

Good afternoon and welcome to the Peermont 3rd quarter 2008 Results Conference Call

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

We will be talking through our quarterly report for the three and nine months ended 30 September 2008 that was released yesterday for distribution through the clearing systems, to investors listed on our mailing list and on our website.

Once again, we shall focus on the annexure setting out the pro forma unaudited group information for the quarter and nine months ended 30 September 2008.

As a reminder our pro forma numbers are adjusted to exclude the once-off effects related to the buyout, delisting and re-organisation transactions completed on 24 April 2007, as well as the expected change in the Graceland shareholding.

The highlights of the results are as follows:

For the quarter:

1. Pro forma total revenues increased by 5% to R625 million for the quarter from R595 million in the same quarter of 2007;
2. Pro forma EBITDA increased by 6% to R260 million, from R246 million in 2007. This results in a pro forma LTM EBITDA of R1 020 million; and
3. Our pro forma EBITDA margin increased to 41,5% from 41,3% in the same quarter of 2007, and increased as compared to the 40,8% margin reported for the first half of 2008.

For the nine months to date this year:

4. Pro forma total revenues increased by 7% to R1 850 million from R1 725 million in the same nine months of 2007;
5. Pro forma EBITDA increased by 7% to R760 million, from R708 million in the same period 2007; and
6. Our pro forma EBITDA margin remained steady at 41,0% for both periods.

As a result of EBITDA growth, our pro forma credit ratios have improved as follows:

1. Net cash pay debt/LTM pro forma EBITDA has improved to 4,5 times, versus 6,3 times at the time of issuing the notes in April 2007;
2. Total net debt through the PIK Notes/LTM pro forma EBITDA has improved to 5,4 times, as compared to 7,3 times per the offering memo; and
3. The estimated LTM pro forma EBITDA/pro forma historic net cash interest expense has improved to 2,4 times, vs. 1,9 times per the offering memo.

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 presentation 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 2008 and beyond.

SA GDP growth for the third quarter was recently reported at 0,2%. The retail sector has contracted for the second quarter running, while the manufacturing and mining sectors also contracted in real terms in the third quarter.

As reported previously, the South African consumer remains under pressure. While the SARB placed interest rates on hold at its most recent MPC meeting and interest rates are expected to decline next year, the full effects of previous rate hikes and high inflation continue to take their toll on the consumer. Given the disappointing GDP growth figures, there may be some relief ahead for the consumer in the form of possible interest rate cuts, particularly after considering the disappointing GDP growth figures and the improved outlook for inflation.

Growth in gaming revenues in South Africa's largest market, Gauteng, slowed to 7% for the third quarter of 2008, bringing the ytd market growth (based on levies paid) to 7,1%, as compared to 3,5% growth in levies paid by Emperors Palace ("EP") over the same nine month period. Given the dilution from the opening of the seventh casino in Gauteng, EP has fared relatively well for the year to date. Some of the factors that assisted Emperors Palace include increased marketing focus, the introduction of live poker in the last quarter of 2007 and the optimisation of our slots/tables mix also in the last quarter of 2007.

Revenue growth from the balance of the group operations was significantly healthier, growing by 14,3% for the third quarter as compared to the 1,1% reported for EP. As a result, revenues from other operations grew substantially to R204,8 million for the quarter, comprising 32,7% of group revenues.

Hotel trends in South Africa are still exhibiting good growth. Our results for the quarter reflect growth in hotel and resort revenue of 13,6%, with rooms revenue delivering exceptional growth of 27,0%. At this stage, forward bookings still look positive, especially as regards our international bookings, which have thus far more than compensated for slower levels of domestic market growth.

From an overall group revenue perspective:

1. Within the third quarter, we experienced revenue growth of 4% in July, 1% in August and 9% in September;
2. In October we generated revenue growth of around 6% and November, thus far, is showing a decrease of approximately 6% as compared to the same period last year.

