Good afternoon and welcome to the Peermont 3rd quarter 2013 Results Conference Call

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

We will be discussing our quarterly report for the three and nine months ended 30 September 2013 that was released to investors last night.

Since our discussion may contain certain forward-looking information, it should be qualified by the factors referred to in our quarterly report, 2012 annual integrated report as well as in the "Risk Factors" section of our website.

Before we start with the financial performance for the quarter, I would like to confirm that at this stage, we are still on track to implement the recapitalisation announced by us on 3 November 2013. Based on the latest indicative timetable as well as the progress achieved to date, we are targeting 28 February 2014 as the date to implement the equity restructuring and give the required 30 days' notice to call the SSNs at par in terms of the indenture. Given the proximity of the targeted early SSN redemption date (i.e. end March 2014) to the maturity date of 30 April 2014, we will consider closer to the time whether it makes sense to simply redeem the notes at maturity, or give notice of early redemption.

By way of reminder, we have reached agreement with our shareholders and subordinated creditors to recapitalise the group and to raise R5.3bn of new Rand denominated debt. The new capital structure reduces the debt levels of the group, enhances its long-term sustainability and allows for greater flexibility to pursue growth opportunities.

This new debt package will be supported by a R4.1 billion local six-year senior debt finance package, underwritten by Rand Merchant Bank and jointly arranged with ABSA Bank, Investec Bank and Standard Bank. The senior debt will be supplemented by a R1.2 billion six-and-a-half-year Rand-denominated mezzanine debt package provided by certain of the group's existing creditors.

The new R5.3 billion debt package will be used to refinance existing local and foreign debt, including the Euro-denominated SSNs, which will be called or settled at maturity at par, and the associated currency hedges, all due in April 2014. The new debt package significantly lowers debt funding costs and eliminates expensive currency hedging and foreign exchange rate risk going forward.

The PGH II PIK Notes will be replaced with cumulative, redeemable no par value preference shares at PGH II level. Overall debt levels will be further reduced through the replacement by participating investors of the PIK Equity Loan amounting to approximately R3.7 billion, with ordinary shares amounting to approximately 72% of the group's equity.

The restructuring and the refinancing are subject to conditions precedent customary for transactions of this nature, including finalisation of finance documents and any regulatory approvals required. Closing is expected to occur towards the end of February 2014 or in March 2014, ahead of the maturity of the SSNs. Redemption of the SSNs, notice of which is expected to be given at the time the conditions precedent are satisfied, will be made in accordance with the indenture under which the SSNs were issued.

This is excellent news for the group and, once implemented, will allow management to increase our focus on the business operations and growth opportunities.

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

- Total revenues increased by 5.5% to R771.3 million from R730.9 million in the same quarter of 2012. Our LTM revenues have now exceeded the R3bn mark for the first time;
- EBITDA increased by 4.8% to R288.2 million from R275.1 million in 2012. LTM EBITDA now stands at R1 128.8 million for the 12 months to 30 September 2013; and
- 3. Our EBITDA margin is higher than the second quarter but has decreased slightly from the prior year to 37.4% as compared to 37.6% in the third quarter of 2012.

For the nine months to September 2013, as compared to the same period of 2012:

- 1. Total revenues increased by 8.2% to R2 256.8 million;
- 2. EBITDA increased by 8.9% to R837.6 million; and
- 3. EBITDA margin improved slightly to 37.1% as compared to 36.9% in the same period of 2012.

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

- 1. Net cash pay debt/LTM EBITDA is 4.4 times;
- 2. Total net debt through the PIK Notes/LTM EBITDA is 6.3 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 remains slow and is reported at 1.8% year-on-year for the third quarter of 2013 compared to 2.0% year-on-year for the second quarter of the year. The third quarter economic growth was adversely affected by protracted work stoppages in the motor vehicle sector. The SA Reserve bank's growth outlook remains fragile and its growth forecasts have been trimmed downwards from 2.0% to 1.9% for 2013 and to 3.0% and 3.4% for 2014 and 2015 respectively. The headline inflation rate was reported at 6.0% for September 2013 and 5.5% for October, returning to the target range of 3 – 6% after breaching the upper limit in July and August. CPI is expected to average around 5.8% for 2013 and 5.7% for 2014.

Turning to the gaming industry, gaming revenues in Gauteng, South Africa's largest gaming market (based on levies paid by casinos on weekly gaming revenues), increased by only 1.4% for the third quarter of 2013, as compared to 7.1% for the second quarter of 2013.

As regards Peermont's revenue growth, Emperors Palace revenues for the quarter increased by 5.0%, driven by growth in gaming revenues of 6.2%. The balance of our operations generated revenue growth of 6.4% with strong contributions from our Botswana, Mmabatho Palms and Frontier properties. The collective revenues from operations other than Emperors Palace grew to R291.9 million for the quarter, comprising approximately 38% of group revenues.

