

Good afternoon and welcome to the Peermont 1st quarter 2009 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 2009 that was released last night for distribution through the clearing systems, to investors listed on our mailing list and on our website.

Thankfully, we no longer need to discuss pro forma information as numbers are now more directly comparable with Q1 2008.

In summary, for the quarter:

1. Total revenues increased by 6.0% to R633.8 million for the quarter from R598.0 million in the same quarter of 2008;
2. EBITDA increased by 0.5% to R241.3 million, from R240.1 million in 2008. This results in an LTM EBITDA of R1 024.0 million; and
3. Our EBITDA margin decreased to 38.1% from 40.2% in the same quarter of 2008, and decreased as compared to the 40.3% margin reported for the 2008 financial year.

On a quarter on quarter basis, it should be borne in mind that the prior year quarter contained 91 days as compared to 90 days this year, which in itself reduced revenue and EBITDA by approximately 1%.

Our pro forma credit ratios have changed as follows:

1. Net cash pay debt/LTM EBITDA has improved to 4.6 times, versus 6.3 times at the time of issuing the notes in April 2007;
2. Total net debt through the PIK Notes/LTM EBITDA has improved to 5.8 times, as compared to 7.3 times per the offering memo; and
3. The estimated LTM EBITDA/historic net cash interest expense is 1.9 times. As we expected, this has reverted to the same levels as at the issue of the notes since the increased cash interest charge relating to the Cross Currency Swaps has taken effect. We expect this ratio to decline to approximately 1.5 times after the April coupon payment is brought into the calculation.

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 asset 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 2009 and beyond.

South Africa's economy shrank by an annualised 6,4% quarter-on-quarter in the first three months of 2009, the biggest fall in 25 years and follows a contraction of 1.8% reported for Q4 2008. This marks the first recession in South Africa in some 17 years.

The South African consumer remains under pressure and approximately 200 000 jobs have been shed thus far this year. Although the SARB has cut interest rates by 350 bps this year, consumers are still reluctant to spend freely. Given the disappointing GDP figures, it is expected there will be some further relief ahead for the consumer in the form of further interest rate cuts.

Growth in gaming revenues in South Africa's largest gaming market, Gauteng, slowed to 6,1% for the first quarter of 2009, (based on levies paid) as compared to 5,4% growth 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 8.1% for the first quarter as compared to the 5.0% reported for EP. Revenues from other operations grew to R211.4 million for the quarter, comprising 33.4% of group revenues.

Despite hotel trends in South Africa showing negative growth of 21.0% in Revpar for Q1 of 2009, we are relatively pleased with the performance of our hotels. Our results for the quarter reflect growth in hotel and resort revenue of 12.4%, with rooms revenue delivering growth of 14.4%. Although this performance has been helped by additional rooms capacity as from March 2009, the underlying growth in the base has still been positive, though somewhat slower in the first quarter.

From an overall group revenue perspective:

1. Within the first quarter, we experienced revenue growth of 12% in January, 2% in February and 4% in March;
2. In April, revenue decreased by 2% compared to April 2008, and May thus far is also showing a decrease of approximately 5% as compared to the same period last year, with our Emperors, Rio and Mmabatho properties being largely responsible for the negative growth. Emperors and Mmabatho will continue to be affected by ongoing refurbishment work until well into the third quarter, while Rio has suffered from the closure of two mines in its catchment area.

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

Emperors Palace grew total revenues for the quarter by 5% to R422.4 million from R402.4 million in 2008.

Gaming revenue for the quarter increased by 4.9% to R358.3 million whilst hotel and resort revenues increased by 5.3% to R64.1 million.

Our slots revenue was relatively flat with growth of 0.2%, while our tables revenue grew by 18.7% for the period, benefitting from an increased hold percentage. During the quarter there were also more frequent visits by high end players as well as an additional R4,0 million of revenue recognised by the Imperium Club from overseas players.

Tracked play for the quarter increased to 75.7% compared to 57.0% in the prior period. We believe that this is as a direct result of the unit converting to coinless gaming during March 2009. While Emperors experienced a decline in the average daily number of vehicles through the gate by approximately 4% to 5 215, this was more than compensated by increased spend per visit.

Rooms revenue grew by 9.2% to R29.6 million for the three months compared to the same period in 2008. Our new Metcourt Hotel contributed R2.9 million of this increase, indicating a decline of R0.4 million in revenues from the previously existing rooms capacity. Average room occupancy levels were 78.7% for the quarter, a decrease from 86,4% in the same period last year, impacted by the additional supply of the 4th hotel being opened as from 1 March 2009.