The November revenues to date have been significantly impacted by the most successful run yet experienced by a single player playing Baccarat in our history at EP. To date this player has won approximately R12 million this month but it should be borne in he is well known to us, having contributed meaningfully in particular to our record December 2006 results. We offer the highest maximum bet on Baccarat in South Africa and hence are susceptible to volatility from time to time on these results. This win has stimulated renewed interest and excitement in the game amongst the Baccarat player base, with this player drawing large crowds spurring him on to win more. It should be mentioned that activity levels at EP in November, measured by player handle and drop, are significantly higher than the previous year. If the effect of this player's lucky run is excluded, we would be showing group revenue growth of approximately 1% for November thus far.

On 1 November 2008 we unfortunately experienced an armed robbery at our Umfolozi casino in Empangeni, KwaZulu Natal, resulting in an estimated loss of approximately R730 000, of which some R300 000 was unrecovered cash stolen and the balance was damage to the casino and loss of revenue due to the casino being temporarily closed.

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

Emperors Palace, grew total revenues for the quarter by 1,1% to R420,6 million from R415,9 million in 2007.

Gaming revenue for the quarter increased by 1,1% to R358,2 million whilst hotel and resort revenues increased by 1,3% to R62,4 million.

Our slots revenue grew by 2,1%, while our tables revenue growth was flat for the period. This was impacted by greater volatility in our tables play in our salon prive area. Slots revenue was impacted by some higher denomination slot machines making a loss for the quarter (although very profitable lifetime to date). Slots handle growth, a more reliable indicator of slots activity levels, grew by 4,4% for the quarter.

Rooms revenue grew by 12,8% to R28,2 million for the three months compared to the same period in 2007. Average room occupancy levels reached a very healthy 90,4% for the quarter, clearly indicating the need for additional room capacity at our property.

EBITDA for the quarter increased by 2,7% to R165,4 million. The EBITDA margin improved from 38,7% in the same period last year to 39,3% for the current quarter.

Marketing costs decreased by 7,1% as compared to the same quarter in 2007. This is as a result of a more evenly balanced marketing programme throughout the year in 2008, as compared to marketing spend being more heavily weighted towards the second half of 2007. Our tenth birthday celebrations began in the third quarter and will continue until early in 2009, incorporating a variety of widely advertised promotions and events.

Costs at Emperors Palace were well contained, with payroll growing by only 4,1% as compared to the same quarter in 2007, despite the recent wage increase effective from July 2008.

As regards our other group operations, overall revenue grew by 14,3% or R25,7 million and EBITDA grew by 11,6% or R9,8 million.

Weaker performances during the quarter at our Graceland and Rio properties were more than offset by stronger performances at our Botswana, Khoroni, Umfolozi and Head Office operations.

By way of highlighting the most notable weak and strong performances, Graceland had a poor quarter with revenues down 4,2% to R34,3 million and EBITDA down 18,3% to R7,6 million. This was impacted by a loss of approximately R2,0 million arising from a syndicated count room theft, as a result of which the entire count team was arrested.

Rio's EBITDA was impacted by several charges, most notably major R&M of R2,0 million and CSI of R1,2 million required to be accrued for the first time in Q3 for 2008.

By contrast, Botswana had another exceptional quarter, with revenue growth of 17,2% to pula 49,1 million (R56,7 million) and EBITDA growth of 38,2% to pula 18,1 million. Our Botswana operations continue to benefit from strong local economic activity, with gaming and hotel and resort revenue both showing strong growth. In addition, our operations benefited from the opening of a higher limit tables area as well as revenue from the two smaller casinos further to the north of Gaborone as from December last year. The revenue growth in Gaborone continued despite operating the casino from temporary premises, and as a result we have incorporated some learnings from the temporary casino into the refurbished casino design. Our Khoroni property also benefited significantly from its refurbishment completed earlier in the 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 three and nine months.

Thereafter I will cover new developments.

I will now hand you over to Grant Robinson

Good afternoon

Today we will report on the quarter and nine months ended 30 September 2008 for Peermont. The comparative figures are for four months of the Old Peermont Global and five months of the current Peermont entity.

The reported information has been derived exclusively from the income statements of the predecessor and successor companies.

Main factors affecting the reported results

These factors remain as in prior quarters being, the change in holding in EP, the changes in the rate of depreciation of buildings from approximately one to 2,6 percent, and the significant foreign exchange movements.

