

Good afternoon and welcome to the Peermont 1st quarter 2010 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 2010 that was released yesterday for distribution through the clearing systems, to investors listed on our mailing list and on our website.

In summary, for the quarter:

1. Total revenues decreased by 2.4% to R618.8 million for the quarter from R633.8 million in the same quarter of 2009;
2. Cash costs, excluding depreciation, continue to be tightly controlled, with overall costs increasing by 0.5% as compared to Q1 2009;
3. EBITDA decreased by 7.6% to R223.0 million, from R241.3 million in 2009. This results in an LTM EBITDA of R945.2 million;
4. Our EBITDA margin decreased to 36.0% from 38.1% in the same quarter of 2009, and as compared to the 38.0% margin reported for the 2009 financial year.

Our credit ratios are as follows:

1. Net cash pay debt/LTM EBITDA is 5.1 times;
2. Total net debt through the PIK Notes/LTM EBITDA is 6.6 times; and
3. The estimated LTM EBITDA/historic net cash interest expense is 1.4 times.

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 net derivative liability directly related to the SSN Debt; and
3. Cash balances on hand.

Our call 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 by Grant. Finally, I will conclude with a brief discussion of the key developments approved for 2010 and beyond.

SA GDP surprised on the upside for the first quarter, growing at 1.6% year on year and 4.6% q/q on a seasonally adjusted and annualised basis. This positive performance was largely driven by the manufacturing and mining sectors. On a year on year basis, the wholesale and retail trade, hotel and restaurants sector shrank by 0.9%. While our industry lagged overall GDP going into recession, the same appears to be true as we lag coming out of the recession. Given the significant increase in unemployment in 2009, the state of the consumer still remains somewhat fragile and credit demand remains weak. However, we believe that that consumers will benefit from the ongoing degearing process and will be positively impacted by the lagging effect of lower interest rates and

lower levels of inflation. Sentiment also seems to be improving ahead of the Soccer World Cup in two weeks' time.

Gaming revenues in South Africa's largest gaming market, Gauteng, declined by 3.1% for the first quarter of 2010, (based on levies paid) as compared to a 3.3% decline in levies paid by Emperors Palace ("EP") over the same three month period.

Revenue growth from the balance of the group operations was healthier, growing by 1.9% for the first quarter as compared to a 4.5% decline reported for EP. Revenues from other operations grew to R215.3 million for the quarter, comprising 34.8% of group revenues.

Despite hotel trends in South Africa showing negative growth of 8.7% in Revpar for Q1 of 2010, we are relatively pleased with the performance of our hotels. Our results for the quarter reflect growth in hotel and resort revenue of 2.6%, with rooms revenue delivering growth of 1.6%, boosted by the addition of 318 rooms in March 2009.

From an overall group revenue perspective:

1. Within the first quarter, we experienced a revenue decline of 4% in January, 2% in February and 2% in March;
2. In April, revenue decreased by 2% compared to April 2009, and May thus far is showing an increase of approximately 5% as compared to the same period last year. May was the first month in 2010 to reflect an increase in GGR.

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

Emperors Palace: Total revenues for the quarter declined by 4.5% to R403.5 million from R422.5 million in 2009.

Gaming revenue for the quarter decreased by 6.9% to R333.4 million whilst hotel and resort revenues increased by 9.4% to R70.1 million.

Our slots revenue declined by 4.9%, while our tables revenue declined by 12.0% for the quarter, very closely tracking the overall changes in the Gauteng market size and composition. Our market share of GGR for the quarter of 24.6% represented an improvement on the 24.3% for 2009 overall and decreased marginally from the 24.7% reported for Q1 2009. This was mainly due to lower hold percentages in our slots privé on our high denomination slot machines for the quarter, as reported during our year end presentation in March.

The refurbishment of our entertainment emporium has resulted in a significant increase in the number of guest visits to the complex. The average daily number of vehicles through the gate has increased by approximately 9% as compared to the same quarter in 2009. This helped to generate a positive growth of 2.4% in slots handle for the first quarter, which has continued to improve subsequent to the quarter end.

Rooms revenue grew by 6.4% to R31.5 million for the three months compared to the same period in 2009 due to our new 248 key Peermont Metcourt Hotel. Average room occupancy levels were 76.3% for the quarter, a decrease from 85.6% in the same period last year, impacted by the additional supply of the 4th hotel being opened as from the beginning of March 2009 as well as softer industry trends in general.

