



Crown Resorts Limited

Chief Executive Officer's Report – 3 August 2017

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1. June 2017 Results

			June				
	Actual	Forecast	Variance		Actual	Variance	
	Jun-17	Jun-17	F/(U)	F/(U)	Jun-16	F/(U)	F/(U)
	\$m	\$m	\$m	%	\$m	\$m	%
EBITDA @ Theoretical							
Melbourne - Local	44.9	45.9	(1.0)	(2.2%)	41.7	3.2	7.6%
Melbourne - VIP Program	4.2	4.9	(0.7)	(14.2%)	11.8	(7.5)	(64.1%)
Crown Melbourne	49.1	50.8	(1.7)	(3.4%)	53.5	(4.4)	(8.2%)
Perth - Local	18.6	19.7	(1.1)	(5.8%)	21.9	(3.3)	(14.9%)
Perth - VIP Program	1.9	0.9	1.1	125.2%	1.7	0.3	16.1%
Crown Perth	20.6	20.6	(0.1)	(0.3%)	23.5	(3.0)	(12.7%)
Crown Aspinalls	1.8	2.4	(0.6)	(25.4%)	4.3	(2.5)	(58.2%)
Wagering & Online	3.4	1.9	1.5	76.0%	0.4	3.0	788.4%
Corporate	12.5	(1.9)	14.4	765.6%	2.9	9.6	325.8%
TOTAL EBITDA @ Theoretical	87.4	73.9	13.5	18.2%	84.7	2.7	3.2%
Depreciation	(24.9)	(25.3)	0.4	1.7%	(24.0)	(0.9)	(3.7%)
Interest	(5.2)	(6.2)	1.0	15.5%	(9.3)	4.1	44.3%
Taxation	(22.7)	(9.5)	(13.2)	(138.9%)	(9.9)	(12.8)	(129.6%)
Equity Accounted Result (ex MRE)	(0.1)	0.4	(0.6)	(129.5%)	(1.9)	1.8	93.3%
Minority Interest	(0.3)	0.2	(0.5)	(281.8%)	(1.0)	0.7	67.2%
Crown NPAT @ Theo (ex MRE)	34.1	33.5	0.6	1.8%	38.6	(4.4)	(11.5%)
Crown's share of MRE (Theo)	0.0	0.0	0.0	N/A	0.4	(0.4)	(100.0%)
Crown NPAT @ Theo	34.1	33.5	0.6	1.8%	38.9	(4.8)	(12.3%)

EBITDA @ Actual							
Crown Melbourne	53.4	50.8	2.5	5.0%	65.1	(11.7)	(17.9%)
Crown Perth	30.4	20.6	9.7	47.3%	30.6	(0.2)	(0.7%)
Crown Aspinalls	9.7	2.4	7.2	300.2%	0.0	9.6	2185.4%
Wagering & Online	3.4	1.9	1.5	76.0%	0.4	3.0	788.4%
Corporate	12.5	(1.9)	14.4	765.6%	2.9	9.6	325.8%
TOTAL EBITDA @ Actual	109.3	73.9	35.4	47.9%	99.0	10.3	10.4%
Crown NPAT @ Actual (ex MRE)	50.2	33.5	16.7	49.7%	48.2	2.0	4.2%
Crown's share of MRE (Actual)	0.0	0.0	0.0	N/A	1.8	(1.8)	(100.0%)
Crown NPAT @ Actual before Significant Items	50.2	33.5	16.7	49.7%	50.0	0.2	0.4%

June normalised NPAT of \$34.1m is \$0.6m (2%) above forecast, but \$4.8m (12%) below last year. Reported NPAT of \$50.2m is \$16.7m (50%) above forecast, impacted by above theoretical win rates in Melbourne, Perth and Aspinalls.

1.1. Australian Businesses

Theoretical EBITDA of \$87.4m was \$13.5m (18%) above forecast and \$2.7m (3%) above last year. The main factors impacting the results were:

- In relation to the Australian businesses, **Crown Melbourne** EBITDA was \$1.7m (3%) below forecast (Local -\$1.0m or -2%, VIP -\$0.7m or -14%), and \$4.4m (8%) below last year (Local +\$3.2m or +8%, VIP -\$7.5m or -64%). **Crown Perth** was \$0.1m (0.3%) below forecast (Local -\$1.1m or -6%, VIP +\$1.1m or +125%), and \$3.0m (13%) below last year (Local -\$3.3m or -15%, VIP +\$0.3m or +16%).
- In Melbourne, local contribution was \$1.0m (2%) below forecast but \$3.2m (8%) above last year. Local Tables were \$0.8m (3%) below forecast with drop 4% below forecast, and hold of 21.5% (vs forecast of 20.9%). Slots contribution was \$0.3m (1%) above forecast, with turnover 3% above forecast and a win rate of 7.9% (forecast of 8.3%). The contribution impact of low

hold in Slots was \$0.7m. F&B was \$1.5m (31%) below forecast due to soft trading in all segments other than Events and Conferencing. Hotels were \$0.7m (11%) below forecast with below forecast room rates in all three hotels. Occupancy was above forecast in Towers, but below forecast in Metropal and Promenade.

- Melbourne VIP theoretical contribution of \$4.2m was \$0.7m (14%) below forecast, with turnover of \$1.6b which was 6% below forecast. An above theoretical win rate of 1.71%, resulted in a \$4.3m favourable variance from theoretical.
- In Perth, local contribution was \$1.1m (6%) below forecast and \$3.3m (15%) below last year. Local Tables contribution was \$0.1m (2%) below forecast, with drop 3% above forecast and a hold of 21.9% (forecast of 22.9%). Slots contribution was \$0.3m (2%) below forecast, with turnover 1% below forecast and a win rate of 8.5% (forecast of 8.5%). F&B was slightly below forecast and Conventions & Entertainment was \$0.5m below forecast due to less than expected Convention events and attendance at Theatre show "Illusionist". Hotels contribution was \$0.6m (21%) below forecast with lower than expected occupancy and room rates in all hotels.
- Perth VIP theoretical contribution was \$1.1m (125%) above forecast, with turnover of \$0.7b which was 70% above forecast. An above theoretical win rate of 2.94%, resulted in a \$9.8m favourable variance from theoretical.
- **Crown Aspinall's** theoretical EBITDA of \$1.8m was \$0.6m (25%) below forecast, but actual EBITDA was \$7.2m above forecast with a win rate of 1.68%. Turnover of £0.6b was 22% below forecast.
- **Wagering & Online** - CrownBet's EBITDA of \$1.4m was \$0.5m above forecast mainly due to adjustments relating to loyalty point accruals. Betfair's EBITDA of \$1.5m was \$0.7m above forecast and DGN's EBITDA of \$0.7m was \$0.3m favourable to forecast.

1.2. Crown Resorts Group

Corporate costs were \$14.4m favourable to forecast due to a Caesars MTM gain, partially offset by the F17 CPH recharge. Depreciation and amortisation of \$24.9m was \$0.4m below forecast. Net interest expense of \$5.2m is \$1.0m (16%) below forecast and \$4.1m (44%) below last year.

Reported NPAT before significant items for the month of \$50.2m is \$16.7m (50%) above forecast. Crown Melbourne and Crown Perth reported win rates of 1.71% and 2.94% respectively, resulting in a combined favourable variance from theoretical of \$14.1m pre income tax. Crown Aspinalls reported a favourable variance from theoretical of A\$7.9m pre income tax for the month with a win rate of 1.68%.

Normalised NPAT (excluding MRE) was \$4.4m (12%) below the prior corresponding period reflecting the net impact of the following factors:

- EBITDA increased by \$2.7m (3%) from last year with \$9.6m lower corporate costs mainly due to month end adjustments including a Caesars MTM gain and LTI savings. Wagering & Online was \$3.0m above last year. EBITDA at Crown Melbourne, Crown Perth and Crown Aspinalls was lower than last year by \$4.4m (8%), \$3.0m (13%) and \$2.5m (58%) respectively. At Crown Melbourne, Local contribution increased by \$3.2m (8%), but VIP

Program Play contribution decreased by \$7.5m (64%). At Crown Perth, Local contribution decreased by \$3.3m (15%) but VIP Program Play contribution increased by \$0.3m (16%).

- Depreciation and amortisation was \$0.9m (4%) above last year, impacted by the opening of Crown Towers Perth.
- Net interest expense was \$4.1m (44%) below last year due to lower net debt levels.

