



Crown Resorts Limited

Chief Executive Officer's Report
August 2019

Contents

<u>SECTION 1 – FINANCIAL UPDATE</u>	3
<u>1. Financial Summary by Segment</u>	3
<u>2. July 2019 Results – Comparison to Budget and Last Year</u>	4
<u>SECTION 2 – AUSTRALIAN RESORTS</u>	6
<u>1. Review of Australian Resorts</u>	6
<i><u>1.1. Australian Resorts</u></i>	<i>6</i>
<i><u>1.2. Crown Melbourne</u></i>	<i>8</i>
<i><u>1.3. Crown Perth</u></i>	<i>9</i>
<u>2. Current Trading</u>	10
<i><u>2.1. Crown Melbourne</u></i>	<i>10</i>
<i><u>2.2. Crown Perth</u></i>	<i>12</i>
<u>3. Legal and Regulatory Matters</u>	14
<i><u>3.1. Australian Resorts</u></i>	<i>14</i>
<i><u>3.2. Crown Melbourne</u></i>	<i>15</i>
<i><u>3.3. Crown Perth</u></i>	<i>16</i>
<u>4. Marketing Initiatives</u>	19
<i><u>4.1. Australian Resorts</u></i>	<i>19</i>
<i><u>4.2. Crown Melbourne Campaigns</u></i>	<i>21</i>
<i><u>4.3. Crown Perth Campaigns</u></i>	<i>22</i>
<u>5. HR Initiatives</u>	23
<i><u>5.1. Australian Resorts</u></i>	<i>23</i>
<i><u>5.2. Government Relationships</u></i>	<i>25</i>
<i><u>5.3. Crown Melbourne</u></i>	<i>26</i>

<u>5.4. Crown Perth</u>	26
<u>6. Counter Terrorism</u>	27
<u>6.1. Australian Resorts</u>	27
<u>6.2. Crown Melbourne</u>	27
<u>6.3. Crown Perth</u>	28
<u>SECTION 3 – UK BUSINESSES</u>	30
<u>1. Update on the Potential Sale of UK Assets</u>	30
<u>2. Crown Aspinalls</u>	31
<u>3. Aspers</u>	33
<u>SECTION 4 – WAGERING AND ONLINE</u>	34
<u>1. Betfair</u>	34
<u>1.1. Trading Update</u>	34
<u>1.2. Legal and Regulatory</u>	34
<u>2. Digital Businesses</u>	35
<u>SECTION 5 – CROWN RESORTS GROUP</u>	37
<u>1. Proposal to Restrict Cash Transactions</u>	37
<u>2. Crown Sydney Office Space</u>	38
<u>3. Consolidated Press Holdings Sale of Crown Shares</u>	39
<u>4. ASIC Request – Non-Audit Services</u>	39
<u>5. ASIC Corporate Governance Taskforce</u>	39
<u>6. Victorian State Security Arrangements</u>	39
<u>SECTION 6 – NET DEBT AND CASH FLOW</u>	40

SECTION 1 – FINANCIAL UPDATE

1. Financial Summary by Segment

31 JULY 2019 YTD

	Normalised Result					Crown Group \$'000	Adjustment \$'000	Actual Crown Group \$'000
	Crown Melbourne \$'000	Crown Perth \$'000	Crown Aspinalls \$'000	Wagering & Online \$'000	Unallocated \$'000			
Operating revenue								
Main floor tables	65,339	16,353	-	-	-	81,691	-	81,691
Main floor machines	38,160	24,295	-	-	-	62,455	-	62,455
VIP program play	28,609	4,119	4,223	-	-	36,951	48,398	85,349
Wagering & Non gaming	35,537	21,406	109	8,868	-	65,921	-	65,921
Operating revenue (excl comps)	167,645	66,174	4,332	8,868	-	247,018	48,398	295,416
Segment result								
Operating expenses	(126,944)	(48,521)	(4,369)	(6,932)	(4,127)	(190,892)	(15,277)	(206,169)
Earnings before interest, tax, depreciation and amortisation "EBITDA"	40,701	17,653	(38)	1,937	(4,127)	56,127	33,121	89,248
Depreciation and amortisation	(15,210)	(7,326)	(220)	(629)	(262)	(23,646)	-	(23,646)
Earnings before interest and tax "EBIT"	25,492	10,328	(257)	1,308	(4,388)	32,481	33,121	65,602
Equity accounted share of associates' net profit/(loss)						951	-	951
Net interest income/(expense)						41	-	41
Income tax benefit/(expense)						(9,782)	(9,444)	(19,227)
Profit/(loss) after tax						23,691	23,677	47,367
Non-Controlling Interest						(113)	-	(113)
Profit/(loss) attributable to equity holders of the Parent						23,578	23,677	47,254

The above table reflects Crown's year to date financial results by key operating segments. Normalised EBITDA is \$56.1m, with Actual EBITDA of \$89.2m. Crown's year to date normalised NPAT is \$23.6m, with Actual NPAT of \$47.3m.

2. July 2019 Results – Comparison to Budget and Last Year

	July 2019						
	Actual	Budget	Variance		Last Year	Variance	
	\$'000	\$'000	\$'000	%	\$'000	\$'000	%
EBITDA @ Theoretical							
Melbourne - Local	41,051	39,746	1,304	3.3%	42,358	(1,307)	(3.1%)
Melbourne - VIP Program	(349)	5,395	(5,745)	(106.5%)	4,023	(4,372)	(108.7%)
Crown Melbourne	40,701	45,142	(4,440)	(9.8%)	46,381	(5,679)	(12.2%)
Perth - Local	17,609	16,304	1,304	8.0%	19,583	(1,974)	(10.1%)
Perth - VIP Program	44	441	(397)	(90.0%)	(1,268)	1,312	103.5%
Crown Perth	17,653	16,746	907	5.4%	18,315	(662)	(3.6%)
Crown Aspinalls	(38)	1,435	(1,472)	(102.6%)	4,119	(4,157)	(100.9%)
Wagering & Online	1,937	1,862	75	4.0%	1,139	798	70.0%
Corporate	(4,127)	(4,257)	130	3.1%	(4,657)	530	11.4%
TOTAL EBITDA @ Theoretical	56,127	60,926	(4,800)	(7.9%)	65,297	(9,170)	(14.0%)
Depreciation	(23,646)	(23,684)	38	0.2%	(24,067)	422	1.8%
Interest	41	(222)	263	118.5%	(2,285)	2,326	101.8%
Taxation	(9,782)	(10,986)	1,204	11.0%	(11,293)	1,511	13.4%
Equity Accounted Result	951	820	131	16.0%	879	72	8.2%
Minority Interest	(113)	(72)	(41)	(57.3%)	102	(215)	(210.6%)
Crown NPAT @ Theo	23,578	26,783	(3,205)	(12.0%)	28,632	(5,055)	(17.7%)

EBITDA @ Actual							
Crown Melbourne	63,977	45,142	18,836	41.7%	39,487	24,490	62.0%
Crown Perth	22,578	16,746	5,833	34.8%	15,220	7,358	48.3%
Crown Aspinalls	4,882	1,435	3,448	240.3%	5,380	(497)	(9.2%)
Wagering & Online	1,937	1,862	75	4.0%	1,139	798	70.0%
Corporate	(4,127)	(4,257)	130	3.1%	(4,657)	530	11.4%
TOTAL EBITDA @ Actual	89,248	60,926	28,321	46.5%	56,569	32,679	57.8%
Crown NPAT @ Actual	47,254	26,783	20,472	76.4%	22,650	24,605	108.6%

July normalised NPAT of \$23.6m is \$3.2m (12%) below budget and \$5.1m (18%) below last year. Reported NPAT of \$47.3m is \$20.5m (76%) above budget and \$24.6m (109%) above last year, with favourable variances from theoretical at all three properties.

Theoretical EBITDA of \$56.1m was \$4.8m (8%) below budget and \$9.2m (14%) below last year. The main factors impacting the results were:

- In relation to the Australian businesses, **Crown Melbourne** EBITDA was \$4.4m (10%) below budget (Local +\$1.3m or +3%, VIP -\$5.7m or -107%) and \$5.7m (12%) below last year (Local -\$1.3m or -3%, VIP -\$4.4m or -109%). **Crown Perth** was \$0.9m (5%) above budget (Local +\$1.3m or +8%, VIP -\$0.4m or -90%), but \$0.7m (4%) below last year (Local -\$2.0m or -10%, VIP +\$1.3m or +104%).
- In Melbourne, local contribution was \$1.3m (3%) above budget. Local Tables contribution was \$0.5m (2%) above budget, with drop 1% below budget and hold for the month of 21.6% (budget of 21.0%). Slots contribution was \$0.9m (5%) above budget, with turnover 5% above budget and a win rate of 7.7% (budget of 7.8%). F&B and Hotels were in line with

budget. Occupancy was below budget in all 3 hotels, with room rate above budget in Metropol and Promenade, but slightly below budget in Towers.