Foreign exchange effects

The group is exposed to exchange rate fluctuations on the €416,1 million Senior Secured Notes in issue and the related hedging contracts. IFRS requires that the €416,1 million notes liability be restated at spot through the finance charges line at each reporting date. The related Forward Exchange Contracts and Cross Currency Swap derivative instruments are also required to be fair valued at each reporting date.

Earlier in the year, the group elected to discontinue cash flow hedge accounting for the movement in value of the coupon FEC's. This was based on advice from our auditors that, due to the credit contingent nature of a portion of the hedging instruments, the hedge effectiveness may not meet the parameters of IAS 39 and therefore, the resultant movement on these hedging contracts is now taken directly to the income statement at each reporting date.

In the quarter, the movement in the R/€ exchange rate resulted in a foreign exchange gain of R232,7 million on the €416,1 million Senior Secured Notes foreign exchange exposure. This gain reduces the foreign exchange loss on the notes exposure for the nine months to 30 September 2008 to R992,5 million. The ytd loss on the notes exposure is offset by the gain of R892,7 million on the hedging instruments in the same nine months.

The effects of the volatility caused by the revaluations are still expected to net out over the FEC/CCS period as the capital and coupon payments remain fully hedged.

All of these factors mentioned above, have a significant impact on the comparisons made within the quarterly reports as provided.

Commentary on the results

We believe that the information provided in the report is fairly self explanatory. As with previous results conference calls, Anthony has dealt with the quarterly and pro forma ytd results, I will not specifically address the items set out in the quarterly report. We are happy to take questions on this section later in the conference call.

I will focus on the cash flows and capital expenditure sections of the quarterly report for clarification thereof.

Cash flows

The cash flow information presented covers the cash flows for Peermont for the quarter ended and nine months ended 30 September 2008 and those of Peermont and the predecessor company for the comparative period.

Cash flows generated from operating activities

Net cash inflow from operating activities for the nine months was R764,9 million compared to R612,2 million in the comparative period in 2007. This translates into approximately 100% of EBITDA. The cash conversion ratio to EBITDA, taking into account changes in working capital, taxation paid and maintenance capex remained high at approximately 86%.

The main reason for the cash generated from operating activities being equal to EBITDA, is the non-cash flow nature of the Mthatha write-off of R3,7 million, the loss on disposal of property, plant and equipment of R0,5 million and the PGB translation differences of R1,8 million, netted off by cash utilised by changes in working capital of R5,7 million.

Financial income

This consists mainly of the cash received on the cash deposits at financial institutions.

Financial expenses

This cost for the nine months ended September 2008, is mainly made up of the coupon payment on the notes of R210,1 million made in April, the coupon payment on the shareholders loan (relating to the PIK Notes as part of the buy-back) of R11,2 million made in the third quarter, finance costs of R8,5 million relating to commitment, raising, bond buy-back and Mthatha guarantee fees) and the interest flows on debt in the Botswana and Frontier companies.

All interest relating to the notes and shareholders loans, except for the coupon payment and the R11,2 million mentioned above, has been eliminated as non cash flow at the balance sheet date.

We mentioned earlier in the presentation that our estimated LTM pro forma EBITDA/pro forma historic net cash interest expense has improved to 2,4 times vs. 1,9 times per the offering memorandum. As part of the notes buy-back process, we renegotiated our hedging arrangements, introducing cross currency swaps to hedge a portion of the notes foreign exchange risk. This had the effect of increasing the ZAR coupon payments in return for significantly reducing the ZAR principal hedged, thus reducing our ultimate refinancing risk. This decision has resulted in our anticipated pro forma future interest cash flows increasing from approximately R426 million to R699 million per annum.

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.

Cash flows from investing activities

Capital expenditure for the nine months was a net R219,6 million, predominantly on new hotels being erected, maintenance of existing buildings and replacement of gaming equipment. This is discussed in more detail later in the presentation.