2. F17 Results

	Full Year						
	Actual	Budget	Variance		Actual	Variance	
	Jun-17	Jun-17	F/(U)	F/(U)	Jun-16	F/(U)	F/(U)
	\$m	\$m	\$m	%	\$m	\$m	%
EBITDA @ Theoretical							
Melbourne - Local	552.6	590.8	(38.2)	(6.5%)	563.2	(10.6)	(1.9%)
Melbourne - VIP Program	44.0	119.8	(75.8)	(63.2%)	127.3	(83.3)	(65.4%)
Crown Melbourne	596.6	710.5	(113.9)	(16.0%)	690.5	(93.8)	(13.6%)
Perth - Local	244.6	275.0	(30.4)	(11.1%)	261.4	(16.8)	(6.4%)
Perth - VIP Program	3.4	11.7	(8.3)	(71.3%)	3.2	0.2	6.1%
Crown Perth	247.9	286.7	(38.8)	(13.5%)	264.5	(16.6)	(6.3%)
Crown Aspinalls	26.6	34.0	(7.4)	(21.7%)	26.5	0.1	0.4%
Wagering & Online	14.8	26.0	(11.2)	(43.1%)	(5.4)	20.2	371.5%
Corporate	(47.1)	(86.8)	39.7	45.8%	(98.4)	51.4	52.2%
TOTAL EBITDA @ Theoretical	838.9	970.4	(131.5)	(13.6%)	877.6	(38.7)	(4.4%)
Depreciation	(296.8)	(291.2)	(5.6)	(1.9%)	(282.8)	(14.0)	(4.9%)
Interest	(101.6)	(122.9)	21.3	17.3%	(141.6)	40.1	28.3%
Taxation	(138.4)	(111.3)	(27.1)	(24.4%)	(93.7)	(44.7)	(47.7%)
Equity Accounted Result (ex MRE)	1.3	11.1	(9.8)	(88.5%)	(1.4)	2.7	190.1%
Minority Interest	4.9	0.1	4.8	4313.6%	5.2	(0.3)	(6.1%)
Crown NPAT @ Theo (ex MRE)	308.3	456.3	(147.9)	(32.4%)	363.3	(55.0)	(15.1%)
Crown's share of MRE (Theo)	42.4	99.0	(56.6)	(57.2%)	58.1	(15.7)	(27.0%)
Crown NPAT @ Theo	350.8	555.3	(204.5)	(36.8%)	421.4	(70.7)	(16.8%)

EBITDA @ Actual							
Crown Melbourne	570.6	710.5	(139.9)	(19.7%)	663.4	(92.8)	(14.0%)
Crown Perth	257.3	286.7	(29.3)	(10.2%)	285.8	(28.5)	(10.0%)
Crown Aspinalls	(5.5)	34.0	(39.4)	(116.1%)	16.0	(21.5)	(134.1%)
Wagering & Online	14.8	26.0	(11.2)	(43.1%)	(5.4)	20.2	371.5%
Corporate	(47.1)	(86.8)	39.7	45.8%	(98.4)	51.4	52.2%
TOTAL EBITDA @ Actual	790.3	970.4	(180.1)	(18.6%)	861.4	(71.1)	(8.3%)
Crown NPAT @ Actual (ex MRE)	271.0	456.3	(185.2)	(40.6%)	350.9	(79.9)	(22.8%)
Crown's share of MRE (Actual)	37.9	99.0	(61.2)	(61.8%)	42.7	(4.8)	(11.3%)
Crown NPAT @ Actual before Significant Items	308.9	555.3	(246.4)	(44.4%)	393.6	(84.7)	(21.5%)
Net gain on sale of MRE	1,745.5	0.0	1,745.5	N/A	602.0	1,143.5	190.0%
Net foreign currency gain on disposal of foreign operations	88.8	0.0	88.8	N/A	0.0	88.8	N/A
MRE special dividend	48.6	0.0	48.6	N/A	0.0	48.6	N/A
Asset (impairment)/reversal	(260.2)	0.0	(260.2)	N/A	35.5	(295.7)	(833.8%)
Restructuring & other expenses	(89.6)	0.0	(89.6)	N/A	0.0	(89.6)	N/A
Early debt retirement costs	(32.4)	0.0	(32.4)	N/A	(57.7)	25.3	43.9%
Proposed demerger related costs	0.0	0.0	0.0	N/A	(9.0)	9.0	100.0%
Net tax on significant items	20.3	0.0	20.3	N/A	(15.5)	35.7	231.3%
Minority interest on significant items	36.2	0.0	36.2	N/A	0.0	36.2	N/A
Crown NPAT @ Actual after Significant Items	1,866.1	555.3	1,310.7	236.0%	948.8	917.2	96.7%

The group's F17 normalised NPAT of \$350.8m is \$204.5m (37%) below budget and \$70.7m (17%) below last year. F17 reported NPAT before significant items of \$308.9m is \$246.4m (44%) below budget and \$84.7m (22%) below last year. F17 reported NPAT after significant items of \$1,866.1m is \$1,310.7m (236%) above budget and \$917.2m (97%) above last year.

2.1. Australian Resorts (including Crown Aspinalls)

Australian Resorts normalised F17 NPAT (excluding MRE) of \$308.3m is \$147.9m (32%) below budget and \$55.0m (15%) below last year. Reported F17 NPAT (excluding MRE) of \$271.0m is \$185.2m (41%) below budget and \$79.9m (23%) below last year.

- Group theoretical F17 EBITDA of \$838.9m is \$131.5m (14%) below budget and \$38.7m (4%) below last year. Crown Melbourne is \$113.9m (16%) below budget, Crown Perth is \$38.8m (14%)

below budget, Crown Aspinalls is \$7.4m (22%) below budget and Wagering & Online is \$11.2m (43%) below budget.

- **Crown Melbourne's** theoretical F17 result is due to a below budget VIP Program Play contribution (\$75.8m or 63% below budget) and a below budget Local contribution (\$38.2m or 7% below budget). Program play turnover of \$25.2b is 50% below budget and 50% below last year. The below budget local result is attributable to below budget results in Table Games (\$19.9m or 6% below budget), Gaming Machines (\$22.1m or 9% below budget) and Hotels (\$4.3m or 4% below budget), partially offset by savings in Support Departments. Crown Melbourne's theoretical F17 result is \$93.8m (14%) below last year (Local -\$10.6m or -2%, VIP -\$83.3m or -65%).
- **Crown Perth's** theoretical F17 result is due to a below budget Local contribution (\$30.4m or 11% below budget) and a below budget VIP Program Play contribution (\$8.3m or 71% below budget). VIP turnover of \$8.1b is 48% below budget. The below budget local result is due to below budget results in Table Games (\$10.5m or 10%), Gaming Machines (\$13.3m or 7%), Hotels (\$3.7m or 10%), Food & Beverage (\$7.7m or 24%) and Conventions & Entertainment (\$3.3m or 37%), partially offset by savings in Support Departments. Crown Perth's theoretical F17 result is \$16.6m (6%) below last year (Local -\$16.8m or -6%, VIP +\$0.2m or +6%).
- **Crown Aspinall's** below budget theoretical result is due to below budget VIP Program turnover of £6.5b being £1.6b (19%) below budget. The F17 win rate of 0.50% is below theoretical (budget of 0.80%), resulting in a £19.0m unfavourable variance from theoretical.
- **Wagering & Online's** below budget result is due to below budget results in CrownBet (\$8.9m or 70% below budget) and DGN (\$4.7m or 72% below budget), partially offset by an above budget contribution in Betfair (\$3.2m or 38% above budget).

2.2. MRE

Crown's share of MRE NPAT of \$42.4m is \$56.6m (57%) below budget and \$15.7m (27%) below last year. From 1 January 2017, Crown ceased equity accounting its MRE investment.

2.3. Crown Resorts Group

F17 corporate costs of \$47.1m are \$39.7m (46%) below budget primarily impacted by a Caesars MTM gain, LTI savings, as well as the MRE dividend, partially offset by demerger and REIT related costs. F17 net interest expense of \$101.6m is \$21.3m (17%) below budget due to lower net debt levels.

F17 reported NPAT before significant items of \$308.9m is \$246.4m (44%) below budget and includes a net unfavourable normalisation adjustment of \$41.9m (net of income tax). The combined unfavourable variance from theoretical for the Australian casinos is \$16.6m (pre-income tax), impacted by a high win rate on revenue share programs with the F17 win rate on VIP Program Play of 1.59% at Crown Melbourne and 1.83% at Crown Perth. Crown Aspinalls' unfavourable variance from theoretical is \$32.0m (pre income tax) at a win rate of 0.50%. Crown's share of MRE's unfavourable variance from theoretical is \$4.6m.

