



Crown Resorts Limited

Chief Executive Officer's Report – 25 October 2017

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1. September 2017 Results

September 2017							
	Actual	Budget	Variance		Last Year	Variance	Variance
EBITDA @ Theoretical	A\$'000	A\$'000	A\$'000	%	A\$'000	A\$'000	%
Melbourne - Local	45,275	48,132	(2,858)	(5.9%)	47,885	(2,611)	(5.5%)
Melbourne - VIP Program	3,860	3,599	261	7.2%	2,565	1,295	50.5%
Crown Melbourne	49,135	51,732	(2,597)	(5.0%)	50,451	(1,316)	(2.6%)
Perth - Local	21,146	21,113	33	0.2%	22,161	(1,016)	(4.6%)
Perth - VIP Program	(3)	582	(585)	(100.5%)	(532)	529	99.5%
Crown Perth	21,143	21,695	(552)	(2.5%)	21,630	(487)	(2.3%)
Crown Aspinalls	7,054	3,319	3,735	112.5%	5,903	1,151	19.5%
Wagering & Online	73	(221)	294	132.8%	(5,314)	5,387	101.4%
Corporate	(4,456)	(5,275)	819	15.5%	(8,253)	3,797	46.0%
TOTAL EBITDA @ Theoretical	72,948	71,249	1,699	2.4%	64,416	8,532	13.2%
Depreciation	(24,530)	(24,421)	(110)	(0.4%)	(22,816)	(1,714)	(7.5%)
Interest	(4,457)	(5,128)	670	13.1%	(8,049)	3,592	44.6%
Taxation	(12,489)	(12,186)	(303)	(2.5%)	(6,710)	(5,779)	(86.1%)
Equity Accounted Result (ex MRE)	(197)	623	(821)	(131.7%)	(561)	364	64.9%
Minority Interest	1,135	1,074	61	5.6%	2,236	(1,101)	(49.3%)
Crown NPAT @ Theo (ex MRE)	32,409	31,213	1,196	3.8%	28,516	3,893	13.7%
Crown's share of MRE (Theo)	-	-	-	0.0%	5,496	(5,496)	(100.0%)
Crown NPAT @ Theo	32,409	31,213	1,196	3.8%	34,011	(1,603)	(4.7%)

EBITDA @ Actual							
Crown Melbourne	47,251	51,732	(4,480)	(8.7%)	41,497	5,754	13.9%
Crown Perth	19,470	21,695	(2,225)	(10.3%)	24,716	(5,246)	(21.2%)
Crown Aspinalls	3,630	3,319	311	9.4%	(3,773)	7,403	196.2%
Wagering & Online	73	(221)	294	132.8%	(5,314)	5,387	101.4%
Corporate	(4,456)	(5,275)	819	15.5%	(8,253)	3,797	46.0%
TOTAL EBITDA @ Actual	65,968	71,249	(5,281)	(7.4%)	48,873	17,095	35.0%
Crown NPAT @ Actual (ex MRE)	27,180	31,213	(4,032)	(12.9%)	16,668	10,512	63.1%
Crown's share of MRE (Actual)	-	-	-	0.0%	1,766	(1,766)	(100.0%)
Crown NPAT @ Actual	27,180	31,213	(4,032)	(12.9%)	18,434	8,747	47.4%

September normalised NPAT of \$32.4m is \$1.2m (4%) above budget and \$3.9m (14%) above last year (excluding MRE). Reported NPAT of \$27.2m is \$4.0m (13%) below budget, impacted by below theoretical win rates in Melbourne, Perth and Aspinalls.

1.1. Australian Businesses

Theoretical EBITDA of \$72.9m was \$1.7m (2%) above budget and \$8.5m (13%) above last year. The main factors impacting the results were:

- In relation to the Australian businesses, **Crown Melbourne** EBITDA was \$2.6m (5%) below budget (Local -\$2.9m or -6%, VIP +\$0.3m or +7%), and \$1.3m (3%) below last year (Local -\$2.6m or -6%, VIP +\$1.3m or +51%). **Crown Perth** was \$0.6m (3%) below budget (Local in line with budget, VIP -\$0.6m or -101%), and \$0.5m (2%) below last year (Local -\$1.0m or -5%, VIP +\$0.5m or +100%).
 - In Melbourne, local contribution was \$2.9m (6%) below budget. Local Tables were \$1.5m (5%) below budget with drop 4% above budget, and hold of 19.4% (vs budget of 20.9%). The contribution impact of below budget Tables hold was \$3.7m. Slots contribution was \$0.8m

(4%) below budget, with turnover 4% below budget and a win rate of 8.2% (budget of 8.2%). F&B was \$0.2m (4%) below budget, while Hotels were \$0.1m (2%) below budget. Occupancy was above budget in Towers and Promenade, but slightly below budget in Metropal. Room rate was below budget in Metropal and Promenade, but above budget in Towers.

- Melbourne VIP theoretical contribution of \$3.9m was \$0.3m (7%) above budget, with turnover of \$2.4b which was 14% above budget. A below theoretical win rate of 1.31% resulted in a \$1.9m unfavourable variance from theoretical.
- In Perth, local contribution was in line with budget. Local Tables contribution was \$0.3m (3%) below budget, with drop 1% below budget and hold of 22.4% (budget of 22.2%). Slots contribution was \$0.5m (3%) above budget, with turnover slightly above budget and a win rate of 8.7% (budget of 8.5%). F&B was \$0.5m (27%) above budget due to above budget results in Epicurean, The Waiting Room, Nobu, Riverside Room and Junction Grill. Conventions & Entertainment was \$0.3m (22%) below budget due to less than budgeted Theatre performances and attendees at Crazy Horse. Hotels contribution was \$0.6m (16%) below budget with below budget room rates in all 3 hotels. Occupancy was above budget in Towers and Promenade, but below budget in Metropal.
- Perth VIP theoretical contribution was \$0.6m below budget, Turnover of \$0.4b was 36% below budget. A below theoretical win rate of 0.93%, resulted in a \$1.7m unfavourable variance from theoretical.
- **Crown Aspinall's** theoretical EBITDA of \$7.1m was \$3.7m (113%) above budget, with turnover of £1.6b which was 121% above budget. Actual EBITDA was \$0.3m (9%) above budget with a win rate of 0.40%.
- **Wagering & Online** - CrownBet's EBITDA loss of \$1.8m was \$0.1m unfavourable to budget. Betfair's EBITDA of \$1.2m was \$0.2m above budget and DGN's EBITDA of \$0.8m was \$0.3m above budget.

1.2. Crown Resorts Group

Corporate costs were \$0.8m favourable to budget, largely due to corporate jet costs no longer being funded by Crown. Depreciation and amortisation of \$24.5m was \$0.1m above budget. Net interest expense of \$4.5m is \$0.7m (13%) below budget and \$3.6m (45%) below last year.

