



Crown Resorts Limited

Chief Executive Officer's Report – 16 February 2018

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1. January 2018 Results

January 2018							
	Actual \$'000	Budget \$'000	Variance		Last Year \$'000	Variance	
			\$'000	%		\$'000	%
EBITDA @ Theoretical							
Melbourne - Local	43,910	45,166	(1,256)	(2.8%)	45,181	(1,271)	(2.8%)
Melbourne - VIP Program	13,069	4,029	9,040	224.4%	3,151	9,918	314.8%
Crown Melbourne	56,979	49,195	7,784	15.8%	48,332	8,647	17.9%
Perth - Local	17,974	19,769	(1,795)	(9.1%)	17,567	407	2.3%
Perth - VIP Program	(55)	422	(476)	(113.0%)	(181)	126	69.8%
Crown Perth	17,920	20,191	(2,271)	(11.2%)	17,386	533	3.1%
Crown Aspinalls	(384)	1,447	(1,831)	(126.6%)	2,861	(3,245)	(113.4%)
Wagering & Online	4,990	8,127	(3,137)	(38.6%)	4,563	427	9.4%
Corporate	(4,444)	(5,277)	833	15.8%	(4,732)	288	6.1%
TOTAL EBITDA @ Theoretical	75,060	73,683	1,378	1.9%	68,411	6,650	9.7%
Depreciation	(24,775)	(24,698)	(77)	(0.3%)	(26,175)	1,400	5.3%
Interest	(4,143)	(5,293)	1,150	21.7%	(10,932)	6,790	62.1%
Taxation	(13,897)	(12,978)	(919)	(7.1%)	(9,113)	(4,784)	(52.5%)
Equity Accounted Result	32	1,211	(1,178)	(97.3%)	643	(611)	(95.0%)
Minority Interest	198	(1,109)	1,307	117.8%	(280)	478	170.6%
Crown NPAT @ Theoretical	32,476	30,816	1,660	5.4%	22,553	9,924	44.0%

EBITDA @ Actual							
Crown Melbourne	72,509	49,195	23,314	47.4%	58,435	14,073	24.1%
Crown Perth	14,823	20,191	(5,367)	(26.6%)	5,870	8,954	152.5%
Crown Aspinalls	(791)	1,447	(2,238)	(154.7%)	(17,069)	16,277	95.4%
Wagering & Online	4,990	8,127	(3,137)	(38.6%)	4,563	427	9.4%
Corporate	(4,444)	(5,277)	833	15.8%	(4,732)	288	6.1%
TOTAL EBITDA @ Actual	87,087	73,683	13,404	18.2%	47,068	40,019	85.0%
Crown NPAT @ Actual	40,850	30,816	10,034	32.6%	5,620	35,230	626.9%

January normalised NPAT of \$32.5m is \$1.7m (5%) above budget and \$9.9m (44%) above last year. Reported NPAT is \$40.9m which is \$10.0m (33%) above budget impacted by an above theoretical win rate in Melbourne, partially offset by below theoretical win rates in Perth and Aspinalls.

Theoretical EBITDA of \$75.1m was \$1.4m (2%) above budget, and \$6.7m (10%) above last year. The main factors impacting the results were:

- In relation to the Australian businesses, **Crown Melbourne** EBITDA was \$7.8m (16%) above budget (Local -\$1.3m or -3%, VIP +\$9.0m or +224%) and \$8.6m (18%) above last year (Local -\$1.3m or -3%, VIP +\$9.9m or +315%). **Crown Perth** was \$2.3m (11%) below budget (Local -\$1.8m or -9%, VIP -\$0.5m or -113%), but \$0.5m (3%) above last year (Local +\$0.4m or +2%, VIP +\$0.1m or +70%).
- Melbourne local** contribution was \$1.3m (3%) below budget. Local Tables were \$1.1m (4%) below budget with drop (ex poker) 1% above budget and hold (ex poker) of 20.2% (budget of 21.3%). The contribution impact of below budget hold was \$2.7m. Slots contribution was in line with budget, with turnover 6% above budget and a win rate of 7.7% (budget of 8.3%). The contribution impact of below budget Slots hold was \$1.8m for the month. F&B was \$0.1m (7%)

below budget, while Hotels were \$0.4m (4%) below budget with below budget room rates and occupancy in all 3 hotels.

- **Melbourne VIP** theoretical contribution of \$13.1m was \$9.0m (224%) above budget, with turnover of \$3.6b which was 58% above budget. An above theoretical win rate of 1.63% resulted in a \$15.5m favourable variance from theoretical.
- **Perth local** contribution was \$1.8m (9%) below budget. Local Tables contribution was \$2.0m (26%) below budget, with drop 2% below budget and hold of 19.7% (budget of 22.0%). Poor hold had a \$1.7m impact on contribution for the month. Slots contribution was \$0.2m (2%) above budget, with turnover slightly above budget and a win rate of 8.6% (budget of 8.5%). The above budget hold had a \$0.2m impact on contribution. F&B was \$0.4m (20%) above budget predominately due to above budget results in Groove, Riverside Room, CTP Poolside Bar and Mesh. Conventions & Entertainment was \$0.7m below budget due to the poor attendances at the Theatre Show (The Unbelievables) which was bought by Crown outright. Hotels contribution was \$0.3m (6%) below budget with below budget room rates in all 3 hotels, partially offset by above budget occupancy in Towers and Promenade.
- **Perth VIP** theoretical contribution was \$0.5m below budget, with turnover of \$0.3b (44% below budget). A below theoretical win rate of 0.68% resulted in a \$3.1m unfavourable variance from theoretical.
- **Crown Aspinalls** theoretical EBITDA loss of \$0.4m was \$1.8m (127%) below budget, with turnover of £0.2m which was 56% below budget. Actual EBITDA of -\$0.8m was \$2.2m (155%) below budget with a win rate of 1.03%.
- **Wagering & Online** contribution of \$5.0m was \$3.1m (39%) below budget. CrownBet's EBITDA of \$2.6m was \$3.0m unfavourable to budget, mainly due to a below budget GGR% of 10.9% (budget of 11.8%) and higher loyalty and promotional costs. Betfair's EBITDA of \$2.2m was \$0.2m (8%) above budget and DGN's EBITDA of \$0.3m was \$0.4m below budget due to higher marketing expenses.
- **Corporate costs** were \$0.8m favourable to budget, largely due to corporate jet costs no longer being funded by Crown (\$0.5m saving), savings in payroll, travel and tax/legal costs and lower Crown Foundation donations. **Depreciation and amortisation** of \$24.8m was \$0.1m above budget. **Net interest expense** of \$4.1m is \$1.2m (22%) below budget and \$6.8m (62%) below last year due to lower net debt levels.

Reported NPAT for the month of \$40.9m is \$10.0m (33%) above budget. Crown Melbourne and Crown Perth reported win rates of 1.63% and 0.68% respectively, resulting in a combined favourable variance from theoretical of \$12.4m pre income tax. Crown Aspinalls reported an unfavourable variance from theoretical of A\$0.4m pre income tax for the month with a win rate of 1.03%.

Normalised NPAT was \$9.9m (44%) above the prior corresponding period reflecting the net impact of the following factors:

- EBITDA increased by \$6.7m (10%) from last year, with EBITDA at Crown Melbourne and Crown Perth higher than last year by \$8.6m (18%) and \$0.5m (3%) respectively. At Crown Melbourne, Local contribution decreased by \$1.3m (3%) and VIP Program Play contribution increased by \$9.9m (315%). At Crown Perth, Local contribution increased by \$0.4m (2%) and

VIP Program Play contribution increased by \$0.1m (70%). EBITDA at Crown Aspinalls was \$3.2m (113%) below last year and Wagering & Online was \$0.4m (9%) above last year. Corporate costs were \$0.3m (6%) lower than last year.

- Depreciation and amortisation was \$1.4m (5%) below last year.
- Net interest expense was \$6.8m (62%) below last year due to lower net debt levels.