- Melbourne VIP theoretical contribution of -\$0.3m was \$5.7m (107%) below budget, with turnover of \$2.1b (37% below budget). An above theoretical win rate of 3.06% resulted in a \$23.3m favourable variance from theoretical.
- In Perth, local contribution was \$1.3m (8%) above budget. Local Tables contribution was \$0.8m (14%) above budget, with drop 5% above budget and hold of 22.3% (budget of 21.1%). Slots contribution was \$0.3m (2%) above budget, with turnover 5% above budget and a win rate of 8.4% (budget of 8.5%). F&B and Conventions & Entertainment were in line with budget. Hotels contribution was \$0.1m (4%) above budget, with above budget occupancy and room rate in Promenade. Towers and Metropol room rate was above budget, with occupancy below budget.
- Perth VIP theoretical contribution was \$0.4m (90%) below budget, with turnover of \$0.3b (20% below budget). An above theoretical win rate of 2.71% resulted in a \$4.9m favourable variance from theoretical.
- **Crown Aspinalls** theoretical EBITDA was \$1.5m below budget, with turnover of £225m which was 41% below budget. Actual EBITDA of \$4.9m was \$3.4m above budget with a win rate of 3.58%.
- **Wagering & Online** was \$0.1m (4%) above budget. Betfair's EBITDA of \$0.8m was \$0.2m below budget and DGN's EBITDA of \$1.2m was \$0.3m favourable to budget.
- **Corporate costs** of \$4.1m were \$0.1m favourable to budget.
- **Net interest** was \$0.3m favourable to budget.
- **Equity Accounted Results** of \$1.0m were \$0.1m above budget. Equity accounted results include Aspers and Nobu profits, partially offset by costs in Chill.

Reported NPAT for the month of \$47.3m is \$20.5m (76%) above budget. Crown Melbourne and Crown Perth reported win rates of 3.06% and 2.71% respectively, resulting in a combined favourable variance from theoretical of \$28.2m pre income tax. Crown Aspinalls reported a favourable variance from theoretical of A\$4.9m pre income tax for the month with a win rate of 3.58%.

Normalised NPAT was \$5.1m (18%) below the prior corresponding period reflecting the net impact of the following factors:

- Group EBITDA decreased by \$9.2m (14%) from last year, with EBITDA at Crown Melbourne lower than last year by \$5.7m (12%) and Crown Perth below last year by \$0.7m (4%). At Crown Melbourne, Local contribution decreased by \$1.3m (3%) and VIP Program Play contribution decreased by \$4.4m. At Crown Perth, Local contribution was \$2.0m (10%) below last year, but VIP Program Play contribution was \$1.3m above last year. EBITDA at Crown Aspinalls was \$4.2m unfavourable to last year, and Wagering & Online was \$0.8m (70%) above last year.
- Depreciation and amortisation was \$0.4m (2%) below last year.
- Net interest was \$2.3m favourable to last year.

SECTION 2 – AUSTRALIAN RESORTS

1. Review of Australian Resorts

1.1. Australian Resorts

The start to the F20 financial year has been encouraging in both local businesses.

Melbourne Local Business in July 2019 was above budget by \$1.3m or 3.3% but below last year by \$1.3m or 3.1%. The variance to last year was expected due to the prior period featuring strong hold in local gaming, the final weeks of the FIFA World Cup and nine hugely popular Pink shows in Melbourne. Both tables and machines have started the year strongly, with contribution up 2% and 5% on budget respectively. Food & Beverage and Hotels were in line with budgeted expectations for the month.

Perth Local Business in July was above budget by \$1.3m or 8.0% but below last year by \$2.0m or 10.1%. Similar to Melbourne, the variance to last year was expected due to very strong hold in local gaming and the effect of the final weeks of the FIFA World Cup. Perth has seen some strong event business through July, however, with the Manchester United visit and State of Origin game two assisting in driving significant business to the complex. Local tables and hotels are trading well above budget for the month with machines and F&B in line with budgeted expectations.

Program Play volumes in both properties, particularly Melbourne, has been soft throughout July with turnover down on budget by 37% and 20% in Melbourne and Perth respectively with the current wave of negative publicity possibly impacting along with general softness in the international VIP market.

As foreshadowed in the previous Board meeting, a number of initiatives have been identified to underpin growth in the local businesses in the coming years. Some of these initiatives require Regulatory and / or Capital funding and are in various stages of approval and implementation (noted as per below):

Australian Resorts:

Marketing lifecycle customer management initiatives (\$4.1m across both Melbourne and Perth). This project will allow Crown to deliver personalized, trigger-based offers to customers based on their preferences and past experiences rather than the current model which delivers marketing and promotional activity via generic offers to groups of customers.

An overview of status of this project is as follows:

- Technical design of the systems is now complete;
- Implementation partners have been selected to help guide the build and train the internal teams to ensure the IP is transferred and held by Crown;
- Build of the customer and business data infrastructure has commenced;
- Design and build of the first automated offer journeys will commence in August.

Melbourne:

- Converting Club 23 into premium gaming (\$6.7m), underway with expected completion prior to New Year's Eve this year;
- Acceleration of the machine refresh program providing additional, new and market leading product (\$7.0m), in progress;
- Conversion of JJ's into Premium Slots (\$8.0m), expected completion Q3;
- Convert Pit 30 into an expanded black Tier Slots area (\$3.4m), expected completion Q3;
- Further expansion of Teak Room non-smoking offering (\$1.7m), completed and open on 8 August 2019;
- Addition of premium gaming area in the west end (Dragon Den), completed, opened during July 2019;
- Placeholder for Lessor's contribution towards an alternative offering in the existing Dinner by Heston tenancy, subject to outcome of current negotiations with DBH;
- Expanded NSW interstate sales team (tables and slots), currently in recruitment phase;
- Reduction in minimum domestic front money to attract more interstate customers (reduced from \$25k to \$10k), completed;
- Expand sales team focus into regional Victoria, currently in recruitment phase;
- Ability to market to international machines customers outside of Hong Kong (progressively from H1 F20).

Perth:

- Reduction in gaming machine spin rates from five seconds to three seconds, Regulator approved in principle;
- Tap n Go capability at the table and / or Ticket Redemption Terminal (TRT), Regulator approved;
- Enabling cash withdrawals from the Cage and F&B outlets, Regulator approved and already activated and averaging over \$100k per week;
- Changing policy to allow up to three guests in the Pearl Room (currently one). Regulator approved and roll-out is underway;
- Allow gaming in non-gaming areas, such as Convention space, subject to Regulator approval;
- Reduction in domestic front money threshold to target more interstate visitation, subject to Regulator approval;

- Electronic table games expansion and enhancement;

In addition to the work described above, the focus also remains on an ongoing review of the cost base across the business whilst continuing to identify initiatives, events and promotions to drive volume, particularly in Table Games.

1.2. Crown Melbourne

The focus in Melbourne remains in driving the local gaming market, with a particular emphasis on Table Games combined with some key initiatives in the Food & Beverage space to drive an uplift in volume, particularly Bars. Initiatives specific to Table Games, include:

- Luxury Car Promotion in Mahogany Room continues through to 7 August. Black, Platinum and VIP1 members receive entries to win a pair of Porsches;
- Mahogany Room cash draws;
- Calendar of ad hoc and planned dinner events for Platinum and Black customers;
- Maple Room Cash Draws continued throughout July. Although previous draws have focused on the rated segment, the trigger-based mechanic used in this draw allowed both unrated and rated customers to participate. For the month of July Maple Room patron hours were ~5% above the pcp;
- A series of events and promotions around Crown Melbourne's 25th Birthday including the All that Glitters event of interstate and local customers in Palladium on 12 July;
- The introduction of 12 additional electronic Table Games (eTGs) to Riverside. These eTGs offer an improved customer experience by offering a more spacious and private gaming area through installation of privacy screens between terminals. Overall eTG revenue was up 15% on the pcp for July, assisted by an increase of 4% in patron hours;
- The reintroduction of the \$500 chip to the Premium Mahogany, Teak and Maple rooms. This denomination has returned to Crown Melbourne's gaming floor after an absence of over 10 years and was relaunched to coincide with the 25th Birthday celebration. 15,000 chips have entered circulation;
- The trialling of a new Blackjack side bet called Spreadbet Blackjack. This side bet allows customers to win up to 12-1 if their first two cards sum to 9 or less;
- Crown's installation of the popular Aristocrat Lightning Link and Dragon Link / Cash product has increased to over 800 units and remains the largest single site installation in the world. Based on its continued success, Crown Melbourne constructed and launched in July a dedicated Dragon Den in the Westend. With state-of-the-art transparent LED signage walls, this also included new game titles Genghis Khan and Peace & Long Life for Dragon Link;
- Other new machine product recently launched and expanded are Bubble Blast (IGT), All Aboard (Konami) and Rapid Respins (Wymac). Each of these have launched successfully and continue to perform well;

- The F20 H1 Product Refresh Plan is well underway with 300 of the targeted 530 new machines to be installed by 31 August;
- The completion of the expanded Teak Room non-smoking gaming machine area during August has increased machine numbers in the area by over 100 gaming machines;
- The Food Harvest food specials continue to be very popular across the Main Gaming Floor food outlets with Riverside and Teak restaurants the most popular choices for Crown Rewards members;
- The initiative to allow the electronic reserving of gaming machines is now available on all gaming machine product in the premium gaming rooms. The functionality allows reserving of machines for specific time periods configurable by Crown Rewards tier, gaming floor area and / or timeframe. Initial usage by customers has been low but feedback on the availability of the function has been positive.

The following initiatives are currently under development:

- Club 23 transformation to a dedicated VIP gaming area as mentioned above. Planning for this refurbishment is well advanced with a target date for completion of 31 December 2019;
- A new eTG Quartz terminal from leading global eTG manufacturer SG is expected to enter the gaming floor in Q2 F20. The terminal offers customers an improved user interface for play on multigame semi-automated table games;
- Virtual Card Project development continues with the objective being to have a virtual card within the Crown Rewards App and the Apple / Android wallets that will allow customers to use their phone to tap instead of the magnetic stripe card.