EBITDA for the quarter decreased by 12.8% to R136.3 million. The EBITDA margin declined from 37.0% in the same period last year to just under 34% for the current quarter.

Cash costs increased by only 0.3% compared to the first quarter of 2009. Included in operating costs in 2009 were pre-opening costs for the new Peermont Metcourt Hotel.

As regards our other group operations, overall revenue grew by 1.9% or R4.0 million and EBITDA grew by 2.0% or R1.7 million.

In particular, our Botswana and Frontier Inn operations delivered impressive performances during the quarter.

Botswana continued to deliver healthy growth in local currency terms, with revenue growth of 8.3% in pula to P54.5 million (R60.9 million) and EBITDA growth of 15.0% to P18.4 million. Revenues at Frontier Inn increased by 13.3%, with EBITDA increasing by 63.6%, benefitting from the reduction in property rates and taxes in the current quarter due to successful negotiations concluded with the local council in the latter part of 2009.

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 new developments.

I will now hand you over to Grant Robinson

Good afternoon

Commentary on the results

As you have become accustomed to, I will focus on the lower end of the income statement, cash flows and capital expenditure sections of the quarterly report for clarification thereof.

Depreciation

The depreciation charge has increased by R4.0 million or 7.2% from R55.3 million in 2009 to R59.3 million in 2010. This was largely due to the two new hotels and upgraded and refurbished facilities completed in 2009.

Financial income

This consists mainly of the cash received on the cash deposits at financial institutions. This is lower than the comparable quarter due to declining interest rates and reduced cash balances on hand.

In the quarter, the movement in the R/€ exchange rate from R10.63 to R9.91 per € resulted in a foreign exchange gain of R313.3 million on the translation of the €416.1 million Senior Secured Notes liability.

Financial expenses

This cost for the three months ended March 2010, consists mainly of the R489.2 million effect on the mark-to-market of the derivative instruments used to hedge the SSN liability and the SSN coupon payments; the coupon accrual on the notes of R109.6 million; the coupon accrual on the shareholders loans of R133.4 million; and, finance costs of R3.3 million relating to the interest flows on debt in the Head office, Botswana and Frontier companies.

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

Taxation credit

The taxation credit consists mainly of the deferred taxation benefit generated from the effect of the operating loss after finance charges.

Cash flows

Cash flows generated from operating activities

Net cash inflow from operating activities for the three months was R175.2 million compared to R206.2 million in the comparative period in 2009. This translates into a cash conversion to EBITDA ratio of approximately 75%.

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.

A previously accrued and long outstanding liability of R7.2 million due by Tusk Resorts to SARS was settled in the quarter, giving rise to the large increase in cash flow.

Cash flows from investing activities

Capital expenditure for the three months was R22.0 million, predominantly on payments of R9.0 million on construction of the new facilities at Tusk Umfolozi and the balance on maintenance of existing buildings and replacement of gaming equipment. This is discussed in more detail later in the presentation.

Cash flows used in financing activities

During the current period, net long-term debt repayments of R33.2 million were made. These relate to the repayment of the corporate notes by PGB, as well as normal redemption of debt by PGNW, Head office and PGEFS.

Dividends paid

Dividends in both periods relate to the minority portion of the Botswana company dividends paid.

Cash and cash equivalents

At 31 March 2010 the group had R386.1 million in cash resources available to service debt, working capital requirements and new projects. This excludes approximately R40.0 million required for floats and approximately R38.0 million held on behalf of the beneficiaries of the group's consolidated trusts.

Capital expenditures

Our gross capital expenditures in the three months ended 31 March 2010 and 2009 were R22.4 million and R88.2 million respectively, representing approximately 3.6% and 13.9% of total revenue for those periods.

Our gross maintenance capital expenditures in the three months ended 31 March 2010 and 2009 were R13.4 million and R34.8 million, representing approximately 2.2% and 5.5% 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 three months ended 31 March 2010 totalled R9.0 million, relating to the upgrade and expansion of our Tusk Umfolozi property.

The abnormally higher level of maintenance capital expenditure in the prior period was due to R10.5 million spent on the refurbishment and upgrade on the entertainment emporium at Emperors Palace, R6.2 million spent on the refurbishment of Mmabatho Palms, R4.8 million spent on the refurbishment of the casino and hotel at the Grand Palm and R3.6 million spent on the refurbishment of the Metcourt Suites at Emperors Palace.