2. F18 YTD Results and Full Year Forecast

	FINANCIAL YEAR TO DATE			FULL YEAR		
	Actual A\$'000	Budget A\$'000	Last Year A\$'000	Forecast A\$'000	Budget A\$'000	Last Year A\$'000
EBITDA @ Theoretical						
Melbourne - Local	332,769	333,963	335,169	560,438	560,343	552,623
Melbourne - VIP Program	56,083	28,186	20,878	74,530	49,819	44,024
Crown Melbourne	388,851	362,149	356,047	634,968	610,162	596,647
Perth - Local	145,140	144,123	153,785	242,202	241,540	244,566
Perth - VIP Program	2,942	3,294	1,233	5,512	5,498	3,354
Crown Perth	148,081	147,417	155,018	247,714	247,038	247,921
Crown Aspinalls	9,311	17,213	21,150	21,067	30,004	26,577
Wagering & Online	13,808	18,577	1,599	28,230	36,762	14,791
Corporate	(29,328)	(37,330)	(56,455)	(56,277)	(63,862)	(47,066)
TOTAL EBITDA @ Theoretical	530,724	508,027	477,359	875,702	860,103	838,870
Depreciation	(174,771)	(174,062)	(170,475)	(287,423)	(293,607)	(296,764)
Interest	(32,062)	(37,585)	(60,973)	(52,365)	(60,859)	(101,551)
Taxation	(99,637)	(87,274)	(74,807)	(162,027)	(148,841)	(138,409)
Equity Accounted Result (ex MRE)	2,520	8,613	(47)	8,760	15,157	1,275
Minority Interest	3,645	1,563	4,803	2,251	1,236	4,927
Crown NPAT @ Theo (ex MRE)	230,420	219,282	175,860	384,899	373,189	308,348
Crown's share of MRE (Theo)	-	-	42,418	-	-	42,418
Crown NPAT @ Theo	230,420	219,282	218,278	384,899	373,189	350,766

EBITDA @ Actual						
Crown Melbourne	334,769	362,149	380,511	580,885	610,162	570,641
Crown Perth	159,477	147,417	135,894	259,110	247,038	257,347
Crown Aspinalls	8,685	17,213	(15,196)	20,441	30,004	(5,454)
Wagering & Online	13,808	18,577	1,599	28,230	36,762	14,791
Corporate	(29,328)	(37,330)	(56,455)	(56,277)	(63,862)	(47,066)
TOTAL EBITDA @ Actual	487,411	508,027	446,353	832,389	860,103	790,258
Crown NPAT @ Actual (ex MRE)	200,034	219,282	150,522	354,513	373,189	271,036
Crown's share of MRE (Actual)	-	-	37,857	-	-	37,857
Crown NPAT @ Actual before significant items	200,034	219,282	188,379	354,513	373,189	308,893

The group's YTD normalised NPAT of \$230.4m is \$11.1m (5%) above budget and \$54.6m (31%) above last year (excluding MRE). YTD reported NPAT before significant items of \$200.0m is \$19.2m (9%) below budget, but \$49.5m (33%) above last year (excluding MRE).

- Group theoretical YTD EBITDA of \$530.7m is \$22.7m (5%) above budget and \$53.4m (11%) above last year. Crown Melbourne is \$26.7m (7%) above budget, Crown Perth \$0.7m (1%) above budget, Crown Aspinalls is \$7.9m (46%) below budget, Wagering & Online is \$4.8m (26%) below budget and Corporate Costs are \$8.0m (21%) favourable to budget.
- Crown Melbourne's** theoretical YTD result is due to an above budget VIP Program Play contribution (\$27.9m or 99%), partially offset by a below budget local contribution (\$1.2m or 0.4%). Program play turnover of \$23.1b is 44% above budget and 46% above last year. The below budget local result is attributable to below budget results in Table Games (\$0.5m or 0.2% below budget), Gaming Machines (\$0.4m or 0.3% below budget) and Food & Beverage (\$0.4m or 1% below budget). The YTD local result is impacted by poor Tables and Slots hold, which had an \$11.2m adverse contribution impact. Crown Melbourne's theoretical YTD result is \$32.8m (9%) above last year (Local -\$2.4m or -1%, VIP +\$35.2m or +169%).

- **Crown Perth's** theoretical YTD result is due to an above budget local contribution (\$1.0m or 1% above budget), partially offset by a below budget VIP Program Play contribution (\$0.4m or 11% below budget). VIP turnover of \$3.5b is 14% below budget. The above budget local result is due to above budget results in Gaming Machines (\$2.5m or 2%), Food & Beverage (\$3.0m or 20%) and savings in Support Departments, partially offset by below budget results in Table Games (\$4.0m or 7%) and Hotels (\$2.3m or 8%). Crown Perth's theoretical YTD result is \$6.9m (5% below last year (Local -\$8.6m or -6%, VIP +\$1.7m or +139%).
- **Crown Aspinalls** below budget theoretical result is due to below budget VIP Program turnover of £3.1b being £1.0b (25%) below budget. The YTD unfavourable variance from theoretical is £0.5m at a win rate of 0.89%.
- **Wagering & Online's** below budget result is due to below budget results in CrownBet (\$6.9m or 107% unfavourable to budget), partially offset by above budget results in Betfair (\$1.3m or 15% above budget) and DGN (\$1.1m or 28% above budget).
- **Corporate costs** of \$29.3m are \$8.0m (21%) below budget due to savings in Jet and other corporate costs, partially offset by the CPH recharge which was not budgeted. YTD net interest expense of \$32.1m is \$5.5m (15%) below budget due to lower net debt levels.

YTD reported NPAT before significant items of \$200.0m is \$19.2m (9%) below budget and includes a net unfavourable normalisation adjustment of \$30.4m (net of income tax). The combined unfavourable variance from theoretical for the Australian casinos is \$29.9m (net of income tax), with YTD win rates on VIP Program Play of 1.27% at Crown Melbourne and 1.81% at Crown Perth. Crown Aspinalls' unfavourable variance from theoretical is \$0.5m (net of income tax) at a win rate of 0.89%.

YTD reported NPAT after significant items of \$279.4m is \$60.2m (27%) above budget. Significant items includes the Alon impairment reversal (Crown's share of \$107.4m), partially offset by restructuring and other costs.

Crown's forecast F18 normalised NPAT is \$384.9m, reflecting results to January and a re-forecast for the remainder of the year. This compares to a budget F18 normalised NPAT of \$373.2m and a prior year normalised NPAT of \$350.8m. Crown Melbourne's full year EBITDA forecast is \$635.0m (Local \$560.4m, VIP \$74.5m). Crown Perth's full year EBITDA forecast is \$247.7m (Local \$242.2m, VIP \$5.5m).

Forecast F18 reported NPAT before significant items is \$354.5m. As at 12 February the YTD unfavourable variance from theoretical win rates for Crown Melbourne, Crown Perth and Crown Aspinalls combined is \$48.6m (pre income tax).

3. Current Issues

3.1. Property Specific Initiatives

Crown Melbourne

The focus in Melbourne continues to be on driving the local gaming market with the following initiatives designed to grow visitation, spend and market share whilst presenting opportunities for on-spend across the rest of the property:

- Carded Lucky Rewards continues to drive strong incremental revenue where selected members are awarded random prizes at defined jackpot intervals (based on individual targets). Players

can monitor progression to their target via the service window which also delivers the bonus via an interactive game;

- 10 complimentary coffee machines for Main Gaming Floor (MGF) customers have been implemented and well received by members. Members may access up to six complimentary tea, coffee or hot chocolate drinks aligned to their Crown Rewards tiers;
- Complimentary hotel rooms to Gold Tier members Sunday through Thursday, where excess room capacity allows, continues to be well received and assist in driving incremental visits and revenue;
- Crown's installation of the very popular Lightning Link gaming machine product has surpassed 260 units and remains the largest single site installation in the world. Plans are now underway for the launch of its next game iteration, Dragon Link in February 2018;
- The premium player alert program on the Main Gaming Floor continues with a recent success being the identification and sign up of International and Domestic VIP players who have been upgraded to Platinum & Black;
- Beer and wine drink specials across MGF bars continue following on from the recently completed competitor reviews. Crown representatives competitively shop metropolitan venues with a view to identifying actionable shortcomings in the Crown offer (led to the introduction of some of the drinks initiatives and marketing of specific product scale);
- Crown's Asian strategy (particularly Chinese and Vietnamese) continues to drive high value visitation, particularly into the Maple Room delivering 65 events YTD. Initiatives include leveraging relationships with Chinese related businesses, clubs and network, working with inbound and outbound Chinese focussed travel agents and utilising an incentivised referral service;

The following initiatives are currently under development:

- High level scope of works is underway to create a Crown Resorts Wallet combining our multiple accounts into one for use within the property;
- Virtual Card Project is underway with the objective being to have a virtual card within the Crown Rewards App that will allow customers to use their phone to tap instead of the magnetic stripe card. Costing and timelines to be confirmed in March 2018;
- High Level scope of works underway to explore the feasibility of an expansion of the Teak Room to create a non- smoking gaming machine offer.

