



**CROWN RESORTS LIMITED**

Meeting of the Board of Directors  
M7&8, Level 1, Crown Promenade  
(Conference Centre)

Wednesday, 12 June 2019 at 10.00am



## **Crown Resorts Limited (ABN 39 125 709 953)**

Meeting of the Board of Directors to be held on Wednesday, 12 June 2019 at 10.00am at M7&8, Level 1, Crown Promenade, 8 Whiteman Street, Southbank, Victoria

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### AGENDA

- 1. Minutes of Meeting**
  - 1.1. [Draft Minutes of Meeting held on 17 April 2019](#)
  - 1.2. [Written Resolution dated 10 May 2019](#)
- 2. Matters Arising**
- 3. Trading Update**
- 4. Crown Resorts Limited Four Year Financial Plan (F20 to F23) and F20 Budget**
- 5. CEO's Report**
- 6. Litigation Update (privileged and confidential)**
  - 6.1. [Crown Sydney Sight Lines](#)
  - 6.2. [Tax Matters](#)
  - 6.3. [Class Action Update](#)
- 7. China Matter Update**
- 8. CPH Sale of Shares**
- 9. Development Update**
- 10. Investor Relations Report**
- 11. Committees**
  - 11.1. [Draft Minutes of Meeting of the Risk Management Committee held on 8 May 2019](#)
  - 11.2. [Draft Minutes of Meeting of the Risk Management Committee held on 29 May 2019](#)
  - 11.3. [Draft Minutes of Meeting of the Responsible Gaming Committee held on 29 May 2019](#)
  - 11.4. [Draft Minutes of Meeting of the Occupational Health and Safety Committee held on 29 May 2019](#)

**12. Risk Management Committee Matters**

- 12.1. [Risk Management Strategy](#)
- 12.2. [Delegations Policy](#)

**13. ASX Corporate Governance Principles and Recommendations**

- 13.1. [Review of Charters](#)
- 13.2. [Company Values](#)

**14. Other Business**

- 14.1. [Political Donations Policy](#)
- 14.2. [2019 Annual General Meeting](#)
- 14.3. [Deed of Cross Guarantee](#)
- 14.4. [Crown Perth Board Composition](#)
- 14.5. [Crown Resorts Foundation 5<sup>th</sup> Anniversary](#)
- 14.6. [Future Meetings](#)

**15. "In Camera" Session**



**AGENDA ITEM 1:**  
Minutes of Meeting



## Crown Resorts Limited (ABN 39 125 709 953)

Meeting of the Board of Directors held on Wednesday, 17 April 2019 at  
10.00am at M7&8, Crown Promenade, 8 Whiteman Street,  
Southbank, Victoria

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**Present:**

John Alexander (Chairman)  
Helen Coonan  
Andrew Demetriou (by telephone)  
Geoff Dixon (by telephone)  
Jane Halton  
John Horvath  
Guy Jalland (by telephone)  
Michael Johnston  
Toni Korsanos  
Harold Mitchell  
John Poynton (by telephone)

Mary Manos (Secretary)

**By invitation:**

Ken Barton  
Barry Felstead  
Lauren Harris (by telephone)  
Alan McGregor  
Richard Murphy (MinterEllison) (Agenda Items 5.3 and 6 only)  
Todd Nisbet

**Apologies:**

Mark Arbib  
Karl Bitar

### BUSINESS

**Draft Minutes of Meeting:**

It was **RESOLVED** that the draft Minutes of the Board Meetings held on 19 February 2019, 18 March 2019, 24 March 2019, 25 March 2019 and 10 April 2019 be approved.

It was also **RESOLVED** that the Written Resolutions of the Board dated 18 March 2019 be noted.

<b>Matters Arising:</b>	It was noted that there were no outstanding matters arising from the previous meetings of the Board.
<b>CEO's Report:</b>	<p>The CEO's Report was taken as read.</p> <p>Barry Felstead provided the Board with an update on the Crown Melbourne Area Manager Enterprise Agreement negotiations noting that management believes that a revised offer that will cost the Company an extra \$250,000 per annum may be acceptable to those employees covered by the Enterprise Agreement.</p> <p>The Board considered the proposal, and having regard to the circumstances, it was <b>RESOLVED</b> that the management be authorised to propose the revised offer.</p> <p>In addition, Barry Felstead and Ken Barton highlighted the following matters:</p> <ul style="list-style-type: none"><li>• On 7 March 2019, the VCGLR issued a direction to Crown Melbourne to prohibit the supply and prevent the use of button picks at Crown Melbourne.</li><li>• On 21 March 2019, the VCGLR concluded its investigation into the use of multiple player cards on electronic gaming machines and found that Crown Melbourne had not contravened any applicable laws in the State of Victoria but had referred to the matter to the Department of Justice and Community Safety to determine whether regulatory reform is necessary.</li><li>• The composition of the Responsible Gaming Advisory Panel had been approved by the Company's Responsible Gaming Committee on 3 April 2019.</li><li>• It is understood that the Black Economy Taskforce has confirmed an exemption for AUSTRAC reporting entities (including casinos) from the \$10,000 limit on cash transactions with a review to be undertaken in two years from commencement, however, the draft legislation will only be made available following the upcoming federal election.</li><li>• In relation to the proposed sale of Crown Aspinalls, the prospective purchaser, Inventive Star, had indicated that it will provide an update on its intentions with respect to the proposed transaction in the coming weeks.</li><li>• In relation to the proposed amendments to the Victorian State Security arrangements, the Department of Treasury and Finance and the Treasurer have indicated in-principle approval of the proposal and it is understood that they are now consulting with the Minister for Gaming and Liquor Regulation</li></ul>

and the Department of Justice regarding the proposal.

Having regard to the proposed amendments to the Victorian State Security arrangements, it was **RESOLVED** that:

- it is in the best interests of the Company to proceed with the proposed amendments to the Victorian State Security arrangements and to enter into the agreements to give effect to the proposed amendments;
- the Company be authorised to enter into, and, to the extent that a subsidiary of the Company is a party, procure entry into the following agreements:
  - Deed of Amendment and Release between the Company, Crown Melbourne Limited (**Crown Melbourne**), the VCGLR and the State of Victoria to, among other matters:
    - (i) replace the existing \$185 million Letter of Credit with a new \$60 million Letter of Credit;
    - (ii) amend to the Fixed and Floating Charge dated 19 November 1993 between Crown Melbourne and the Minister, including to remove the existing \$285 million cap on the State's ability to recover under the Fixed and Floating Charge;
    - (iii) terminate the Deed of Undertaking and Guarantee dated 30 June 1999 between, among others, the Company, Crown Melbourne, the VCGLR and the State; and
    - (iv) terminate the Supplemental Casino Agreement dated 27 May 1999 between, among others, Crown Melbourne and the VCGLR; and
  - Twelfth Variation Agreement to amend the Casino Agreement dated 21 September 1993 between Crown Melbourne and the VCGLR,

(together the **Transaction Documents**);
- any two directors or a director and company secretary of the Company be authorised to execute the Transaction Documents on behalf of the Company; and
- any director or secretary of the Company be authorised to sign all documents and do all acts, matters and things as are necessary or desirable (in their opinion) to proceed with the proposed amendments to the Victorian State Security arrangements and to enter into and complete the transactions contemplated by or incidental to the Transaction Documents.

Mary Manos advised the Board of the following:

- In connection with the ASIC Section 33 Notice to Produce in

relation to the remuneration of Key Management Personnel, interviews with Geoff Dixon, as Chair of the Nomination and Remuneration Committee, and the Executive Chairman have been scheduled with ASIC for the end of May 2019.

- Management was in the process of finalising the Company's response to ASIC's voluntary request letter in relation to Project Gem.

It was **RESOLVED** that the CEO's Report be noted.

### Trading Update:

#### *Current Trading*

Ken Barton spoke to the Trading Update to 14 April 2019 for the Group noting that:

- For the month of March 2019, EBITDA missed budget by approximately 10% or \$8 million which was largely contributed by Melbourne and Perth Local, VIP and Crown Aspinalls.
- EBITDA is tracking at \$60.6 million below budget year to date with subdued trading across Melbourne and Perth, particularly in Table Games and VIP.
- Table Games has grown less than 1% year to date and with labour costs growing at approximately 4% per year. While spend per visit has declined, there is limited scope to reduce Table Games labour as patronage remains steady.
- EBITDA for the full year is tracking at approximately \$803 million using a win rate of 1.35% as compared to analyst consensus which, on average, is forecasting EBITDA for the full year to be approximately \$822 million.

Among other matters, the Board discussed the following:

- The Star Entertainment Group's half year performance as compared to the Company's performance. It was noted that management would consider additional opportunities to improve the Company's product offering to increase spend per visit.
- The possible impacts of the upcoming federal election on the Company's performance.

Barry Felstead provided the Board with an overview of a number of initiatives at Crown Melbourne and Crown Perth as set out in the Trading Update.

It was **RESOLVED** that the Trading Update be noted.



### ***FY20 to FY23 Planning Parameters***

Ken Barton and Barry Felstead led a page turn of the FY20 to FY23 Planning Parameters presentation, highlighting, among other matters, the following:

- Subdued trading is expected to continue through to the end of 2019 with spend patterns expected to normalise from FY21.
- The proposed Crown Melbourne and Crown Perth growth initiatives, as set out on slides 10 and 11 of the presentation, highlighting the following specific proposals:
  - The increase in gaming floor space through the conversion of JJ's (for electronic gaming machines) and Club 23 (for table games).
  - The upgrade of the Company's existing electronic gaming machine fleet.
  - The sales force marketing expansions for regional Victoria, interstate and internationally.
  - The marketing lifecycle customer management initiatives which will allow the Company to tailor offers to patrons.
  - The initiatives for Crown Perth which require regulatory approvals and the current status of each of those initiatives.

The Board requested that key performance indicators be established for each proposed initiative with progress against those indicators and initiatives to be presented to the Board on an annual basis.

It was noted that detailed proposals would be included in the Financial Plan and Budget that is to be presented to the Board at its next meeting in June. The Board indicated its support of the initiatives and confirmed that management could commence preparatory work to progress the proposals to expand the gaming floor space at Crown Melbourne and introduce the marketing lifecycle customer management initiatives.

In relation to JJ's, it was noted that in future approvals should be sought prior to the demolition of any operating facility.

In relation to Crown Sydney, Todd Nisbet provided an overview of the Crown Sydney business case as set out in Section 2 of the presentation.

It was noted that consideration was being given to converting the Crown Sydney ballroom into an additional gaming area prior to opening and that management would make an appropriate recommendation to the Board in the Financial Plan and Budget.

In response to a query, Todd Nisbet advised that the ballroom

space could not be a hybrid space for events and gaming due to its size.

**Litigation Update (privileged and confidential) :**

***Crown Sydney Sight Lines***

The Crown Sydney Sight Lines paper was taken as read.

Todd Nisbet advised the Board of the recent restructure announcement by the New South Wales Premier that the Barangaroo Delivery Authority was to be abolished and transferred to Infrastructure NSW.

It was noted that management would initiate a meeting with Infrastructure NSW.

***Tax Matters***

The tax matters paper was taken as read.

***Class Action Update***

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE



**China Update:**

REDACTED - PRIVILEGE



**Key Development Matters:**

The Development Update was taken as read.

*Crown Sydney*

Among other matters, Todd Nisbet highlighted that sales of Crown Sydney residences had experienced increased activity in March and April 2019, particularly with local purchasers, with two Crown Sydney residences sold since the last meeting and six residences under negotiation.

*One Queensbridge*

In relation to One Queensbridge, Todd Nisbet advised the Board that the planning department had indicated that there is a need for additional commercial office space in the Southbank precinct and that the One Queensbridge site is viewed as strategically important to the Southbank precinct.

It was **RESOLVED** that the Development Update be noted.

**Capital Management Update:**

The Capital Management Update was taken as read.

Ken Barton advised the Board that the on-market share buy-back remained on hold having regard to the ongoing discussions for the proposed sale of Crown Aspinalls.

It was **RESOLVED** that the Capital Management Update be noted.

**Investor Relations Report:**

The Investor Relations Report was taken as read.

It was **RESOLVED** that the Investor Relations Report be noted.

**Minutes of Meeting of Committees:**

***Draft Minutes of Meeting of the Risk Management Committee held on 25 February 2019***

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Risk Management Committee held on 25 February 2019 be noted.

***Draft Minutes of Meeting of the Responsible Gaming Committee held on 3 April 2019:***

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Responsible Gaming Committee held on 3 April 2019 be noted.

***Written Resolutions of the Nomination and Remuneration Committee held on 12 April 2019:***

The draft minutes were taken as read.

It was **RESOLVED** that:

- having regard to the nature of Ishan Ratnam's role with the Company, it is in the Company's best interests to enter into a letter agreement to extend certain notice periods in Mr Ratnam's contract of employment (the Letter Agreement);
- entry into the Letter Agreement be approved; and
- the Company execute and enter into the Letter Agreement in the form produced to the Nomination and Remuneration Committee or in any other form approved by either two directors or a director and secretary of the Company.

It was **RESOLVED** that the Written Resolutions of the Nomination

and Remuneration Committee held on 12 April 2019 be noted.

**Other Business:**

***ASX Corporate Governance Principles and Recommendations***

Mary Manos noted the summary of key updates to the ASX Corporate Governance Principles and Recommendations as set out in the paper with respect to this item. It was noted that the revised Recommendations will take effect for the Company from 1 July 2020 and that matters will be brought to the Board for approval as required to comply with the revised Recommendations.

***Modern Slavery Act – Reporting Requirements***

Mary Manos provided the Board with an overview of the reporting requirements introduced by the *Modern Slavery Act 2018* (Cth) and advised that KPMG Banarra had been engaged to assist the Company in preparing for public reporting under the Modern Slavery Act.

***Approval of Subordinated Notes II Quarterly Report***

The directors acknowledged having received a copy of the draft Quarterly Report for the Crown Subordinated Notes II in relation to the period from 1 January 2019 to 31 March 2019 (the **Quarterly Report**).

It was **RESOLVED** that:

- the Quarterly Report be approved;
- the Company Secretary cause the Quarterly Report to be lodged with the Australian Securities and Investments Commission (**ASIC**); and
- a copy of the Quarterly Report lodged with ASIC be provided to Australian Executor Trustees Limited (in its capacity as Trustee of the Crown Subordinated Notes II issues).

***Future Meetings***

The Board noted the future meeting dates.

***Nomination and Remuneration Committee Composition***

The Nomination and Remuneration Committee Composition paper was taken as read.

Mary Manos advised the Board of the proposal to appoint Michael Johnston as a member of the Nomination and Remuneration Committee, noting that:

- the appointment of Mr Johnston as a member would facilitate a more formal process for the Nomination and Remuneration

Committee to obtain and consider the views of the major shareholder both in relation to director nomination and remuneration matters; and

- the ASX Corporate Governance Principles and Recommendations recommendation that the Committee comprise a majority of independent directors would continue to be satisfied.

Having regard to the above, it was **RESOLVED** that Michael Johnston be appointed as a member of the Nomination and Remuneration Committee with immediate effect.

***Other Business***

Mike Johnston suggested that consideration be given to establishing a sub-committee of the Board to consider preliminary future takeover approaches made by third parties.

**Closure:**

There being no further business, the meeting was declared closed at 1.08pm.

Signed as a correct record

.....  
Chairman



# Crown Resorts Limited

## Circulating Resolution made in accordance with the Company’s Constitution

We, being all the directors of Crown Resorts Limited (the **Company**) at the date of this circulating resolution, entitled to receive notice of a board meeting and to vote on the resolutions contained in this circulating resolution, by assenting to this document each state that we are in favour of the resolutions set out in this document.

The resolutions are passed by the directors without a board meeting on the date and at the time when the last director assents. Separate copies of this document may be used for signing by any one or more of the directors.

**BACKGROUND:**

The directors acknowledge having received a memorandum from Barry Felstead dated 8 May 2019 entitled VIP Operating Model – Malaysia.

On the recommendation of the Risk Management Committee, it is proposed that the Board approve the proposal to adjust the VIP Operating Model to permit staff to be based in Malaysia with the controls implemented as detailed in the risk assessment attached to the memorandum (the **Risk Assessment**).

**RESOLUTION:**

Having regard to the recommendation of the Risk Management Committee and the Risk Assessment, it is **RESOLVED** that the VIP Operating Model be adjusted to permit staff to be based in Malaysia with the controls implemented as detailed in the Risk Assessment.

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John Alexander

Date:

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Helen Coonan

Date:

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Andrew Demetriou

Date:

.....

Geoff Dixon

Date:



1.2

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Jane Halton

Date:

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John Horvath

Date:

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Guy Jalland

Date:

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Michael Johnston

Date:

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Toni Korsanos

Date:

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Harold Mitchell

Date:

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John Poynton

Date:





**AGENDA ITEM 2:**  
Matters Arising



# Crown Resorts Limited

## Memorandum

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**To:** The Board of Directors - Crown Resorts Limited

**From:** Mary Manos

**Date:** 7 June 2019

**Subject:** **Matters Arising**

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Dear Directors

The following matters arose at the 17 April 2019 Board meeting:

Matter Arising	Status
In relation to the growth initiatives presented at the April Board meeting, it was requested that key performance indicators be established for each proposed initiative with progress against those indicators and initiatives to be presented to the Board on an annual basis.	Please refer to Agenda Item 4 for details on the expected financial contribution from each initiative.
It was suggested that consideration be given to establishing a sub-committee of the Board to consider preliminary takeover approaches made by third parties.	Having regard to the recently announced sale of shares by CPH to Melco Resorts & Entertainment Limited, it has been determined that this proposal will not proceed.

Kind regards

Mary Manos  
**General Counsel and Company Secretary**



**AGENDA ITEM 3:**  
Trading Update

# Results to 2 June 2019



Consolidated Profit & Loss	FINANCIAL YEAR TO DATE						
	Actual	Budget	Variance		Last Year	Variance	
<b>EBITDA @ Theoretical</b>	A\$'000	A\$'000	A\$'000	%	A\$'000	A\$'000	%
<i>Melbourne - Local</i>	499,233	523,330	(24,098)	(4.6%)	515,204	(15,971)	(3.1%)
<i>Melbourne - VIP Program</i>	60,103	73,868	(13,765)	(18.6%)	92,602	(32,499)	(35.1%)
Crown Melbourne	559,335	597,198	(37,863)	(6.3%)	607,806	(48,470)	(8.0%)
<i>Perth - Local</i>	205,601	226,156	(20,555)	(9.1%)	221,710	(16,108)	(7.3%)
<i>Perth - VIP Program</i>	187	10,010	(9,823)	(98.1%)	10,467	(10,279)	(98.2%)
Crown Perth	205,788	236,166	(30,377)	(12.9%)	232,176	(26,388)	(11.4%)
Crown Aspinalls	4,367	13,807	(9,441)	(68.4%)	10,630	(6,264)	(58.9%)
Wagering & Online	17,004	18,297	(1,293)	(7.1%)	25,313	(8,309)	(32.8%)
Corporate	(38,956)	(56,462)	17,506	31.0%	(46,013)	7,057	15.3%
<b>TOTAL EBITDA @ Theoretical</b>	<b>747,538</b>	<b>809,006</b>	<b>(61,468)</b>	<b>(7.6%)</b>	<b>829,911</b>	<b>(82,373)</b>	<b>(9.9%)</b>
Depreciation	(252,853)	(252,949)	96	0.0%	(264,956)	12,103	4.6%
Interest	(10,331)	(16,275)	5,944	36.5%	(43,866)	33,535	76.4%
Taxation	(148,079)	(160,847)	12,769	7.9%	(158,746)	10,667	6.7%
Equity Accounted Result	11,544	14,047	(2,503)	(17.8%)	7,619	3,926	51.5%
Minority Interest	(181)	(49)	(132)	(268.6%)	1,254	(1,435)	(114.5%)
<b>Crown NPAT @ Theo</b>	<b>347,638</b>	<b>392,933</b>	<b>(45,294)</b>	<b>(11.5%)</b>	<b>371,216</b>	<b>(23,578)</b>	<b>(6.4%)</b>
<b>EBITDA @ Actual</b>							
Crown Melbourne	555,105	597,198	(42,093)	(7.0%)	505,988	49,117	9.7%
Crown Perth	234,073	236,166	(2,092)	(0.9%)	228,520	5,553	2.4%
Crown Aspinalls	(3,229)	13,807	(17,036)	(123.4%)	(7,891)	4,662	59.1%
Wagering & Online	17,004	18,297	(1,293)	(7.1%)	25,313	(8,309)	(32.8%)
Corporate	(38,956)	(56,462)	17,506	31.0%	(46,013)	7,057	15.3%
<b>TOTAL EBITDA @ Actual</b>	<b>763,997</b>	<b>809,006</b>	<b>(45,009)</b>	<b>(5.6%)</b>	<b>705,916</b>	<b>58,081</b>	<b>8.2%</b>
<b>Crown NPAT @ Actual</b>	<b>358,400</b>	<b>392,933</b>	<b>(34,533)</b>	<b>(8.8%)</b>	<b>282,386</b>	<b>76,013</b>	<b>26.9%</b>

# Trading Update – Australian Resorts to 2 June 2019



## Australian Resorts

- Melbourne and Perth combined theoretical EBITDA is tracking below budget by \$68.2m or 8.2% YTD with subdued results across both businesses, particularly in Table Games and VIP Program Play, despite property visitation numbers being up year on year by 4% and 2% in Melbourne and Perth respectively;

## Crown Melbourne

- **Theoretical EBITDA** is below budget by \$37.9m or 6.3% largely due to local Tables Games, down \$21.8m or 6.6% combined with recent softness in Program Play (down \$13.8m or 18.6%);
- **Local Business** is tracking below budget by \$24.1m or 4.6% with Table Games the main issue (down \$21.8m YTD) although the other operating areas of the business are also tracking below budget, albeit by a much lesser amount;
- After a strong start to the year **Table Games** encountered a challenging September (down \$7.0m vs budget) with the business recovering ground in the December quarter, only to see a sizable reversal in Q3 (down \$13.7m vs budget) although May volumes have been a little more encouraging. YTD contribution is now down \$21.8m or 6.6% on budget;
- Despite a soft period between mid-February and early April, Premium patron hours remain positive to the pcp YTD (up 1.2% but down 0.2% on budget) but have not led to similar volume increases with drop down 6.5% on budget and 1.5% on the pcp, primarily driven by Mahogany Room, down 9% on budget and 1.5% on the pcp. Premium volumes remain a key driver of both budget and prior year contribution variances;
- Softness in patron hours on the Main Floor from Q3 has continued through Q4 with YTD drop volumes and revenue down 5% and 5.4% on budget respectively and circa 2% down in both metrics to pcp;
- Since the beginning of the 2019 calendar year we have seen a softening in patron hours led by the Main Floor (down 9.1% to budget) with minimal change in drop per patron hour year-on-year;
- Significant additional event and promotional activity is underway in an attempt to reverse the current trend;
- Three personnel hired from the Star have now commenced employment with Crown. Their focus is on securing new customers from the Sovereign Room;
- **Gaming Machines** had an encouraging start to the year although January and February were soft (down \$2.0m vs budget). Since then, volumes have recovered well to have YTD contribution at \$2.3m or 1.1% below budget;
- The most pleasing aspect of the YTD result has been the strength of Main Gaming Floor (MGF) trade with volumes significantly up on budget and last year by 5% and 7% respectively with Crown's market share continuing to grow;

## Trading Update – Australian Resorts to 2 June 2019



- Crown has maintained over 15% of monthly market share since October 2018, which was the first time since February 2017 that we were above 15%. Crown's market share for April was 15.4%, up from a low of 14.2% in September last year;
- Crown's installation of Aristocrat's Dragon and Lightning Link product has grown to approximately 750 units and continues to produce very positive results, a dedicated Dragon Area with unique signage will open in the Westend during July.
- Other successful product recently launched includes Fortune Gong from IGT, All Abroad from Konami and the Victorian exclusive Sci-games link Jin Ji Bao Xi, all of which are performing well above averages across the property;
- The first of the new Chill Gaming product, Bloomtopia, is now on the floor, with additional product including Pop Shots and Fortunes of the Brave pending VCGLR approval;
- The completion of the Teak Room non-smoking expansion in late September 2018 continues to be a positive for the business with the expansion of a further 42 machines due for completion in early August;
- **Food & Beverage** had a solid start to the year but the November to January festive period was significantly softer than expected with the last few months also trading below expectations, although May volumes were more encouraging. Contribution is down on budget by \$3.9m or 7.6%;
- Bars and Casual Restaurants are the main contributors to the YTD position with results having softened over the past few months. Premium restaurants have also been impacted by the downturn in International gaming business;
- A number of price-driven promotions have been introduced to drive visitation and revenue. Minor changes to operating hours and price increases on selected, less price sensitive products have also been introduced in recent months;
- Events & Conferencing have produced solid results with The Aviary rooftop marquee generating significant interest and bookings, particularly in the wedding market;
- **Hotels** had a good start to the year but a softer period from November through April has contribution down on budget by \$1.9m or 2.0%. Once again the month of May was better, achieving budget for the month;
- Occupancy levels have been strong, albeit slightly behind budget due to lower Gaming room nights (circa 7,000 room nights). This has particularly impacted Sunday and Monday nights, where it is more difficult to replace lost business;
- YTD occupancy is Towers 96.2% (down 1.3% on budget), Metropol 94.1% (down 1.1%), Promenade 94.1% (down 1.3%);
- **Support Departments** are favourable to budget YTD by \$8.0m or 3.8%. With the softer trading conditions the focus continues to be on property wide cost reviews whilst also targeting marketing and promotional activity to reinvigorate the top line.

