



## Crown Resorts Chief Executive Officer's Report – 16 August 2016

### July 2016 Preliminary Results

|   | Estimate     |             | Budget       |               | Variance    |              | July           |       | Actual |       | Variance |  |
|---|--------------|-------------|--------------|---------------|-------------|--------------|----------------|-------|--------|-------|----------|--|
|   | Jul-16       | Jul-16      | Jul-16       | Jul-16        | F/(U)       | F/(U)        | Jul-15         | F/(U) | Jul-15 | F/(U) | F/(U)    |  |
|   | \$m          | \$m         | \$m          | \$m           | %           | %            | \$m            | \$m   | \$m    | %     | %        |  |
| <b>EBITDA @ Theoretical</b>                         |              |             |              |               |             |              |                |       |        |       |          |  |
| Melbourne - Local                                   | 46.2         | 45.6        | 0.6          | 1.3%          | 47.4        | (1.2)        | (2.5%)         |       |        |       |          |  |
| Melbourne - VIP Program                             | 6.6          | 11.6        | (4.9)        | (42.7%)       | 18.3        | (11.7)       | (63.8%)        |       |        |       |          |  |
| Crown Melbourne                                     | 52.9         | 57.2        | (4.3)        | (7.6%)        | 65.8        | (12.9)       | (19.6%)        |       |        |       |          |  |
| Perth - Local                                       | 23.0         | 22.2        | 0.8          | 3.4%          | 20.4        | 2.6          | 12.6%          |       |        |       |          |  |
| Perth - VIP Program                                 | 2.0          | 0.6         | 1.4          | 239.9%        | (1.0)       | 3.0          | 309.5%         |       |        |       |          |  |
| Crown Perth   | 25.0         | 22.8        | 2.2          | 9.6%          | 19.5        | 5.6          | 28.6%          |       |        |       |          |  |
| Crown Aspinalls                                     | 5.3          | 4.9         | 0.4          | 7.9%          | 4.5         | 0.8          | 18.0%          |       |        |       |          |  |
| Wagering & Online                                   | 0.2          | (0.1)       | 0.3          | 285.5%        | (2.1)       | 2.2          | 108.3%         |       |        |       |          |  |
| Corporate   | (7.4)        | (7.2)       | (0.2)        | (2.8%)        | (7.6)       | 0.2          | 2.8%           |       |        |       |          |  |
| <b>TOTAL EBITDA @ Theoretical</b>                   | <b>75.9</b>  | <b>77.6</b> | <b>(1.7)</b> | <b>(2.2%)</b> | <b>80.0</b> | <b>(4.1)</b> | <b>(5.1%)</b>  |       |        |       |          |  |
| Depreciation  | (23.5)       | (23.5)      | 0.0          | 0.0%          | (23.0)      | (0.5)        | (2.0%)         |       |        |       |          |  |
| Interest  | (9.1)        | (9.6)       | 0.5          | 5.5%          | (12.1)      | 3.0          | 25.1%          |       |        |       |          |  |
| Taxation  | (8.7)        | (8.9)       | 0.2          | 2.6%          | (9.0)       | 0.3          | 3.3%           |       |        |       |          |  |
| Equity Accounted Result (ex MCE)                    | 0.2          | 0.3         | (0.1)        | (47.2%)       | 0.0         | 0.2          | N/A            |       |        |       |          |  |
| Minority Interest                                   | 0.4          | 0.6         | (0.2)        | (26.2%)       | 0.7         | (0.3)        | (38.0%)        |       |        |       |          |  |
| <b>Crown NPAT @ Theo (ex MCE)</b>                   | <b>35.3</b>  | <b>36.5</b> | <b>(1.2)</b> | <b>(3.4%)</b> | <b>36.6</b> | <b>(1.3)</b> | <b>(3.5%)</b>  |       |        |       |          |  |
| Crown's share of MCE (Theo)                         | 8.2          | 7.7         | 0.5          | 6.3%          | 16.3        | (8.1)        | (49.7%)        |       |        |       |          |  |
| <b>Crown NPAT @ Theo</b>                            | <b>43.5</b>  | <b>44.2</b> | <b>(0.7)</b> | <b>(1.7%)</b> | <b>52.9</b> | <b>(9.4)</b> | <b>(17.8%)</b> |       |        |       |          |  |
| <b>EBITDA @ Actual</b>                              |              |             |              |               |             |              |                |       |        |       |          |  |
| Crown Melbourne                                     | 61.4         | 57.2        | 4.1          | 7.3%          | 38.1        | 23.3         | 61.1%          |       |        |       |          |  |
| Crown Perth   | 35.6         | 22.8        | 12.8         | 55.9%         | 23.1        | 12.4         | 53.7%          |       |        |       |          |  |
| Crown Aspinalls                                     | 13.7         | 4.9         | 8.9          | 181.6%        | 8.8         | 4.9          | 55.5%          |       |        |       |          |  |
| Wagering & Online                                   | 0.2          | (0.1)       | 0.3          | 285.5%        | (2.1)       | 2.2          | 108.3%         |       |        |       |          |  |
| Corporate   | (7.4)        | (7.2)       | (0.2)        | (2.8%)        | (7.6)       | 0.2          | 2.8%           |       |        |       |          |  |
| <b>TOTAL EBITDA @ Actual</b>                        | <b>103.4</b> | <b>77.6</b> | <b>25.8</b>  | <b>33.3%</b>  | <b>60.3</b> | <b>43.1</b>  | <b>71.4%</b>   |       |        |       |          |  |
| <b>Crown NPAT @ Actual (ex MCE)</b>                 | <b>55.4</b>  | <b>36.5</b> | <b>18.9</b>  | <b>51.7%</b>  | <b>23.3</b> | <b>32.1</b>  | <b>138.0%</b>  |       |        |       |          |  |
| Crown's share of MCE (Actual)                       | 6.6          | 7.7         | (1.1)        | (14.5%)       | 9.1         | (2.5)        | (27.9%)        |       |        |       |          |  |
| <b>Crown NPAT @ Actual before Significant items</b> | <b>62.0</b>  | <b>44.2</b> | <b>17.8</b>  | <b>40.2%</b>  | <b>32.4</b> | <b>29.6</b>  | <b>91.2%</b>   |       |        |       |          |  |

The table above shows the preliminary consolidated result for Crown Resorts for the month of July 2016 including the latest MCE management estimates.

July normalised NPAT of \$43.5m is expected to be \$0.7m (2%) below budget and \$9.4m (18%) below last year. Reported NPAT is expected to be \$62.0m which is \$17.8m (40%) above budget, impacted by favourable variances from theoretical at all properties.

#### Australian Resorts (including Aspinalls)

Australian Resorts normalised NPAT (ie excluding MCE) for July of \$35.3m is expected to be \$1.2m (3%) below budget and \$1.3m (4%) below last year. Reported NPAT (excluding MCE) of \$55.4m is expected to be \$18.9m (52%) above budget and \$32.1m (138%) above last year.

Theoretical EBITDA of \$75.9m was \$1.7m (2%) below budget and \$4.1m (5%) below last year. The main factors impacting the results were:

- In relation to the Australian businesses, **Crown Melbourne** EBITDA was \$4.3m (8%) below budget (Local +\$0.6m or +1%, VIP -\$4.9m or -43%), and \$12.9m (20%) below



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last year (Local -\$1.2m or -3%, VIP -\$11.7m or -64%). **Crown Perth** was \$2.2m (10%) above budget (Local +\$0.8m or +3%, VIP +\$1.4m or +240%) and \$5.6m (29%) above last year (Local +\$2.6m or +13%, VIP +\$3.0m or +310%).

- In Melbourne, local contribution was \$0.6m (1%) above budget but \$1.2m (3%) below last year. Local Tables were \$0.8m (3%) above budget with drop 1% below budget, and a hold of 21.5% (vs budget of 20.8%). Slots contribution was \$0.3m (2%) below budget, with turnover 2% below budget and a win rate of 8.3% (budget of 8.3%). F&B was \$0.2m (5%) above budget, with strong results in Bars and Events & Conferencing. Hotels were \$0.1m (1%) below budget with below budget occupancy in all 3 hotels. Room rate was above budget in Towers, but below budget in Metropol and Promenade.
- Melbourne VIP theoretical contribution of \$6.6m was \$4.9m (43%) below budget, with turnover of \$3.5b which was 26% below budget. An above theoretical win rate of 2.16% resulted in an \$8.5m positive variance from theoretical.
- In Perth, local contribution was \$0.8m (3%) above budget and \$2.6m (13%) above last year. Local Tables contribution was \$0.6m (7%) above budget, with drop 4% above budget and a hold of 23.8% (budget of 23.2%). Slots contribution was \$0.7m (4%) above budget, with turnover 3% above budget and a win rate of 8.5% (budget of 8.3%). F&B was in line with budget, while Conventions & Entertainment was \$0.5m below budget. Hotels contribution was in line with budget with above budget occupancy in both hotels. Promenade room rate was above budget, while Metropol room rate was below budget.
- Perth VIP theoretical contribution was \$1.4m above budget, with turnover of \$1.7b which was 37% above budget. The win rate was 2.33%, resulting in a \$10.6m favourable variance from theoretical.
- **Crown Aspinall's** theoretical EBITDA of \$5.3m was \$0.4m (8%) above budget, and actual EBITDA was \$8.9m above budget with a win rate of 1.58%. Turnover of £1.3b was 19% above budget.
- **Wagering & Online** contribution of \$0.2m was \$0.3m above budget for the month. CrownBet reported breakeven EBITDA, Betfair's EBITDA was \$0.4m and DGN's EBITDA was -\$0.1m. CrownBet's result was \$0.1m below budget due to below budget customer stakes, partially offset by an above budget win rate of 11.2% (vs budget of 9.9%).

### Melco Crown Entertainment (MCE)

Crown's share of MCE's normalised result of \$8.2m is expected to be \$0.5m (6%) above Crown's budget but \$8.1m (50%) below last year. The MCE estimate (normalised EBITDA US\$92.1m, normalised NPAT US\$22.5m, Crown share A\$8.2m) is based on MCE's DOR's and CY16 budget. COD and Altira reported win rates of 2.24% and 2.68% respectively, while Manila's win rate for the month was 4.21%, resulting in a net unfavourable variance from theoretical of US\$3.5m for MCE.

In comparison to MCE's CY16 budget, normalised EBITDA of US\$92.1m was US\$11.7m (11%) below budget, but US\$8.6m (10%) above last year.



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- COD's theoretical EBITDA of US\$64.3m was US\$2.2m (3%) below budget with VIP roll 13% above budget. COD mass drop was 4% below budget at a below budget hold of 35.0% (vs budget of 36.5%). COD's theoretical EBITDA was US\$11.7m (15%) below last year.
- Altira's theoretical EBITDA of US\$5.6m was \$0.9m (19%) above budget, with roll 15% below budget. Altira mass drop was 33% below budget at an above budget hold of 26.9% (vs budget of 17.9%). Altira's theoretical EBITDA was \$0.6m (9%) below last year.
- Studio City's theoretical EBITDA of US\$16.7m was \$9.2m (35%) below budget. Studio City mass drop was 28% below budget at a below budget hold of 26.3% (vs budget of 26.5%). Gaming machines turnover was 30% below budget, with win 44% below budget.
- COD Manilla's theoretical EBITDA of US\$10.8m was \$0.9m (7%) below budget, with roll 32% below budget. Mass drop was 23% above budget, with below budget hold of 27.3% (vs budget of 27.8%). COD Manilla's theoretical EBITDA was \$3.6m (49%) above last year.
- Mocha's EBITDA of US\$2.7m was US\$0.1m (5%) above budget but US\$0.4m (12%) below last year.

### **Crown Resorts Group**

Corporate costs are expected to be \$0.2m (3%) above budget due to higher costs relating to tax litigation and demerger and REIT related consulting fees. Depreciation and amortisation is expected to be in line with budget. Net interest expense of \$9.1m is expected to be 6% below budget and 25% below last year.

Reported NPAT for the month of \$62.0m is expected to be \$17.8m (40%) above budget. Crown Melbourne and Crown Perth reported win rates of 2.16% and 2.33% respectively, resulting in a combined favourable variance from theoretical of \$19.0m pre income tax for the Australian operations. Crown Aspinalls reported a favourable variance from theoretical of A\$8.4m pre income tax for the month with a win rate of 1.58%.