Crown Perth

The focus remains on growing the customer base in non-traditional gaming segments, to drive revenue growth, whilst maintaining vigilance on costs, with key initiatives as follows:

- Develop phase 2 of Crown's Value Guarantee campaign, incorporating a re-freshed look, above-the-line and digital / social media support, additional offers and continued high impact, on-site communication;

- Further develop the current multi-channel advertising and communication strategy to enhance effectiveness in driving key operating times, business units and customer segments;
- Review and re-build the current customer segmentation model to deliver improved opportunity variables, given the softening 60+ market and local premium segments;
- Particular focus on the 25-50 age segment, through the Stadium activations and the Value Enforcer and Influencer social media campaigns;
- Continue to utilise non-gaming to attract and grow the larger non-gaming and casual gamer base, to support the soft committed gaming customer, both in terms of spend per visit and frequency;
- Broaden the non-gaming offer to drive gaming strategy beyond Value Guarantee, to leverage the recently opened Optus Stadium, strong theatre schedule, growing convention bookings and positive Crown Towers brand perception, to drive visitation and on-spend;
- Expand the breadth of gaming initiatives to include:
 - Increase the car promotional activations that are proving successful for the Baccarat Room guests;
 - Expand pre-game-day activations, focusing on the valued silver and above tiers to visit. Currently, the Atrium, Carvers, Riverside Café and Junction Grill events are working well to encourage the valued gaming demographic;
 - Attracting increased interstate gaming guests, both through sales team and major events as drawcards;
 - Leverage supplier assets to create market leading promotional offers that increase both gaming and non-gaming visitors.
- Stadium focus includes the following:
 - parking pricing and access strategies for both staff and customers;
 - social media awareness campaigns;
 - Value Guarantee off-site communication;
 - pre-game Silver tier and above offers and events;
 - enhanced Hi-line and Fusion bar offerings;
 - in-stadium media channel usage;
 - access to corporate Stadium facilities for local, interstate and international VIPs;
 - enhanced hotel and convention packaging.
- Ongoing monitoring of operations to ensure roster optimisation;

- Capitalise on the growing popularity of electronic table games with eTG numbers now totalling 280 terminals. On-going review of occupancy and performance will determine further expansion recommendations as revenue from this product continues to grow;
- Develop the Pearl Room non-smoking offering which has now grown to over 35% of drop volumes, with particular relevance to the more recently upgraded members;
- Develop a fast track for key gaming products including Lock it Link, Lightning Link, Service Window and Random Riches;
- Continue to monitor operating hours and labour levels across food & beverage, hotels and tables, to maintain customer service and experience standards.

Australian Resorts Marketing Initiatives

As part of developing a marketing strategy to drive incremental revenue across both properties the following key areas for growth have been identified:

- Utilisation of Crown & (new) external data to identify groups of consumers in market where there is opportunity to grow revenue;
- Using the resulting target segments to help the business create more compelling offers to attract current, inactive and new customers to property;
- Delivering these offers to members and prospects through multiple new communication channels.
- Inactive Rewards Members will be the primary focus for activity development with the aim of bringing these customers back to property and providing the right experience to convert them to frequent visitors.

Work is progressing to build plans to realise value across these three areas with the initial focus being on the Melbourne Gaming Machines business.

Loyalty - New member acquisition remains strong and work is progressing to improve the value the program brings to both members and the business. As part of this, new mid-tier benefits have been trialled in Melbourne to test striving behaviour for Gold and Platinum customers (with full results due at the April renewal cycle), status matching is now live in Melbourne for higher tier members of clubs and casinos and a new member on-boarding process has been mapped out (designed to increase engagement and visitation) and is due for implementation in late March.

Brand Tracking - Amid the entertainment category media spend peaking in Q2, Crown has managed to maintain its high top-of-mind awareness with consideration remaining stable across both Perth and Melbourne properties. In Perth tracking showed the Fun and Entertaining campaign to have performed strongly in Q2 (particularly amongst non-members), successfully engaging its target audiences. Spontaneous brand awareness improved to 64% (up 4% quarter on quarter) while consideration scores were maintained over the period at 29%. In Melbourne the Q2 Christmas at Crown campaign built on the World of Entertainment campaign to lift spontaneous awareness and consideration amongst members, while helping to maintain non-member awareness and consideration to visit. Member brand perceptions of 'lot's to do' and 'great atmosphere' were strengthened year on year, also supported by on-site activity and direct communications.

Digital & Social Media - Crown Melbourne and Perth website traffic continues to grow, with over 1.2m visits in January. Key drivers of traffic to the site continue to be improvements in Google natural search rankings (SEO), paid Google adverts, email and social media. Crown's social media footprint now covers 470,500 users on Facebook, 49,500 followers on Instagram and 23,400 on Twitter.

Outbound Call Centre - Continue to expand on the success of the outbound call centre operation with an additional four positions being recruited to significantly improve targeted and premium customer contact. Some 83,000 calls have been made YTD with circa 28,000 successful contacts and from that, nearly 11,000 successful offers made.

Campaigns Melbourne – The World of Entertainment campaign evolved to connect Crown to the festive season and provide overarching support to specific campaigns across Gaming and Food & Beverage (F&B). In gaming the Christmas Rewards promotion, in its 4th iteration, delivered its strongest revenue performance to date alongside the Main Gaming Floor Christmas Cracker promotion. January activity focussed on jackpots across the rooms including the Shop Shop Shop and 15 Minute Blitz campaigns. F&B was supported with a seasonal update to the \$15 & \$7.50 value meals campaign (which saw 79% year-on-year revenue growth) along with a range of events including the Jack Daniel's Barrelhouse, Moet Golden Door & Corona Sunsets.

Campaigns Perth - Messaging over the festive period focussed on entertainment, this being a core motivator at this time of year, but with tactical offers in place to maintain support for the 'value for money' pillar for the property. Key offers across the property included 'Free live entertainment 7 nights a week', 'Under \$20 festive dining menus' and the '\$55 Ultimate Lunch with Metropool pool pass'. Gaming promotions over the period continued to be entertainment-led and interactive to engage gaming patrons.

People - Nic Emery has joined Crown Resorts as Chief Marketing Officer and he and his team are in the process of developing a strategy to ensure marketing drives further incremental revenue for Crown through increased visits and spend.

Australian Resorts HR Initiatives

Indigenous Employment Program (IEP)

There are currently a total of 210 employees in the Crown Indigenous Employment Program as of 7 February 2018, 113 at Crown Melbourne and 97 at Crown Perth.

The Indigenous Online Cultural Learning Program is in the final review process and will be rolled out within the next few months.

Planning for the next Reconciliation Action Plan (RAP) document has commenced with an initial meeting with Reconciliation Australia (RA) held on 6 February 2018 attended by Alicia Gleeson and Rory Smeaton. RA has advised that they anticipate this process to be of about six months' duration.

With Sean Armistead's (Group Manager) departure from Crown, Rory Smeaton has commenced his 12 month secondment reporting directly to EGM – HR Melbourne, and Sharon Ninnette in Perth now also reports directly to the EGM - HR. Each manager has a team of two supporting the program.

Workplace Gender Equity

Crown Resorts' paid parental leave scheme was announced on 5 December 2017 across Melbourne and Perth. Under the scheme, Crown provides employees with a payment that tops up the amount the employees are eligible to receive under the government scheme to their base level of pay so that they are no worse off for their period of eligibility. Effective from 1 July 2017, eligible primary carers will receive up to 12 weeks top up pay and secondary carers will receive up to 2 weeks top up pay.

The Gender Fitness App was also announced and launched on 5 December 2017. Promotion of the app is ongoing and the app has already had its first update based on user feedback. Take up/engagement in the app was slow in the initial weeks but a recent campaign to increase awareness has improved employee engagement.

The Gender Advisory Groups (both Melbourne and Perth) continue to work on their initiatives, specifically focussing on preparing the Gender Action Plan for approval and launch (with an aim for April 2018).

LGBTI Employee Network – Crown Pride

The Crown Pride committee are working to create a calendar of events and activities over the coming year to celebrate the LGBTI community. Where appropriate, these events will coincide with significant dates from the LGBTI calendar.

CROWNability program

There are currently a total of 215 employees in the CROWNability program across both properties, encompassing 105 employees and 10 contractors at Crown Perth, with 88 employees and 12 contractors at Crown Melbourne. This represents a retention rate of 69% as at 1 February 2018.

CROWNability is currently researching the opportunity to pilot a Veterans Employment initiative at Crown Perth, in collaboration with the Australian Defence Force (ADF). This pilot aims to provide employment opportunities to those living with disability or health concerns, following their service in the ADF.

CROWNability will be participating in the Disability Confident Recruiter (DCR) Program, run as an initiative of the Australian Network on Disability (AND). This program provides organisations with the skills and resources required to recruit talent from diverse groups, including people with disability. Upon completion of the program, Crown will be awarded the Disability Confident logo, a formal endorsement that we are a Disability Confident Recruiter. This logo can be used on all recruitment and promotional material as appropriate.