# Trading Update – Australian Resorts to 2 June 2019



## Crown Perth

- **Theoretical EBITDA** is below budget by \$30.4m or 12.9% largely due to soft results in local tables (down \$15.8m) and Program Play (down \$9.8m) although the other operating areas of the business are also tracking below budget YTD;
- Local economic conditions in WA continue to be very challenging, with house prices in annual decline since peaking in June 2014; new car sales declining YoY for 55 of the prior 57 months and new home starts down almost in 30% in the past 2 years;
- **Local Business** is below budget by \$20.6m or 9.1% with local tables the key issue (down \$15.8m);
- Whilst **Table Games** has had a challenging year with contribution now tracking below budget by \$15.8m or 18.5%, the Regular Table business (ex Pearl Room) has seen recent signs of stabilisation, recording volume decline of just 0.9% in April, an improvement on the YTD decline of 3.9%;
- Pearl Room remains the key issue with volumes down 20% in April vs prior year, driven by an absence of \$100k weekly buy-in customers. Historically the business would see four-five of these per week, in F19 this has fallen to one-two per week;
- Regular Table volumes are still tracking below budget, driven by traditional Main Gaming Floor table games (YTD down 8%), partially offset by continued uplift in electronic Table Games (YTD up 11%);
- The highlight of F18 performance, the Baccarat Room, has seen a YOY revenue decline through F19 of 10% (partially driven by softer hold), however since the consolidation of all Main Gaming Floor product into Baccarat Room post Lunar New Year, the Baccarat Room revenue has been flat to prior year.
- Ratings data has shown successful transition of Main Floor members into the Baccarat Room and it is expected that the improvement in atmosphere from the consolidation, plus initiatives around enhanced customer service and events will drive incremental revenue in F20;
- Since the close of 2018 football season late in H1, we have significantly reduced open hours to optimise win per open hour which has reduced labour costs to below budgeted levels. Savings of circa \$200k-\$300k per month continue to be delivered;
- **Gaming Machines** had a good start to the year however softness over the festive November to January period has contribution below budget by \$4.8m or 2.7%. Volumes since then have recovered somewhat;
- MGF volumes have been good, driven by the ongoing success of the Value Guarantee campaign, supported by a series of promotional jackpots which have resonated well with both the casual infrequent customer and mainstream machines customer;
- The implementation of the highly successful Aristocrat Lightning Link product has been delayed and is now due to be launched in Perth in Q2 F20 (was budgeted from late Q2 F19);

# Trading Update – Australian Resorts to 2 June 2019



## Crown Perth

- In addition to Lighting Link the suite of new games available for Perth in F19 included Monopoly (game launched late January), which has been well received by the customers;
- February featured the launch of the first of the Chill games (first to market), Pop Shots which has been popular with the customers. Bloomtopia is also in the development pipeline for Perth (introduced to Melbourne during February);
- **Food & Beverage** had a steady start to the year however trade since November has been disappointing. Also impacting was the cancellation of the theatre show Priscilla which was due to run for 35 performances over November – December with the corresponding loss of pre and post F&B on-spend. Contribution YTD is below budget by \$4.1m or 14.8%;
- Whilst covers are up 1.9% YOY, average check has declined 3.7% YOY as spend per visit drops and customers seek value propositions;
- Over the past 18 months there has been over 60 closures of hospitality venues (including major long-standing venues) in Perth;
- **Conventions & Entertainment** had a good start to the year, however soft trade since November has contribution down on budget YTD by \$1.4m or 17.6%;
- Convention numbers have been solid, however there has been some decline in numbers in some yearly events with a subdued average spend, plus partial loss of business to new competitor set in the market (Stadium and the Westin);
- Theatre results were good through to the end of the Aladdin season to the end of October with attendance ahead of expectations. However the cancellation of Priscilla, scheduled in November and December impacted the result since that time. The other long running show scheduled for June 2019 has since cancelled due to poor sales on the East Coast (Jersey Boys). We have managed to partially backfill these cancellations with strong one-off shows;
- **Hotels** had a steady start to the year however the anticipated uplift over the summer period did not materialise with YTD contribution now down on budget by \$2.4m or 5.9%;
- Occupancy is tracking down on budget in all three hotels; with Towers down 1.8% (77.7%) Metropol down 2.2% (84.8%) and Promenade down 5.4% (87.0%);
- The Towers rate has seen continued growth to budget and last year but Metropol and Promenade rates are down on budget and last year;
- Market conditions are impacting Metropol and Promenade in particular with the increased room inventory in market creating downward pressure on rates which is impacting volumes due to lower competitive offerings.



## Trading Update – Australian Resorts to 2 June 2019



- **Support Departments** are favourable to budget YTD by \$7.2m or 6.2%;
- Whilst local economic conditions remain very challenging in Perth the focus is strongly on property wide cost reviews whilst also targeting marketing and promotional activity to reinvigorate the top line.

### International Program Play

- **Melbourne Program Play** had a strong start to the year with theoretical contribution well up on budget during July and August. Marketing and selling to International customers remains challenging with the impact of revised protocols affecting volumes throughout the year;
- YTD theoretical contribution is below budget by \$13.8m or 18.6% with a win rate of 1.31%;
- **Perth Program Play** had a slow start to F19 but improved volumes were achieved in September and again in November during key event periods, however volumes have been soft through H2.
- Similar to Melbourne, marketing and selling to International customers remains challenging with the impact of revised protocols affecting volumes;
- YTD theoretical contribution is \$9.8m below budget with the ongoing challenges of getting business to Perth;
- The strong YTD program play win rate of 1.94% has resulted in a positive variance to theoretical of \$28.3m;



**AGENDA ITEM 4:**  
Crown Resorts Limited Four Year Financial Plan  
(F20 to F23) and F20 Budget



# Financial Plan & Budget

Financial Years 2020 - 2023

12 June 2019

# Crown Financial Plan F20 – F23

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# 1. Executive Summary

## 1.1. Introduction

F19 has been a challenging year with unanticipated weakness in key businesses including Melbourne and Perth Local Tables and VIP. Overall, the Perth market has remained subdued affecting all businesses, although much of this was expected.

Based on the poor F19 results, the key assumptions and initiatives that would underpin a long-term plan for the core business have been revised downward, particularly in light of recent soft trading performance and a more challenged near term macro-economic outlook.

Given these broad economic settings, the Strategic Plan for Crown over the next four years will focus on the following key objectives:

### **Restoring top line growth to the main Australian Local Businesses**

With the underlying business expected to continue to face challenging macro conditions in the near term, a range of initiatives have been identified which will stimulate demand and underpin growth in both Melbourne and Perth local businesses over the plan period. These include:

- *Investment in premium gaming venues*, particularly in Melbourne, with the objective of offering new, fresh gaming experiences to premium domestic customers to stimulate increased visitation and additional gaming spend. These investments include a premium non-smoking domestic gaming machine venue (in the existing JJ's space), a new premium table games venue (in the existing Club 23 space), conversion of Mahogany Room Pit 30 (currently premium table games area) into a Black gaming machine space and expansion of the non-smoking premium areas in Teak (following a successful introduction in F19). Expansion of the unrated premium Maple table games area will be further investigated and is included in the Plan for F21.
- *Additional investment in sales and marketing resources*, particularly in regional and interstate markets. With a slowing of local market gaming spend in Melbourne and Perth, the Plan includes a strategy to expand Crown's sales and marketing activities in New South Wales and Regional Victoria as well as to top tier gaming machine customers from Asia. In particular, additional sales staff have been added to the NSW team through F19 and an office and marketing suite in Pyrmont established to target the premium tables market in Sydney, capitalising on the temporary closure of the Sovereign Room and in anticipation of Crown Sydney opening in F21.
- *Continued investment in popular gaming machine titles*, utilising Crown's scale to have available popular individual game types, (for example, Crown has the largest single venue installation of Dragon Link / Cash and Lightning Link in the world, with approximately 800 machines) and including the addition of a dedicated Dragon Link gaming area in the west end of the Melbourne main gaming floor (Dragon Den). The program will see gaming machine replacement in Melbourne increase from the current product program of 7.5% per annum to above 20% (current Victorian competitor average ranges from 15% to 25%). Crown will also have a period for exclusive access to new CHILL Gaming Machines that will distinguish Crown from the competition and appeal to existing Crown customers. In Perth, gaining access to Lightning Link product in F20 as well as anticipated regulatory changes to game performance is expected to support a continuation of the current growth in Perth gaming machine revenues.
- *Regulatory changes to support marketing and product investment*. In response to the challenging market conditions, approaches have been made to regulators to obtain approval for favourable regulatory changes. These include lower front money requirements for interstate customers in

Melbourne to qualify for the concessional VIP gaming tax rate (approved); reduction in machine spin rates and simplified game mathematics in Perth; electronic transactions at tables, the cage and F&B outlets in Perth; Pearl Room guest policy and expanded gaming areas in Perth.

- *Utilising technology to improve marketing capability.* Mass visitation will be driven by improved marketing tools including an automated Data Management Platform while Rewards members communication will form part of the new Marketing Lifecycle Management project which will streamline and automate member communications with highly targeted offers and trigger based promotions.

### **Manage costs tightly**

In addition to the revenue enhancing initiatives described above, there remains a continued focus on reducing the cost base of the business. This work intensified following the China detentions in late 2016 and the slowing in the core domestic markets and has included:

- \$86.2m in cost savings was identified and implemented over the course of F18 including annual labour savings of circa \$60m (headcount 417) and a further \$26m in non-labour savings (including some asset sales).
- Since December 2018, due to the downturn in macro-economic conditions and the resulting poor trading conditions, a review across all areas of the business (including labour and non-labour savings) has identified savings amounting to circa \$20m annualised, particularly in the Table Games businesses, which have been weakest in F19. In the last six months, table open hours have reduced by 1,800 (6%) hours and 1,700 (10%) hours per week in Melbourne and Perth respectively.
- As a result of the work described above, FTE's across the Australian Resorts have reduced by 8% over the last two years.

Whilst the growth in the business must come from the revenue enhancing capital and Regulatory initiatives described above, a focus on cost efficiencies will continue indefinitely. In the near term negotiation of the major United Voice EA's will be under way with a goal of resetting the expectations of United Voice in Victoria to 3% or less (from historical expectations of 4% or more) and in WA, to an outcome of 2% or less. In both cases, avoiding the cost and disruption of industrial action.

### **Manage the VIP business having regard to a conservative operating model**

The VIP business is expected to see a return to growing volumes in F20 with a Crown presence to return to some Asian markets following risk assessments and in accordance with the approved operating model. It is expected that further risk assessments of additional Asian markets will be undertaken and in some cases will provide for a return of a Crown presence. However, the outlook for a subdued regional VIP market results in modest growth in the outer years of the Plan.

Based on public statements by Melco Resorts, there may be opportunities to work with their VIP and premium mass marketing teams however at this time no assessment has been made around the prospects for such an engagement.

### **Deliver the Crown Sydney Project and commence operations**

The Crown Sydney project team continues to report the expected delivery of the project on time and within the approved budget of \$2,158m with over 90% of the trade values contracted and 77% committed.

Apartment sales continue to progress well with approximately \$440m of contracted sales against a budget of \$850m and sales values in excess of the business plan.

Teams are now working actively on pre-opening planning for Crown Sydney. HR is a key priority with an expectation of around 2,200 headcount at opening (c.2,000 FTE). Key executives have been appointed: Peter Crinis (COO), Sean Knights (EGM Gaming) and interviews are currently underway for EGM Non-Gaming. Phase I of key hires have also been completed with: HR Manager, Engineering & Maintenance Manager, Senior Legal Counsel, Group GM of IT, Senior PR & Media Manager and Recruitment Manager all hired. Further recruitment phases are planned. Approximately 1,050 Crown Sydney employees will need to be licensed by Liquor & Gaming NSW. Management will work with the NSW regulator to agree licensing processes.

Gaming layouts have been finalised and the discussion around the potential utilisation of the ballroom has been concluded. Based on feedback from the Board around the desirability of the ballroom at opening together with a requirement for additional planning approval and the BDA's consent for reconfiguration of the space (which would result in the space not being available at opening) it was concluded that the ballroom would be the only practical initial use of the space. If gaming demand exceeds available table capacity post opening there may be a need for additional capex to reconfigure the space. The process to reconfigure the space after the lease is granted to Crown is much easier with no BDA consent required.

Decisions around restaurants have largely been concluded and documentation of leases is progressing.

#### **Create value from the Digital and technology assets**

Betfair continues to trade well despite regulatory headwinds and a reliance on technology support from Paddy Power Betfair plc. During F19 and for F20 Betfair has been able to, and will need to continue to, manage the full year impact of the new state based Point of Consumption (PoC) tax cost in F20 and grow earnings. This will largely be achieved through pricing and growth in the core exchange product.

DGN has encountered a significant slowing in the overall social casino game market during F19 following impressive growth through F18. As the market has matured and new (largely Chinese) entrants have aggressively taken market share, the existing players have struggled to manage user growth. Revenue growth is now largely driven by monetisation of existing customers. There have been examples in the industry of highly successful adjacent products with some slots features but more extensive social aspects. For DGN to compete it will need to manage marketing costs and profitability in the short term while at the same time investing a relatively modest amount in an innovative new product leveraging off the existing product architecture and customer base. Development of a third product is forecast to produce meaningful growth towards the end of the plan period. In the absence of a successful third product, it may be optimal to explore a divestment of DGN to an existing or potential new player in the social casino space.

Chill Gaming has invested substantial time to develop IP around highly differentiated electronic gaming machines. During F19 some product approvals in Australia and the US were obtained and some initial sales have been made. While a promising start, it will require a much more widespread implementation to determine the level of customer attraction with these products. F20 will be a critical year with Wymac (Australia/NZ) and IGT (rest of world) targeting to ramp-up sales.

Other technology/IP may represent opportunities to commercialise over the plan period including gaming machine software developed by Royal Gaming and corporate technology such as AUSTRAC reporting tools, RSG tools and the Genderfitness app.

#### **Deliver returns to shareholders**

The plan, if delivered, will allow Crown to comfortably maintain the dividend at a minimum of 60c per annum with franking of 60% (subject to the outcome of the Cannery litigation). No further share buy-backs have been incorporated into the Plan at this stage.



### **Manage cashflow and balance sheet to maintain a conservative level of gearing and efficient debt structure**

Australian base capex will remain at \$100m per annum through to the end of F21 and thereafter at circa \$125m including a base capex allowance for Crown Sydney.

A provision of \$36m of additional capex for major projects in Australia has been included in F20 to deliver returns in the local businesses in Melbourne and Perth. No further provision has been made for major project capex across the rest of the Plan period.

The only other major investments in the Plan period are the continued investments in Chill to underpin growth in the business and the DGN earn out in F21.

Crown will also have a more efficient debt portfolio from calling the AMTN in Nov 2019 and sub notes in July 2021 which eliminates Crown's most expensive sources of debt.

### **Continue to explore a potential sale of Crown Aspinalls (or manage the business for value)**

While discussions continue with a potential acquirer, there is no certainty of completion. Absent the current transaction completing, a formal process can be undertaken to assess whether there is a buyer for the business at an acceptable price. In the absence of a sale we will continue to operate the business as part of Crown's VIP network. The initiatives outlined above as part of the plan for the VIP business may provide some additional profitability for the UK business.

### **Develop strategies to capture value from other investments/associates**

Following a period of heightened regulatory activity in the UK (particularly around source of wealth) Aspers expects a relatively stable outlook for earnings. This is consistent with recent trading, particularly after the April 2019 changes to fixed odds betting terminal bet limits which has resulted in strong growth in Aspers electronic table games operations.

The Plan assumes a continuation of the current Aspers business, however in line with the previous recommended strategy presented to the Crown Board, opportunities to exit the Aspers business continue to be explored. A process to explore potential buyers for the provincial assets has so far been unsuccessful although a formal process with a financial adviser has just commenced. Given current uncertainty in the UK, prospects of concluding a transaction are not considered high.

We will continue to monitor Nobu's performance and explore potential exit opportunities should the circumstances be favourable.

We will also continue to explore options to undertake the Queensbridge Tower project provided residential risk is minimised and a fully funded project with modest additional Crown funding can be accomplished

### **Improve Crown's standing with key stakeholders and the Community**

Since 2011, Crown has had a comprehensive strategy to reinforce the favourable aspects of Crown's business to key organisations (Government, regulators, responsible gambling bodies and the media) and the general public. A key element of the strategy is to position Crown's Australian resorts as critical tourism infrastructure assets which help Melbourne, Perth and Sydney to compete with other domestic and international destinations for high net worth visitors. The strategy also highlights the significant economic, employment and other contributions Crown Resorts makes to local communities. The execution of this strategy was suspended in recent years although now has been reinstated.

Through lack of knowledge and the media's tendency to focus on negative stories, there is a potential for Crown to be seen as substantially a casino/gaming facility. There is therefore little appreciation of Crown's contribution to State economies, tourism jobs and supply chain benefits, training, sustainability and the Community through the work of the Crown Resorts Foundation.

There is also a lack of knowledge regarding our major commitment to and investment in Responsible Gaming.

In order to address this knowledge gap, over the course of the Plan, the following key initiatives will be undertaken:

- Crown tours and stakeholder information briefings;
- Promoting the work of the Crown Resorts Foundation;
- Industrial stakeholder relationship building;
- Stakeholder mailouts;
- Strategic partnerships with media organisations on relevant campaigns;
- Strategic corporate brand advertising; and
- Advocacy bodies - industry and tourism.

Key messages to be covered through the communications will include:

- Crown's contribution to the economy/tourism;
- Employment and training;
- Supply chain impact on Victorian/WA small businesses
- Crown's extensive and highly regarded diversity programmes including the Indigenous Employment Program, Crownability, LBGTIQ+, Gender diversity and family support
- Sustainability programmes such as CROWNEARTH;
- Crown Foundation and Community Champions;
- RSG –the Responsible Service of Gaming Centre and the use of facial recognition technology;
- Investment in technology and health programs to protect staff working in smoking exempt areas;
- The value of our International VIP Gaming operation and the importance of smoking exemptions; and
- Destination gaming vs convenience gaming.

## 1.2. Financial Forecast Overview

The key financial metrics can be summarised as:

### Earnings

Consolidated Profit & Loss	F19		F20		F21		F22		F23	
	Forecast		Forecast	Growth	Forecast	Growth	Forecast	Growth	Forecast	Growth
	A\$m		A\$m	%	A\$m	%	A\$m	%	A\$m	%
<b>EBITDA @ Theoretical</b>										
Melbourne - Local	538.3		548.9	2.0%	562.6	2.5%	586.8	4.3%	614.1	4.6%
Melbourne - V/P Program	69.2		65.1	(6.0%)	66.7	2.6%	66.8	0.1%	68.5	2.5%
Crown Melbourne	607.5		613.9	1.1%	629.3	2.5%	653.7	3.9%	682.6	4.4%
Perth - Local	221.0		221.9	0.4%	223.9	0.9%	229.0	2.3%	236.1	3.1%
Perth - VIP Program	(1.5)		5.4	452.1%	5.5	2.9%	5.6	1.7%	5.8	2.9%
Crown Perth	219.5		227.3	3.5%	229.4	0.9%	234.6	2.3%	241.9	3.1%
Crown Sydney	0.0		0.0	N/A	33.5	N/A	176.4	426.8%	221.0	25.3%
Crown Aspinalls	6.0		6.6	9.4%	6.9	5.0%	7.2	5.0%	7.6	5.0%
Wagering & Online										
Belfair	18.0		19.0	5.6%	20.8	9.2%	19.5	(6.3%)	21.6	11.0%
DGN	8.0		9.7	20.8%	8.0	(17.7%)	11.6	46.0%	19.1	64.6%
Other	(0.3)		(0.3)	13.7%	(0.3)	-	(0.3)	-	(0.3)	-
Corporate	(43.0)		(51.1)	(18.7%)	(57.9)	(13.4%)	(63.0)	(8.8%)	(65.0)	(3.2%)
<b>TOTAL EBITDA @ Theoretical</b>	<b>815.6</b>		<b>825.1</b>	<b>1.2%</b>	<b>869.5</b>	<b>5.4%</b>	<b>1,039.7</b>	<b>19.6%</b>	<b>1,128.6</b>	<b>8.6%</b>
Depreciation	(273.5)		(267.4)	2.2%	(291.6)	(9.0%)	(327.7)	(12.4%)	(329.4)	(0.5%)
<b>TOTAL EBIT @ Theoretical</b>	<b>542.2</b>		<b>557.7</b>	<b>2.9%</b>	<b>578.0</b>	<b>3.6%</b>	<b>711.9</b>	<b>23.2%</b>	<b>799.2</b>	<b>12.3%</b>
Interest	(10.5)		5.8	155.2%	(17.3)	(397.5%)	(36.5)	(111.3%)	(24.0)	34.1%
Taxation	(162.2)		(168.7)	(4.0%)	(167.8)	0.5%	(202.2)	(20.5%)	(232.1)	(14.8%)
Equity Accounted Result (ex MCE)	12.8		14.2	11.0%	17.5	22.9%	24.0	37.1%	27.5	14.7%
Minority Interest	(0.6)		(0.6)	4.5%	(0.1)	89.6%	0.0	100.0%	0.0	N/A
<b>Crown NPAT @ Theo (ex MCE)</b>	<b>381.7</b>		<b>408.4</b>	<b>7.0%</b>	<b>410.3</b>	<b>0.5%</b>	<b>497.2</b>	<b>21.2%</b>	<b>570.5</b>	<b>14.8%</b>

## Cash flow

	F18A	F19F	F20F	F21F	F22F	F23F
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Opening net debt/(cash)</b>	<b>308.6</b>	<b>(220.9)</b>	<b>104.5</b>	<b>701.5</b>	<b>447.6</b>	<b>213.4</b>
Theoretical EBITDA	896.5	815.6	825.1	869.5	1,039.7	1,128.6
Add/(Less): Variance from Theoretical	(103.7)	2.9	0.0	0.0	0.0	0.0
Reported EBITDA	792.9	818.5	825.1	869.5	1,039.7	1,128.6
Significant Items	(39.6)	(17.0)	(0.2)	0.0	0.0	0.0
Investing cashflows included in EBITDA	(2.8)	(11.6)	0.0	0.0	0.0	0.0
Adjusted EBITDA	750.5	789.9	824.9	869.5	1,039.7	1,128.6
Working Capital Movements	91.3	36.8	(18.0)	(49.1)	(45.9)	(20.7)
Australian Operations Maintenance Capital Expenditure	(84.4)	(100.8)	(100.0)	(100.0)	(100.0)	(100.0)
Aspinalls Capital Expenditure	(6.7)	(1.0)	(0.7)	(0.7)	(0.7)	(0.7)
Wagering and Online Capital Expenditure	(25.3)	(15.1)	(15.8)	(15.5)	(16.2)	(16.9)
Dividends Received from Associates	7.4	7.4	7.9	8.6	10.8	14.4
Net Interest	(79.9)	(50.4)	(59.5)	(62.1)	(32.9)	(18.3)
Taxation Payments	(59.3)	(75.3)	(206.9)	(256.3)	(173.8)	(223.3)
<b>Cashflow from Operating Activities</b>	<b>593.7</b>	<b>591.6</b>	<b>431.8</b>	<b>394.3</b>	<b>681.0</b>	<b>763.0</b>
Crown Sydney Capital Expenditure	(241.9)	(372.0)	(578.0)	280.9	(23.9)	(24.6)
Australian Operations Major Projects	24.2	(1.6)	(37.4)	0.0	0.0	0.0
Other investing cash flows	584.9	5.3	(7.1)	(15.0)	(2.6)	(2.0)
<b>Net Cashflow after Investments</b>	<b>961.0</b>	<b>223.3</b>	<b>(190.7)</b>	<b>660.2</b>	<b>654.5</b>	<b>736.4</b>
Dividends Paid	(413.3)	(409.0)	(406.3)	(406.3)	(406.3)	(406.3)
Share Buy-Back	(18.8)	(131.5)	0.0	0.0	0.0	0.0
MTM Gains/(Losses)	0.6	(8.3)	(0.0)	0.0	(14.1)	0.0
<b>Closing net debt/(cash)</b>	<b>(220.9)</b>	<b>104.5</b>	<b>701.5</b>	<b>447.6</b>	<b>213.4</b>	<b>(116.7)</b>

## Financial Ratios

	F18A	F19F	F20F	F21F	F22F	F23F
EBITDA/Net Interest	19.5x	77.6x	-142.1x	50.3x	28.5x	46.9x
Net Debt/EBITDA	-0.2x	0.1x	0.8x	0.5x	0.2x	-0.1x
Total Liabilities/Total Assets	37.0%	33.7%	31.4%	31.2%	25.5%	24.1%

## 1.3. F20 EBITDA Forecast

The Plan shows EBITDA growing in FY20 by \$9.5m from \$815.6m to \$825.1m with the following key movements:

- The Melbourne local business contribution growth of \$10.6m, is largely due to growth in table games (\$9.5m) and machines (\$5.4m) with other revenue departments adding \$1.6m in total (Hotel growth 1.7%, Other Non-Gaming growth of 4.1% offset by F&B decline of 3.6% due to the reconfiguration of Club 23 and TWR). These increases are partially offset by costs associated with increased legal risk and compliance costs (\$1.3m);
- The Perth local growth of \$0.9m, with revenue department earnings growth of \$7.2m largely coming from machines growth of \$7.6m with the rest of the operating areas declining by \$0.4m (Tables growth of \$0.2m, Conventions & Entertainment \$0.7m, Other Non-Gaming \$0.6m, Hotels flat and F&B declining by \$1.8m). These additional earnings will be partially offset by a \$6.3m increase in support department costs including security & surveillance costs (\$0.8m) and IT maintenance costs (\$0.4m);

- VIP at Australian resorts contribution will grow by \$2.8m (Melbourne decline \$4.1m, Perth increase by \$6.9m) due to one-off benefits in F19 not to be repeated in Melbourne offset by the cessation of the tax guarantee in Perth;
- Crown Aspinall's growth of \$0.1m with F19 being a challenging year across the High End London casino market and Crown Aspinalls experiencing a sharp decline in volumes in the Far East market. The F20 Budget assumes performance stabilises and Crown Aspinalls is able to grow off a new base
- Betfair to increase by \$1.0m due to growth in exchange revenue of 13% driven by core product growth and pricing adjustments and a decline in royalty expenses (\$3.1m) with a rate reduction from 10% to 5% upon reaching the end of the 5 year contractual period in August 2019. Partially offsetting this is a reduction in premium charge revenue (15%) with a slow down in activity from the number one customer and increased point of consumption taxes (\$4.3m) reflecting the full year impact of new taxes introduced across various States.
- DGN to increase by \$1.7m due to increased contribution of Lucky Time Slots with a decision to cut marketing spend on user acquisition, due to not currently seeing the return on spend expected. Partially offsetting this is a decline in contribution from OVS as the marketing budget is increased to drive top-line growth following the release of a new meta-feature (targeting August 2019)
- Corporate costs will increase by \$8.0m due to a 3% growth in underlying costs, and higher directors and officers insurance (\$0.3m) and Crown Foundation costs (\$1.2m). The F19 forecast includes a \$6m one-off benefit in relation to an Alon distribution.

