



Crown Resorts Limited

Chief Executive Officer's Report
October 2019

Contents

<u>SECTION 1 – EXECUTIVE SUMMARY</u>	3
<u>SECTION 2 – FINANCIAL UPDATE</u>	7
<u>SECTION 3 – AUSTRALIAN RESORTS</u>	10
<u>1. Review of Australian Resorts</u>	10
<u>1.1. Australian Resorts</u>	10
<u>1.2. Crown Melbourne</u>	12
<u>1.3. Crown Perth</u>	13
<u>2. Legal and Regulatory Matters</u>	15
<u>2.1. Australian Resorts</u>	15
<u>2.2. Crown Melbourne</u>	16
<u>2.3. Crown Perth</u>	17
<u>3. HR Initiatives</u>	19
<u>3.1. Australian Resorts</u>	19
<u>3.2. Government Relations</u>	20
<u>3.3. Crown Melbourne</u>	20
<u>3.4. Crown Perth</u>	21
<u>SECTION 4 – UK BUSINESSES</u>	22
<u>1. Update on the Potential Sale of UK Assets</u>	22
<u>2. Crown Aspinalls</u>	22
<u>3. Aspers</u>	23
<u>SECTION 5 – BETFAIR</u>	24
<u>1. Trading Update</u>	24

[2. Legal and Regulatory](#)24

[SECTION 6 – NET DEBT AND CASH FLOW](#)26

SECTION 1 – EXECUTIVE SUMMARY

Trading Update

The first quarter results have been mixed. Both local businesses are doing better than expected and are showing good signs of continuing to perform well. The VIP businesses, particularly in Melbourne, are struggling with significant headwinds, particularly coming out of Macau/China.

In Melbourne, the Local business results have been better than expected with EBITDA above budget by \$4.3m (3%). EBITDA YTD is slightly down on the prior year, although we had a strong start in Local Tables last year and in the first quarter last year we had the benefit of \$7.2m above budget hold. Machines are doing particularly well with revenues up 4% on budget and 5% on last year. The Victorian network (ex Crown) was down 1% for July and August. Crown's market share has grown from around 14.3% in August LY to 15% now. Tables are also growing well with revenue up 3% on budget and 1% on last year (despite the good luck at the beginning of last year). Hotels and F&B are all on budget so far.

The Perth Local business is also doing better than expected, with EBITDA \$5m (11%) above budget. The YTD result is still slightly behind the prior year, although the year on year comparisons are improving. We are still around \$2m below YTD LY but in September we were flat with LY. The Machines business in particular is doing well, with revenue up 5% on budget and LY. Tables revenue is now flat with LY which is better than budget. The non-gaming areas are all on track.

VIP, especially in Melbourne, has been very soft. Volume in Melbourne and Perth was only \$6b for the quarter (vs \$10b budget and \$11.4b LY). While VIP volume is always difficult to predict, there are significant headwinds affecting that business at the moment including:

- In August, Licensed Macau junkets were prohibited from using Macau as a base for cross-border settlement of VIP gambling services provided elsewhere;
- In September, we were advised that Licensed Macau junkets were prohibited from marketing casinos outside Macau;
- The ongoing crackdown on cross-border gambling and SunCity being accused of illegal proxy betting at its Macau operations in July, all of which has added to the uncertainty for the junkets;
- In February this year, there was a further tightening on "shadow banks", with the introduction of prison terms;
- This month, fresh regulation of Macau's junket sector was announced which would involve "raising the standard on background checks" of those involved in a Junket business, and their "capital sources". Macau already requires background checks and licensing for key personnel among the junkets however the announcement, which will be the subject of new legislation, will result in more stringent background checks for the junket sector.

The combined impact of these changes has resulted in greater difficulty for Junkets and players to access funds outside China and has added to the uncertainty amongst the Junket operators.

Aspinalls has done well, particularly in the non-Far East market, and is ahead of budget with EBITDA at \$4.6m YTD.

Digital is on track despite Betfair struggling with taxes, increased competition from illegal offshore operators and the cancellation of Hong Kong racing product. DGN is performing ahead of budget.

Corporate costs, while on budget and better than the prior year YTD, will be an issue for the remainder of this year with costs from the NSW Public Inquiry and an expectation there will be a sharp increase in the cost of D&O insurance.

Overall the forecast of \$797m EBITDA (at 1.35% win rate) for the full year has some potential upside in the Local businesses given the YTD above budget performance. VIP in Melbourne, however, has downside risk. Perth VIP is close to budget and well up on the prior year. Aspinalls should exceed its budget for the year.

Market consensus EBITDA at present is \$784m. The trading update for the AGM which will report VIP volumes down approximately 46% (vs consensus at 12% down). It would be expected that the analysts will lower their forecasts on the back of the trading update.

At actual, EBITDA is \$49m ahead of budget and \$61m ahead of last year at the end of the first quarter, with above theoretical results at all three properties.

2019 Annual General Meeting Proxy Voting

The Annual General Meeting of the Company will be convened on **24 October 2019** commencing at 10am (Melbourne time).

As in prior years we met with all the proxy advisers in advance of the publication of the annual report as well as, in most cases, after the report was issued. A summary of the voting recommendations made by each proxy adviser in relation to each resolution has been provided in Agenda Item 6.1.

This year, we again asked Nasdaq to prepare a voting authority analysis report, which provides the top 50 decision makers at the beneficial holder level and which proxy adviser they reference. The top 50 decision makers have voting authority over approximately 82% of Crown's issued capital.

We have reached out to the majority of Crown's top 25 investors to discuss the proposed resolutions. A verbal update will be provided at the meeting in relation to feedback from investors.

Brand Committee Matters

The Brand Committee has been meeting on a weekly basis to oversee the media allegations and the matters arising as a result of those allegations, including the ILGA Inquiry and other regulatory investigations.

Minutes of the Brand Committee meetings are included at Agenda Item 13.2.

The Brand Committee will provide the Board with a verbal update on the matters at the meeting.

Directors & Officers Insurance

Crown's current D&O insurance premium is approximately \$2.8 million (which is a 200% increase on the prior year). D&O insurance premiums have continued to rise since last year. We have been advised by our broker that we are likely to see an increase in our premium to a minimum of \$10 million this year (ie a likely 400-500% increase), however certainty of the premium will not be known until after the insurer presentations and submission have been provided to the market.

Crown could obtain some premium relief if it were to significantly increase its deductible from \$10m. It is anticipated that if Crown were to accept a \$50m deductible, the premium increase would be 300-400%.