In 2018, the CROWNability program will further progress the development of Crown as an accessible and inclusive organisation. This is supported by the CAP's focus on the following key areas:

- Organisation commitment
- Premises
- Suppliers and Partners
- Information and Technology
- Learning and Development
- Communication and Marketing
- Recruitment and Selection
- Workplace Adjustment

Training and Development

Both Crown College Pty Ltd, and Crown College RTO have been granted state government funding training contracts for 2018.

Crown College International (CCI) is focusing on developing a brand in key markets off shore and creating a quality agent network. To date, Crown has received a total of 138 student applications with 49 having confirmed and commenced their study. The next student intake commences in April.

The Crown College Institute of Higher Education (CCIHE) is continuing the preparation of appropriate administrative requirements and preparatory foundation work related to registration of the program and entity.

The 500 Training Places initiative at Crown Melbourne has progressed and there are now a total of 209 active enrolments in the program. There are currently 55 active hospitality students, 41 of whom have completed their face to face training with 15 having commenced training in January 2018. In addition, there are three students currently completing the Certificate II in Security Services. There have also been a number of expressions of interest for upcoming courses scheduled to commence in March/April. To date, 73 students have now completed the program and have been issued with their qualifications, with 27 students having been employed at Crown and 44 students employed in industry.

Industrial Relations – Crown Melbourne

On Monday 29 January, the first Steering Committee meeting was held for the Table Games and Cage Area Manager Enterprise Agreement which expires on 30 June 2018. Following this, the members of the committee and negotiation team were finalised.

The Notice of Employee Representational Rights to the Table Games and Cage Area Managers is being distributed on 9 February, with notice to the United Voice Union advising the expectation to commence negotiation in March.

There has been an early indication from the Union that Security Managers and Surveillance Operators may also apply for coverage under the Agreement.

Current Trading

Crown Melbourne

Table Games January YTD contribution of \$201.5m was below budget by \$0.5m or 0.2% and above last year by \$6.6m or 3.4%. Lower than expected hold has impacted contribution by \$7.1m versus budget.

Main Gaming Floor (excluding Poker and eTGs) volumes January YTD were down 1.0% on budget and down 0.7% on the prior corresponding period (pcp). Strong volume growth across the peak holiday periods of December and January (2.1% above budget and 4.4% above pcp) have not yet been enough to offset the patron hour weakness experienced across the pre and post Spring Racing Carnival lull periods during October and November. A slightly weaker YTD hold (25.1% v 25.3% budget and pcp) has also impacted revenues, being 1.7% down on budget and 1.5% down on the pcp.

Electronic Table Games (eTGs) turnover January YTD was down 6.6% on budget and down 0.7% on the pcp due to continued top end Premium eTG patron softness. This has been partially offset by an improvement in the win rate (vs theoretical), with revenues 3.2% below budget and 2.2% above pcp. The Pit 6 Rapid Stadium expansion was completed in December, with an additional 15 player terminals added along with the introduction of new smaller footprint tables.

Poker cash and tournament play continues to enjoy strong growth, driven by the popularity of the poker cash jackpot, the world-class Aussie Millions tournament and the online poker ban in Australia. January YTD revenues were 4.7% above budget and 6.1% above pcp. A successful Aussie Millions tournament program concluded with a record 800 entrants into the flagship \$10,600 Main Event.

Premium Table Games volumes January YTD were up 4.2% on budget and up 6.4% on the pcp.

Main Floor Premium (MFP) volumes were up 1.4% on budget and up 6.6% on the pcp, with the Maple Room expansion (completed in September 2016 with an additional seven tables) continuing to provide benefit to the overall Premium experience.

Strong Mahogany Room volumes, driven largely by significant play from the top 20 Crown Rewards Black patrons, were up 7.9% on budget and up 6.0% on the pcp. However Mahogany Room hold from September to January of only 15.5% has resulted in the January YTD hold of 17.0% being below budget expectations (19.0%).

Table Games Interstate play has continued to perform strongly. January YTD turnover of \$3.4b was up 9.2% on budget and down 3.4% on the pcp, with Commission buy-in programs performing stronger than Standard programs. The Crown Jet strategy, with 20 jets utilised YTD January, has continued to have a major impact, as has an enhanced event and promotional calendar. The overall theoretical direct contribution of \$13.8m was up 5.4% on budget and down 10.3% on the pcp.

Gaming Machines' YTD January contribution of \$136.3m was \$0.4m (0.3%) below both budget and the pcp. Whilst turnover of \$3.3b was 1.2% above budget and 0.5% above pcp, total revenue of \$268.9m was 1.0% below budget and 0.8% below pcp due to a softer than budgeted win rate (8.06% vs budget of 8.25%), costing \$4.1m in contribution versus budget. This result saw a decline in Crown's market share, with the Network improving 1.7% year on year YTD January.

Gaming Machines Local YTD turnover of \$2.8b was 0.4% below budget and 1.6% below pcp, largely driven by softness in the Crown Rewards Gold and the infrequent unrated patron groups.

Gaming Machines Interstate and International business continues to outperform YTD expectations, with theoretical revenue of \$31m being 9.0% above budget and 12.7% above the pcp. International was the key performing market with both the number one and two players from North Asia driving the result.

The calendar of promotions and events for VIP Gaming Machine customers, both on and off venue, has expanded to drive increased visitation. Crown Melbourne and surrounding leisure assets continue to deliver memorable experiences through dinners, hotel stays, spa treatments and Capital Golf.

New member sign ups continue to be strong with a high majority over 80% opting in to digital marketing channels.

A selection of proactive service initiatives including Main Gaming Floor Drink Trolley service providing complimentary drinks to Black and Platinum tiers, "Know Your Customer" (interacting with Platinum and Black tiers on the Main Gaming Floor) and "Surprise and Delight" (beverage service to high denomination rooms), continue to improve the customers' experience.

Food & Beverage's January YTD result was \$0.4m or 1.2% below budget and \$1.9m or 5.8% above the pcp. Bars (excluding Clubs) have been the strongest segment, while individual outlets such as Conservatory, Bistro Guillaume, Gradi and Nobu have performed well. Events & Conferencing had a lower than expected January which has pulled the YTD result back, while Silks has not fully recovered its previous junket activity. Clubs have been patchy and are well below expectations. The Value Meal campaign now extends across seven days and has seen good volumes in participating venues albeit at a lower margin.

Hotels' January YTD result was \$0.1m or 0.1% below budget and \$1.2m or 2.1% above the pcp. Occupancy levels continue to be strong across all hotels (averaging 96%), but rate growth has been difficult due to the market being reluctant to increase prices. The YTD occupancy and rate results in the Melbourne premium hotel market are flat over the past three years, leading to zero revenue growth. Crown headline average rates have been softened by the success of the Crown Direct program, where members receive 15% off rates when booking direct with Crown. This has the effect of reducing the headline rate, but savings are made at the expense level in avoiding paying online agents a commission. Villas have produced a better than expected result, with above budget performance on both the Gaming and Non-Gaming segments.

Crown Perth

Local Table Games' contribution for January F18 YTD was \$4m or 6.9% below budget and \$5.9m or 9.8% below the prior year. Soft hold in premium tables was the key factor for the shortfall year on year. Whilst premium hold (22%) was below budgeted expectations (25%) the differential was compounded by very strong hold in the corresponding period (27%).

Regular Table Games' contribution for January F18 YTD was \$0.8m or 1.7% above budget and \$1.4m or 3% above last year. Solid growth in electronic tables and the Baccarat Room continues to be the catalyst for year on year growth partially offset by declining Main Gaming Floor (MGF) traditional game volumes. Peak period casual visitation continues to be a strong focus via the complex wide Value Guarantee campaign and associated pricing efforts. As part of this campaign the Table Games message has leveraged the increased popularity of electronic table games and created greater awareness around the expanded low limit Blackjack and Roulette tables available. Analysis of the Value Campaign indicates that the messages have gained traction in market and this is translating to growth in peak period Table Games and Gaming Machine results.

Gaming Machines' January F18 YTD contribution was above budget by \$2.5m or 2.3% however below last year by \$4.4m or 3.8%. Weekly Gaming Machine turnover volumes had declined significantly through the back half of the prior year averaging 6% down on the pcp. This shortfall closed to 2% for January F18 YTD with December providing the highlight with turnover 1% up against the pcp.

Similar to Table Games and other areas of the business, recovering Gaming Machines casual customer visitation was a key focus across H1, with a review of applicable KPI's, including unrated patron hours, indicating success in this area subsequent to the television commercial associated with the Value Guarantee. Strong messages targeting the mass market machines customer around lower

denomination machines and price capped restaurant menus is facilitating the rebound of peak period turnover for Gaming Machines.