#### 1.4. F20 Australian Resorts Major Project Capex

- As described in further detail elsewhere in this Plan, a range of initiatives have been identified which will stimulate demand and underpin growth in both Melbourne and Perth local businesses over the plan period. The initiatives requiring growth capex across Melbourne and Perth are set out in the table below:

	Estimated timing of implementation	Capex cost (A\$m)	Indicative contribution (A\$m)			
			F20	F21	F22	F23
<b>Melbourne</b>						
Club 23 conversion into premium gaming	H2 F20	6.7	2.0	3.5	3.6	3.7
Additional EGM capex	F20	7.0	1.5	3.0	3.1	3.2
Repositioning of JJ's to Platinum and Black salon	Q4 F20	8.0	0.7	2.7	2.7	2.8
Convert Pit 30 into expanded Black Salon	F21	3.4	0.0	1.3	1.3	1.3
Additional Teak room non-smoking	H2 F20	1.7	0.5	0.8	0.8	0.8
Terminate Dinner agreement: Tenant outlet	F21	0.5	0.0	0.9	0.9	0.9
<b>Sub-total</b>		<b>27.3</b>	<b>4.7</b>	<b>12.2</b>	<b>12.4</b>	<b>12.7</b>
<b>Perth</b>						
Reduction in machine spin rates (5 sec to 3 sec)	H2 F20	2.0	2.0	6.0	7.5	7.6
eTG Expansion & Enhancement	H2 F20	1.6	0.3	0.8	0.8	0.8
Theatre Bar Grab n Go	H2 F20	0.9	0.1	0.3	0.3	0.3
Tap n Go capability at the table and / or TRT	H2 F20	0.3	1.0	2.5	3.5	5.0
Allow gaming in non-gaming spaces	H2 F20	0.3	0.1	0.3	0.3	0.3
<b>Sub-total</b>		<b>5.0</b>	<b>3.5</b>	<b>9.8</b>	<b>12.3</b>	<b>13.9</b>
<b>Australian Resorts</b>						
Marketing lifecycle customer management initiatives	H2 F20	4.1	1.0	5.0	5.1	5.3
<b>Sub-total</b>		<b>4.1</b>	<b>1.0</b>	<b>5.0</b>	<b>5.1</b>	<b>5.3</b>
<b>Total Australian Resorts</b>						
<b>Total Australian Resorts</b>		<b>36.4</b>	<b>9.1</b>	<b>26.9</b>	<b>29.8</b>	<b>31.9</b>

## 2. Financial Forecasts

### 2.1. Macro Assumptions and Risks

Key macro assumptions:

- F19 has been a challenging year with unanticipated weakness in key businesses including Melbourne and Perth Local Tables and VIP. Overall the Perth market has remained subdued affecting all businesses, although much of this was expected.
- Based on the poor F19 results the key assumptions and initiatives that would underpin a long-term plan for the core business have been revised downward, particularly in light of recent soft trading performance and a more challenged near term macro-economic outlook.
- With the underlying business expected to continue to face challenging macro conditions in the near term, a range of initiatives have been identified which will stimulate demand and underpin growth in both Melbourne and Perth local businesses over the plan period. These initiatives are described further in the sections below.
- In addition to the revenue enhancing initiatives described above, a significant amount of work has been undertaken to reduce the cost base of the business over the last two or so years since the China matter in late 2016 and the subsequent subdued trading period in recent times.
- In the period from October 2016 to June 2017 (pursuant to the China matter and as presented to the Board in June 2017) a total of \$86.2m in cost savings was identified and implemented over the course of the following year (F18). These initiatives included annual labour savings of circa \$60m (headcount 417) and a further \$26m in non-labour savings (including some asset sales) across all parts of the business including Marketing, VIP operations, IT, Procurement and Corporate;
- Whilst the focus on cost savings and improvement opportunities continued throughout, a more concerted effort has been undertaken again since December 2018 due to the downturn in macro-economic conditions and the resulting poor trading conditions;
- Once again these more recent efforts consisted of a review across all areas of the business and included labour and non-labour savings amounting to circa \$20m annualised although the benefit to F19 was circa \$41m as it included a number of one-off benefits such as delays in recruitment, rationalising marketing spend and the write back of the STIP provision across the Group (\$15m);
- The above efforts included in-depth reviews and reductions in table open hours, particularly due to tables performance across both properties, although the extent to which open hours could be reduced was impacted somewhat by the issue being largely due to reduced spend per visit with visitation stats to the properties improving. In the last six months table open hours have reduced by 1,800 (6%) hours and 1,700 (10%) hours per week in Melbourne and Perth respectively;
- As a result of the work described above, FTE's across the Australian Resorts have reduced by 8% over the last two years;
- Whilst the growth in the business must come from the revenue enhancing capital and Regulatory initiatives described above and throughout this document, a focus on cost efficiencies will continue indefinitely.

- The current conservative approach in relation to VIP marketing activities will continue with comprehensive risk analyses being undertaken in each market before a decision is taken to undertake marketing activities in the relevant markets.
- No significant constraints from regulation of online gaming

Risks to the plan will come predominantly from:

- Further deterioration in regulation of funds flows in China or a marked deterioration in the Chinese economy
- Further deterioration in macro-economic conditions
- Regulatory intervention from Federal Govt, WA Govt or Vic Govt (despite regulatory certainty/compensation for Crown Melbourne)
- The potential impact of the Federal Government's planned restriction of cash transactions to less than \$10k for goods and services;

Upsides to the plan may come from:

- Favourable outcomes from regulatory improvements
- Favourable changes on capital constraints around Chinese funds flows
- Improvements in consumer sentiment

## 2.2. Financial Assumptions

### CONTROLLED OPERATIONS

- Crown's EBITDA forecasts have been prepared using the proposed F20 EBITDA budgets prepared by the management of Crown Melbourne, Crown Perth, Crown Aspinall's and the Wagering/Online businesses as a starting point together with projected earnings growth for the F21 – F23 period based on capex programmes, improvement initiatives, international and local marketing programmes, product innovation as well as projected growth rates in the respective markets; and
- The key assumptions for each business are set out in greater detail in Sections 3-7.

### JOINT VENTURES

- EBITDA for Aspers in the plan has been adopted based on the forecasts prepared by Aspers management;
- Nobu results in the plan have been adopted based on F20 budget prepared by Nobu management. F21-F23 forecasts reflect anticipated growth rates and restaurant/hotel openings; and
- Chill Gaming results have been adopted based on F20 budgets and F21-F23 forecasts prepared by Chill management.

#### CROWN SYDNEY

- Construction costs, apartment sale proceeds and timing are per the latest forecasts prepared by the Sydney project office in May 2019
- Pre-opening costs of \$60m have been included in the construction costs for Crown Sydney. Whilst these have been shown as Crown Sydney capital expenditure in the Financial Plan and cashflow reports, they will be disclosed as expenses in the P&L when incurred (current forecast has \$7.6m in F20 and \$52.4m in F21). Given the nature and size of these expenses Crown will classify them as significant items (net of tax) in its statutory P&L. The property is forecast to open in February 2021 and generate EBITDA of \$33.5m in F21 (part year) and \$176.4m in F22. The plan assumes the base project case EBITDA of \$221m is achieved in F23. No synergy benefits have been assumed.

#### QUEENSBRIDGE

- The plan assumes a \$2m per annum holding cost for the Queensbridge land.

#### EQUITY

- Total shares on issue at the end of May 2019 were 677.2 million, with Crown having bought back 10.3m shares at an average price of \$12.77 per share during F19.
- The plan assumes no further share buy-backs throughout the plan period, with the forecast number of shares on issue anticipated to remain at 677.2 million.

#### DEBT

##### *Refinancing*

The plan assumes that the following debt refinancing activities are undertaken:

Item	Action	Date
November 2014 AMTN	Remaining Notes (\$259m) settled at face value	November 2019
AUD Syndicated Facility	New \$600m AUD syndicated facility put in place to replace AMTN, fund Sydney capital expenditure and maintain \$500m minimum liquidity	November 2019
GBP Syndicated Facility	Refinanced with a new £50m facility at maturity to retain liquidity and ability to borrow in GBP	August 2020
Subordinated Notes B	All outstanding notes (\$630m) repaid on maturity at face value through use of bank debt and available cash	July 2021

Based on the current plan Crown will require additional debt facilities in November 2019 to repay the November 2014 AMTN, and fund the Crown Sydney development. Crown is currently working with lead banks to commence discussions around the facility, including bank composition, tenor and likely interest rates. Other than this refinancing, the financial plan does not forecast any major refinancing requirements over the plan period, with current bank facilities refinanced at maturity and capital market debt repaid.

#### **Drawn and Undrawn Debt Facilities**

The table below shows forecast gross and net debt, cash balances and liquidity levels for F19 – F23.

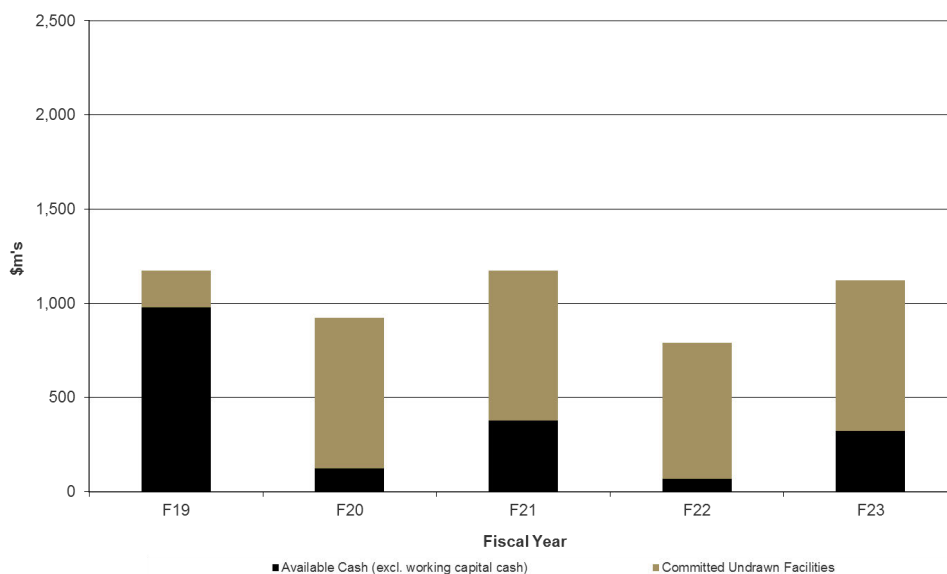
Summary of AUD Net Position as at (\$m)	Jun-19	Jun-20	Forecast		
			Jun-21	Jun-22	Jun-23
<b>Cash</b>					
Crown Group Securities	17.8	17.8	17.8	17.8	17.8
Other Cash Balances	1,115.9	260.1	513.2	204.5	461.7
<b>Total Cash</b>	<b>1,133.7</b>	<b>277.9</b>	<b>531.1</b>	<b>222.3</b>	<b>479.5</b>
less Working Capital/Restricted Cash	(155.0)	(155.0)	(155.0)	(155.0)	(155.0)
<b>Available Cash</b>	<b>978.7</b>	<b>122.9</b>	<b>376.1</b>	<b>67.3</b>	<b>324.5</b>
Undrawn Facilities	196.2	797.9	797.9	724.9	797.9
<b>Available Liquidity</b>	<b>1,174.9</b>	<b>920.8</b>	<b>1,174.0</b>	<b>792.3</b>	<b>1,122.4</b>
<b>Borrowings</b>					
GBP Syndicated Facility	0.0	0.0	0.0	0.0	0.0
Crown Group Securites	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
DGN Shareholder Loan	(1.0)	(1.1)	0.0	0.0	0.0
HKD Program Play Overdraft/Bills	(13.1)	(13.1)	(13.1)	(13.1)	(13.1)
AUD Syndicated Facilities	0.0	0.0	0.0	(73.0)	0.0
AMTN Programme	(259.1)	0.0	0.0	0.0	0.0
Subordinated Notes	(615.4)	(615.6)	(615.9)	0.0	0.0
Euro Medium Term Notes (Yen Deal)	(174.6)	(174.6)	(174.6)	(174.6)	(174.6)
<b>Total Borrowings (AUD)</b>	<b>(1,083.2)</b>	<b>(824.5)</b>	<b>(823.7)</b>	<b>(280.8)</b>	<b>(207.8)</b>
<b>AUD Net Cash/(Debt) Position</b>	<b>(104.5)</b>	<b>(701.5)</b>	<b>(447.6)</b>	<b>(213.4)</b>	<b>116.7</b>

#### **Liquidity**

The following graph shows the forecast composition of total available liquidity (excluding working capital cash) for F19 through to F23.



### Forecast Liquidity Composition

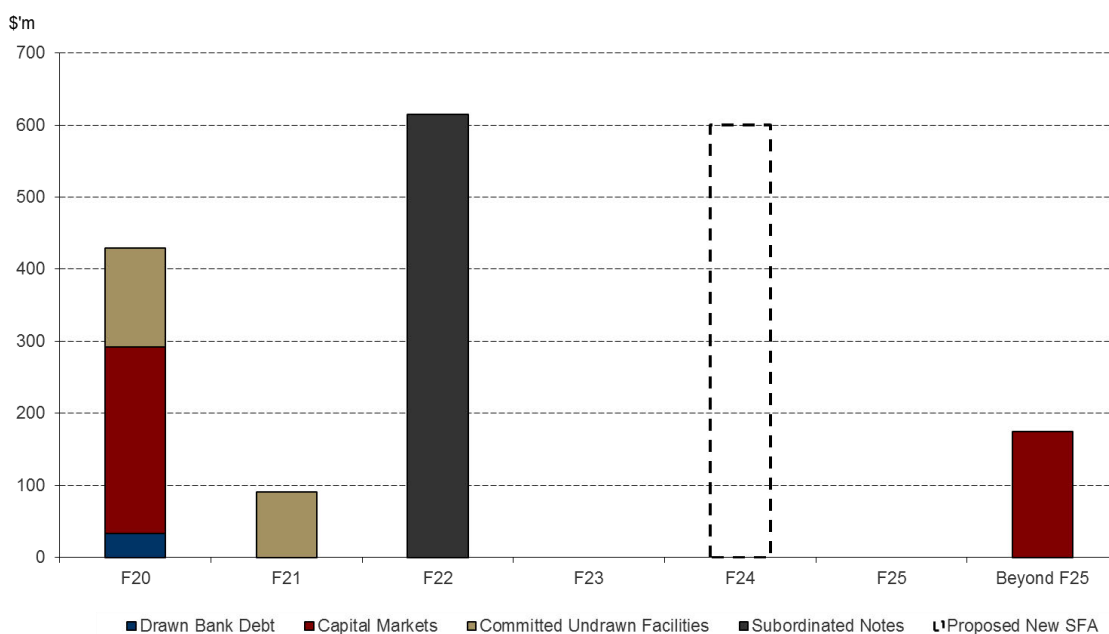


The graph above shows forecast liquidity remains well above the minimum \$500m at the end of each financial year. During F21 and F22, forecast liquidity will reduce to \$540m due to Sydney funding in F21 and repayment of subordinated notes in F22, before increasing by the end of each financial year.

### Maturity Profile

The graph below illustrates the proforma forecast maturity profile as at 30 June 2019 assuming the Subordinated Notes are called on their first call date and inclusive of the new syndicated facility that will be entered into during early F20.

Crown Resorts Limited Debt Profile - 30 June 2019 proforma



### Borrowing Costs

Net interest expense is forecast to decrease from \$10.5m in F19 to net interest income of \$5.8m in F20 due to increased capitalised interest for Crown Sydney.

Interest expense - A\$m	F20			F21			F22			F23		
	Average Amount	Interest Rate	Interest Expense	Average Amount	Interest Rate	Interest Expense	Average Amount	Interest Rate	Interest Expense	Average Amount	Interest Rate	Interest Expense
<b>Bank Debt</b>												
ANZ Bilateral - Crown Securities	(20.0)	3.550%	(0.7)	(20.0)	3.550%	(0.7)	(20.0)	3.800%	(0.8)	(20.0)	4.050%	(0.8)
AUD Syndicated Facilities	0.0	3.500%	0.0	(111.9)	3.550%	(4.0)	(128.9)	3.800%	(4.9)	0.0	4.000%	0.0
HKD Facility	(13.1)	2.650%	(0.3)	(13.1)	2.650%	(0.3)	(13.1)	2.650%	(0.3)	(13.1)	2.650%	(0.3)
<b>Total Bank Debt</b>	<b>(33.1)</b>		<b>(1.1)</b>	<b>(145.1)</b>		<b>(5.0)</b>	<b>(162.1)</b>		<b>(6.0)</b>	<b>(33.1)</b>		<b>(1.2)</b>
<b>Capital Markets</b>												
AMTN (Nov 2019)	(87.3)	4.50%	(3.9)	0.0	4.50%	0.0	0.0	4.50%	0.0	0.0	4.50%	0.0
Subordinated Notes II (Apr 21 Call Rate)	(630.0)	6.000%	(37.8)	(630.0)	6.000%	(37.8)	(105.0)	6.250%	(6.6)	0.0	6.500%	0.0
Subordinated Notes Interest Rate Swaps	(200.0)	0.551%	(1.1)	(100.8)	0.551%	(0.6)	0.0	0.301%	0.0	0.0	0.051%	0.0
EMTN	(174.6)	7.20%	(12.6)	(174.6)	7.20%	(12.6)	(174.6)	7.20%	(12.6)	(174.6)	7.20%	(12.6)
<b>Total Capital Markets</b>	<b>(891.9)</b>		<b>(55.4)</b>	<b>(804.6)</b>		<b>(50.9)</b>	<b>(279.6)</b>		<b>(19.1)</b>	<b>(174.6)</b>		<b>(12.6)</b>
<b>Total Debt</b>	<b>(925.1)</b>	<b>6.1%</b>	<b>(56.5)</b>	<b>(949.7)</b>	<b>5.9%</b>	<b>(56.0)</b>	<b>(441.7)</b>	<b>5.7%</b>	<b>(25.1)</b>	<b>(207.8)</b>	<b>6.6%</b>	<b>(13.7)</b>
<b>Fees</b>												
AUD SFA Commitment Fees	(418.5)	0.75%	(3.1)	(506.5)	0.75%	(3.8)	(495.7)	0.75%	(3.7)	(618.5)	0.75%	(4.6)
GBP SFA Fees	(92.6)	0.35%	(0.3)	(92.6)	0.35%	(0.3)	(92.6)	0.35%	(0.3)	(92.6)	0.35%	(0.3)
LC Fees	(216.5)	1.30%	(2.8)	(216.5)	1.30%	(2.8)	(216.5)	1.30%	(2.8)	(216.5)	1.30%	(2.8)
Line Fees	(100.0)	0.55%	(0.6)	(100.0)	0.55%	(0.6)	(100.0)	0.55%	(0.6)	(100.0)	0.55%	(0.6)
Crown Melbourne Licence Fee Interest			(4.7)			(4.9)			(5.0)			(5.2)
Refinance and Other Fees (incl. rating, legal, bank fees)			(5.0)			(5.1)			(2.7)			(2.3)
<b>Total</b>	<b>(827.6)</b>		<b>(16.5)</b>	<b>(915.7)</b>		<b>(17.5)</b>	<b>(904.8)</b>		<b>(15.2)</b>	<b>(1,027.6)</b>		<b>(15.8)</b>
<b>Total Interest Expense &amp; Fees</b>			<b>(73.0)</b>			<b>(73.4)</b>			<b>(40.3)</b>			<b>(29.6)</b>
<b>Less: Capitalised Interest</b>			<b>69.1</b>			<b>53.4</b>			<b>0.0</b>			
<b>Total Interest Expense - P&amp;L</b>			<b>(3.9)</b>			<b>(20.0)</b>			<b>(40.3)</b>			<b>(29.6)</b>
<b>Interest income - A\$m's</b>												
A\$ cash (excludes non interest bearing cash of A\$155m)	483.7	2.00%	9.7	137.7	2.00%	2.8	169.3	2.25%	3.8	221.1	2.50%	5.5
<b>Total</b>			<b>9.7</b>			<b>2.8</b>			<b>3.8</b>			<b>5.5</b>
<b>Net interest</b>			<b>5.8</b>			<b>(17.3)</b>			<b>(36.5)</b>			<b>(24.0)</b>

### Risk Management

The forecast composition of Crown's fixed and floating rate debt as at 30 June 2019 is set out below:

Fixed & Floating Debt 30 June 2019	Drawn Amount (\$m)	Base Rate	Margin	All in Cost
<b>Floating Rate Debt</b>				
Subordinated Notes	415.4	1.85%	4.00%	5.85%
HKD MOF Facility	13.1	1.92%	0.65%	2.57%
ANZ Bilateral (Crown Securities)	20.0	1.74%	1.40%	3.14%
<b>Sub Total</b>	<b>448.5</b>	<b>1.85%</b>	<b>3.79%</b>	<b>5.63%</b>
<b>Fixed Rate Debt</b>				
Subordinated Notes	200.0	2.55%	4.00%	6.55%
EMTN	174.6	7.20%	0.00%	7.20%
AMTN	259.1	4.50%	0.00%	4.50%
DGN Shareholder Loan	1.0	8.50%	0.00%	8.50%
<b>Sub Total</b>	<b>634.7</b>	<b>4.64%</b>	<b>1.26%</b>	<b>5.90%</b>
<b>Total</b>	<b>1,083.2</b>	<b>3.48%</b>	<b>2.31%</b>	<b>5.79%</b>

Fixed rate debt comprises 58.6% of the Group's debt portfolio, which is within the range of 40%-70% as prescribed in the Crown Resorts Treasury Policy. This is forecast to decrease to 45.6% post the repayment of the AMTN in November 2019.

#### DIVIDENDS

Consistent with the latest Crown Resorts dividend policy, forecast dividends remain at 60c per share for the forecast period.

#### EXCHANGE RATES

Assumed exchange rates for the forecast period are:

- AUD / USD 0.7000
- AUD / GBP 0.5400

#### TAX

- A tax rate of 30% has been forecast for the duration of the plan period.
- The Plan assumes that the ATO Cannery dispute will be settled at the amount already paid to the ATO under the 50/50 arrangement notwithstanding that the matter is currently before the Court. Therefore, the plan assumes no further payments or receipts from the ATO in relation to this matter.