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### F16 Full Year Results

|   | FY16         |              | Full Year     |                | FY15         |                | Variance       |       |
|---|--------------|--------------|---------------|----------------|--------------|----------------|----------------|-------|
|   | Actual       | Budget       | F/(U)         | F/(U)          | Actual       | F/(U)          | F/(U)          | F/(U) |
|   | \$m          | \$m          | \$m           | %              | \$m          | \$m            | \$m            | %     |
| <b>EBITDA</b>                                 |              |              |               |                |              |                |                |       |
| Crown Melbourne                               | 690.5        | 660.8        | 29.7          | 4.5%           | 681.6        | 8.8            | 1.3%           |       |
| Crown Perth                                   | 264.5        | 274.3        | (9.7)         | (3.5%)         | 260.1        | 4.4            | 1.7%           |       |
| Crown Aspinalls                               | 26.5         | 52.1         | (25.6)        | (49.1%)        | 31.8         | (5.3)          | (16.6%)        |       |
| Wagering & online                             | (5.4)        | 4.6          | (10.0)        | (219.5%)       | (16.0)       | 10.5           | 65.9%          |       |
| Corporate                                     | (98.4)       | (93.2)       | (5.3)         | (5.7%)         | (107.3)      | 8.9            | 8.3%           |       |
| <b>EBITDA</b>                                 | <b>877.6</b> | <b>898.5</b> | <b>(20.9)</b> | <b>(2.3%)</b>  | <b>850.2</b> | <b>27.4</b>    | <b>3.2%</b>    |       |
| D&A   | (282.8)      | (278.9)      | (3.9)         | (1.4%)         | (262.9)      | (19.9)         | (7.6%)         |       |
| <b>EBIT</b>                                   | <b>594.8</b> | <b>619.6</b> | <b>(24.8)</b> | <b>(4.0%)</b>  | <b>587.3</b> | <b>7.5</b>     | <b>1.3%</b>    |       |
| Tax expense                                   | (93.7)       | (95.2)       | 1.5           | 1.6%           | (99.8)       | 6.1            | 6.1%           |       |
| Net interest                                  | (141.6)      | (143.5)      | 1.9           | 1.3%           | (112.3)      | (29.3)         | (26.1%)        |       |
| Equity accounted results (ex MCE)             | (1.4)        | (3.5)        | 2.1           | 59.6%          | 0.0          | (1.4)          | (924.1%)       |       |
| Minority interest                             | 5.2          | 2.3          | 2.9           | 128.2%         | 6.7          | (1.5)          | (22.2%)        |       |
| <b>Normalised NPAT (excluding MCE)</b>        | <b>363.3</b> | <b>379.7</b> | <b>(16.4)</b> | <b>(4.3%)</b>  | <b>381.9</b> | <b>(18.6)</b>  | <b>(4.9%)</b>  |       |
| <b>MCE (Crown share)</b>                      | <b>58.1</b>  | <b>66.0</b>  | <b>(7.9)</b>  | <b>(12.0%)</b> | <b>161.2</b> | <b>(103.1)</b> | <b>(63.9%)</b> |       |
| <b>Normalised NPAT</b>                        | <b>421.4</b> | <b>445.7</b> | <b>(24.3)</b> | <b>(5.4%)</b>  | <b>543.2</b> | <b>(121.7)</b> | <b>(22.4%)</b> |       |
| Win rate adjustment - Australia               | (5.8)        | -            | (5.8)         | N/A            | 5.0          | (10.7)         | (216.0%)       |       |
| Taxation on win rate adjustment - Australia   | 1.7          | -            | 1.7           | N/A            | (1.5)        | 3.2            | 216.0%         |       |
| Win rate adjustment - UK                      | (10.5)       | -            | (10.5)        | N/A            | (77.0)       | 66.6           | 86.4%          |       |
| Taxation on win rate adjustment - UK          | 2.1          | -            | 2.1           | N/A            | 16.0         | (13.9)         | (86.9%)        |       |
| Win rate adjustment - Melco Crown             | 12.6         | -            | 12.6          | N/A            | (4.3)        | 16.9           | 392.8%         |       |
| Melco Crown Pre Opening                       | (28.1)       | (32.4)       | 4.3           | 13.2%          | (34.9)       | 6.8            | 19.5%          |       |
| <b>Reported NPAT before Significant Items</b> | <b>393.6</b> | <b>413.4</b> | <b>(19.8)</b> | <b>(4.8%)</b>  | <b>446.4</b> | <b>(52.8)</b>  | <b>(11.8%)</b> |       |
| Net gain on sale of MCE                       | 602.0        | -            | 602.0         | N/A            | -            | 602.0          | N/A            |       |
| Early debt retirement costs (net of tax)      | (40.8)       | -            | (40.8)        | N/A            | -            | (40.8)         | N/A            |       |
| Proposed demerger related costs               | (9.0)        | -            | (9.0)         | N/A            | -            | (9.0)          | N/A            |       |
| Aspers impairment reversal                    | 35.5         | -            | 35.5          | N/A            | -            | 35.5           | N/A            |       |
| Tax provision – amended assessments           | (32.4)       | -            | (32.4)        | N/A            | -            | (32.4)         | N/A            |       |
| Asset impairment (net of tax)                 | -            | -            | -             | N/A            | (61.3)       | 61.3           | 100.0%         |       |
| <b>Reported NPAT after Significant Items</b>  | <b>948.8</b> | <b>413.4</b> | <b>535.5</b>  | <b>129.5%</b>  | <b>385.0</b> | <b>563.8</b>   | <b>146.4%</b>  |       |

The group's total F16 normalised NPAT of \$421.4m is \$24.3m (5%) below budget and \$121.7m (22%) below last year. F16 actual NPAT of \$948.8m is \$535.5m (130%) above budget and \$563.8m (146%) above last year, including net significant gains of \$555.2m in F16, compared to a significant expense of \$61.3m in the prior year.

#### Australian Resorts (including Crown Aspinall's)

Australian Resorts normalised F16 NPAT (excluding MCE) of \$363.3m is \$16.4m (4%) below budget and \$18.6m (5%) below last year. Reported F16 NPAT (excluding MCE and significant items) of \$350.9m is \$28.8m (8%) below budget, but \$26.6m (8%) above last year.

- Group theoretical F16 EBITDA of \$877.6m is \$20.9m (2%) below budget. Crown Melbourne is \$29.7m (5%) above budget, Crown Perth \$9.7m (4%) below budget, Crown Aspinalls is \$25.6m (49%) below budget and Wagering & Online is \$10.0m (220%) below budget. Group theoretical EBITDA is \$27.4m (3%) above last year with Crown Melbourne above last year by \$8.8m (1%), Crown Perth above last year by \$4.4m (2%), Crown Aspinalls \$5.3m (17%) below last year and Wagering & Online \$10.5m (66%) above last year. Corporate costs are \$8.9m below last year due largely to the Aspers dividend and no short film costs in F16, partially offset by LTI expenses, higher tax consulting expenses, marketing and advertising costs and Nobu acquisition costs.



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- Crown Melbourne's theoretical F16 result is due to an above budget Local contribution (\$13.5m or 3% above budget) and an above budget VIP Program Play contribution (\$16.2m or 15% above budget). Program play turnover of \$50.1b is \$7.5b (18%) above budget but \$2.2b (4%) below last year. The above budget local result is attributable to above budget results in Table Games (\$21.4m or 7% above budget) and Hotels (\$1.1m or 1% above budget), partially offset by Gaming Machines (\$1.1m or 1% below budget), Food & Beverage (\$0.7m or 1% below budget) and Other Non-Gaming Operations (\$1.9m or 4% below budget). Crown Melbourne's theoretical F16 result is \$8.8m (1%) above last year (Local +\$31.7m or +6%, VIP -\$22.9m or -15%).
- Crown Perth's theoretical F16 result is due to a below budget VIP Program Play contribution (\$9.8m or 76% below budget), partially offset by an above budget Local contribution (\$0.1m above budget). VIP turnover of \$15.0b is \$4.4b (23%) below budget. The above budget local result is due to above budget results in Conventions & Entertainment (\$1.6m or 23%) and savings in Support departments, partially offset by below budget results in Table Games (\$2.1m or 2%), Food & Beverage (\$4.2m or 12%) and Hotels (\$1.7m or 5%). Gaming Machines was in line with budget. Crown Perth's theoretical F16 result is \$4.4m (2%) above last year (Local +\$11.7m or +5%, VIP -\$7.2m or -70%).
- Crown Aspinalls' below budget theoretical result is due to below budget VIP Program turnover of £6.0b being £2.8b (32%) below budget. The win rate of 0.69% is below theoretical (budget of 0.94%), resulting in a £5.5m unfavourable variance from theo.

### MCE

Crown's share of MCE's F16 normalised results of \$58.1m is \$7.9m (12%) below Crown's budget. COD theoretical F16 EBITDA is US\$103.2m (12%) below Crown's budget, Altira is US\$29.8m (65%) below budget, Mocha is US\$1.8m (6%) below budget, Studio City is \$39.1m (43%) below budget and COD Manila is \$51.6m (33%) below Crown's budget.

MCE F16 theoretical EBITDA is US\$112.9m (12%) below last year, with COD US\$206.3m (22%) below last year, Altira US\$51.5m (76%) below last year and Mocha US\$5.6m (18%) below last year. Corporate costs are US\$14.5m below last year. Crown's share of MCE's normalised result is \$103.1m (64%) below last year and actual results are \$79.4m (65%) below last year.

### Crown Resorts Group

F16 corporate costs of \$98.4m are \$5.3m (6%) above budget primarily impacted by Nobu, Ellerston & DGN acquisition costs, above budget tax consulting expenses and marketing costs, partially offset by the Aspers dividend and MTM gain on the Caesars investment. F16 net interest expense of \$141.6m is \$1.9m (1%) below budget.

F16 reported NPAT before significant items of \$393.6m is \$19.8m (5%) below budget and includes a net unfavourable normalisation adjustment of \$27.9m (net of income tax). The combined unfavourable variance from theoretical for the Australian casinos is \$5.8m (pre-income tax), with the F16 win rate on VIP Program Play of 1.32% at Crown Melbourne and 1.74% at Crown Perth. Crown Aspinalls' unfavourable variance from theoretical is \$10.5m (pre income tax) at a win rate of 0.69%. Crown's share of MCE's



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favourable variance from theoretical is \$12.6m, and Crown's share of MCE's pre-opening costs is \$28.1m.

F16 reported NPAT after significant items of \$948.8m is \$535.5m above budget and \$563.8 above last year. Significant items in F16 include the net gain on sale of MCE shares (\$602.0m) and a reversal of the Aspers impairment (\$35.5m), partially offset by early debt retirement costs (\$40.8m), proposed demerger related costs (\$9.0m) and a tax provision adjustment (\$32.4m).

## Current Issues

### Australian Resorts Marketing and HR Initiatives

- Crown Melbourne and Crown Perth Websites delivered strong results during June, driving 925k visits and tracking \$3.8m revenue in restaurants, tickets, hotels and gift sales. Traffic was up 16% year on year (YOY) in Melbourne and was temporarily down 9% YOY in Perth due to the high volume of Lion King visits in the prior corresponding period. Perth traffic volumes have since bounced back to double digit growth in July. Key drivers of traffic to the site remain Google SEO (Search Engine Optimisation) and paid advertising for Georgy Girl, San Antone and the Hotels Flash Sale 7-day offer.
- Crown's Social Media footprint now covers 372,000 users on Facebook (260,000 Melbourne and 112,000 Perth), with 36,100 followers on Instagram and 23,400 on Twitter. Social Media campaigns drove \$555k in revenue across the properties in June, predominantly driven in Melbourne by the Hotels Flash Sale and online bookings for Dinner by Heston. In Perth, it was similarly Hotels, supported by sales of the Theatre shows Georgy Girl and the Sound of Music.
- Crown Melbourne had a busy July calendar focused on a strong main floor promotion (Unlock the Treasure) to reinforce Crown's scale and broad offering to combat the increased competition from the local pub/club market. There was also a targeted guaranteed-win member promotion, where selected members had the chance to win a guaranteed prize on each day of the competition. The selected member group was defined using local government area and postcode data again to counter the local competition. Tactical jackpots including 15 Minute Frenzy and Crown Carnival were used across the gaming floor throughout the month and the VIP areas had a draw for the Luxury Car competition. This was flanked by key VIP events targeting local and interstate premium members.
- Crown Perth had a strong gaming propositions plan in place in July, including 4 Cars in 4 Weeks in the Meridian Room that included a daily instant win scratchie and the chance to win one of four Honda Civics with one car drawn each Tuesday night of the promotion. This delivered strong growth from Red and Gold tier Crown Club members. There was also great interest in the Pick a Prize promotion on the Casino Main Gaming Floor on Saturday nights giving the chance to win cash, televisions and smartphones. The premium segment in the Pearl Room featured the Lucky Time Jackpot and the Strike It Lucky (Accumulator-style) promotions being run on Friday nights across the month, and cash drawings on Saturday nights (the Choice Is Yours).



