

Good afternoon and welcome to the Peermont 3rd 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 and nine months ended 30 September 2010 that was released yesterday.

In summary, for the quarter:

1. Total revenues increased by 9.4% to R664.0 million for the quarter from R606.8 million in the same quarter of 2009;
2. Cash costs increased by 8.8% as compared to Q3 2009;
3. EBITDA increased by 8.7% to R240.1 million, from R220.9 million in 2009 which results in an LTM EBITDA of R980.6 million;
4. Our EBITDA margin remained virtually unchanged at 36.2% from 36.4% in the same quarter of the prior year.

For the nine months to September:

1. Total revenues increased by 4.6% to R1 937.0 million for the period from R1 852.2 million in the same period of 2009; and
2. EBITDA increased by 2.5% to R704.1 million from R687 million in 2009. Our EBITDA margin decreased to 36.4% from 37.1% in the same nine months of 2009.

Our credit ratios are as follows:

1. Net cash pay debt/LTM EBITDA is 5.2 times;
2. Total net debt through the PIK Notes/LTM EBITDA is 6.7 times; and
3. The estimated LTM EBITDA/historic net cash interest expense is 1.5 times.

To calculate these credit ratios, we have adjusted the EBITDA figure to include interest received and the net debt figures above to include:

- the unamortised costs relating to the notes;
- The value of the net derivative liability directly related to the SSN Debt and coupon payments; and
- Cash balances on hand.

As regards the macro-economic environment, SA GDP for Q3 disappointed slightly, coming in at 2.6% qoq annualised from a revised 2.8% in Q2. GDP was up 2.6% yoy. The manufacturing sector was the largest contributor to the decline, mainly as a result of industrial action. On the positive side for consumers, interest rates continued to decline, inflation remains low and wage settlements in real terms have been high.

The FIFA 2010 World Cup had a positive impact on our sector and our results for the quarter, particularly our rooms revenues and I will say more in this regard later on in the call.

Gaming revenues, as estimated based on levies paid in Gauteng, South Africa's largest gaming market, increased by 4.4% in the quarter to 30 September 2010 as compared to the same period in 2009. Emperors Palace (EP) showed an increase of 10.2% in the same three month period. In the nine months to September, the Gauteng gaming market increased by approximately 1.6% while EP gaming revenues increased by 4.5% for the same nine months. For Q3 we estimate our gaming market share in Gauteng to be at 24.9% as compared to 23.6% in 2009.

Revenues at EP increased by 14.1%, while revenues from the balance of the group operations increased by 1.5%. Revenues from other operations grew to R229.5 million for the quarter, comprising 34.6% of group revenues.

The hotel market in South Africa showed positive growth in Revpar for Q3 of 2010 largely driven by World Cup activity. Our results for the quarter reflect growth in rooms revenue of 18.8% and a combined growth in rooms, food and beverage revenue of 16.9%.

From an overall group revenue perspective:

1. Within the third quarter, we experienced revenue growth of 15% in July, 6% in August and 5% in September.
2. In October, revenue decreased by 3% compared to October 2009, and November to date is showing an increase of approximately 1% as compared to the same period last year. The more subdued revenue performance in October and November was due to a decrease in tables revenue at Emperors Palace, as compared to a very strong tables performance in the October and November 2009 as well as a lower actual hold percentage on our more volatile R500 slot machines due to several jackpots being paid in October. Underlying growth in slots handle (i.e. the

value of bets placed on slots) has remained positive for October and November thus far.

3. We estimate that the FIFA 2010 World Cup held during June and July boosted group revenues by R42.6 million, of which approximately R18.3 million was included in the Q3 revenues.
4. This event boosted group EBITDA by R25.4 million, of which approximately R10 million was included in the Q3 results.
5. To get a feel for underlying growth momentum, if we exclude the estimated impact of the FIFA 2010 World Cup from the Q3 results, we estimate that revenue would have increased by 6% and EBITDA by 4%, still a positive result.

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

Emperors Palace: Total revenues for the quarter increased by 14% to R434.5 million from just under R381 million in 2009.

Gaming revenue for the quarter increased by 11.9% to R354.2 million whilst hotel and resort revenues increased by 25.5% to R80.3 million, with rooms revenues increasing by 32%, positively impacted by the World Cup.

When compared to the same quarter in the prior year, slots revenue increased by 5.5%. Our tables revenues increased by 31.5% mainly due to strong growth in the privé as a result of revenues generated during the World Cup. Our market share of GGR for the quarter of 24.9% represented a significant improvement as compared to the 23.6% reported for Q3 2009.

The refurbishment of our entertainment emporium, the gradually improving economic climate as well as our ongoing marketing efforts 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 13% as compared to the same quarter in 2009.

The FIFA World Cup positively impacted hotel and resort operations revenue growth during June and July. Rooms revenue increased by 32.0% to R43.7 million for the three months compared to the same period in 2009. Average complex occupancy levels were 78.1% for the quarter, as compared to prior period occupancies of 75.1%.