## 2.3. Financial Projections

<b>Crown Resorts Limited</b> F20-F23 Financial Plan - 28 May 2019	<b>FY16</b> Actual	<b>FY17</b> Actual	<b>FY18</b> Actual	<b>FY19</b> Forecast	<b>FY20</b> Forecast	<b>FY21</b> Forecast	<b>FY22</b> Forecast	<b>FY23</b> Forecast
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>PROFIT AND LOSS SUMMARY</b>								
<b>EBITDA</b>	878	839	897	816	825	870	1,040	1,129
Less: Depreciation	(283)	(297)	(288)	(273)	(267)	(292)	(328)	(329)
<b>EBIT</b>	595	542	611	542	558	578	712	799
Net interest expense	(142)	(102)	(48)	(11)	6	(17)	(36)	(24)
<b>Net profit before tax and Equity Results</b>	453	441	565	532	563	561	675	775
Tax expense	(94)	(138)	(176)	(162)	(169)	(168)	(202)	(232)
<b>Net profit after tax and before Equity Results</b>	359	302	389	369	395	393	473	543
Equity accounted profit	57	44	9	13	14	17	24	27
<b>Normalised NPAT before Minority Interest (1)</b>	416	346	398	382	409	410	497	571
Add/Less Minority Interest	5	5	1	(1)	(1)	(0)	0	0
<b>Normalised NPAT after Minority Interest (1)</b>	421	351	400	382	408	410	497	571
Tax % of NFBT	20.7%	31.4%	31.1%	30.5%	29.9%	29.9%	29.9%	29.9%
(1) At theoretical win rates (1.40% from FY14 onwards) and before Significant ("Abnormal") Items								
<b>EBITDA BREAKDOWN</b>								
<b>EBITDA</b>	563.2	552.6	560.4	538.3	548.9	562.6	586.8	614.1
Crown Melbourne Local	127.3	44.0	99.7	69.2	65.1	66.7	66.8	68.5
Crown Melbourne V/P	261.4	244.6	241.6	221.0	221.9	223.9	229.0	236.1
Crown Perth Local	3.2	3.4	10.3	(1.5)	5.4	5.5	5.6	5.8
Crown Perth V/P	0.0	0.0	0.0	0.0	0.0	33.5	176.4	221.0
Crown Sydney	26.5	26.6	12.0	6.0	6.6	6.9	7.2	7.8
Crown Spinalis	(14.3)	3.8	4.9	0.0	0.0	0.0	0.0	0.0
CrownBet	5.0	11.7	17.1	18.0	19.0	20.8	19.5	21.5
Bettair	3.8	1.8	6.5	8.0	9.7	8.0	11.6	19.1
DGN Games	0.0	(2.6)	(1.7)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Other Wagering/Online	(98.5)	(47.1)	(54.4)	(43.0)	(51.1)	(57.9)	(63.0)	(65.0)
Corporate								
<b>Total EBITDA</b>	<b>877.5</b>	<b>838.9</b>	<b>896.5</b>	<b>815.6</b>	<b>825.1</b>	<b>869.5</b>	<b>1,039.7</b>	<b>1,128.6</b>
<b>CASH FLOW SUMMARY</b>								
<b>Opening net debt</b>	2,465	1,963	309	(221)	105	702	448	214
Theoretical EBITDA	878	839	897	816	825	870	1,040	1,129
Add/(Less): Variance from Theoretical	(16)	(49)	(104)	3	0	0	0	0
Reported EBITDA	861	790	793	819	825	870	1,040	1,129
Significant Items	(52)	(43)	(40)	(17)	(0)	0	0	0
Investing cashflows included in EBITDA	(12)	(3)	(3)	(12)	0	0	0	0
Adjusted EBITDA	797	744	751	790	825	870	1,040	1,129
Working Capital Movements	19	(63)	91	37	(18)	(49)	(46)	(21)
Australian Operations Maintenance Capital Expenditure	(101)	(101)	(84)	(101)	(100)	(100)	(100)	(100)
Spinalis Capital Expenditure	(1)	(4)	(7)	(1)	(1)	(1)	(1)	(1)
Wagering and Online Capital Expenditure	(27)	(26)	(25)	(15)	(16)	(15)	(16)	(17)
Dividends Received from Associates	184	69	7	7	8	9	11	14
Net Interest	(188)	(184)	(80)	(50)	(60)	(62)	(33)	(18)
Taxation Payments	(345)	(108)	(59)	(75)	(207)	(256)	(174)	(223)
<b>Cashflow from Operating Activities</b>	<b>337</b>	<b>346</b>	<b>594</b>	<b>592</b>	<b>432</b>	<b>394</b>	<b>681</b>	<b>763</b>
Crown Sydney Capital Expenditure	(24)	(156)	(242)	(372)	(679)	201	(24)	(25)
Australian Operations Major Projects	(323)	(52)	24	(2)	(37)	0	0	0
Other investing cash flows	890	3,131	585	5	(7)	(15)	(3)	(2)
<b>Net Cashflow after Investments</b>	<b>879</b>	<b>3,268</b>	<b>961</b>	<b>223</b>	<b>(191)</b>	<b>680</b>	<b>655</b>	<b>736</b>
Dividends Paid	(379)	(1,111)	(413)	(409)	(406)	(406)	(406)	(405)
Share Buy-Back	0	(500)	(19)	(132)	0	0	0	0
Net Gain / (Loss) on FX Translation	1	(3)	1	1	0	0	0	0
MTM Gain/(Loss) on Debt	2	(0)	0	(9)	(0)	0	(14)	0
<b>Closing net debt</b>	<b>1,963</b>	<b>309</b>	<b>(221)</b>	<b>105</b>	<b>702</b>	<b>448</b>	<b>214</b>	<b>(117)</b>
<b>Net debt / EBITDA</b>	<b>2.24x</b>	<b>0.37x</b>	<b>-0.25x</b>	<b>0.13x</b>	<b>0.85x</b>	<b>0.51x</b>	<b>0.21x</b>	<b>-0.10x</b>
<b>MAJOR PROJECT SUMMARY</b>								
Crown Sydney Annual Spend	(24)	(156)	(271)	(422)	(605)	(454)	0	0
Crown Sydney Cumulative Spend	(249)	(406)	(676)	(1,098)	(1,704)	(2,158)	(2,158)	(2,158)
Crown Sydney Spend Remaining	1,909	1,752	1,481	1,059	454	0	0	0
Crown Sydney Apartment Sale Proceeds	0	0	29	50	28	744	0	0

<b>Crown Resorts Limited</b>			<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
<b>F20-F23 Financial Plan - 28 May 2019</b>			<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
			<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>PROFIT AND LOSS</b>										
<b>Revenue</b>										
Crown Melbourne	2,337.5	2,007.4	2,301.0	2,172.0	2,265.6	2,340.3	2,418.0	2,506.7		
Crown Perth	928.5	834.1	848.3	797.5	811.7	827.4	847.5	870.4		
Crown Aspinalls	108.2	99.8	64.4	56.9	62.5	65.1	67.9	70.7		
Crown Sydney	0.0	0.0	0.0	0.0	0.0	286.7	1,046.4	1,198.0		
CrownBet	169.5	224.0	186.0	0.0	0.0	0.0	0.0	0.0		
Betfair	54.0	61.5	70.1	83.7	92.6	99.9	102.7	110.2		
DGN Games	23.5	17.8	26.1	31.7	28.1	46.0	57.6	66.8		
Other Wagering & Online	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0		
Corporate	12.3	3.3	4.5	0.1	0.0	0.0	0.0	0.0		
<b>Total Revenue</b>	<b>3,634.5</b>	<b>3,247.9</b>	<b>3,500.6</b>	<b>3,141.9</b>	<b>3,260.6</b>	<b>3,665.4</b>	<b>4,540.1</b>	<b>4,822.8</b>		
<b>Expenses (excl. depreciation)</b>										
Crown Melbourne	1,647.0	1,410.8	1,640.8	1,564.5	1,651.7	1,711.0	1,764.3	1,824.1		
Crown Perth	666.0	596.2	596.5	578.0	584.4	598.0	612.9	628.5		
Crown Aspinalls	81.7	73.2	52.4	50.9	56.0	58.3	60.7	63.2		
Crown Sydney	0.0	0.0	0.0	0.0	0.0	253.2	870.0	977.0		
CrownBet	183.7	220.2	181.1	0.0	0.0	0.0	0.0	0.0		
Betfair	49.0	49.8	53.0	65.7	73.6	79.2	83.2	88.6		
DGN Games	19.6	16.0	19.6	23.7	18.5	38.1	46.0	47.7		
Other Wagering & Online	0.0	2.6	1.8	0.3	0.3	0.3	0.3	0.3		
Corporate	110.8	50.4	58.9	43.1	61.1	67.0	83.0	85.0		
<b>Total Expenses</b>	<b>2,756.9</b>	<b>2,409.1</b>	<b>2,604.0</b>	<b>2,326.3</b>	<b>2,435.6</b>	<b>2,795.9</b>	<b>3,500.4</b>	<b>3,694.3</b>		
<b>EBITDA</b>										
Crown Melbourne	690.5	596.6	660.2	607.5	613.9	629.3	653.7	682.6		
Crown Perth	264.5	247.9	251.9	219.5	227.3	229.4	234.6	241.9		
Crown Aspinalls	26.6	26.6	12.0	6.0	6.6	6.0	7.2	7.6		
Crown Sydney	0.0	0.0	0.0	0.0	0.0	33.5	176.4	221.0		
CrownBet	(14.3)	3.8	4.9	0.0	0.0	0.0	0.0	0.0		
Betfair	5.0	11.7	17.1	18.0	19.0	20.8	19.5	21.6		
DGN Games	3.8	1.8	6.5	8.0	9.7	8.0	11.6	19.1		
Other Wagering & Online	0.0	(2.6)	(1.7)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)		
Corporate	(98.5)	(47.1)	(54.4)	(43.0)	(51.1)	(57.9)	(63.0)	(65.0)		
<b>Total EBITDA</b>	<b>877.5</b>	<b>838.9</b>	<b>896.5</b>	<b>815.6</b>	<b>825.1</b>	<b>889.5</b>	<b>1,039.7</b>	<b>1,128.6</b>		
<b>Depreciation</b>										
Crown Melbourne	194.1	188.6	177.5	175.1	171.8	169.1	166.1	162.5		
Crown Perth	66.6	79.0	67.0	65.3	61.5	62.7	64.0	65.2		
Crown Aspinalls	1.2	0.9	1.9	2.9	2.9	3.1	3.2	3.4		
Crown Sydney	-	-	-	-	-	24.1	60.6	63.1		
CrownBet	10.0	15.0	8.7	-	-	-	-	-		
Betfair	5.2	5.8	3.4	2.7	2.2	2.4	2.4	2.4		
DGN Games	0.6	1.7	2.7	3.5	5.4	6.6	7.9	9.2		
Other Wagering & Online	-	-	-	-	-	-	-	-		
Corporate	4.8	5.3	4.6	4.0	3.5	3.6	3.6	3.6		
<b>Total depreciation</b>	<b>282.8</b>	<b>296.8</b>	<b>285.9</b>	<b>273.5</b>	<b>267.4</b>	<b>291.6</b>	<b>327.7</b>	<b>329.4</b>		
<b>EBIT</b>										
Crown Melbourne	496.4	408.0	482.7	432.4	442.1	460.2	487.6	520.1		
Crown Perth	197.7	168.3	164.9	134.2	145.8	146.7	150.6	156.7		
Crown Aspinalls	25.3	25.6	10.1	3.1	3.6	3.8	4.0	4.2		
Crown Sydney	0.0	0.0	0.0	0.0	0.0	9.4	115.7	157.9		
CrownBet	(24.3)	(11.2)	(3.8)	0.0	0.0	0.0	0.0	0.0		
Betfair	(0.3)	6.1	13.7	15.3	16.8	18.4	17.1	18.2		
DGN Games	3.3	0.1	3.8	4.5	4.3	1.3	3.7	9.9		
Other Wagering & Online	0.0	(2.6)	(1.7)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)		
Corporate	(103.3)	(52.3)	(59.0)	(47.0)	(54.6)	(61.5)	(66.5)	(68.5)		
<b>Total EBIT</b>	<b>594.8</b>	<b>542.1</b>	<b>610.7</b>	<b>542.2</b>	<b>567.7</b>	<b>576.0</b>	<b>711.9</b>	<b>799.2</b>		
<b>Equity results</b>										
Aspers	-	5.3	7.7	7.0	7.0	6.8	7.6	7.4		
Nobu	4.3	6.4	7.2	7.2	8.2	9.1	11.6	13.2		
Draftstars	(2.6)	(4.8)	(2.1)	-	-	-	-	-		
Chill Gaming	-	-	(0.4)	(1.4)	(1.0)	1.5	4.8	6.9		
Zengaming	(0.1)	(0.5)	(0.3)	-	-	-	-	-		
Ellerston	(3.0)	(5.2)	(2.8)	-	-	-	-	-		
<b>Total equity results</b>	<b>56.7</b>	<b>43.7</b>	<b>9.3</b>	<b>12.6</b>	<b>14.2</b>	<b>17.5</b>	<b>24.0</b>	<b>27.5</b>		
<b>Net interest</b>										
	(141.6)	(101.6)	(46.0)	(10.5)	5.8	(17.3)	(36.5)	(24.0)		
<b>Profit before tax</b>	<b>509.9</b>	<b>484.2</b>	<b>574.0</b>	<b>544.5</b>	<b>577.7</b>	<b>578.2</b>	<b>699.4</b>	<b>802.7</b>		
<b>Tax expense</b>										
	(93.7)	(138.4)	(175.6)	(162.2)	(168.7)	(167.8)	(202.2)	(232.1)		
<b>Normalised NPAT before Minority Interest (1)</b>	<b>416.2</b>	<b>345.9</b>	<b>398.4</b>	<b>382.3</b>	<b>409.0</b>	<b>410.3</b>	<b>497.2</b>	<b>570.5</b>		
<b>Add/Less Minority Interest</b>										
	5.2	4.9	1.2	(0.6)	(0.6)	(0.1)	0.0	0.0		
<b>Normalised NPAT after Minority Interest (1)</b>	<b>421.4</b>	<b>350.8</b>	<b>399.6</b>	<b>381.7</b>	<b>408.4</b>	<b>410.3</b>	<b>497.2</b>	<b>570.5</b>		

(1) At theoretical win rates (1.40% from FY14 onwards) and before Significant ('Abnormal') Items

<b>Crown Resorts Limited</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
<b>F20-F23 Financial Plan - 28 May 2019</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>CASH FLOW</b>								
Theoretical EBITDA	877.5	838.9	896.5	815.6	825.1	869.5	1,039.7	1,128.6
Above (below) theoretical	(16.2)	(48.6)	(103.7)	2.9	0.0	0.0	0.0	0.0
<b>Reported EBITDA</b>	<b>861.3</b>	<b>790.3</b>	<b>792.9</b>	<b>818.5</b>	<b>825.1</b>	<b>869.5</b>	<b>1,039.7</b>	<b>1,128.6</b>
Significant Items	(52.4)	(43.1)	(39.6)	(17.0)	(0.2)	-	-	-
Investing Cashflows included in EBITDA	(12.3)	(3.3)	(2.8)	(11.6)	-	-	-	-
<b>Adjusted EBITDA</b>	<b>796.6</b>	<b>743.8</b>	<b>750.5</b>	<b>789.9</b>	<b>824.9</b>	<b>869.5</b>	<b>1,039.7</b>	<b>1,128.6</b>
Other operating cash flows								
Debtor Working Capital Movements (incl. Sydney F21 & F22)	49.6	7.7	65.3	54.5	(23.7)	(16.9)	(48.1)	(15.6)
Other Working Capital Changes	(30.9)	(71.2)	26.0	(17.7)	5.7	(32.2)	2.2	(5.1)
Working Capital Movements	18.8	(63.4)	91.3	36.8	(18.0)	(49.1)	(48.9)	(20.7)
Cash Interest								
Net Interest Expense (P&L)	(141.6)	(101.6)	(46.0)	(10.5)	5.8	(17.3)	(36.5)	(24.0)
Less: Non-cash Interest Income Adjustment	(2.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Capitalised Interest	(43.2)	(40.0)	(30.3)	(44.9)	(69.1)	(53.4)	0.0	0.0
Add: Melbourne Licence Interest	4.2	4.4	4.5	4.6	4.7	4.9	5.0	5.2
Add/Less: Timing Differences	(5.5)	(27.1)	(8.0)	0.4	(0.9)	3.7	(1.4)	0.6
Cash Interest	(188.4)	(164.4)	(79.9)	(60.4)	(69.5)	(62.1)	(32.9)	(18.3)
Tax paid	(344.8)	(107.9)	(59.3)	(75.3)	(206.9)	(256.3)	(173.8)	(223.3)
<b>OPERATING CASH FLOW BEFORE CAPITAL EXPENDITURE</b>	<b>282.0</b>	<b>408.1</b>	<b>702.6</b>	<b>701.0</b>	<b>540.4</b>	<b>502.0</b>	<b>787.1</b>	<b>866.2</b>
Capex								
Crown Melbourne - Base	(68.3)	(63.1)	(61.6)	(70.7)	(70.6)	(65.0)	(65.0)	(65.0)
Crown Melbourne - Major Projects	(9.7)	(4.1)	0.0	0.0	(31.4)	0.0	0.0	0.0
Crown Perth - Base	(32.4)	(38.0)	(22.8)	(30.1)	(29.4)	(35.0)	(35.0)	(35.0)
Crown Perth - Major Projects	(293.4)	(65.0)	(6.3)	(0.7)	(5.0)	0.0	0.0	0.0
Crown Aspinalls	(1.0)	(4.1)	(6.7)	(1.0)	(0.7)	(0.7)	(0.7)	(0.7)
Crown Sydney	(24.4)	(156.4)	(241.9)	(372.0)	(578.0)	280.9	(23.9)	(24.6)
CrownBet	(20.8)	(15.9)	(13.5)	0.0	0.0	0.0	0.0	0.0
Belfair	(1.3)	(2.2)	(2.8)	(4.9)	(5.3)	(4.5)	(4.5)	(4.5)
DGN Games	(4.9)	(8.3)	(9.0)	(10.1)	(10.5)	(11.0)	(11.7)	(12.4)
Other	(20.2)	16.8	30.6	(0.9)	(1.0)	0.0	0.0	0.0
Total capex	(476.5)	(340.5)	(334.0)	(480.4)	(731.9)	164.7	(140.8)	(142.2)
Dividends Received from Associates								
Dividends received from Melco Crown	180.7	62.1	0.0	0.0	0.0	0.0	0.0	0.0
Nobu Distributions	2.9	7.3	7.4	7.4	7.9	8.6	10.0	11.4
Chill Distributions	0.0	0.0	0.0	0.0	0.0	0.0	0.8	3.0
Total Dividends from Associates	183.6	69.4	7.4	7.4	7.9	8.6	10.8	14.4
Investments / Associates								
One Queensbridge	(6.0)	(2.7)	(1.0)	(1.0)	(2.0)	(2.0)	(2.0)	(2.0)
DGN Games LLC	(49.5)	-	(10.6)	-	-	(10.3)	-	-
Chill Gaming	(0.6)	(2.0)	(4.0)	(5.0)	(5.1)	(2.7)	(0.8)	-
Draftstars	-	(2.0)	0.7	-	-	-	-	-
Ellerston Acquisition/Sale	(80.0)	-	62.5	-	-	-	-	-
Funding - Ellerston Operations	(1.3)	(3.9)	(2.2)	-	-	-	-	-
Ceasars	-	-	69.6	-	-	-	-	-
Cannery	-	39.0	1.1	7.6	-	-	-	-
Project Alon Equity Injections/Sale Proceeds	-	-	332.2	-	-	-	-	-
Project Alon (including wind down costs)	(64.2)	(32.1)	(14.4)	4.0	-	-	-	-
Melco Crown	1,067.1	3,134.1	-	-	-	-	-	-
Aspers	143.8	-	-	-	-	-	-	-
Nobu	(136.4)	-	-	-	-	-	-	-
CrownBet	-	-	150.0	-	-	-	-	-
Zengaming/eSports	(3.2)	(0.2)	(0.8)	(0.3)	-	-	-	-
Gateway	-	1.2	1.7	0.1	-	-	-	-
Total Investments	889.5	3,131.3	584.9	5.3	(7.1)	(15.0)	(2.8)	(2.0)
<b>INVESTING CASH FLOW</b>	<b>596.6</b>	<b>2,860.3</b>	<b>258.3</b>	<b>(477.7)</b>	<b>(731.1)</b>	<b>158.2</b>	<b>(132.6)</b>	<b>(129.8)</b>
Financing cash flows								
Share buy-back	-	(499.9)	(18.8)	(131.5)	-	-	-	-
Dividends Paid	(378.8)	(1,110.8)	(413.3)	(409.0)	(406.3)	(406.3)	(406.3)	(406.3)
<b>FINANCING CASH FLOW</b>	<b>(378.8)</b>	<b>(1,610.7)</b>	<b>(432.1)</b>	<b>(540.5)</b>	<b>(406.3)</b>	<b>(406.3)</b>	<b>(406.3)</b>	<b>(406.3)</b>
<b>NET CASH FLOW</b>	<b>499.9</b>	<b>1,657.7</b>	<b>528.9</b>	<b>(317.2)</b>	<b>(597.0)</b>	<b>253.9</b>	<b>248.2</b>	<b>330.2</b>
FX GAIN/LOSS HEAD OFFICE	(1.3)	(1.3)	1.3	0.2	0.0	0.0	0.0	0.0
FX GAIN/LOSS TRANSLATION	2.1	(2.1)	(0.7)	0.9	0.0	0.0	0.0	0.0
MTM GAIN/(LOSS) ON DEBT	1.8	(0.0)	0.0	(9.5)	(0.0)	0.0	(14.1)	0.0
<b>NET MOVEMENT IN CASH - EXCLUDING DEBT AMORTISATION</b>	<b>502.7</b>	<b>1,654.3</b>	<b>529.5</b>	<b>(325.5)</b>	<b>(597.0)</b>	<b>253.9</b>	<b>234.2</b>	<b>330.2</b>

<b>Crown Resorts Limited</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
<b>F20-F23 Financial Plan - 28 May 2019</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>BALANCE SHEET</b>								
Available Cash	299	1,636	1,714	979	123	376	67	325
Working Capital Cash	151	135	131	155	155	155	155	155
Other current assets	393	288	232	177	201	218	268	281
Intangibles	1,722	1,660	1,543	1,541	1,538	1,535	1,533	1,530
Non current assets	6,284	4,834	4,552	4,871	5,480	5,169	4,987	4,808
<b>Total assets</b>	<b>8,849</b>	<b>8,553</b>	<b>8,172</b>	<b>7,722</b>	<b>7,477</b>	<b>7,453</b>	<b>7,008</b>	<b>7,099</b>
Current liabilities (excl. borrowings)	796	781	818	800	806	774	776	771
Non current liabilities (excl. borrowings)	485	493	548	548	548	548	548	548
Crown Melbourne Licence Liability	154	158	163	168	172	177	182	187
Borrowings	2,261	1,945	1,493	1,083	824	824	281	208
<b>Total liabilities</b>	<b>3,696</b>	<b>3,377</b>	<b>3,021</b>	<b>2,599</b>	<b>2,350</b>	<b>2,322</b>	<b>1,787</b>	<b>1,714</b>
<b>Net assets</b>	<b>5,152</b>	<b>5,175</b>	<b>5,151</b>	<b>5,124</b>	<b>5,127</b>	<b>5,131</b>	<b>5,221</b>	<b>5,386</b>
Share capital, retained profits & Reserves	5,115	5,940	5,165	5,151	5,124	5,127	5,131	5,221
Current year reported profits less dividends	37	(765)	(15)	(27)	3	4	91	164
<b>Total shareholders' equity</b>	<b>5,152</b>	<b>5,175</b>	<b>5,151</b>	<b>5,124</b>	<b>5,127</b>	<b>5,131</b>	<b>5,221</b>	<b>5,386</b>
<b>FORECAST FINANCIAL RATIOS</b>								
Share price	\$13.00							
EPS	0.57	0.48	0.58	0.56	0.60	0.61	0.73	0.84
EPS growth	(22.4%)	(16.6%)	21.5%	(3.2%)	7.8%	0.3%	21.2%	14.8%
PE multiple	22.8	27.3	22.5	23.2	21.5	21.5	17.7	15.4
EBITDA / share	\$1.20	\$1.16	\$1.30	\$1.20	\$1.22	\$1.28	\$1.54	\$1.67
EBITDA multiple	10.8	11.3	10.0	10.9	10.7	10.1	8.5	7.9
Dividends per share	0.72	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Payout Ratio	125.6%	119.6%	106.3%	110.0%	102.9%	103.4%	85.9%	74.8%
Dividend Yield	5.5%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
<b>S&amp;P Key Financial Ratios</b>								
Net Debt to Adjusted EBITDA	1.46x	-0.01x	-0.07x	-0.26x	0.47x	0.15x	0.21x	-0.10x
FFO to Debt	38.1%	-7735.8%	-145.5%	-357.0%	144.8%	378.6%	369.1%	-744.7%
<b>Moody's Key Financial Ratios</b>								
Adjusted Debt / EBITDA (headstock)	1.59x	1.66x	1.19x	0.91x	0.61x	0.58x	0.27x	0.18x
EBIT / Interest (headstock)	3.94x	5.06x	7.68x	10.30x	11.50x	11.69x	43.70x	146.21x
<b>Fitch Key Financial Ratios</b>								
Net Adjusted Debt / EBITDA	1.33x	-0.25x	-0.93x	-0.26x	0.47x	0.15x	0.21x	-0.10x
<b>Other Financial Ratios</b>								
Theoretical EBITDA / Revenue (Local)	33.1%	31.8%	31.1%	29.3%	29.0%	28.7%	28.8%	29.0%
Theoretical EBITDA / Revenue (VIP)	14.2%	10.1%	15.2%	12.7%	12.2%	12.2%	12.1%	12.0%
Theoretical EBITDA / Revenue (Total)	24.1%	25.8%	25.6%	26.0%	25.3%	23.7%	22.9%	23.4%
Reported EBITDA / Revenues (Total)	23.7%	24.3%	22.6%	26.1%	25.3%	23.7%	22.9%	23.4%
Theoretical EBITDA / net interest	6.20x	8.26x	19.47x	77.59x	-142.35x	50.30x	28.50x	47.02x
EBIT / net interest	4.20x	5.34x	13.26x	51.57x	-96.21x	33.43x	19.51x	33.30x
Net debt / EBITDA	2.24x	0.37x	-0.25x	0.13x	0.85x	0.51x	0.21x	-0.10x
Net debt / EBITDA (Bank Calculations)	1.74x	0.20x	-0.44x	-0.08x	0.68x	0.34x	0.06x	-0.24x
Minimum Liquidity (\$m)	828.0	1,037.5	1,547.7	1,174.9	913.3	541.8	541.8	845.2
Additional Debt Facilities/(Repayments) (\$m)	-	(1,211.0)	597.7	(397.7)	340.9	0.0	0.0	0.0
Fixed Rate Debt Percentage	58.8%	37.7%	29.1%	40.0%	21.2%	21.2%	62.2%	84.0%
Weighted Average Interest Cost	8.0%	7.0%	5.9%	5.0%	7.2%	8.3%	6.4%	10.0%
Net debt / capitalisation	27.8%	5.6%	(4.5%)	2.0%	12.0%	8.0%	3.9%	(2.2%)
Net debt / equity	35.2%	3.4%	(6.8%)	(1.0%)	10.7%	5.7%	1.1%	(5.0%)
Funds from operations / net debt	14%	132%	(318%)	671%	77%	112%	369%	(742%)
Free cash flow / net debt	(10%)	22%	(167%)	201%	(27%)	149%	303%	(620%)
Total Debt to Capitalisation	30.5%	27.3%	22.5%	17.5%	13.9%	13.8%	5.1%	3.7%
Total liabilities / total assets	41.8%	39.5%	37.0%	33.7%	31.4%	31.2%	25.5%	24.1%
Return on Equity	8.1%	6.7%	7.7%	7.5%	8.0%	8.0%	9.5%	10.6%