State Security Arrangements

Victoria

REDACTED - PRIVILEGE



New South Wales

REDACTED - PRIVILEGE



Black Economy Taskforce

On 19 September 2019, the *Currency (Restrictions on the Use of Cash) Bill* was introduced into Parliament and, based on the explanatory material, it is expected that exemptions will be created for certain payments that are subject to reporting obligations under the AML/CTF Act (including for designated services within the casino) within the rules made by the Treasurer and it is expected that casinos will be exempt from the scope of the cash payment limit.

Financing Arrangements

REDACTED - PRIVILEGE



UK Sales Process

Aspinalls

Crown has not yet received a revised offer and transaction terms from Inventive Star in relation to the proposed sale of Crown Aspinalls.

Aspers

Aspers has engaged a financial advisor to test market interest for a sale of the small Aspers provincial businesses and has received a preliminary, non-binding, letter of interest from Trans World Hotels & Entertainment, which is conditional on due diligence, financing and relevant approvals (which would include gaming regulatory approval).

A more detailed update on this potential sale is included at Section 3 of this Report.

Litigation Update – privileged and confidential

REDACTED - PRIVILEGE



Industrial Relations

Crown Melbourne – Refer to Section 3.3

The new Crown Melbourne Area Manager's Enterprise Agreement formally commenced from 4 September 2019.

Bargaining for the new Crown Melbourne EA and Crown Melbourne Property Services EA has commenced.

Crown Perth – Refer to Section 3.4

REDACTED - PRIVILEGE



SECTION 2 – FINANCIAL UPDATE

30 SEPTEMBER 2019 YTD

	<u>Normalised Result</u>					Crown Group \$'000	Adjustment \$'000	<u>Actual</u> Crown Group \$'000
	Crown Melbourne \$'000	Crown Perth \$'000	Crown Aspinals \$'000	Wagering & Online \$'000	Unallocated \$'000			
Operating revenue								
Main floor tables	196,353	49,334	-	-	-	245,687	-	245,687
Main floor machines	116,370	73,190	-	-	-	189,561	-	189,561
VIP program play	70,876	14,751	21,792	-	-	107,419	86,518	193,937
Wagering & Non gaming	115,712	70,668	445	26,998	-	213,823	-	213,823
Operating revenue (excl comps)	499,311	207,944	22,237	26,998	-	756,489	86,518	843,007
Segment result								
Operating expenses	(370,463)	(148,890)	(17,654)	(20,658)	(12,787)	(570,451)	(32,379)	(602,830)
Earnings before interest, tax, depreciation and amortisation "EBITDA"	128,848	59,054	4,583	6,340	(12,787)	186,038	54,139	240,177
Depreciation and amortisation	(44,789)	(21,343)	(663)	(1,927)	(838)	(69,560)	-	(69,560)
Earnings before interest and tax "EBIT"	84,059	37,711	3,920	4,413	(13,625)	116,478	54,139	170,617
Equity accounted share of associates' net profit/(loss)						2,840	-	2,840
Net interest income/(expense)						299	-	299
Income tax benefit/(expense)						(34,641)	(15,680)	(50,322)
Profit/(loss) after tax						84,976	38,458	123,435
Non-Controlling Interest						(282)	-	(282)
Profit/(loss) attributable to equity holders of the Parent						84,694	38,458	123,152

The above table reflects Crown's year to date financial results by key operating segments. Normalised EBITDA is \$186.0m, with Actual EBITDA of \$240.2m. Crown's year to date normalised NPAT is \$84.7m, with Actual NPAT of \$123.2m.

	FINANCIAL YEAR TO DATE			FULL YEAR		
	Actual A\$'000	Budget A\$'000	Last Year A\$'000	Forecast A\$'000	Budget A\$'000	Last Year A\$'000
EBITDA @ Theoretical						
Melbourne - Local	129,773	125,519	131,721	550,367	548,866	539,333
Melbourne - VIP Program	(925)	15,681	25,541	49,214	65,066	61,316
Crown Melbourne	128,848	141,200	157,262	599,581	613,933	600,649
Perth - Local	57,975	52,485	60,130	225,887	221,919	222,112
Perth - VIP Program	1,079	1,500	(1,245)	5,029	5,378	1,919
Crown Perth	59,054	53,984	58,885	230,916	227,297	224,032
Crown Aspinalls	4,583	2,509	7,759	6,445	6,554	6,424
Wagering & Online	6,340	6,211	3,722	28,492	28,363	26,134
Corporate	(12,787)	(13,127)	(14,276)	(55,907)	(51,087)	(41,684)
TOTAL EBITDA @ Theoretical	186,038	190,778	213,352	809,528	825,060	815,554
Depreciation	(69,560)	(69,602)	(70,941)	(267,431)	(267,407)	(273,589)
Interest	299	117	(5,651)	6,158	5,796	(10,119)
Taxation	(34,641)	(36,207)	(40,318)	(164,121)	(168,671)	(165,989)
Equity Accounted Results	2,840	2,935	3,477	14,379	14,227	13,326
Minority Interest	(282)	(178)	328	(703)	(599)	(1,124)
Crown NPAT @ Theo	84,694	87,842	100,247	397,809	408,407	378,058
EBITDA @ Actual						
Crown Melbourne	171,834	141,200	113,897	642,568	613,933	614,963
Crown Perth	64,592	53,984	71,388	236,454	227,297	244,612
Crown Aspinalls	10,196	2,509	4,479	12,203	6,554	5,660
Wagering & Online	6,340	6,211	3,722	28,492	28,363	26,134
Corporate	(12,787)	(13,127)	(14,276)	(55,907)	(51,087)	(41,684)
TOTAL EBITDA @ Actual	240,177	190,778	179,210	863,811	825,060	849,685
Crown NPAT @ Actual before significant items	123,153	87,842	76,020	436,383	408,407	401,874

Normalised YTD NPAT of \$84.7m is \$3.1m (4%) below budget and \$15.6m (16%) below last year. YTD reported NPAT of \$123.2m is \$35.3m (40%) above budget and \$47.1m (62%) above last year.

Group YTD theoretical EBITDA of \$186.0m is \$4.7m (3%) below budget and \$27.3m (13%) below last year.

- **Crown Melbourne's** theoretical YTD result is due to below budget VIP Program Play contribution (\$16.6m or 106%), partially offset by an above budget local contribution (\$4.3m or 3%). Program play turnover of \$5.0b is 43% below budget. The above budget local result is attributable to Table Games (\$1.8m or 2% above budget), Gaming Machines (\$2.1m or 4% above budget) and Food & Beverage (\$0.1m or 1% above budget), partially offset by Hotels (\$0.1m or 1% below budget). Crown Melbourne's theoretical YTD result is \$28.4m (18%) below last year (Local - \$1.9m or -2%, VIP -\$26.5m or -104%).
- **Crown Perth's** theoretical YTD result is due to an above budget local contribution (\$5.5m or 11%), partially offset by a below budget VIP Program Play contribution (\$0.4m or 28%). VIP turnover of \$1.1b is 5% below budget. The above budget local result is largely attributable to Table Games (\$2.2m or 13% above budget), Gaming Machines (\$1.5m or 3% above budget), Food & Beverage (\$0.6m or 11% above budget), Conventions & Entertainment (\$0.3m or 12% above budget) and Hotels (\$0.4m or 4% above budget). Crown Perth's theoretical YTD result is \$0.2m (0.3%) above last year (Local -\$2.2m or -4%, VIP +\$2.3m).
- **Crown Aspinalls'** YTD turnover of £1.0b is 1% above budget with an above budget theoretical win rate due to a favourable mix of play (higher than expected roulette play). The YTD favourable variance from theoretical is £3.1m at a win rate of 1.90%.