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- The Crown Loyalty transformation project is on target for an October 2016 launch of a unified program, with further enhancements planned to follow. In summary:
  - The program name has been confirmed as Crown Rewards, with the creative surrounding the program in the final stages of development;
  - Technical development is well under way, utilising a combination of Crown and Onseo (third party IT contractor) teams. These developments will provide a new system to integrate the loyalty program across Melbourne, Perth and CrownBet, provide a staff interface into the system, enable online sign up with the ability to earn points immediately and the creation of an online member rewards hub.
  - Member launch and staff launch plans are drafted and being finalised, with staff and member communications planned from September.
- There are currently 111 people employed in the CROWNability program across both properties with 62 at Crown Perth and 49 at Crown Melbourne. To date, Crown has provided employment for 159 people under the CROWNability program.
- The Australian Human Rights Commission has conducted a National Inquiry into Employment Discrimination against Older Australians and Australians with Disability and the report into this inquiry, known as Willing to Work was released on 2 May. The report cites two “good practice examples” (pp 271 and 295 of the report) with direct reference to Crown’s CROWNability program. The report was launched in Sydney in June 2016 and was attended by the EGM HR Crown Perth (Damir Kucan) and the Group Manager CROWNability. A further launch was hosted at Crown Perth on 8 July 2016 at which Damir Kucan and two Crown Perth employees, who are members of the program, spoke and was also attended by the EGM HR Crown Melbourne, CROWNability Group Manager and a number of other employees.
- The Crown Indigenous Employment Program (IEP) has increased the number of Indigenous employees over the past two months to 188 with 102 at Crown Melbourne and 86 at Crown Perth. The total number of hires to date under the program is 573.
- Crown Resort Indigenous Supplier Diversity Program launched at Crown Perth on 5 July during NAIDOC week. Crown Resorts has selected six Indigenous owned businesses, to participate in a six month program aimed at assisting the businesses to acquire the appropriate skills to tender for opportunities at Crown and the wider private and Government sectors. The launch of the event attracted local Perth media with Minister, The Honourable Peter Collier, launching the program along with members of Crown Perth senior management and the Perth Indigenous community.
- The Crown Resorts Elevate Reconciliation Action Plan (RAP) continues its development with Melbourne and Perth having introduced community members to each of the RAP Steering committees. Having these Elders and community members participate directly in the RAP creates a closer community working relationship and a better flow of communication throughout the community. The new members are:
  - Perth: Uncle Terry Cornwall, Robyn Smith-Wally, Danny Ford;



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- Melbourne: Aunty Di Kerr, Karen Milward, Mark Thomson.
- During NAIDOC week 2016, Crown Melbourne and Perth both hosted the State NAIDOC Balls. These events gave Crown Resorts exposure as a chief supporter of the community.
- As a RAP Elevate partner, Crown Melbourne and the IEP hosted Reconciliation Australia's 25 Year Dinner. Crown Resorts Limited Director, The Honourable Helen Coonan, spoke at the gala event, attended by significant figures of the reconciliation movement. Limited to 250 guests, Crown used the role of host and sponsor to ensure that 20 Crown employees attended to promote the IEP and to honour Crown employees with the experience of meeting leaders of the reconciliation movement.
- EGM HR Crown Melbourne, Alicia Gleeson, has joined the Victorian Government's Victorian Aboriginal Economic Board as a Board Member.
- Additionally, the following key activities have occurred:
  - Crown Melbourne launched the first Indigenous Leadership Program with nine employees selected from different business units.
  - Crown Melbourne launched the first All-Indigenous Food & Beverage (F&B) Traineeship. Ten candidates with no prior F&B experience undertook five days of training culminating with an interview. Five candidates successfully became F&B Trainees and have created a close functioning Indigenous cohort. IEP aims to have three cohorts per year.
  - The first class of Melbourne Indigenous Transitional School students from the Bairnsdale and the Northern Territory attended a tour of Crown Melbourne, specifically Crown College to understand the opportunities post high school. The approach was to reinforce the values and skills that employers seek and aligning these with the demands of High School studies.
  - Crown continued to lead many corporate discussions on RAP and Indigenous programs. In May and July Crown spoke with RAP Elevate members at the Richmond Football Club and in July at a leadership and career pathways round table. Attendees included executives of Sodexo, Rio Tinto, KPMG, Qantas and Telstra.
  - For the third year running AMP Super supported the IEP with use of the corporate box for the *Dreamtime at the G* event. This annual event is used as the key acknowledgement of the outstanding employees within Crown's IEP. AMP executives and Crown employees were joined by Aunty Caroline Briggs who gave a Welcome to Country.
  - Group Manager Sean Armistead presented to a number of events and forums including Indigenous entrepreneurs and business owners at the 5th Murra Indigenous Master Class, NESA Forum on "The direction of Indigenous Employment services in Australia".
- Crown has received the following awards:
  - Crown Resorts has been successful in the Australian Business Awards as an employer of Choice in the Community Contribution category.





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- Crown Resorts won the Victorian Property Council Awards for Diversity and Inclusion and was a finalist in the National awards.
- Crown Melbourne has been named as a finalist in two categories in the 2016 Australian HR Awards, HR Team of the year and Best Leadership Development Program. Winners will be announced at the Star on Friday 9 September.
- Learning and Development:
  - The 500 Training Places initiative continues at Crown Melbourne, with 203 enquiries received since August 2015. Crown has hosted information sessions for over 100 interested applicants and 53 have enrolled in the programs. Crown College has issued 25 qualifications. Six of these participants have gained employment at Crown, with 12 applicants currently in the recruitment process. Six other participants who successfully completed the qualification have gained employment in the relevant industry.
  - In relation to domestic students, Crown College in Melbourne has agreed to deliver the Certificate III in Hospitality (Housekeeping) to AHS employees as a fee for service model. AHS is a Crown contractor who has the contract to provide housekeeping across Crown Hotels both in Victoria and WA. Crown College has signed 85 AHS employees to the Certificate III in Hospitality Operations with a contract worth about \$300,000 in fees (revenue) to Crown.
  - Crown Melbourne and Perth currently have over 1,500 employees completing formal qualifications registered to Crown College RTO making Crown College one of the largest enterprise based RTOs in the Hospitality and Tourism sector. Crown College has also extended our scope of registration and added two Advanced Diploma Qualifications and Certificate IV in Commercial Cookery.
- The Crown Resorts LGBTI Steering Committee and employee network have commenced with 22 Melbourne employees and 12 Perth employees submitting applications to be part of each property employee network. The Steering Committee will be confirmed shortly to oversee both properties' plans.
- The Crown Resorts wholly owned businesses (Crown Melbourne, Crown Perth, Betfair and Aspinalls) have collectively achieved the minimum target of at least 45% female participation in Crown's leadership and development programs set as part of Crown Resorts' measurable objectives for diversity. This achievement was supported by the launch of the Women of Crown Management Program in March in Crown Melbourne, with 12 female participants across the business participating in the program. The participants are currently engaging in networking sessions, and other seminars to focus on the development of their careers. The program will be launched in Crown Perth this quarter.

#### **Crown Melbourne**

##### *Performance Enhancement*

- Table Games had an encouraging start to the financial year with contribution of \$28.4m representing growth of \$0.8m or 3.0% on budget and \$1.5m or 5.6% on the pcp. A better than expected hold, primarily in Mainfloor Premium, accounted for



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good revenue performance with the July revenue result representing the third highest on record.

- Main Floor (excluding Poker and eTGs) had a softer start than expected. Table volumes were down on budget by 3.1% but up 3.5% on the prior year and a slightly weaker hold saw similar revenue performance, down 3.4% and up 2.5% respectively.
- Electronic Table Games (eTG's) had a strong July. The performance at the back end of F16 continued through into the new financial year with volume growth of 6.7% on budget and 15.9% on the pcp being offset to a small degree by a slightly softer than expected hold. The movement of eTG's into the Atrium high-limit slots area has been positive and July also saw the latest new Aruze product, Virtual Roulette, on the floor.
- The recent Poker cash game performance continued unabated through July. An encouraging growth in patron hours to the pcp (up 5.2%) combined with operational efficiencies on the low-end product generated a revenue lift of 6.0% on budget and 13.8% on the pcp.
- Premium Table Games continued to show underlying strength. Total volumes of \$170.1m finished broadly in line with budget but up \$8.5m or +5.2% on the pcp. A better than expected hold in the Mainfloor Premium (MFP) business resulted in total revenue growth of \$1.8m or 5.2% on budget and \$3.4m or 10.5% on the pcp.
- MFP patron hours continued to grow, up 3.4% on the prior year. July also saw the commencement of the works in the Maple Room as the next stage of its expansion. There is no disruption expected and the works are on track to be completed by the end of October.
- A welcome return to the Mahogany Room of holidaying top tier Black customers provided a good boost to this business with volumes up slightly on budget albeit down 3.1% on the prior year. Mahogany Room daily volumes were up 13.7% on the Q4 F16 daily average. Some hold weakness was experienced in the Mahogany Room local segment which was offset to some degree by strength in the Interstate Standard hold.
- August will see continued works in the Maple Room redevelopment as well as the commencement of the Mahogany Room product expansion. The Mahogany expansion works will see the introduction of the BA16 air curtain table into Pit 25, with 16 current tables replaced by 24 of the smaller tables. These works will be completed by the end of Q1 F17.
- Gaming Machines July contribution of \$19.9m was \$0.3m or 1.7% below budget and \$1.2m or 5.8% below the pcp. Crown outperformed the network in F16 (2.9% vs 1.7%), increasing our market share by 0.2% from 15.1% to 15.3%.
- VIP player transition to Your Play continues, as do the discussions with the Department of Justice with reference to outtakes from Crown's research findings and proposed modifications to the system.
- Key VIP events for June included Queens Birthday cash Draw at the Palms, \$50k Exclusive Cash Draw, and a continuation of the focus on Ladies Weekends. The



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monthly Platinum Points Draw in the Palladium continues to attract strong volumes across a tier heavily targeted by our competitors. Overall Crown conducted over 80 events / initiatives for Q4 touching circa 5,000 members.

- Food & Beverage July contribution was \$0.2m or 5.1% above budget and \$0.6m or 16.4% above the pcp. Bars and Casual Restaurants performed strongly, while Premium Restaurants were slightly down. Events & Conferencing started the year solidly. The ICC soccer tournament impact was much lower than last year, with weaker teams and lower attendances impacting general traffic and VIP junket business in the premium restaurants in particular.
- Hotels contribution was \$0.1m or 1.4% below budget and \$0.8m or 9.1% down on last year. Last year had record Groups and Conferencing activity, an extremely strong ICC (Real Madrid, Manchester City and Roma) and a record month in Villas (ICC, Qatar). Occupancy levels were still strong but rates in particular suffered due to the lack of interstate and overseas interest in the ICC.

#### *Other Issues*

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#### Crown Perth

##### *Performance Enhancement*

- Local Table Games' contribution for July was \$0.6m or 6.5% above budget and \$1.6m above the prior year. Regular Tables drop exceeded recent (13 week) performance throughout July driven by the strength of Baccarat volumes in the Riviera Room and Main Gaming Floor (MGF). Local Premium revenue was also strong in July sustaining approximately 4% growth against the previous 13 weeks.
- Regular Table Games' contribution for July was \$0.1m or 1.0% above budget and \$1.0m or 15.9% above last year. Strong growth in electronic tables, Roulette and Baccarat has provided a counter balance to the growing macro challenges being faced by the broader business and local economy. In particular Saturday results on the main floor have steadily recovered from the rapid decline experienced across January and February 2016.
- A reconfiguration of the MGF and Riviera Room is in progress and scheduled for completion in late August. This will result in additional Roulette and Baccarat product to further leverage the strength of these products.
- The jackpot offered for Texas Hold'em / Caribbean Stud continues to provide a marketing opportunity for Table Games and currently stands in excess of \$3m.
- Gaming Machines' July contribution was above budget by \$0.7m or 4.1% and above last year by \$0.9m or 5.4%. Weekly Machines Turnover volumes recovered throughout July. The increase came on the back of an active marketing promotional calendar headlined by the giveaway of four cars in four weeks and was supported by a scratch and win style direct marketing offer which was well received by loyal customers. The positive start will provide some support to counter the disruption caused by the capital works program required for the MGF expansion and low consumer sentiment in the Perth market.