EBITDA for the quarter decreased by 0.5% to R156.3 million. The EBITDA margin softened from 39.0% in the same period last year to 37.0% for the current quarter.

Marketing costs increased by 8,6% to R36.7 million as compared to R33.8 million in the prior period.

Payroll costs grew by 12.4% at Emperors Palace as compared to the same quarter in 2008, largely as a result of the wage increase effective July 2008. In the first quarter of 2008 Emperors Palace had a significantly higher staff vacancy factor.

Other costs were generally well contained. The unit however, incurred additional costs to the first quarter of 2008 which consisted mainly of enterprise development, maintenance and property costs totalling R4.6 million.

As regards our other group operations, overall revenue grew by 8.1% or R16.0 million and EBITDA grew by 2.4% or R2.0 million.

Stronger performances at our Botswana and Khoroni operations were not sufficient to fully offset weaker performances during the quarter at our Rio and Mmabatho properties

By way of highlighting the most notable weak and strong performances, Rio had a poor quarter with revenues up 3.9% to R35.0 million and EBITDA down 24.0% to R11.6 million. This was impacted by *additional* corporate social investment expenditure, pre-opening expenditure for the Peermont Metcourt Hotel and start up costs associated with the hotel and in sourcing of the food and beverage operations. These costs collectively amounted to some R3.7 million.

By contrast, Botswana had yet another exceptional quarter, with revenue growth of 17.8% to pula 50.3 million (R63.5 million) and EBITDA growth of 19.4% to pula 16.0 million. Our Botswana operations did well despite weak local economic activity, with gaming and hotel and resort revenue both showing surprisingly strong growth. The refurbishment of our casino and hotel 5th floor has been very well received by the market. Our Khoroni property also benefited significantly from its refurbishment completed last 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

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 group quarterly results and unit performance up to the EBITDA line. I will not specifically re-address the items discussed before. We are happy to take questions on this section of the report later in the conference call.

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 R13,5 million or 32% from R41,8 million in 2008 to R55,3 million in 2009. This is partly due to the depreciation of the new assets and the effect of the refurbishments done at our older existing properties such as Mmabatho and Khoroni in recent years. This was also affected by an understatement of the charge in the first three quarters of 2008 which was corrected in December 2008.

Financial income

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

In the quarter, the movement in the R/€ exchange rate resulted in a foreign exchange gain of R279,9 million on the €416,1 million Senior Secured Notes foreign exchange exposure.

Financial expenses

This cost for the three months ended March 2009, mainly consists of the R230,8 million loss on the restatement of the fair value of the hedging instruments; the coupon accrual on the notes of R131,9 million; the coupon accrual on the shareholders loans of R112,6 million; and, finance costs of R5,2 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.

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

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

The cash flow information presented covers the cash flows for Peermont for the quarter ended 31 March 2009 and the comparative period.

Cash flows generated from operating activities

Net cash inflow from operating activities for the three months was R217,0 million compared to R224,3 million in the comparative period in 2008. This translates into a cash conversion to EBITDA ratio of approximately 90%. The cash conversion ratio to EBITDA, taking into account changes in working capital, taxation paid and maintenance capex was approximately 77%. This is due mainly to the maintenance capex of R34,8 million incurred in the quarter.

Cash flows from investing activities

Capital expenditure for the three months was a net R84,5 million, predominantly on payments of R38,4 million for the acquisition of the head office building; R12,8 million on the recently completed new hotels at Emperors Palace and Rio; R10,5 million on the upgrade of the Emperors Palace Emporium; R6,2 million on the refurbishment of Tusk Mmabatho 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 from financing activities

During the current period, net long-term debt repayments of R7,5 million were made by the Botswana and Frontier operations and a loan of R43,6 million was raised for the purchase of the previously leased head office building. R5,4 million of the loan was repaid in April as it was utilised to fund the VAT portion of the purchase, which was refunded by the authorities.

Dividends paid

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

Cash and cash equivalents

At 31 March 2009 the group had R503,3 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 R41,2 million held on behalf of the beneficiaries of the group's consolidated trusts.

Capital expenditures

Our capital expenditures in the three months ended 31 March 2009 and 2008 were R88,2 million and R31,7 million, respectively, representing approximately 13,9% and 5,3% of total revenue for those periods.

Our gross maintenance capital expenditures in the three months ended 31 March 2009 and 2008 were R34,8 million and R5,1 million, representing approximately 5,5% and 0,9% of total revenue, respectively. The largest components of the maintenance capex in the current quarter were R10,5 million spent on the upgrade of the Emperors Palace Emporium and R6,2 million on the refurbishment of Tusk Mmabatho. The balance of 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 2009 totalled R53,4 million. The largest components of this were R38,4 million on the acquisition of the previously leased head office building; R6,5 million spent by Emperors Palace on the construction of the new Metcourt Hotel; and, R6,3 million incurred on the construction of the Metcourt Hotel at Rio in Klerksdorp.