The rated Gaming Machines membership base is delivering a stable level of visitation whilst the challenges of declining spend per visit across the customer base and the softening of the local premium market is proving difficult to counter. Increased visitation from these tiers remains a priority via direct marketing, targeted VIP events and refining the experience in the premium gaming assets, including changes in entertainment to better align to the most valuable customer demographics. Strong visitation from the rated base during the busy Christmas / New Year trading period was a positive, both against forecasted expectations and pcp.

A key focus for all business units across the second half of the year is executing and refining, where appropriate, the Perth Stadium event day strategies. Learnings from the first three major events held to date will be factored into upcoming events including in particular the AFL premiership season. Planning efforts to mitigate business risks and customer impacts around events has so far provided some resilience in volumes. This will be an on-going effort as is leveraging event day yield opportunities.

Food & Beverage (F&B) contribution January YTD is \$3m (20.4%) above budget and \$1.1m (6.6%) above last year. The above budget revenue result has mostly been delivered through the Crown Towers (\$3.6m above) and Premium outlets (\$0.9m above).

Epicurean, The Waiting Room and Riverside Room have all performed well above revenue expectations and in conjunction with good cost control they have the leading above budget contributions to date. The opening of the new Optus Stadium brought some good pre and post trading particularly in Merrywell and Groove, which was particularly evident on Sunday 28 January, with the Australia vs England One Day International cricket event. The outlook for the remainder of the year remains positive based on current trends.

Key events January YTD included the opening of Optus Stadium, the Australia Day Long Weekend, New Year's Eve, the Christmas period, Melbourne Cup, the 2017 AFL & NRL Final Series, Queen's Birthday Long Weekend, the Pacquiao vs Horn and Mayweather vs McGregor boxing matches, and Eve Nightclub has hosted Bow Wow and the RnB Fridays Official Afterparty.

Conventions' contribution January YTD was \$1.0m (37.0%) above budget and \$1.1m (43.8%) above last year, which is mainly due to the increased number of events with the new Crown Towers Ballroom and additional meeting rooms this year.

Key events YTD have included the Mortgage Choice 2018 Conference, Hopman Cup Ball, SUITED – New Year's Eve Ball, Crown Perth Christmas Extravaganza 2017, Pearl Room VIP Christmas Gaming event, Canals Channels Forum, Melbourne Cup Luncheon, 2017 Asia Pacific Regional Conference, Ronald McDonald House Charities Ball, AHA Excellence Awards, Chevron NAIDOC Ball, Variety of Chef's 2017 Ball, Annual Royal Flying Doctors Service, AHA Accommodation Ball, McGellan Conference, RANZCR 2017 Conference, Parkerville Children and Youth Care and 2017 HIA Awards. In addition, the Grand Ballroom held a very successful ticketed event for the Mayweather vs McGregor fight.

Entertainment's contribution January YTD was \$1.1m (73.5%) below budget and \$0.2m (73.8%) above last year largely due to lower than expected attendance levels at the theatre show 'The Unbelievables' which was bought by Crown outright.

The month of February has commenced with low attendances to Green Day's American Idiot, which was unbudgeted, however late February is looking more promising with the Rocky Horror Show selling well. The fourth quarter of the financial year should be strong with the well-known musical Mamma Mia, which is also expected to have a strong on-spend demographic.

The following are confirmed future events in the Theatre:

American Idiot	February
Al Bano	February
Rocky Horror Show	February
Gilbert O'Sullivan	March
Ahn Do The Happiest Refugee Live	April
Sergio Mendes	April
Fast Love A Tribute to George Michael	April
The Australian Bee Gees Show	April
Bjorn Again	April
Mamma Mia	May - June

Hotels' F18 YTD January contribution was \$2.3m (8.2%) below budget however \$4.0m (18.4%) above the prior year.

The Perth market continued along similar recent trends with average rates remaining low with no positive uplift in occupancy levels. Compounding the results were the addition of a number of new hotels to market including InterContinental and Aloft resulting in further rate pressure. Overall volumes remained high due to strong leisure demand through the festive season and school holiday period.

February's outlook is challenging in both rate and occupancy however a number of strategies are currently in place to continue to drive more visitation to the complex particularly in the leisure segment through Chinese New Year and Corporate sector.

Other Issues

Crown Melbourne

REDACTED - PRIVILEGE

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Counter Terrorism - Risk Management and Escalation Plan

As previously reported, since the increase in Australia's National Terrorism Threat level in 2014, Crown Melbourne has progressively implemented a number of initiatives and strategies addressing the key terrorism risk scenarios affecting the property.

These initiatives and strategies have been articulated in the Crown Melbourne Counter Terrorism Escalation Plan (Plan), which outlines a broad range of recommended mitigation strategies applicable for the types of attacks which are considered to be the most likely and applicable to Crown Melbourne based on current intelligence. The Plan also contains a range of additional strategies (such as increased patron screening, restricted vehicle access) to be implemented in the event of the National Threat Level increasing to 'Expected' or 'Certain'.

An integral component of the Plan was the completion of a specific terrorism site risk assessment for the property. Overall, Crown Melbourne's framework (including training) was considered to be strong, with a good balance of proactive detection and security measures designed to deter, detect or delay terrorist activity at the property.

Using specific risk assessment criteria and incorporating advice from both Government and law enforcement agencies, the assessment of the terrorism risk level for Crown Melbourne after the application of a range of mitigation strategies was assessed as significant. Specific areas of vulnerability were identified, together with further preventative actions to reduce the vulnerability to certain types of attacks. However it is relevant to note that, as a 'Crowded Place' under the Australian New Zealand Counter Terrorism Committee's National Strategy, the implementation of these actions is unlikely to reduce the overall risk level for Crown Melbourne while the current National Threat Level remains at Probable.

The mitigation strategies identified through the development of the Plan have been incorporated within the broader Risk Management Plan and by way of update from previous reports, include:

- The conduct of a simulation exercise for the Crisis Management team on 8 March 2018;
- The conduct of fortnightly 'suspect person' and 'suspect package' exercises testing frontline security and surveillance employees (ongoing);
- Significant logistic and planning on an implementation strategy associated with an increase in the National Terrorism Threat level or the receipt of intelligence indicating Crown Melbourne is the target of a planned terror attack;
- Attendance at Australia-New Zealand Counter Terrorism Committee's Business Advisory Group meeting held at Crown Melbourne on 31 January 2018;
- Ongoing random patron bag screening at gaming floor entries;
- Installation of biometric access readers on a range of high risk doors including those protecting critical infrastructure (to be completed 20 February 2018);
- Installation of a 'Lockdown' capability on the main podium (external perimeter to be completed by 23 February 2018);
- Installation of a 'Lockdown' capability on the main podium (internal to be completed by 21 April 2018); and
- The installation of an emergency messaging push button panel within the Surveillance Communication Centre (completed).