1.3. Crown Perth

The current focus continues to be identifying initiatives, events and promotions to drive volume, particularly in Table Games, as rate of spend, whether Machines, Tables, Hotels and F&B continues to be challenged.

- Continued optimisation of Table Open hours which has so far yielded reductions of over 1,700 open hours per week (over 10% reduction in six months).
- A focus on extracting further benefits from Stadium game days, which has seen average Table limits increase, machine activations develop and more positive results emanating from more Saturday events (compared to a Sunday skew last year). July benefitted from major Stadium events in the form of State of Origin 2, Western Derby and two games involving Manchester United.
- High margin e-TGs continue to increase traction aided by lowering the price point to 50 cents, yielding an increase in games played by over 30%, albeit with a decline in average bet of circa 15%. The outcome has been a broader customer base, whilst retaining strength of high value customers who are attracted by the privacy and efficiency of the game.

- Re-positioning of Pearl Room is now largely complete from a loyalty threshold reset perspective. Next phase will see an enhancement of the offer and service model which is expected to be rolled out across Q1 F20.
- Aristocrat's Lightning Link remains on schedule to be delivered to the Perth market in late Q2 F20, with an increased denomination mix and broadened title options. Dragon Link opportunities have commenced discussion.
- Konami's equivalent product, All Aboard, is scheduled for roll-out into Perth during October, pending approvals, it is planned for this to be the first game rolled out with a 3 second spin.
- CrownLife continues to develop a loyal and engaged following amongst the older machine demographic, evidenced by the 8% YoY growth of the Silver tier.
- Crown Perth recently rolled out its Purpose, Values, Behaviours and Community platform aimed at enhancing overall team performance and engagement. Initial responses at all levels and across all departments is encouraging and has successfully leveraged the innovative Together We Create Memorable Experiences training modules and the 5-Pillar strategic framework.
- To facilitate the delivery of an enhanced customer experience, an innovative leadership development program (Leadership In Action) is currently being implemented with key aspects being the Executive Sub-Committee, Target 2023 and Inclusive leadership initiatives. Current customer and staff feedback suggest these initiatives in conjunction with cross business unit engagement may be assisting the current financial improvement being experienced, despite subdued broader market performance.
- Email collection continues to grow, following a recent focus of the Rewards Team. Over 90% of new sign-ups are providing email addresses as preferred contact, enabling more frequent, timely and relevant offers to reach market.
- Crown's Value Guarantee campaign, utilising the 'Live A Little ...' format, continues to resonate strongly in market, evidenced by the sustained performance of \$8 pints, bars and casual restaurants relative to the wider hospitality sector experiencing significant closure rates.

2. Current Trading

2.1. Crown Melbourne

Table Games July 2019 contribution of \$28.3m was \$0.5m or 1.7% above budget but \$1.2m or 4.2% below last year with the prior year variance impacted by a negative \$3.0m hold variance. Volumes (ex-Poker) were up 1.8% from the prior comparative period despite year-on-year decreases in table open hours and patron hours.

Main Gaming Floor (excluding Poker and eTGs) July volumes were 2.6% above budget but 2.5% below the pcp. Volumes were above budget in all areas except Level 1 with this area also driving the total year on year decline. Hold of 24.2% was below budget (25.7%) and

the pcp, while patron hours were 3.8% below budget and 8.2% below the pcp. On the same comparatives, table open hours were down 4.5% and 9.2% respectively.

Electronic Table Games (eTGs) July turnover was 1.5% above budget and 1.9% above the pcp with patron hours up 3.5% on the pcp. Actual hold of 2.83% was favourable to the theoretical of 2.70%.

Poker cash and tournament play revenue was 9.3% below budget and 6.2% unfavourable to prior year. Open hours were 4.7% below the prior year.

Premium Table Games July 2019 volumes were down 2.5% to budget but 3.7% above prior year. The combined hold of 21.9% was up on expectations (20.4%) driving revenue 4.1% favourable to budget but still 6.2% short of the pcp which benefited from a very strong hold of 24.1%.

Main Floor Premium (MFP) July volumes were up 0.4% on budget and 6.6% on the pcp. Maple Room drove the favourable budget variance, up 3.5% with the other rooms down. Both Maple (+8.9%) and Teak (+6.4%) performed well vs the pcp. Strong hold of 23.6% (budget 21.4%, pcp 21.0%) helped push revenue 10.3% above budget and 19.3% above prior year. Overall patron hours were up 1.6% to budget and 1.4% to prior year, again driven by Maple and Teak.

Mahogany Room July volumes were flat to the pcp but 6.4% below budget driven by a 5.2% decline in patron hours. The major driver of the volume miss to budget was the limited play of our top 20 patrons.

Table Games Interstate (Commission and Standard) July turnover of \$295m was 32.2% below budget and 54.1% below the pcp. The business saw contrasting results with standard turnover 28.7% above budget and 27.3% above the pcp while commission turnover was 68.4% below budget and 82.0% below pcp. The commission business experienced low visitation from our higher turnover patrons. Total Table Games Interstate theoretical contribution was 63.3% unfavourable to budget with actual contribution 8.5% below budget assisted by an actual win rate of 1.57%.

Gaming Machines' July 2019 contribution of \$18.4m was \$0.9m or 4.9% above budget and \$0.7m or 3.7% above the pcp. Turnover of \$489m was 5.0% above budget and 10.4% above the pcp, with a win rate of 7.7% (budget 7.8%, pcp 8.1%) leading to revenue of \$38.2m, 4.9% above budget and 5.8% above the pcp.

Gaming Machines Local July turnover of \$430m was 3.1% above budget and 7.1% above the pcp. Black tier drove the growth up 8.3% to budget and 24.4% to pcp while all other tiers except unrated were favourable to budget.

Gaming Machines Interstate and International July theoretical revenue of \$3.6m was 16.9% above budget and 32.1% above the pcp. The strong result was pleasing given it was driven by the performances of the Queensland, SEA and NZ markets.

Gaming Machines Market Share for June was 15.8% marking eight months out of nine being above 15%. YTD F19 Market Share is 14.9% with the rolling 12-month market share being up 0.11%.

Food & Beverage's July YTD result was in line with budget and \$0.8m or 20% below the pcp. The key reasons for the shortfall to the pcp were having one less Saturday this year with last year having a major concert series (Pink) and the second half of the World Cup. Events & Conferencing has started positively, while restaurants and bars have had mixed results, with some strong results offset by lower than expected performances in other outlets. However, the second half of the month was more positive than the first. Long Chim has been refreshed into Ging Thai. August has the Boomers v USA basketball matches, which should provide good foot traffic to the complex.

Hotels' July YTD result was in line with budget and \$0.1m or 1.8% above the pcp. Occupancy levels in Towers, Metropol and Promenade were 91.9%, 90.2% and 88.8% respectively, while combined occupancy of 89.8% was 4.0% below budget and last year (mostly due to lower Sundays and Mondays as the rest of the week ran at 95%). Leisure, Corporate and Wholesale segments were behind budget. Rates are in line with budget and 1.6% above pcp. The premium market saw a similar drop in occupancy, while rates showed a small increase against the pcp. Groups rooms were in line with budget and last year. The outlook for August is currently tracking slightly ahead of budget.

2.2. Crown Perth

Local Table Games' July contribution was \$0.8m or 14.4% above budget however \$2.0m or 25.0% below the pcp. Regular and premium tables have shown signs of improvement from the back half of F19; however, we are still well behind the prior year, hampered by soft volumes as a result of the subdued Perth economy. July 2018 had significant contribution from one key player who alone lost \$1m.

Regular Table Games' July contribution was \$0.9m or 18.1% above budget however \$1.1m or 15.6% below the pcp. A strong events calendar has resulted in significant uplift in casino footfall, with the Manchester United visit, favourable AFL timeslots and the Baccarat Room Taste Series proving a hit for Table Games. A concerted effort to re-engage the core customer base across the Main Gaming Floor (MGF), in particular those with a preference for Roulette and Blackjack, has shown positive signs with the Blackjack segment at its strongest levels since F15 and Roulette performance improving. Electronic Table Games continue to be the shining light with continual growth on the pcp with the Q2 introduction of new Quartz screens and Premium Economy terminals expected to further grow this market. Consolidation of all Baccarat product into the Baccarat Room, along with a refreshed promotional calendar has yielded promising results. Upcoming events include tournaments, draws and food offerings.

Providing the highest level of customer experience through our service teams and premium asset offering is a key focus moving forward with the premium tier customer base showing small signs of recovery, aided by Golden Tuesday Draws.

Gaming Machines' July contribution was above budget by \$0.2m or 1.5% and above last year by \$0.4m or 2.3%. July turnover was above last year by 6.2%, a promising start to the new financial year.

The rated Gaming Machines membership base has delivered a stable level of visitation with the local premium market showing some recovery, in particular through the mid-tier customer. Increased visitation and in some cases re-engagement of customers from these tiers remains a priority via direct marketing, targeted VIP events, exclusive promotions / jackpots and refining the experience in the premium gaming assets. The uncarded and

mainstream segments of the Gaming Machines business have remained robust through stable customer volumes. Some promotional calendar refinements including the '\$100k in a Day' jackpot in June and July have proved very popular and achieved strong incremental turnover on both occasions.

F20 will see a suite of new games installed across the casino for Gaming Machines. Early indications from recent games launched in Bright Lights and Monopoly have been positive. A key feature of the aforementioned titles is multi-denomination, allowing both a lower entry point for customers and increased flexibility in moving between price points. Multi-denominational games are further strengthening the Value Guarantee message for machine customers. Other key content coming will further enhance the product offering.