Cash flows from financing activities

The unwind of the hedges realised a cash inflow of R1 134,0 million at the beginning of May. The cash was utilised to repurchase €103,9 million of the senior secured notes at a cost of R1 129,2 million plus disbursements of R4,2 million. The cash outflow for the repayment of the deeply subordinated shareholders loans, as a result of the PIK Notes buy-back at PGH II level, totalled R134,1 million, of which R122,9 million was capital and R11,2 million was interest which is included in financial expenses paid. During the current period the net long-term debt repayments of R23,1 million were made by the Botswana and Frontier operations, as well as the final retention payments of R11,9 million made to the Tusk Group sellers.

Dividends paid

Dividends paid in the nine months relate to the minority portion of the Botswana company dividends paid. The prior year period amount consisted of a dividend paid to Old Peermont Global shareholders before the buyout and the minority share of the dividend paid by the Botswana operating company.

Cash and cash equivalents

At September 2008 the Peermont Group had R540,7 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 R41,0 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 2008 and 2007 were R219,6 million and R100,1 million, respectively, representing approximately 11,7% and 6,0% of total revenue for those periods.

Our net maintenance capital expenditures in the nine months ended 30 September 2008 and 2007 were R70,5 million and R89,9 million, representing approximately 3,8% and 5,4% 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 nine months ended 30 September 2008 were R149,1 million, representing approximately 8,0% of total revenue for the period. This consisted of R97,3 million spent by Emperors Palace on the construction of the new Metcourt Hotel; payment by Botswana of R5,6 million for the upgrade and expansion work performed at the Grand Palm complex and final payments for the Sedibeng and Syringa casino upgrades completed during 2007; R44,2 million incurred on the construction of the Metcourt Hotel at Rio in Klerksdorp; and R2,0 million on the relocation of the Tusk Umfolozi casino to Richards Bay. Expansion capital expenditure incurred during the nine month period ended 30 September 2007 totalled R10,2 million. This comprised R7,7 million incurred by Emperors Palace on the new Metcourt Hotel construction and R2,5 million incurred by PGB on the acquisition of the Sedibeng and Syringa casinos in August 2007.

Contingent liabilities

We previously reported that an issue had arisen regarding the taxability of a profit of R33,8 million made by one of our subsidiaries on realisation of a foreign exchange option exercised in 2005. We obtained legal opinion on the matter at the time and, based on this advice, treated the gain as non-taxable. The South African Revenue Service (“SARS”) questioned our interpretation of the law and we referred the matter to our taxation advisors. A second consenting opinion was obtained by the company but SARS are still disputing the treatment. Should SARS be successful in their challenge, the estimated exposure to the group is approximately R9,8 million, which has currently not been provided for.

PIK Notes Buy-back

During the quarter, PGH II repurchased a cumulative R177,3 million of its PIK Notes at a price of R122,9 million or 69,3% of the face value. The purchase price, plus accrued interest since 30 April 2008 to the transaction dates, was paid in three tranches on 28 August, 10 September and 22 September 2008. All purchased notes were cancelled. The transactions that make up the buy-back constitute approximately 20,0% of the initial amount of the PIK Notes issued.

As a result of the PGH II PIK Notes buy-back, Peermont reduced its deeply subordinated shareholder loan from PGH II by repaying an amount of R134,1 million to PGH II, utilising one of the available restricted payment baskets. In addition, the profit on the purchase of the PIK Notes was pushed down to Peermont and its subsidiaries, reducing its deeply subordinated shareholders loan by a further R47,3 million.

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.

The construction of the new 248 room Metcourt hotel at Emperors Palace is still progressing well within schedule and within budget of R170 million. The ground, first, and second floors will be handed over to operations by December this year, with the handover of the third, fourth and fifth floors scheduled to take place in January and February 2009 with opening by March 2009. I will be the first guest to stay overnight in the hotel in early December and we have successfully launched a major promotion inviting main floor casino guests to stay for free in the hotel during December to assist in snagging the first and second floors. Many casino guests have booked two night stays to take advantage of this promotion.

As regards the Rio expansion project, we are progressing on schedule. The new hotel and ancillary facilities are still scheduled to open during the first quarter of 2009 at a total cost of some R73,5 million, an expected overrun of some R3,5 million. The conference facilities have already been handed over to operations for snagging.