Reported NPAT for the month of \$27.2m is \$4.0m (13%) below budget. Crown Melbourne and Crown Perth reported win rates of 1.31% and 0.93% respectively, resulting in a combined unfavourable variance from theoretical of \$3.6m pre income tax. Crown Aspinalls reported an unfavourable variance from theoretical of A\$3.4m pre income tax for the month with a win rate of 0.40%.

Normalised NPAT (excluding MRE) was \$3.9m (14%) above the prior corresponding period reflecting the net impact of the following factors:

- EBITDA increased by \$8.5m (13%) from last year with \$3.8m lower corporate costs mainly due to LTI and Jet savings, as well as Demerger costs incurred in the prior period. Wagering & Online was \$5.4m above last year, reflecting improved results in CrownBet, Betfair and DGN. EBITDA at Crown Melbourne and Crown Perth was lower than last year by \$1.3m (3%) and \$0.5m (2%) respectively. At Crown Melbourne, Local contribution decreased by \$2.6m

(6%), but VIP Program Play contribution increased by \$1.3m (51%). At Crown Perth, Local contribution decreased by \$1.0m (5%) but VIP Program Play contribution increased by \$0.5m (100%). EBITDA at Crown Aspinalls was \$1.2m (20%) above last year.

- Depreciation and amortisation was \$1.7m (8%) above last year, impacted by the opening of Crown Towers Perth.
- Net interest expense was \$3.6m (45%) below last year due to lower net debt levels.

2. F18 YTD Results and Full Year Forecast

	FINANCIAL YEAR TO DATE			FULL YEAR		
	Actual	Budget	Last Year	Forecast	Budget	Last Year
EBITDA @ Theoretical	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Melbourne - Local	139,110	137,934	139,286	560,346	560,343	552,623
Melbourne - VIP Program	13,480	9,796	11,926	49,817	49,819	44,024
Crown Melbourne	152,591	147,730	151,212	610,162	610,162	596,647
Perth - Local	62,122	60,595	68,438	241,546	241,540	244,566
Perth - VIP Program	(152)	1,315	2,254	5,496	5,498	3,354
Crown Perth	61,971	61,910	70,692	247,042	247,038	247,921
Crown Aspinalls	8,080	10,866	14,987	29,712	30,004	26,577
Wagering & Online	1,560	(830)	(4,887)	37,387	36,762	14,791
Corporate	(13,985)	(15,821)	(23,125)	(64,051)	(63,862)	(47,066)
TOTAL EBITDA @ Theoretical	210,216	203,855	208,879	860,252	860,103	838,870
Depreciation	(75,757)	(75,464)	(69,920)	(293,809)	(293,607)	(296,764)
Interest	(14,124)	(15,943)	(25,014)	(58,316)	(60,859)	(101,551)
Taxation	(35,311)	(32,671)	(22,789)	(149,613)	(148,841)	(138,409)
Equity Accounted Result (ex MRE)	509	2,646	(1,085)	13,176	15,157	1,275
Minority Interest	2,559	3,019	3,550	1,259	1,236	4,927
Crown NPAT @ Theo (ex MRE)	88,090	85,444	93,621	372,948	373,189	308,348
Crown's share of MRE (Theo)	-	-	21,140	-	-	42,418
Crown NPAT @ Theo	88,090	85,444	114,761	372,948	373,189	350,766

EBITDA @ Actual						
Crown Melbourne	137,080	147,730	157,824	594,652	610,162	570,641
Crown Perth	70,773	61,910	85,251	255,844	247,038	257,347
Crown Aspinalls	6,330	10,866	9,598	27,962	30,004	(5,454)
Wagering & Online	1,560	(830)	(4,887)	37,387	36,762	14,791
Corporate	(13,985)	(15,821)	(23,125)	(64,051)	(63,862)	(47,066)
TOTAL EBITDA @ Actual	201,758	203,855	224,661	851,794	860,103	790,258
Crown NPAT @ Actual (ex MRE)	81,995	85,444	104,129	366,853	373,189	271,036
Crown's share of MRE (Actual)	-	-	22,414	-	-	37,857
Crown NPAT @ Actual before significant items	81,995	85,444	126,543	366,853	373,189	308,893

2.1. Australian Resorts (including Crown Aspinall's)

The group's YTD normalised NPAT of \$88.1m is \$2.6m (3%) above budget, but \$5.5m (6%) below last year (excluding MRE). YTD reported NPAT of \$82.0m is \$3.4m (4%) below budget and \$22.1m (21%) below last year (excluding MRE).

- Group theoretical YTD EBITDA of \$210.2m is \$6.4m (3%) above budget and \$1.3m (1%) above last year. Crown Melbourne is \$4.9m (3%) above budget, Crown Perth \$0.1m (0.1%) above budget, Crown Aspinalls is \$2.8m (26%) below budget and Wagering & Online is \$2.4m (288%) above budget.
- Crown Melbourne's** theoretical YTD result is due to an above budget VIP Program Play contribution (\$3.7m or 38%) and an above budget Local contribution (\$1.2m or 1%). Program play turnover of \$7.4b is 22% above budget, but 9% below last year. The above budget local result is attributable to an above budget result in Table Games (\$1.9m or 2% above budget), partially offset by below budget results in Food & Beverage (\$0.4m or 3% below budget) and Hotels (\$0.2m or 1% below budget). Gaming Machines is in line with budget YTD. Crown Melbourne's theoretical YTD result is \$1.4m (1%) above last year (Local -\$0.2m or -0.1%, VIP +\$1.6m or +13%).

- **Crown Perth's** theoretical YTD result is due to an above budget Local contribution (\$1.5m or 3% above budget), partially offset by a below budget VIP Program Play contribution (\$1.5m or 112% below budget). VIP turnover of \$1.0b is 34% below budget. The above budget local result is due to above budget results in Gaming Machines (\$1.3m or 3%) and Food & Beverage (\$1.3m or 23%), partially offset by below budget results in Table Games (\$0.3m or 1%) and Hotels (\$1.0m or 10%). Crown Perth's theoretical YTD result is \$8.7m (12%) below last year (Local -\$6.3m or -9%, VIP -\$2.4m or -107%).
- **Crown Aspinalls** below budget theoretical result is due to below budget VIP Program turnover of £2.1b being £0.4b (15%) below budget. The YTD win rate of 0.75% is below theoretical (budget of 0.77%), resulting in a £1.1m unfavourable variance from theoretical.
- **Wagering & Online's** above budget result is due to above budget results in all business units. CrownBet is \$0.9m or 17% favourable to budget, Betfair is \$0.7m (20%) above budget and DGN is \$1.0m (63%) above budget.

2.2. Crown Resorts Group

YTD corporate costs of \$14.0m are \$1.8m (12%) below budget due to savings in Jet and other corporate costs, partially offset by the CPH recharge which was not budgeted. YTD net interest expense of \$14.1m is \$1.8m (11%) below budget due to lower net debt levels.