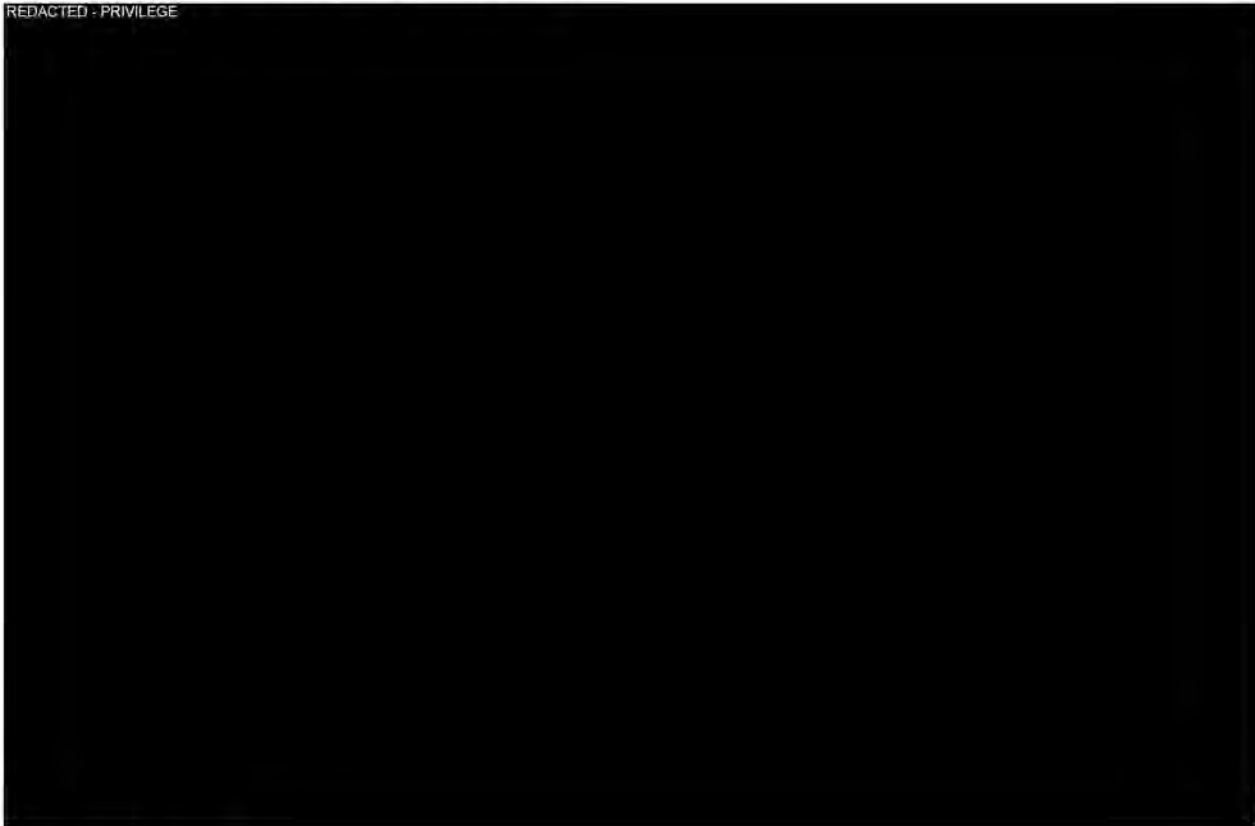
Further, Crown Melbourne continues to upgrade its intelligence capability and capacity through the conduct of additional training, the research and purchase of additional analytical software packages and representation on the Australian New Zealand Counter Terrorism Committee's National Business Advisory Group and the Victoria Police Crowded Places Strategic Advisory Group. Both entities provide access to the most up to date intelligence available and offer advice to the Australian and Victorian Governments on security issues impacting Crowded Places.

The additional short term mitigation strategies implemented in November 2017 have been extended to at least end March 2018 and include:

- Increase in the number of security patrols during the day and peak nights from two to six officers in high visibility vests;
- The trial of deep learning technology on existing infrastructure – providing intelligence on unusual activities;
- Expansion of the existing facial recognition trial to 12 cameras strategically located around the gaming floor;
- An additional Crown Security Vehicle to be utilised to patrol the basement car park and external boundaries to provide an increase in security presence; and

- Increase in regular proactive monitoring of the property by surveillance operatives with a focus on suspicious actions, packages and persons.

REDACTED - PRIVILEGE



AUSTRAC General

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE

Legal matters / Other

Legislation addressing Phase 1 of the Attorney General's Department (AGD) 2017 Project Plan (the road map established by the AGD to address the 84 recommendations of the 2016 Statutory Review) will commence in June 2018. New AML/CTF Rules have been put in place with effect early January 2018, with which we comply.

The draft bill/rules addressing Phase 2 of the AGD's Project Plan are due for release in the first half of this calendar year. Phase 2 progresses the significant reforms, and the AGD has foreshadowed that this will be in close consultation with Government agencies and industry.

Compliance Matters

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Responsible Gambling Ministerial Advisory Council (RGMAC) - Working Group

A RGMAC Working Group has been convened to provide the Minister for Consumer Affairs, Gaming and Liquor Regulation, the Hon Marlene Kairouz MP, to provide her with advice on the consumer protection and gambling-related harm risks associated with emerging gambling products. Emerging gambling products to be considered include skill-based gaming machines, fantasy sports competitions, eSports and any other products identified by the Council or working group. The advice is due March 2018. The current status is that a matrix was developed which splits products into regulated and unregulated products and outlines what applies to each product in regards to the likelihood of risk and the capacity for enforcement. It was also recommended that the VCGLR present their views on how to approve and regulate these products at the next meeting (28 February 2018).

Incident in the Responsible Gaming Support Centre (RGSC), 19 January 2018

As previously notified to the Board, on 19 January 2018, an individual, Mr Mohammed Davodi, entered the Responsible Gambling Centre carrying a backpack with a can of petrol and spoke to one

of our officers making threats that he was going to set himself on fire, our staff member rang Surveillance who alerted Security. Security attended and upon arrival Mr Davodi poured petrol on himself and set himself alight. The flames were doused and three out of four of our officers experienced minor injuries. Mr Davodi was walked out of the office and taken to the bathrooms where he had more water applied to him. Police, Ambulance and Fire Brigade all arrived soon after and he was taken to hospital with 70% burns to his body and we were informed that he was in a critical condition. There was some minor property damage to the offices. The fourth security officer was taken to hospital with burns to his hands and arms (not critical).

Some smoke filtered downstairs into the Poker Room and the fire alarm went off but no evacuation was required.

RGSC staff have participated in de-briefs, counselling has been offered and engaged with as per each staff member's personal requirements. The RGSC has been repainted and recarpeted, other damage made good, with some immediate security enhancements including additional mobile duress alarms. Further changes are anticipated following the Security Review.

Joint Self-Exclusion Crown Melbourne and Crown Perth

The Crown Resorts Limited Responsible Gaming Board Committee has recommended that the current Crown Melbourne and Crown Perth Joint Self-Exclusion Program be reviewed with a view to changing this as an opt out of a joint self-exclusion rather than the current opt in. These changes will require a number of considerations and work with the VCGLR. This is anticipated to be introduced this financial year, following some clarification with the CRL RG Board Committee at the meeting 14 February 2018.

Section 25 Review

The VCGLR formally advised Crown Melbourne on 25 July 2017 that the 6th Review of the Casino Operator and Licence (Review), pursuant to s 25 of the Casino Control Act would be commencing and a request was made by the VCGLR for submissions from Crown. Requests for submissions from public and community interested groups, Law Enforcement Agencies and other Regulators of Crown (such as AUSTRAC), were also made. The current Review period covers 1 July 2013 to 30 June 2018. All Submissions were required to be made by 21 September 2017, with Crown's being filed at the same time. All submissions will be made publically available and published on the VCGLR's website; however, this has not occurred to date.

Since September, Crown Melbourne has responded to various requests from the VCGLR for information covering the broad operations of the business (we have received well in excess of 100 requests for written information and have responded to each of those, as and when required). Crown Melbourne and Crown Resorts have also undertaken a number of requested presentations (including the Corporate Group Structure, Security and Surveillance, Tables Games, Gaming Machines, VIP International, RSG and RSA). The next requests will be for interviews with staff members and approved Associates. The interviews will range from about 8-10 gaming floor staff, through to the CEO of Australian Resorts, the Chairman and Chief Financial Officer of Crown Resorts Limited and other Board Members.

We anticipate that this Review will have a significant focus on junket operations, RSG (specifically around the use of data and facial recognition technology), Anti-Money Laundering, Crown's sell-down of its Asian interests, the matters in China and possibly touch on the Wilkie allegations.

The usual practice is that a draft copy of the VCGLR's report will be provided to Crown for review and comment with the final report to be provided to the Minister for Gaming by 30 June 2018.

Crown Perth

Surveillance Manning Levels

The Gaming & Wagering Commission (**Commission**) in October 2015 when approving the reduction in Table Games Supervision levels, resolved that Crown Perth must temporarily increase the mandatory Surveillance Department manning levels by one Surveillance Operator per shift which was to be dedicated to monitoring live table games operations.

At the Commission's December 2017 meeting, it resolved that Crown Perth is to continue with this one additional Surveillance Operator for an indefinite period.

Amendment of the Boundary of the Resort Site

Crown Perth (Burswood Nominees Ltd and Burswood Resort (Management) Limited) has consented to the excision of Burswood Park Board Land (approximately 5.3 hectares of Resort Site) for purposes related to Perth Stadium transport access.

Consent has also been provided to increase the parklands by approximately 158 m² for water utility infrastructure.

Crown Perth Noise Management

Crown Perth continues to receive ongoing noise complaints from residents of the Burswood Peninsula and is still waiting on the final determination of the noise assessment including a review being completed by the Department of Water, Environment Regulation.

Crown Perth's Noise Management Plan has been completed and will seek to manage noise from operational activities including the Theatre, EvE, Merrywell, Convention Centre and Property Services.

Crown Perth is separately progressing a noise exemption from the Minister for Environment, which will be submitted once the Noise Management Plan has been implemented. The noise exemption will focus on mechanical plant and activities related to the bumping in and out of the Convention Centre and Theatre.

Car Park Undercroft Assessment

Property Services continue to carry out minor works associated with the engineering reports obtained in respect of the compliance matters raised with respect to electrical, mechanical, fire and hydraulic services of the undercroft car park to the main casino building.