3. Current Issues

3.1. Property Specific Initiatives

Crown Melbourne

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

- Carded Lucky Rewards continues to drive strong incremental revenue where selected members are awarded random prizes at defined jackpot intervals (based on individual targets). Players can monitor progression to their target via the service window which also delivers the bonus via an interactive game;
- Launch of the Grand Cash Jackpot which is a venue-wide mystery jackpot with a range of \$500k to \$750k;
- Complimentary alcoholic drinks introduced into the Riverside Room for Gold, Platinum and Black Crown Rewards members, enabling members to enjoy the benefits of their Tier status in the Riverside Room;
- Drink trolleys have been introduced onto the gaming floor daily during peak trading periods with discounts applying to some items to guests actively playing Gaming Machines;
- Crown's installation of the very popular Lightning Link gaming machine product has surpassed 100 units and is one of the largest single site installations in Australia;
- The premium player alert program on the Main Gaming Floor continues with a recent success being the identification and sign up of an International VIP player who has been upgraded to Black;
- Continued beer and wine drink specials across Main Gaming Floor bars following on from the competitor reviews. Crown representatives competitively shop metropolitan venues with a view to identifying actionable shortcomings in the Crown offer (led to the introduction of some of the drinks initiatives and marketing of specific product scale);
- Crown Guaranteed Prize giveaways continue, these occur every Tuesday and Sunday nights at 7.30pm;
- Develop and focus on the local Asian strategy (particularly Chinese and Vietnamese) to drive high value visitation, particularly into the Maple Room. Initiatives to include leveraging relationships with Chinese related businesses, clubs and network, working with inbound and outbound Chinese focussed travel agents and utilising an incentivised referral service;
- Leverage existing Host and Teak Finder Minder programs to grow top tier customers and emerging segments, including a focus on key events for key high end Teak customers;
- Utilise the outbound call centre operation (to commence in July) to significantly improve targeted and premium customer contact;

- Drinks Direct in Teak Room was recently launched and allows members to order their complimentary beverage directly from the service window on the gaming machine, which will improve time to delivery whilst reducing labour costs by removing the labour required to take the orders. The initiative was launched successfully with positive feedback from the guests.

The following initiatives are currently under development:

- Review and Relaunch of Dining Rewards and Welcome Back, research has been completed and plans are currently being formulated for the relaunch in Q2;
- Execution of the recently presented and approved strategic partnership with Bowls Victoria to cross promote both entities and enable Crown to market to the Bowls Victoria database (46,000 members and further 180,000 social members) with offers;
- The creation of a Lightning Link Lounge and a New Games Arena and the introduction of a High Denomination Space within the Teak Room;
- High level scope of works is underway for the reintroduction of a cost effective Keno proposition and the ability to create a Crown Resort Wallet combining our multiple accounts into one for use within the property;
- The contract for Gaming Machines' technician services was awarded to Amtek effective 31 July 2017. On-boarding and training has commenced with sixteen licensed technicians. Six Crown technicians have applied for jobs with Amtek during July. ETU activity continues to be monitored and proactively managed across the business;
- A market share recovery program is scheduled to commence with Gold Tier initiatives including Birthday Bingo and Gold Tier complimentary hotel stays;
- Self-serve coffee machines to enable Crown Rewards members playing on the Main Gaming Floor to obtain a complimentary cup of coffee, tea or hot chocolate (which is available at many competing venues) are also being developed. Initiative to be implemented in mid / late October 2017.

Crown Perth

The focus remains firmly on identifying opportunities to save costs and / or drive revenue and include the following:

- Continue to develop Crown's Value Guarantee initiative including a second round of pricing models for tables, machines and food & beverage and focussed on delivering margin enhancement;
- Monitor recent changes to operating hours and labour levels across food & beverage, hotels and tables, to maintain customer service and experience standards;
- Review customer communication structures to rationalise the current number of individual contacts received by customers, and optimise channels used to customer preferences;

- Review the recent restructure of the direct mail strategy with an offer that has a mix of free play, multipliers and gifts with a redemption and offer mix aligned more closely to patron visitation and spend behaviours;
- Review and rebuild the current gaming segmentation model and overlay the outcomes with spend and visitation models;
- To capitalise on the growing popularity of electronic table games, a first multigame stadium was installed in September 2016, followed by a second multigame stadium in late November 2016 and further expansion completed in January 2017. On-going review of occupancy and performance will determine further expansion recommendations as revenue from this product continues to grow, now at 16% year on year growth with recent months exceeding 30%.

Australian Resorts Marketing Initiatives

Over 500,000 Crown Melbourne, Crown Perth and CrownBet customers are now enrolled into the Crown Rewards program. New member acquisition remains strong. A program of work is planned for F18 to drive further value from the program, with an immediate focus on acquisition, on-boarding, non-gaming relevance and churn reduction.

F18 marketing initiatives are on track. Of note, a new gaming focussed app approach has been proposed, with next steps including customer research, technology evaluation and creative mock ups. Additionally, a project is launched to focus on engagement, which encompasses both customer experience and employee engagement.

Brand Tracking - Crown successfully maintained its high top of mind awareness across F17, with consideration and visitation remaining stable across the year. Q4 results found the recently implemented Value Guarantee campaign in Crown Perth is having a positive impact on consideration to visit amongst members and the general public, whilst effectively reducing key barriers to visitation associated with value for money and entertainment budget.

Crown Melbourne and Perth websites continue to grow in traffic with 12.9m visits in F17. Notably, the Crown Perth website had 27% growth in traffic compared to F16. Key drivers of traffic to the site continue to be improvements in Google natural search rankings (SEO), paid Google adverts, email and social media.

Crown's Social Media footprint now covers 410,000 users on Facebook (284,000 Melbourne and 126,000 Perth), with 46,000 followers on Instagram and 24,000 on Twitter. The major social media change in Perth for F17 was the launch of a new Facebook page for Crown Towers Perth, which has now grown to 35,000 followers (in addition to the 126,000 seen for the main property page).

Crown Perth's Value Guarantee was the lead marketing campaign in Perth through June and in July, with a strong advertising schedule including television from 2 July. The campaign includes lower-priced gaming, nothing over \$20 menus in casual restaurants, \$50 2-course dinner and lunch menus in premium restaurants, a Metropal hotel offer and low-priced wine and beer options, with all offers being available seven days a week. Anecdotal feedback is suggesting the breadth of choice under a certain price-point and the simplicity of the offer are highly appealing to the target market, particularly casual infrequent visitors.

Australian Resorts HR Initiatives

Indigenous Employment Program (IEP)

There are currently a total of 188 employees in the Crown Indigenous Employment Program (IEP) as at 17 July 2017. This represents 80 at Crown Perth and 108 at Crown Melbourne. The total number of IEP hires to date, from commencement of the program, is 680.

The IEP program has partnered with Crown Learning & Development in creating the customised Katitjin Pre-employment Program, to assist a select group of candidates in becoming job ready for upcoming Events & Conference positions. The program commenced on 17 July 2017 with 17 candidates having been accepted.

NAIDOC week (2 – 9 July) featured the following key events:

- Crown Melbourne honoured and respected Elders within the community with Crown Elder's Breakfast. Employees spoke in reflection of the commitment and sacrifice made by Elders. The event was attended by Elders, Indigenous employees, managers and members of the executive team.
- Crown Perth hosted an event at the Staff Canteen featuring an Aboriginal inspired menu with attendance by Crown Ambassador and West Coast Eagles player, Sharrod Wellingham. Also present were Elders from the Indigenous Community and students from Kirra College Girls Academy who performed a traditional dance.
- Crown Perth IEP members attended an opening ceremony held at Bandyup Women's Institution in Perth on Sunday 2 July.
- IEP also represented Crown Resorts at the NAIDOC Deadly Jobs Expo on 6 July 2017 in Perth. This event facilitates industry, employers and jobseekers coming together to highlight employment opportunities for Aboriginal people in Western Australia. Over 50 job seekers, who were in attendance at the Expo, applied for positions at Crown.
- Crown Melbourne also hosted a Deadly Jobs expo, an Indigenous Employment & Careers Expo focused on connecting Aboriginal & Torres Strait Islanders with employment opportunities. Over 40 employers from many different industries were in attendance looking to interview candidates for their vacant jobs.
- As a finale to NAIDOC Week 2017, the Chevron NAIDOC Perth Ball was held at Crown Ballroom and was attended by members of senior management as well as Indigenous employees from across the business.

Workplace Gender Equity

Crown Resorts met the mandatory annual Workplace Gender Equity Agency (WGEA) reporting requirements. This year, a joint Crown Resorts report was submitted, incorporating both Crown Melbourne and Crown Perth into one report. The public report has been included on the Crown Resorts website as per prior years as well as links to that report being circulated internally.

The Perth Gender Advisory Group held its first meeting earlier this month and work is currently underway in devising the Gender Action Plan (GAP).

The Melbourne Gender Advisory Group attended a number of workshops in the past several months and have completed the first draft of the GAP. The plan addresses themes and key actions in each area of the employee life cycle and looks at how we can best close the gender gap at each stage of employment. The GAP will continue to ensure gender equity is integrated into all policies and aims to incorporate best-practice framework and elements in all areas.