- **Wagering & Online's** above budget result is due to above budget results in DGN (\$0.7m), partially offset by below budget results in Betfair (\$0.4m).
- **Corporate costs** of \$12.8m are \$0.3m (3%) favourable to budget. YTD **net interest** of \$0.3m is \$0.2m favourable to budget.

YTD reported NPAT of \$123.2m is \$35.3m (40%) above budget and includes a net favourable normalisation adjustment of \$38.5m (net of income tax). The combined favourable variance from theoretical for the Australian casinos is \$34.0m (net of income tax), with YTD win rates on VIP Program Play of 2.96% at Crown Melbourne and 1.11% at Crown Perth. Crown Aspinalls' favourable variance from theoretical is \$4.5m (net of income tax) at a win rate of 1.90%.

Crown's forecast F20 normalised NPAT is \$397.8m, reflecting results to September and a re-forecast for the remainder of the year. This compares to a budget F20 normalised NPAT of \$408.4m and a prior year normalised NPAT of \$378.1m. Crown Melbourne's full year EBITDA forecast is \$599.6m (Local \$550.4m, VIP \$49.2m). Crown Perth's full year EBITDA forecast is \$230.9m (Local \$225.9m, VIP \$5.0m).

SECTION 3 – AUSTRALIAN RESORTS

1. Review of Australian Resorts

1.1. Australian Resorts

The first quarter of F20 has been encouraging in both local businesses.

Melbourne Local Business YTD 30 September 2019 was above budget by \$4.3m or 3.4% but below last year by \$1.9m or 1.5%. The variance to last year was expected due to the prior period featuring strong hold in local gaming combined with a couple of key changes in Food & Beverage with the closure of Club 23 and transfer of TWR to R Bar (Rockpool Group) in the current year. Both tables and machines have started the year strongly, with contribution up 2% and 4% on budget respectively. Food & Beverage and Hotels were in line with budgeted expectations for the quarter despite ongoing softness in the VIP Gaming market impacting Crown Towers' villas and premium rooms occupancy and rate and, to a lesser extent, premium restaurants trade.

Perth Local Business YTD 30 September 2019 was above budget by \$5.5m or 10.5% but below last year by \$2.2m or 3.6%. Similar to Melbourne, the variance to last year was expected due to very strong hold in local gaming early in the prior period. Perth saw some strong event business through July with the Bledisloe Cup and Manchester United visit assisting in driving significant casual business to the complex. August and September were also strong, particularly in local gaming with the start of the long running season of Book of Mormon in September bringing added visitation and on-spend to the property. All Business Units are trading well above budget for the quarter with Gaming Machines particularly pleasing, with contribution up 2% on the prior year.

Program Play volumes in both properties, particularly Melbourne, has been soft throughout the first quarter with turnover down on budget by 43% and 5% in Melbourne and Perth respectively with the current wave of negative publicity possibly impacting along with general softness across the international VIP market.

As foreshadowed in previous Board meetings, a number of initiatives (some requiring Regulatory approval and / or capital funding) have been identified to underpin growth in the local businesses in the coming years. An update on these projects follows:

Australian Resorts

Crown Rewards initiatives continue to focus on re-engaging inactive members, maintaining engagement with active members through a solid promotional calendar and building the new Lifecycle Management (LCM) capability as per below.

Marketing Lifecycle Management project (\$4.1m across both Melbourne and Perth) is in train to enable personalised, automated, trigger-based offers to active Crown Rewards members to drive compelling reasons to visit based on their likely preferences.

Project delivery broadly splits into building the automated journeys to trigger member communications and offers in conjunction with developing the underlying technical capabilities to enable delivery of the offers. Progress to date is as follows:

- Technical design of the system is now complete;
- Build of the customer and business data infrastructure is well advanced;
- Integration of hotel data is in progress and design of an interim solution for fulfilment of automated hotel offers is complete. These capabilities are especially important to allow automation of Interstate and Regional member campaigns;
- An Interstate member onboarding journey (to welcome new members with an offer to incentivise further visitation/spend) has been built with a plan to build 1-2 such journeys per month, moving to higher value journeys as new capabilities are delivered.

Melbourne

An update on the Crown Melbourne projects is set out below.

- Conversion of Club 23 into premium gaming (\$6.7m), underway with expected completion prior to New Year's Eve this year;
- Conversion of Salon Pit 35 (opposite Mahogany Bar) into a new Premium eTG lounge;
- Acceleration of the machine refresh program providing additional, new and market leading product (\$7.0m), in progress;
- Conversion of JJ's into Mahogany Lounge (Premium non-smoking Gaming Machines) (\$8.0m), expected completion Q3;
- Conversion of Pit 30 into an expanded Black Tier Slots area (\$3.4m), expected completion Q4;
- Further expansion of Teak Room non-smoking offering (\$1.7m), completed and opened on 8 August 2019;
- Addition of premium gaming area in the west end (Dragon Den), completed and opened during July 2019. Due to the success of this initiative another Dragon Den is planned for the space adjacent to the Jackpot Bar with completion due by end of November;
- Placeholder for Lessor's contribution towards an alternative offering in the existing Dinner by Heston tenancy, subject to outcome of current negotiations with DBH;
- Expansion of NSW interstate sales team (tables and slots), recruitment completed;
- Reduction in minimum domestic front money to attract more interstate customers (reduced from \$25k to \$10k), completed;
- Expansion of sales team focus into regional Victoria, recruitment completed;

- Ability to market to international machines customers outside of Hong Kong (progressively from H1 F20). Expanded South East Asian Sales team in recruitment phase.

Perth

An update on the Crown Perth projects is set out below.

- Reduction in gaming machine spin rates from five seconds to three seconds, Regulator approved, currently working through first game approvals during October;
- 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 \$300k per week (expectation was circa \$150k);
- Increasing the Pearl Room guest policy to three, from the previous limitation of one, for Platinum and Black tier members, Regulator approved;
- Allowing gaming in non-gaming areas, such as Convention space, subject to Regulator approval;
- Electronic table games expansion and enhancement via the introduction of 50c minimum bets and the imminent roll-out of 'Business Class' gaming experience, currently a work in progress.