Overall hotel trends in South Africa showed growth of 4.7% in RevPAR for Q3 of 2013. Our hotels generated rooms revenue of R79.8 million, an increase of 4.3%. Given the relatively slow market growth for the quarter, our Mmabatho Palms and Graceland properties performed exceptionally well with rooms revenue growth of 39.5% and 22.9% respectively. The overall hotel and resort performance for the group was negatively affected both by lower revenue from conferences at Emperors Palace and by increased hotel supply in Gaborone, Botswana, resulting in overall group hotel and resort revenue growth of approximately 2.8% for the quarter.

From an overall monthly group revenue perspective:

- 1. Within the third quarter, all three months showed positive revenue growth with 0.4% in July, 14.4% in August and 2.6% in September, respectively. The seemingly uneven growth over the months is mostly a result of fewer or more weekend days falling in each month in the current year as compared to 2012.
- 2. In October, revenue increased by 1.2% compared to October 2012.
- 3. November thus far is showing an increase in revenues of approximately 5% as compared to the same period last year.

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

Emperors Palace: Total revenues for the quarter increased by 5.0% to R479.4 million from R456.6 million in Q3 2012.

Gaming revenue for the quarter increased by 6.2% to R398.7 million. The growth in GGR was achieved in contrast to very low revenue growth levels in the overall Gauteng gaming market. As a result, our market share (based on gaming levies paid by casinos on weekly gaming revenues) increased to approximately 24.4% for the quarter as compared to 23.1% for Q3 2012, ahead of our target of 24%.

While the average daily number of vehicles through the gate decreased by approximately 1.4% as compared to the same quarter in 2012, the average spend per visitor has increased by approximately 7.6% (based on 2.3 visitors per vehicle).

As mentioned earlier, hotel and resort revenues at Emperors Palace remained relatively flat at R80.7 million for the quarter. The performance was impacted negatively by a relatively subdued demand for larger conferences and events during the third quarter. Rooms revenue remained level at R36.6 million for the three months compared to the same period in 2012 driven by a decline in occupancies from 90.3% to 83.7%, offset by an increase in average room rates for the period.

Cash costs at EP increased by 6.0% to R315.9 million for the quarter, with cost containment largely assisted by a slight reduction in promotions and marketing costs and by continued positive results achieved from our energy savings programme.

The revenue growth and control over cash costs translated into EBITDA growth of 4.4% for the quarter at EP. The EBITDA margin for the quarter was at 34.6% as compared to 34.8% in the same period last year.

As regards our other group operations, it was a relatively average quarter overall with revenue growth of 6.4% and EBITDA growth of 5.2%. While the increasingly competitive hotel market in Gaborone contributed to a decrease of 3.4% in hotel and resort revenue at our Botswana operations, these properties were able to grow GGR by 25.3%, bringing the overall growth in Botswana revenues to 7.4% in Pula terms. Botswana EBITDA increased by 6.8% for the quarter.

The rest of our South African operations generated overall revenue growth of 4.2% and EBITDA grew by 3.8%. In particular, our Mmabatho Palms and Frontier operations delivered good performances during the quarter.

Mmabatho Palms experienced an increase in government business in the quarter and grew revenue by 14.0% to R31.8 million, driven by remarkable hotel and resort revenue growth of 30.5%. EBITDA increased by 27.4% to R7.9 million. Despite this encouraging performance, revenue and EBITDA growth still remains vulnerable due to the challenging trading conditions in the area.

Frontier generated growth of 11.7% in revenue and 9.1% in EBITDA. GGR grew by 10.3% to R12.8 million, driven by growth in slots revenue. Hotel and resort revenue was boosted by entertainment events hosted at the resort and increased by 19.0%.

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 other recent developments.

I will now hand you over to Grant Robinson

Good afternoon

Finance income increased from R38.0 million for the nine months to September 2012 to R1 083.4 million in 2013. In 2013 the Rand weakened from R11.09 to R13.62 against the Euro, resulting in a mark-to-market gain of R1 061.1 million on the derivative instruments utilised to hedge the future coupon payments and the Senior Secured Notes liability recorded at September 2013.

This can be compared to the R25.5 million gain recorded at September 2012, which resulted from the Rand weakening from R10.44 to R10.64 in the first nine months of the year.

Finance costs for the nine months ended September 2013 reflected an increase of R1 311.1 million from the prior period.

The exchange rate movements explained earlier resulted in a R1 040.4 million foreign exchange loss on the restatement of the SSN liability for the nine months to September 2013, compared to the loss of R76.5 million recorded at September 2012.

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

The taxation and deferred taxation credit of R182.8 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 deferred taxation charge in the prior year was a result of the increase in the taxation rate applied to capital gains in South Africa from an effective 14.0% to 18.7% as announced by the Minister of Finance in February 2012.

Turning now to our cash flow statements, cash inflows from operating activities for the nine months were R833.8 million compared to R782.6 million in the comparative period in 2012. This translates into a cash conversion to EBITDA ratio of 74.7%. The cash conversion ratio for the year to date was negatively affected by increased replacement capital expenditure incurred in the first nine months, mainly in relation to the implementation of the new gaming system.