Further consultation is required with the external consultant in respect of the Mechanical Services Audit.

Hi-Line and Pyramid Tent

In accordance with clauses 13 and 7 of the Agreement scheduled to the *Casino (Burswood Island) Agreement Act 1985*, Ministerial approval has been obtained for the removal of the Pyramid Tent and development of Hi-Line (the roof top bar).

Counter Terrorism - Risk Management and Escalation Plan

Crown Perth continues to implement a number of initiatives and strategies addressing the key terrorism risk scenarios affecting Crown Perth.

These initiatives and strategies, as previously reported, have recently been articulated in a Risk Management Plan, together with recommended action plans applicable for the types of attacks which are considered to be the most likely and applicable to Crown Perth based on current intelligence.

An integral component of the Risk Management Plan was the conduct of a specific terrorism site risk assessment by external consultants. Overall, Crown Perth's framework (including training) was considered to be strong, with a good balance of proactive detection and security measures designed to deter and / or detect terrorist activity at Crown Perth.

Using their specific risk assessment criteria, the external consultant assessed the terrorism risk level for Crown Perth as medium. Specific areas were identified, together with further preventative actions to reduce the vulnerability to certain types of attacks. However it is relevant to note that, as a Crowded Place, the implementation of these actions are unlikely to reduce the overall risk level for Crown Perth while the current national threat level remains at Probable.

The actions recommended by the external consultant, and others identified by management, have been incorporated within the Risk Management Plan and by way of update include:

- The installation of fixed and extendable bollards at certain locations around the property, with particular focus on Plaza Level due to the number of patrons using the pathways. Security consultants and Projects have been working with Security Management to finalise a plan (including Capex requirements) and commence installation. Initial works are to commence in March 2018 subject to Executive approval. Completion of project will be subject to further Capex approval for F19;
- The rollout of Profiling and Body Language Awareness training to additional departments (Bell Services, Theatre Ushers, Hotel Front Desk) has commenced. Completion of this training is well advanced by Security and Surveillance staff;
- Installation of biometric access points on doors on critical infrastructure is to commence in April 2018;
- The installation of remote "drive open" emergency doors on the main gaming floor is expected to commence in February 2018, subject to receiving approval through the Department of Health;
- Capex for the installation of a PA system to allow a public announcement through EWIS (evacuation and public address system) will be sought through the F19 Capex process; and
- Implementation of 'Athoc' Crisis Communication / notification tool has been implemented and trialled successfully.

3.2. Crown Aspinall's and Aspers (UK)

Crown Aspinalls

A recommendation of Hodge Malek QC during his compliance review (which was submitted to the Gambling Commission), was that Aspinalls' compliance with its regulatory obligations would be internally reviewed every 2 years and externally reviewed every 4 years. The next internal review is scheduled to be undertaken on 14 February 2018 and as is required, the next external review is scheduled for 2020.

On 26 January 2018, the Gambling Commission served a notice on Aspinalls of its intention to conduct a compliance assessment in the property on 22 February 2018. All Personal Management Licence holders are required to be present in the building on that day to be interviewed and answer ad hoc questions as required. The Aspinalls' internal review commencing 14 February 2018, will be completed prior to the Gambling Commission's assessment on 22 February 2018.

Following the conclusion of the UK Gambling Commission's investigation into Crown Aspinalls' anti-money-lending and anti-money laundering compliance processes, which was undertaken at the same time as similar investigations into the compliance processes of a number of other Mayfair casinos, the Gambling Commission commenced a campaign across all UK casinos (including the Aspers casinos) of having them improve their anti-money-lending and anti-money laundering compliance processes and responsible gambling practices. The casinos' response is being coordinated by the UK casino industry association, the National Casino Forum (NCF). A number of strategies have been put forward as part of that negotiated process, including a best practice AML Guidance which was drafted by the NCF and proposed to the Gambling Commission, however as a result of the UK General Election, this project was placed on hold and remains so to date.

Crown is leading a project through the NCF, to amend s 81 of the UK *Gambling Act*, which prohibits credit in connection with gambling. The amendment was to permit the provision of credit to persons not ordinarily resident in the UK, however, the Gambling Commission has indicated a preference for revoking s 81 in its entirety. A submission to the Gambling Commission and the Gaming Minister was prepared and reviewed by a QC with experience in this area. Tax forecasting was also prepared by EY, and incorporated into the submission. Meetings with representatives of the Gambling Commission and the Department of Media Culture and Sport (DCMS) (which has oversight of the Gambling Commission) and HM Treasury have been held and full support has been received from both organisations. Further, the Board of the Gambling Commission has met and officially agreed to support the revocation of s 81, thus permitting UK casinos to offer credit (this will be restricted and controlled by provisions being entered by the Gambling Commission into the Licence Conditions and Codes of Practice (LCCPs), the Gambling Commission has not yet determined what those provisions will be). The initial proposal was to alter s 81 via a Finance Bill, however, HM Treasury has determined that that is no longer a suitable avenue and are working with DCMS to find an alternate Bill. Further, a number of new avenues to progress the legislative change have been initiated; these include an editorial article in newspapers about the benefits of the change to the community and Treasury, which included quotes from MP Sir David Amess, offering his support. Draft letters from Sir Amess MP have also been prepared and are being settled, which again support the financial benefits from international travellers in revoking s 81 and permitting credit. The letters are addressed to Ms Tracey Crouch MP, Parliamentary Under Secretary of State for Sport and Civil Society (DCMS) as well as Mr Robert Jenrick MP, Exchequer Secretary to the Treasury.

Aspers

The UK Government has recently held a consultation on proposals for changes to gaming machines (regarding increases to numbers, stakes and prizes) and social responsibility measures. The Government has now decided to 'keep the status quo' for casinos and grant the sector no changes. The message from Government is that the casino sector needs to 'work with the Gambling Commission on measures to enhance protections for players, and on evaluation of such measures'. Aspers is considering a number of responsible gaming measures that it will propose to the Gambling Commission.

3.3. Wagering – CrownBet and Betfair

CrownBet

On December 29, 2017, Crown entered an agreement for the sale of its 62% interest in CrownBet, together with loans advanced by it to CrownBet, for \$150 million. A deposit of \$30 million was received on December 29, 2017 and the balance is due by February 28, 2018. The purchaser is an entity associated with Matthew Tripp and the other shareholders, or its nominee. Confidentially, Matthew Tripp remains confident of completing the deal by nominating an entity associated with The Stars Group Inc, a Canadian online gaming company which operates the Pokerstars platform and associated businesses. Alternative financing is also being sought from two international investment banks.

At February 11, 2018, CrownBet's year to date EBITDA of \$2.1 million, is \$5.6 million below budget but \$4.1 million better than the same period last year. This result includes:

- EBITDA from the Core business of \$7.5 million, which is \$4.3 million below budget mainly due to the timing of marketing and promotion costs being pulled forward in the financial year.
- A decision was made during January not to pursue the Clubs NSW initiative. The year to date EBITDA investment in the ClubsNSW business was \$4.8 million, \$0.2 million less than the budgeted EBITDA loss of \$5.0 million. This mainly consisted of the legal fees expended on the intervention in the Tabcorp/ Tattersalls merger as well as the NSW Supreme Court declaratory relief hearing as previously reported.
- Prior to its closure in October 2017, the Lotto business incurred net costs of \$1.9 million. YTD it was budgeted to have lost \$0.4 million.
- Draftstars contra received of \$1.3 million is in line with budget.

Current trading in the core business is in line with budget, as a result of a cost cutting exercise completed late in 2017. Stake, however, is falling short of targets due to a lack of active momentum which has been present since late November. This was masked in December and January by some high staking clients, however these individuals have reduced their activity during February.

On January 2, 2018, CrownBet bought out its partners in Draftstars for \$1 each. A transaction to merge Draftstars with its competitor is in the final stages of negotiation and is expected to complete later in February or early in March. Should such a transaction not eventuate, the business will be shut down.

Betfair

Revenue grew 25% YoY to \$6.5m in January, posting our second-best revenue month (the record being October 2017). Recent trading from our number one customer has been soft, but pleasingly the broader customer base has seen very strong growth.

Throughout Autumn Betfair will push a new Value Campaign, highlighting Betfair's better price relative to other wagering operators. In addition, throughout March and April commission charged to customers betting on all Victoria thoroughbred racing will be reduced from 6% to 5%. Racing Victoria are supportive of this trial and recognise that although it might reduce in lower product fees (as they charge 35% of revenue) that price elasticity should result in turnover increasing to offset the yield decrease. Regardless this will again prove a useful data point in helping us understand pricing levers to mitigate product fees and point of consumption taxes.