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- The capital works program to complete a Gaming Machines expansion into the space previously occupied by Yu' Restaurant remains on track to deliver the new Riverside Room in early September. This new room will replace the existing Meridian Room and subsequently the space previously occupied by the Meridian Room will be converted to MGF footprint. The expansion allows for additional gaming product but also delivers a new bar and additional smoking terrace to the MGF. The expansion is scheduled for completion early December providing an opportunity to yield the increased capacity across the Christmas and New Year period.
- Food & Beverage (F&B) contribution was in line with budget for the month of July and 2% above last year. F&B benefited from both pre and post show diners attending the Theatre show Georgy Girl, particularly in the MGF restaurants which also saw increased trading from the Crown Bus \$5 Frenzy. Other key events included the Ultimate Baccarat Championship Qualifier #1 and Soccer Ball Lucky Ball, whilst on Saturday 23 July, Eve hosted 'Bow Wow' which matched the revenue earned from the 'Chingy' performance in May, both nights being the highest revenue in the nightclub since New Year's Eve 2013.
- Outlets contributing to the above budget result were Eve, Carvers, 88 Noodle Bar, Mesh and Nobu. Slightly offsetting these were below budget performances in Crown Sports Bar, Silks and Meridian Room.
- Conventions' July contribution was in line with budget and \$0.1m above the prior year. Key events included the Chevron NAIDOC Ball, Fremantle Dockers Ball, the Brainchild Ball WA and Variety of Chefs 2016 Ball. Conventions key focus for the first 6 months of the year is to retain and develop current loyal accounts in addition to acquiring new business from their competitive set into the new Crown Ballroom.
- Entertainment's contribution was \$0.5k below budget and \$0.6k below last year. July included 28 performances of the Theatre show 'Georgy Girl', which was bought by Crown Perth outright, versus a budgeted venue rental of 29 performances of the same show. Unfortunately the show produced below expected patronage levels. However, when factoring in all relevant spend, the show broke even. The following are confirmed future events in the Theatre for the first quarter of F17:

|   |                     |
|---|---------------------|
| Go!! Show Gold (2 performances)               | August              |
| Bjorn Again                                   | August              |
| Jimmy Barnes                                  | August              |
| Rolling Thunder Vietnam 2016 (5 performances) | August              |
| A Tribute to Roy Orbison                      | August              |
| Schools Make Music 2016 (6 performances)      | August              |
| Beatles Back2Back                             | September           |
| The Sound of Music (32 performances)          | September – October |

- Hotels' contribution for July was in line with budget and above the previous year by \$0.2m (6%). Occupancy levels at both properties remained positive to budget and the previous year, however as has been the ongoing trend for the Perth accommodation market, average room rate continued to fall below prior years in both hotels. The acquisition of the Virgin airline crew continued to benefit Crown Promenade and allowed for the migration of key corporate room nights into Crown Metropol which assisted in achieving the combined occupancy result. The key leisure market segment remained challenged from a rate perspective, however, rates in both



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Crown Metropol and Crown Promenade remain well above their respective competitive sets.

### *Other Issues*

- Crown Perth has lodged an application with the Gaming and Wagering Commission (Commission) and the Department seeking conditional approval for the Casino Liquor Licence to be altered/redefined in accordance with section 77 of the *Liquor Control Act 1988* (Liquor Act) to incorporate Crown Towers Perth hotel and associated facilities as part of the Casino Liquor Licence. Although the Commission has provided its recommendation supporting the application, the Department is presently independently assessing the application in terms of the requirement of the Liquor Act. The Executive Director is currently considering the application and it is expected that the Commissioner for Police will also review the application. The Commission has separately approved the increase of the Casino Gaming Licensed area to incorporate the Crown Towers Perth VVIP gaming salons, with the relevant licensing plans expected to be formally gazetted in August 2016.
- The Commission has approved the amendment to the Casino Gaming Licensed area incorporating the new Riverside Room and associated areas into the Casino Gaming Licensed area, with relevant licensing plans having now been formally gazetted. The opening of the new Riverside Room remains subject to a final commissioning process carried out by the Department. Regulatory approval will also be required from the Town of Victoria Park (Town).
- Crown Perth formally submitted an application and presented to the Commission a proposal seeking approval for telephone betting as part of a VIP International Service offered by Crown Perth. A response from the Regulator is pending.
- The Town has raised concerns regarding operational matters relating to Crown Towers Perth including waste collection, odour control, light and noise pollution, cooling tower maintenance and public building approvals. The concerns relate largely to complaints received from the adjacent residential properties to Crown Towers Perth. Crown Perth has responded to the Town advising that the operation of Crown Towers Perth will comply with relevant laws and Australian Standards. Where applicable, Crown Perth has provided certificates of compliance to the Town.
- Crown Perth has made a formal application to the Town seeking in principle support for (i) the dedication of Camfield Drive, Resort Drive and Glenn Place as road reserves in favour of the Town; and (ii) support for roads works, including the installation of a roundabout adjacent to the Crown Perth multi-level car park and repair works to Glenn Place. A response is expected from the Town in early August 2016, with approval having already been obtained from the Burswood Park Board (Board) for both proposals. Subject to the Town providing its approval, Crown Perth will seek formal approval from the Minister to excise relevant sections of Board land necessary for the dedication of the road reserves. The Board has also approved Crown Perth undertaking works on Board land adjacent to Great Eastern Highway, which will facilitate improved public access through to Crown Towers Perth.
- Crown Perth has continued its negotiations with the State Government (Premier and Minister's Office) and Carnival Cruise Lines Australia regarding a proposal to remove a restriction prohibiting gambling on cruise ships within 12 nautical miles of the Western Australian coast. Although Crown Perth's response to the Minister seeking



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to limit the scope of the proposal was largely accepted by the State, the Minister was not agreeable to Crown Perth's request that operators be approved by the Commission and Crown Perth. Accordingly, Crown Perth has accepted this position and is now waiting on a final position from the State.

- Crown Perth has resolved compliance issues with the Australian Border Force (ABF) relating to 32 imports from GEMASIA LLC covering the period 18 February 2012 to 23 August 2014. The matter concerned the import of gaming fabrics that the ABF stated may have been undervalued by the supplier.

#### **MCE**

##### ***City of Dreams Manila***

- City of Dreams Manila property performance continues to improve in both the mass market and VIP segments. Property level EBITDA for the first half of the year ending July 2016 was US\$72m of which MCP earned US\$38m before corporate costs.
- The new Manila leadership team have developed a detailed cost savings program and continue to make personnel changes to improve VIP sales and domestic marketing channels in response to the weakened demand from mainland China.
- The new Philippine President has stated that tourism is one of the economic growth sectors that the Government has made a priority and a number of initiatives are underway to expand the "Visa on Arrival" program, with China and India being two top tourism markets that are being targeted. MCP management is currently facilitating executive level meetings and property tours with all newly appointed Government officials that have oversight responsibility for tourism and gaming.

##### ***City of Dreams Macau – Phase 3 Expansion***

- The phase 3 expansion includes a new hotel tower, retail expansion and the mansions for an expected total project budget of US\$1.4b. The new Zaha Hadid tower will be branded as "Jadeon" and positioned as a 5-star hotel brand owned by MCE.
- The project timeline has been extended due to the deferral of the interior fit out. MCE management is targeting Q4 of 2016 to commence the interior build out of the hotel rooms subject to market conditions. The project is proceeding on a revised time line which extends the project to June of 2018.
- Phase 1 of the US\$165m retail expansion project has been completed with the balance of the project to be finished by February 2017.
- The MCE board approved phases 2 and 3 of the retail mall expansion, which will result in a total budget for all three phases of US\$206m. The entire retail expansion project for COD is expected to be complete by 1H 2017.

##### ***General***

- The Macau gaming market continues to contract with YOY GGR (Jan-Jun) declining 11.4%. The soft market conditions coupled with increased product supply coming on line with new property openings over the next 12 months (Wynn, Parisian and MGM)



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will continue to impact MCE's performance. In response, MCE management has initiated a comprehensive review of the cost structure throughout every level of the business. MCE is forecasting a flat cost structure other than targeted marketing expenditure. Additional support function cost reductions are being explored.

- The appeal by the Taiwan Prosecutor's Office against the acquittal of the Taiwan branch of a subsidiary of MCE and a number of MCE employees on charges of breaching the Taiwan banking and foreign exchange laws was unsuccessful and the time for any further appeal by the prosecutor has now expired. MCE's Taiwan bank accounts are unfrozen and MCE had already withdrawn the funds held in those accounts.

#### **Crown Aspinall's and Aspers (UK)**

- In response to a series of investigations by the UK Gambling Commission into the activities of junket operators at Mayfair casinos Crown Aspinall's has completed an internal review of its anti money laundering and anti money lending compliance processes as well as a review by an independent consultant. All recommended changes/improvements have now been implemented and there have been no further inquiries from the Commission. The dialogue between the Mayfair casinos (including Crown Aspinalls) and senior officers at the UK Gambling Commission has not progressed well and all Mayfair casinos (including Crown Aspinalls) have now ceased accepting funds from junket operators on behalf of other players. This will have an adverse impact on the junket business at Crown Aspinalls. Various mitigating options are currently being considered.
- On 29 March, it was announced that Aspers has been chosen as the winner of the competition for the new 2005 Act large casino licence in Southampton and has been issued with a "provisional statement" (which is a precursor to the grant of a "premises licence", which is the licence necessary to operate the casino). The location of the casino is at The Royal Pier site, which is a new development in Southampton. The development involves land reclamation and the casino will be sited on the reclaimed land – consequently the casino is probably some five years away from opening. Aspers has been in discussions with the landlord/developer about lease terms but currently has no agreement in relation to the lease. As the landlord wants the casino as seed funding for his development, Aspers is now in stronger position to negotiate terms.

One of the losing bidders has initiated proceedings against Southampton Council seeking to challenge the award of the licence to Aspers. The proceedings are at an early stage and a timetable for the proceedings has not yet been set. Aspers, as an interested party, will be entitled to make submissions as part of the case in due course.

#### **Wagering – CrownBet and Betfair**

- CrownBet stakes in July were up over 69% YoY and revenue more than doubled. Notwithstanding this, both metrics were well short of budget and it took some significant cost control effort to achieve a positive EBITDA of \$39k for the month of July, which was \$81k short of budget.
- At CrownBet, July saw the continued transition to a more retail customer base, which typically generates a higher and less volatile gross gaming revenue margin (GGR margin). Average Bet Size in July was \$44, well below the budgeted \$54, and the \$58 achieved in July 2015. This was a key contributor to GGR Margin of 11.22% being above the budget of 9.88% and the prior July of 8.19% of stakes.