YTD reported NPAT of \$82.0m is \$3.4m (4%) below budget and includes a net unfavourable normalisation adjustment of \$6.1m (net of income tax). The combined unfavourable variance from theoretical for the Australian casinos is \$4.7m (net of income tax), with YTD win rates on VIP Program Play of 1.13% at Crown Melbourne and 2.35% at Crown Perth. Crown Aspinalls' unfavourable variance from theoretical is \$1.4m (net of income tax) at a win rate of 0.75%.

Crown's forecast F18 normalised NPAT is \$372.9m, reflecting results to September and a re-forecast for the remainder of the year. This compares to a budget F18 normalised NPAT of \$373.2m and a prior year normalised NPAT of \$350.8m. Crown Melbourne's full year EBITDA forecast is \$610.2m (Local \$560.3m, VIP \$49.8m). Crown Perth's full year EBITDA forecast is \$247.0m (Local \$241.5m, VIP \$5.5m).

Forecast F18 reported NPAT before significant items is \$366.9m. As at 15 October the YTD unfavourable variance from theoretical win rates for Crown Melbourne, Crown Perth and Crown Aspinalls combined is \$8.0m (pre income tax).

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;

- 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;
- Introduction of complimentary drinks from the Drink Trolleys for Black and Platinum members playing on the Main Gaming Floor with a view to ensure consistent VIP service wherever they play at Crown. The Drink Trolleys continue to be a popular addition to the Main Gaming Floor for all guests playing Gaming Machines and Table Games.
- Gold Tier members have been offered complimentary Hotel rooms Sunday through Thursday where excess room capacity allows. This has proven popular with Gold Tier guests and has driven incremental revenue.
- Crown's installation of the very popular Lightning Link gaming machine product has surpassed 200 units and is now the largest single site installation in the world;
- The creation of a Link Zone and a New Games Arena and the introduction of a High Denomination Space within the Teak Room;
- The premium player alert program on the Main Gaming Floor continues with a recent success being the identification and sign up of International and Domestic VIP players who have been upgraded to Platinum & Black;
- Continued beer and wine drink specials across Main Gaming Floor bars following on from the recently completed competitor reviews. Crown representatives competitively shop metropolitan venues with a view to identifying actionable shortcomings in the Crown offer (led to the introduction of some of the drinks initiatives and marketing of specific product scale);
- Develop and focus on the local Asian strategy (particularly Chinese and Vietnamese) to drive high value visitation, particularly into the Maple Room. Initiatives include leveraging relationships with Chinese related businesses, clubs and network, working with inbound and outbound Chinese focussed travel agents and utilising an incentivised referral service;
- Leverage existing Host and Teak Finder Minder programs to grow top tier customers and emerging segments, including a focus on key events for high end Teak customers;
- Continue to expand on the success of the Outbound call centre operation with an additional four positions being recruited to significantly improve targeted and premium customer contact through the busy festive season;
- Drinks Direct in Teak and Platinum Rooms has been 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 with Phase 1 being the promoting of the benefits in the Gaming Machine Service Window currently being rolled out and updates to the program currently being formulated for a relaunch in Q2;
- A request for proposal has been issued for the suppliers of Keno Systems for the re-introduction of Keno to Crown Melbourne
- High level scope of works is underway to create a Crown Resorts Wallet combining our multiple accounts into one for use within the property;
- Virtual Project is underway with the objective being to have a virtual card within the Crown Rewards App that will allow customers to use their phone to tap instead of the magnetic stripe card.
- 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). Initiative to be implemented in Q2.
- High Level scope of works underway to explore the feasibility of an expansion of the Teak Room to create a non- smoking gaming machine offer.

Crown Perth

The focus remains 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;
- Continue to evolve the "non-gaming to drive gaming" strategy beyond the Value campaign, driving visitation and on-spend across the property;
- Monitor recent changes to operating hours and labour levels across food & beverage, hotels and tables, to maintain customer service and experience standards;
- Review current multi-channel advertising campaign to enhance effectiveness in driving key operating times, business units and customer segments;
- 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, eTG numbers now total 280 terminals. 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

Loyalty - Over 640,000 Crown Melbourne, Crown Perth and CrownBet customers are now enrolled into the Crown Rewards program. New member acquisition remains strong. A comprehensive Loyalty development plan has been created, focused on driving value from the loyalty member base

with recent initiatives such as the launch of the Tasmania outbound contact centre showing encouraging results.

Brand Tracking - Crown has maintained its high top of mind awareness during Q1 of F18 with consideration remaining stable across both Perth and Melbourne properties. The Value Guarantee campaign in Perth has led to uplift in forward intent to visit. The World of Entertainment campaign in Melbourne has outperformed previous benchmarks for engagement and likeability, resulting in improved brand perceptions particularly as 'fun and exciting' and 'a place to celebrate large events'.

Digital & Social Media - Crown Melbourne and Perth websites continue to grow, with 3.9 million visits in Q1. 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 453,500 users on Facebook, 47,000 followers on Instagram and 24,000 on Twitter. The Crown Towers Perth Facebook page has also grown, to 38,000 followers.

Campaigns Melbourne – The World of Entertainment campaign was launched above the line, with an accompanying below the line focus on driving the mainstream market with the 'Viva Italia' and 'Keys to Crown' campaigns. Viva Italia was an Italian themed campaign running across the Main Gaming Floor, Riverside and Teak Rooms. Keys to Crown offered all Crown rewards members a guaranteed instant win prize every day. Supporting this mainstream push were a number of well received events over the Grand Final and Autumn Moon Festival periods targeting our VIP members. From a Food & Beverage perspective, 'Value Meals' were replaced by the 'Winters Feast' proposition which has resulted in strong comparable revenue growth versus the prior year and the previous quarter.

Campaigns Perth – Crown Perth's Value Guarantee remained the lead above the line campaign for the property. Feedback continues that the simplicity of message and offer structure is highly appealing to the target market and particularly driving casual / infrequent customer segments. Value Guarantee was supplemented with a focus on visitation related to sport, including the Mayweather v MacGregor fight, AFL Finals, NRL Finals, Rugby Tests and EPL season kick off.

Australian Resorts HR Initiatives

Indigenous Employment Program (IEP)

There are currently a total of 203 employees in the Crown Indigenous Employment Program (IEP) as at 13 October 2017, 89 at Crown Perth and 114 at Crown Melbourne. The total number of IEP hires to date, from commencement of the program, is 704.

The Indigenous Online Cultural Learning Program is at final stages of review and will be launched in the coming weeks. The program has engaged a wide range of stakeholders, including the Crown executive, community members, Indigenous employees and the RAP steering committee.

