

CONDENSED RESULTS AND HIGHLIGHTS

for the three months ended 31 March 2014



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PEERMONT GLOBAL GROUP
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This document contains a high-level summary of the consolidated quarterly results of the Peermont Global group (“the group”) which is made available for information purposes only and should not be utilised to make any investment or other decisions relating to the group. The complete results report has been made available to those persons entitled to it.

We define EBITDA as earnings before interest, taxation, depreciation, amortisation and other non-cash items. EBITDAR is EBITDA before rental payments. Non-recurring transaction costs will be excluded from EBITDAR once accounted for. We believe that EBITDAR serves as a useful supplementary financial indicator to investors, since it is commonly reported and widely accepted by analysts and investors in measuring a company’s/group’s ability to service its long-term debt and other fixed obligations and to fund its continued growth. Further, EBITDAR is a widely accepted indicator in comparing a company’s/group’s underlying operating profitability with that of other companies/groups in the same industry. EBITDAR is not an IFRS measure and you should not consider EBITDAR as an alternative to measures of net profit/(loss) or indicators of operating performance, as measures of cash flow from operations or as indicators of liquidity under IFRS. Funds depicted by this measure may not be available for our discretionary use (due to covenant restrictions, debt service payments and other commitments). You should note that EBITDAR is not a uniform or standardised measure and the calculation of EBITDAR, accordingly, may vary significantly from entity to entity, and by itself our presentation and calculation of EBITDAR may not be comparable to that of other companies/groups.

We call your attention to the developments described under “Capital restructure and debt refinance” and “Pro forma financial information”.



QUARTERLY CONDENSED RESULTS AND HIGHLIGHTS

Overview of condensed results for the three months ended 31 March

	(unaudited) 2014 R'm	%	(unaudited) 2013 R'm
		change	
Revenue	756,1	2,2	739,6
EBITDA	261,2	(4,2)	272,7
EBITDAR	268,7	(3,9)	279,7
EBITDA margin	34,5%		36,9%
EBITDAR margin	35,5%		37,8%

Financial highlights for the period

Revenue

- ◆ Group gaming revenue increased by 1,7% as compared to Q1 2013.
- ◆ Hotel and resort revenue increased by 4,4% as compared to Q1 2013.
- ◆ Overall hotel occupancies for the year were 70,1% as compared to 71,2% for Q1 2013.

EBITDA

- ◆ Cash costs increased by 5,9% as compared to Q1 2013.
- ◆ EBITDA decreased by 4,2% to R261,2 million in Q1 2014.
- ◆ Group EBITDA margin was 34,5% as compared to 36,9% in Q1 2013.

Segment highlights

- ◆ Revenue at Emperors Palace, which represented 65% of total revenue in Q1 2014, increased by 1,5% (from R485,8 million to R493,3 million). Gross gaming revenue ("GGR") at Emperors Palace increased by 1,5% for the period. Cash costs at the resort increased by 6,0% and as a result, Emperors Palace EBITDA decreased by 6,5% (from R175,9 million to R164,5 million). The performance of Q1 2013 was boosted by foreign tables players visiting the casino during and after the African Cup of Nations, resulting in diluted revenue and EBITDA growth in the current period. After adjusting for the effects of this above mentioned boost to Q1 2013 tables revenue, Emperors Palace revenue grew by 15,6% and EBITDA by 18,9%, translating into comparable underlying group revenue growth of 9,6% and EBITDA growth of 11,1%.
- ◆ The balance of our operations generated revenue growth of 3,5% and the moderate growth coupled with inevitable cost increases resulted in an overall flat EBITDA for these operations.

CAPITAL RESTRUCTURE AND DEBT REFINANCE

The group recently confirmed that it had successfully completed the recapitalisation and refinancing announced in November 2013 through the issue of new equity and the raising of new debt. The new Rand-denominated debt package totalling R5 225 million facilitated the repayment of the €416,1 million SSNs on 30 April 2014 and associated currency hedges and hedging loans. The new debt package comprises a R4 100 million local six-year senior debt finance package provided by South African banks, supplemented by a R1 125 million six-and-a-half-year Rand-denominated mezzanine debt package provided by certain of the group's existing stakeholders.

Overall debt levels have been further reduced by replacing the deeply subordinated PIK Notes Loan, amounting to approximately R2 457 million, with preference shares in the group at face value and by replacing the deeply subordinated PIK Equity loan, amounting to approximately R3 910 million, with ordinary shares constituting approximately 71% of the group's ordinary shares.