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- Betfair revenue in July was up 8% YoY, but fell short of budget by 3%, however strong cost management resulted in a positive EBITDA variance of 11% to budget. Top line growth is a key focus for management, with ongoing improvements to Marketing and VIP being implemented throughout Q1.
- Betfair is increasing the commission rate (market base rate) charged on Western Australian racing from 7% to 8%. This is due to promised changes by WA not taking effect and the resulting product fees making WA product Betfair's lowest contribution product. Separately, Betfair will be working closely with the new CEO of Racing Queensland (Elliot Forbes – previously CEO of TasRacing) with the aim of moving RQ to a more favourable product fee regime and hence reflect that in more favourable pricing to Betfair customers.
- Betfair's "Project Reboot" continues to progress as planned with legislation passed in the Northern Territory Parliament during the April sittings. Betfair has subsequently applied for an Exchange licence, which is expected to be issued in mid-August. The technical migration that will see Betfair ANZ move onto the Dublin technology stack (as opposed to current replication of technology in Tasmania), and the migration onto new customer facing front ends are both expected to be completed in Q1. The commercial agreement between Betfair ANZ and Betfair UK is close to completion and should be signed in August. Off the back of Project Reboot, Betfair will rebrand its business in Australia – currently proposed to be known as "Australian Betting Exchange" with agreement secured to include wording to the effect of "powered by Betfair".
- Betfair has commenced broader work supporting the Crown Resorts Group with operational support for the proposed eSports venture and also cross sell of Betfair customers to Draftstars.
- On 23 June 2016, the South Australian Government announced that from 1 July 2017 a 15% point of consumption wagering tax will be imposed on all Australian licensed wagering companies that offer their services to South Australian residents. Initial estimates suggest that, if this tax was imposed nationally, all online operators would become loss-making. CrownBet and Betfair are continuing to investigate all political, commercial and legal options available to oppose the tax.
- The wagering businesses are increasingly facing a number of key regulatory risks following the 2016 Federal Election. CrownBet and Betfair are working closely with key executives at Crown Resorts to mitigate those risks and advocate for robust, evidence-based regulation in this emerging sector. The current key regulatory risks include:
  - potential federal intervention on the regulation of wagering advertising, particularly during live sports broadcast. On 13 July 2016, a joint press conference was held by Nick Xenophon, Andrew Wilkie and Tim Costello seeking an outright ban on wagering advertising during sports broadcasts; and
  - the continued operation of "Click to Call" in-play betting products by CrownBet and Betfair's competitors may result in the Federal Government amending the *Interactive Gambling Act 2001* to impose a ban on such products. With significant power held by crossbenchers in the Senate, there is a real risk that further restrictions may be imposed as a result of this amendment. Accordingly, CrownBet has made submissions to the Northern Territory Government seeking



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that it prohibits licensees from offering "Click to Call", thus negating the need for Federal action.

### Crown Resorts Group

- The Crown Resorts Annual General Meeting will be held at Crown Perth on Thursday 20 October 2016. The usual items of business (re-election of directors and Remuneration Report) will be dealt with, together with an item of special business – approval on an increase in the fee pool for non-executive directors. Separate papers on these items are included in the Board Pack.
- On 28 June, the NSW Planning Assessment Commission (PAC) handed down its decision to approve Lendlease's application to modify the Barangaroo Concept Plan (Mod 8) and Crown's application for the construction of the Crown Sydney Hotel Resort. The approvals were subject to a number of conditions, including requirements that:
  - Hickson Park be expanded and reconfigured;
  - The foreshore boardwalk in front of Crown Sydney be widened;
  - The public be given free access to a viewing platform in the Crown Sydney tower.

Lendlease, Crown and BDA agreed not to challenge those conditions and Lendlease and Crown have agreed between them responsibility for the additional work and costs required to comply with the conditions.

Crown has been issued with a Construction Certificate to proceed with the basement construction.

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In the meantime, Crown and Lendlease are proceeding with construction work.

Discussions are continuing with BDA and Lendlease in relation to the potential impact on Crown Sydney's view corridors and amenity of the proposed commercial development on Barangaroo Central.

- Crown is continuing to liaise with the various public authorities (including the City of Melbourne) which are required to comment on the application to the Victorian Minister for Planning to amend the City of Melbourne Planning Scheme to permit the development of the Queensbridge Hotel Tower and to declare the project one of State Significance. It is anticipated that a decision will be made in Q4 2016.

Financing discussions with both domestic and Asian banks are ongoing. Detailed presentations have been made to three relationship banks (Bank of China, Westpac and ANZ) and indicative term sheets have been received from the three banks. The proposals from the banks largely meet Crown and Schiavello's objectives, however



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further refinement of the terms is continuing with a view to aligning the terms to an acceptable package.

- In respect of the Alon Las Vegas project, Crown continues to work with Andrew Pascal to market the project to raise the estimated US\$600m needed to complete the equity funding. In recognition of the additional time needed to complete the project financing, the anticipated start date has been delayed to Q1 of 2017.

Alon has approximately US\$25m in cash on hand to fund pre-development activities associated with the project. Alon management has been directed to tightly manage the monthly expenditure in light of the protracted time line for the financing and is currently forecasting the remaining cash on hand to support the company through Q3 of 2017.

Deutsche Bank and Credit Suisse are working with Alon management on a series of alternative financing structures which provide the opportunity to deleverage the project through the sale of the retail and boutique hotel assets. These alternatives provide for the opportunity to recapitalise the project during the development cycle through the monetisation of non-core assets, which effectively serves to reduce the total project cost.

As a part of the demerger, Crown is currently reviewing various alternatives relating to the financing of Alon and how the ultimate capital structure of the project could affect ownership percentages and consolidation.

- Settlement discussions with the Intercontinental Hotel Group (IHG) regarding conflicts between Crown Resorts' trademarks and IHG's "Crowne Plaza" trademarks, primarily related to hotel branding and marketing, are continuing with a two day settlement conference scheduled for 23 and 24 August in Las Vegas. The parties have agreed to put on hold the various legal proceedings in the USA, UK, Europe, Hong Kong and Macau and to concentrate on the settlement negotiations. Unless acceptable terms for a global settlement can be found, the various legal proceedings will be re-activated.
- On 25 April, Cannery Casino Resorts announced that they had agreed to sell their two Las Vegas properties to a subsidiary of Boyd Gaming for approximately US\$230 million. This is on top of the previously announced sale of The Meadows in Pittsburgh for approximately US\$439 million. Both sales are subject to the purchasers obtaining the necessary gaming regulatory approvals from the Nevada and Pennsylvania Gaming Control Boards (respectively). The Pennsylvania sale remains on track for completion by October 2016. However, Cannery has advised that there are delays in obtaining the necessary Nevada gaming regulatory approvals and the completion of the sale of the Nevada properties may be delayed.



## Crown Resorts

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## Net Debt and Cash Flow

| CONSOLIDATED CASHFLOW AS AT 30 June 2016                         | June Actual        | F16 Actual         |
|--|--------------------|--------------------|
| <b>OPENING NET DEBT (excl. WORKING CAPITAL CASH)</b>             | (1,888,075)        | (2,465,335)        |
| <b>OPERATING CASHFLOW</b>  |                    |                    |
| Crown Melbourne  |                    |                    |
| EBITDA at theoretical  | 53,500             | 690,473            |
| Variance from theoretical  | 11,559             | (27,046)           |
| EBITDA at Actual   | 65,059             | 663,427            |
| Working Capital Movement   | (11,606)           | (34,906)           |
| CAPEX  | (3,356)            | (78,055)           |
| Crown Perth  |                    |                    |
| EBITDA at theoretical  | 23,549             | 264,535            |
| Variance from theoretical  | 7,026              | 21,287             |
| EBITDA at Actual   | 30,576             | 285,822            |
| Working Capital Movement   | (2,259)            | 41,423             |
| CAPEX  | (34,328)           | (325,768)          |
| Crown Aspinalls  |                    |                    |
| EBITDA at theoretical  | 4,308              | 26,480             |
| Variance from theoretical  | (4,264)            | (10,469)           |
| EBITDA at Actual   | 44                 | 16,011             |
| Working Capital Movement   | (5,035)            | 33,937             |
| CAPEX  | (434)              | (1,034)            |
| Wagering and Online  |                    |                    |
| EBITDA at Actual   | 380                | (5,446)            |
| Working Capital Movement   | 2,331              | 5,706              |
| CAPEX  | (3,271)            | (27,028)           |
| Corporate  |                    |                    |
| EBITDA at Actual   | 2,934              | (98,499)           |
| Working Capital Movement   | (11,083)           | (33,149)           |
| Significant Items  | (52,381)           | (52,381)           |
| Crown Sydney Capex   |                    |                    |
| Other Capital Expenditure Projects                               | (1,568)            | (24,400)           |
|  | 0                  | (20,245)           |
| Operating Cashflows (pre interest & tax)                         | (24,000)           | 345,415            |
| Net Interest   | (28,041)           | (188,427)          |
| Tax  | (11,266)           | (344,756)          |
| <b>NET CASHFLOW FROM OPERATIONS</b>                              | <b>(63,308)</b>    | <b>(187,768)</b>   |
| <b>PROJECT ALON</b>  |                    |                    |
| Capital Expenditure  | (4,591)            | (64,219)           |
| Foreign Exchange Movements                                       | (1,586)            | 5,194              |
| <b>OTHER INVESTMENTS CASHFLOW</b>                                |                    |                    |
| Ellerston  | (300)              | (61,331)           |
| Online Strategy  | 0                  | (52,723)           |
| Aspers JV  | 0                  | 143,766            |
| Meico Crown  | 0                  | 1,067,109          |
| Meico Crown Dividends  | 0                  | 180,669            |
| Nobu   | 0                  | (136,416)          |
| Nobu Dividends   | 1,339              | 2,899              |
| Chil Gaming  | 0                  | (615)              |
| Queensbridge Hotel   | (1,038)            | (6,038)            |
| <b>NET INVESTMENTS CASHFLOW</b>                                  | <b>(6,175)</b>     | <b>1,078,296</b>   |
| <b>CAPITAL MANAGEMENT</b>  |                    |                    |
| Dividends  | 0                  | (378,765)          |
| <b>NET CAPITAL MANAGEMENT</b>                                    | <b>0</b>           | <b>(378,765)</b>   |
| <b>NET CASHFLOW</b>  | <b>(69,483)</b>    | <b>511,763</b>     |
| FX Gain/(Losses)   | (4,383)            | (7,176)            |
| FX Translation Gain/ (Loss)                                      | (3,215)            | 4,609              |
| Movement in Working Capital/Restricted Cash                      | 2,453              | (6,739)            |
| Project Alon - Capitalised Interest                              | 0                  | 174                |
| <b>NET DEBT (EXCL. WORKING CAPITAL/RESTRICTED CASH)</b>          | <b>(1,962,704)</b> | <b>(1,962,704)</b> |
| Working Capital Cash (Cage and Crown Securities)                 | 151,041            | 151,041            |
| <b>NET DEBT (INCL. WORKING CAPITAL &amp; RESTRICTED CASH)</b>    | <b>(1,811,663)</b> | <b>(1,811,663)</b> |
| <b>CLOSING AVAILABLE CASH</b>                                    | <b>298,623</b>     | <b>298,623</b>     |
| Cash - AUD operations  | 221,126            | 221,126            |
| Cash - US Operations (AUD equivalent)                            | 49,497             | 49,497             |
| Cash - UK operations (AUD equivalent)                            | 28,000             | 28,000             |
| <b>BORROWINGS</b>  | <b>(2,261,327)</b> | <b>(2,261,327)</b> |
| <b>NET DEBT (EXCL. WORKING CAPITAL/RESTRICTED CASH) - BUDGET</b> | <b>(2,702,587)</b> | <b>(2,702,587)</b> |
| Variance to Budget   |                    | 739,883            |
| Consists of:   |                    |                    |
| Opening Net Debt Variance  |                    | 27,754             |
| EBITDA   |                    | (37,242)           |
| Working Capital & Significant Items                              |                    | (13,429)           |
| Capex  |                    | (11,093)           |
| Net Interest & Tax   |                    | (205,087)          |
| Crown Sydney   |                    | 118,600            |
| Project Alon   |                    | (118,729)          |
| Investment - other   |                    | 1,097,672          |
| Foreign Exchange   |                    | (2,567)            |
| Dividends  |                    | (109,257)          |
| Movement in Working Capital Cash                                 |                    | (6,739)            |



## Crown Resorts

### Chief Executive Officer's Report – 16 August 2016

| F16 Net Debt Roll Forward           |         |                  |
|-------------------------------------|---------|------------------|
|                                     | \$M     | \$M              |
| <b>Opening net debt</b>             |         | <b>(2,465.3)</b> |
| Melbourne EBITDA                    | 690.5   |                  |
| Melbourne theoretical adjustment    | (27.0)  |                  |
| Perth EBITDA                        | 264.5   |                  |
| Perth theoretical adjustment        | 21.3    |                  |
| Aspinall's EBITDA                   | 26.5    |                  |
| Aspinall's theoretical adjustment   | (10.5)  |                  |
| Wagering and Online EBITDA          | (5.4)   |                  |
| Corporate                           | (98.5)  |                  |
| <b>Total EBITDA at theoretical</b>  |         | <b>877.5</b>     |
| <b>Total theoretical adjustment</b> |         | <b>(16.2)</b>    |
| Working capital                     |         | 13.0             |
| Significant Items                   |         | (52.4)           |
| <b>Capex</b>                        |         |                  |
| Melbourne                           | (78.1)  |                  |
| Perth                               | (325.8) |                  |
| Sydney                              | (24.4)  |                  |
| Aspinall's                          | (1.0)   |                  |
| Wagering and Online                 | (27.0)  |                  |
| Corporate                           | (20.2)  | (476.5)          |
| Interest                            |         | (188.4)          |
| Tax                                 |         | (344.8)          |
| Other (fx etc.)                     |         | (9.1)            |
| Dividends                           |         | (378.8)          |
| <b>Net debt before investments</b>  |         | <b>(3,041.0)</b> |
| <b>Investments</b>                  |         |                  |
| Aion Las Vegas                      |         | (59.0)           |
| Melco Crown                         |         | 1,247.8          |
| Aspers                              |         | 143.8            |
| Ellerston                           |         | (61.3)           |
| Online Strategy                     |         | (52.7)           |
| Queensbridge Hotel                  |         | (6.0)            |
| Chill Gaming                        |         | (0.6)            |
| Nobu                                |         | (133.5)          |
| <b>Closing net debt</b>             |         | <b>(1,962.7)</b> |