The following key events have occurred since the last Board update:

- Sean Armistead (Group General Manager Indigenous Programs) was invited to a closed roundtable by Westpac to provide advice on assessing and improving the Westpac Indigenous Program. Also in attendance were Rio Tinto and Lendlease;
- IEP attended the Victorian Government's Procurement Forum on improving commercial outcomes for Indigenous business;

- IEP Team members attended Korin Gamadji Institute's careers expo at the Richmond Football Club. Crown presented on career pathways and provided information on Crown Melbourne's IEP;
- Crown Perth, represented by Sharon Ninnette attended the Yorga Djenna Bidi forum on Aboriginal women in leadership. Speakers included; Robyn Smith Wally and Rochelle Hume;
- Alicia Gleeson (General Manager HR) and Barry Felstead attended the Advancing the Aboriginal Business Sector event, hosted through the Victorian Aboriginal Economic Board (of which Alicia is a Board member) at which both the Victorian Premier, the Hon Daniel Andrews and Minister for Aboriginal Affairs the Hon Natalie Hutchens were keynote speakers.

Workplace Gender Equity

A Board paper for a proposed paid parental leave scheme is included separately in the Board papers for review.

The paper proposes payment of 12 weeks parental leave for the primary carer (inclusive of superannuation payments) as well as one weeks' pay for secondary carers. This will bring Crown Resorts in line with many large scale corporate and government organisations that have been providing paid parental leave for a number of years.

LGBTI Employee Network

On 12 September 2017 Crown Melbourne and Crown Perth together launched the Crown Pride brand and logo which was chosen by the LGBTI Employee Consultative Committees in both properties. To celebrate the launch a commemorative cake reflective of the new logo colours was cut and enjoyed by the employees and executives who attended the events.

CROWNability program

There are currently a total of 195 direct employees and contractors in the CROWNability program across both properties, 93 direct employees and 13 contractors at Crown Perth, with 79 direct employees and 10 contractors at Crown Melbourne.

In March 2017, CROWNability launched its Disability Confidence Training for Managers at Crown Melbourne followed by delivery of the training at Crown Perth during September 2017. This training is designed to assist senior staff in developing skill and confidence in managing employees with disability. The CROWNability online awareness module was launched via Crown Learn across both properties on 12 July 2017 and to date 69% of employees have completed the module.

CROWNability continues to work on developing a new CROWNability Action Plan (CAP) for F18 – F20 which will be launched on 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.

In partnership with atWork Australia, CROWNability was a finalist in the National Employment Services Association (NESA) award for Innovation in Disability Employment. Crown was presented with this award at the official ceremony held on 22nd August 2017.

CROWNability continues to work with preferred Disability Employment Service and Jobactive providers, to refer talent to fill vacancies at Crown. Crown also proactively engages with community

groups, industry organisations and universities to connect more people with disability to potential employment opportunities at Crown. Crown is currently working with RMIT in Melbourne and Curtin University in Perth to attract people with disability to more senior roles within Crown.

CROWNability will be acknowledging International Day of People with Disability with events in Perth and Melbourne on 29 November and 1 December respectively.

The Department of Social Services has invited Crown to take part in the AccessAbility Day pilot. As part of this initiative, CROWNability has undertaken to provide work experience for one day for three people with disability at Crown Perth.

Training and Development

Crown College - The team have been committed to the completion of over 450 trainees across Melbourne and Perth since July. This work is a great outcome for the Crown College team and Crown employees (Trainees) and these completions will also generate over \$500,000 in revenue from State and federal funding.

Crown College International (CCI) – CCI has now been in operation for three months and has been focusing on developing the brand and creating a quality network of agents. The available agent network is vast both in Australia and internationally and to date Crown has signed agreements with 20 offshore agents and 51 Onshore Agents. It is anticipated that a working network of around 150 agents will be secured. The key markets are those in level one rated countries such as Taiwan, Korea, Japan, Brazil, Colombia and Sri Lanka, whereas level three rated countries such as India are far more challenging due to the high rate of visa refusal for students.

To date Crown has received a total of 96 student applications with 30 having confirmed and commenced their study with CCI paying on average \$27,000 each. Applications are currently being received for the January, April and July 2018 intakes.

Social media has proven a key medium to engage with international students particularly through Crown's Facebook page, which has also included a paid advertising campaign to build brand awareness.

Crown College Institute of Higher Education (CCIHE) – Crown has applied to the Tertiary Education Quality Standards Agency (TEQSA), the regulatory body for Higher Education, to enable Crown to offer Bachelor programs.

Both Crown College International and Crown College Institute of Higher Education have now registered business names with the Australian Securities and Investments Commission (ASIC). Both names are held by Crown Melbourne Limited.

500 Training Places - The 500 Training Places initiative at Crown Melbourne has progressed and there are now a total of 179 active enrolments in the program. There is currently 70 Hospitality and 14 Security students participating in the program who will complete their training by the end of the year. The team attended six Government Job fairs run by Toyota and the Automotive Transition Taskforce, specifically targeting redundant automotive workers during the last two months. This has led to 45 expressions of interest for the upcoming Security course and 31 expressions of interest for the next Hospitality course. 61 students have now completed the program and been issued with their qualifications, with 14 students employed at Crown and 36 students employed in industry.

Industry and Individual Awards

Crown Perth has been named as the WA finalist in the WA Tourism Awards for Education and Training and Crown Resorts has been named as one of three finalists at the Australian Training Awards - Australian Apprenticeships – Employer Award category. Winners for both the company awards will be announced in November.

Current Trading

Crown Melbourne

Table Games September YTD contribution of \$87.4m represents growth on budget and the prior year of \$1.9m (2.3%) and \$2.8m (3.3%) respectively. This has been driven largely by Premium volume growth, partially offset by a lower than expected Premium hold costing \$1.3m in contribution versus budget and \$1.9m versus the prior year.

Main Gaming Floor (excluding Poker and eTGs) volumes September YTD were down 0.5% on budget and down 2.2% on the prior corresponding period (pcp). Patron hour weakness experienced across weekends in July was the major cause of the YTD shortfall, with August and September trading being positive to both budget and prior year. A slightly stronger YTD hold (25.34% v budget of 25.30% and 25.06% pcp) has offset some volume softness, with revenues 0.3% up on budget and 1.0% down on the pcp.

Electronic Table Games (eTGs) turnover September YTD was down 4.5% on budget and down 3.4% on the pcp due to some recent top end Premium eTG patron softness. This has been partially offset by an improvement in the win rate (vs theoretical). In August, the west end installation next to the Smoking terrace was removed and populated with 1c Gaming Machines, enabling a new eTG Stadium to be installed outside of the Riverside entrance. Further, in September a new bank of 10 classic Rapid Roulette terminals was installed on Level 1 and an upgrade was rolled out in the Maple Room to enhance the customer experience by enabling a direct view of the patron's chosen game.

Premium Table Games volumes September YTD were up 6.0% on budget and up 9.4% on the pcp.

Main Floor Premium (MFP) volumes were up 3.2% on budget and up 8.3% on the pcp, with the Maple Room expansion (completed in September last year with an additional seven tables) continuing to provide benefit to the overall Premium experience.

Strong Mahogany Room volumes, driven largely by significant play from the top 20 Crown Rewards Black patrons, were up 10.0% on budget and up 10.9% on the pcp. However hold during the month of September of only 14.5%, being largely impacted by 10 individual patron results of greater than \$200k, saw the September YTD hold of 18.7% fall below budget expectations (19.0%).