Total maintenance capital expenditure for the 2010 year is expected to be in the region of approximately R96 million and expansion capex is expected to be approximately R90 million.

Available capital resources

We have utilised R56.7 million of our Revolving Credit Facility for the issue of guarantees to the local gambling boards, suppliers and certain local government institutions. This leaves us with R343.3 million of the facility available for other group needs.

Contingent liabilities

There have been no new developments regarding the SARS claim for taxation on the PGERH foreign currency option gain recorded in prior years. Should SARS be successful in their challenge, the estimated exposure to the group is approximately R9.8 million plus interest, which has currently not been provided for.

Hedging changes

Due to the favourable hedging opportunities presented by the strength of the rand against the euro toward the end of March, the company reviewed the potential future cash flows related to the coupon payments of the notes and we decided to hedge these cash flows, as well as a portion of the capital, to the maturity of the notes, being April 2014.

The hedging was entered into with the existing hedge counterparties and takes the form of Symmetrical Recovery Swaps. These swaps are non-extinguishing and, in the event of default, either counter party receives/pays the actual recovery rate achieved by note holders.

The related SRSs cash flows were sculpted to match what management believes is achievable in terms of projected future cash flows whilst minimising refinancing risk at the maturity of the notes.

A schedule setting out the cash flow effects of the remaining hedges to the maturity of the notes was presented in the results document for the convenience of investors.

Mark to Market position

The Mark to Market ("MtM") of the existing derivatives to hedge the €416,1 million principal of the notes was valued at R532,4 million at the reporting date. This was based on a R/€ exchange rate of R9.91 to the Euro.

The current volatility of the R/€ exchange rate has seen the MtM valuation vary significantly in the recent past. Significant uncertainty exists as to the levels of the rand relative to the euro, and consequently the value of the MtM as at the hedge maturity date of April 2011, the originally intended refinancing date.

Management is considering the possibility of fixing the MtM in advance of the hedge maturity date or alternatively fixing a minimum and maximum level for the MtM. If the currency hedge of remaining notes capital is extended beyond April 2011 at the same time the MtM liability is crystallised, it should be noted that any MtM liability so crystallised should result in a corresponding benefit in terms of a lower value of the final rand exchange on maturity of any principal hedged beyond April 2011.

S&P rating release

On 25 May S&P placed the company's corporate and SSN ratings on "CreditWatch with negative implications".

Concerns raised by S&P relate to their view of the risks from Peermont's rising derivative liabilities as a result of the effect of the Rand's appreciation fair values of Peermont's foreign exchange hedges and their concern regarding the company's higher hedge-adjusted leverage combined with the decline in earnings in 2009. S&P also raised concern over the prospective impact on the company's liquidity position of potentially material cash outflows when the existing foreign-exchange hedges mature in April 2011.

As explained above, the company is actively investigating solutions to the reported MtM position and the related effect this has on leverage and liquidity. Management will be engaging S&P on the issue in June, during the company's normal annual ratings review process, and hopes to resolve the matter with S&P within a reasonable time frame.

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.

Construction of our new and improved facilities at Umfolozi is now in full swing, with the resort still scheduled to open on time in December 2010 and within the approved budget of R115 million. Disruption to the operations is currently at a peak, with approximately 40% of the gaming floor closed until July 2010, while undergoing refurbishment. There is also significant disruption to the parking areas. The extent of the disruption caused by the construction programme is anticipated to reduce as from August 2010.

As regards the Casinos of Mauritius, we still remain the preferred bidder. Now that general elections have been successfully concluded, we have once again requested the State Investment Corporation of Mauritius to recommence obtaining the necessary cabinet approval for the sale.

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

1. Total revenues decreased by 2.4% to R618.8 million for the quarter from R633.8 million in the same quarter of 2009;
2. Cash costs, excluding depreciation, continue to be tightly controlled, with overall costs increasing by 0.5% as compared to Q1 2009;
3. EBITDA decreased by 7.6% to R223.0 million, from R241.3 million in 2009. This results in a LTM EBITDA of R945.2 million; and
4. Our EBITDA margin decreased to 36.0% from 38.2% in the same quarter of 2009, and as compared to the 38.0% margin reported for 2009.

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