Crown Perth is launching the Executive sub-Committee which involves high potential staff (60% women) being part of a group which replicates the operation of an Executive Team. The Committee will focus on real time organisational issues and projects and has Executive sponsorship. It offers development opportunities and insights into the operation of an Executive Team whilst enhancing collaborative relationships across the business.

The Gender Equity Steering Committee met on 24 July to review the GAP and provide feedback on next steps.

LGBTI Employee Network

The second LGBTI steering committee was held on Wednesday 5 July. A program manager from Pride in Diversity attended the meeting and facilitated a two hour workshop. Pride in Diversity are Australia's first and only not for profit organisation specialising in the LGBTI workplace inclusion.

CROWNability program

There are currently a total of 162 direct employees and contractors in the CROWNability program across both properties, encompassing 76 direct employees and 10 contractors at Crown Perth, with 70 direct employees and six contractors at Crown Melbourne. This represents a retention rate of 66% as at 30 June 2017 with target for F18 now set at 184.

The CROWNability online awareness module was launched via Crown Learn across both properties on 12 July 2017. This module aims to assist employees in gaining a stronger understanding of working with disability and the benefits of the CROWNability program, whilst promoting positive attitudes towards people with disability. Promotional activities in support of the launch were held across Crown Perth and Crown Melbourne properties in July.

CROWNability continues to work on developing a new CROWNability Action Plan (CAP) for F18 – F20 which will be launched 3 December 2017. This plan will build on the initiatives of the F15 – F17 CAP, with a particular focus on further advancing Crown's commitment to becoming inclusive and accessible across all business units.

Crown Resorts' achievements in disability employment across both properties, continues to be recognised by notable industry advocates and disability support providers. This includes Crown Perth's receipt of the atWork Australia - Employer of the Year Award on 3 July 2017, in recognition of the CROWNability program and its innovative championing of inclusive employment.

In March 2016, Crown Perth initiated the first meeting of hospitality employers in WA, in support of forming a Hospitality Disability Network (HDN) pilot in Perth. As an initiative of the HDN and in partnership with AHS Hospitality, Crown conducted a Housekeeping pre-employment program at Crown College in Perth, with 12 participants in attendance. Further to this, Crown finalised development of a talent pool from the group, from which AHS has now selected six people for housekeeping positions.

EGM HR (Melbourne) and the Melbourne CROWNability Manager, along with three employees from the CROWNability program met and hosted the Federal Government's Assistant Minister for Disability, The Hon Jane Prentice MP and her Advisors at Crown and discussed the success of the program.

Training and Development

Crown College International has commenced in July with the first intake of international students. There are 12 applications already received for the October intake and six for January. Crown's agent network has increased from 26 to 51 agents. The network is made up of 27 on-shore and 24 off-shore agents. As the network continues to grow so does the momentum of student applications, with increasing brand awareness and exposure the key to accessing student markets around the world. Crown College International has also added the Diploma of Hospitality to the program.

The Crown College Institute of Higher Education (CCIHE) application and development of the Bachelor Degree program is progressing to plan.

The 500 Training Places initiative at Crown Melbourne is continuing steadily with 87 active enrolments in the program, 68 enrolled in Hospitality and 19 in Security, all of whom are due to complete their certificates by the end of December. Currently there are 13 expressions of interest from the information session held for the first tier suppliers for the automotive industry. Crown team members will be attending a job fair held at Toyota in which 2,500 people have been invited, taking place on 14 -16 August.

Industry and Individual Awards

Crown Melbourne won the Tourism Australia Award – Outstanding Achievement in Training Award.

Crown Resorts was also awarded National Employer of the Year on 14 July 2017, from Octec Employment Services. This award recognises Crown's continued support of people with disability.

Employee Relations - Gaming Machines Technicians

In response to the work relating to the outsourcing of the Gaming Machines technical function, the Electrical Trades Union (ETU) scheduled a Rally for Tuesday 25 July at 12pm – 1pm culminating at the Southern Entrance of the Crown Complex.

HR have met individually with each Technician affected by the redundancy and all Technicians will have concluded employment by 31 July and will have access to extensive Outplacement Career Transition and Job Search Support via SHK.

Current Trading

Crown Melbourne

Table Games F17 contribution of \$328.3m was \$19.9m or 5.7% below budget and in line with the prior year. The shortfall to budget and the lack of growth to prior year has been heavily influenced by a lower than expected hold, primarily in Mahogany which negatively impacted contribution by \$5.3m vs budget and \$11.5m vs the prior year.

Main Gaming Floor (excluding Poker and eTGs) volumes for F17 were below budget by 3.9% but above last year by 0.9%. Patron hour weakness, primarily through the second half of the year was symptomatic of the decline in overall volumes, although not to the same rate. A slightly stronger hold (25.3% v budget of 25.0% and 25.1% PY) did offset some volume weakness.

Electronic Table Games (eTGs) turnover for the financial year was below budget by 4.6% but above the prior year by 5.8%. A solid improvement in the hold (vs theoretical) through Q4 assisted the performance of this product, with contribution for the year showing a 0.5% surplus to budget and an increase of 10.5% on last year.

Premium Table Games volumes for F17 finished down 1.2% on budget but up 6.1% on last year. Poor hold of 19.4% (vs 20% budget and 20.3% PY) negatively impacted contribution by 8.6% to budget and 2.7% to PY.

Main Floor Premium (MFP) started the financial year very well, dipped from October but recovered well following Lunar New Year. For the full year, MFP volumes were down on budget by 3.4% but up 6.4% on last year. Expectations on MFP patron hours were challenged through the year but were offset by a stronger spend per customer metric. The MFP hold finished above expectations at 21.5% vs budget of 20%.

Mahogany Room (MR) volumes were strong particularly in the first quarter of F17 and H2 with volumes up 1.9% on budget and up 5.8% on last year, however H2 featured hold weakness attributable to a small number of key players which had an adverse impact on the MR performance with hold finishing at 16.9% (v budget of 20.0% and 19.0% PY).

Table Games Interstate F17 performance was strong with turnover of \$5.7b being 26% above budget and 34% above last year. One customer generated more than \$1b turnover and another four customers accounted for turnover greater than \$100m. The Crown Jet strategy has had a major impact through the year, as has an enhanced event and promotional calendar.

F18 has started well with volumes slightly up on expectations and 1% up on the prior year and in conjunction with a rebound in the hold, revenues are 2% up on both budget and PY through 23 July 2017.

While volumes on the Main Gaming Floor have been a little weaker than expected, some hold weakness has impacted Mainstream revenues which are currently tracking below budget MTD.

eTG volumes are in line with expectations although some recent hold softness has resulted in revenues being slightly short of budget.

MFP volumes have carried the Q4 trend through into the new financial year and are in line with budget.

Mahogany has started the new financial year well despite the ongoing travels of some key players. Volumes are up 7% to both budget and PY, while a welcome improvement in the hold is underpinning revenue movement.

Gaming Machines' F17 full year contribution of \$227.1m was \$22.1m or 8.9% below budget and \$13.5m or 5.6% below the pcp. F17 turnover of \$5.5b was 6.1% below budget and 0.8% below pcp. Interstate and International turnover grew 25.5% above pcp, predominantly from the NSW, New Zealand and North Asian markets. However, North Asia's baseline performance saw a 50% reduction

post mid-October compared with the first quarter trend. Local turnover declined 3.9% below pcp, from Gold and below tiers across the Main Gaming Floor. Further, \$3.6m of the full year contribution shortfall to budget was due to soft hold of 8.14%, compared to target hold of 8.23%. F17 full year Victorian market share declined to 14.9%, down from an all-time high of 15.3% in F16 largely due to the competitor network's improved offering (including the introduction of loyalty programs).

The calendar of promotions and events for VIP Gaming Machine customers, both on and off venue, has expanded to increase share of wallet and engender loyalty. Eureka Skydeck, Level 39 salons, Rockpool, Club 23, Palladium and Capital Golf Course all hosted events in late F17. Gaming Machines Interstate and International business outperformed expectations in June, with the overall result for the month being a year on year increase in theoretical revenue of 78%, with YTD theoretical revenue growth of 24%. Key performing markets were NSW, New Zealand and North Asia. Theoretical Contribution growth was 38% above pcp (all markets combined).

Over 128,000 new members have now signed up to Crown Rewards. In April, the member renewal period provided an opportunity to update member details and communication methods via member hub selection, including mobile details, email updates and increased CrownBet opt in levels.

The proactive service initiatives, Know Your Customer (interacting with Platinum and Black tiers on the Main Gaming Floor) and Surprise and Delight (beverage service to high denomination rooms), continue to improve the customers' experience.