<b>Crown Resorts Limited</b> <b>F20-F23 Financial Plan - 28 May 2019</b>	<b>FY16</b> <b>Actual</b>	<b>FY17</b> <b>Actual</b>	<b>FY18</b> <b>Actual</b>	<b>FY19</b> <b>Forecast</b>	<b>FY20</b> <b>Forecast</b>	<b>FY21</b> <b>Forecast</b>	<b>FY22</b> <b>Forecast</b>	<b>FY23</b> <b>Forecast</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>WORKING CAPITAL DETAIL</b>								
<b>Debtor Movements</b>								
Crown Melbourne	(10.6)	29.1	57.6	6.8	(12.6)	(2.6)	(2.2)	(3.6)
Crown Perth	46.5	(4.3)	34.2	8.6	(0.2)	(0.5)	(0.5)	(0.5)
Crown Aspinalls	13.7	(17.1)	(26.5)	39.1	(10.9)	3.8	4.1	(3.3)
Crown Sydney	0.0	0.0	0.0	0.0	0.0	(17.7)	(49.6)	(8.1)
<b>Total Debtor Movements</b>	<b>49.6</b>	<b>7.7</b>	<b>65.3</b>	<b>54.5</b>	<b>(23.7)</b>	<b>(16.9)</b>	<b>(48.1)</b>	<b>(15.6)</b>
<b>Other Movements</b>								
Gaming Liabilities	25.7	(30.0)	24.9	22.0	4.5	0.4	0.5	1.9
Wagering/Online	5.7	6.7	(14.5)	0.1	(0.3)	(0.6)	(1.9)	(2.7)
Working Capital Cash	(6.7)	16.2	(11.7)	(24.1)	0.0	0.0	0.0	0.0
Other working capital movements	(40.9)	(26.0)	35.7	1.0	0.0	0.0	0.0	0.0
Corporate/head office movements	(14.7)	(38.1)	(8.4)	(16.7)	1.5	(32.0)	3.5	(4.3)
<b>Total Other Working Capital Movements</b>	<b>(30.9)</b>	<b>(71.2)</b>	<b>26.0</b>	<b>(17.7)</b>	<b>5.7</b>	<b>(32.2)</b>	<b>2.2</b>	<b>(5.1)</b>
<b>Total Working Capital</b>	<b>18.6</b>	<b>(63.4)</b>	<b>91.3</b>	<b>36.8</b>	<b>(18.0)</b>	<b>(49.1)</b>	<b>(45.9)</b>	<b>(20.7)</b>
<b>EQUITY ASSUMPTIONS</b>								
Opening shares on issue	728.4	728.4	688.9	687.4	677.1	677.1	677.1	677.1
Shares issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares in buy-back	0.0	39.5	1.4	10.3	0.0	0.0	0.0	0.0
Weighted average shares	728.4	726.0	688.1	682.3	677.1	677.1	677.1	677.1
Closing shares on issue	728.4	688.9	687.4	677.1	677.1	677.1	677.1	677.1
<b>CASH AND BORROWINGS</b>								
<b>Closing Gross Debt</b>	<b>2,261</b>	<b>1,945</b>	<b>1,493</b>	<b>1,083</b>	<b>924</b>	<b>924</b>	<b>281</b>	<b>208</b>
<b>Closing Available Cash</b>	<b>(299)</b>	<b>(1,636)</b>	<b>(1,714)</b>	<b>(979)</b>	<b>(123)</b>	<b>(376)</b>	<b>(67)</b>	<b>(325)</b>
<b>Net Debt (excl. Working Capital Cash)</b>	<b>1,963</b>	<b>309</b>	<b>(221)</b>	<b>105</b>	<b>702</b>	<b>448</b>	<b>213</b>	<b>(117)</b>
Interest Revenue - External	(4.2)	(9.6)	(30.1)	(26.4)	(9.7)	(2.8)	(3.8)	(5.6)
Related party interest - Aspers	(12.1)	-	-	-	-	-	-	-
<b>Interest Revenue</b>	<b>(16.3)</b>	<b>(9.6)</b>	<b>(30.1)</b>	<b>(26.4)</b>	<b>(9.7)</b>	<b>(2.8)</b>	<b>(3.8)</b>	<b>(5.6)</b>
Interest Expense - External	164.8	131.4	93.3	70.3	57.2	56.6	25.8	14.5
Line & Commitment Fees	15.3	10.6	5.5	4.4	7.7	8.4	8.3	9.2
Crown Melbourne Licence Interest	4.2	4.4	4.5	4.6	4.7	4.9	5.0	5.2
Capitalised Interest on CAPEX	(43.2)	(40.0)	(30.3)	(44.9)	(69.1)	(53.4)	-	-
Net Other Financing Costs (cash) - Including Refinancing Costs	16.9	4.9	3.1	2.5	3.4	3.6	1.2	0.8
<b>Interest Expense</b>	<b>157.9</b>	<b>111.2</b>	<b>76.1</b>	<b>36.9</b>	<b>3.9</b>	<b>20.0</b>	<b>40.3</b>	<b>29.6</b>
<b>Net P&amp;L Interest Expense</b>	<b>141.6</b>	<b>101.6</b>	<b>46.0</b>	<b>10.5</b>	<b>(5.8)</b>	<b>17.3</b>	<b>36.5</b>	<b>24.0</b>
<b>TAX</b>								
Profit before tax	509.9	484.2	574.0	544.5	577.7	578.2	699.4	802.7
Less: equity results	(56.7)	(43.7)	(9.3)	(12.8)	(14.2)	(17.5)	(24.0)	(27.5)
Less: Crown Aspinalls EBIT	(25.3)	(25.6)	(10.1)	(3.1)	(3.6)	(3.8)	(4.0)	(4.2)
<b>Profit before tax adjusted for Equity Results</b>	<b>427.9</b>	<b>414.9</b>	<b>554.6</b>	<b>528.5</b>	<b>559.8</b>	<b>556.9</b>	<b>671.4</b>	<b>771.0</b>
Tax rate	20.7%	32.1%	31.3%	30.6%	30.0%	30.0%	30.0%	30.0%
Tax expense (AU operations)	88.7	133.2	173.6	161.6	167.9	167.1	201.4	231.3
Tax expense (Crown Aspinalls)	5.1	5.1	2.0	0.6	0.7	0.8	0.8	0.8
<b>Tax expense (at theoretical)</b>	<b>93.7</b>	<b>138.4</b>	<b>175.6</b>	<b>162.2</b>	<b>168.7</b>	<b>167.8</b>	<b>202.2</b>	<b>232.1</b>
<b>DIVIDENDS</b>								
Normalised NPAT	416.2	346.0	308.4	382.3	406.0	410.3	407.2	670.6
Dividend Declared	522.7	425.2	412.4	406.3	406.3	406.3	406.3	406.3
Dividend payout (Norm NPAT excl non-cash equity accounted results)	100.0%	119.6%	106.3%	110.0%	102.9%	103.4%	85.9%	74.8%
Dividend payout ratio on Normalised NPAT	125.6%	122.9%	103.5%	106.3%	99.3%	99.0%	81.7%	71.2%
Dividends per share	\$0.72	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60





### 3. Crown Melbourne

Crown Melbourne Financial Plan as at May 2019						
\$M	F18	F19	F20	F21	F22	F23
Revenue	2,301.0	2,172.0	2,265.6	2,340.3	2,418.0	2,508.7
Expenses	1,640.8	1,584.5	1,651.7	1,711.0	1,764.3	1,824.1
EBITDA	660.2	607.5	613.9	629.3	653.7	682.6
D&A	(177.5)	(175.1)	(171.8)	(169.1)	(166.1)	(162.5)
EBIT	482.7	432.4	442.1	460.2	487.6	520.1
Capex Cashflow	61.6	70.7	102.0	65.0	65.0	65.0
License Extension						
Working Capital	73.0	16.9	(2.4)	(2.4)	(2.5)	(2.5)
Variance from Theoretical	(74.1)	(5.5)	0.0	0.0	0.0	(0.0)
Operating Cashflow	597.4	548.2	509.6	561.9	586.2	615.1
Local Contribution Margin %	33.3%	31.5%	31.3%	31.0%	31.1%	31.3%
VIP Gaming Margin %	3.8%	15.0%	12.7%	12.8%	12.6%	12.5%
EBITDA %	28.7%	28.0%	27.1%	26.9%	27.0%	27.2%
GROWTH RATES						
Revenue		-5.6%	4.3%	3.3%	3.3%	3.7%
Expenses		-4.7%	5.6%	3.6%	3.1%	3.4%
EBITDA		-8.0%	1.1%	2.5%	3.9%	4.4%

Note: Theoretical EBITDA is at a theoretical win rate of 1.40%. Revenue and Expense numbers in the above table exclude complimentary revenue and expenses

#### 3.1. Introduction

##### PROPERTY OVERVIEW

Crown Melbourne opened in 1997 and is an integrated resort that features:

- Three hotels positioned at the top of their respective market segments:
  - Crown Towers – 449 rooms and 32 villas;
  - Crown Metropal (opened April 2010) – 658 rooms including 33 suites and 12 dedicated spa rooms; and
  - Crown Promenade (opened December 2003) – 465 rooms with an integrated Conference Centre.
- 2,628 slots and a wide variety of table games:
  - up to 440 tables (excluding poker);
  - up to 250 fully automated table games terminals within the above 440 table limit; and
  - up to a further 100 poker tables.
- The Crown Palladium which is Australia's largest ballroom and is able to cater for a banquet dinner for up to 1,500 people;
- The Crown Conference Centre (which opened in December 2009) catering for conferences up to 840 delegates with 19 concurrent rooms all on one site;
- An extensive range of restaurants, bars and non-gaming entertainment, including Australia's premier dining precinct as well as a live venue area on level three of the west end of the complex; and

- A retail offering that spans some of the world's most aspirational designer brands to the lifestyle precinct in the west end that has a broad range of affordable quality shopping outlets.

#### FURTHER KEY INFORMATION

- Crown Melbourne has a 99-year lease over the casino site which expires in 2092;
- Crown Melbourne's casino licence extends to 2050; and
- The total number of slot machines in Victoria is limited by legislation to 30,000 of which 27,372 are located in pubs and clubs. Government policy sets a maximum of 105 slot machines at any single pub or club. Crown Melbourne is the only location in Victoria where table games are permitted. Poker tournaments are permitted to be played in Pubs.

#### EARNINGS

- Crown Melbourne EBITDA is forecast to grow from \$607.5m (forecast F19) to \$682.6m (F23), with average growth of \$18.8m (3.0%) per annum;
- Crown Melbourne EBIT is forecast to grow from \$432.4m (forecast F19) to \$520.1m (F23), with average growth of \$21.9m (4.7%) per annum;
- Margin pressure will be experienced from increased proportion of lower margin VIP1 business in Gaming Machines, increasing local super tax and subdued growth in the non-gaming areas of the business.
- Free cashflow generated in the five years to F23 is forecast to be \$2.8b.

#### CAPITAL EXPENDITURE

- Crown Melbourne capex relevant to the period F19-23 is \$367.7m consisting of Base Capital of \$336.3m and \$31.4m of value creating projects implemented during F20 as follows:
  - Convert Club 23 into premium gaming (\$6.7m);
  - Additional Gaming Machines product (\$7.0m);
  - Conversion of JJ's into Premium Slots (\$8.0m);
  - Convert Pit 30 into an expanded black Tier Slots area (\$3.4m);
  - Further expansion of Teak Room non-smoking offering (\$1.7m);
  - 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;
  - Placeholder for Lessor's contribution towards an alternative offering in the existing Dinner by Heston tenancy.
- The refurbishment of any of the three Crown Hotels has been excluded from this Financial Plan. Crown Promenade is now 16 years old with any refurbishment to be considered in conjunction with a decision in relation to the Queensbridge Hotel project. It is 10 years since Crown Towers was refurbished and Crown Metropal is now nine years old. Both hotels may need a refurbishment towards the outer years of the Plan. The hotels have each experienced very high occupancy levels, however appropriate maintenance has ensured they remain competitive within their market set. In recent years smaller areas such as restaurant and bar, in room TV's, lobbies, and some bathroom tiles have been upgraded with beds and window treatments replaced as

required. These small capital upgrades have been adequate to maintain their positioning at this time;

- Any substantial redevelopment of the Metropal tenancy / food & beverage precinct is not included in the Plan although the pending opening of Holey Moley (mini golf and cocktail bar concept) project in June 2019 opposite Mr Hive should go some way towards enlivening the precinct.

### 3.2. Financial Performance & Key Assumptions F20

- Crown Melbourne is budgeting EBITDA of \$613.9m in F20, representing growth of \$6.4m (1.1%) on F19 with an expected reduction in Program Play contribution impacting growth;
- **Local contribution** is budgeted at \$548.9m, with growth of \$10.6m (2.0%) against F19. Key Business overview and assumptions follow:
  - Recent soft trading performance at Crown Melbourne has been primarily driven by softness in local Table Games. Gaming Machines is benefitting from the recent investments in new product;
  - Local Tables performance has been particularly soft in recent months, with April 2019 YTD revenue growth of only 0.4%. Whilst premium patron hours have remained steady, spend per visit is well down.
  - This is well below the long-term performance of the business, with the revenue 10-year CAGR over the period F08-F18 of 6.0% (which was supported by product and gaming floor expansion). By comparison 5-year CAGR F14-F18 is 6.7% and 5-year CAGR F15-F19 is 5.6%;
  - Gaming Machines performance has remained solid, particularly on the main floor with performance underpinned by recent investments in new product (particularly Dragon Link);
  - Analysis undertaken by UBS coupled with Crown's own customer research findings suggests there is a high degree of correlation between table games revenue and Melbourne property prices, which is likely contributing to the weakness in performance of local Tables;
  - Melbourne's Residential PPI declined by 2.6% in the September quarter and 3.2% in the December quarter. Since December year on year house price declines have been circa 20%;
  - With property prices in Victoria expected to continue to decline through to the end of calendar 2019 trading conditions are expected to remain challenging through F20;
  - The outcome of the Federal election during May and the possibility of stable Government may assist economic stability and growth as well as tax relief and any housing market stimulus;
  - A number of revenue generating and cost saving initiatives will underpin the growth in the Plan;
- Current Local YOY revenue growth of 1.5% improves to 2.7% in F20, largely due to anticipated growth in Table Games and Gaming Machines supported by key capex and sales and marketing initiatives;
- Local Margin of 31.3% (excluding comps) is slightly down on F19 margin of 31.5% (excluding comps) largely due to increased portion of VIP1 and interstate business in Gaming Machines (increased commission and marketing costs), increased super tax and subdued growth in non-gaming;

- It is assumed that there is no change to Local Super Tax impost with F20 super tax budgeted to increase a further \$1.9m YOY (F19 total super tax of \$8.2m);
  - Assume no material change in the Victorian economy;
  - Utilities costs in Victoria remain stable;
  - Cost improvement initiatives continue to be a focus;
  - Enterprise Agreement increases are budgeted at 3.0% with the current Crown Melbourne Enterprise Agreement due to expire on 30 June 2019;
  - Salaried increases are budgeted at 2.0% with significant pressure on salaried roles versus the market and EA positions due to subdued increases over recent years (average annual salaried increase over last five years 2.48%). This issue was highlighted recently with Security Managers and Surveillance Operations Managers (headcount of 66) electing to be part of the Union during the negotiation with Table Games and Cage Area Managers;
  - No Short-Term Incentive Plan (STIP) provision has been budgeted in F20;
  - The Plan assumes the introduction of Security PSO's is not implemented. Should a decision be made to progress with this initiative, additional annual costs of circa \$2.5m will be incurred unless funded by Victoria Police.
- **Program Play** is budgeted to decrease by \$4.1m or 6.0% to a theoretical contribution of \$65.1m.
    - F19 theoretical contribution becomes the new base although F20 contribution declines (despite volume growth of circa 11%) due to the one-off effects of provisions (including customer and staff incentives) released in F19 and included again in F20. Provision for Doubtful Debts drops to 2.0% of revenue (down from 3.5% in F19) due to strong current provisioning position, reduced credit granted to premium players and greater proportion of business to junkets;
    - The current conservative approach in relation to VIP marketing activities will continue with comprehensive risk analyses being undertaken in each market before a decision is taken to undertake marketing activities in the relevant markets. Recent reviews and approvals have been granted to proceed into the Singapore and Malaysian markets;
- **Local Table Games** contribution growth of \$9.5m (2.8%):
    - F19 forecast becomes the new base for the F20 budget. Revenue growth in F20 is now forecast to be circa 3.2% (F19 revenue growth of 0.3%);
    - Margin declines slightly to 43.4% (from 43.6% in F19) due to additional sales and marketing costs to drive the new premium offerings and the increase in super tax;
    - Local tables base business is expected to be fairly flat year on year with the budgeted growth to come from the following key capex and sales and marketing initiatives:
      - Convert Club 23 into premium gaming (H2 F20);
      - Expanded NSW sales team;
      - Reduction in minimum domestic front money to attract more interstate customers (reduced from \$25k to \$10k);
      - Expand sales team focus into regional Victoria;
      - Marketing lifecycle customer management initiatives. 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.

- The budget assumes Club 23 is closed from 1 July 2019 and converted into premium Black Tier and Interstate Table Gaming lounge (capex of circa \$6.7m). The circa \$1.1m in contribution will be lost to F&B but more than made up via a half year effect in Gaming with anticipated opening of the new Gaming area from H2 F20.
- **Gaming Machines** contribution growth of \$5.4m (2.4%):
  - Machines growth is expected to be underpinned by the product refresh program which commenced from calendar 2018;
  - Gaming Machines revenue growth (excluding VIP1) in F20 is forecast to be circa 4.0%. It is assumed that the top two VIP1 players' turnover for F20 is circa \$125m (F19 YTD is circa \$180m), reflecting similar impacts that are being experienced in the VIP Baccarat market. Improved VIP1 performance (excluding the top two players) is driven by the expected ability to market into South East Asia again from the start of F20 and further gains from Interstate sales teams. Margin declines to 48.7% (from 49.5% in F19) due to the increased commission, marketing and sales costs associated with the greater portion of VIP1 and interstate business;
  - Key capex and sales and marketing initiatives are as follows:
    - Acceleration of the machine refresh program providing additional, new and market leading product;
    - Expansion of non-smoking premium space in Teak (from H2 F20);
    - Addition of premium gaming area in the west end (Dragon Den) (from H2 F20);
    - Ability to market internationally outside of Hong Kong (progressively from H1 F20);
    - Expansion of NSW interstate sales team;
    - Conversion of JJ's Bar to Premium Slots Salon (from H2 F20);
    - Conversion of Pit 30 into expanded Black Salon (from F21);
    - Marketing lifecycle customer management initiatives as per Table Games summary above.
- **Food & Beverage (F&B) and Entertainment** contribution declines \$1.9m (3.6%):
  - Food & Beverage revenue growth of 0.1% (1.5% F19) largely due to the following:
    - Club 23 closes (\$1.1m contribution) from the beginning of F20 for the conversion to Black Tier Gaming Lounge;
    - Service to Atrium High Limit rooms will be executed via Teak Bar rather than Atrium Bar. Reduction of \$200k profit from Atrium (but reduces Gaming comp costs by same amount);
    - Lose TWR to Rockpool (\$200k contribution offset in Other Non-Gaming as per below);
  - F20 features the full year effect of the opening of The Aviary (rooftop marquee offer) with no further expansion or refurbishment activity in the F&B space.

- **Hotel Operations** contribution growth of \$1.6m (1.7%):
  - Hotels revenue growth of 1.6% (3.3% F19);
  - The Hotels market has been flat in both occupancy and rate. Competition has increased in recent times, particularly with the popularity of Airbnb with over 23,000 properties listed in Melbourne. This has led to lower than expected growth in rates;
  - All three Crown hotels are budgeting slight increases in occupancy and rate growth although F20 is expected to be a tougher environment than F19 which featured some one-off benefits and events including World Cup of Golf and the Airshow. In addition, the financial services market has significantly reduced their groups and conferences spend subsequent to the Royal Commission. Total occupancy is forecast to be 94.8% (the highest combined occupancy on record) and overall rate of \$302 per night;
- **Other Non-Gaming Operations** contribution growth of \$1.8m (4.1%) with the following key impacts:
  - Holey Moley opens June 2019 with rent commencing from October 2019 at \$550k fixed for two years and 10% of turnover thereafter;
  - Ocean 12 Club assumed rent commences from March 2020 at \$500k or 9% of turnover for years' 1-4 then 10% thereafter;
  - Burberry terminates from August 2019 (\$500k rent loss). Discussing space with potential tenants but given it's a luxury space (which have longer lead times) assume no contribution in F20;
  - TWR – assume we handover to Rockpool in June, then fit-out and rent-free period. Assume rental in F20 offsets downside of closure in F&B;
  - Ground floor food court tenancy renewals coming up in next 6-18 months. Any increases likely to be small (or zero) with lower annual contracted escalations (currently 6% increases). Tenants are currently paying 20% of their revenue as rent;
- **Support Departments** cost increase of \$6.0m (2.7%):
  - Marketing costs increase by 3.3% in F20 largely due to appointment of key senior roles during F19 (full year effect).
  - Property Support costs are budgeted to increase 2.7%, with utilities prices expected to remain steady;
  - Security, Cage & Other costs are budgeted to increase by 3.7% with the full year effects of F19 increases in legal, risk and compliance costs and the health checks associated with the smoking environments impacting.

### 3.3. Key Strategies

#### CROWN RESORTS CORPORATE BRAND & REPUTATIONAL STRATEGY

Since 2011, Crown has had a comprehensive strategy to reinforce the favourable aspects of Crown's business to key organisations (Government, regulators, responsible gambling bodies and the media) and the general public. This work was put on hold for a year when the Crown staff were detained in China but over the last 12 months it has been strongly reactivated.

A key element of the strategy is to position Crown's Australian resorts as critical tourism infrastructure assets which help Melbourne, Perth and Sydney to compete with other domestic and international destinations for high net worth visitors. The strategy also highlights the significant economic, employment and other contributions Crown Resorts makes to local communities.

Through lack of knowledge and the media's tendency to focus on negative stories, there is a potential for Crown to be seen as substantially a casino/gaming facility. There is therefore little appreciation of Crown's contribution to:

- State economies;
- Tourism;
- Jobs and supply chain benefits;
- Training; and
- Community through the work of the Crown Resorts Foundation.

There is also a lack of knowledge regarding our major commitment to and investment in Responsible Gaming.