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 on 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. In addition to promotional offers and events, initiatives specific to Table Games, include:

- The introduction of 12 additional electronic Table Games (eTGs) to Mahogany. 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 9% on the prior period for September and 11% for Q1 F20, assisted by an increase of 2% 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;
- Crown's installation of the popular Aristocrat Lightning Link and Dragon Link / Cash product has increased further to over 850 units and remains the largest single site installation in the world. Based on its success, Crown Melbourne constructed and

launched a dedicated Dragon Den in the Westend and will be expanding this concept into new areas of the floor;

- Other new machine product recently launched and expanded include Bubble Blast (IGT), All Aboard and Repeat Fever (Konami), Thunder Jackpots (Wymac) and Mighty Coins (Aristocrat). Each of these have launched successfully and continue to perform well;
- The F20 H1 Product Refresh Plan is well underway with 530 of the targeted 750 new machines to be installed by 31 December;
- 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 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:

- 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, albeit somewhat stable.

- Continued optimisation of table open hours which has so far yielded reductions of over 1,700 open hours per week (over 10% reduction since the same time last year);
- Stadium event days have experienced improved outcomes across the property through its second season as a result of an increase in average table limits, rationalised open hours, segmented machine activations and improved scheduling via more Saturday events (compared to a Sunday skew last year). Q1 benefitted from major Stadium events in the form of Bledisloe Cup, Western Derby and two games involving Manchester United;
- High margin eTGs 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;

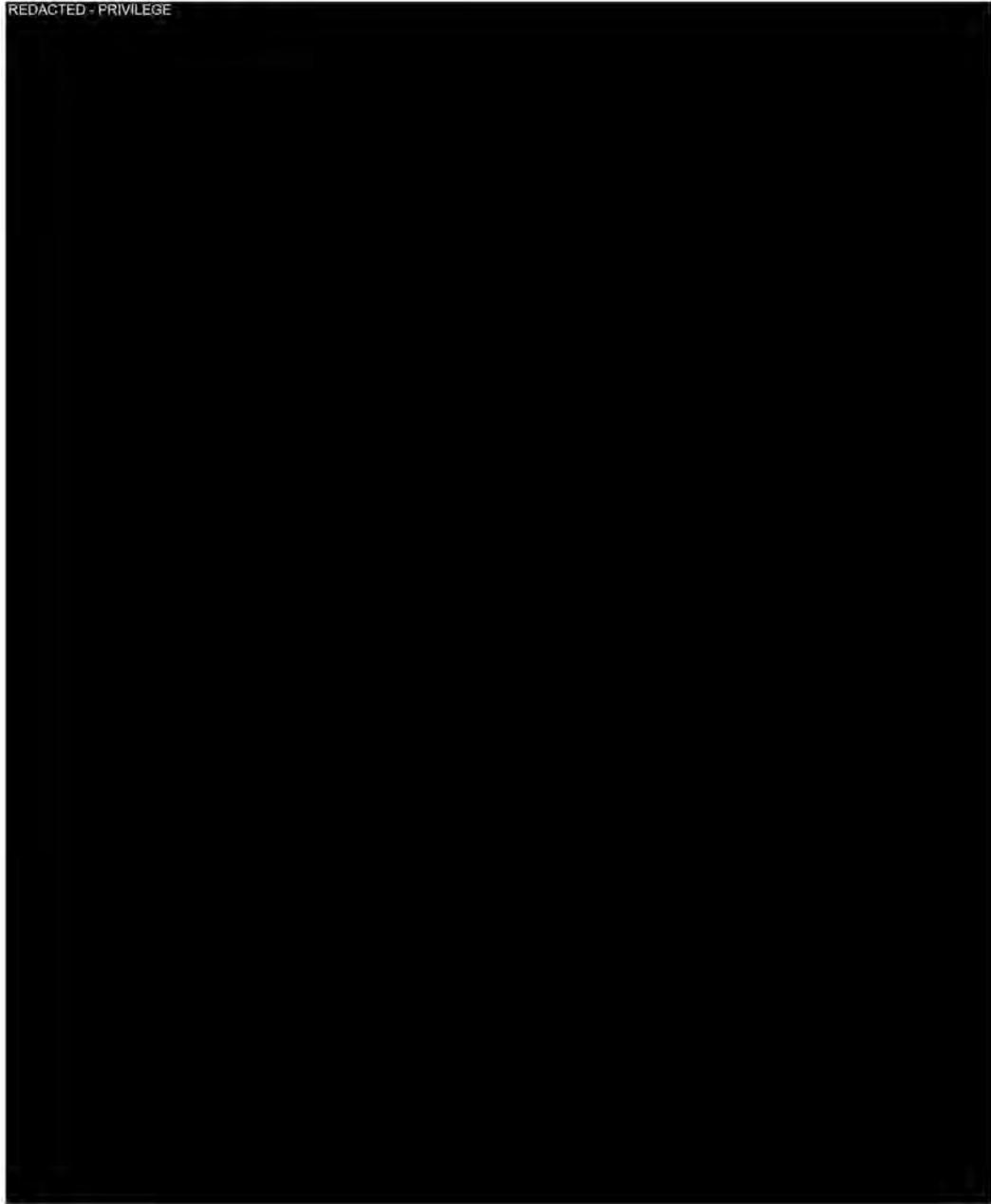
- Re-positioning of Pearl Room is now largely complete, having undertaken a loyalty threshold reset and an enhancement of the offer and service model within a more segmented product layout solution;
- Aristocrat's Lightning Link has been further delayed and is now expected to be delivered to the Perth market in late Q3 F20, with an increased denomination mix and broadened title options. Dragon Link opportunities have commenced discussion as a result of the new regulatory regime pertaining to game design;
- Positively, Konami's equivalent product, All Aboard, is scheduled for roll-out into Perth during December, pending in-principle game approval. It is currently planned for this to be the first game rolled out with a three second spin rate;
- 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 and bars and casual restaurants trade relative to the wider hospitality sector experiencing significant closure rates;
- The commencement of The Book of Mormon in Crown Theatre has seen an increase by over 5% in F&B pre and post spend driven by high attendance levels at all of the shows since opening during September. The show runs for another six weeks in conjunction with expected additional uplift from the opening of the Shakespeare Pop Up Globe on Car Park 4 which commenced in early October and runs through to December with an expected 148 performances. The next major show is Warhorse which is due to commence in March 2020;
- The Perth hotels market continues to be very challenged with a number of new hotels continuing to open adding pressure to occupancy and rate performance in particular. The latest suite of openings include:
 - Ibis Styles 252 rooms, 4 Star, opened September 2019;
 - Art Series 250 rooms, 4.5 Star, opened October 2019;
 - Ritz Carlton 205 rooms, 5 Star, due to open 15 November 2019;
 - NV Development 488 rooms, 4/4.5 Star, scheduled to opened Q3 F20 with operator likely to be Novotel (Accor);
 - Park Regis (Subiaco) 168 rooms, 4.5 star, due to be open Q3 F20.
- CrownLife continues to develop a loyal and engaged following amongst the older machine demographic, evidenced by the 8% growth of the Silver tier over the prior period;

Crown Perth recently rolled out its Purpose, Values, Behaviours and Community platform aimed at enhancing overall team performance and engagement, consistent with the values adopted by the Board and Crown Melbourne.