Food & Beverage (F&B) July contribution was in line with budget and \$0.7m or 28% below the pcp. The result is mainly due to the pre and post F&B on-spend coming from the two Manchester United games at Optus Stadium on Saturday 13 July against Perth Glory and Wednesday 17 July against Leeds United including the associated on-spend coming from international and interstate guests staying at Crown Perth for through this period. However, this was offset by a slow start to the first week of July with theatre show numbers being below expectations. Last year's result was mainly due to the 2018 FIFA World Cup finals series and increased F&B on-spend due to the commencement of Disney's Aladdin in the Theatre.

Conventions' July contribution was \$16k or 24.4% above budget and in line with last year. Key events included the Flight Centre WANT Ball, International Zeolite Conference, NAIDOC Ball, Master Builders Bankwest Excellence in Construction Awards, NIBA WA Gala Lunch, The Brainchild Ball WA 2019 and the Liberal Part of Australia State Conference.

Entertainment's July contribution was in line with budget and \$0.3m or 87.7% below last year. The Theatre held five adhoc shows versus a budget of nine shows, however the result improved due to better than expected theatre bar sales from the new theatre bar Grab and Go setup. July shows included Cosentino, two shows for Kevin Bloody Wilson and two performances of Schools Make Music. Last year the Theatre held 14 shows including one performance of the musical Mamma Mia and 13 performances of Disney's Aladdin.

The following are confirmed future events in the Theatre:

Schools Make Music (3 shows)	August
Led Zeppelin Masters	August
Kitty Flanagan (2 shows)	August
Charlesworth Ballet	August
Lee Kernaghan	August
A Salute to Roy Orbison	August
The Book of Mormon (64 shows – likely to increase to Nov)	Sep – Oct (likely to continue)

Perth Hotels' July result was \$0.1m or 3.7% above budget and \$0.2m or 8.6% above the pcp. The above budget result was largely driven by improved average rates across the three hotels and the positive uplift from the Manchester United group staying in Crown Towers and Crown Metropol.

August is currently tracking ahead of budget driven by a number of large conferencing groups spread across each of the three hotels. August will also host the Bledisloe Cup which has attracted a large number of interstate and international visitors. Looking further ahead, September is showing signs of improved booking pace with a number of in-market activations scheduled to further grow this period. All three hotels continue to outperform their relevant competitor sets by some margin.

3. Legal and Regulatory Matters

3.1. Australian Resorts

REDACTED - PRIVILEGE

Changes to AUSTRAC Enforcement Team

Following a departure and an internal restructure at AUSTRAC, Jack Haldane (Acting Director, Regulatory Operations) and Vicky Orshansky (Compliance Manager) will now be Crown's key contacts at AUSTRAC.

Section 25 Review Recommendations

During the period, Crown has lodged responses to the following recommendations contained within the Section 25 Review Report:

- Recommendation 10, response dated 28 June 2019: *The review of voluntary exclusion and revocation practices, including the review of voluntary exclusion orders more than 10 years old.*
- Recommendation 11, response dated 28 June 2019: *The implementation of a third party exclusion program.*
- Recommendation 13, response dated 29 June 2019: *The refresh of responsible gambling branding and associated messaging.*
- Recommendation 14, response dated 29 June 2019: *The development of a responsible gambling strategy.*
- Recommendation 3, response dated 1 July 2019: *The assessment of Crown's risk framework and systems, including reporting lines.*
- Recommendation 4, response dated 1 July 2019: *The review of internal controls to*

ensure the Regulatory and Compliance department is aware of all projects and works in progress.

- Recommendation 5, response dated 28 June 2019: *Annual roundtable discussions to brief key internal staff on the VCGLR's regulatory approach.*
- Recommendation 12, response dated 28 May 2019: *The expansion of facial recognition cameras to all casino entrances, and monitoring of effectiveness.*
- Recommendation 17, response dated 1 July 2019: *The review of relevant internal control statements, including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed.*
- Recommendation 19, response dated 27 May 2019: *The implementation of a policy to make an exclusion order in appropriate cases where a person has engaged in significant unacceptable conduct in the casino or is the subject of serious criminal charges.*

We understand the VCGLR is currently assessing our responses in the usual manner and we will be advised in due course of any comments they may have.

Responsible Gaming Stakeholder Engagement

A number of stakeholder site visits occurred during the reporting period including the below:

Date	Support Service or other party
28/05/2019	Shane Lucas - (recently appointed Victorian Responsible Gambling Foundation's (VRGF) CEO), VRGF Board Member Tass Mousaferiadis and VRGF staff met with Crown Senior Management for a tour and presentation
28/05/2019	Senior Victorian Department of Justice Representatives
30/05/2019	VCGLR CEO & Commissioners – tour and information brief
11/06/2019	Steph Ryan MP – Shadow Minister for Gaming and Liquor Regulation
25/06/2019	Simon Cohen – Deputy Secretary of the Department of Justice and Community Safety (and staff)
28/6/2019	Cindy McLeish MP – Shadow Minister for Education

3.2. Crown Melbourne

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE



3.3. Crown Perth

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE

Cashless – Use of EFTPOS

On 28 May 2019, the Commission resolved to approve the use of EFTPOS (debit only) for patrons to:

- purchase chips from designated areas within the casino or at a gaming table; and
- purchase tickets at ticket redemption terminals (or similar type facilities) for use on an electronic gaming machine.

As part of the approval, Crown Perth is required to provide a report to the Commission relating to the use, take up and any issues from the conduct of EFTPOS (debit only) at gaming tables for the first three months of operation within one month after the completion of that period.

Additionally, as originally proposed by Crown Perth, the Commission has imposed a transaction limit to debit account transactions (no credit transactions permitted) up to a maximum withdrawal of \$400 per transaction with the understanding that the daily cash withdrawal limit as permitted by the patron's financial institution will also apply.

Crown Perth will also ensure that:

- all EFTPOS transactions (debit only) must be authenticated through the entry of a personal identification number; and
- contactless payment will not be permitted.

Crown Perth has developed a comprehensive risk assessment and phased implementation plan of the use of EFTPOS (debit only) within the casino. This implementation plan will allow Crown Perth to closely monitor and evaluate the impact on patron behaviour, particularly relating to RSG, together with gaming operations prior to any full implementation of the service. The proposed phases broadly include:

Phase 1 – Technical Evaluation	One week duration, on up to three gaming tables, to ensure EFTPOS (debit only) terminals operate as intended and that there are no material or unintended impacts.
Phase 2 – Detailed Analysis Phase	<p>Thirteen week duration, on three gaming chip purchase tables, and up to twenty four gaming tables selected to ensure an appropriate mix of game types, price points, and customer segments.</p> <p>Close analysis of operational KPIs, customer comments, dealer feedback, RSG and back of house/support departments.</p> <p>Report to the Regulator to be prepared after this phase.</p>

Phase 3 – Full Implementation	<p>Detailed full rollout to be planned in detail at six week point during Phase 2 to incorporate:</p> <ul style="list-style-type: none"> ➤ Amendments to operational practices identified in Phase 2. ➤ Amendments to RSG framework – update of RSG Code of Conduct. ➤ Identification, based on KPIs, of appropriate tables to include.
-------------------------------	--

Western Australian Appendix to the Australian/New Zealand Gaming Machine National Standards 2016

On 7 March 2019, Crown Perth lodged a submission seeking an amendment to the Western Australian Appendix to the Australian/New Zealand Gaming Machine National Standards 2016 (in particular clause WA4.2 of the WA Appendix) and to the Commission’s EGM Policy. The submission was supplemented by an independent assessment from Gaming Laboratories Australia trading as GLI Australia (an Accredited Testing Facility) dated 1 March 2019.

At its July meeting, the Commission granted approval for the following:

- deletion of Factor 1(4) (Appearance) of the WA Appendix;
- amendment of Factor 2 (Speed of Play) of the WA Appendix reducing game speed from 5 seconds to 3 seconds (subject to features being incorporated within the game); and
- amendment to the EGM Policy in respect of multi-line and multi-directional combinations in order to facilitate the deletion of Factor 1(4) (Appearance) of the WA Appendix.

The Commission did not provide its “in principle” support for the amendment of Factor 4 (Return to Player from 90% to 87.5%) and requested that the Department seek preliminary views from the Minister for Racing and Gaming on the amendment of this specific factor. The Department, together with Crown Perth representatives, will now progress this matter directly with the Minister’s Office.

4. Marketing Initiatives

4.1. Australian Resorts

Delivery of the new marketing capabilities is well underway with good progress on the three key pillars of the strategy:

- Driving mass visitation to property;
- Reactivating inactive Crown Rewards members; and
- New Lifecycle Management (LCM) capability to deliver personalised, trigger-based offers to active Crown Rewards members to better create value for both the member and Crown.

Progress against these three areas is summarised below.