EBITDA generated an additional R69 million in cash. This was offset by an increased utilisation of cash in working capital of R18 million, mainly related to higher cash outflows for payments of staff bonuses and payments of capitalised costs relating to the group capital restructure as well as a lower value of accruals required as compared to the prior period.

The finance expenses paid relate mostly to the SSN coupon payment of R362.5 million and the Deferred Hedging Loan interest payment of R30.0 million, both paid in April 2013.

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

As regards the cash outflows from investing activities, net capital expenditure for the nine months was R203.6 million. This includes R74.9 million on computer software and equipment on installation of the new gaming system. R12.1 million was spent on expansion capital expenditure.

During the current period net cash outflows from financing activities amounted to R20.6 million. This consisted mainly of R6.4 million on the normal redemption of debt by Head office and PGEFS and 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. The PGB preference shares have now been fully redeemed.

At 30 September 2013 the group had cash balances held of R250.5 million and there was no cash drawdown against the RCF. Details of R55.6 million included in the reported cash balance, but not available to the group for third party cash flows, are detailed later in the call.

Our net replacement capital expenditures in the nine months ended 30 September 2013 and 2012 were R191.5 million and R139.8 million respectively, representing approximately 8.5% and 6.7% of total revenue for those periods. We expect the 2013 replacement capital expenditure to be approximately 6.7% of revenue for the year.

Our replacement capital expenditure during the year to date consisted of approximately R52.9 million spent on slots replacement throughout the group; R74.9 million on computer software and equipment on installation of the new gaming system; P4.8 million (R5.5 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. In 2012 our replacement capital expenditure consisted of approximately R58.8 million spent on slots replacement throughout the group; R27.5 million on equipment in preparation for the new gaming system; P5.5 million (R6.1 million) on the refurbishment at the Metcourt hotel in Francistown; and the balance on normal replacement capital expenditure.

Our expansion capital expenditure for the nine months ended 30 September 2013 totalled R12.1 million including R7.8 million spent on the restaurant and bar at Rio; R3.3 million on the Club Floor Lounge at Emperors Palace; and P0.8 million (R1.0 million) on the Chinese restaurant and spa at the Grand Palm resort.

Our available capital resources consist of the RCF and cash balances on hand. At 30 September 2013, of the R550.0 million available under our RCF, R59.0 million of the facility had been utilised to provide guarantees to various gambling boards, suppliers and financial institutions. There was no cash utilisation of the RCF at the reporting date. Cash included in the reported balance of R250.5 million but not available to the group consists of approximately R30.0 million required for operational and cash floats and R25.6 million held on behalf of trust beneficiaries. After adjusting for the above, capacity of R491.0 million under the RCF and cash of R194.9 million was available for group requirements at 30 September 2013.

The current RCF is available until 27 December 2013. While we are currently not forecasting any cash utilisation of the RCF as at December 2013, the company has obtained credit approval for the extension of the facility in an amount of R425 million until the earlier of the refinance of our debt structure or the maturity of the SSNs on 30 April 2014. The credit-approved and underwritten termsheet for the new local debt package includes a new R250 million RCF facility, effective from the date of implementation of the group refinancing.

At this point, I'm 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.

Since we have already covered the recently announced recapitalisation, I will turn to our Burgersfort project. In this regard, we are happy to announce that the long-awaited construction of the Thaba Moshate resort commenced in September 2013 and is expected to be completed in April 2015. The High Court application brought by a property developer regarding the original township establishment process has now been dismissed by the Court and there have been no further developments regarding the land claim pending on this property, in respect of which the Peermont Board previously obtained comfort from a Senior Counsel opinion. The overall construction cost is estimated at around R325 million.

As previously reported, PGNW has entered into an agreement to dispose of the Taung leasehold property and related assets for a consideration of R5.0 million. The sale remains subject to an outstanding condition precedent, being the transfer of the property lease agreement to the purchaser which is currently going through the required approval processes.

Lastly, the roll-out of the Bally gaming system throughout the group's casinos is in its final stages. After the successful installation of the system at Frontier in November, the system is now up and running at all of our casinos with the exception of Mmabatho Palms which is scheduled for installation early in 2014.

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

- 1. Total revenues increased by 5.5% to R771.3 million from R730.9 million in the same quarter of 2012. Our LTM revenues have now exceeded the R3bn mark for the first time:
- EBITDA increased by 4.8% to R288.2 million from R275.1 million in 2012. LTM EBITDA now stands at R1 128.8 million for the 12 months to 30 September 2013; and
- 3. Our EBITDA margin is higher than the second quarter but has decreased slightly from the prior year to 37.4% as compared to 37.6% in the third quarter of 2012.

For the nine months to September 2013, as compared to the same period of 2012:

- 4. Total revenues increased by 8.2% to R2 256.8 million;
- 5. EBITDA increased by 8.9% to R837.6 million; and
- 6. EBITDA margin improved to 37.1% as compared to 36.9% in the same period of 2012.

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