Table Games Interstate play has continued to show strong performance into the new financial year. September YTD turnover of \$1.2b was up 1.6% on budget and up 3.9% on the pcp. The Crown Jet strategy has continued to have a major impact, as has an enhanced event and promotional calendar. The overall theoretical direct contribution of \$5.3m was up 6.0% on budget and up 6.8% on the pcp.

Gaming Machines' YTD September contribution of \$59.0m was in line with budget and \$0.6m or 1.0% above the pcp. Whilst turnover of \$1.4b was 0.9% above budget, total revenue of \$115.0m was \$0.2m below budget due to a softer than budgeted win rate (8.17% vs budget of 8.26%).

Favourable performance in July and August from Local VIP patrons coupled with a strengthening Main Floor performance across September, saw Gaming Machines Local business fall just short of

Q1 expectations. Actual revenue of \$102.6m was 1.0% below budget however 0.7% above the pcp. This result halted the slide of declining market share, with Crown matching the Network's YTD prior year growth.

Gaming Machines Interstate and International business outperformed expectations in Q1, with theoretical revenue of \$12.3m being 7.5% above budget and 0.6% above the pcp. International was the key performing market with both our number one and two players from North Asia driving the result.

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

Over 9,500 new members per month signed up to Crown Rewards, with 83% opting into CrownBet, up from 65% on pcp. Across Q1, 77% of all new sign ups opted into Digital channels of SMS and email with an 82% conversion rate to gaming.

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

Food & Beverage's September YTD result was \$0.4m or 2.5% below budget and \$1.2m or 8.8% above the pcp. Bars and Events & Conferencing have been the strongest performers, while lower junket activity versus the pcp has continued to impact Silks in particular. Main Gaming Floor restaurants have seen solid volumes, but increased value-based offers is impacting average spend and contribution. Changes to operating hours in Merrywell and Cotta have recently been implemented to improve their results. Koko, Gochi, Margos and Lumia have been the best performed individual outlets.

Hotels' September YTD result was \$0.2m or 0.9% below budget and \$0.4m or 1.6% below the pcp. Occupancy levels have been strong across all hotels (97%), although some of this business has been low-rated Gaming offers designed to fill up the Metropol and Promenade hotels during quieter periods. The premium competitive set has struggled for year on year growth with Q1 recording a decline in revenue of 1.7% on the back of reduced occupancy levels (average rate was flat). Crown grew room revenue (excluding Villas) by 1% on pcp via increased occupancy (1.8%) and small rate growth (0.8%). Villas has performed above expectations due to a more aggressive approach in selling to the Leisure market. Villas Gaming activity is down on last year (no China impact last year) but in line with expectations.

Crown Perth

Local Table Games' contribution for Q1 F18 was \$0.3m or 1.2% below budget and \$2.4m or 8.8% below the prior year. Soft hold in premium tables was the key driver for the shortfall year on year. Whilst premium hold (21%) was below budgeted expectations (25%) the differential was compounded by very strong hold in the corresponding period (25%).

Regular Table Games' contribution for Q1 F18 was \$2.2m or 10.7% above budget and \$1.5m or 7.1% above last year. Solid growth in electronic tables was the catalyst for year on year growth benefiting from additional product numbers added in mid F17 along with those in early F18.

Peak period casual visitation was a strong focus during Q1 via the complex wide Value Guarantee campaign and associated pricing efforts. As part of this campaign the Table Games message has leveraged the increased popularity of electronic table games and created greater awareness around the expanded low limit Blackjack and Roulette tables available. Analysis of the Value Campaign indicates that the messages have gained traction in market and this is translating to growth in peak period Table Games and Gaming Machine results, particularly new non-members.

Gaming Machines' Q1 F18 contribution was above budget by \$1.3m or 2.7% but below last year by \$2.0m or 3.9%. Weekly Gaming Machine turnover volumes had declined significantly through the back half of the prior year averaging 6% down on the pcp, this shortfall closed to 4% through Q1 with August providing the highlight with turnover only 1% down and revenue growing against the pcp.

Similar to Table Games and other areas of the business, recovering Gaming Machines casual customer visitation was a key focus across Q1, with a review of applicable KPI's including unrated patron hours indicating some recent success with this, in particular post the television commercial associated with the Value Guarantee. Strong messages around lower denomination machines and price capped restaurant menus targeted towards the mass market machines customer drove the rebound. This has translated to increased peak period turnover for Gaming Machines across the first quarter.

The rated Gaming Machines membership base is delivering a stable level of visitation whilst the challenges of declining spend per visit across the customer base and the softening of the local premium market is proving difficult to counter. Increased visitation from these tiers remains a priority via direct marketing, targeted VIP events and refining the experience in the premium gaming assets, including but not limited to changes in entertainment to better align to the most valuable customer demographics.

Food & Beverage (F&B) contribution September YTD was \$1.3m (23.4%) above budget and \$0.3m (4.5%) below last year. The YTD result is largely due to a number of unbudgeted events and functions combined with the increased visitation from the Value Campaign offerings particularly on the Main Gaming Floor. Such events included the Pacquiao vs Horn and Mayweather vs McGregor boxing matches. The growth in Convention Centre events with the new Crown Towers Ballroom has also resulted in good pre and post F&B spend.

The outlook for the remainder of the year remains positive on the back of strong current Main Gaming Floor volumes and premium restaurant bookings, Theatre events and the new Stadium opening in the last quarter.

Conventions' contribution is in line with budget and \$0.2m (17.9%) above last year, which is mainly due to the increased number of events with the new Crown Towers Ballroom and meeting rooms this year. Key events YTD have included the Chevron NAIDOC Ball, Variety of Chef's 2017 Ball, Annual Royal Flying Doctors Service, AHA Accommodations Ball, REIWA Awards Ball and McGellan Conference. In addition, the Grand Ballroom held a very successful ticketed event for the Mayweather vs McGregor fight.

Entertainment's contribution September YTD was \$0.1m (21.9%) below budget and \$0.7m (340.7%) above last year mainly been driven by lower than expected patronage to the Theatre show 'Forever Crazy', which was bought by Crown Perth.

The second quarter combines a lot of single shows rather than containing a long running season. However the second half of the financial year is looking more promising with good unbudgeted shows including Green Day's 'American Idiot', the 'Rocky Horror Show' and 'Mamma Mia' all being confirmed for Perth.

The following are confirmed future events in the Theatre:

G.E.M	October
Tina Arena	October
Glenn Miller Orchestra	October
Melody Queen Alka Yagnik with Shravan	October
Michael Ball & Alfie Boe	October
The Bootleg Beatles	October
The Dance Collective	October
An Evening with Priscilla Presley	November
Neil Diamond Tribute	November
ABBAolutely Fabulous	November
Menopause the Musical	December
Santa's Magical Kingdom (Crown Pyramid)	December
The Whitney Houston Show	January 2018
The Unbelievables	January
American Idiot	February
Al Bano	February
Rocky Horror Show	February
Gilbert O'Sullivan	March
Mamma Mia	May - June

Hotels' F18 YTD contribution was \$1.0m (10.0%) below budget however \$0.3m (3.2%) above the previous year.