Cash costs increased by 11.2% compared to the third quarter of 2009, influenced by some World Cup costs, a 43.2% increase in electricity usage costs and an increased payroll due to overtime costs, as a result of the union's non-renewal of the exemption certificate that has resulted in us now paying overtime for work on Sundays and Public Holidays.

As a result of the 14% increase in revenue and 11% increase in costs, EBITDA for the quarter increased by 20.3% to R147.3 million at EP.

As regards our other group operations, overall revenue grew by 1.5% or R3.4 million and EBITDA decreased by 5.8% or R5.7 million, mainly impacted by the additional R3.2 million provided for rates and taxes charges at Mmabatho Palms and the significant quarter on quarter strengthening of the Botswana pula to the rand.

Our Graceland and Khoroni operations delivered rewarding performances during the quarter.

Revenues at Khoroni grew by 21% to R21.6 million, with EBITDA increasing by 19%.

Revenues at Graceland increased by 9.3%, with EBITDA increasing by 9.1%, benefitting from business arising from the Sasol maintenance shut down during September this year.

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

Thereafter, I will cover new developments.

I will now hand you over to Grant Robinson

Good afternoon

The most significant items from the lower end of the income statement, and the cash flows for the nine months are as follows:

The depreciation charge has increased by R18.4 million or 11.2% from R164.7 million in 2009 to R183.1 million in 2010. This was largely due to the two new hotels, included from March 2009, and the 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 period due to overall lower interest rates and reduced cash balances on hand.

The most significant variance to the prior period arose due to an unrealised foreign exchange gain of R793.1 million which was recorded on the translation of the SSN liability in the prior nine month period as compared to only R306.3 million recorded in the current period. This was driven by changes in the Rand : Euro exchange rates.

Financial expenses

This cost for the nine months ended September 2010, consists mainly of the R977.2 million effect on the realised mark-to-market cost of the derivative instruments used to hedge the SSN liability and the SSN coupon payments; the coupon accrual on the notes of R308.0 million; the interest accrual on the shareholders loans of R416.6 million; and, finance costs of R24.6 million relating to the interest flows on debt in the Head office, PGNW and Frontier companies.

The taxation credit consists mainly of the deferred taxation effects of the reported results.

Cash flows

Net cash inflow from operating activities for the nine months was R699.6 million compared to R673.6 million in the comparative period in 2009. This translates into a cash conversion to EBITDA ratio of approximately 99%.

The finance expenses paid relate mostly to the SSN coupon payment of R335 million paid in April 2010.

The taxation payments are for certain of the subsidiaries, not affected by new debt raised for the buy-out, e.g. Graceland and Botswana 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 second quarter.

Cash flows used in investing activities

Capital expenditure for the nine months was a net R160.4 million, predominantly on payments of R87.7 million on construction of the new facilities at Umfolozi, R39.5 million on slots throughout the group and most of the balance on normal maintenance expenditure. This is discussed in more detail later in the call.

Cash flows used in financing activities

During the nine month period, net debt repayments of R414.2 million were made. These relate to the repayment of the MtM liability, the repayment of corporate notes by PGB, as well as normal redemption of debt by PGNW, Head office and PGEFS, partially offset by the new funding raised to settle the MtM hedging liability.

Dividends in the current year relate to the minority portions of the Botswana and Graceland dividends paid.

At 30 September 2010 the group had R132.0 million in cash resources available to service debt, working capital requirements and new projects. This included approximately R40.0 million required for floats and approximately R35.1 million held on behalf of the beneficiaries of the group's consolidated trusts.

Capital expenditures

Our net capital expenditures in the nine months ended 30 September 2010 and 2009 were R160.4 million and R204.5 million respectively, representing approximately 8.3% and 11.0% of total revenue for those periods.

Our net maintenance capital expenditures in the nine months ended 30 September 2010 and 2009 were R66.0 million and R138.1 million, representing approximately 3.4% and 7.5% of total revenue, respectively. Our maintenance capital expenditures for both periods reported reflected ordinary course maintenance and replacement of gaming equipment, primarily slot machines, hotel furniture, fittings and equipment.

Our expansion capital expenditures in the nine months ended 30 September 2010 totalled R94.4 million. The main component of this was R87.7 million relating to the upgrade and expansion of our Umfolozi property.

The abnormally higher level of maintenance capital in the nine months ended 30 September 2009 totalled R138.1 million. The largest components of this were R56.4 million spent on the refurbishment and upgrade of emporium property division and the emporium operating division at Emperors Palace; R14.5 million spent on the refurbishment of Mmabatho Palms; and, R7.8 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, largely on the Umfolozi development, is expected to be approximately R126 million. The increase in the expected expansion capex for 2010 is due to the earlier timing of the cash flows on the recently completed Umfolozi project and an R8 million cost of acquiring an additional piece of land adjacent to our Emperors Palace property.