2. Legal and Regulatory Matters

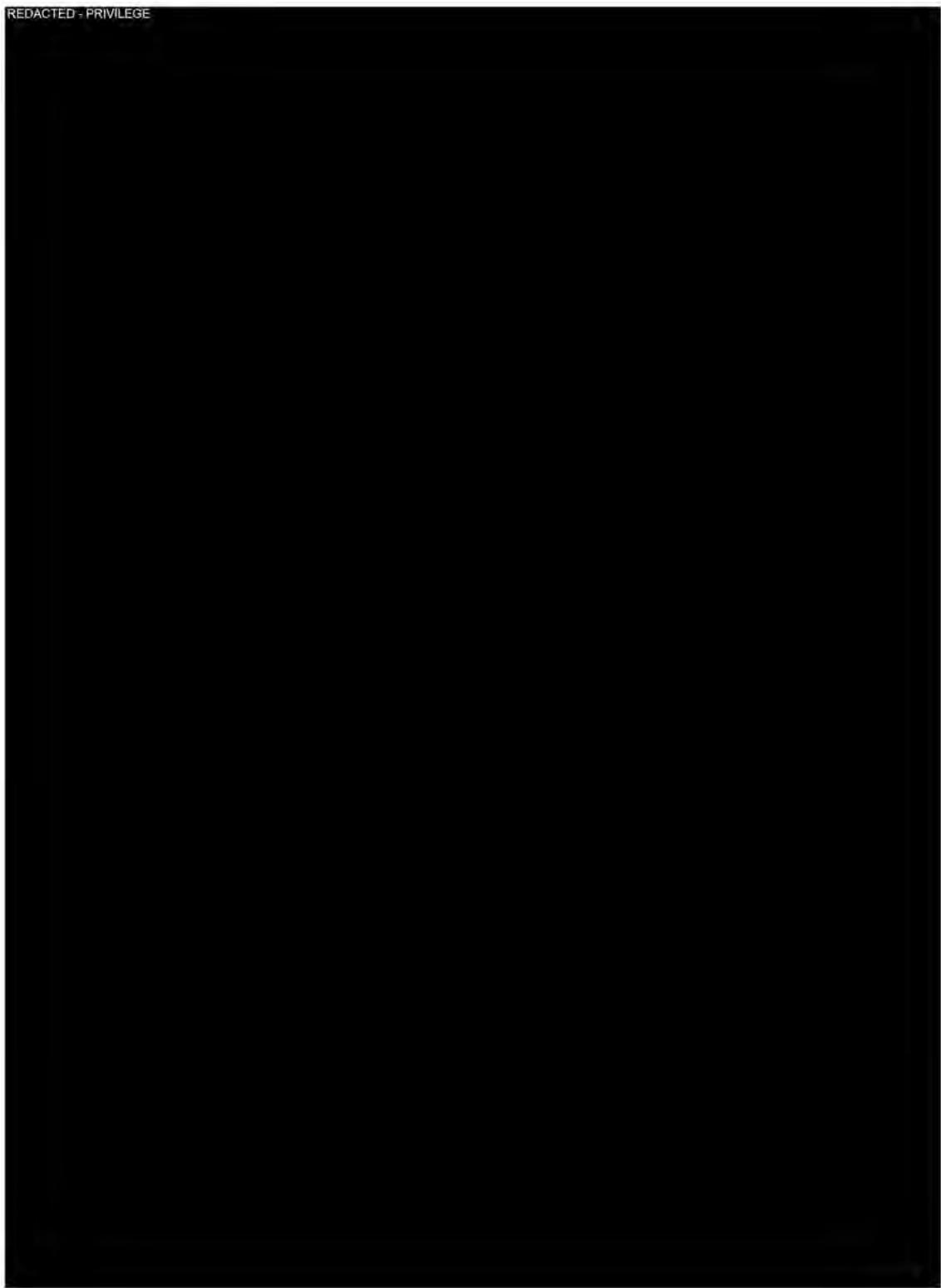
2.1. Australian Resorts

REDACTED - PRIVILEGE



2.2. **Crown Melbourne**

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE

Section 25 Review Recommendations

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

- Recommendation 15, response dated 1 October 2019: within three months of implementing the new responsible gambling strategy (Recommendation 14), commence regular reporting to the Crown Resorts Responsible Gambling Committee;
- Recommendation 16, response dated 1 October 2019: within three months of implementing the responsible gambling strategy (Recommendation 14), a charter is developed for the Crown Melbourne Responsible Gambling Management Committee;
- Recommendation 18, response dated 11 October 2019: in all future submissions by Crown Melbourne to the VCGLR for approvals under the Casino Control Act or Gambling Regulation Act, that Crown document a number of matters to better explain the purpose etc. of the submission.

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. To date Crown has filed its responses by the due dates for each of the following Recommendations: 1, 2, 3, 4, 5, 10, 11, 12, 13, 14, 15, 16, 17, 18 and 19. Recommendations 6, 8 and 9 are due in the New Year (and other future dates). We also note that Recommendation 7, which has no due date will be responded to in the New Year. Recommendation 20 concerns a meeting between the Commission and the Crown Resorts Board, which is to be scheduled for between November 2019 and March 2020.

2.3. Crown Perth

REDACTED - PRIVILEGE

3. HR Initiatives

3.1. Australian Resorts

Indigenous Employment Programme (IEP)

The IEP at 14 October 2019 has 200 Indigenous Australians employed across Crown Melbourne (116) and Crown Perth (84) bringing the total number of Indigenous Australians hired through the program to 876.

The IEP has continued to work with Elevate Partners and Reconciliation Australia to strengthen and provide a more consistent approach to the Elevate RAP development process.

Workplace Gender Equity

The first Crown Resorts Gender Action Plan (GAP) is in final stages of completion and will be publicly available from 24 October. The GAP has been put together by the Gender Advisory Groups in Melbourne and Perth under the direction of the Gender Equity Steering Committee and addresses key areas to progress gender equity at Crown.