Betfair is also rolling out a number of VIP customer "Debates", the first of which will be held in Club23 in February. These events provide a platform for us to educate prospective customers, as well as racing and sports administrators on the uniqueness and value in a vibrant betting exchange.

Legal and Regulatory

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National Consumer Protection Framework (NCPF)

During January / early February 2018, RWA has been liaising with the Commonwealth Department of Social Services (DSS) about the status and content of the NCPF. DSS has advised the RWA that:

- at this stage, the NCPF is likely to be finalised in or around April 2018 (**Finalisation Date**); and
- in relation to the specific NCPF measures:
 - the National Self-Exclusion Register for online wagering is likely to commence operation **12 months** after the Finalisation Date. As previously advised, CrownBet and Sportsbet

have collaborated on a pilot Self-Exclusion Register which is likely to be adopted as the technology solution for the National Self-Exclusion Register;

- the prohibition on offering sign-up inducements to customers is likely to commence operation **6 months** after the Finalisation Date.; and
- new requirements in relation to customer Activity Statements are likely to commence operation **12 months** after the Finalisation Date. In this regard, we note that, in mid-December 2017, the RWA sent a proposal to the Minister for Human Services in relation to the format of Activity Statements. RWA has proposed that wagering operators be required to display a 30-day rolling 'snapshot' to customers, so that customers can see the amount of money they have won/lost over the previous 30 days.

Prohibition on credit betting

On February 17, 2018, the *Interactive Gambling Act 2001* (Cth) (**IGA**) will prohibit wagering operators providing credit to customers in Australia.

Betfair and CrownBet have in place operational plans to ensure compliance with the IGA and Management does not consider that the prohibition will have a significant impact on the respective businesses.

In-play wagering – multi day sporting events

On December, 14 2017, the *Interactive Gambling (Sporting Events and Excluded Wagering Services) Determination 2017* (Cth) came into effect. The amendment clarified that online wagers could be placed in relation to multiple-day cricket matches (e.g. a cricket test match), multiple-day cycling races and multiple-day golf tournaments, wagering operators can take online bets between days (i.e. from the conclusion of play on day 1 until the commencement of play on day 2).

This change provided much needed clarity and certainty for Betfair and CrownBet. The Australian Communications and Media Authority had previously been of the view that taking online bets between the end of day 1 / start of day 2 would be a breach of the IGA.

3.4. Crown Resorts Group

Updates on the Crown Sydney, One Queensbridge and Japan projects are included in the Development Update. Other key Group issues are covered in separate papers included in the Board Pack.

REDACTED - PRIVILEGE

REDACTED - PRIVILEGE



Net Debt and Cash Flow

Net Debt Movements	YTD 11/02/2018	Forecast 30/06/2018
Opening Net Debt (excl. Working Capital Cash)	(308.5)	(308.5)
Theoretical EBITDA	556.6	875.7
Add/(Less): Variance from Theo	(52.5)	(52.5)
Reported EBITDA	504.1	823.2
Working Capital Movements	(29.8)	(29.4)
Crown Melbourne Maintenance Capital Expenditure	(31.0)	(64.8)
Crown Perth Maintenance Capital Expenditure	(7.5)	(19.5)
Crown Aspinalls Capital Expenditure	(6.0)	(7.7)
CrownBet Capital Expenditure	(13.1)	(13.8)
Betfair Capital Expenditure	(0.8)	(3.0)
DGN Capital Expenditure	(5.9)	(9.3)
Net Interest	(47.5)	(83.3)
Taxation Payments	(58.8)	(68.8)
Cashflow from Operating Activities	303.7	523.4
Growth Capital Expenditure and Investments		
Crown Sydney Capital Expenditure	(185.9)	(293.0)
Crown Towers Perth and Associated Projects	(2.4)	(20.5)
Other	147.6	132.4
Dividends Received from Associates	3.9	7.7
CrownBet Sale Proceeds	30.0	150.0
Alon Land Sale Proceeds	332.2	332.2
Cashflow from Investing Activities	325.5	308.9
Net Cashflow	629.1	832.3
Dividends Paid	(206.7)	(413.3)
Share Buy-Back	(0.1)	(366.9)
Closing Group Net Debt (excl. Working Capital Cash)	113.8	(256.4)
Closing Group Net Debt (Budget)		(631.6)

F18 Net Debt Roll Forward		
	\$M	\$M
Opening net debt		(308.5)
Melbourne EBITDA	635.0	
Melbourne theoretical adjustment	(64.7)	
Perth EBITDA	247.7	
Perth theoretical adjustment	12.8	
Aspinall's EBITDA	21.1	
Aspinall's theoretical adjustment	(0.5)	
Wagering and Online EBITDA	28.2	
Corporate	<u>(56.3)</u>	
Total EBITDA at theoretical		875.7
Total theoretical adjustment		(52.5)
Working capital		(29.4)
Capex		
Melbourne	(64.8)	
Perth	(40.0)	
Sydney	(293.0)	
Aspinall's	(7.7)	
Wagering and Online	<u>(26.1)</u>	(431.6)
Interest		(83.3)
Tax		(68.8)
Other (jets)		30.0
Dividends		(413.3)
Share Buy-Back		(366.9)
Net debt before investments		(848.6)
Investments		
Alon Las Vegas		332.2
Caesars		69.6
CrownBet		150.0
DGN Earn Out		(10.5)
Ellerston		60.4
Other Net		<u>(9.5)</u>
Closing net debt		(256.4)

Net cash at 11 February was \$113.8m (excluding working capital cash of \$174.2m), comprising closing available cash of \$1,643.6m and gross debt of \$1,529.8m. Forecast net debt at 30 June 2018 of \$256.4m is expected to be \$375.2m lower than budget.

The key reasons for forecast closing net debt as at 30 June 2018 being lower than budget can be summarised as follows:

- F18 EBITDA is forecast to be \$37m lower than budget due to below theoretical win rates at Crown Melbourne (\$64.7m) and Crown Aspinalls (\$0.5m), lower theoretical EBITDA at Aspinalls (\$8.9m) and the removal of CrownBet from March 2018 (\$11.4m), partially offset by above theoretical win rates at Crown Perth (\$12.8m), higher theoretical EBITDA at Crown Melbourne (\$24.8m) and Crown Perth (\$0.7m), higher wagering and online EBITDA at Betfair (\$1.5m) and DGN (\$1.0m) and lower corporate costs (\$7.6m).

- The current forecast includes the unbudgeted receipt of \$150m (inclusive of the \$30m deposit received in December 2017) resulting from the anticipated disposal of Crown's 62% interest in CrownBet.
- The budget had assumed that Crown would sell the Alon land for US\$200m and receive US\$176m (A\$235.0m) for Crown's share of the disposal. In January 2018, Alon sold the land to Wynn for US\$300m, with Crown receiving US\$262.7m (A\$332.2m) from the land disposal, resulting in A\$97.2m of additional cash proceeds.
- The budget assumed a buy-back of 33.3m shares to be bought back at an average price of \$12.80 per share. In August 2017 Crown announced a buy-back of 29.3m shares. The latest forecast assumes an average buy-back price of \$12.50 per share and the buyback to commence after release of Crown's half year results. The lower number of shares bought back and the lower forecast share price has resulted in a \$59m lower share buy-back compared to budget.
- As a result of the lower number of shares bought back and the buyback occurring after Crown's half year results, Crown's dividend payments have increased by \$10m.
- In May 2017, Crown and CPH jointly entered into a finance lease arrangement with ANZ on a Bombardier Global Express aircraft. In September 2017, CPH took over Crown's portion of the lease, resulting in a \$25.0m reduction in gross debt with the removal of the finance lease (and removal of the aircraft asset).
- Taxation payments are forecast to be \$67m lower than budget primarily due to an anticipated tax refund on the F17 tax return as well as a lower second half instalment rate post lodgement of the final F17 tax return.
- Interest payments are forecast to be \$10m lower than budget, due to lower than budgeted net debt levels as a result of the delay in the commencement of the share buy-back.
- Other investing cashflows are forecast to be \$18m favourable to budget, primarily due to:
 - Removal of equity contributions for Queensbridge (\$15.0m);
 - Higher proceeds from the Caesars share sale (\$9.6m); partially offset by
 - Higher forecast DGN earn-out payment (\$3.6m);
 - Higher forecast Chill Gaming equity contributions (\$1.9m); and
 - Unbudgeted equity contributions to Zengaming (\$1.1m)

Total liquidity at 11 February 2018 was \$2,044.6m taking into account available unused facilities of \$401.0m and available cash of \$1,643.6m (excluding \$174.2m of working capital and restricted cash).