In order to address this knowledge gap, over the course of the Plan, the following key initiatives will be undertaken:

- Crown tours and stakeholder information briefings
- Promoting the work of the Crown Resorts Foundation
- Industrial stakeholder relationship building
- Stakeholder mailouts
- Strategic partnerships with media organisations on relevant campaigns
- Strategic corporate brand advertising
- Advocacy bodies - industry and tourism

#### **Crown tours and stakeholder information briefings**

The Crown Tours and Stakeholder Information Briefings are one element of the strategy to dispel myths and help demonstrate in a tangible manner the major contribution Crown is making to the communities in which it operates.

These briefings target Ministers, Shadow Ministers, MPs, senior bureaucrats, media and other important stakeholders at the State and Federal levels to educate them on:

- Contribution to the economy / tourism;
- Employment and training;
- Supply chain impact on Victorian/WA small businesses
- Crown's extensive and highly regarded diversity programmes including the Indigenous Employment Program, *Crownability*, LBGTIQ+, Gender diversity and family support
- Sustainability programmes such as CROWNEARTH;
- Crown Foundation and Community Champions;
- RSG – with a tour of the Responsible Service of Gaming Centre and focus on the use of facial recognition technology;
- Investment in technology and health programs to protect staff working in smoking exempt areas;
- The value of our International VIP Gaming operation and the importance of smoking exemptions; and
- Destination gaming vs convenience gaming.

#### **Members of Parliament**

During F19 to date, 16 Members of the Victorian Parliament have been hosted on a tour of Crown Melbourne and the aim is to continue this programme throughout the year. Tours for Federal Members of Parliament will also be rolled out in the second half of the year and into 2020.

These MP tours are also undertaken on a regular basis at Crown Perth.

#### Departmental Staff

At Crown Melbourne there have been a number of organisations and key departmental personnel from Department of Justice and Community Safety Staff (VIC), VCGLR Commissioners and staff, AUSTRAC and the VRGF tour the facility.

Crown Perth has a similar program in place. National regulators from each jurisdiction were in Perth in May and had an opportunity to tour the resort.

#### Local Government

Key councillors and staff from the City of Melbourne have been briefed on the policy priorities for Crown Melbourne. A tour is in the process of being organised in the next few months.

Councillors and key personnel from the Town of Victoria Park are briefed on Crown Perth issues with monthly meetings.

#### Media

Across Melbourne and Perth, media directors, newspaper editors and senior journalists are also regularly provided with briefings and tours. Media are engaged with on a regular basis to pitch positive corporate news stories.

#### **Promoting the work of the Crown Resorts Foundation**

The work of the Crown Resorts Foundation provides Crown Resorts with immense corporate goodwill amongst government and community stakeholders.

Having completed four full years (FY15-FY18), the Crown Resorts and Packer Family Foundations have funded and supported over 120 philanthropic initiatives which have a long-lasting positive impact on Australian society by providing disadvantaged youth with improved educational and cultural opportunities. Over 80,000 disadvantaged students have participated in the Arts Education programs.

Relevant MPs are also contacted annually asking them to nominate a local charity or organisation which may apply to receiving funding from the Crown Resorts and Packer Family Foundations.

Crown will continue to promote the work of the Foundations with a mix of advertising and targeted communication including:

- Identifying and meeting with relevant Ministers and bureaucrats
- Annual publications
- Social media
- Revamping the Foundation's website
- Looking for opportunities to promote the work of the Foundations through local media
- Promotion of milestone events and achievements

The Foundations will soon be holding functions to celebrate the 5<sup>th</sup> birthday of the National Philanthropic Fund. These events will provide us with another major opportunity to remind all our key stakeholders of the significant contribution Crown and the Crown Resorts Foundation are undertaking in the communities in which it operates.

#### **Industrial stakeholder relationship building**

Regular meetings occur with relevant union leaders in Victoria and Western Australia.



### **Stakeholder mailouts**

On an annual basis, Crown mails out to all relevant State and Federal MP and stakeholders a copy of the Annual CSR Report and the Crown Resorts and Packer Family Foundations' Annual Report. Every two to three years, Crown also produces and distributes publications highlighting Crown's Contribution to the Melbourne and Perth economies.

### **Strategic partnerships with media organisations on relevant campaigns**

From time to time, depending on budget and upcoming issues, Crown collaborates with media outlets like the Daily Telegraph, the Herald Sun and Channel 7 on major publicity campaigns like 'Project Sydney' and 'Future Melbourne'. These campaigns help build Crown's brand alignment with key economic and tourism campaigns and also helps us maintain our build the relationship with key the media organisation.

Crown Perth has a long standing relationship with Channel 7, symbolically supports the Telethon each year.

### **Strategic corporate brand advertising**

Over the years and depending on budget, Crown has run proactive positive corporate advertising campaigns. These campaigns have proven to be very effective at communicating our relevant message to the public and stakeholders at the State and Federal level.

The 'Doorman TV Advertisement' concept that ran in the lead up to the approval of Crown Sydney in 2013 is still recognised as one of the most successful corporate branding campaigns run in Australia and was critical to changing stakeholder and community attitudes towards Crown.

### **Advocacy bodies - industry and tourism**

Crown Melbourne and Perth work closely with relevant industry bodies to ensure that their advocacy aligns with the strategic objectives of the company.

Crown regularly reviews its membership of existing industry and tourism organisations to ensure their strategic objectives align with Crown and to see what benefit they offer.

Crown Melbourne representatives sit on several Victorian Government appointed boards and advisory councils. Crown Perth representatives also sit on West Australian Government appointed boards.

## **MARKETING – AUSTRALIAN RESORTS**

- Develop and successfully implement the Marketing Customer Lifecycle Management program (\$4.1m capex spend across both Melbourne and Perth) to enable Crown to deliver personalised, 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;
- Drive mass visitation through delivery of new promotions designed around key occasions and deliver highly tailored communications to high value segments through the use of visitor and member data in the new marketing Data Management Platform;
- Deliver new mid-tier benefits to Crown Perth Rewards Members to reward members more progressively as they increase in value;
- Use technology to start to transform member experience while also driving operational efficiency within Crown Rewards;

- Increase revenue conversion across the business through continuing to build digital channels to allow automated personalisation of content, better booking / sign-up conversion and customer self-service;

#### LOCAL BUSINESS – CROWN MELBOURNE

- Yield Crown's assets to optimise contribution:
  - Increase Main Gaming Floor capture rate with the addition of more table games product in high traffic areas and continue to utilise table games technology (Tangam for labour management and SenSen for dynamic pricing) to drive yield;
  - Utilise Crown's scale to ensure there are numerous machines with very popular individual game types, such as Dragon and Lightning Link, combined with a direct marketing communications plan to raise awareness;
    - Crown has the largest single venue installation of Dragon Link / Cash and Lightning Link in the world, with approximately 800 machines;
  - Addition of dedicated Dragon Link gaming area in the west end (Dragon Den);
  - Increase new gaming machine cabinet investment over the next 3 years from 600 to 1,800 (including additional gaming machine capex) to position Crown as the destination with the latest and greatest games. This will increase Crown's current product replacement program from 7.5% per annum to above 20% (current Victorian competitor average ranges from 15% to 25%) across Crown Melbourne and will ensure Crown meets customer expectations of game availability;
  - Additional innovative features on new CHILL Gaming Machines that will distinguish Crown from the competition and appeal to existing Crown customers.
- Continue to focus on yield of Premium segments in Table Games and Gaming Machines through:
  - Actively targeting the Sydney premium segment prior to the reopening of Star Sydney's Sovereign room, utilising key Sydney personnel recruited during F19;
  - Leverage this recruitment further via the newly opened Pyrmont sales office at the doorstep of The Star (Sydney);
  - Leverage the refurbished Club 23 / Premium Salon to provide an improved gaming and lounge space for Black tier, Platinum Select and Interstate customers with expected completion during H2 F20;
  - Leverage existing Host and Premium Player Service programs to improve the quality of patron interactions and find new high value customers;
  - Unique and tailored VIP events;
  - Maximise return on investment through focus on patron selection;
  - Continue expansion of the dedicated non-smoking area within Teak Room to provide a compelling reason for non-smoking patrons to utilise the room;
  - Create a dedicated VIP non-smoking room in the old JJ's bar space to offer Mahogany Gaming Machine customers a Premium Non-Smoking Slots room;
  - Expand the current Black Salon with the conversion of Pit 30;

- Local Gaming:
  - Continue to focus on local Asian strategy (particularly Chinese and Vietnamese) and other nationalities to drive high value visitation and grow the VIP customer base, particularly into the larger Maple Room:
    - Leverage relationships through hosting Asian community and networking events;
    - Engage with Asian tourists / business groups staying in the hotels;
    - Build on existing Saigon Live event and focus on targeted offers;
    - Utilise the soon to be opened Ocean 12 karaoke lounge through a series of Asian community targeted events;
    - Continue bespoke activations within Premium gaming rooms;
    - Continue to utilise bespoke high value events to attract high value VIP gaming machines customers from North and South-East Asia.
  - Increase participation by broadening access to Table Games product and continue to leverage Learn to Play experience for Table Games players;
  - Investment in high margin eTGs through additional “premium economy” locations and the new Quartz products;
  - Focus on reactivation of lapsed Crown members;
  - Streamline outbound call operation processes to improve efficiencies and reach productivity targets to support gaming initiatives and marketing campaigns;
  - Ensure VIP assets (including the jets) are utilised effectively for International, Interstate and local customers where appropriate;
- Food, Beverage & Entertainment:
  - Maintain the recent cost management programs while also being more innovative and revenue focussed, including external opportunities such as Riverwalk activations, Australian Open and other major events;
  - Continue to focus on improving efficiencies through revision of labour (full time: part time mix), outlet open hours, upselling techniques, menu engineering and cost of sales savings;
  - Focus on high margin growth areas in the events space including Asian events and Weddings business;
  - Build on the very strong business generated in The Aviary roof top venue’s first year, while ensuring occupancy levels are sustained in established function rooms;
  - Support gaming in competing with pubs and clubs through compelling, value-based offers on the MGF (Margos, Tia To, Sho, Cotta, Emporio, Kitchen Workshop) and more broadly throughout the complex;
  - Build a compelling range of permanent and temporary activations in the high-margin bars such as Jackpot, Lumia, Merrywell and The Pub;
  - Promote the Level 1 Casino as an attractive destination with offerings such as Sports Bar and Groove;
  - Maximise the benefit of supplier activations, most notably in bars;
  - Leverage Crown Rewards through tactical offers.

- Hotels:
  - Continue the strategy of increasing higher-yielding segments while maintaining current high occupancy levels via reductions in third party promotions;
  - Increase the impact of Crown Direct (direct booking engine) through a review of year-round discounts, increased campaigns around higher room categories and day of week;
  - Continue to drive hotel bookings through Crown Direct enabling steady withdrawal from Expedia (Wotif) and to some degree Booking.com;
  - Ongoing development of specialist reservations team to drive sales of higher room categories;
  - Review Reservations and Group Reservations in line with customer booking patterns;
  - Develop Hotel Asian Sales team (in conjunction with Perth) to capitalise on high growth countries;
  - Maximise the benefits and brand positioning of the Forbes accreditation for Crown Towers;
  - Effectively embed the new Housekeeping supplier (Silk) into the operation;
  - Develop plans to ensure occupancy can be sustained during a high supply growth of five-star hotels in the 2021-2023 period;
  - Strong focus on securing Group bookings coupled with an aggressive Corporate business acquisition program in the hotels market to maintain occupancy in a flat market.

#### PROGRAM PLAY – CROWN MELBOURNE

- Continue to review and perfect operating model protocols into all aspects of our VIP operation with comprehensive risk reviews conducted prior to expanding into relevant regions;
- Actively work on VIP business program mix to optimise profits;
- Continue to explore opportunities to facilitate better foreign exchange cash flows.

### 3.4. Financial Performance F19-22

#### KEY ASSUMPTIONS

- Table Games will underpin the continued growth in profits in Melbourne;
- Steady Local contribution performance through F20 – F21 with improved performance expected from F22 as the macro-economic environment is expected to improve. Other key impacts across the Plan period are as follows:
  - Super Tax on Local Gaming continues to impact negatively (0.70% or \$8.2m in F19 growing to 1.31% or \$18.1m in F23) on Local Gaming business;
  - Assume wage growth of circa 3.0% and salary and other cost growth of 2.0% - 2.5% throughout the Plan period;
  - F22 and F23 see an increase in labour costs across the board of 0.5% each year due to the Superannuation Guarantee moving from 9.5% to 10.0% (F22) and 10.5% (F23). We have assumed that these increases will be borne by Crown as they relate to EA employees only;
  - Security Cage & Other costs are expected to increase above the norm due to IT maintenance and subscription costs moving into opex;

- The Plan assumes the introduction of Security PSOs is not implemented. Should a decision be made to progress with this initiative, additional annual costs of circa \$2.5m will be incurred unless funded by Victoria Police.
- STIP has been budgeted over the Plan period from F21 (annual STIP is circa \$7.5m), no STIP budgeted in F20.
- F21 and beyond features minimal expansion / refurbishment activity (other than some tenancy enhancements) with growth to come from leveraging our existing asset base and a continued focus on marketing and revenue enhancement initiatives coupled with firm control over the cost base.
- Ongoing margin improvement projects implemented;
- Assume no further changes to tax or licensing regimes throughout the Plan period;
- Assume no further changes to maximum gaming product thresholds;
- No significant change in Victorian economic conditions;

#### TABLE GAMES

- Over the period of the Plan, Main Floor Tables contribution is forecast to increase by an average of 2.7% per annum and Premium Tables by 6.5% per annum. Steady growth on the main floor is underpinned by the marketing lifecycle management initiatives and increased visitation to the property and optimisation of existing footprint with limited floor and product expansion activity. Premium segment growth is driven by the capex and sales and marketing initiatives implemented through F20 coupled with an anticipated improvement in the macro economic environment from F22;
- From F21 it is assumed that Premium Tables spend per visit metrics return to some level of normality after the subdued spend per visit statistics experienced across the board through F19 and forecast to continue through F20;
- F21 also assumes that Mainstream Tables visitation metrics return to historical levels;
- Revenue grows by 4.2% in F21 (contribution growth 4.5%) and 5.1% in F22 (contribution growth 6.1%) with expected uplift in macro conditions coupled with a number of initiatives delivering full year benefits offset by the opening of Sydney and the anticipated interest in this new property from our Local Premium players. F23 revenue grows by a further 5.5% (contribution growth of 6.7%).
- The opening of the Sydney property in late F21 is expected to place pressure on premium Table gaming performance in F21 and F22, however the expected impact is moderated somewhat by anticipated uplift in spend patterns (as mentioned above) and the benefit of the initiatives implemented.
- Margin performance grows steadily from F21 with cost efficiencies and a focus on high margin business offset slightly by increases in local gaming super tax and higher costs in delivering improved premium business.

#### GAMING MACHINES

- Gaming Machines revenue growth is 3.9% through F20, 4.0% in F21 and averages circa 3.0% from F22 with growth forecast in both local and VIP1 businesses. Whilst the 5-year CAGR (excl F19) is 0.2% we expect higher growth to be driven by the product refresh program which commenced from calendar 2018 including the key capex and sales and marketing initiatives included in the sections above;

- The focus will remain on exploiting the scale and presence of Crown's current and future gaming offer as a key point of difference to competitor venues;
- Margin declines slightly year on year due to super tax and the increased costs of delivering growth in premium business.

#### FOOD, BEVERAGE AND ENTERTAINMENT

- With a settled suite of outlets, Food, Beverage and Entertainment contribution is expected to average flat growth over the Plan period with F20 declining due to conversion of Club 23 and TWR and F21 and beyond showing modest growth of circa 1% per annum. Revenue growth averages 2% per annum but margin declines slightly year on year due to ongoing labour cost of circa 3% per annum. Enhancements and refurbishments to outlets are not expected to be significant but will be undertaken where required.

#### HOTELS

- Contribution growth is forecast to average 1.4% per annum with rate growth, effective yield management and margin improvement initiatives driving contribution performance. All three hotels are forecasting to be in excess of 94% occupancy each year. With occupancy levels constraining further volume growth, revenue targets are driven by modest rate growth via careful yield management;
- Hotels growth is also impacted from F21 due to additional hotel competitors opening in market (Ritz Carlton 263 rooms, St Regis 160 rooms, Mandarin Oriental 196 rooms and W Hotel 294 rooms).

#### OTHER NON-GAMING

- Retail and Car Parking operations contribution growth averages 3.5% per annum over the Plan period with the added contributions from Holey Moley and Ocean 12 assisting performance. Tenancy operations are largely fully leased from F20 (with the exception of the Lifestyle tenancies in the Metropol precinct). Car park pricing is assumed to remain fairly stable with pressure on car park capacity constraints expected to come from a number of apartment blocks opening in close proximity to Crown in the coming years with little or no parking facilities.

#### SUPPORT DEPARTMENTS

- Cost increases average 3.8% per annum over the Plan period largely due to the inclusion of the STIP in F21, increases in security, legal, risk and compliance costs from F19 and anticipated increases in IT maintenance and subscription costs reverting to opex as more systems move to cloud-based (subscription type) operating models;
- Marketing costs and activity planned at year on year growth of circa 2.3% from F20;
- Energy costs are expected to remain steady;
- The focus on margin improvement initiatives across all Support Departments continues throughout the Plan period.

#### VIP PROGRAM PLAY

- VIP Program Play turnover volumes are forecast to grow from \$32.8b in F19 to \$39.0b in F23. Program Play volume growth is expected to show modest growth of circa 2.7% from F21 with the exception of a slight decline in F22 due to the opening of Crown Sydney in late F21.

### 3.5. Risks and Challenges

- Further deterioration in macro-economic conditions.
- Any deviation to EA outcomes across the anticipated three-year agreement period above the forecast 3.0%.
- Any above the norm increases in various cost bases above the budgeted 2.5% (e.g. Utilities costs).
- Increase in legal and compliance costs – eg, ongoing VCGLR China investigation.
- Further increase in Workcover costs and common law claims.
- Increase in Security incidents and / or decision to proceed with PSO initiative (unless funded by Victoria Police).
- Failure to secure smoking approval for converted Club 23 space.
- Any further tightening in VIP operating model and / or International Gaming market.
- The potential impact of the Federal Government's planned restriction of cash transactions to less than \$10k for goods and services.

### 3.6. Additional Opportunities

- Further growth in market share in the Victorian Gaming Machine market which has shown recent growth;



## 4. Crown Perth

Crown Perth Financial Plan as at May 2019						
\$M	F18	F19	F20	F21	F22	F23
Revenue	848.3	797.5	811.7	827.4	847.5	870.4
Expenses	596.5	578.0	584.4	598.0	612.9	628.5
EBITDA	251.9	219.5	227.3	229.4	234.6	241.9
D&A	(87.0)	(85.3)	(81.5)	(82.7)	(84.0)	(85.2)
EBIT	164.9	134.2	145.8	146.7	150.6	156.7
Capex Cashflow	29.2	30.8	34.4	35.0	35.0	35.0
Working Capital	54.2	17.9	(10.4)	3.6	0.6	0.6
Variance from Theoretical	(30.4)	15.6	(0.0)	(0.0)	0.0	(0.0)
Operating Cashflow	304.9	283.8	251.3	268.0	270.2	277.5
Local Contribution Margin %	32.6%	30.3%	29.8%	29.5%	29.4%	29.6%
VIP Gaming Margin %	9.7%	-2.2%	8.2%	8.2%	8.1%	8.1%
EBITDA %	29.7%	27.5%	28.0%	27.7%	27.7%	27.8%
GROWTH RATES						
Revenue		-6.0%	1.8%	1.9%	2.4%	2.7%
Expenses		-3.1%	1.1%	2.3%	2.5%	2.5%
EBITDA		-12.9%	3.5%	0.9%	2.3%	3.1%

Note: Theoretical EBITDA is at a theoretical win rate of 1.40%. Revenue and Expense numbers in the above table exclude complimentary revenue and expenses

### 4.1. Introduction

#### PROPERTY OVERVIEW

- Crown Perth opened in 1985 and is a major integrated resort facility currently featuring:
  - Approval for 350 table games (including up to 30 Fully Automated Table Game units where 12 individual automated units count for 1 table game) and 2,500 gaming machines;
  - Three Hotels: Crown Towers – 500 rooms, Crown Metropol – 397 rooms, and Crown Promenade – 291 rooms;
  - Convention Centre and 2,300 seat Theatre; and
  - A 1,500 bay multi deck car park.
- Crown Perth's casino licence is for the duration of the Burswood Trust, which expires in 2060. The licence does not specify either a maximum number of tables or maximum number of gaming machines;
- Crown Perth owns the casino site and a limited area of surrounding property on a freehold basis;
- Another casino cannot be established within 100km of Crown Perth, unless it is of comparable size and standard as Crown Perth; and
- Crown Perth is not permitted to offer "spinning reel" gaming machines (poker machines) but can offer video gaming machines restricted to card, keno or similar games. Gaming machines (of any type) are not permitted in hotels and clubs in Western Australia.



## EARNINGS

- Crown Perth EBITDA is forecast to grow from \$219.5m (F19) to \$241.9m (F23), with average growth of \$5.6m (2.5%) per annum;
- Perth local market conditions remain very challenging with subdued economic growth, consumer sentiment and discretionary spend;
- Crown Perth EBIT is forecast to grow from \$134.2m (F19) to \$156.7m (F23), with average growth of \$5.6m (4.0%) per annum;
- Local margin declines slightly year on year due to the impact of the weak market and subdued revenue growth, margin improves towards the outer years of the Plan as revenue and market conditions are expected to improve;
- Free cashflow generated in the five years to F23 is forecast at \$1.4b.

## CAPITAL EXPENDITURE

Crown Perth plans to make investments of \$170.2m over the five years from F19 to F23 consisting of the following:

- Base Capital - \$164.5m; and
- Major Projects - \$5.7m.

The major value creating capital projects include:

- Additional Gaming Machine product to accelerate the rollout of machine product with reduced spin rates (\$2.0m), subject to Regulator approval;
- Further electronic Table games (eTG) expansion and enhancement (\$1.6m);
- Theatre Bars grab n go development (\$0.9m);
- Tap n Go implementation at the tables (\$0.3m), subject to Regulator approval;
- Enabling gaming in non-gaming areas (\$0.3m), subject to Regulator approval;
- The list above includes a number of items that require Regulatory approval to proceed. Although we expect approval to be granted, any changes to proposed conditions or requests declined will impact Plan earnings.

## 4.2. Financial Performance & Key Assumptions F20

- Crown Perth EBITDA is budgeted to increase from \$219.5m to \$227.3m, representing an increase of \$7.8m or 3.5%;
- **Local contribution** is budgeted to increase from \$221.0m to \$221.9m, an increase of \$0.9m or 0.4%. Key Business overview and assumptions follow:
  - Perth continues to experience a challenging consumer environment. Local Table Games remains soft, particularly in premium Tables, whilst Gaming Machines has shown more resilience.
  - Recent local Tables performance has been particularly soft, with April 2019 YTD revenue declining 6.6%. (February – April 2019 has seen a YoY revenue decline of 10.8%)

- In particular, softness has been experienced at the premium end, where average spend per patron continues to decline, consistent with the trends in the housing and construction sectors, which disproportionately relate to the premium membership.
- Gaming Machines has shown more resilience, with April 2019 YTD revenue growing 0.7% signalling a reversal of the previous three-year trend of a decline in revenue
- Local economic conditions in WA continue to be very challenging, with house prices in annual decline since peaking in June 2014; new car sales declining YoY for 55 of the prior 57 months and new home starts down almost in 30% in the past 2 years.
- The Plan assumes potential for further softening in the Perth economy over the next two years with property market under stress combined with the associated credit issues (WA has the highest level of debt stress in the country), and expected continuation in softness in retail, construction and auto industry trends.
- A benefit for the business is expected to come from the current Government (Tourism WA) and Burswood Park Board (BPB) initiative to utilise BPB funds (contributed to by Crown) to deliver key flagship events to the Burswood Peninsula and Crown surrounds.
- Local Margin of 29.8% (excluding comps) is down on F19 margin of 30.3% (excluding comps) due to subdued revenue growth and the effect of some cost increases in IT and Security & Surveillance;
- Revenue enhancement and cost improvement initiatives continue to be a focus;
- Enterprise Agreement increases are budgeted at 2.0% with the current Crown Perth Enterprise Agreement due to expire on 30 September 2019;
- Salaried increases are budgeted at 1.5% with significant pressure on salaried roles versus market and EA positions due to subdued increases over recent years (average annual salaried increase over last five years is 1.66%);
- No Short-Term Incentive Plan (STIP) provision has been budgeted in F20;
- **Program Play** is budgeted to increase by \$6.9m (F19 -\$1.5m) to a theoretical contribution of \$5.4m. Whilst turnover is budgeted to decline 3.3% to \$4.7b, the cessation of the tax guarantee in F20 provides a one-off benefit to contribution;
- Local **Table Games** contribution growth of \$0.2m (0.2%):
  - Table Games is projecting revenue growth of 1.0% (F19 -6.1%)
  - The key challenge for Table Games is moderating and ultimately reversing the annual downward trend in the premium business. Growth is expected to return from F20 following a particularly soft F19.
  - The decline in Table Games revenue in F19 of 6.1% turns to growth of 1.0% climbing to 2.0% by F21 supported by the growth initiatives with the key challenge being moderating and ultimately reversing the annual downward trend in Premium business. Key initiatives include:
    - Tap n Go capability at the table and / or Ticket Redemption Terminal (TRT), subject to Regulator approval;
    - Enabling cash withdrawals from the Cage and F&B outlets (already activated and averaging over \$100k per week);
    - Changing policy to allow up to three guests in the Pearl Room (currently one). 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;
  - Marketing lifecycle customer management initiatives as per Melbourne section.
- **Gaming Machines** contribution growth of \$7.6m (4.1%):
  - Gaming Machines revenue is expected to grow at a rate of 4.0% (F19 1.2%);
  - Revenue growth is supported by the growth initiatives and the introduction of the popular Aristocrat Lightning Link product assumed to be from H2 F20 which drives stronger growth of 4.0% due to full year effect in F21. Key initiatives include:
    - Reduction in machine spin rates (from five to three seconds), subject to Regulator approval;
    - Simplified electronic game mathematics in line with Eastern states, subject to Regulator approval;
    - Enhanced roll-out of new product, consistent with the current Melbourne strategy;
    - Enable cash withdrawals from the Cage and F&B outlets (activated late F19);
    - Changing policy to allow up to three guests in the Pearl Room (currently one);
    - Marketing lifecycle customer management initiatives as per Melbourne section.
- **Food & Beverage** contribution declines \$1.8m (7.3%):
  - Revenue is expected to decline further in F20 by 1.3% (F19 -1.9%) with the hospitality outlook in Perth remaining very soft in the short term. A significant number of iconic F&B businesses in Perth have closed in recent times. Growth is forecast to be circa 1.6% - 3.0% through the remainder of the Plan period.
  - F20 features no further expansion or refurbishment activity in the F&B space, other than the closure of Eve nightclub in late F19;
- **Conventions & Entertainment** contribution growth of \$0.7m (10.0%):
  - Revenue growth of 4.8% in F20 (F19 -7.1%) due to better line-up of Theatre shows as follows:
    - Book of Mormon – Sep 2019 to end of Nov 2019 (12 weeks) – contracted
      - Theatre Bar refurbishment prior to the commencement of Book of Mormon should also lift bar sales;
    - Warhorse – March 2020 – April 2020 (4 weeks) – contracted;
    - Billy Elliot – June 2020 – July 2020 (8 weeks) – contracted.
- Growth flattens from F21 with softer outlook for the Theatre.