Mass visitation initiatives to drive visitation by non-Rewards members:

- **Mass promotions** targeting key visitation occasions continue to perform strongly with meal deal participants in Melbourne up 13% so far in July versus the same period in F19 while Perth is down slightly due to the high impact of Soccer World Cup on property last year. More broadly both properties have seen above target results from cross complex promotional activities with Melbourne activity centred around the 25th Birthday celebrations and Perth around sports watching and associated stadium events.
- **Marketing communications** is focussed on supporting the 25th Birthday activities while Perth centred around sports to get best leverage out of both sports watching and a solid calendar of stadium events. In both cases this is within the broader Live a Little Larger campaign framework. This communications approach continues to drive key brand metrics up year on year with Melbourne increases including perceptions around 'lots of things to do at Crown' (up from 64% in Q4 F18 to 72% in Q4 F19), 'has a great atmosphere' (up from 54% to 61%) and 'is the place for gaming' (up from 66% to 74%). Perth lifts included 'exciting promotions & competitions' (up from 49% to 60% in the most recent quarter), 'fun & exciting' (up from 75% to 83%) and 'is the place for gaming' (up from 66% to 74%).
- These activities continue to drive increased web traffic year on year in both properties as prospects investigate the offering. In Melbourne, web traffic is up more than 18% in July versus the prior period and in Perth, web traffic has lifted 1%.
- **Mass visitation metrics** in Melbourne have seen a 1% increase in property traffic following a 4.6% lift through F19. This slowdown has been influenced by very high visitation numbers in July last year driven by the Soccer World Cup and a host of big concerts including Pink. In addition, digital communications targeting has been refined versus the same time last year to focus more on gaming prospects over broader mass audiences.

Perth has seen MGF foot traffic grow 4.7% in July versus the prior period supported by a strong series of stadium events and the focus on sports watching promotional and communications activity referenced above.

Reactivation of Crown Rewards members who have not visited for more than six months, and who it is estimated make up more than half the infrequent visitor opportunity, are now part of an ongoing reactivation program following successful tests.

- **Mainstream activities** continue to drive solid member reactivation and resulting revenue with early July results showing the reactivation rates of 3-6%.
- **Premium activities**, where Interstate & Regional activities have delivered circa \$5.3m in incremental revenue since their H2 launch in F19, have continued strongly based on early July results. At this point the new regional Victoria offers are increasing visitation amongst those targeted by 63% and spend per visit by 127%. It is currently too early to provide results on the current set of interstate offers which are active from June through August.

Lifecycle Management (LCM) Capability enabling personalised, automated, trigger-based offers to active Crown Rewards members to deliver highly personalised offers to give them compelling reasons to visit based on their likely preferences.

Tests of these activities have shown significant lift in revenue from targeted customers and an LCM Project is now in progress to scale and automate these activities. An overview of status of this project is as follows:

- Technical design of the systems is now complete;
- Implementation partners have been selected to help guide the build and train the internal teams to ensure the IP is transferred and held by Crown;
- Build of the customer and business data infrastructure has commenced;
- Design and build of the first automated offer journeys will commence in August.

The project will create a pipeline of new, automated customer offers to market with the first having a target delivery date of early September. Priority has been given to high value opportunities such as generation of warm leads for the sales teams in the Interstate and Regional markets.

In addition to these new cross-property initiatives each property continues to maintain a high volume of activities to bring patrons to property as follows:

4.2. Crown Melbourne Campaigns

Mainstream gaming was underpinned by the suite of promotions running across the complex that celebrated Crown's 25th Birthday. The hero promotion was the 25th Birthday Giveaway which ran for 25 days across the main casino floor, Riverside and Teak from late June through late July. This promotion ran as a true cross-complex campaign encompassing members, non-members, gaming and non-gaming and saw one daily winner of a major mystery prize giveaway on each of the 25 days. Running in tandem with the Giveaway, the 25th Birthday edition of Jackpot Time also ran across the main casino floor, Riverside and Teak offering members the chance to win jackpots across multiple sessions each day with the largest tactical jackpot amount in Crown's recent history on offer.

Furthermore, in the Premium space, a special 25th Birthday edition of the Luxury Car Giveaway kicked off in the Mahogany Room in late June (running until early August) and saw a revised prize format which, for the first time ever, featured the lucky winner of the promotion receiving not just one but two vehicles (Porsche Cayman and Porsche Macan).

In addition, key tactical activity ran across June and into the birthday celebrations as well, with a suite of 25th Birthday collectables being offered to members, namely the Trilogy Coin Series where members visit during each promotion week to collect a different Silver Coin and complete the set and the 25th Birthday Chip Collectables which saw Premium members offered a special box-set of 25th Birthday limited edition chips.

The above activity was also supported by a layer of tactical activity across the period in the form of visit bonus offers and dinners, events and cash draws all of which contributed to strong gaming performance across July.

Food and Beverage was also led by the 25th Birthday Celebrations with the Gaming promotion broadened to allow entry via \$20+ spend in any F&B outlet. Additionally, the Silver celebration was brought to life with a limited edition Silver Jubilee cocktail, Silver Macaroons and \$25 Gradi & Long Chim lunch specials. The focus on drink pricing continued across the Main Gaming Floor through our structured Happy Hour campaign led by Stella for July supported by a major venue takeover in Atrium bar (Christmas in July themed).

The seasonally refreshed gaming meals campaign Harvest Table, with seasonally sourced ingredients and dishes aligned to the cooler weather. This campaign continues to drive business to main floor dining venues and is supported across property with targeted media delivering strong lifts in revenue versus the prior quarter. Additionally, the key dining venues were heavily supported through the amplification of premium events including the Moët 150th Anniversary event in Bistro Guillaume, Conservatory Dilmah High Tea and a collaboration wine event with Wynns delivering strong engagement across our gaming and premium dining audiences.

4.3. Crown Perth Campaigns

July saw a host of activities to support marquee sporting events both at the stadium and on the big screen. This included cross-property theming of Crown Central – Home of the Big Games to act as a focal point for the four crowd drawing big games being played at Optus stadium that started in June with the State of Origin, continued with the 50th AFL Derby, was followed by the two Manchester United exhibition games and will culminate with the Bledisloe Cup in August. Food and Beverage promotions have been aligned to the sporting theme including winning meal deals, \$8 Eats in Riverside Room, \$10 Carvers Christmas in July and a host of beverage supplier promotions including a chance to win tickets to the Rugby World Cup with Heineken.

The campaign has included integrated media coverage through TV, radio and social ads along with live media crosses and sporting broadcasts on-property to solidify Crown as the place to be through the 13 weeks of the sporting calendar.

Value meals and drinks continue to perform well and are supported with refreshed meal deals and \$8 pints along with ongoing communications support within the Live a Little Larger campaign with Q1 plans to deliver 2,341 spots across TV, 1,501 on Radio and 13,165,101 impressions in digital media.

Gaming has seen a refreshed set of promotions across the property based on F19 learnings. July Pearl Room promotions featured Golden Tuesday, a draw every Tuesday for a chance to win \$10,000 which has driven an 8% lift in turnover versus the prior four-week period. Gaming Machines activity included a \$100k in a Day jackpot promotion which drove gaming machine turnover up 16% against the previous four-week average with another scheduled for September.

The mix of these activities and a host of others has helped drive encouraging performance, especially in gaming, across July with the calendar for the rest of Q1 comprising a similar set of activities.

5. HR Initiatives

5.1. Australian Resorts

Indigenous Employment Programme (IEP)

As at 31 July 2019, there were 190 Indigenous Australians employed across Crown Melbourne (106) and Crown Perth (84) bringing the total number of Indigenous Australians hired through the programme to 856.

The newly appointed Indigenous Programmes Manager – Melbourne, Richard Hurst, will commence on 12 August. Richard joins us from CPA, where he has headed their Indigenous Programme and recently launched their first Reconciliation Action Plan.

NAIDOC Week

- NAIDOC week was celebrated from 7 - 14 July 2019 with this year's theme: VOICE. TREATY. TRUTH.
- Crown Perth's celebration of NAIDOC week included an Elders Breakfast and Celebrating Cultures at the Armadale Champion Centre on 9 July, the annual NAIDOC event and celebration hosted by the IEP team in the Staff Dining Room and participation in the Deadly Jobs Expo assisting Indigenous candidates looking for work.
- Crown Melbourne provided a table at the NAIDOC Gala Ball for employees of the programme to attend which was held on Saturday 7 July at Peninsula in the Docklands. Daily communications were circulated amongst our Crown Community to celebrate the history, culture and achievements of Aboriginal and Torres Strait Islander peoples and increase awareness.
- In support of NAIDOC week, on 8 July the Indigenous Programme hosted a Flag Raising ceremony on the Crown River walk which was well supported, where Wurundjeri Traditional Owners delivered a Welcome to Country with didgeridoo performances, followed by morning tea at Tonic.
- On 11 July our annual Elders Breakfast was hosted in the Garden Rooms at Crown Towers to show appreciation and acknowledge our Indigenous Elders, with Elders from both Wurundjeri and Bunurong communities attending and Culture Evolve giving a traditional dance performance.

Workplace Gender Equity

Workplace gender equity was a key focus of Crown Community Week which was held from 24 - 29 June across both properties. A large range of great employee engagement activities were held, with information sessions, panel discussions, guide dogs, bowling, movies and prizes. There was a strong intersectionality focus this year with the programs partnering together across the week such as a movie night featuring Indigenous LGBTIQ+ short movies at Village Cinema in Melbourne for Crown employees.

WGH (Women in Gaming and Hospitality) also participated in the Community Week activities in Melbourne with an event planned for Perth later in the year.

Crown Pride

Crown has received the overall scorecard against the national benchmarking criteria from our participation in the Australian Workplace Equality Index (AWEI) this year, which will assist in developing Crown's action plan for LGBTIQ+ inclusion initiatives and events and includes Crown formally as a Participating Employer which is an important first step.

Crown Pride also held a number of activities as part of Community Week in both properties in an effort to enhance the engagement with the LGBTIQ+ community and their allies. Key activities included participation and promotion of Wear it Purple Day to raise awareness about youth suicide in the LGBTIQ+ Community, and various community and support efforts.