Food & Beverage's F17 result was \$1.8m or 3.4% below budget and \$0.3m or 0.6% above the pcp. Bars and Events & Conferencing both exceeded budget, while restaurants fell short. Premium restaurants were impacted by the downturn in gaming activity, with Junket business \$1.2m less than F16. This primarily impacted Koko and Silks, but others were affected to a lesser degree. Long Chim is trading below expectations and had a negative impact on F17, including pre-opening costs. The July result has been impacted by the cancellation of a key show in Palms as well as lower function activity in Metropolis compared to last year. The result is tracking slightly behind budget.

Hotel's F17 result was \$4.3m or 4.3% below budget and in line with the pcp. The gaming downturn experienced after mid-October impacted not only Villas but the main Tower as well. Villas revenue from gaming patrons was \$3.4m behind budget, and non-Villas room nights declined by 9,800 across the November - June period (an average of 40 rooms per day). While much of this business was replaced, it was at times at a lower rate due to being mid-week. Given the circumstances, occupancy levels across all three hotels held up very well, with an overall result of 93.2% against the budgeted 94.3% and pcp of 93.4%. The July result is being negatively impacted by lower rates across the market, with competitors using rate to maintain market share. Metropolis is the most affected, while Villas has had the benefit of one-off bookings. Overall the result is tracking slightly behind budget.

Crown Perth

Local Table Games' contribution for F17 was \$10.5m or 9.9% below budget and \$0.4m or 0.4% below the prior year. Local Premium sustained stable weekly drop volumes that partially offset the budget shortfall in mainstream Tables.

Regular Table Games' contribution for F17 was \$12.5m or 13.8% below budget but \$0.7m or 0.9% above last year. Solid growth in electronic tables provided the counter balance to declining Blackjack volumes year on year.

Moving into F18 recovering peak period casual visitation remains the focus via the complex wide Value Guarantee campaign and associated pricing efforts. As part of this campaign the Table Games message has leveraged the increased popularity of electronic table games and creates greater awareness around the expanded low limit Blackjack and Roulette tables available. Analysis of the Value Campaign indicates that the messages have gained traction in market and this is translating to growth in peak period Table Games and Gaming Machines results.

Gaming Machines' F17 contribution was below budget by \$13.3m or 6.6% and below last year by \$2.1m or 1.1%. Weekly Gaming Machine turnover volumes declined significantly through the back half of the year averaging 6% down on the pcp across the period. Significantly, January was down 8% against the 30th Birthday celebrations in the corresponding period.

Similar to Table Games and other areas of the business, recovering Gaming Machines casual customer visitation remains the focus moving into F18. Whilst the rated membership base is delivering a more stable level of visitation, the challenges of declining spend per visit across the customer base and the softening of the local premium base is proving difficult to counter. Increased visitation from these tiers remains a priority via direct marketing and targeted VIP event efforts.

Strong messages around lower denomination machines and discounted restaurant offers targeted towards the mass market machines customer as part of the Value Guarantee campaign has provided a rebound in un-carded and infrequent patron volumes. This has translated to increased peak period turnover for Gaming Machines in recent weeks.

Food & Beverage (F&B) contribution for F17 was \$7.7m (23.8%) below budget and \$6.6m (21.2%) below last year. The result is largely due to the general downturn in the market with spend per visit well down, particularly in beverage sales in the Main Gaming Floor Bars as well as VIP / Junket spend in the premium segment. There has also been softening attendance numbers to Theatre shows this year not helped by the cancellation of We Will Rock You in November and December. On a positive note, Crown Towers was successfully launched in December, and included the opening of new outlets the Epicurean Buffet, The Waiting Room, Poolside Bar and Room Service.

July trading is tracking above budget driven by some good sporting events and functions combined with the increased visitation from the Value Campaign offerings which includes a number of reduced priced food menus in casual and premium restaurants, plus selected drinks mostly offered on the Main Gaming Floor.

Conventions' contribution was \$1.5m (28.7%) below budget and \$0.3m (7.4%) below last year mainly due to reduced attendances at key events and a reduction in beverage spend which has been the market trend. December also saw the successful launch of the new Crown Ballroom, which has held a number of key events since its opening. Conventions are likely to be slightly behind budget

for the month of July which is mainly due to the postponement of a number of events into future months.

Entertainment's contribution for F17 was \$1.8m (48.9%) below budget and \$2.7m (59.9%) below last year. This result is largely due to the cancellation of the budgeted 41 shows of We Will Rock You, and poor attendances at the Theatre shows Georgy Girl and Avenue Q, both of which were bought by Crown Perth. The highlight of the year was the long running theatre show Matilda which had above average attendances at the majority of its 80 shows. July started well with the bought show The Illusionists yielding a profit.

The following are confirmed future events in the Theatre:

Lights by Dreamworks (Crown Pyramid – 52 Performances)	June-July
Elvis – One Night in Vegas	July
Little Mix	July
America	July
New York State of Mind, A Tribute to Billy Joel	July
Keith Sweat	August
Roby Orbison Orchestrated	August
Lee Kernaghan Boys from the Bush	August
Schools Make Music (7 performances)	August
Crazy Horse (30 performances)	September
Elvis to the Max	September
Tina Arena	October
Glenn Miller Orchestra	October
Michael Ball & Alfit Boe	October
The Bootleg Beatles	October
ABBAolutely Fabulous	November
Peter Andre	November

Hotels' F17 contribution was \$3.7m (9.5%) below budget however \$0.6m (1.6%) above the previous year. The overall Perth market continued to decline throughout F17 with the RevPAR (Revenue per Available Room) measure falling 11% year on year. The negative result was driven by a combination of reduced volumes into Perth and the addition of new hotel inventory. These factors resulted in the market continuing to drive down average room rates in order to maintain market share. Crown Hotels' were required to follow the market to some degree resulting in occupancy and rate tracking below budget and the prior year, however all hotels remained well above their respective competitor sets and market as a whole. The completion of Crown Towers created increased leisure demand with positive sentiment received by local and interstate markets since the opening in December, with other key market segments beginning to gain traction.

The overall market conditions remain challenging with the negative sentiment expected to continue and additional hotel inventory to be introduced. A number of targeted tactical strategies have been implemented to drive volume across the three brands.

Other Issues

Crown Melbourne

REDACTED - PRIVILEGE

REDACTED - PRIVILEGE

Counter Terrorism - Risk Management and Escalation Plan

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

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

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

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

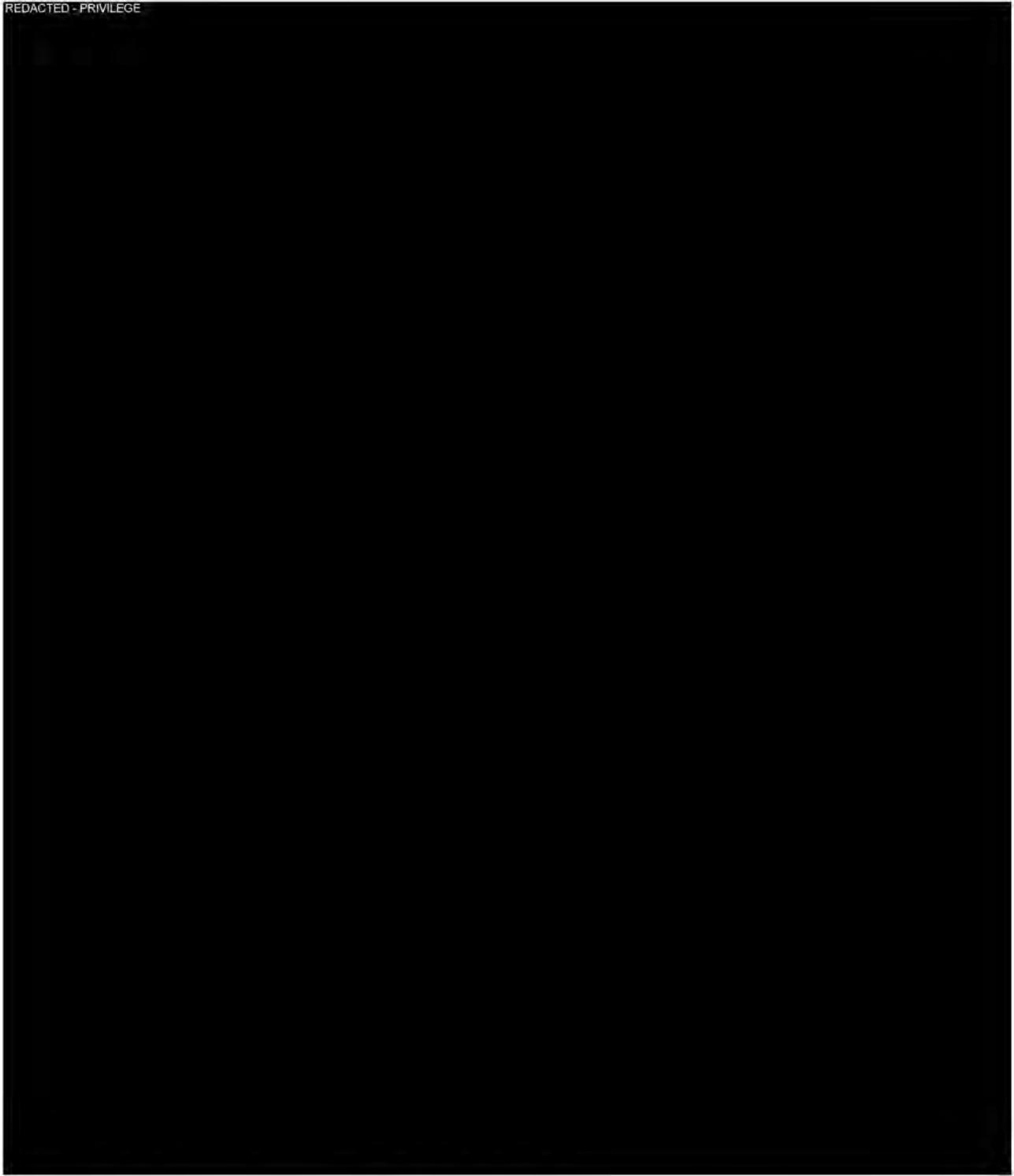
The mitigation strategies identified through the development of the Plan have been incorporated within the broader Risk Management Plan and include:

- The installation of fixed and hydraulic bollards at certain locations around the property;
- The conduct of specific training for all Crown Melbourne employees focussing on suspicious behaviours and security/emergency awareness;
- Profiling and body language awareness training delivered to security and surveillance employees;
- Installation of biometric access readers on a range of high risk doors including those protecting critical infrastructure;
- Installation of a 'Lockdown' capability on the main podium;
- Upgrading the current PA system to include the Riverside Promenade;
- The introduction of a Number Plate Recognition system for Crown Melbourne's Loading Docks;
- The installation of an emergency messaging push button panel within the Surveillance;
- Communication Centre;
- Installation of X-Ray system in Mail Room;
- Crisis Communication system.

(All of the above capital items are included in F18 Capex).

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

REDACTED - PRIVILEGE



Gaming Machine Harm Minimisation Review – Consultation Paper

On 1 December 2016, the Department of Justice and Regulation (Department) published a consultation paper on Gaming Machine Harm Minimisation measures.

The paper posed a number of questions about:

- access to cash and gaming venues;
- cashless gaming and ticket-in-ticket-out (TITO);
- Responsible Gambling Codes of Conduct;
- Self-Exclusion Programs;
- Responsible Service of Gaming training; and
- regional caps and municipal limits.

Submissions closed on 16 January 2017. The focus of the consultation was very much from a hotel/club environment and ongoing matters relating to the Victorian Government Venue Arrangements deliberations, Crown therefore determined not to make a submission.

A number of submissions were received from a range of stakeholders including local government stakeholders, community stakeholders and industry stakeholders including a number of venue operators, several industry representatives and peak bodies and venue service providers.

The key areas that could have some impact on Crown (if the measures were to be extended to the casino) are as follows:

- the proposals for an imposition of a daily limit or further restrictions on EFTPOS transactions in gaming venues;
- industry/stakeholder submissions that the thresholds for winnings to be paid by cheque increase from the amount of \$2,000 to \$5,000 (this does not have community representative support);
- the payment of winnings by EFT as an option to be offered alongside cheques; and
- additional suggestions for safeguards to accompany the introduction of TITO and cashless gaming in venues.

A media release by the Minister for Gaming , Marlene Kairouz, on 7 July 2017, provided that further 'harm minimisation measures relating to gaming machines will be announced in coming months, following the completion of a community and industry consultation process that started earlier this year.' Accordingly, an outcome is not imminent, however, Crown will continue to monitor these matters and report as relevant.

Section 25 Review

The VCGLR formally advised Crown Melbourne on 25 July 2017 that the 6th Review of the Casino Operator and Licence (Review), pursuant to s25 of the Casino Control Act would be commencing with the process commencing soon afterwards with a request from the VCGLR for submissions from Crown. There will also be requests for submissions from public and community interested groups, Law Enforcement Agencies and other Regulators of Crown (such as AUSTRAC).

By way of background, when the Melbourne Casino originally opened, this (year long) review into the Operator's suitability to maintain the Melbourne Casino Licence, was undertaken every three years, it is now however undertaken every five years. The current Review period will cover 1 July 2013 to 30 June 2018.

The process will also include various requests from the VCGLR for information covering the broad operations of the business and will also make a number of requests for interviews. The interviews will range from about 8-10 gaming floor staff, through to the CEO of Australian Resorts and possibly the Chairman of Crown Melbourne Limited.

We anticipate that this Review will have a significant focus on junket operations, RSG, Anti-Money Laundering, Crown's sell-down of its Asian interests and the matters in China.

The VCGLR's final report is to be provided to the Minister for Gaming on 30 June 2018.

Crown Perth

Crown Towers Perth – Town of Victoria Park

Following ongoing complaints from the nearby residents regarding noise from Crown Towers mechanical and plant equipment, on 8 May 2017, the Town of Victoria Park (Town) and Crown Perth, through its acoustic consultants, completed a noise assessment, which included the systematic shut down of plant and equipment.

Crown Perth is presently waiting on the final analysis of the noise assessment including a review being completed by the Department of Environment Regulation (DER). The informal advice that has been received from the Town is that the DER is satisfied with the assessment methodology and has no material concerns with the noise being emitted from Crown Towers subject to minor attenuation works being completed.

In respect of the Theatre and Convention Centre loading activities, Crown Perth is currently considering a proposal to construct a purpose built enclosure to contain noise emissions from the Theatre and Convention Centre and at the same time exploring whether a noise exemption could be obtained from the Minister for Environment.

It should be noted that a number of residents continue to actively lodge noise complaints with the Town and Crown Perth.

Car Park Undercroft Assessment

Crown Perth representatives are presently reviewing engineering reports obtained relating to the compliance matters raised with respect to electrical, mechanical, fire and hydraulic services of the undercroft car park to the main casino building.

Counter Terrorism - Risk Management and Escalation Plan

Since the increase in Australia's National Terrorism Threat level in 2014, Crown Perth has progressively implemented a number of initiatives and strategies addressing the key terrorism risk scenarios affecting Crown Perth.

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

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

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

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

- The installation of fixed and extendable bollards at certain locations around the property;
- The rollout of Profiling and Body Language Awareness training to additional departments (Bell Services, Theatre Ushers, Hotel Front Desk). This training is currently being complete by Security and Surveillance staff;
- Installation of biometric access points on doors on critical infrastructure;
- Implementation of remote "drive open" emergency doors on the main gaming floor;
- Installation of a PA system to allow a public announcement through EWIS.

(All of the above capital items are included in F18 budgeted capex).

Further, an Escalation Plan has been developed which articulates the additional strategies (such as increased patron screening, restricted vehicle access) to be implemented in the event of the National Threat Level increasing to "Expected" or "Certain". The development of this plan identified the need to determine potential sources of walk through metal detectors in the event the National Terrorism Threat Level increases. This is currently being investigated.

3.2. Crown Aspinall's and Aspers (UK)

Aspinalls has initiated Responsible Gambling and AML Training online, which allows full testing and assessment to be undertaken by new staff and annually by existing staff – as recommended by Hodge Malek QC during his compliance review of Aspinalls. The interactive, online training module for AML considers player protection and corporate social responsibility.

Following the conclusion of the UK Gambling Commission's investigation into Crown Aspinalls' anti-money-lending and anti-money laundering compliance processes, which was undertaken at the same time as similar investigations into the compliance processes of a number of other Mayfair casinos, the Gambling Commission commenced a campaign across all UK casinos (including the Aspers casinos) of having them improve their anti-money-lending and anti-money laundering compliance processes and responsible gambling practices. The casinos' response is being

coordinated by the UK casino industry association, the National Casino Forum (NCF). A number of strategies have been put forward as part of that negotiated process, including a best practice AML Guidance which was drafted by the NCF and proposed to the Gambling Commission, however as a result of the UK General Election, this project was placed on hold and remains so to date.

Crown is leading a project through the NCF, to amend s 81 of the UK *Gambling Act*, which prohibits credit in connection with gambling. The amendment is to permit the provision of credit to persons not ordinarily resident in the UK. A draft submission to the Gambling Commission and the Gaming Minister has been prepared and was reviewed by a QC with experience in this area. Tax forecasting was also prepared by EY, and incorporated into the submission. Early talks with the Gambling Commission and staff from the Minister's office were encouraging and the final proposal was prepared for submission, the week commencing 24 July 2017. The next stages involve meeting with representatives of the Gambling Commission; then the Department of Media Culture and Sport (which has oversight of the Gambling Commission) and HM Treasury. The proposal is to alter s 81 via a Finance Bill.

