Our Botswana operations grew gaming revenues by 10.0% (Pula terms), Graceland by 15.4%, Rio by 10.2% and Frontier by 8.6%. Hotel and resort revenues increased by 9.4% to R190.7 million and overall occupancies for the group increased from 76.1% to 77.5% for the quarter. Also, during the fourth quarter, we experienced an encouraging recovery in conference and banqueting business at Emperors Palace.

Cash costs for the quarter increased by 8.3%. The main reason that the cost increase exceeded the increase in revenues was an increase in promotions and marketing spend in the fourth quarter, as well as significant legal costs incurred at Emperors Palace mainly to settle a labour dispute with in excess of 100 employees dismissed in 2011, at a cost of R3.9 million.

EBITDA increased by 4.7% to R304.9 million for the quarter and the increase in cash costs caused the group EBITDA margin for the quarter to decrease from 37.8% to 37.1%. However, the full year EBITDA margin remained stable.

Our Botswana operations enjoyed a much-needed positive quarter and reported overall revenue growth of 5.3% and EBITDA growth of 25.0%. Gaming revenue increased by 10.0% in Pula terms with the return of certain high end players to the Salon Privé at the Grand Palm. Hotel and resort revenues have been under pressure in recent months due to a substantial increase in the supply of hotel rooms in the Gaborone market. However the revenue growth of 1.9% in Pula terms for the quarter is a modest improvement on the 1.8% decline in the preceding nine months. Costs in the fourth quarter of 2012 included additional performance rental accruals for the Gaborone International Convention Centre raised in that quarter, which were accrued throughout the year in 2013, contributing greatly to the 25.0% growth in EBITDA for the quarter.

The balance of our South African operations generated revenue growth of 7.8% and EBITDA growth of 8.5% for the quarter with our Graceland and Frontier properties performing particularly well.

As regards our **performance for the year**, group revenue exceeded the R3 billion mark for the first time and increased by 7.8% to R3 078.6 million. All of our operating units reported growth in revenue for the 2013 financial year. The growth for the current year was driven in large part by gaming revenue which increased by 8.3% and was boosted in the first quarter of the year by certain foreign players visiting the Emperors Palace resort during and after the African Cup of Nations football tournament which was hosted in South Africa around that time.

Hotel and resort revenue increased by 5.8% to R696.0 million for the year. Emperors Palace grew hotel and resort revenue by a modest 2.7% from a relatively high base in 2012. Our Botswana operations remain under pressure due to the significant increase in the supply of rooms in Gaborone and reported relatively flat hotel and resort revenues for the year in Pula terms. The balance of our South African operations showed satisfactory growth in hotel and resort revenues of 15.8% for the year.

Cash costs for the group increased by 7.9% for the year to December 2013. After the increase in promotions and marketing costs in 2012 stemming from our focus on revenue generation, the group was able to sustain the revenue momentum generated in the prior year throughout 2013 and limit the increase in current year promotions and marketing costs to 5.2%. While overall costs were impacted by some significant legal costs and revenue-driven direct costs, overall cost containment across the group was acceptable.

EBITDA growth mirrored the growth in revenue with an increase of 7.8% to R1 142.5 million for the year.

Total revenues for the year at **Emperors Palace** increased by 8.2% to R1 936.3 million from R1 789.0 million in 2012.

EP Gaming revenue for the year increased by 9.4% to R1 617.7 million, boosted by the strong performance in the first quarter. The growth in GGR was achieved in contrast to fairly moderate revenue growth levels in the overall Gauteng gaming market (based on gaming levies paid by casinos on weekly gaming revenues). As a result, our market share increased to approximately 24.6% for the year as compared to 23.4% for 2012, ahead of our target of 24.0%.

While the average daily number of vehicles through the gate decreased by approximately 1.5% as compared to the prior year, the average spend per visitor has increased by approximately 11.0% (based on 2.3 visitors per vehicle). The increase in average spend has been driven mainly by our success in attracting increased levels of business from top-end clientele.

As mentioned earlier, hotel and resort revenues at Emperors Palace increased by a modest 2.7% to R318.6 million for the year, mainly impacted by very low growth in food and beverage revenues. The performance was impacted negatively by a relatively subdued demand for larger conferences and events, especially in the third quarter. Rooms revenue increased by 5.2% to R141.3 million for the year as compared to the prior year. The growth in rooms revenue was driven by increased average room rates, particularly at the Mondior hotel. The overall complex rooms occupancies for the year at

83.8% (although still well above industry averages) were slightly lower than the 85.8% reported in the prior year. Food and beverage revenue increased by 1.0%. As part of our strategy to maintain our value for money positioning, increases in the selling prices of food and especially beverages were either deliberately reduced or kept very low in an environment where the average consumer remains under pressure. Due to the impact of producer price inflation on the cost of sales, the end result was a lower food and beverage profit margin. We believe that this approach has contributed towards increased guest satisfaction levels, which has helped drive average spending levels in gaming and other revenues.