Net debt at 30 June 2016 was \$1,962.7m (excluding working capital cash of \$151.0m), comprising closing available cash of \$298.6m and gross debt of \$2,261.3m. Net debt at year end was \$739.9m lower than budget. The key reasons for closing net debt as at 30 June 2016 being lower than budget can be summarised as follows:

- F16 opening net debt was \$27.8m lower than budget due to better than forecast theoretical operating results for April-June 2015 and the deferral of capital expenditure and tax settlement payments into F16. This was partially offset by below theoretical win rates, higher than expected corporate costs and lower than expected receipts from customers at Perth and Aspinalls during April-June 2015.
- F16 EBITDA was \$37.2m lower than budget due to below theoretical win rates at Crown Melbourne (\$27.0m) and Crown Aspinalls (\$10.5m), lower theoretical EBITDA at Crown Perth (\$9.7m) and Crown Aspinalls (\$25.6m), lower wagering/ online EBITDA (\$10.0m) and above budget corporate costs (\$5.3m). This is partially offset by above theoretical win rates at Crown Perth (\$21.3m) and higher theoretical EBITDA at Crown Melbourne (\$29.7m).



## Crown Resorts

### Chief Executive Officer's Report – 16 August 2016

- Working capital cash inflows were \$39.0m higher than budget due to the deferral of customer receipts from F15 into F16, higher than forecast receipts from customers at Crown Aspinalls and lower gaming tax payments at Crown Aspinalls. This is partially offset by higher than forecast working capital cash (\$6.7m) due to higher CrownBet patron funds held.
- Following the sale of MCE shares, Crown repaid some of its debt facilities and incurred one-off unbudgeted debt retirement costs of \$52.4m. These included a USPP make whole payment of A\$47.8 million and interest rate swap break costs associated with the termination of various bank facilities totalling A\$4.6 million.
- Taxation payments were \$205.4m higher than budget, primarily due to the F15 final tax instalment of \$109m paid in December 2015 (budgeted at \$30m) and an ATO audit 50/50 payment of \$125m made in March 2016 to stop interest accruing on the amended assessments issued in January 2016.
- Capital expenditure payments were \$107.6m lower than budget primarily due to:
  - Crown Sydney capital expenditure was \$118.6m lower than budget due to the deferral of some expenditure from F16 into F17;
  - Higher than budgeted capital expenditure at Crown Melbourne (\$2.9m) due to the deferral of expenditure from F15 to F16;
  - Lower than budgeted capital expenditure at Crown Perth (\$2.5m) due to the deferral of expenditure from F16 into F17;
  - Higher than budgeted capital expenditure for Wagering/Online (\$16.6m) primarily due to increased capex at CrownBet, including capitalised labour; acquisition of PuntingPal, IT related costs, Draftstars, office fit out and other technology based projects. In addition, DGN capital expenditure of \$4.9m was not budgeted;
  - Lower capital expenditure at Crown Aspinalls due to the deferral of the refurbishment of the terrace into F17 (\$6.0m).
- Cash inflows from MCE are \$1,237.6m higher than budget due to:
  - The unbudgeted special dividend of US\$120m (A\$168m), which was received in March 2016;
  - The repurchase by MCE of 155 million shares held by Crown at US\$5.1667 per share in May 2016, which resulted in an unbudgeted cash inflow of \$800.8m (A\$1,067m); and
  - Higher than forecast ordinary dividends due to the lower exchange rate.
- Other investing cashflows were \$139.9m adverse to budget due to:
  - The acquisition of 20% of Nobu at an unbudgeted cash outflow of US\$100m (A\$136m), less dividends received of A\$2.9m.



## Crown Resorts

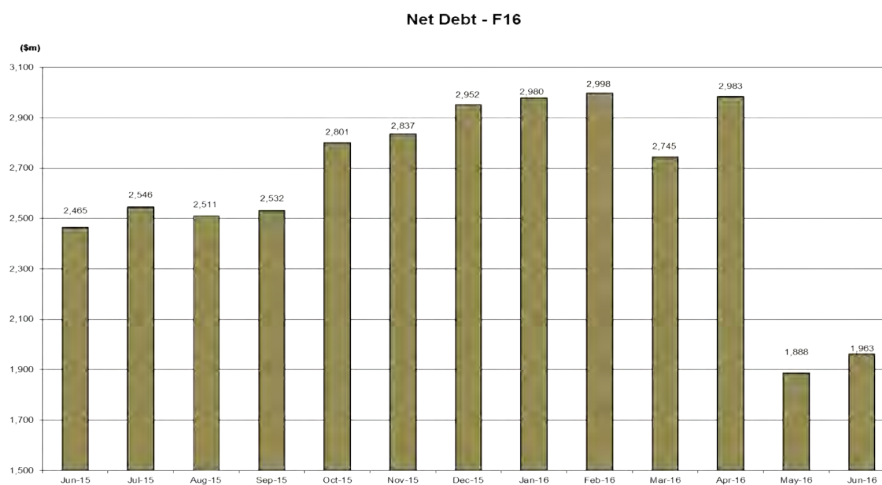
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- Crown budgeted to contribute \$58.0m to the Queensbridge Tower project during F16. Crown actually contributed \$6.0m in F16 with the remainder to be contributed over F17-F19, resulting in a \$52.0m F16 saving.
  - The acquisitions of 100% of Empire88 (US\$10m) and 30% of Zengaming (US\$2.3m) results in an unbudgeted cash outflow in online and wagering of US\$12.3m (A\$17.5m).
  - The budgeted receipt from Caesars of A\$51.7m, which was forecast to occur in June 2016 has been deferred into F17, resulting in an adverse net debt movement for F16.
  - Due to foreign exchange movements, the AUD equivalent of the Aspers loan repayments received in March 2016 increased, resulting in favourable cash inflows of \$9.3m.
- The Alon Las Vegas cashflows were \$118.7m adverse to budget primarily due to the deferral of the budgeted outside equity injections (US\$229m). This is partially offset by the deferral of capital expenditure and debt financing as well as the deferral of Crown's equity injection of US\$136m.
  - Crown's F16 dividend payments to shareholders increased by \$109.3m as a result of the MCE special dividend receipt in March 2016.

Total liquidity at 30 June 2016 was \$1,587.9m taking into account available unused facilities of \$1,289.3m and available cash of \$298.6m (excluding \$151.0m of working capital and restricted cash).

Net debt, including working capital and restricted cash of \$151.0m at 30 June 2016 was \$1,811.7m, and \$1,962.7m excluding working capital cash, with leverage (Net Debt / theoretical EBITDA) of 2.06 times and 2.24 times respectively on a trailing 12 month basis.

F16 actual monthly net debt excluding working capital cash is shown in the chart below:



The below charts show daily net cashflows for Crown Melbourne and Crown Perth for June together with a "normalised" profile (average daily cashflow of previous twelve

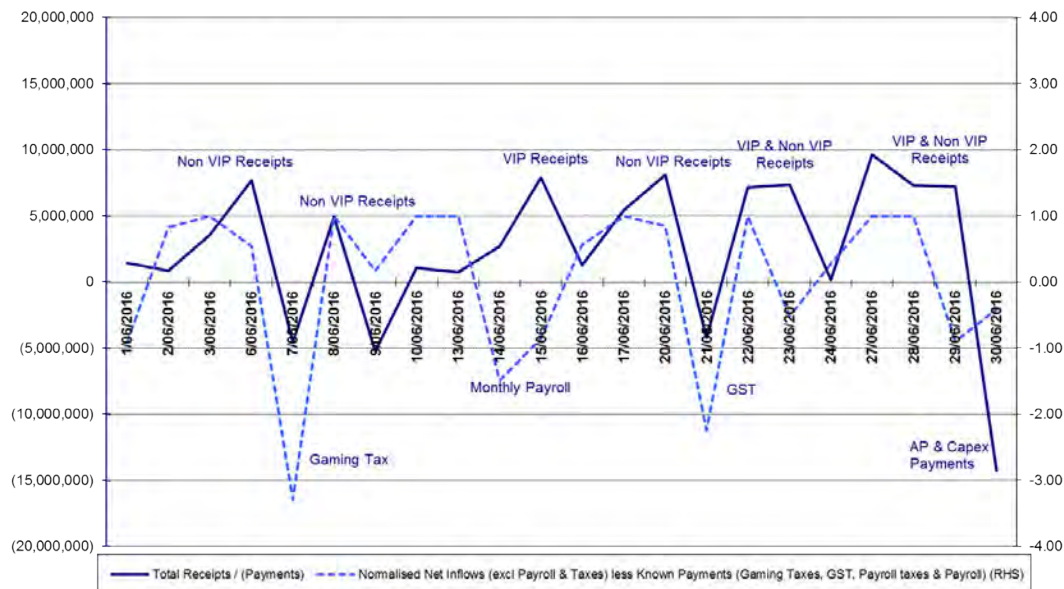


# Crown Resorts

## Chief Executive Officer's Report – 16 August 2016

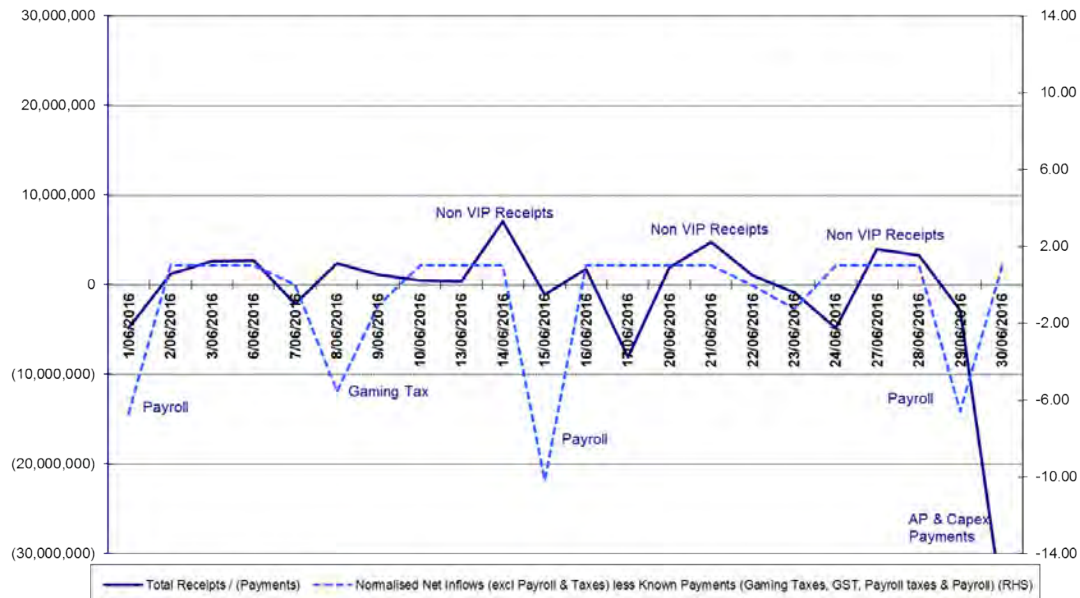
months) which assumes constant operating receipts and payments and expected timing of major outflows (payroll and taxes).

Crown Melbourne Daily Net Cashflows and Normalised Net Cashflows - June 2016



Total Crown Melbourne receipts of \$177.4m for the month consisted of net gaming receipts of \$131.7m and non-gaming receipts of \$45.7m. Crown Melbourne payments for the month included capex (\$3.4m), gaming taxes (\$16.3m), GST (\$12.3m) and payroll related payments (\$52.6m).