Learning and Development

State Training Awards

As per previous years, Crown College is sponsoring the respective State Training Awards for the Koori Student of the Year in both Victoria and New South Wales. As part of this sponsorship arrangement, Alicia Gleeson for Victoria and Jacinta Cubillo for NSW have been involved with the judging panels to select the winners for each state in this category and will present the winners with their award on the respective award night.

In Western Australia, Crown College sponsors the Vocational Student of the Year and Sam Mancini (Group Training Manager – Gaming) is participating as a judge on behalf of Crown College.

Crown College International (CCI)

The construction of a second kitchen in the Culinarium for Crown College International (CCI) is nearly complete. To date, CCI has received 406 applications and 209 enrolments. Through F19 Crown College traineeships, apprenticeships, fees for service and international student programs have contributed \$2.7m in revenue, a 28% increase on F18.

Crown College Institute of Higher Education (CCIHE)

The registration documentation for the CCIHE has now been submitted to TEQSA. It is anticipated the registration process will take 6-9 months.

CROWNability

There are currently a total of 290 employees and contractors in the CROWNability program across both properties, with 131 direct employees and six contractors at Crown Melbourne and 148 direct employees and five contractors at Crown Perth. This represents a retention rate of 67% as at 30 June 2019.

Minister for Disability visits Crown Melbourne

The Minister for Disability, Luke Donnellan visited Crown in July to learn more about Crown's disability employment program, CROWNability and its impact on employees. The Minister visited Crown Melbourne for a tour and met with employees from the program. He also met with the parents of CROWNability employees to learn about the positive impact the program is having on the families of employees.

The Minister was accompanied on the tour by Xavier Walsh, Chief Operating Officer; Chris Reilly, GM Tourism; Damir Kucan, Executive GM Human Resources (Crown Perth); Ian Tsolakis, Group Manager CROWNability; and Grainne Hickland, CROWNability Program Manager of Melbourne.

Australian Network on Disability (AND) Conference

In line with the conference theme '*Positive Forces for Change*', Crown's CROWNability Group Manager delivered a presentation at the AND conference in Melbourne on 14 May. As a result, there has been significant interest in the program from government and industry stakeholders regarding Crown's model.

5.2. Government Relationships

A number of meetings and tours have taken place over the last month with various Parliamentarians and their officers together with Regulator and Stakeholder representatives as follows:

- Steph Ryan MP – Shadow Minister for Gaming and Liquor Regulation;
- Simon Cohen – Deputy Secretary of the Department of Justice and Community Safety (and staff);
- Cindy McLeish MP – Shadow Minister for Education;
- Luke Donnellan MP – Minister for Disability – tour and met with CROWNability workers (as reported in the CROWNability update);
- Office of the NSW Minister for Customer Service briefing and tour of Crown Sydney
- Representatives from the Aichi Prefecture in Melbourne on a public servant exchange programme were provided with a tour and briefing of Crown Melbourne along with staff from the Department of Premier and Cabinet and Department of Justice and Community Safety.

5.3. Crown Melbourne

500 Training Places (500 TP)

The 500 Training Places initiative at Crown Melbourne continues to progress and there are now a total of 310 active enrolments in the programme with a total of 105 Security students and 59 Hospitality students having completed the training course to date. At this stage, nine Security students and 46 Hospitality students have gained employment with Crown and an additional 56 students are employed within industry. We currently have 24 students participating in the July hospitality course and three students participating in the July Security course.

Industrial Relations

It is noted that the member voting period relating to the national joining of the United Voice Union and the National Union of Workers to form the United Workers Union has commenced.

REDACTED - PRIVILEGE



5.4. Crown Perth

Industrial Relations

REDACTED - PRIVILEGE



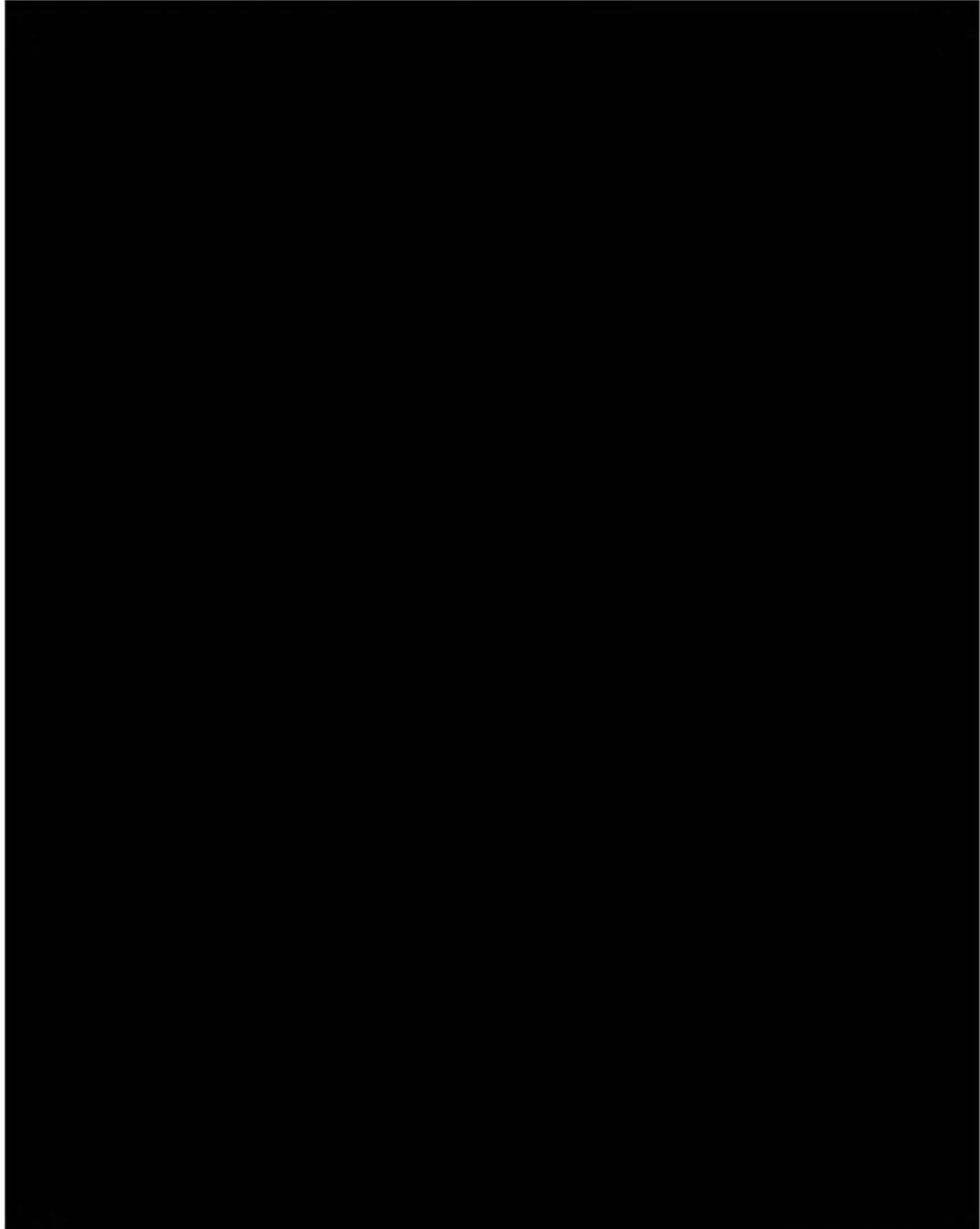
6. Counter Terrorism

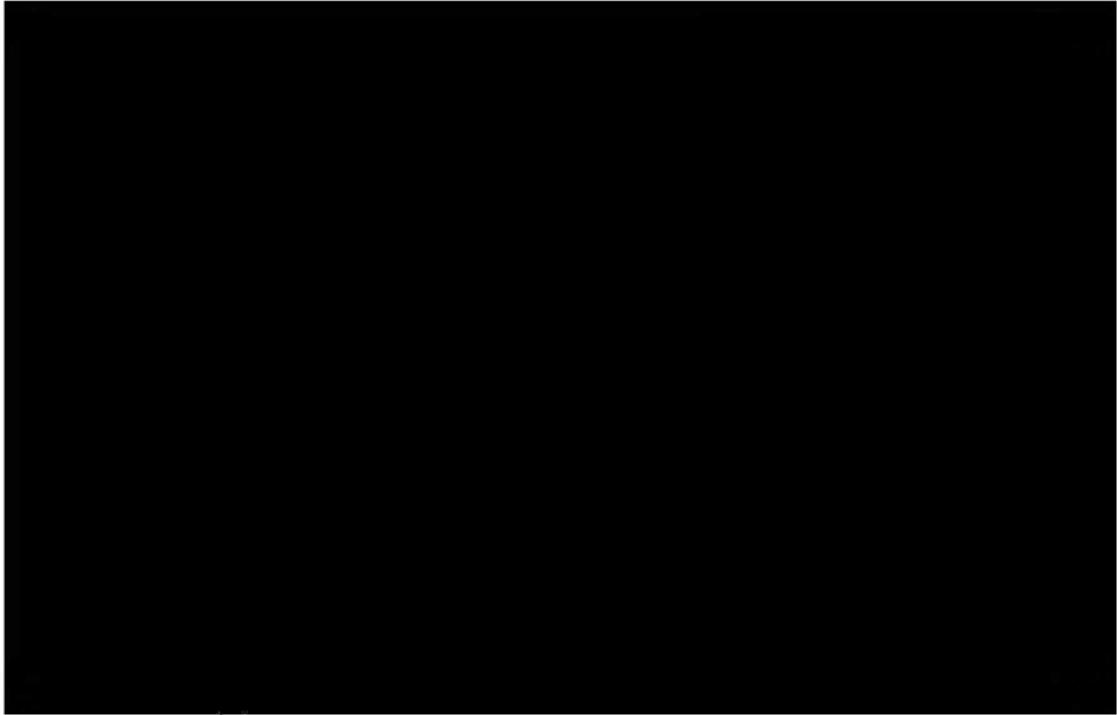
6.1. Australian Resorts

Property specific counter-terrorism initiatives are set out below.