The decline of the overall Perth market continued into F18 as a result of reduced visitor volumes into Perth, combined with the addition of new hotel inventory. These factors resulted in the market driving 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.

Overall market conditions remain challenging with the increasing hotel inventory placing pressure on volume share. With the available hotel assets, Crown Hotels remain well positioned to maximise the leisure demand over the summer seasonal period with forward volumes positive. To further assist

some of the displacement challenges with Crown Metropol, another airline contract has also been secured with Air New Zealand Airlines which will provide a stronger base from October onwards.

Other Issues

Crown Melbourne

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

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

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

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

- The conduct of simulation exercises for the Emergency Co-ordination and Crisis Management teams within the next six months;
- The conduct of fortnightly 'suspect person' and 'suspect package' exercises testing frontline security and surveillance employees;
- Re-evaluation and validation of current Emergency Management and CT Escalation plans using the Australia-New Zealand Counter Terrorism Committee's Crowded Places Security Audit and Self-Assessment Tool (completed);
- Attendance at ASIO's Crowded Places classified briefing session in Canberra on 12th October 2017;
- Attendance at Australia-New Zealand Counter Terrorism Committee's Business Advisory Group Forum in Sydney on 30th October 2017;
- The introduction of random patron bag screening at gaming floor entries in August 2017;

- The installation of fixed and hydraulic bollards at certain locations around the property (completed by 3 November 2017);
- The conduct of specific training for all Crown Melbourne employees focussing on suspicious behaviours and security/emergency awareness (completed);
- Profiling and body language awareness training delivered to Security and Surveillance employees (completed by 31 December 2017);
- Installation of biometric access readers on a range of high risk doors including those protecting critical infrastructure (completed by 15 January 2018);
- Installation of a 'Lockdown' capability on the main podium (completed by 28 February 2018);
- Upgrading the current PA system to include the Riverside Promenade (completed);
- The introduction of a Number Plate Recognition system for Crown Melbourne's Loading Docks (completed);
- The installation of an emergency messaging push button panel within the Surveillance Communication Centre (completed by 30 November 2017);
- Installation of X-Ray system in Mail (completed);
- Crisis Communication system (completed).

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

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AUSTRAC Compliance Assessment

On May 17-18 AUSTRAC auditors attended Crown Melbourne to undertake an assessment of Crown's AML/CTF Program, policies and processes; and our ability to meet the obligations under the AML/CTF Act and Rules. The assessment was heavily focused on international business (junkets in particular) and covered five key areas:

1. Standard anti-money laundering and counter-terrorism financing Program;
2. Ongoing customer due diligence (including transaction monitoring program and enhanced customer due diligence program);
3. Reports of suspicious matters;
4. Reports of threshold transactions; and
5. AML/CTF compliance reports.

AUSTRAC's findings identified areas in which Crown Melbourne's AML/CTF Program and associated procedures were effective; it also noted eight areas for improvement. All but 3 of these issues raised have been addressed to the satisfaction of AUSTRAC. Crown and AUSTRAC are working in a positive and constructive manner to address the remaining 3 issues.

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 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.

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

The process also includes various requests from the VCGLR for information covering the broad operations of the business (we currently have well in excess of 100 requests for information). There will also be a number of requests for presentations and interviews with staff members. The interviews will range from about 8-10 gaming floor staff, through to the CEO of Australian Resorts and the Chairman of Crown Resorts Limited. Presentations are required on the Gaming and VIP Departments, Security and Surveillance and the Crown Resorts Limited Corporate Structure (which was presented in mid-September).

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 by 30 June 2018.

Crown Perth

Crown Towers Perth – Noise

Following ongoing complaints (including threats of litigation) from nearby residents regarding noise from Crown Towers' mechanical equipment, the Town of Victoria Park (**Town**), through its acoustic consultant (**Talis Consultants**), carried out a noise assessment on 8 May 2017. The assessment, which included a systematic shut down of hotel equipment, was to determine the specific noise contribution from Crown Towers. The Talis noise assessment, which was completed in June 2017, was subsequently referred to the Department of Water and Environment Regulation (**DWER**) for a technical review.

The DWER completed its review in late August 2017 and concluded that, although the Talis noise assessment had issues regarding the certainty and reliability of the results, the noise emissions from Crown Towers may have exceeded the assigned night-time noise level by 5 to 7 dB. This included a +5 dB penalty adjustment for audible tonality (being a distinctive noise emission in one or more frequencies, which was suggested may be associated with multiple cool room compressors simultaneously operating). The DWER recommended that (i) measures be taken to address the emission tonality; (ii) further noise studies be undertaken and (iii) consideration be given to measures to reduce noise emission.

In response to the DWER review, Crown Perth has, based on advice from its acoustic expert, disputed the application of the tonality penalty and maintained a position that the equipment complies with the noise regulations. Crown Perth has also (consistent with the recommendations of the DWER and to remove any uncertainty) implemented a number of noise controls to further reduce noise levels and to specifically address concerns regarding the potential tonality issue. A meeting with the Town and its acoustic consultant has been arranged for 16 October 2017 to review of the noise controls.

In respect of Theatre and Convention Centre loading activities, which have previously resulted in noise complaints from nearby residents, Crown Perth has finalised a noise management plan to better manage its operations and at the same time is continuing to progress an application for a broad noise exemption to be applied to its activities.

Car Park Undercroft Assessment

Crown Perth is progressing a review of 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

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

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

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

Using their specific risk assessment criteria, the external consultant assessed the terrorism risk level for Crown Perth as medium. Specific areas 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, 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 (installation to commence end 2017);
- The rollout of Profiling and Body Language Awareness training to additional departments (Bell Services, Theatre Ushers, Hotel Front Desk). This training is currently being completed by Security and Surveillance staff;

- Installation of biometric access points on doors on critical infrastructure (installation to commence beginning of 2018 calendar year);
- Implementation of remote “drive open” emergency doors on the main gaming floor (installation expected to commence end 2017, subject to regulatory requirements);
- Installation of a PA system to allow a public announcement through EWIS (installation expected to be end 2017).

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

- Implementation of ‘Athoc’ Crisis Communication/notification tool.