- **Hotels** contribution is flat:
  - Hotels revenue growth of 1.5% (F19 1.0%);
  - The Perth hotel market has continued to feel the negative impact of increased room inventory;
  - The market continued to decline in both occupancy and average rate with occupancy down 3% YOY (1.5% the previous year) and rate down 1.5% (5.5% the previous year);
  - Airbnb has continued to add to the over supply with over 6,000 listings now within the Perth area;
  - Optus Stadium is expected to have less impact in Hotels due to the nature of the AFL draw and amount of Saturday games where hotels are already at capacity;
  - Occupancy is budgeted to be flat with modest rate growth expected of circa 1.0%;
- **Other Non-Gaming** contribution growth of \$0.6m (13.8%):
  - Car Park operations benefit from increased pricing to cash customers coupled with cost savings from the cessation of staff parking off-site on event days;
  - Tenancies assumes we are successful in securing a long-term viable tenant for Eve (Fun Lab – in closing stages of agreement), have assumed \$0.5m rental stream in Other Non-Gaming from F21.
  - Assume the remaining two Retail tenant boxes remain vacant.
- **Support Departments** are increasing by \$6.3m or 5.4% impacted by the following:
  - Increase in Marketing costs of \$0.7m or 5.5% due to the full year effect of staff appointments filling vacancies coupled with some increased marketing activity to support the key capex and sales and marketing initiatives;
  - Property Support costs increase by \$0.9m or 3.1%;
  - Security, Cage & Other costs increase by \$3.7m or 6.6% with key impacts as follows:
    - Anticipated reduction in ATM fees arising out of the introduction of eftpos withdrawals at the Cage and Main Floor F&B outlets (\$0.5m);
    - IT maintenance and subscription costs coming out of capex into opex (\$0.4m);
    - RSG Centre moving to a 24:7 operating model (\$0.3m);
    - A one-off FX gain received during F19 (\$0.2m);
    - Key Security & Surveillance vacant roles filled (\$0.8m);
    - Excluding the above effects, Security, Cage & Other Costs are increasing by \$1.4m or 2.5%;
  - Other Corporate Costs increase by \$0.8 or 12.6% due to one-off benefits in F19 of a gaming fund reduction (\$0.4m) and gain on sale of the jet sprinter (\$0.2m);
  - Excluding the effects of the items listed above, Support Department costs are increasing by 2.9%.

### 4.3. Key Strategies

BUSINESS WIDE, MARKETING AND PROGRAM PLAY STRATEGIES AS PER MELBOURNE SECTION ABOVE

LOCAL BUSINESS - CROWN PERTH

- Local Gaming:
  - Increase Table Games capture rates through expansion of high demand core product (Baccarat Room & MGF Roulette);
  - Introduction of Premium electronic Table Games areas as already successfully introduced in Crown Melbourne;
  - Improve gaming footprint in the Pearl Room to meet the increasing demand for non-smoking product from both machines and tables local premium customer base;
  - Introduce fun and entertaining, low intimidation games to capture new table games players through introduction of a Launch Pad table games area;
  - Review loyalty tiers and in particular the VIP access and offer to enable a better alignment of the VIP offer to customer value;
  - Deliver value via improved table game (and eTGs) dynamic denomination pricing;
  - Grow VIP customer base through increased focus on the emerging markets in the Baccarat Room;
  - Continue to review table open hours and rationalise where appropriate with a focus on efficient use of technology to assist (Tangam and Sensen);
  - Replace older electronic Table Games (eTG) cabinets with new Quartz eTG cabinet (40) to improve customer experience through increased number of games offered;
  - Maximise the return from a strong pipeline of new games and themes becoming available for Perth, including but not limited to the highly popular Aristocrat Lightning Link product and All Aboard from Konami;
  - Enhance the retailing of new games, promotional bonuses and customer experience through the progressive upgrade of digital and audio assets across the property;
  - Deliver a more appropriate offer uplift aligned to customer value post loyalty renewals and Pearl Room light refurbishment upgrade. Particular focus dedicated to elevating the in-room experience;
  - On-going focus on machine pricing and other Value Guarantee offers relevant to the Gaming Machines customer. An increase in the availability of multi-denominational gaming machines that provide choice of a lower entry point for customers' is the key to this offer;
  - Continue with repositioning of Riverside Room with a focus on the peak period experience targeting a younger customer demographic whilst still catering for the older demographics during off-peak times;
  - Improved interactive content delivery of existing machine bonus options and customer service initiatives via the Service Window now available across the entire gaming floor.
- Food & Beverage and Conventions & Entertainment:
  - Maximise the use of Burswood Park Board (BPB) funds (contributed to by Crown) to deliver key flagship events to the Burswood Peninsula and Crown surrounds;

- Continue to drive increased visitation through the Value strategy whilst maintaining guest satisfaction through customer service training;
- Leverage off long running theatre shows to maximise pre & post spend;
- Create innovative promotions / events and quality food & beverage offerings;
- Target price increases where feasible;
- Maintain our cost base with focus on improving average spend per visit;
- Complete the roll out of the new Point of Sale system, with new innovation capabilities;
- Continue focus on training including Together We Create Memorable Experiences (TWCME) program, technical skills, leadership and Forbes accreditation;
- Successfully convert Eve Nightclub (closed late F19) into Fun Lab tenancy (contract currently close to finalisation);
- Continue to focus on Stadium Game Day strategies in conjunction with Marketing and Public Relations to maximise exposure and visitation to the property;
- Explore opportunities to source unique events through external festivals and events around the surrounds of the perimeter of Crown Perth to drive visitation;
- Continued partnership with the Perth Convention Bureau (PCB) to deliver new business to Crown;
- Maintain a full program of theatre events with shows that best fit Crown's overall business;
- Hotels:
  - Continue to grow and protect the volume leisure market via targeted initiatives through Crown Direct and seasonal packages;
  - Leverage partnerships with Perth Convention Bureau and Tourism Western Australia to position Crown Hotels as the lead partner in visitation initiatives for Perth;
  - Continue to increase volumes for Crown Towers through luxury travel networks such as Virtuoso, Amex Platinum, Fine Hotels;
  - Aggressive focus on growth and retention in key volume segments such as groups and corporate;
  - Improve operational efficiencies and margin improvement through the workforce consolidation across Crown Metropol and Crown Promenade.

#### 4.4. Financial Performance F19-F22

##### KEY ASSUMPTIONS

- The Plan assumes potential for further softening in the Perth economy over the next two years with a lift in macro conditions expected to occur from F22;
- The focus on cost efficiencies to continue indefinitely;
- Growth in the early years will be reliant on the key capex and sales and marketing initiatives outlined above with external factors expected to offer little assistance;

- Modest Local contribution growth through F20 – F21 of circa 0.4% - 0.9% with contribution growing to 2.3% and 3.1% in F22 and F23 respectively. Key impacts across the Plan period are as follows:
  - Security, Cage & Other costs are expected to increase above the norm due to IT costs (both labour and maintenance) revert to opex from capex as more systems move to cloud-based (subscription type) operating models;
  - F22 and F23 see an increase in labour costs across the board of 0.5% each year due to the Superannuation Guarantee moving from 9.5% to 10.0% (F22) and 10.5% (F23). We have assumed that these increases will be borne by Crown as they relate to EA employees only;
  - STIP has been budgeted over the Plan period from F21 (annual STIP is circa \$3.0m), no STIP budgeted in F20.
  - Cost control across all areas of the business remains a key focus and is maintained at levels of circa 1.5% with the exception of Security, Cage & Other impacted by IT maintenance and subscription costs moving into opex as per above.
  - Assume wage growth of 2.0%, salary and other cost growth of circa 1.5%.
  - Assume no further changes to tax or licensing regimes throughout the Plan period;
  - Assume no further changes to maximum gaming product thresholds;
  - F20 and beyond features minimal expansion / refurbishment activity with growth to come from leveraging our existing asset base and a continued focus on marketing and revenue enhancement initiatives coupled with firm control over the cost base;

#### TABLE GAMES

- Local Tables contribution is forecast to increase by an average of 2.0% per annum over the plan period. Modest growth of 1.1% is forecast for the mainstream business with premium forecast to grow by 12.1% supported by the key capex and sales and marketing initiatives described above coupled with an expected uplift in macro conditions in the outer years of the Plan period.

#### GAMING MACHINES

- Gaming Machines contribution is forecast to increase by an average of 3.2% per annum over the plan period. Growth is driven by an improved product offering (particularly the Lightning Link product from Aristocrat from Q2 F20) coupled with the anticipated approval of a number of key initiatives (described above) currently before the Regulator.

#### FOOD & BEVERAGE

- Food and Beverage contribution is forecast to decline by an average of 1.0% per annum over the plan period mainly driven by expected declines in F20 and, to a lesser extent, F21 before returning to a growth phase of circa 3.0% from F22. Market conditions in the F&B space will be very challenging in the short to medium term so a firm focus on cost control, particularly in the labour and cost of sales areas, will be maintained. Enhancements and refurbishments to outlets are not expected to be significant but will be undertaken where required.

#### CONVENTIONS & ENTERTAINMENT:

- Conventions & Entertainment contribution is forecast to increase by an average of 1.5% per annum over the plan period, however the vast majority of this growth is expected to come in F20 with a strong run of shows rebounding off the back of a very poor F19. F21 is expected to be soft before steady growth of circa 3.5% returns from F22. Theatre show patronage and conference business is expected to continue to be impacted by a soft economy.

## HOTELS

- Hotels contribution is forecast to increase by an average of 0.8% per annum over the plan period. The early years will be very challenging as more inventory comes online and operators focus on decreasing rate to secure occupancy. Notwithstanding the above, Crown Towers is forecasting to reach 82% occupancy by F23 whilst maintaining occupancy levels in Metropol and Promenade in the high 80% range. Rate growth will be the issue as new and existing hotels compete for market share.

## OTHER NON-GAMING

Retail and Car Parking operations contribution growth averages 5.9% per annum with the key growth periods coming in F20 and F21 supported by a change in car park pricing and the opening of Fun Lab in the Eve Nightclub space.

## SUPPORT DEPARTMENTS

Cost increases average 3.6% per annum over the plan period largely due to cost increases in F20 described in the budget section as well as expected IT cost impacts in F21. Support Department cost increases from F22 are restricted to circa 2.3%.

## VIP PROGRAM PLAY

- VIP Program Play turnover volumes are forecast to grow from \$4.7b in F20 to \$5.1b in F23 with steady growth from F21 of circa 3%. Contribution will see an uplift in F20 due to the five- year tax guarantee arrangement coming to an end. It is expected that any significant volume of play into Perth will continue to be largely serviced by the Melbourne team.

### 4.5. Risks and Challenges

- Any of the current items before the Regulator are not approved;
- WA economy continues to deteriorate;
- Any deviation to EA outcomes across the anticipated three-year agreement period above the budgeted 2.0%;
- Any above the norm increases in various cost bases above the budgeted 1.5% (e.g. Utilities costs);
- Removal of smoking exemption;
- The potential impact of the Federal Government's planned restriction of cash transactions to less than \$10k for goods and services.

### 4.6. Additional Opportunities

- WA economy recovers earlier than expected;
- Expansion of Nobu, subject to capex availability of circa \$2.5m;
- Convert Market & Co into Gradi, subject to capex availability and dependent on either Crown or Tenant model;
- Signature Restaurant in Crown Towers – not viable at this time;
- Secure viable solutions for remaining two Retail tenancies, long term vacant – not viable at this time.



## 5. Crown Sydney

### 5.1. Capital Expenditure and Apartment Sales

- Overall development cost for Crown Sydney remains unchanged, with a gross project cost of \$2,158m (excluding capitalised interest) and total proceeds from apartment sales of \$850m (net project cost of \$1.3b excluding capitalised interest).
- Pre-opening costs of \$60m have been included in the construction costs above. Whilst these have been shown as Crown Sydney capital expenditure in the Financial Plan and cashflow forecasts, they will be disclosed as expenses in the P&L when incurred (current forecast has \$7.6m in F20 and \$52.4m in F21). Given the nature and size of these expenses Crown will classify them as significant items (net of tax) in its statutory P&L.
- Forecast expenditure per year net of apartment sale proceeds are shown in the table below:

Development capex schedule	FY13A	FY14A	FY15A	FY16A	FY17A	FY18A	FY19F	FY20F	FY21F	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Total Project Costs</b>	<b>23</b>	<b>51</b>	<b>152</b>	<b>23</b>	<b>156</b>	<b>271</b>	<b>422</b>	<b>605</b>	<b>453</b>	<b>2,158</b>
Less Proceeds from Apartment Sales	-	-	-	-	-	(29)	(50)	(28)	(744)	(850)
<b>Net Project Cost (excl. Financing)</b>	<b>23</b>	<b>51</b>	<b>152</b>	<b>23</b>	<b>156</b>	<b>242</b>	<b>372</b>	<b>578</b>	<b>(290)</b>	<b>1,308</b>

- As at the end of March 2019, over 90% of the trade values were under contract and 77% of the budget committed as outlined below

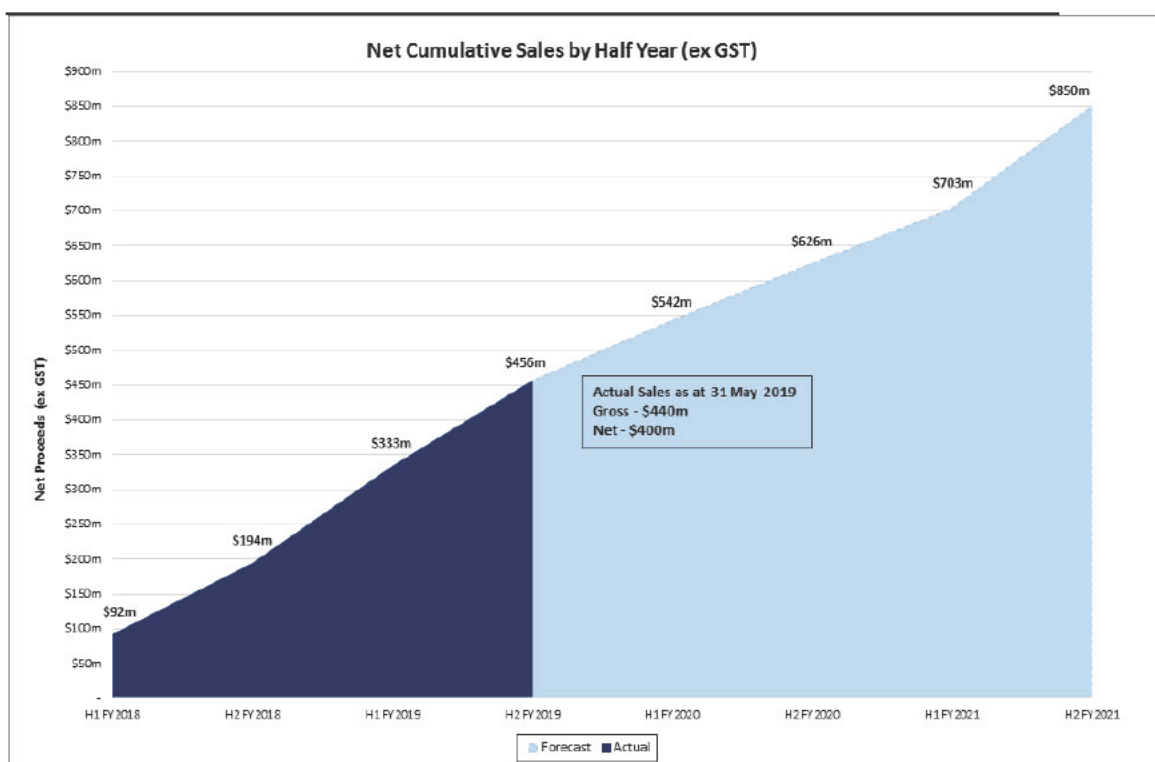
	Budget	Commitments To Date	Spend To Date	Remaining Spend
<b>Development Cost</b>				
<b>Lend Lease Building</b>				
Temp & Prelim/Supervision	85.0M	100%	85.0M	47%
Trade Subcontractors	777.7M	90%	696.8M	45%
Trade - Remediation works	30.6M	100%	30.6M	100%
Contractor's Fee	35.2M	100%	35.2M	40%
<b>Sub-Total</b>	<b>928.6M</b>	<b>91%</b>	<b>847.7M</b>	<b>47%</b>
Lend Lease Shared Basement	15.7M	88%	13.8M	25%
Escalation / Contingency	154.3M	95%	146.7M	0%
<b>Total Lend Lease Cost</b>	<b>1,098.6M</b>	<b>92%</b>	<b>1008.2M</b>	<b>40%</b>
<b>Crown Direct Construction</b>				
Design / Project Mgt	120.8M	79%	95.3M	72%
FF&E / OS&E / Equipment	172.8M	22%	38.2M	16%
Landscaping & Site Improvement	31.0M	30%	9.2M	2%
Pre-Opening / Training / Working Capital	60.0M	0%	.2M	0%
Permits / Fee / Insurance	32.8M	23%	7.6M	23%
Residential Sales / Marketing	35.0M	37%	12.8M	36%
Legal / Tax	10.0M	130%	13.0M	130%
<b>Sub-Total</b>	<b>462.3M</b>	<b>38%</b>	<b>176.4M</b>	<b>32%</b>
Contingency / Escalation / Forex	149.4M	0%	.0M	0%
<b>Total Crown Direct Cost</b>	<b>611.7M</b>	<b>29%</b>	<b>176.4M</b>	<b>24%</b>
<b>Indirect Costs</b>				
Gaming Licence / Consulting	130.1M	100%	129.9M	100%
Land	324.3M	100%	324.3M	80%
Corporate Cost Allocations	23.5M	81%	18.9M	81%
<b>Total Indirect</b>	<b>477.9M</b>	<b>99%</b>	<b>473.1M</b>	<b>85%</b>
<b>Sub-Total</b>	<b>2,188.2M</b>	<b>76%</b>	<b>1657.7M</b>	<b>46%</b>
<b>Reimbursement from BDA (Variations to LLB)</b>	<b>-30.6M</b>			<b>-30.6M</b>
<b>Sydney Gross Budget (excl. cap int)</b>	<b>2,157.6M</b>	<b>77%</b>	<b>1657.7M</b>	<b>45%</b>

Total Trade Budget Committed to Date	696.8M
Value of Total Trade	777.7M
Percentage of Total Trades Awarded to Date	90%

Total Trade Escalation/Contingency Committed to Date	146.7M
Value of Total Trade Escalation / Contingency	154.3M
Percentage of Trade Escalation / Contingency Used	95%

- Forecast apartment sale proceeds will be recognised as cash upon receipt.
- Forecast apartment sale proceeds of \$850m exclusive of GST are based on a Crown Sydney Apartment Sales Strategy of achieving the prices and sales timelines below. It is proposed that management continue to implement sales in line with the average prices below (with an expectation that subject to views, floor number etc. actual prices may be above or below the average) and at approximately the rate of sales shown in the chart below. While the chart indicates a sales execution over four years, all apartments will be sold as soon as possible.
- The Board will continue to be updated periodically as to progress in achieving the Crown Sydney apartment sales strategy.

Type	Count	Avg SQM	Realised sales price (Escalated 2.5 Years)		
			Avg Cap Val (A\$m)	GDV (A\$m)	A\$/sqm internal (average)
2 Bedroom	22	180	\$6.7	\$148.0	\$37,340
3 Bedroom	40	212	\$9.3	\$371.8	\$43,848
3 Bedroom + Study	10	245	\$11.5	\$115.2	\$47,092
4 Bedroom	12	298	\$14.1	\$169.0	\$47,309
4 Bed Penthouse	2	471	\$33.6	\$67.2	\$71,375
5 Bed Penthouse Duplex	1	808	\$63.9	\$63.9	\$79,126
<b>Total</b>	<b>87</b>	<b>232</b>	<b>\$10.7</b>	<b>\$935.1</b>	<b>\$46,270</b>
<b>Total (excluding GST)</b>				<b>\$850.2</b>	



## 5.2. Financial Projections

Crown Sydney Financial Plan	Forecast	Forecast	Forecast	Forecast	Forecast
	FY21	FY22	FY23	FY24	FY25
	\$m	\$m	\$m	\$m	\$m
<b>Revenue</b>					
International VIP	132.2	502.3	562.4	579.2	596.6
Interstate VIP	8.1	31.3	35.7	37.5	39.4
Local VIP	86.0	333.4	380.5	399.5	419.5
Non-Gaming	60.4	179.5	219.5	227.0	233.6
<b>Total Revenue</b>	<b>286.7</b>	<b>1,046.4</b>	<b>1,198.0</b>	<b>1,243.2</b>	<b>1,289.1</b>
<b>EBITDA</b>					
International VIP	13.4	68.5	80.1	82.0	84.0
Interstate VIP	1.7	7.1	8.2	8.6	9.0
Local VIP	31.4	126.2	145.2	152.5	160.3
Non-Gaming	18.4	55.6	71.4	73.9	76.1
Support Departments	(31.5)	(80.9)	(83.8)	(87.0)	(89.8)
<b>Total EBITDA</b>	<b>33.5</b>	<b>176.4</b>	<b>221.0</b>	<b>230.1</b>	<b>239.7</b>
Depreciation and Amortisation	(24.6)	(61.9)	(64.4)	(66.9)	(69.5)
<b>Total EBIT</b>	<b>8.9</b>	<b>114.5</b>	<b>156.7</b>	<b>163.2</b>	<b>170.2</b>

- Crown Sydney EBITDA forecast of \$33.5m in F21 (part year) and \$176.4m in F22. The plan assumes the base project case EBITDA of \$221m is achieved in F23. No synergy benefits have been allowed for under this scenario.
- Working capital requirement for Crown Sydney in F21 of \$21.8m, consisting \$17.7m of VIP debtors (assumes 60 day collection period) plus \$4.1m of other working capital (i.e. cage cash and opening inventory) and an additional \$49.6m of debtors in F22 as the business grows VIP revenues.
- Maintenance capital expenditure of \$8.9m in F21 and \$23.9m in F22 to maintain the premises
- The P&L does not include the anticipated \$200m profit on apartment sales in F21 as well as the associated tax expense as Crown will classify this as a significant item.
- Cash taxes for F19-F22 include the cash tax impact of the profit on the Sydney apartment sales and pre-opening costs expensed as significant items.

## 5.3. Operational Planning

### GOVERNANCE FRAMEWORK IN PLACE

- Project leadership and control by Peter Crinis (COO Crown Sydney) with support from Jason O'Connor (Director – Innovation & Strategy) and Clinton Cahn (Manager – Strategy & Business Development).
- Fortnightly operations planning team meetings led by Peter Crinis and attended by key personnel across Projects, Gaming, Hotel, F&B, Legal, Engineering & Maintenance, IT, HR and PR.
- Each division is currently focused on developing a planning document setting out all of the items on the “critical path” to opening. This will allow the project management team, as well as each division, to track the progress of each critical workstream/milestone on an ongoing basis.