Crown College International (CCI)

To date, CCI has received 476 applications and 253 enrolments. Total student enrolment fees forecast is \$6.3m. 63 students have commenced in the first two intakes this year which is a 40% increase on same time last year.

Crown College Institute of Higher Education (CCIHE)

CCIHE has received confirmation from TEQSA that they have completed the preliminary assessments of the registration applications. CCIHE applications have been assessed as valid and the assessment may proceed from the stage 3 Preliminary Assessment to stage 4, the Substantive Assessment stage. Stage 4 involves TEQSA staff reviewing the entirety of the application, and they may request further information or engage external experts to inform the analysis of specific parts of the application. This stage will also involve a site visit to view the facilities, equipment and resources for CCIHE. There are seven stages to the application process.

CROWNability

There are currently a total of 291 employees and contractors in the CROWNability program across both properties, with 131 direct employees and five contractors at Crown Melbourne and 150 direct employees and five contractors at Crown Perth. This represents a retention rate of 66% as at 15 October 2019.

3.2. Government Relations

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:

- Attendance at the Gambling Industry Leaders meeting with the Victorian Responsible Gambling Foundation;
- Attendance at the Responsible Gambling Ministerial Advisory Council;
- Hosting the Victorian Minister for Tourism, Sport and Major Events at a Tourism & Transport Forum Australia industry lunch; and
- Victorian Members of Parliament elected to the Victorian Responsible Gambling Foundation have been invited to tour Crown over the coming months. The first tour will occur in November.

3.3. Crown Melbourne

Industrial Relations

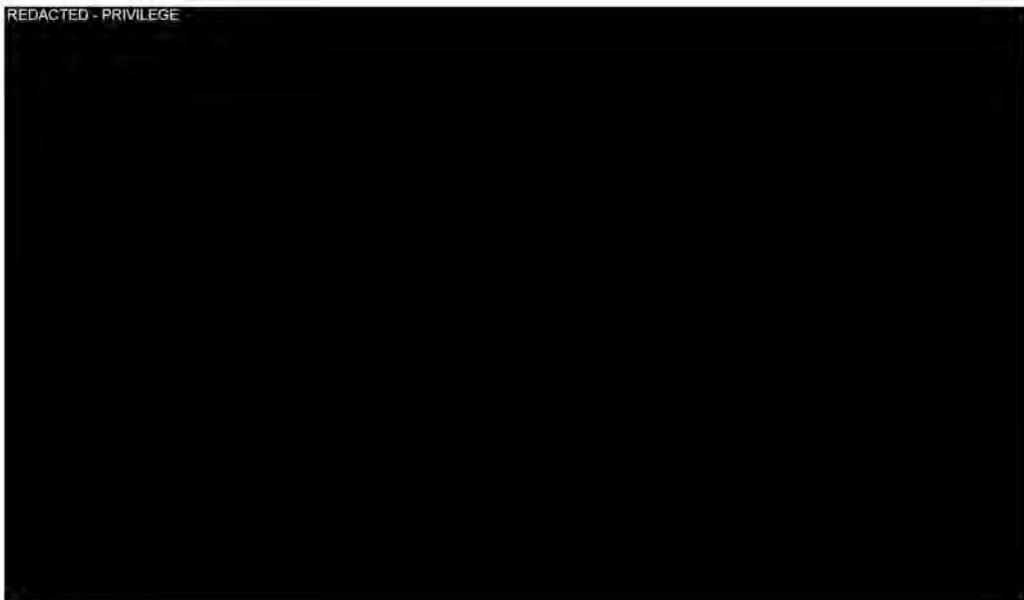
The proposed merger between United Voice and the National Union of Workers to form the United Workers Union has been approved by the Fair Work Commission and will take effect from 11 November 2019.

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3.4. Crown Perth

Industrial Relations



SECTION 4 – UK BUSINESSES

1. Update on the Potential Sale of UK Assets

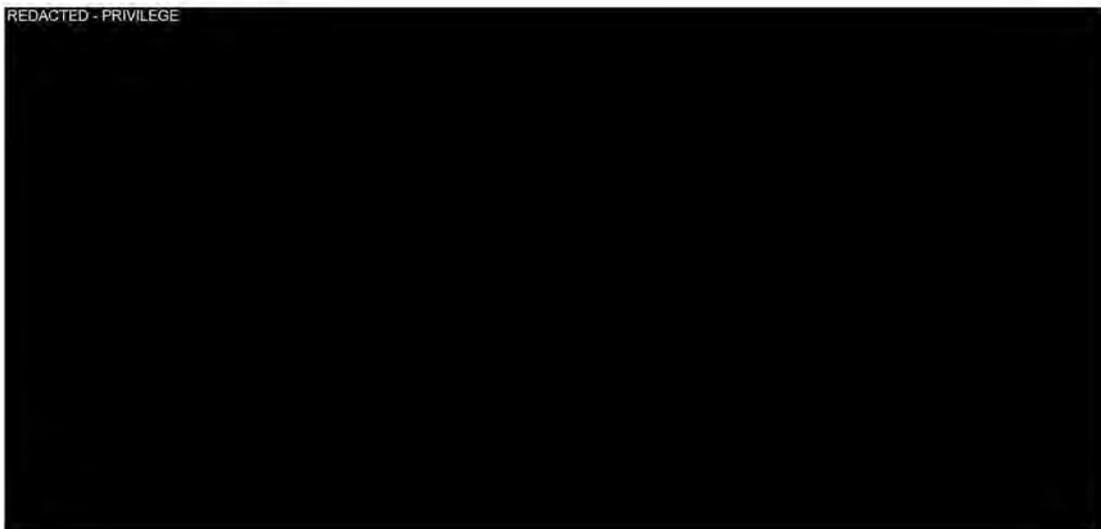
Aspers has engaged a financial advisor to test market interest for a sale of the small Aspers provincial businesses (being Aspers Newcastle, Aspers Milton Keynes and Aspers Northampton). These businesses are seen as a potential distraction to management's focus on Aspers Stratford City which is the main revenue generating business in the group. Aspers has received a preliminary, non-binding, letter of interest from Trans World Hotels & Entertainment, A/S (TWH) at a price of £35m on a cash and debt-free basis (being approximately [6]x FY2019 EBITDA). TWH is a company which operates a number of small casinos in the Czech Republic and a small number of hotels in various European countries. TWH's interest is conditional on due diligence, financing and relevant approvals (which would include gaming regulatory approval). Aspers is currently in discussions with TWH and it is possible that Aspers may permit TWH to proceed to detailed due diligence on the businesses.