Crown Perth Daily Net Cashflows and Normalised Net Cashflows - June 2016







## Crown Resorts

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Total Crown Perth receipts of \$68.5m for the month consisted of net gaming receipts of \$49.1m and non-gaming receipts of \$19.4m. Crown Perth payments for the month included capex (\$34.3m), gaming taxes (\$5.3m) and payroll related payments (\$26.6m).

### Balance Sheet

Below is the Group Balance Sheet at 30 June, 2016.

| Balance Sheet                                  | Jun-16           | Dec-15           |
|--|------------------|------------------|
|  | \$'000           | \$'000           |
| <b>Assets</b>                                  |                  |                  |
| Available Cash                                 | 298,622          | 240,763          |
| Working Capital / Restricted Cash              | 151,041          | 156,747          |
| Receivables                                    | 333,200          | 513,761          |
| Other Current Assets                           | 59,340           | 53,850           |
| <b>Total Current Assets</b>                    | <b>842,203</b>   | <b>965,120</b>   |
| Loans to Associates                            | 0                | 700              |
| Property, Plant & Equipment                    | 4,069,036        | 4,045,675        |
| Investment in Melco Crown                      | 1,373,702        | 2,082,979        |
| Investment in Nobu                             | 135,503          | 138,308          |
| Investment in Ellerston                        | 58,320           | 58,728           |
| Investment in Aspers                           | 35,465           | 0                |
| Investment in Caesars                          | 49,744           | 39,599           |
| Investment in Other                            | 13,914           | 2,035            |
| Licences & Other Intangibles                   | 1,722,477        | 1,614,803        |
| Other Non Current Assets                       | 548,281          | 403,177          |
| <b>Total Non Current Assets</b>                | <b>8,006,440</b> | <b>8,386,004</b> |
| <b>Total Assets</b>                            | <b>8,848,644</b> | <b>9,351,124</b> |
| <b>Liabilities</b>                             |                  |                  |
| Current Liabilities (excluding borrowings)     | 795,977          | 747,007          |
| Current Borrowings                             | 85,715           | 118,040          |
| <b>Total Current Liabilities</b>               | <b>881,692</b>   | <b>865,048</b>   |
| Non Current Liabilities (excluding borrowings) | 639,164          | 605,959          |
| Non Current Borrowings                         | 2,175,611        | 3,074,518        |
| <b>Total Non Current Liabilities</b>           | <b>2,814,775</b> | <b>3,680,477</b> |
| <b>Total Liabilities</b>                       | <b>3,696,467</b> | <b>4,545,525</b> |
| <b>Net Assets</b>                              | <b>5,152,177</b> | <b>4,805,599</b> |
| Share Capital                                  | 437,877          | 437,877          |
| Reserves                                       | 796,630          | 950,384          |
| Retained Earnings                              | 2,878,995        | 3,119,365        |
| Current Year Profit                            | 948,823          | 205,045          |
| Non Controlling Interest                       | 89,852           | 92,928           |
| <b>Total Shareholders Equity</b>               | <b>5,152,177</b> | <b>4,805,599</b> |



## Crown Resorts

Chief Executive Officer's Report – 16 August 2016

### Wholly Owned Casinos June 2016

#### Crown Melbourne (June 2016 Results)

|                                   | Current Month           |                         |                          | Full Year             |                       |                          |
|-----------------------------------|-------------------------|-------------------------|--------------------------|-----------------------|-----------------------|--------------------------|
|                                   | Jun 16<br>Actual<br>\$m | Jun 16<br>Budget<br>\$m | Variance<br>F/(U)<br>\$m | FY16<br>Actual<br>\$m | FY16<br>Budget<br>\$m | Variance<br>F/(U)<br>\$m |
| Main floor gaming                 | 93.2                    | 93.0                    | 0.2                      | 1,183.3               | 1,149.6               | 33.7                     |
| VIP commission program play       | 40.3                    | 44.5                    | (4.1)                    | 701.5                 | 596.7                 | 104.8                    |
| Non Gaming*                       | 47.0                    | 42.6                    | 4.4                      | 561.0                 | 556.4                 | 4.6                      |
| <b>Total Revenue (Normalised)</b> | <b>180.5</b>            | <b>180.1</b>            | <b>0.4</b>               | <b>2,445.8</b>        | <b>2,302.7</b>        | <b>143.1</b>             |
| Gaming taxes, commissions & other | 47.5                    | 52.2                    | 4.7                      | 762.4                 | 673.8                 | (88.6)                   |
| Net operating expenses*           | 79.5                    | 77.8                    | (1.7)                    | 992.9                 | 968.1                 | (24.8)                   |
| <b>EBITDA</b>                     | <b>53.5</b>             | <b>50.1</b>             | <b>3.4</b>               | <b>690.5</b>          | <b>660.8</b>          | <b>29.7</b>              |
| Depreciation & amortisation       | 16.1                    | 15.3                    | (0.8)                    | 194.1                 | 189.5                 | (4.6)                    |
| <b>EBIT</b>                       | <b>37.4</b>             | <b>34.9</b>             | <b>2.5</b>               | <b>496.4</b>          | <b>471.3</b>          | <b>25.1</b>              |
| <b>Reported EBITDA</b>            | <b>65.1</b>             | <b>50.1</b>             | <b>14.9</b>              | <b>663.4</b>          | <b>660.8</b>          | <b>2.6</b>               |
| <b>EBITDA / Revenue %</b>         | <b>29.6%</b>            | <b>27.8%</b>            |                          | <b>28.2%</b>          | <b>28.7%</b>          |                          |
| <b>EBIT / Revenue %</b>           | <b>20.7%</b>            | <b>19.4%</b>            |                          | <b>20.3%</b>          | <b>20.5%</b>          |                          |
| <b>Total Revenue (Actual)</b>     | <b>193.1</b>            | <b>180.1</b>            | <b>13.0</b>              | <b>2,405.6</b>        | <b>2,302.7</b>        | <b>102.9</b>             |
| <b>VIP Turnover \$ billion</b>    | <b>2.9</b>              | <b>3.2</b>              | <b>(0.3)</b>             | <b>50.1</b>           | <b>42.6</b>           | <b>7.5</b>               |
| <b>VIP Win Rate</b>               | <b>1.84%</b>            | <b>1.40%</b>            |                          | <b>1.32%</b>          | <b>1.40%</b>          |                          |

\* Includes comp revenues & expenses

June theoretical EBITDA of \$53.5m was \$3.4m (7%) above budget and \$5.6m (12%) above last year. The above budget EBITDA result was attributable to above budget VIP Program Play, partially offset by below budget Local contribution.

VIP Program Play contribution of \$11.8m (at theoretical) was \$4.5m (62%) above budget and \$5.4m (86%) above last year, with savings in overheads. Total turnover of \$2.9b was \$0.3b (9%) below budget and \$0.2b (7%) below last year.

Local Tables contribution of \$25.4m was in line with budget, but \$1.7m (6%) below last year. Premium Tables were \$0.4m (3%) below budget, with drop \$2.0m (1%) below budget, partially offset by above budget hold of 20.3% (budget of 20.0%). Main Floor Tables were \$0.4m (4%) above budget, impacted by above budget drop (\$0.2m) and an above budget hold of 22.8% (budget of 22.2%).

Gaming Machines contribution of \$19.1m was \$0.4m (2%) below budget and \$0.2m (1%) below last year. Turnover was 3% below budget, with a win rate of 8.3% (budget of 8.3%), resulting in a WMD of \$465 (budget of \$477).

Food and Beverage reported a \$4.3m contribution which was \$0.6m (16%) above budget. Bars contribution was \$0.2m (10%) above budget with strong results in Sports Bar, Groove Bar, Jackpot Bar and Lumia. Events and Conferencing was \$0.4m (49%) above budget. Casual dining was \$0.4m (52%) below budget, with Cotta, Gochi, Merrywell and Tia To above budget, offset by softer results in the other outlets. Premium dining was \$0.2m (26%) below budget, with lower than expected covers impacting the performance of Bistro Guillaume, Number 8 and Silks.

Hotels contribution of \$5.9m was \$0.1m (2%) above budget. Occupancy in Towers was 6% above budget, 4% above budget in Promenade and in line with budget in Metropol.



## Crown Resorts

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Room rates were above budget in Metropol (\$3 or 1%) and in line with budget in Promenade, but below budget in Towers (\$21 or 6%).

June theoretical revenue of \$180.5m was \$0.4m (0.2%) above budget, but \$0.3m (0.2%) below last year. Total reported revenue of \$193.1m was \$13.0m (7%) above budget and \$8.9m (5%) above last year. The VIP Program Play win rate of 1.84% was above the theoretical win rate of 1.40% and above last year's win rate of 1.51%.

Reported EBITDA of \$65.1m was \$14.9m (30%) above budget and \$19.2m (42%) above last year. The variance from theoretical was positive \$11.6m (compared to negative \$2.0m in the prior year).

### Crown Perth (June 2016 Results)

|   | Current Month           |                         |                          | Full Year             |                       |                          |
|---|-------------------------|-------------------------|--------------------------|-----------------------|-----------------------|--------------------------|
|   | Jun-16<br>Actual<br>\$m | Jun-16<br>Budget<br>\$m | Variance<br>F/(U)<br>\$m | FY16<br>Actual<br>\$m | FY16<br>Budget<br>\$m | Variance<br>F/(U)<br>\$m |
| Main floor gaming                       | 39.4                    | 44.9                    | (5.6)                    | 497.3                 | 528.2                 | (30.9)                   |
| VIP commission program play             | 12.4                    | 16.5                    | (4.1)                    | 210.3                 | 272.0                 | (61.7)                   |
| Non Gaming*                             | 18.1                    | 22.6                    | (4.4)                    | 254.0                 | 263.1                 | (9.1)                    |
| <b>Total Revenue (Normalised)</b>       | <b>69.9</b>             | <b>84.0</b>             | <b>(14.1)</b>            | <b>961.6</b>          | <b>1,063.3</b>        | <b>(101.7)</b>           |
| Gaming taxes, commissions & other       | 12.3                    | 21.8                    | 9.5                      | 238.1                 | 314.4                 | 76.4                     |
| Net operating expenses*                 | 34.0                    | 39.1                    | 5.1                      | 459.0                 | 474.6                 | 15.6                     |
| <b>EBITDA</b>                           | <b>23.5</b>             | <b>23.1</b>             | <b>0.5</b>               | <b>264.5</b>          | <b>274.3</b>          | <b>(9.7)</b>             |
| Depreciation & amortisation             | 5.8                     | 6.1                     | 0.3                      | 66.8                  | 70.3                  | 3.5                      |
| <b>EBIT</b>                             | <b>17.8</b>             | <b>17.0</b>             | <b>0.8</b>               | <b>197.7</b>          | <b>204.0</b>          | <b>(6.3)</b>             |
| <b>Reported EBITDA</b>                  | <b>30.6</b>             | <b>23.1</b>             | <b>7.5</b>               | <b>285.8</b>          | <b>274.3</b>          | <b>11.6</b>              |
| <b>EBITDA / Revenue %</b>               | <b>33.7%</b>            | <b>27.5%</b>            |                          | <b>27.5%</b>          | <b>25.8%</b>          |                          |
| <b>EBIT / Revenue %</b>                 | <b>25.4%</b>            | <b>20.2%</b>            |                          | <b>20.6%</b>          | <b>19.2%</b>          |                          |
| <b>Total Revenue (Actual)</b>           | <b>77.1</b>             | <b>84.0</b>             | <b>(6.9)</b>             | <b>1,012.1</b>        | <b>1,063.3</b>        | <b>(51.2)</b>            |
| <b>VIP Turnover \$ billion</b>          | <b>0.9</b>              | <b>1.2</b>              | <b>(0.3)</b>             | <b>15.0</b>           | <b>19.4</b>           | <b>(4.4)</b>             |
| <b>VIP Win Rate (1.40% theoretical)</b> | <b>2.20%</b>            | <b>1.40%</b>            |                          | <b>1.74%</b>          | <b>1.40%</b>          |                          |

\* Includes comp revenues & expenses

June theoretical EBITDA of \$23.5m was \$0.5m (2%) above budget and \$1.9m (9%) above last year's result. The above budget June result was attributable to above budget VIP Program Play (\$1.5m or 849%), partially offset by a below budget Local contribution (\$1.0m or 5%). The below budget Local contribution was due to below budget results in Local Table Games (\$0.9m or 10%), Gaming Machines (\$0.6m or 4%), F&B (\$0.7m or 24%) and Conventions & Entertainment (\$0.4m or 52%), partially offset by Support Department savings.