3.2. Crown Aspinall’s and Aspers (UK)

Crown Aspinalls

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

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

Crown is leading a project through the NCF, to amend s 81 of the UK *Gambling Act*, which prohibits credit in connection with gambling. The amendment was to permit the provision of credit to persons not ordinarily resident in the UK, however, the Gambling Commission has indicated a preference for revoking s 81 in its entirety. A draft submission to the Gambling Commission and the Gaming Minister was prepared and reviewed by a QC with experience in this area. Tax forecasting was also prepared by EY, and incorporated into the submission. Meetings with representatives of the Gambling Commission and the Department of Media Culture and Sport (which has oversight of the Gambling Commission) and HM Treasury have been held and the results have been very encouraging. Further, the Board of the Gambling Commission has now met and officially agreed to support the revocation of s 81, thus permitting UK casinos to offer credit (this will be restricted and controlled by provisions being entered by the Gambling Commission into the Licence Conditions and Codes of Practice (LCCPs), the Gambling Commission has not yet determined what those provisions will be). The initial proposal was to alter s 81 via a Finance Bill, however, HM Treasury has determined that that is no longer a suitable avenue and are working with DCMS to find an alternate Bill.

Aspers

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 commenced business in early October 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. While the business is at a very early stage, Aspers has advised that initial customer sign-ups from the Aspers land-based customer database have been encouraging.

3.3. Wagering – CrownBet and Betfair

CrownBet

CrownBet finished Q1 FY17 with an EBITDA loss of \$4.4 million, which was \$0.8 million better than budget and \$0.4 million than the prior year comparative. The CrownBet business now effectively includes three components, with the following EBITDA impacts attached to each for Q1 FY18:

1. The core operating ‘**Base business**’, has generated a YTD EBITDA loss of \$1.9 million, which is \$0.5 million worse than budget (\$1.4million), but \$2.9 million better than last year (\$4.8 million). The variance to budget is due to a number of decision to increase marketing spend as a result of an observed opportunity to capitalise on momentum achieved in the market and to capture some of the market expected to be picked by the ClubsNSW initiative, partially offsetting some of the saving noted in the next point;
2. The operating costs associated with the establishment of the **ClubsNSW** business have been approximately \$1.8 million, which is \$1.6 million lower than the start up losses budgeted to be incurred, and which includes the legal fees in relation to the ACCC intervention in the proposed Tabcorp / Tattersalls merger; and
3. The operating costs invested to establish the **CrownLotto** business have been approximately \$0.7 million, \$0.3 million higher than the budgeted loss of \$0.4 million for the first quarter.

The underlying operating statistics being generated by the **Base Business** are promising:

- In Q1 FY18, NGR (revenue less variable costs) was 36% better than last year and 10% better than the budget. The variance to budget is largely the result of a better than budgeted GGR margin (win rate) achieved across a 42% larger active recreational customer base than last year. Furthermore, this better than budget GGR margin has been consistent and appears sustainable.
- While, Marketing costs are up 22% on last year, and 19% above budget, the marketing costs are being spent in a much more efficient manner. In Q1 FY18 (compared to FY17), CrownBet signed up 75,870 new customers, 72% up on the 44,116 achieved in the same period last year. These were converted to First Time Bettors (FTB’s) at 57%, up 13 percentage points on the 44% achieved in the same period last year, so the FTB’s of 43,500 were up 125% on the 19,341 achieved in the same period last year. In addition, the promo costs (included in the variable costs within NGR) incurred on new customers were paid back in less than 3 weeks on average in Q1 FY18, whereas in the prior year on average it took greater than 8 weeks to achieve a positive return on the promo costs required to activate a new customer.
- On a short term, day to day, and week to week, basis there has been reduced volatility in the business compared to the prior year as its recreational user base grows. As such, the quality (profit potential) of the recent customer acquisitions appears high.
- A raft of new product innovations has been released in recent weeks, and these appear to be resonating well with customers.

The strong marketing and acquisition performance has emboldened the business to continue to push for above budget growth in the active recreational customer base during October. This additional investment has caused October's EBITDA to fall below budget during the month to date, however will yield positive outcomes that will recoup any budget shortfall during the balance of FY18.

The **ClubsNSW** business remains on hold given the declaratory relief proceedings which were heard in the Supreme Court of New South Wales between 16-18 October 2017. CrownBet is seeking a declaration of the court that the proposed activities comply with NSW gambling regulations. We expect a decision by the end of the year, meaning that the rollout may be able to commence as early as January 2018. The ClubsNSW team has used the delay to ensure that the rollout will occur expeditiously and in a cost effective manner. There continues to be strong interest from licensed venues and we expect that there will be a significant take-up of the offering.

CrownLotto launched on 31 August 2017. As mentioned previously, the Lotto offering provides customers the opportunity to place a wager on the outcome of both local and International lotteries. As indicated by the profitability numbers noted above, early trading has been softer than anticipated, held back somewhat by a smaller slate of features offered at launch than expected and a softer approach to launch marketing than budgeted.

Tatts and newsagents' associations are conducting a vocal public campaign against lottery wagering (primarily Lottoland) and several State Governments have indicated an intention to impose conditions on lottery wagering or prohibit the product in its entirety. However, there is some doubt as to whether such a prohibition would be unconstitutional. To address these concerns, CrownBet is working with the Northern Territory Government and the Northern Territory Racing Commission, seeking an enhanced regulatory framework which would address the concerns raised by the product's opponents. This would involve the prohibition of wagering on Australian lotteries to ensure that there is no leakage of revenue away from licensed suppliers. Commercially, this is attractive as the international lotteries are both more popular with customers and more profitable to CrownLotto.

Betfair

Betfair has made a strong start to FY18 with Q1 Revenue up 24.6% YoY and 7.2% up on budget. This strong top line performance combined with an underspend on Marketing (due to a one-month delay to the brand refresh) resulted in Q1 EBITDA up 20.4% on budget at \$4.1m.

In the quarter the Betfair brand was refreshed with a highly focussed brand position designed to resonate with sophisticated punters and "financially minded" traders. Early signs are positive with acquisition quality and quantity ahead of budget. Betfair's VIP structure has also been relaunched with a new top tier structure and nurture program giving access to high quality racing/sports data and content.

On the 23rd August Betfair received a written directive from the Northern Territory Racing Commission (NTRC) that all telephone bets must be taken in the NT from the 23rd November. At a subsequent NTRC meeting Betfair was granted an extension until 1 January 2018. Steps are underway to relocate Hobart based roles (~12 FTEs) to Darwin, to redeploy or make redundant those that cannot move and to recruit in Darwin to meet the required staffing levels. To date this transition has gone smoothly with successful retention of key staff from the Hobart team.

The Crown Outbound team led by Betfair and running out of the Hobart office has had a very strong start, ahead of budget for the trials and is being expanded to run campaigns for Perth.

Legal and Regulatory

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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.