6.2. Crown Melbourne

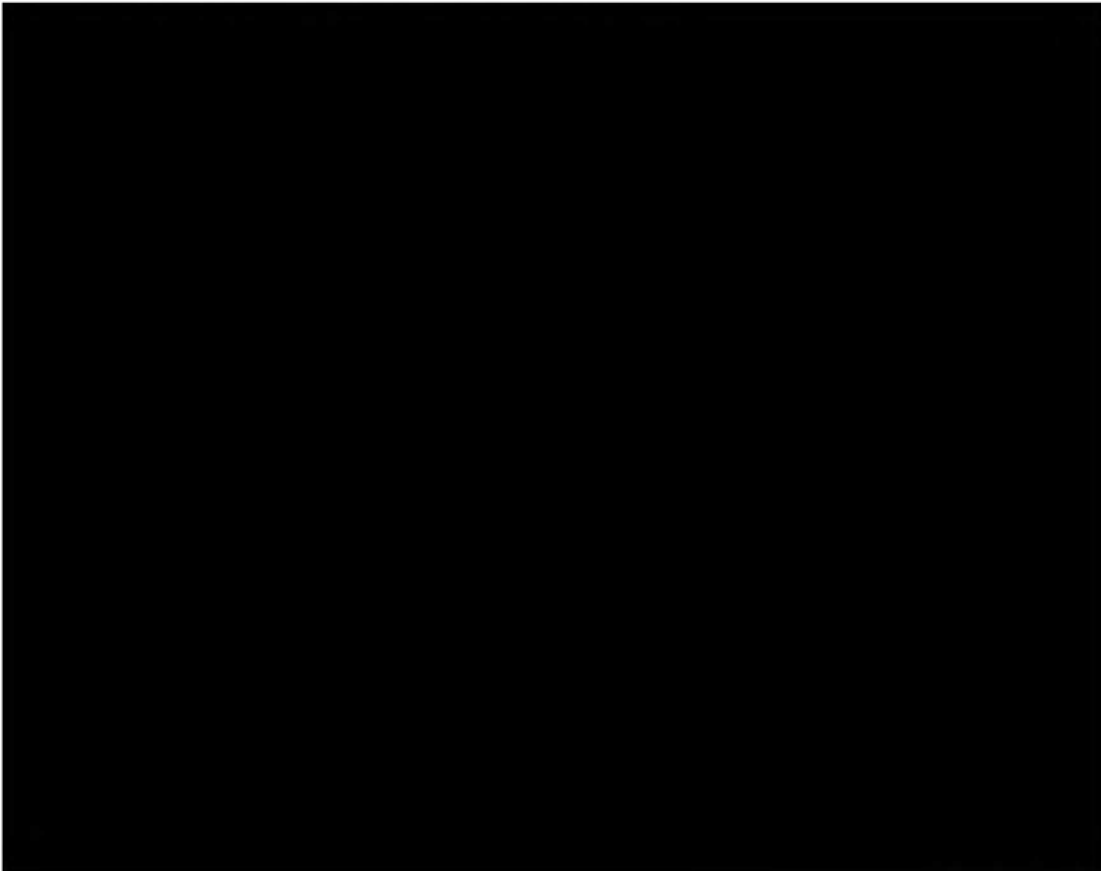
Counter Terrorism - Risk Management and Escalation Plan

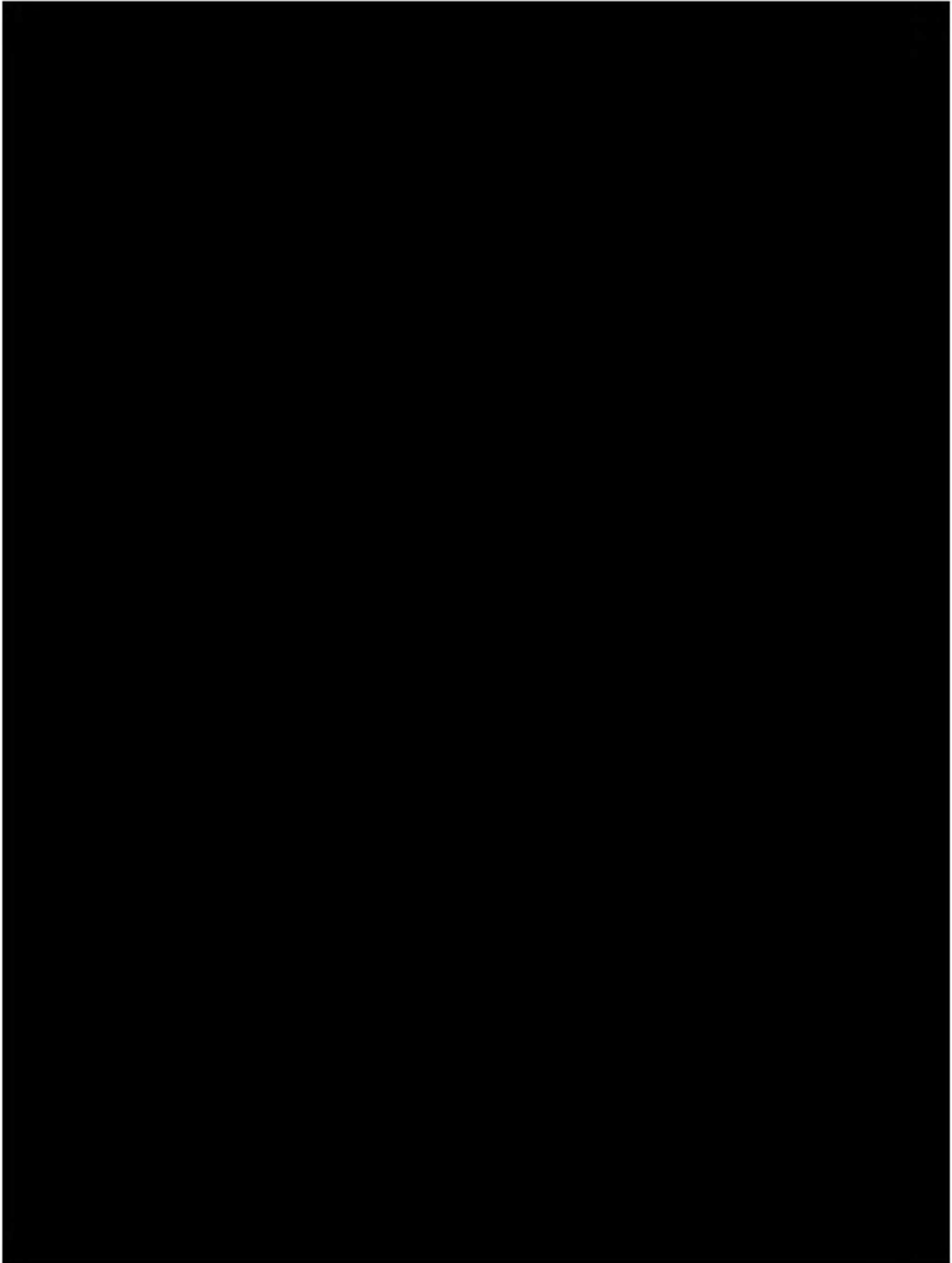




6.3. Crown Perth

Counter Terrorism - Risk Management and Escalation Plan





SECTION 3 – UK BUSINESSES

1. Update on the Potential Sale of UK Assets

As previously noted, Aspers appointed a financial adviser, Global Leisure Partners, to examine a potential sale of its regional casino assets (including Newcastle, Milton Keynes, its interest in Northampton and Aspers dormant casino licences). Aspers has reached out to a short list of parties with an information memorandum on the assets. To date, there has been limited buyer interest, citing the scale of the assets and the regulatory environment in the UK as key challenges for buyers.

At the same time, Aspers has been invited to participate in a sale process for the UK assets of Caesars, who are looking to exit the market. Aspers' management has indicated a desire to participate in the sale process and move through to the next stage, with a view to obtaining more information on the business before making an assessment of the merits of a potential transaction.

At its February 2019 meeting, the Board approved the proposed sale of Crown Aspinalls following the receipt of a non-binding indicative proposal in mid-December 2018 from Inventive Star Limited. The proposed purchase price was £68 million with Crown to retain all cash and receivables associated with Aspinalls. A sale process has been ongoing including discussions with Inventive Star, the establishment of an online data room containing certain key information on the Aspinalls business and provision of a draft Share Purchase Agreement.

Since May 2019, it has become apparent that Inventive Star management are preoccupied with other matters, in particular in relation to their investment in Imperial Pacific and the casino development in Saipan. Crown understands that Inventive Star has been seeking to raise additional capital to finance the Saipan project, prior to continuing with the proposed acquisition of Aspinalls.

Despite the delay in progressing the transaction, Inventive Star has indicated that senior management remain supportive of completing the proposed transaction with Crown (most recently in June 2019). However, Inventive Star indicated it was considering a "lower price" given the state of the "overall global economy" and Inventive Star's view that it would need to invest additional funds into Aspinalls.