Table Games contribution of \$8.2m was \$0.9m (10%) below budget, with drop \$7.8m (9%) below budget and a hold of 22.5% (budget of 23.4%). Regular Tables were \$1.3m (17%) below budget, with drop \$6.0m (9%) below budget and a hold of 21.3% (budget of 23.2%). Premium Tables were \$0.4m (21%) above budget, with drop \$1.8m (11%) below budget, and a hold of 27.9% (budget of 24.4%).

Gaming Machines contribution of \$15.4m was \$0.6m (4%) below budget, but \$0.1m (1%) above last year. Turnover was 15% below budget with a hold of 8.6% (budget of 8.3%). WMD was \$329 (compared to budget WMD of \$358).

Hotels contribution of \$2.0m was \$0.6m (22%) below budget. Metropol contribution was \$0.4m (22%) below budget with an average room rate of \$282 (budget of \$298) and occupancy on available rooms of 81.5% (budget of 88.1%). Promenade contribution was



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\$0.2m (23%) below budget with an average room rate of \$187 (budget of \$205) and occupancy on available rooms of 93.1% (budget of 93.6%).

Food and Beverage contribution of \$2.2m was \$0.7m (24%) below budget, mostly attributable to below budget beverage spend in the MGF Bars and Merrywell, as well as the unbudgeted loss of 40 seats in Modo Mio due to the Meridian project. Conventions & Entertainment contribution of \$0.3m was \$0.4m (52%) below budget, mainly attributable to lower revenue from convention events plus below budget theatre bar revenue from Ghost.

VIP Program Play contribution of \$1.7m was \$1.5m above budget, with savings in overheads. Turnover of \$0.9b was 25% below budget and 10% below last year.

Theoretical revenue of \$69.9m was \$14.1m (17%) below budget and \$4.8m (7%) below last year. Total reported revenue of \$77.1m was \$6.9m (8%) below budget, but \$1.0m (1%) above last year. Reported EBITDA of \$30.6m was \$7.5m (33%) above budget and \$11.7m (62%) above last year.

The VIP program play win rate of 2.20% was above the theoretical win rate of 1.40%, and above last year's win rate of 1.53%. The variance from theoretical was positive \$7.0m (compared to negative \$2.8m last year).

### **Crown Aspinall's (June 2016 Results)**

Theoretical EBITDA of £2.2m was £1.0m (31%) below budget and £1.0m (31%) below last year. Turnover of £0.9b was £0.3b (25%) below budget.

The win rate of 0.55% was below budget of 0.86%. This resulted in an unfavourable variance from theoretical of £2.2m, with a reported EBITDA of nil. Drop for the month was £182.1m (budget of £95.6m), at a hold rate of 2.7% (vs a budgeted hold rate of 10.9%).

## Wagering & Online

### **CrownBet (June 2016 Results)**

Revenue for the month was \$15.6m and gross profit after COGS was \$8.5m. Operating expenses for the month were \$8.2m, resulting in EBITDA for the month of \$0.2m. The win rate (gross margin) for the month was 10.9% compared to a budget of 8.7%, with total stakes of \$142 million (7% below budget).

CrownBet's F16 EBITDA of -\$14.3m is \$14.4m below budget.

### **Betfair (June 2016 Results)**

Revenue of \$4.4m for the month was \$0.6m (16%) above budget. June EBITDA of \$0.1m was 65% below budget.

Betfair's F16 EBITDA of \$5.0m is \$0.6m (13%) above budget.



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#### DGN Games LLC (June 2016 Results)

Revenue for the month was US\$1.0m and EBITDA was US\$35k. F16 EBITDA is US\$2.8m (A\$3.8m).

#### Joint Venture Businesses

#### MCE – June 2016 Results

|  | MCE Estimate |              | Crown MCE Budget |               | Last Year  |              |                | MCE CY16 Budget |               |                |
|--|--------------|--------------|------------------|---------------|------------|--------------|----------------|-----------------|---------------|----------------|
|  | Jun-16       | Jun-16       | Jun-16           | Variance      | Jun-15     | Jun-15       | Variance       | Jun-16          | Jun-16        | Variance       |
|  | US\$m        | US\$m        | US\$m            |               | US\$m      | US\$m        |                | US\$m           | US\$m         |                |
| <b>Normalised EBITDA</b>                 |              |              |                  |               |            |              |                |                 |               |                |
| COD                                      | 50.0         | 61.4         | (11.4)           | (18.6%)       | 48.9       | 1.1          | 2.3%           | 59.8            | (9.8)         | (16.4%)        |
| Altira                                   | 3.0          | 3.2          | (0.2)            | (4.9%)        | 2.2        | 0.8          | 34.2%          | 3.0             | (0.0)         | (0.3%)         |
| Studio City                              | 5.0          | 16.3         | (11.3)           | (69.3%)       | 0.0        | 5.0          | N/A            | 17.9            | (12.9)        | (72.1%)        |
| COD Manila                               | 9.9          | 23.0         | (13.1)           | (57.0%)       | 4.8        | 5.1          | 107.7%         | 10.6            | (0.7)         | (6.7%)         |
| Mocha                                    | 1.4          | 1.8          | (0.4)            | (24.1%)       | 2.3        | (0.9)        | (38.9%)        | 2.5             | (1.1)         | (43.1%)        |
| Corporate                                | (4.3)        | (12.1)       | 7.8              | 64.3%         | (8.3)      | 4.0          | 48.1%          | (8.2)           | 3.9           | 47.7%          |
|  | 65.0         | 93.7         | (28.7)           | (30.7%)       | 49.9       | 15.1         | 30.3%          | 85.6            | (20.6)        | (24.0%)        |
| <b>Non-Operating Expenses</b>            |              |              |                  |               |            |              |                |                 |               |                |
| D&A                                      | (46.6)       | (61.9)       | 15.3             | 24.7%         | (38.6)     | (8.0)        | (20.7%)        | (46.4)          | (0.2)         | (0.4%)         |
| Profit share & Owner's rent (Manila)     | (2.9)        | (8.1)        | 5.2              | 64.3%         | (1.5)      | (1.4)        | (93.5%)        | (3.0)           | 0.1           | 3.3%           |
| Pre-opening costs                        | (0.1)        | 0.0          | (0.1)            | N/A           | (0.0)      | (0.1)        | (614.3%)       | 0.0             | (0.1)         | N/A            |
| Net Interest                             | (23.5)       | (22.9)       | (0.6)            | (2.6%)        | (9.8)      | (13.7)       | (139.6%)       | (22.4)          | (1.1)         | (4.7%)         |
| Other income                             | (0.2)        | 0.1          | (0.3)            | (346.9%)      | 0.1        | (0.3)        | (304.1%)       | 0.2             | (0.4)         | (180.6%)       |
| Employee LTI                             | (1.3)        | (2.6)        | 1.3              | 50.7%         | (1.9)      | 0.6          | 31.7%          | (1.3)           | (0.0)         | (2.7%)         |
| Tax expense                              | (1.0)        | (5.3)        | 4.3              | 81.0%         | (0.6)      | (0.4)        | (80.5%)        | (0.2)           | (0.8)         | (323.7%)       |
| Development Costs                        | 0.0          | (4.3)        | 4.3              | 100.0%        | 0.0        | 0.0          | N/A            | 0.0             | 0.0           | N/A            |
| Attrib to Minority Interests             | 11.6         | 9.9          | 1.7              | 17.0%         | 6.4        | 5.2          | 81.2%          | 6.0             | 5.6           | 91.8%          |
| <b>Normalised NPAT</b>                   | <b>1.0</b>   | <b>(1.3)</b> | <b>2.3</b>       | <b>175.1%</b> | <b>4.0</b> | <b>(3.0)</b> | <b>(75.0%)</b> | <b>18.5</b>     | <b>(17.5)</b> | <b>(94.6%)</b> |
| Win rate adjustment - COD                | 2.3          | 0.0          | 2.3              | N/A           | 5.3        | (3.0)        | (56.8%)        | 0.0             | 2.3           | N/A            |
| Win rate adjustment - Altira             | 1.7          | 0.0          | 1.7              | N/A           | 0.5        | 1.2          | 272.8%         | 0.0             | 1.7           | N/A            |
| Win rate adjustment - COD Manila         | (0.1)        | 0.0          | (0.1)            | N/A           | (1.8)      | 1.7          | 94.3%          | 0.0             | (0.1)         | N/A            |
| Minority Interest on Manila win rate adj | 0.0          | 0.0          | 0.0              | N/A           | 0.6        | (0.6)        | (100.0%)       | 0.0             | 0.0           | N/A            |
| Pre-opening costs (net of minority int)  | 0.0          | (0.1)        | 0.1              | 100.0%        | (7.2)      | 7.2          | 100.0%         | 0.0             | 0.0           | N/A            |
| <b>Reported NPAT</b>                     | <b>4.9</b>   | <b>(1.4)</b> | <b>6.3</b>       | <b>442.2%</b> | <b>1.4</b> | <b>3.5</b>   | <b>259.2%</b>  | <b>18.5</b>     | <b>(13.6)</b> | <b>(73.5%)</b> |
| Crown Share                              | 27.4%        | 34.3%        |                  |               | 34.3%      |              |                | 34.3%           |               |                |
| <b>Crown's share - Normalised (USD)</b>  | <b>0.3</b>   | <b>(0.5)</b> | <b>0.7</b>       | <b>160.0%</b> | <b>1.4</b> | <b>(1.1)</b> | <b>(80.0%)</b> | <b>6.3</b>      | <b>(6.1)</b>  | <b>(95.7%)</b> |
| <b>Crown's share - Reported (USD)</b>    | <b>1.3</b>   | <b>(0.5)</b> | <b>1.8</b>       | <b>373.3%</b> | <b>0.5</b> | <b>0.9</b>   | <b>187.0%</b>  | <b>6.3</b>      | <b>(5.0)</b>  | <b>(78.8%)</b> |

The commentary below is based on the Melco Crown CY2016 Budget.

Theoretical EBITDA of US\$65.0m was US\$20.6m (24%) below budget.

COD's theoretical EBITDA of US\$50.0m was US\$9.8m (16%) below budget. COD's reported EBITDA of US\$52.3m was US\$7.5m (13%) below budget. COD's June VIP win rate of 3.19% was above theoretical resulting in an US\$2.3m favourable variance from theoretical, with roll 5% above budget. Mass drop was 8% below budget for the month, at a below budget hold of 34.5% (budget of 36.5%).

Altira's theoretical EBITDA of US\$3.0m was in line with budget. Altira's reported EBITDA of US\$4.7m was US\$1.7m (57%) above budget. Altira recorded a US\$1.7m favourable variance from theoretical, with a VIP win rate of 3.45%.

Studio City theoretical EBITDA of US\$5.0m was \$12.9m (72%) below budget. Studio City mass drop was 27% below budget at a below budget hold of 22.8% (vs budget of 26.4%). Gaming machines turnover was 32% below budget, with win 51% below budget.

COD Manila's theoretical EBITDA of US\$9.9m was US\$0.7m (7%) below budget, with roll 23% below budget. Mass drop was 20% above budget, with below budget hold of 27.5% (budget of 27.8%).



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Mocha's EBITDA of US\$1.4m was US\$1.1m (43%) below budget.

### **Nobu – June 2016 Results**

Nobu reported a US\$1.5m profit for the month (Restaurants US\$1.3m and Hospitality US\$0.2m). Crown's share is A\$0.4m.

### **Ellerston – June 2016 Results**

Crown's share of the Ellerston result for June is a loss of \$1.4m, which includes depreciation since acquisition. Crown's share of the Ellerston's YTD result is a loss of \$3.0m.

### **Aspers – June 2016 Results**

Aspers' June EBITDA of £0.8m was £0.4m below budget, due to above budget costs in Aspers Management Services (£0.4m). Stratford City, Newcastle, Northampton, and Milton Keynes were all in line with budget.

Aspers' F16 EBITDA of £18.5m is £1.4m (8%) above budget and £3.8m (25%) above last year.

At 30 June 2016 Aspers had a net debt balance of £66.9m, consisting of gross debt of £70.6m and available cash of £3.7m.