EP cash costs increased by 8.1% to R1 262.9 million for the year. Employee costs increased by 6.6%, mostly due to salary increases, and gaming taxes increased by 8.7% due to the increase in gaming revenues. Consumables and services costs increased by 13.1%, driven by the increased food and beverage cost of sales and the costs incurred to settle the legal dispute with former personnel. The success of focused marketing efforts undertaken in 2012 allowed for promotions and marketing costs to be managed at an increase of 3.6% in 2013. Furthermore, the complex continued to benefit from ongoing water and energy-saving initiatives as property costs increased by a relatively low 3.3%.

EBITDA at Emperors Palace increased by 9.0% to R678.4 million. The EBITDA margin for 2013 increased to 35.0% as compared to 34.8% for the prior year. Overall a very good year for Emperors Palace.

As regards our other group operations, Botswana reported revenue growth of 4.7% in Pula terms, mostly driven by a 13.2% increase in gaming revenue. This was diluted by a decline of 0.9% in hotel and resort revenues resulting from the increased supply of hotel rooms in the Gaborone market. In spite of the pressure on the revenue line, cash costs were well managed and the Botswana EBITDA increased by 3.1% in Pula terms.

The rest of our South African operations generated overall revenue growth of 5.9% and EBITDA grew by 5.8%. In particular, our Graceland property performed well with revenue growth of 8.9% and EBITDA growth of 10.4%.

I will now hand you over to Grant Robinson to elaborate on our 2013 financial performance.

Thereafter, I will cover other recent developments.

I will now hand you over to Grant Robinson

Good afternoon

As Anthony mentioned earlier, group revenue increased by 7.8% to R3 078.6 million, comprising growth in gaming revenue of 8.3% and growth in hotel and resort revenue of 5.8%.

Other income increased from R5.3 million in 2012 to R8.6 million in 2013. 2013 includes total insurance proceeds of R3.7 million as compared to just under R1 million in the prior year.

Operating costs for the year were R2 213.4 million, an increase of 8.0% as compared to 2012. Employee costs increased by 7.0%, principally as a result of annual salary increases and the growth in gaming revenue resulted in an increase in gaming taxes of 8.0%. Consumables and services costs increased by 11.8% overall resulting from inflationary pressures, revenue driven direct costs, and the additional legal fees incurred at Emperors Palace. The increase in promotions and marketing costs was limited to 5.2%. The increase of 5.6% in property costs was kept in check through various energy-saving initiatives.

Depreciation and amortisation for the year was R269.6 million, an increase of R21.5 million or 8.7% from the prior year. The charge for 2013 includes an impairment of the property at Mondazur of R7.8 million.

The resulting operating profit for the year at R873.8 million represents a 7.5% increase from the R813.0 million in 2012.

Finance income increased from R396.3 million for 2012 to R1 566.3 million in 2013. In 2013 the Rand weakened from R11.09 to R14.43 against the Euro, resulting in a mark-to-market gain of R1 533.0 million on the derivative instruments utilised to hedge the future coupon payments and the Senior Secured Notes liability, as recorded at December 2013.

This can be compared to the R381.7 million gain recorded at December 2012, which resulted from the Rand weakening from R10.43 to R11.09 in that year.

Finance costs for the year ended December 2013 reflected an increase of R1 588.3 million from the prior period.

The exchange rate movements explained earlier resulted in a R1 387.8 million foreign exchange loss on the restatement of the SSN liability for 2013, compared to the loss of R275.1 million recorded at December 2012.

The remaining increase comprises increased interest accruals on other liabilities such as the deeply subordinated shareholder loans.

The taxation and deferred taxation credit of R231.9 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 prior year amount included a deferred taxation charge as a result of the increase in the taxation rate applied to capital gains in South Africa from an effective 14.0% to 18.6% as announced by the Minister of Finance in February 2012.

Moving on to the **statement of financial position**, the main assets comprise the property, plant and equipment and casino licences. The largest liabilities are the SSNs and the deeply subordinated PIK Notes and PIK Equity Loans.

In 2013 the SSN liability and the related hedging derivatives moved from non-current liabilities and assets respectively to current liabilities and assets, resulting in a decrease in non-current assets and non-current liabilities and a significant increase in current assets and current liabilities.

Our working capital movements for the year amounted to a net cash outflow, mostly due to an increase in trade and other receivables resulting from capitalised restructure expenses incurred. These will largely be expensed at the time of the transactions.