Maintenance capex for 2011 is expected to be approximately R150 million. Expansion capex is expected to be minimal and is only in respect of the remaining Umfolozi cash flows.

Available capital resources

At the reporting date we had utilised R59.5 million of our Revolving Credit Facility for the issue of guarantees to the local gambling boards, suppliers and certain local government institutions. This left us with R340.5 million of the facility available for other group needs.

Subsequent to the period end we utilised this facility for the first time since issuing the notes. The draw down was largely utilised to fund the SSN coupon payment made at the end of October 2010.

We have agreed with the providers of our Revolving Credit Facility to increase the available facility from R400 million to R550 million to April 2013, the maturity date of the current facility. The term sheet has been agreed and the agreements with the lender have been signed. CP\$ in respect of two legal opinions and the signature of the revised security agreements remain outstanding and are expected to be concluded before the end of the year.

Contingent liabilities

The group\$ legal advisors have recently met with South African Revenue Services officials in an attempt to resolve this long outstanding dispute. We await feedback from SARS on the outcome of the meeting which is due early in the new year. 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.

Foreign currency hedging

The realised MtM liability arising from the extension of the hedge of the principal of the SSN liability has been settled by the end of November 2010. At 30 September approximately R78 million remained in the balance sheet. This was funded from cash from operations.

Shareholding of Peermont Global (Southern Highveld) (Pty) Ltd

The restructuring of the shareholding in Peermont Global (Southern Highveld) (Pty) Ltd was completed and accounted for at an effective date of 30 September 2010. This restructuring of PGSH was required in order to meet our bid commitments and undertakings given to the Mpumalanga Gambling Board on approval of the Peermont buy out in 2007.

As from 30 September 2010, PGSH is now a subsidiary of Peermont and will be fully consolidated in the unaudited consolidated financial statements of the Peermont Group. The current results reflect 97% of the profit and loss of PGSH

for the nine months to September, and 100% of the statement of financial position of PGSH at 30 September 2010, with 30% minority interest.

In consultation with the company's auditors, we determined that the IFRS accounting process of recording this transaction is the revalue to company's investment in PGSH to fair value; record the change from joint venture to a subsidiary as a sale of the entire shareholding at proceeds of 97% of the fair value; and then to record the acquisition of the controlling interest in PGSH as a separate new investment. In terms of IFRS 2, the sale of the 27% of the shares in PGSH requires the company to record a cost of R51.2 million for receiving the additional BBBEE credentials.

The net result of our entries was a gain on revaluation of investment of R175.1 million and a BBBEE transaction charge of R51.2 million.

These items were adjusted in our reported EBITDA figures.

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 more recent developments.

We previously reported that the group had submitted a bid to obtain the third and final casino licence available in the Limpopo Province. The application includes the development of a casino with 150 slots and 8 tables, a 40-key Peermont Metcourt select services three-star hotel, a 130 seater conference facility, a boardroom, a tent platform, a restaurant, a show bar, a retail kiosk, a teenage entertainment area, a childcare facility and adequate on-site parking facilities. The resort is to be constructed at an estimated total cost of R236 million, of which R24 million has already been spent on land (in a prior period) and bid application costs, leaving R212 million to be spent.

Funding of the project is expected to be in the form of a R90 million senior project debt facility; R50 million raised as subordinated mezzanine funding; and, the balance in the form of shareholders loans and equity.

The Limpopo Gambling Board is currently evaluating the bid and a public hearing was held yesterday, 29th of November 2010. We anticipate further feedback from the Limpopo Gambling Board in the new year.

Construction of our new and improved facilities at Umfolozi is now complete within the approved budget of R115 million, with the expanded new resort having already welcomed its first paying customers. Disruption to the operations peaked in July, with approximately 40% of the gaming floor closed from April until July 2010, while undergoing refurbishment. The extent of the disruption caused by the construction programme reduced significantly from August 2010. The new facilities have been well received by the local clientele. We are planning our official launch of the property during January 2011.

As regards the Casinos of Mauritius, there have been no new developments. Given the significant period of time since our announcement as preferred bidder, we are no longer certain whether this acquisition will take place or not.

As regards our capital structure, we have recently appointed advisors to assist the company in conducting a strategic and financial review, with the objective of optimising our capital structure. As you are aware, our capital structure is quite complex and we would like to simplify it.

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

1. Total revenues increased by 9.4% to R664.0 million for the quarter from R606.8 million in the same quarter of 2009;
2. Cash costs increased by 8.8% as compared to Q3 2009;
3. EBITDA increased by 8.7% to R240.1 million, from R220.9 million in 2009 which results in an LTM EBITDA of R980.6 million;
4. Our EBITDA margin remained virtually unchanged at 36.2% from 36.4% in the same quarter of the prior year.

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