It is not yet clear if any transaction with TWH will proceed but if it did, it is anticipated that the proceeds would be used to pay down debt (with Aspers then only needing a much smaller banking facility going forward). Post any sale, the remaining businesses in the Aspers group would be the 100% interest in Aspers Stratford City, the 50% interest in the small UK online JV with Stride Gaming and a small number of dormant/development licences. Any transaction with TWH will require the approval of the Aspers Board (which includes John Alexander and Ken Barton).

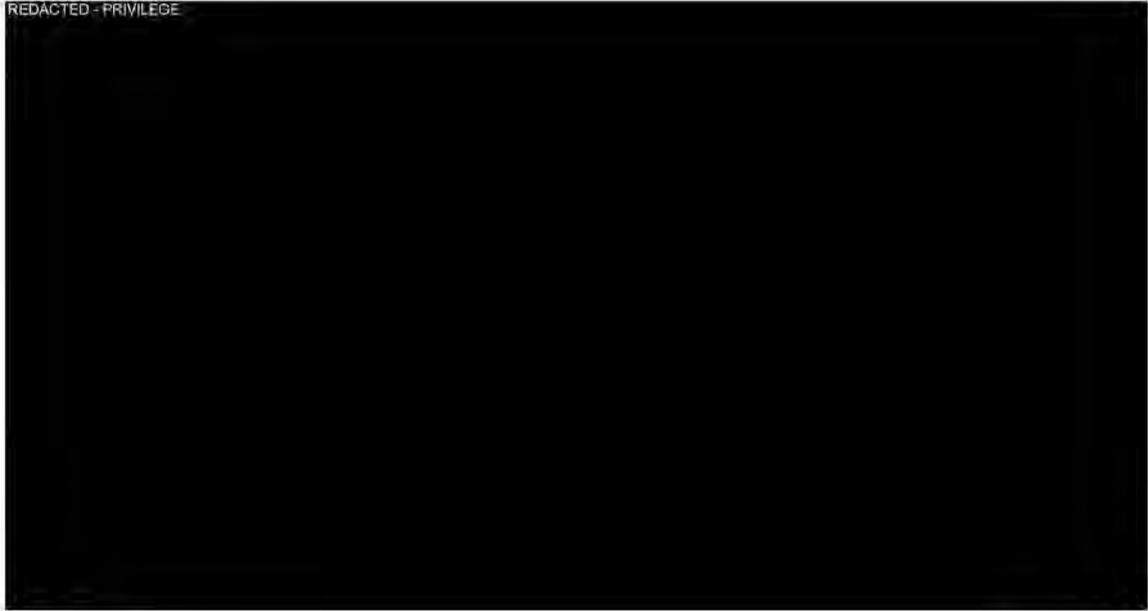
Following previous updates in relation to the ongoing sale process for Crown Aspinalls with Inventive Star Limited, Crown is still awaiting Inventive Star's proposed revised offer price and terms for the transaction (including a mark-up of the draft Share Purchase Agreement).

2. Crown Aspinalls

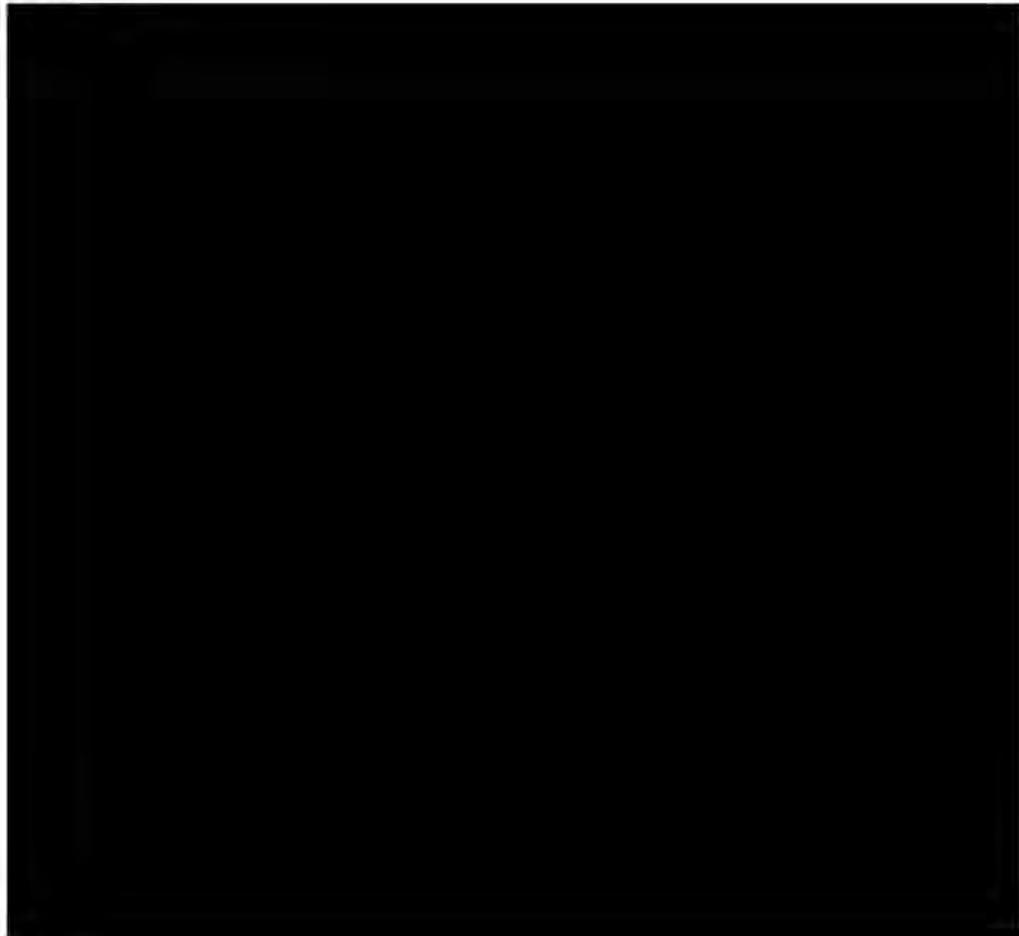
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3. Aspers