Cash inflows from operating activities for the year amounted to R1 108.7 million compared to R1 080.2 million in 2012, a 2.6% increase. The increase is diluted by working capital changes which generated a net cash outflow in 2013 as compared to a net cash inflow in the prior year.

After deducting replacement capital expenditures and taxation paid, free cash flow of R878.9 million was available for interest payments of R824.0 million and expansion capital expenditure. This represents a ratio of free cash flow to EBITDA of 76.9%. The free cash flow ratio for 2013 has decreased somewhat from the 83.5% achieved in 2012 and the 81.8% for 2011, mostly as a result of changes in working capital and the increase in replacement capital expenditure. Replacement capital expenditure in 2013 increased principally as a result of the amount spent on the Bally gaming system, which has now been installed at all of our casino properties.

The finance expenses paid relate mostly to the SSN coupon payments of R725.0 million and the Deferred Hedging Loan interest payments of R60.2 million, paid in April and October 2013.

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

After finance and taxation cash flows, net cash from operating activities is at R289.8 million, slightly below the amount in the prior year, mainly due to the cash outflows from working capital.

The cash outflows from investing activities consist mostly of net replacement capital expenditure amounting to R198.5 million and expansion capital expenditure of R20.1 million incurred.

Our replacement capital expenditure during the year to date consisted of approximately R56.8 million spent on slots replacement throughout the group; R76.5 million on computer software and equipment on installation of the new gaming system; P5.0 million (R5.8 million) relating to refurbishment at the Walmont Hotel at the Grand Palm and the Metcourt Hotel in Francistown; and the balance on normal replacement capital expenditure.

Our expansion capital expenditure for the year totalled R20.1 million including R7.3 million spent on the new bar and expanded restaurant at Rio; R7.0 million on

construction of the Thaba Moshate Casino Resort in Burgersfort; R3.5 million on the Club Floor Lounge at Emperors Palace; and R2.2 million on the mall entrance at Frontier.

During the current period net cash outflows from financing activities amounted to R39.2 million. This consisted mainly of R14.3 million in dividends paid to minorities at Peermont Global Botswana and Graceland; R11.3 million relating to the redemption of the non-controlling shareholder's portion of the preference shares in Peermont Global Botswana in March 2013; and, R8.5 million on the scheduled redemption of debt by Head office and PGEFS.

At 31 December 2013 the group was in a net positive cash position of R89.6 million, consisting of cash held of R178.6 million offset by cash utilisation of the RCF of R89.0 million.

In December 2013, the group entered into forward starting interest rate swaps to hedge 50% of the interest rate exposure on the new debt being raised under the revised group debt structure. To date these hedges are in the money.

At 31 December 2013, of the R425.0 million available under our RCF, R170.0 million had been utilised as a credit line for the forward starting interest rate swaps, R60.0 million was utilised to provide guarantees and an additional R89.0 million was drawn in cash. Cash included in the reported balance of R178.6 million but not available to the group consists of approximately R40.0 million required for operational and cash floats and R30.1 million held on behalf of trust beneficiaries. After adjusting for the above, capacity of R106.0 million under the RCF and cash of R108.5 million was available for group requirements at 31 December 2013.

The current RCF of R425.0 million is available until 30 April 2014 and a new facility of R250.0 million has been negotiated as part of the group debt refinancing which is scheduled to take place on or before that date. Currently we are not forecasting any cash utilisation of the RCF at the maturity date.

At this point, I am 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 other recent developments.

We are pleased with our preliminary revenues for the first quarter of 2014. As you may recall, the first quarter of 2013 included a boost of some R50 million relating to tables revenue generated from foreign players visiting South Africa during and after the African Cup of Nations football tournament last year. Despite the bar being lifted by this this challenging comparison, we managed to generate revenue growth of approximately 4 to 5% for the quarter.

The construction of our new Thaba Moshate resort in Burgersfort is well underway and despite recent heavy rains, the construction programme remains on track. Construction is expected to be completed in April 2015 at an estimated overall construction cost of R325 million. The High Court application brought by a property developer regarding the original township establishment process was dismissed by the High Court, which has also refused the applicants leave to appeal against the judgment. The applicants have now applied to the Supreme Court of Appeals for leave to appeal. There have been no further developments regarding the land claim pending on this property.

Earlier this year, we closed an agreement to dispose of the Taung operation for a consideration of R5 million. We anticipate the sale of our previous Head Office building to also close during the second quarter.

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

1. Total revenues for the year exceeded R3bn for the first time and increased by 7.8% to R3 078.6 million;
2. EBITDA increased by 7.8% to R1 142.5 million; and
3. EBITDA margin remained stable at 37.1% as compared to 2012.

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