Available capital resources

We have utilised R91,6 million of our Revolving Credit Facility for the issue of guarantees to the local gambling boards and certain financial institutions. This leaves us with R308,4 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.

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.

Our Metcourt hotels at Emperors Palace and Rio opened on the 1st March 2009, with the hotel at Emperors Palace, in particular, being very well received. Although new hotels usually take some time to establish a presence, the Metcourt at Emperors Palace opened with a bang and achieved occupancies at over the 60% mark within 2 months of opening, and further creeping up to over 70% in May. At our official launch held earlier today, the hotel expected a 100% occupancy for this evening.

The smaller Rio hotel got off to a slow start with occupancy building up from 20% in its first month to around 32% currently, but gradually establishing a presence in the market place. The marketing effort for the Rio hotel was delayed as the detailed snagging phase was performed some 3 months later than at the Emperors Palace Metcourt.

Our redevelopment of the Emperors Palace Emporium is now in full swing. The redevelopment of the restaurants and fast food court is expected to be completed by August this year, with the cinemas scheduled for completion in December 2009. The closure of several food and beverage outlets while under redevelopment has impacted visitor numbers and is likely to continue to do so until the redevelopment process is complete.

Although we successfully completed the conversion of all our casino slots floors at Emperors Palace to a coinless, smart card-based mode of operation and eliminated the option of coin-based play, our upgraded Aristocrat System 7000 casino management system is still not operating as intended. As mentioned in our March presentation, a series of software upgrades are being installed by the developer over the next four months to ensure the system operates at acceptable levels.

As regards the relocation of our Umfolozi property to the Richards Bay waterfront, we are not yet satisfied as to the outcome of a land claim which was lodged over the land to be acquired from the city council. The total projected cost of this project, if it goes ahead, has increased to approximately R263 million. If the land claim is not satisfactorily resolved we will engage with the KwaZulu-Natal Gambling Board as to building the required hotel and ancillary facilities at our existing Empangeni site, to obtain a permanent casino licence for the property. We have not yet concluded debt funding agreements for the relocation because of this uncertainty.

As regards our Revolving Credit Facility of R400 million which expires in April 2010, we have requested an extension of these facilities for a further period of 3 years beyond April 2010. To date, we have only utilised these facilities to provide guarantees e.g. for gambling levies and prizes to various provincial gambling boards. The current utilisation of these guarantee facilities amounts to some R92 million. The preparatory work for the extension has been done and our application is expected to be referred for credit committee approval next month.

Our Mmabatho refurbishment is also progressing well but has caused significant disruption to the property as all front of house casino, F&B and hotel areas are affected. We expect to rebrand and relaunch this property towards the end of June 2009.

As regards the third casino licence in Limpopo province, the Limpopo Gambling Board recently released its RFP for the Burgersfort region for the second time, with a closing date of 30 September 2009. We are still updating our market demand studies to ascertain if we will apply for this licence.

Earlier this morning we released a statement regarding the Casinos of Mauritius. Peermont Global (Pty) Ltd ("Peermont") has been named by the Mauritian State Investment Corporation ("SIC") as the preferred bidder for a 51% controlling shareholding in the Casinos of Mauritius and 100% of the shares in the management company responsible for Casinos of Mauritius. The Casinos of Mauritius comprise 5 casinos with a combined offering of 543 slot machines and 85 gaming tables.

This information was released in response to a parliamentary question raised in Mauritius yesterday regarding progress on the sale of a strategic stake in the state-owned Casinos of Mauritius. The responsible ministry advised that, following a bidding process in terms of which several companies were invited to submit bids, the SIC's Board ultimately approved the in-principle acceptance of Peermont's bid on 28 April 2009, subject to further discussions and negotiations on the terms and conditions.

Peermont is currently negotiating the detailed terms and conditions and expects to conclude these negotiations by 31 July 2009, following which a further announcement will be made.

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

1. Total revenues increased by 6% to R633.8 million for the quarter from R598.0 million in the same quarter of 2008;
2. EBITDA increased by 0.5% to R241.3 million, from R240.1 million in 2008. This results in a LTM EBITDA of R1 024.0 million; and
3. Our EBITDA margin decreased to 38.1% from 40.2% in the same quarter of 2008, and decreased as compared to the 40.3% margin reported for 2008.

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