SECTION 5 – BETFAIR

1. Trading Update

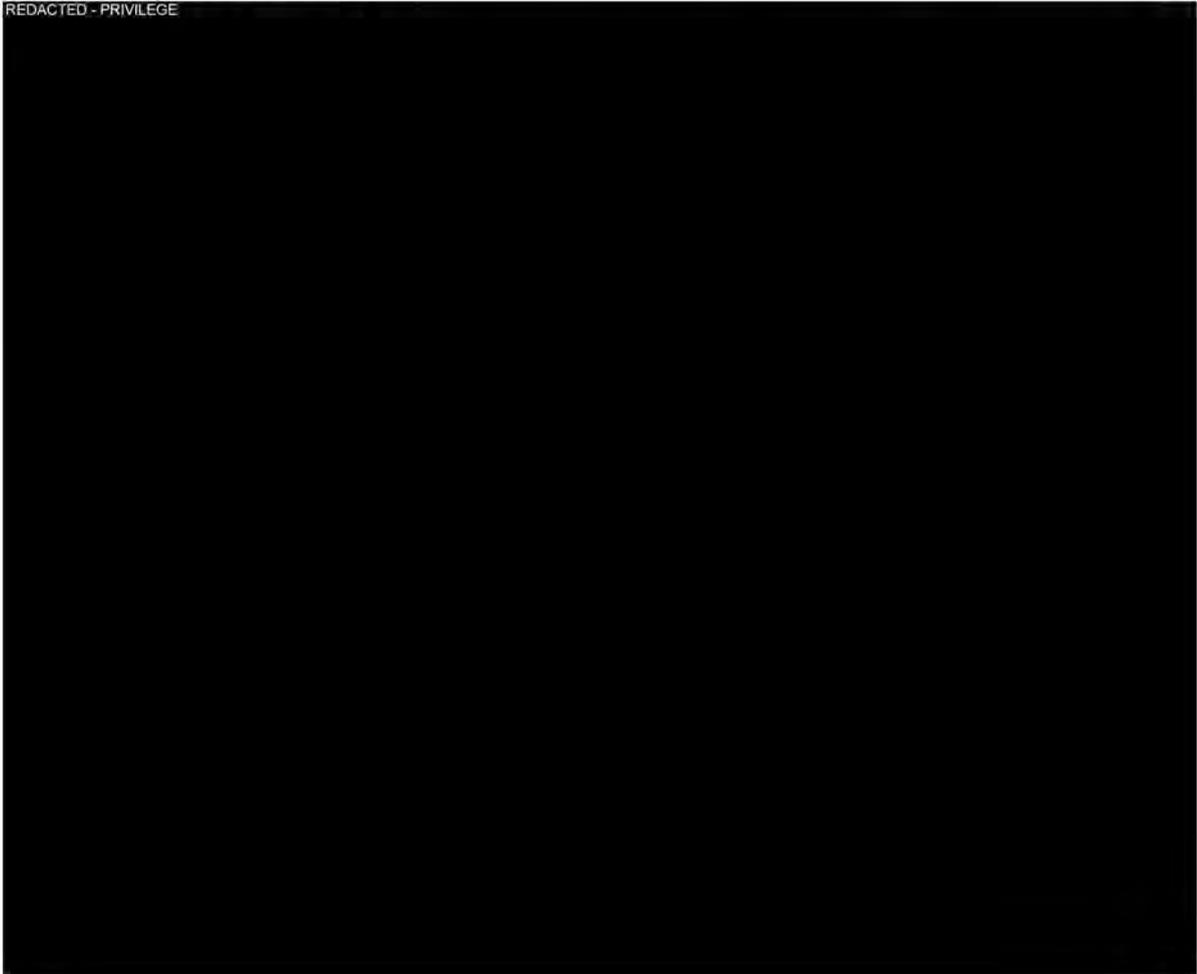
For the quarter ended 30 September 2019, total Revenue finished down 2% YoY and 12% down against budget. Exchange Revenue grew 5% YoY, but declined 9% on budget as challenges are being seen across VIP segments. Premium Charge finished 19% down YoY, 28% up against budget primarily due to activity from our #1 customer.

The decision to stop offering Hong Kong racing after three meetings is forecast to cost \$2.4m versus F20 EBITDA budget. Management are working through other levers to address this shortfall.

YTD EBITDA hit \$3.4m (-\$0.4m/-11%% to budget). The primary driver for this result against budget was the revenue performance, missing operating revenue by \$2.5m, which translates to \$1.3m miss at EBITDA. This has been partially offset by \$0.9m savings across payroll, from delayed recruitment, product mix aligning to more favourable products (lower product fee events) and savings in technology licence fees.

2. Legal and Regulatory

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SECTION 6 – NET DEBT AND CASH FLOW

Net Debt Movements	YTD 13/10/2019	Forecast 30/06/2020
Opening Net Debt (excl. Working Capital Cash)	(86.6)	(86.6)
Theoretical EBITDA	217.2	809.4
Add/(Less): Variance from Theo	60.9	60.9
Reported EBITDA	278.1	870.3
Working Capital Movements	8.8	(9.7)
Crown Melbourne Maintenance Capital Expenditure	(20.2)	(66.4)
Crown Perth Maintenance Capital Expenditure	(6.5)	(33.6)
Crown Aspinalls Capital Expenditure	(0.1)	(1.0)
Betfair Capital Expenditure	(0.8)	(5.3)
DGN Capital Expenditure	(2.9)	(10.4)
Net Interest	(9.5)	(58.3)
Taxation Payments	(20.8)	(68.7)
Cashflow from Operating Activities	226.2	616.8
<i>Growth Capital Expenditure and Investments</i>		
Crown Sydney Capital Expenditure	(128.4)	(576.3)
Crown Australian Resorts Major Projects Capital Expenditure	(2.8)	(36.2)
Queensbridge	(39.5)	(85.0)
Other	(1.9)	(8.1)
Dividends Received from Associates	2.3	7.9
Cashflow from Investing Activities	(170.3)	(697.8)
Net Cashflow	56.0	(81.1)
Dividends Paid	(203.1)	(406.3)
MTM of Subordinated Notes/Foreign Debt	-	-
Closing Group Net Debt (excl. Working Capital Cash)	(233.8)	(573.9)
Closing Group Net Debt (30 June 2019 Plan Update)		(519.4)

Net debt at 13 October 2019 was \$233.8m (excluding working capital cash of \$137.2m), comprising gross debt of \$1,077.0m and closing available cash of \$843.2m. Forecast net debt at 30 June 2020 of \$573.9m is expected to be \$54.5m higher 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 higher than budget are:

- F20 EBITDA is forecast to be \$45.3m higher than budget due to above theoretical win rates at Crown Melbourne (\$48.9m), Crown Perth (\$6.8m) and Crown Aspinalls (\$5.3m) and higher forecast theoretical EBITDA at Crown Perth (\$3.6m). This is partially offset by lower forecast theoretical EBITDA at Crown Melbourne (\$14.3m) and higher corporate costs (\$4.8m) primarily due to increased insurance costs.
- The forecast includes an unbudgeted payment of \$85.0m for the acquisition of Queensbridge Street land from Schiavello (of which \$39.5m has been paid).
- Taxation payments include an estimated \$13m payment to the ATO for the settlement of the Cannery tax dispute, which was not reflected in the original budget.

Total liquidity at 13 October 2019 was \$1,043.5m taking into account available unused facilities of \$200.3m and available cash of \$843.2m (excluding \$137.2m of working capital cash).