The Gambling Commission is currently focused on player protection and as a result Aspinalls engaged the ACE Organisation to obtain accreditation for its Responsible Gambling program, policies and procedures. ACE attended the property in May to undertake its review and its final report has now been received, which endorsed Aspinalls' Responsible Gambling program:

'Following the visit of the ACE panel to Crown Aspinalls casino, we are pleased to endorse Aspinalls' Responsible Gaming Programme as meeting the benchmark standard of the Playing Safe Core Programme. We were particularly impressed by the clarity of the Responsible Gambling policies and other documentation and by the strong commitment to this agenda throughout the organisation.'

Crown has been contacted by Damian Aspinall who has advised that his private company (AIH), which owns 50% of the Aspers JV, is looking at putting in place some financing (approximately £12 million, to be drawn in tranches) from a third party lender for the purpose of Damian acquiring the minority interests in AIH owned by his half-brother Bassa Aspinall.

As part of his proposed financing, it is contemplated that AIH grant security over its shares in the Aspers JV and that if, for any reason, AIH defaulted in repaying the loan, then the lender's remedy would be to sell all or part of AIH's shares in the Aspers JV subject to Crown having a pre-emptive right over any shares being sold as part of that process.

Damian has advised that the process is at an early stage (and he has not yet commenced any discussions with Bassa) but that he is looking for Crown's agreement in principle to AIH granting security over its shares in the Aspers JV (so that he can move forward with documentation) subject to Crown being satisfied with, and agreeing to, the long form documentation. Crown's consent to the grant of the security is required under the terms of the Aspers JV Shareholders Agreement.

Crown has advised Damian that it is agreeable in principle to AIH granting security in the manner he has outlined, subject to Crown being satisfied with, and agreeing to, long form documentation on terms acceptable to Crown.

Aspers has advised that its 50/50 joint venture with Stride Gaming PLC (Stride), an operator of online gaming, bingo and social gaming in the UK is expected to commence business in September 2017. As previously advised, the joint venture arrangement involves Aspers licensing the "Aspers" brand to Stride to allow Stride to operate an online gaming business (under its UK and Alderney gaming

licences) aimed solely at UK residents using the “Aspers” brand. Aspers will also market Stride’s online gaming business to the Aspers customer database.

General Data Protection Regulations (**GDPR**) EU come into effect in May 2018 (to supersede Data Protection Directive from 1995). Although the key principles of data privacy still align with the previous directive, the key points of the new GDPR is to provide more specific detail on the treatment and retention of data, consent, the scope and reach of the GDPR (protecting all EU citizens), the reporting of breaches and an increase to penalties.

3.3. Wagering – CrownBet and Betfair

CrownBet

CrownBet finished FY17 with an EBITDA of \$3.8 million, which was \$8.9 million short of the budget of \$12.7 million. This included Gross Gaming Revenue (GGR) of \$242.6 million which was 5% short of budget, from Stake of \$2.09 billion which was 18% below budget as the business focused on more profitable, but lower staking customers. The benefit of the more profitable customer base did not flow to the Net Gaming Revenue (NGR) result at the budgeted rates because the overall market became more competitive and promotions were significantly above the budget percentage of stakes. The promotions were critical in growing the size of the more profitable retail customer base. Operating expenses for the year were \$1.4 million below budget, and included \$2.5 million of expenses related to ClubsNSW and Lotto, both of which are pre-revenue in FY17 and were not budgeted.

Notwithstanding the performance against budget, a comparison to the prior year highlights a number of significant achievements within the CrownBet result:

- Stakes were up 22% on the prior year and GGR was up 43% on the prior year in a market that we estimate grew by 12-13%;
- NGR increased by 66% on the prior year, due to certain variable costs being variable to stakes (as opposed to GGR) and due to the promotion costs being much more efficient than the prior year (although not quite as efficient as budgeted);
- The \$3.8 million EBITDA represents an \$18.1 million improvement on the \$14.3 million EBITDA loss generated in FY16;
- Actives of 206,518 were 42% up on the prior year, with over 112,000 of those First Time Bettors, up 24% on the prior year;
- An Average Bet Size of \$44, \$9 below the prior year and better management of the customer base contributed to a GGR margin improving from 9.89% in FY16 to 11.63% in FY17; and
- As noted above, operating expenses were contained \$1.4 million below budget, notwithstanding \$2.5 million of unbudgeted expenditure on the pre-revenue ClubsNSW and Lotto businesses.

FY18 trading has started broadly in line with expectations, with contribution tracking ahead of budget primarily due to the delay in launching the ClubsNSW business. The ClubsNSW business was budgeted to generate start up losses due to the cost of acquiring customers (on average it takes 8-9 weeks to recoup acquisition promotion costs).

The ClubsNSW business remains on hold given L&GNSW’s ongoing reluctance to provide regulatory guidance to CrownBet, ClubsNSW and licensed venues in New South Wales. Engagement with L&GNSW and the NSW Government is ongoing. In lieu of regulatory guidance, CrownBet has sought a declaration from the Supreme Court of New South Wales that the proposed activities comply with

NSW gambling regulations. The matter (which is being contested by Tabcorp as the exclusive licence holder in NSW) will be heard during October 2017 and a decision is expected soon thereafter. As an interim step to maintain momentum, it has been agreed with ClubsNSW that a digital affiliate scheme will be offered to licensed venues. Under the agreed scheme, licensed venues will receive all of the net gaming revenue generated by new customers they refer to CrownBet until 31 December 2017 less a small charge to cover overheads. From January 2018 we expect the venues will transition to an individual licensed venue agreements, including the physical rollout and the commercially agreed commission rate.

The launch of the Lotto product has been pushed back to late-August. As mentioned previously, the Lotto offering will provide customers the opportunity to place a wager on the outcome of both local and International lotteries. The product will be offered initially on a responsive website, with a separate app to be released later in the year. The user experience has been designed in a way that looks and feels like buying a Lotto ticket online. Backend bet processing will be performed by a B2B service provider and all major prizes will be covered by Prize Indemnity Insurance. The Lotto product is considered complementary to CrownBet's existing customer offering and should also be an attractive product to Crown and ClubsNSW members who may not be interested in traditional wagering products.

Betfair

After posting solid FY17 results (Revenue +12% / EBITDA + 57% YoY), Betfair is continuing to track strongly into FY18. Month to date (23 July), Revenue is tracking to budget and 20% up YoY. EBITDA similarly is tracking to budget and significantly ahead of last year.

As a result of Racing NSW (RNSW) increasing their race fields fees from 1 July, Betfair announced an increase in the Market Base Rate (MBR) on NSW thoroughbred racing from 8% to 10%. Despite the increase, most of the feedback from customers has been positive towards Betfair and negative to RNSW's fee increase. The team is working on various initiatives to shift customer betting preferences to more profitable states, however as betting on RNSW represents approx. 20% of total race betting, it presents a challenge. Data shows there has been a slowing down on RNSW product, however compared to soft Q1 results from last year, the product is showing overall growth. Previous price changes have taken 2-3 months for full price elasticity to be shown. Discussions with other jurisdictions about more reasonable race fields fees are ongoing, particularly WA.

Negotiations continue with PaddyPowerBetfair around the price and timeline to agree on the continued operation under the Betfair brand. In the interim Betfair ANZ will be launching a refreshed brand to the market in late August. The platform centres around a refined look and feel and the insight that Betfair provides the platform to play "The Game Within The Game". After the brand refresh, Betfair ANZ will be up weighting its market presence and acquisition activity. The strategy will be predominately online with limited above the line support.

The Crown Outbound Pilot (using Betfair infrastructure to provide outbound telesales support for the properties) officially launched on Monday 24 July after a rigorous staff selection process and intensive training program. Initial KPIs are ahead of target, however it is too early to tell whether efforts have been effective in stimulating visitation.