Most of the work on the Tusk Mmabatho refurbishment and upgrade of the rooms, restaurant, certain public facilities and the casino has been deferred until 2009, pending final gambling board approval.

The Khoroni refurbishment is fully complete with approximately R3,5 million spent on upgrading the conference areas, board room, salon prive and certain public facilities.

The current Botswana development projects encompass the casino revamp, the upgrade of the 5th floor of the Walmont Ambassador hotel and Livingstone's restaurant upgrade at the Grand Palm complex in Gaborone. Work commenced in the second quarter of 2008 and is expected to be completed by the end of the year. The existing casino was successfully relocated in its entirety to a temporary facility in existing convention space in the Walmont Ambassador hotel and the impact of this disruption, while resulting in a loss of market share, has not been as great as imagined. We are planning a special opening of the revamped casino exclusive to winners circle gold card holders during December 2008. The refurbishment and upgrade of the Livingstone's restaurant has been completed and successfully commissioned during November 2008.

The upgrade of the 5th floor of the Walmont Ambassador hotel is expected to be complete by the end of December 2008. The total expected cost of these 3 projects has increased from pula 21,8 million to pula 24,8 million, largely as a result of extending the project scope. Fortunately, this has been largely offset by project savings of some pula 2,7 million in the final account of the Sedibeng and Syringa casinos refurbishment completed late last year and previously expected to have been paid in 2008. The upgrade of power back-up facilities in Botswana was completed in September 2008, within the approved budget of pula 4,2 million.

During our September 2008 conference call, we announced the upgrade and redevelopment of the Emporium at EP at a net cost of R76,75 million as follows:

- 1) The addition of a state of the art new cinema complex consisting of 6 screens in the existing space occupied by our current Chariots children's amusement arcade. The largest of the cinema screens will also be used as a conference venue during the daytime.
- 2) The relocation of the existing amusement arcade to a smaller existing area more suited to the current demand levels for this form of entertainment.
- 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 introduce new patrons to the complex.

It is likely that the redevelopment will take place in a phased manner from November this year to December 2009.

As part of the normal EP maintenance capital expenditure budget, we have enhanced certain gaming areas at a cost of some R12,3 million. This consists primarily of relocating the existing main floor live poker tables to an elegant poker den in the previous Café Roma restaurant, increasing the number of live poker tables from the current 8 to 13 licenced tables. Our casino licence has furthermore been amended to permit us to offer up to 21 live poker tables. In addition, we are also increasing the size of our slots prive to accommodate 8 machines transferred from other areas and increasing the size of our winners circle loyalty club registration and service area.

As regards the planned relocation of the Tusk Umfolozi Casino at Empangeni to the Richards Bay waterfront area, we have received the record of decision on the environment impact assessment from the authorities. We have requested certain amendments to the record of decision and expect to be in a position to finalise the land sale agreement once this amendment has been effected. Accordingly, construction commencement has been postponed until the second quarter of 2009. The current total projected cost of this project is R245,0 million.

As regards Burgersfort, The Limpopo Gaming Board has not yet issued a new RFP and there have been no further developments regarding the Mthatha licence since our guarantee was released.

The acquisition of the Head office building is still expected to be finalised by the end of the year at a cost of R38 million.

The group's standby power upgrade process is expected to be completed within the approved budget of R12,5 million.

Finally, we have nominated two additional non-executive directors to serve on our board and audit committee, mainly to meet the requirements of the revised South African Companies Act. They are:

- 1) Mr. Keshan Pillay, formerly an executive director of MIC and now CEO of Makalani Holdings, a financial services company; and
- 2) Mr. Abel Dlamini, formerly an audit partner with KPMG and now CEO of Sekela Consulting (Pty) Limited.

Both of these gentlemen join us with a wealth of experience and we look forward to their contributions.

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

1. Pro forma total revenues increased by 5% to R625 million for the quarter from R595 million in the same quarter of 2007;
2. Pro forma EBITDA increased by 6% to R260 million, from R246 million in 2007. This results in a pro forma LTM EBITDA of R1 020 million; and
3. Our pro forma EBITDA margin increased to 41,5% from 41,3% in the same quarter of 2007, and increased as compared to the 40,8% margin reported for the first half of 2008.

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