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4. Net Debt and Cash Flow

CONSOLIDATED CASHFLOW AS AT 30 September 2017	September Actual	YTD Actual	F18 Forecast
OPENING NET DEBT (excl. WORKING CAPITAL CASH)	(216,988)	(308,528)	(308,528)
OPERATING CASHFLOW			
Crown Melbourne			
EBITDA at theoretical	49,135	152,591	610,162
Variance from theoretical	(1,883)	(15,511)	(22,248)
EBITDA at Actual	47,251	137,080	587,915
Working Capital Movement	(2,514)	6,695	(23,281)
CAPEX	(4,716)	(12,982)	(60,526)
Crown Perth			
EBITDA at theoretical	21,143	61,971	247,042
Variance from theoretical	(1,673)	8,803	7,615
EBITDA at Actual	19,470	70,773	254,657
Working Capital Movement	10,665	16,359	4,034
CAPEX	(1,010)	(4,221)	(43,737)
Crown Aspinalls			
EBITDA at theoretical	7,054	8,080	29,712
Variance from theoretical	(3,424)	(1,750)	(1,756)
EBITDA at Actual	3,630	6,330	27,956
Working Capital Movement	(25,760)	(16,959)	8,813
CAPEX	(588)	(3,295)	(7,870)
Wagering and Online			
EBITDA at Actual	114	1,600	37,428
Working Capital Movement	3,278	3,502	(179)
CAPEX	(2,686)	(7,964)	(32,552)
Draftstars Funding	(500)	(500)	(1,000)
Corporate			
EBITDA at Actual	(4,456)	(13,985)	(64,051)
Working Capital Movement	5,566	(3,175)	(9,692)
Crown Sydney Capex	(17,860)	(52,012)	(293,042)
Other Capital Expenditure Projects	0	24,995	24,995
Operating Cashflows (pre interest & tax)	29,884	152,241	409,868
Net Interest	(16,641)	(24,141)	(90,299)
Tax	(6,987)	(25,219)	(134,610)
NET CASHFLOW FROM OPERATIONS	6,256	102,880	184,958
PROJECT ALON			
Land Sale Proceeds	0	0	234,988
Capital Expenditure	(927)	(3,809)	(16,982)
OTHER INVESTMENTS CASHFLOW			
Ellerston	(325)	(950)	60,000
DGN Earn Out	0	(0)	(6,667)
Cannery	0	1,066	1,066
Caesars	0	0	60,000
Nobu Dividends	1,918	1,918	7,918
Chil Gaming	(330)	(900)	(2,900)
Queensbridge Hotel	(500)	(500)	(17,000)
Zengaming	0	0	(1,113)
NET INVESTMENTS CASHFLOW	(164)	(3,175)	319,310
CAPITAL MANAGEMENT			
Dividends	0	0	(404,511)
Share Buy-Back	0	(140)	(346,333)
NET CAPITAL MANAGEMENT	0	(140)	(750,844)
NET CASHFLOW	6,092	99,565	(246,576)
FX Gain/(Losses)	664	402	402
Movement in Working Capital/Restricted Cash	(23,522)	(25,193)	0
NET DEBT (EXCL. WORKING CAPITAL/RESTRICTED CASH)	(233,754)	(233,754)	(554,702)
Working Capital Cash (Cage and Crown Securities)	159,950	159,950	134,756
NET DEBT (INCL. WORKING CAPITAL & RESTRICTED CASH)	(73,804)	(73,804)	(419,946)
CLOSING AVAILABLE CASH	1,297,779	1,297,779	965,813
Cash - AUD operations	1,267,673	1,267,673	950,217
Cash - US Operations (AUD equivalent)	14,510	14,510	0
Cash - UK operations (AUD equivalent)	15,596	15,596	15,596
BORROWINGS	(1,531,533)	(1,531,533)	(1,520,515)
NET DEBT (EXCL. WORKING CAPITAL/RESTRICTED CASH) - BUDGET	(398,874)	(398,874)	(631,624)
Variance to Budget		165,119	76,922
Consists of:			
EBITDA		(1,693)	(16,199)
Working Capital		(9,791)	(16,928)
Capex		34,027	28,477
Crown Sydney		8,976	4
Net Interest & Tax		3,337	4,223
Project Alon		191	194
Investment - other		(58,216)	(2,030)
Share Buy-Back		213,079	79,965
Foreign Exchange		402	402
Dividends		0	(1,187)
Movement in Working Capital Cash		(25,193)	0

F18 Net Debt Roll Forward		
	\$M	\$M
Opening net debt		(308.5)
Melbourne EBITDA	610.2	
Melbourne theoretical adjustment	(22.2)	
Per h EBITDA	247.0	
Per h theoretical adjustment	7.6	
Aspinall's EBITDA	29.7	
Aspinall's theoretical adjustment	(1.8)	
Wagering and Online EBITDA	37.4	
Corporate	(64.1)	
Total EBITDA at theoretical		860.3
Total theoretical adjustment		(16.4)
Working capital		(19.9)
Capex		
Melbourne	(60.5)	
Per h	(43.7)	
Sydney	(293.0)	
Aspinall's	(7.9)	
Wagering and Online	(32.6)	(437.7)
Interest		(90.3)
Tax		(134.6)
Other (jet lease)		25.0
Dividends		(404.5)
Share Buy-Back		(346.3)
Net debt before investments		(873.0)
Investments		
Alon Las Vegas		218.0
Caesars		60.0
Cannery Proceeds		1.1
DGN Earn Out		(6.7)
Ellerston		60.0
Draftstars		(1.0)
Queensbridge Hotel		(17.0)
Chill Gaming		(2.9)
Zengaming		(1.1)
Nobu		7.9
Closing net debt		(554.7)

Net debt at 30 September 2017 was \$233.8m (excluding working capital cash of \$160.0m), comprising closing available cash of \$1,297.8m and gross debt of \$1,531.5m. The net debt position at month end was \$165.1m better than budget. Forecast net debt at 30 June 2018 of \$554.7m is expected to be \$76.9m lower than budget.

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

- The budget assumed a buy-back of 33.3m shares to be bought back at an average price of \$12.80 per share. In August 2017 Crown announced a buy-back of 29.3m shares. Based on current share price trading Crown is now forecasting an average buy-back price of \$11.80 per share compared. The lower number of shares bought back and the lower forecast share price has resulted in an \$80.0m lower share buy-back compared to budget.
- As a result of the lower number of shares bought back Crown's dividend payments to shareholders have increased by \$1.2m.

- In May 2017, Crown and CPH jointly entered into a finance lease arrangement with ANZ on a Bombardier Global Express aircraft. In September 2017, CPH took over Crown's portion of the lease, resulting in a \$25.0m reduction in gross debt with the removal of the finance lease (and removal of the aircraft asset).
- F18 EBITDA is forecast to be \$16.2m lower than budget due to below theoretical win rates at Crown Melbourne (\$22.2m) and Crown Aspinalls (\$1.8m), partially offset by above theoretical win rates at Crown Perth (\$7.6m).
- Working capital cash movements are forecast to be \$16.9m adverse to budget largely due to higher restructuring and China related expenses which were expensed in F17 post the finalisation of the F18 budget.
- Interest payments are forecast to be \$3.3m lower than budget, due to lower than budgeted net debt levels as a result of the delay in the commencement of the share buy-back.

Total liquidity at 30 September 2017 was \$1,694.6m taking into account available unused facilities of \$396.8m and available cash of \$1,297.8m (excluding \$160.0m of working capital and restricted cash).