Legal and Regulatory

REDACTED - PRIVILEGE

REDACTED - PRIVILEGE



3.4. Crown Resorts Group

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

REDACTED - PRIVILEGE



4. Net Debt and Cash Flow

CONSOLIDATED CASHFLOW AS AT 30 June 2017	June Actual	F17 Actual
OPENING NET DEBT (excl. WORKING CAPITAL CASH)	77,124	(1,962,704)
OPERATING CASHFLOW		
Crown Melbourne		
EBITDA at theoretical	49,136	596,647
Variance from theoretical	4,256	(26,007)
EBITDA at Actual	53,392	570,641
Working Capital Movement	(9,597)	(41,852)
CAPEX	(3,666)	(67,239)
Crown Perth		
EBITDA at theoretical	20,554	247,921
Variance from theoretical	9,804	9,426
EBITDA at Actual	30,358	257,347
Working Capital Movement	(12,832)	(12,733)
CAPEX	(14,065)	(102,986)
Crown Aspinalls		
EBITDA at theoretical	1,802	26,578
Variance from theoretical	7,858	(32,032)
EBITDA at Actual	9,660	(5,454)
Working Capital Movement	(12,286)	(26,278)
CAPEX	(817)	(4,139)
Wagering and Online		
EBITDA at Actual	3,396	14,793
Working Capital Movement	(910)	4,913
CAPEX	(3,683)	(26,422)
Draftstars Funding	(500)	(2,000)
Corporate		
EBITDA at Actual	12,493	(47,067)
Working Capital Movement	(16,748)	(50,195)
Crown Sydney Capex	(9,627)	(156,415)
Other Capital Expenditure Projects	(116)	16,751
Operating Cashflows (pre interest & tax)	24,451	321,665
Net Interest	(16,834)	(164,371)
Tax	(6,754)	(107,945)
NET CASHFLOW FROM OPERATIONS	863	49,349
PROJECT ALON		
Capital Expenditure	(1,204)	(30,892)
Foreign Exchange Movements	0	(1,236)
OTHER INVESTMENTS CASHFLOW		
Ellerston	(350)	(3,875)
Online Strategy	0	(200)
Cannery	0	38,966
Meiko Crown	(1,052)	3,134,105
Meiko Crown Dividends	0	62,088
Gateway	0	1,164
Nobu Dividends	1,976	7,346
ChII Gaming	(360)	(2,005)
Queensbridge Hotel	(500)	(2,705)
NET INVESTMENTS CASHFLOW	(1,490)	3,202,756
CAPITAL MANAGEMENT		
Dividends	0	(1,110,801)
Share Buy-Back	(369,667)	(499,884)
NET CAPITAL MANAGEMENT	(369,667)	(1,610,686)
NET CASHFLOW	(370,294)	1,641,419
FX Gain/(Losses)	(896)	(3,490)
Movement in Working Capital/Restricted Cash	(14,461)	16,284
NET DEBT (EXCL. WORKING CAPITAL/RESTRICTED CASH)	(308,528)	(308,528)
Working Capital Cash (Cage and Crown Securities)	134,756	134,756
NET DEBT (INCL. WORKING CAPITAL & RESTRICTED CASH)	(173,771)	(173,771)
CLOSING AVAILABLE CASH	1,636,471	1,636,471
Cash - AUD operations	1,612,297	1,597,905
Cash - US Operations (AUD equivalent)	17,369	16,761
Cash - UK operations (AUD equivalent)	6,805	21,805
BORROWINGS	(1,944,998)	(1,944,998)
NET DEBT (EXCL. WORKING CAPITAL/RESTRICTED CASH) - BUDGET	(2,086,344)	(2,086,344)
Variance to Budget		1,777,816
Consists of:		
Opening Net Debt Variance		(41,767)
EBITDA		(180,122)
Working Capital		(104,504)
Capex		66,715
Crown Sydney		64,368
Net Interest & Tax		(37,819)
Project Alon		182,604
Investment - other		3,118,904
Share Buy-Back		(499,884)
Foreign Exchange		(3,527)
Dividends		(803,435)
Movement in Working Capital Cash		16,284

F17 Net Debt Roll Forward		
	\$M	\$M
Opening net debt		(1,962.7)
Melbourne EBITDA	596.6	
Melbourne theoretical adjustment	(26.0)	
Perth EBITDA	247.9	
Perth theoretical adjustment	9.4	
Aspinall's EBITDA	26.6	
Aspinall's theoretical adjustment	(32.0)	
Wagering and Online EBITDA	14.8	
Corporate	(47.1)	
Total EBITDA at theoretical		838.9
Total theoretical adjustment		(48.6)
Working capital		(109.8)
Capex		
Melbourne	(50.5)	
Perth	(103.0)	
Sydney	(156.4)	
Aspinall's	(4.1)	
Wagering and Online	(26.4)	(340.5)
Interest		(164.4)
Tax		(107.9)
Other (fx etc.)		(3.5)
Dividends		(1,110.8)
Share Buy-Back		(499.9)
Net debt before investments		(3,509.2)
Investments		
Alon Las Vegas		(32.1)
Melco Crown		3,196.2
Cannery		39.0
Ellerston		(3.9)
Draftstars		(2.0)
Queensbridge Hotel		(2.7)
Chill Gaming		(2.2)
Gateway		1.2
Nobu		7.3
Closing net debt		(308.5)

Net debt at 30 June 2017 was \$308.5m (excluding working capital cash of \$134.8m), comprising closing available cash of \$1,636.5m and gross debt of \$1,945.0m. The net debt position at month end was \$1,777.8m better than budget. The key reasons for closing net debt as at 30 June 2017 being lower than budget can be summarised as follows:

- In December 2016, Crown sold 2.8% of MRE at an agreed sale price of US\$16 per ADS and in addition, entered into an agreement with Melco International for the sale of a further 13.4% of MRE at an agreed sale price of US\$18 per ADS, which settled in February. In May 2017, Crown divested the remaining 11.2% interest in MRE through a repurchase and reissue with MRE. The sale of MRE shares resulted in net proceeds of A\$3.1b, which was not budgeted for.
- As a result of the MRE share sale, Crown paid a special distribution of \$600m to shareholders and announced a change to its dividend policy. This has resulted in \$803.4m of above budget F17 dividend payments.

- In addition, Crown announced a \$500m share buy-back to be undertaken in the second half of F17, with the ability to increase this to 10% of issued share capital subject to the receipt of the remaining MRE sale proceeds. Crown completed the initial share buy-back in June 2017 resulting in an unbudgeted cash outflow of \$499.9m.
- F17 opening net debt was \$41.8m higher than budget due to the budgeted sale of Crown's stake in Caesars in F16 no longer proceeding and lower than expected receipts from customers during May and June 2016. This is partially offset by above theoretical win rates during May and June 2016 and the deferral of capital expenditure for Crown Sydney and Crown Towers Perth into F17.
- F17 EBITDA was \$180.1m lower than budget due to lower theoretical EBITDA at Crown Melbourne (\$113.9m), Crown Perth (\$38.8m), Crown Aspinalls (\$7.4m) and wagering / online EBITDA (\$11.2m) and below theoretical win rates at Crown Aspinalls (\$32.0m) and Crown Melbourne (\$26.0m). This is partially offset by lower corporate costs due to the reversal of LTI and STI provisions as well as non-cash year-end adjustments (i.e. Caesars MTM) (\$39.7m) and above theoretical win rates at Crown Perth (\$9.4m).
- Working capital cash inflows were \$88.2m lower than budget due to the reversal of LTI and STI non-cash provisions included in corporate EBITDA (a cashflow benefit in F18), other non-cash year end adjustments as well as restructuring payments not included in EBITDA. In addition, VIP debtor collections were below budget due to the inability to contact Chinese customers, combined with strong VIP actual revenue in June, which is due to be collected in F18.
- Interest payments were \$8.2m higher than budget, due to debt restructuring costs incurred in May 2017, partially offset by lower net debt levels throughout the second half.
- Taxation payments were \$29.6m higher than budget, primarily due to the deferral of the sale of Crown's interest in Caesars, resulting in a refund of \$6.8m, (vs budget of \$45.5m). Also, a higher than budgeted instalment rate for F17 has resulted in higher second half tax payments despite the lower than expected revenue results.
- Capital expenditure payments were \$131.1m lower than budget primarily due to:
 - Crown Sydney capital expenditure was \$64.4m lower than budget due to delays resulting from the planning appeal. This has deferred some expenditure from F17 into F18 and F19;
 - Crown Melbourne capital expenditure was \$17.1m lower than budget due to the cancellation of major projects, including the Metropol F&B precinct and the nightclub refurbishment;
 - Crown Perth capital expenditure was \$29.9m lower than budget due to the deferral of projects, including Signature restaurant, Nobu extension, and final payments relating to Crown Towers Perth;
 - Crown Aspinalls capital expenditure was \$4.1m lower than budget due to the deferral of the refurbishment into F18;
 - Wagering/Online capital expenditure was \$1.2m higher than budget due to additional expenditure at CrownBet; and

- The unbudgeted sale of the fourth jet (net proceeds \$16.8m after refurbishment costs).
- Due to Crown's decision of no longer proceeding with the Alon project, cash outflows for the project were \$182.6m lower than budget.
- Other Investing cashflows were \$37.5m favourable to budget primarily due to:
 - Higher than forecast receipts on the disposal of Cannery Casino Resorts (\$8.3m favourable to budget);
 - Unbudgeted receipt of distributions from Nobu (\$7.3m); and
 - Deferral of contributions into the Queensbridge project from F17 into F18 and F19 (\$21.7m)

Total liquidity at 30 June 2017 was \$2,051.2m taking into account available unused facilities of \$414.8m and available cash of \$1,636.5m (excluding \$134.8m of working capital and restricted cash).