The new debt and equity package significantly lowers debt-funding costs and eliminates expensive foreign currency hedging. The new capital structure allows for much improved flexibility for the group to pursue further growth opportunities.

To illustrate the impact, unaudited pro forma consolidated financial information for the 12 months ended 31 March 2014 has been prepared as set out under "Pro forma financial information".



CONDENSED CONSOLIDATED CASH FLOWS

for the three months ended 31 March

Cash flow data for the three months ended 31 March

	2014 R'm	2013 R'm
Cash inflows from operating activities	199,4	248,5
Finance income received	11,2	5,2
Finance expenses paid	(11,7)	(6,6)
Taxation paid	(4,9)	(4,3)
Net cash inflows from operating activities	194,0	242,8
Cash outflows from investing activities	(38,4)	(69,4)
Cash outflows from financing activities	(11,4)	(12,9)
Net increase in cash and cash equivalents	144,2	160,5

Cash inflows from operating activities

Cash inflows from operating activities for the period were R199,4 million compared to R248,5 million for the period ended 31 March 2013. The decrease in cash inflows resulted from increased working capital outflows in the three months to March 2014 as compared to the same period of 2013. These movements included increased deferred financial and legal expenses in connection with the capital restructure and refinancing process, resulting in an increase in net working capital in the current quarter as compared to minimal change in the prior year period. A reduction in accruals further increased the working capital cash usage in the three months to March 2014 as compared to the prior period.

Finance expenses paid

This consists of interest paid on borrowings by the group. No cash flows related to the deeply subordinated shareholder loans, the deferred hedging loan and the Senior Secured Notes ("SSNs") took place during the quarters.

Cash outflows from investing activities

Net cash outflows from investing activities for the three months was R38,4 million. This included capital expenditure of R9,2 million spent on slots replacement throughout the group; R2,7 million on computer software and equipment on installation of the new gaming system; R12,1 million relating to construction of the Thaba Moshate Casino Resort in Burgersfort and the balance on normal replacement capital expenditure and other investing activities of the group.

Cash outflows from financing activities

Net cash outflows from financing activities for the period amounted to R11,4 million. This consisted mainly of the scheduled redemption of debt by group companies of R2,2 million and dividends paid to non-controlling shareholders of R9,3 million.



PRO FORMA FINANCIAL INFORMATION

Basis of preparation

The unaudited pro forma consolidated statement of financial position at 31 March 2014 gives pro forma effect to the capital restructure and debt refinance transactions as if these had occurred on the reporting date and has been prepared in accordance with PeerMont's accounting policies consistently applied during the periods presented.

The pro forma adjustments are based on preliminary estimates, information currently available and certain assumptions that are believed to be reasonable, and may be revised as additional information becomes available.

The unaudited pro forma group information is presented for illustrative purposes only and does not purport to represent what the results of the group would have been had the events listed above occurred on 31 March 2014 or to project the future results of operations of the group for any future period.

Summarised unaudited pro forma group statement of financial position as at 31 March

	Actual 2014 R'm	Pro forma 2014 R'm
Assets		
Non-current assets	8 699,2	8 699,2
Current portion of derivative instrument	1 538,1	—
Other current assets	574,5	481,1
Total assets	10 811,8	9 180,3
Equity and liabilities		
Equity		
Capital and reserves	(2 833,3)	2 288,4
Non-controlling interests	47,3	47,3
Total equity	(2 786,0)	2 335,7
Liabilities		
Interest-bearing long-term borrowings	6 769,3	5 097,4
Deferred taxation liabilities	136,7	1 094,8
Other non-current liabilities	22,1	22,1
Current portion of interest-bearing long-term borrowings	6 282,4	157,8
Other current liabilities	387,3	472,5
Total equity and liabilities	10 811,8	9 180,3

Capital and reserves

The improvement in the pro forma capital and reserves amount as compared to the actual balances at 31 March 2014 is primarily a result of the shares issued by PeerMont in exchange for the deeply subordinated PIK Notes Loan and the deeply subordinated PIK Equity Loan. The estimated retained earnings generated as a result of the restructure of the deeply subordinated PIK Equity Loan, adjusted for taxation at an estimated effective rate of 28%, is also included in the pro forma amount.

Interest-bearing long-term borrowings

Based on this pro forma analysis, the transactions documented above have reduced the net total liabilities by approximately R6,3 billion and greatly improved the debt to equity ratio of the group.

Deferred taxation liabilities

The pro forma amount reflects an adjustment for the estimated deferred taxation raised as a result of the taxable income generated through the restructure of the deeply subordinated PIK Equity Loan. It was assumed that there will not be any other significant adjustments.



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