Crown is still awaiting Inventive Star's proposed revised offer price and terms for the transaction (including a mark-up of the draft Share Purchase Agreement). An update will be provided to the Board if further information is received in advance of the Board meeting.

2. Crown Aspinalls

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE

Department of Culture Media and Sport (DCMS) - Ministerial Changes

Mims Davies (previously the Minister of State for Sport, Media and Creative Industries (whose portfolio included gambling)) has moved from DCMS to the Department of Work and Pensions. The new Department for Digital, Culture, Media and Sport Ministerial Team is now as follows:

- Nicky Morgan – Secretary of State for Digital, Culture, Media and Sport
- Nigel Adams – Minister of State DCMS, Minister for Sport, Media and Creative Industries
- Baroness Baran – DCMS Lords Minister
- Rebecca Pow – Minister for Arts, Heritage and Tourism
- Matt Warman – Parliamentary Under Secretary at DCMS, Minister for Digital and Broadband

The Tourism Minister Rebecca Pow MP, has had gambling and lotteries added to her brief. Her views on the gambling industry are unclear and she has never commented on gambling or FOBTs in Parliament.

REDACTED - PRIVILEGE

3. Aspers

REDACTED - PRIVILEGE



SECTION 4 – WAGERING AND ONLINE

1. Betfair

1.1. Trading Update

For the year ended 30 June 2019, total Revenue finished up 18% YoY and 3% up against budget. Exchange Revenue grew 19% YoY, and was on budget. Premium Charge finished 29% down YoY and 7% down against budget primarily due a decline in activity from our #1 customer.

FY EBITDA hit \$18.6m (+\$3.1m/+20.1% up on budget). The primary drivers for the positive result against budget was the increase in underlying customer growth, (+6% on budget for Exchange Revenue and +18% for Premium Charge) and the positive impact GST changes. Both however were partially offset by the underperformance of our #1 customer (-29% on budget for Exchange Revenue and -18% for Premium Charge).

1.2. Legal and Regulatory

REDACTED - PRIVILEGE

Implementation of National Consumer Protection Framework for Online Wagering (NCPF)

In late November 2018, the National Consumer Protection Framework for Online Wagering (NCPF) was formally announced. The NCPF consists of 10 consumer protection measures.

The States/Territories (except NSW) published their draft NCPF requirements (with respect to inducements, deposit limits and account closure) between February 2019 and April 2019, allowing the online wagering operators (including Betfair) to provide feedback on the draft requirements. In late May 2019, the requirements were implemented via changes to legislation, the issuing of Ministerial orders and amendments to licence conditions. Betfair made changes to its websites and processes to ensure compliance with the new requirements.

Unfortunately, NSW was significantly slower than the other jurisdictions in issuing its draft requirements in relation to inducements, deposit limits and account closure. NSW provided Betfair (and the other online wagering operators) with a copy of its draft requirements (set out in the draft *Gambling Legislation Amendment (Online and Other Betting) Bill 2019*) on 12 July 2019. It is noted that:

- in several respects, the draft NSW requirements are different to the requirements implemented by the other jurisdictions (including the Northern Territory, where Betfair is licensed). In short, NSW have not taken a consistent approach;
- NSW is proposing to implement far stricter requirements in relation to inducements; and
- if the draft NSW requirements are implemented, Betfair may need to liaise with Paddy Power Betfair Plc and arrange for further changes to be made to its websites (and processes).

On 16 July 2019, Betfair provided feedback on the draft NSW Bill to Responsible Wagering Australia (**RWA**). On 22 July 2019, after collating feedback from its members (including Betfair), the RWA lodged a detailed submission with Liquor and Gaming NSW, seeking amendments to the draft NSW Bill. In addition, the RWA met with the relevant NSW Minister (the Hon. Victor Dominello MP) on 25 July 2019, and conveyed our concerns in relation to the draft NSW Bill.

Betfair and the other members of the RWA are hopeful that NSW will amend the draft *Gambling Legislation Amendment (Online and Other Betting) Bill 2019* so that the proposed requirements are consistent with the requirements implemented in the other jurisdictions.

2. Digital Businesses

The Boards of some of the Digital businesses are currently considering implementing incentive arrangements tied to the performance of key contractors and employees. These will be considered by the respective boards of the digital entities and funded from the operations of the entities.

A summary of the potential arrangements are set out below:

Chill Gaming

Wymac, our JV partner in Chill Gaming, has put forward a proposal to set up an LTI for certain key employees of Wymac/Crown. It is proposed that the plan be limited to Andrew Wyer (from Wymac) and Peter Herring (from Crown).

The proposed structure of the plan is broadly consistent with the Crown Digital Option plan which was approved by the Board in December 2018.

Options equating to 1% of the issued capital would be worth approximately \$2.7m assuming the plan is delivered and (if having delivered the plan) a multiple appropriate for a mature games manufacturer is applied (say 10x).

It is proposed that the participants be offered options equating to approximately 2% of the issued capital (with a value of approximately \$5 million).

DGN Staff

A number of key DGN employees (6 participants) have the opportunity to participate in an incentive plan linked to the current earn out arrangements for the DGN and Winners Club

founders. The total potential award is 4.75% of the DGN earn out (ie 0.7% of the DGN value), which on current projections would have a value of US\$0.3m.

The DGN Board is looking to put in place a new arrangement that will provide a proper incentive/retention tool for the key employees. EY Israel is currently working with local management to develop a structure, which will be submitted to a future Board meeting of DGN.

DGN Contractors

DGN's major contract labour provider, Ukraine-based Onseo is currently entitled to participate in an earn-out that expires in December 2020 as part of the original acquisition of the Winners Club business. On current projections, there will be minimal value to Onseo from this earn out.

Discussions have commenced regarding the continued support of Onseo post the expiry of the earn out at the end of next year. The continued support of Onseo is critical for DGN as it provides a high quality but cost efficient source of development resource.

A range of proposals have been discussed with Onseo, although at this stage a proposal with the appropriate balance between providing an incentive for Onseo but not creating an excessive additional cost to DGN has not been concluded. Discussions are expected to continue with a proposal to go to a future DGN Board meeting.

Gender Fitness

Gender Fitness was originally developed as a low cost enterprise app for Crown (external cost of c \$350K, mostly Onseo) which has been demonstrated to a number of external organisations and may have the potential for commercialisation.

A number of Digital employees are helping to develop a low cost external solution which involves significant effort outside normal work obligations. In recognition of the "left field" nature of this, some start up style equity arrangements would make sense in the event something develops from this idea. This will be developed over time and put to a Board meeting of Genderfitness if thought appropriate.

Digital Holdings

One Crown employee sits across all aspect of the Digital portfolio, having oversight of finance at Betfair, DGN and Chill who is also the Group Treasurer and has no LTI participation. In recognition of the challenges of overseeing the diverse nature of the finance activities in each of these businesses, in the event the values projected for the Digital Portfolio are realised (ie the portfolio is valued above \$142m in F22), it is proposed that he would be entitled to a \$500K LTI outcome. This is consistent with other cash-based (i.e. non-options) LTIPs.

SECTION 5 – CROWN RESORTS GROUP

Updates on the Crown Sydney and One Queensbridge projects are included in the Development Update. Other key issues, including Crown Resorts' litigation matters, are covered in separate papers included in the Board Pack.

REDACTED - PRIVILEGE



SECTION 6 – NET DEBT AND CASH FLOW

Net Debt Movements	YTD 11/08/2019	Forecast 30/06/2020
Opening Net Debt (excl. Working Capital Cash)	(86.6)	(86.6)
Theoretical EBITDA	81.6	825.3
Add/(Less): Variance from Theo	<u>33.1</u>	<u>33.1</u>
Reported EBITDA	114.7	858.3
Working Capital Movements	24.0	(9.2)
Crown Melbourne Maintenance Capital Expenditure	(9.1)	(66.4)
Crown Perth Maintenance Capital Expenditure	(1.9)	(33.6)
Crown Aspinalls Capital Expenditure	(0.0)	(1.0)
Betfair Capital Expenditure	(0.4)	(5.3)
DGN Capital Expenditure	(1.2)	(10.5)
Net Interest	(1.5)	(56.5)
Taxation Payments	(7.4)	(55.7)
Cashflow from Operating Activities	117.2	620.1
Growth Capital Expenditure and Investments		
Crown Sydney Capital Expenditure	(41.6)	(576.3)
Crown Australian Resorts Major Projects Capital Expenditure	(0.4)	(36.4)
Other	(0.6)	(8.1)
Dividends Received from Associates	-	7.9
Cashflow from Investing Activities	(42.6)	(613.0)
Net Cashflow	74.6	7.1
Dividends Paid	-	(406.3)
MTM of Subordinated Notes/Foreign Debt	-	-
Closing Group Net Debt (excl. Working Capital Cash)	(12.0)	(485.8)
Closing Group Net Debt (30 June 2019 Plan Update)		(519.4)

Net debt at 11 August 2019 was \$12.0m (excluding working capital cash of \$133.6m), comprising gross debt of \$1,078.0m and closing available cash of \$1,066.0m. Forecast net debt at 30 June 2020 of \$485.8m is expected to be \$33.6m lower than budget, after adjusting for the actual final F19 net debt position.

The key reasons for forecast closing net debt as at 30 June 2020 being lower than budget is higher EBITDA due to above theoretical win rates at Crown Melbourne (\$23.3m), Crown Perth (\$4.9m) and Crown Aspinalls (\$4.9m).

Total liquidity at 11 August 2019 was \$1,261.5m taking into account available unused facilities of \$195.5m and available cash of \$1,066.0m (excluding \$133.6m of working capital cash).