#### KEY HR WORKSTREAMS

- Organisational chart completed with c.2,200 headcount at opening (c.2,000 FTE). Approximately 1,500 of these staff will be covered by Enterprise Agreement and the remainder will be salaried.
- Preliminary post-opening workforce and labour cost planning completed (subject to changes in the organisational chart, updated cost data and finalisation of the Sydney Enterprise Agreement).
- Pre-opening workforce and labour cost planning in progress and almost completed.
- Key executives appointed: Peter Crinis (COO), Sean Knights (EGM Gaming) and currently interviewing for EGM Non-Gaming.
- Phase I of key hires completed: HR Manager, Engineering & Maintenance Manager, Senior Legal Counsel, Group GM of IT, Senior PR & Media Manager and Recruitment Manager all hired.
- Phase II of key hires to commence July 1<sup>st</sup>: GM Marketing, Indigenous Employment Program Manager and Manager of Regulatory & Compliance.
- Phase III of key hires to commence January 2020: dedicated Crown Sydney recruitment team (August 2019), GM Security & Surveillance, Senior Brands/Comms Manager, Senior Marketing Manager, GM Gaming and International VIP Sales Managers.
- Approximately 1,050 Crown Sydney employees will need to be licensed by Liquor & Gaming NSW. Management will work with the NSW regulator to ensure all licensing is completed pre-opening.

#### OTHER CURRENT KEY WORKSTREAMS

- Gaming floor layout – Level 1 & 2 plans have been reviewed and finalised with 116 tables (excluding 49 salon tables situated across Levels 1, 2, 26 and 27).
- Community obligations – Alicia Gleeson (EGM HR) will be engaging face-to-face with each of the key community partners (National Centre of Indigenous Excellence, Penrith Panthers, Australian Rugby League, United Voice, Mission Australia) over the coming weeks to ensure delivery of Crown's obligations under the various MoUs.
- F&B – focused on restaurant design (Chinese restaurant and Noodle Shop finalised) and hiring key chefs (Japanese Omakase chef hired).
- IT – main focus is on construction support but starting to shift focus to operational needs, in particular gaming system selection. Currently evaluating Casino Management Software offerings from Konami (installed by Star), SciGames, IGT, Aristocrat and Augmentum.
- Procurement – focused on developing Crown Sydney specific strategy for supply chain, procurement, inventory control and governance.
  - Parking strategy – evaluating off-site parking options for both patrons and staff given limited on-site parking. Preliminary options include: ICC or Harbourtown Shopping Centre for staff and Barangaroo International Towers (subject to Lendlease) for off-peak patrons and on-site management.
  - Off-site warehousing and storage – evaluating off-site storage options with the assistance of key suppliers. Requirements have been specified and a number of potential options have been identified, including Homebush (14km from site) and Marrickville (10km from site).
- Staff uniforms – two Australian designers have been selected and will be presenting their designs to Peter Crinis and Mark Holmes in mid-June.

- Security & Surveillance – working with Projects to agree on number of cameras and positioning.
- Hotels – working with HR to determine the appropriate outsourcing model for housekeeping, laundry and valet (having regard to Crown’s MoU with United Voice).
- Off-site administration office – approximately 85 staff to be located in Aon Building (across the road from Crown Sydney and current home of Project team).
- Crown College – also to be located in the Aon Building.
- Marketing / PR – developing the “Core Proposition” of Crown Sydney as well as a partnerships and brands strategy, and conducting a tender process to engage a Sydney-based PR agency to cover pre-opening, opening and post-opening phases (brief has gone out to 6 agencies).

#### BALLROOM VERSUS ADDITIONAL TABLES

- A discussion took place at the April 2019 Crown Resorts Board meeting in relation to whether the proposed ballroom at Crown Sydney might be converted into an additional gaming area.
- Following this discussion, management undertook to further discuss the preferred use of the ballroom space and in particular having regard to the approvals that would be required from the Barangaroo Delivery Authority (BDA) and Lendlease as well as any Planning Department consents that would be required if Crown wanted to convert the proposed ballroom into a gaming area. Following these discussions, a final recommendation would be made to the Board as part of the Financial Plan presentation.
- If Crown wishes to change the current proposed ballroom use, Crown will be required to lodge a planning application for modification (which would require BDA consent). This is the case if the proposed layout change requires a change (even if only minor) to the Final Plans and Specifications approved as part of Crown’s planning approval.
- If the proposed layout change does not require a change to the Final Plan and Specifications, then BDA consent would not be required.
- Crown’s planning application for modification will require BDA consent.
  - BDA only has 5 business days to review the application and could refuse consent on reasonable grounds (the BDA could also make a technical argument that the application is inconsistent with the approved Final Plans and Specifications).
  - If the BDA does not consent, the dispute could be referred to an expert (ie. a suitably qualified architect) for determination.
  - Lendlease consent is only required if the application is a “Significant Application”, therefore, Lendlease consent is not required.
- On current timing, it is unlikely all the required consents would be obtained in time to have the area established as gaming space prior to opening. This would clearly be suboptimal compared to having available ballroom space for opening events etc.
- Once the lease is granted, BDA approval is only required to proposed alterations if they affect the structure of the premises, the external façade in a material way, the services in a material way or the integrated public art. Therefore, a change to the usage following the issue of the lease will be considerably easier. In that case, however, additional capital expenditure to refit the space as a gaming area would be incurred.
- As a result it is the preferred course to continue with the currently planned ballroom space.



## 6. Crown Aspinalls

Crown Aspinalls Financial Plan £'m	Forecast F19	Forecast F20	Forecast F21	Forecast F22	Forecast F23
Total Revenue	31.6	33.8	35.2	36.7	38.2
Total Expenses	(28.2)	(30.2)	(31.5)	(32.8)	(34.1)
<b>Theoretical EBITDA</b>	<b>3.4</b>	<b>3.5</b>	<b>3.7</b>	<b>3.9</b>	<b>4.1</b>
Depreciation and Amortisation	(1.5)	(1.6)	(1.7)	(1.7)	(0.2)
<b>Theoretical EBIT</b>	<b>1.9</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>	<b>3.9</b>
Capex cashflow	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)
Working capital	17.7	(3.4)	2.2	2.1	(1.9)
Variance from Theoretical	(3.8)	0.0	0.0	0.0	0.0
<b>Operating Cashflow</b>	<b>16.7</b>	<b>(0.3)</b>	<b>5.5</b>	<b>5.6</b>	<b>1.8</b>
EBITDA margin	10.7%	10.5%	10.6%	10.6%	10.7%
<b>Growth Rates (Theo)</b>					
Turnover	(20.4%)	7.0%	4.2%	4.2%	4.2%
Revenue	(15.6%)	6.9%	4.2%	4.2%	4.2%
Expenses	7.0%	(7.2%)	(4.1%)	(4.1%)	(4.1%)
EBITDA	(52.5%)	5.0%	5.0%	5.0%	5.0%

### 6.1. Introduction

- Crown Aspinalls is a high end Mayfair casino comprising 24 gaming tables, an international standard restaurant and bar and an outdoor smoking terrace with gaming tables. There are six other licenced casinos located in the Mayfair district that compete directly with Crown Aspinalls.
- The ability of UK operators to compete for international VIP customers is materially challenged across three main areas (vs operators from other gaming jurisdictions):
  - High gaming duty regime – the top marginal gaming duty rate is 50% of revenue, adversely impacting operators' ability to offer attractive program terms to customers.
  - UK Gaming legislation currently prohibits the provision of credit in connection to gaming. Operators are however permitted to offer Cheque Cashing Facilities ('CCF') to customers as an accepted mode of providing front money for play.
  - The UK has a particularly rigorous AML/CTF program in relation to source of funds and wealth when considering the acceptance of funds from customers.
- F19 has been a challenging year for the High End London casino market, with drop down 23% and win down 32% (in the 12 months to February 2019). The High End London casino market is highly exposed to the play of a small number of key players. Stricter enforcement of AML and KYC requirements, including an at times restrictive program in relation to source of funds and wealth, has created challenges in attracting new players to the London market. Coupled with reduced play from certain existing key players has seen performance decline across the market.
- The past year has seen a number of competitors pull further back from marketing as aggressively to the Far East (Baccarat) business, however Les Ambassadeurs ('Les A') remain the market leader in London, and continues to take a more aggressive approach to customer program terms, credit and table limits.
- A number of Crown Aspinalls' major competitors have, over recent years, invested in extensive renovations to their properties, giving them a distinct competitive advantage. Most of these properties are larger and therefore seen as superior in facilities and general ambience to Crown

Aspinalls. Completion of the refurbishment and in particular the expansion of the Smoking Terrace in June 2018 improved the facilities on offer and competitiveness of Crown Aspinalls in the local market.

- Exceptional service and experience offerings to players remain critical to success.
- A drive towards better insight, analysis and systems to support margin growth and an improvement in the volumes continue to be management's focus for the year ahead.

#### EARNINGS

- Crown Aspinalls Theoretical EBITDA is forecast to grow from £3.4m (FY19 forecast) to £4.1m (FY23), with average growth of £181k per annum.
- Crown Aspinalls is forecasting 5.0% EBITDA growth in F20, with overall revenue growth of 6.9% partially offset by increased expenditure. Crown Aspinalls are forecasting increased expenditure in F20 due to some significant one-off costs including legal fees associated with the four yearly compliance audit review by Hodge Malik QC and other costs relating to regulatory requirements. F19 includes the one-off benefit arising from the reversal of prior period rent expenses due to the rent review process (£250k). Also, management bonuses have not been accrued in F19 due to below budget results but have been factored into the F20 budget (£400k impact).
- Crown Aspinalls Theoretical EBIT is forecast to grow from £1.9m (FY19 reforecast) to £2.3m (FY23 forecast), with average growth of £100k per annum.

Summary		FY19 Forecast	FY20 Budget	Variance	
		Turnover	Turnover	£m	%
		£m	£m	£m	%
Turnover	NE Asia	1,124	1,249	126	11%
	SE Asia	777	784	7	1%
	<b>Far East</b>	<b>1,900</b>	<b>2,033</b>	<b>133</b>	<b>7%</b>
	Middle East	849	879	30	3%
	Europe	70	100	30	44%
	United Kingdom	368	407	38	10%
	Rest of World	13	6	(7)	(55%)
	<b>Non Far East</b>	<b>1,300</b>	<b>1,391</b>	<b>91</b>	<b>7%</b>
	<b>Total</b>	<b>3,200</b>	<b>3,424</b>	<b>224</b>	<b>7%</b>
Gaming Revenue	<b>Gross Theo Win</b>	<b>52.4</b>	<b>56.1</b>	<b>3.7</b>	<b>7%</b>
	% - Turnover	1.64%	1.64%		
EBITDA	<b>EBITDA</b>	<b>3.4</b>	<b>3.5</b>	<b>0.2</b>	<b>5%</b>
	% - Turnover	0.11%	0.10%		
	% - Gross Win	6.43%	6.31%		
	% - Net Win	10.97%	10.57%		

- FY19 performance has been impacted by a sharp decline in the Far East market. This has been driven by prior year debts not yet cleared for some key players and a number of others not visiting London as they have in previous years. Crown Aspinalls have forecast F19 as a new base for the Far East market, which has meant a downward revision of the turnover and EBITDA forecasts from the Far East segment.

- Gross theoretical casino win is forecast to grow from £52.4m (FY19 reforecast) to £56.1m (FY20 budget), driven by a 7% increase in both the Far East volumes and non Far East volumes, and the assumption of a similar game mix as F19 for F20 onwards.

#### CAPITAL

- Crown Aspinalls has forecast capex of £0.4m per annum from F20-F23. This capex forecast includes maintenance expenditure each year along with critical surveillance and security projects to ensure security and game protection which will be carried out throughout the plan period.

## 6.2. Key Strategies

- Review of marketing programs to protect profitability and market share in a challenging and aggressively competitive local market
- Further enhance the analytics in the business to provide better operational information for decision making
- Focus on growing volumes from higher margin Non Far East markets via:
  - increased business development program in these regions
  - leverage key UK events and special Arabic and other themed nights on property
- Drive improved volumes from Far East business, which have been severely challenged in F19:
  - promote the Champions League Final to be held in Turkey in F20, and European Championship semi's and final to be held in London in early F21
  - leverage key UK events and promote new facilities, in particular the smoking terraces
  - develop new markets; India in particular to be targeted in F20

## 6.3. Risks and Opportunities

#### RISKS

- Increased competition – both in Mayfair and other jurisdictions.
- Regulatory
  - Future of cheques
  - UK AML/CTF regulations vs other jurisdictions
  - Increased financial regulation and further restrictions relating to the movement of funds
- Volatility remains one of the major challenges for high end Mayfair casinos. Maximum table limits on Baccarat are generally set at £300k, although Les A continue to offer greater value bets to selected key customers. Key players now operate with larger front money accounts, and this adds to the significant swings in revenue. These factors, coupled with the reliance on a small number of key players, visiting infrequently, and debt repayment issues results in high volatility.



#### OPPORTUNITIES

- Build upon a strong recovery in Non Far East business following political unrest in Saudi Arabia, Qatar and Lebanon to deliver strong growth from a higher margin group of customers
- Improve Far East business by developing improved processes for remittance of funds to repay debts
- Continue to drive cash F&B revenues from dining memberships
- Capitalise on the enhancements to the property to drive increased visitation.
- Regulatory reform around the provision of credit to International customers

## 7. Wagering/Online



### 7.1. Betfair Australasia

Betfair Financial Plan \$'m	Forecast F19	Forecast F20	Forecast F21	Forecast F22	Forecast F23
Operating Revenue	83.7	92.6	99.9	102.7	110.2
Expenses	(65.7)	(73.6)	(79.2)	(83.2)	(88.6)
EBITDA	18.0	19.0	20.8	19.5	21.6
D&A	(2.7)	(2.2)	(2.4)	(2.4)	(2.4)
EBIT	15.3	16.8	18.4	17.1	19.2
EBITDA %	21.5%	20.5%	20.8%	18.9%	19.6%
Capex Cashflow	(4.9)	(5.3)	(4.5)	(4.5)	(4.5)
Working Capital	0.0	(0.6)	(0.7)	(0.8)	(0.8)
Operating Cashflow	13.1	13.1	15.5	14.2	16.3
<b>Growth Rates</b>					
Revenue	19.3%	10.7%	7.9%	2.8%	7.3%
Expenses	23.7%	12.1%	7.6%	5.1%	6.4%
EBITDA	5.3%	5.7%	9.2%	-6.3%	11.0%

#### INTRODUCTION

- In August 2014, Crown acquired Betfair Group's 50% equity interest in Betfair Australasia for a purchase price of \$10m and Betfair became a 100% owned subsidiary of Crown Resorts. Betfair is the only active licensed betting exchange in Australia.

#### KEY STRATEGIES

The F20-F23 focus is on the following key strategies:

##### *Product*

- Continued focus on improving customers' wagering IQ through unprecedented access to an innovative data, form, strategy and statistics platform to improve betting IQ and revolutionise their punting strategy.
- Ensure customer needs are met through an approach to test/learn/iterate and find the right balance of experts to ensure every need from seeding tools to enhancements on the API are provided for customers.
- Continued improvement to Betfair's transactional channels, with a focus on a more localised experience and better channels developed by PaddyPower Betfair.
- Enhanced offering through customer led designed and Betfair endorsed third party applications. These applications will be supported both internally by Betfair and externally to ensure customers at all levels can use the application.

##### *Marketing*

- Acquisition Marketing - Continued improvement in digital marketing focusing on more precise tracking of customers into and through the acquisition funnel and across products. In conjunction, improve use of predictive models to accurately forecast the future value of new customers within 7 days. This will allow Betfair to monitor and optimise acquisition return on investment in real time.

- Upsell and Retention Marketing - For existing customers, the focus will continue to be on increasing Wagering IQ through education sessions, content and tools (e.g. Betfair Live). Additionally, Betfair will continue the expansion of the Business Development Program.

#### *Liquidity and Pricing*

- Continued focus to increase liquidity in all markets, allowing earlier liquid markets to significantly increase the volume of trading.
- Ensure pricing remains razor-sharp and tailored to meet the needs of key customers.
- Optimise bespoke customer pricing deals and changes across the board on discount rate to drive preferred behaviour.

#### *Customers*

- Number one customer is forecast to continue to reduce activity in line with recent subdued activity levels during F20 and early F21, with removal of number one customer as a revenue source from April 2021.
- Focus on reducing the reliance on top customers and expansion of the customer base from F20 onwards.
- Continue to grow the customer base through BAU marketing, segmentation and tracking of customers in order to optimise the customer journey, including customer education workshops.
- Opportunity to leverage the Crown acquisition list to increase number of customers or commence outbound marketing.

#### KEY ASSUMPTIONS

##### *Point of Consumption Tax*

- In F18 South Australia introduced an incremental tax (on top of Product Fees, GST and wagering licence) with a Point of Consumption (PoC) tax. All states apart from the Northern Territory introduced a similar PoC tax through F19, with Queensland from October 2018 and the remainder of states from 1 January 2019.
- Cost to Betfair for F19 is forecast to be \$4.9m, increasing by \$4.3m to \$9.2m in F20 due to the full year impact of the tax as most of the states implemented PoC half way through F19.
- A breakdown of the PoC rate and start date is shown below:

State	Rate	Tax free threshold	Start Date	POC applies to:			POC Payable - \$M	Market Share
				Comm	PC	Turnover Charge		
SA	15%	\$150,000 tax free threshold applies each FY	1-Jul-17	✓	✓	✓	0.34	4.2%
Qld	15%	\$300,000 tax free threshold applies each FY – note, however, that a \$225,000 tax free threshold will apply for the period 1 October 2018 to 30 June 2019	1-Oct-18	✓	✓	✓	1.87	23.1%
WA	15%	\$150,000 tax free threshold applies each FY – note, however, that a \$75,000 tax free threshold will apply for the period 1 January 2019 to 30 June 2019	1-Jan-19	✓	✓	✓	0.72	8.8%
ACT	15%	\$150,000 tax free threshold applies each FY – note, however, that a \$75,000 tax free threshold will apply for the period 1 January 2019 to 30 June 2019	1-Jan-19	✓	✓	✓	0.27	3.2%
NSW	10%	\$1,000,000 tax free threshold applies each FY – note, however, that a \$500,000 tax free threshold will apply for the period 1 January 2019 to 30 June 2019	1-Jan-19	✓	✓	✓	2.86	35.2%
Vic	8%	\$1,000,000 tax free threshold applies each FY – note, however, that a \$500,000 tax free threshold will apply for the period 1 January 2019 to 30 June 2019	1-Jan-19	✓	TBC Given no Regulations have been made, does not apply at this stage	TBC Given no Regulations have been made, does not apply at this stage	2.07	25.4%
<b>Total POC</b>							<b>8.13</b>	

- Betfair will continue to try and mitigate the impact of PoC through pricing levers and an increased marketing spend driving further growth. Higher prices however do provide a more challenging model in being able to grow and retain highly price sensitive customers going forward.

#### Revenue

- F19 Operating Revenue is expected to grow by \$13.6m (19%) on prior year, comprising \$3.2m from pricing adjustments (to assist with PoC), and \$10.4m increase through core product growth. Premium Charge has declined 39% YoY, due to a slow down in activity from the Number one customer.
- F20 Operating Revenue is budgeted to grow 11% from F19 into F20, to deliver \$92.6m with growth in exchange revenue and other revenue and a decline in Premium Charge revenue
- Exchange revenue – Exchange Commission is budgeted to grow 15%, from \$72.8m to \$83.9m. This \$11.1m yearly growth is comprised of \$1.6m (2%) price adjustments to aid in the offset of PoC, \$2.2m (3%) of incremental initiatives and \$7.3m (10%) of underlying exchange growth.
  - Price adjustments - Following the implementation of the Point of Consumption taxes across most states during F19, Betfair has adjusted customer discount rates for those on market-based rates, creating an incremental pricing benefit of \$1.6m YoY.
  - A number of initiatives have been identified to drive incremental growth for F20. Whilst there is a level of external dependency on which initiatives can be delivered within certain timeframes, these initiatives are forecast to drive \$2.2m in revenue for F20. Examples include the launch of Hong Kong racing on the Exchange and roll out of Exchange multis.
  - The F20 Budget \$7.3m (10% YoY) of underlying exchange growth will be achieved through acquisition marketing, upsell and retention marketing as well as product changes as outlined in the key strategies section.
- Premium Charge - Betfair are forecasting a slight decline in premium charge from the Number One customer in F20, with all other customers premium charge likely unchanged.

- Other Revenue - Other revenue includes Cross Matching, income derived from the sale of API and data access, trust distribution income and turnover charges. The F20 budget assumes \$0.3m growth on F19 forecast, primarily relating to trust distribution income.
- For F21 onwards, key changes to the outer year forecast are the removal of the Number One customer from April F21 onwards, and the removal of \$0.5m transaction charge to TAB for their access to our data after the conclusion of the initial agreement. Exchange and other revenue are forecast to continue increasing from F21 onwards.

#### *Expenses*

- Variable Costs – F20 variable costs are budgeted to increase by \$5.5m (15%) driven primarily by the following:
  - Product Fees – Yearly increase of 16%, in-line with the increase in Exchange revenue. Forecast continued growth on NSW thoroughbred racing which carries a high product fee is partially offset by a full year of fee reduction on WA racing.
  - Royalties – Reducing by \$3.1m due to reaching the 5-year period where the contractual royalty reduces from 10% to 5% in August 2019.
  - Point of Consumption – Increasing by \$4.3m YoY due to a full year of the tax as most of the states implemented PoC half way through F19.
  - Other fees are budgeted to increase by \$0.8m – The largest items within “other” variable costs are credit card commissions, seeding account, Northern Territory gaming tax and overseas racing levy. The \$0.8m yearly increase is due to a full year of UK racing levy.
- Operating Costs - Total F20 budgeted opex will increase by \$2.4m (9%) to \$30.4m. The drivers behind the 9% increase are primarily driven by investment in inhouse capabilities:
  - Payroll – Stabilising following the Hobart closure, with an additional \$1.2m spend related to building in-house resource and growth capability.
  - Marketing – YOY increase of 6% to aid in delivering the 10% underlying Exchange growth.
  - Office costs & Other costs – A combined increase of \$1.0m YoY as the IT and office transition costs post Hobart closure are concluded.
- From F21 onwards, variable costs are forecast to increase in line with exchange revenue growth, with operating costs growing between 4%-5% throughout the forecast period.

#### *Capital Expenditure*

- Capital expenditure for F20 is forecast to increase from \$4.9m to \$5.3m, with base expenditure growing from \$2.6m to \$3.8m, and one-off expenditure declining from \$2.3m to \$1.5m
  - Base expenditure for F20 is forecast to be \$2.0m for customer innovation such as Betfair Live (an analytical platform that collates, processes and displays dynamic wagering information from a number of data source) as well as other customer tools and customer facing product development; \$1.4m for technology upgrades such as upgrade of servers, security and core data platforms; and \$0.5m for infrastructure including universal data hub and telephone upgrade.
  - One off expenditure in F19 consisted of costs associated with the consolidation of the Hobart office into the Melbourne office, which will not reoccur in F20. F20 expenditure consists solely of costs associated with the National Consumer Protection Framework. PaddyPower Betfair quoted \$1.45m to complete part of the

requirement, with Betfair working to reduce the costs through more effective development cycles and a review of requirements. It's anticipated the \$1.5m budget allocated to this project will cover the full list of requirements, however if not sufficient, some capex may be moved into FY21.

- Costs associated with the proposed NCPF National Self Exclusion Register are likely to fall into FY21 due the complexity of building such a system with all wagering operators.
- Capital expenditure for F21 onwards is forecast to be \$4.5m per annum, largely consisting of base expenditure with a small allowance for one off expenses each year.

#### RISKS / CHALLENGES

- Regulatory changes: There are a number of key regulatory changes impacting Betfair over the next 12 months, including new inducement laws in WA, a national consumer protection framework, and national self exclusion register. Betfair will need to work with PaddyPower Betfair to ensure it complies with all regulatory changes.
- Point of Consumption tax: During F19, pricing levers have been used to partially offset the impact of PoC, however these pricing impacts are being monitored to assess the impact on revenue and customers to ensure betting activity isn't reduced beyond expectations. Additionally, Betfair continues to engage with state governments and racing/sport bodies to protect it from future PoC decisions.
- Number One Customer and other top customers: Following changes to the Interactive Gambling Act (IGA) offshore operators are no longer allowed to offer their services to Australian residents. An unintended consequence of this is Australian resident professional punters are moving offshore. Driven by this, F19 saw a reduction in revenue from Betfair's Number One Customer (\$2.0m), which has been considered in the F20 budget setting. In addition, revenue from Number One Customer will no longer be owned by Betfair from April 2021. To mitigate these risks, Betfair is working to reduce the reliance on the top customers.
- Product Fees: Management continue to mitigate the risk of increased product fees through strong relationships with racing bodies, fostered through continual engagement on a range of activities from analytics and insights, through to joint marketing and promotional activities – however increased fees remain a risk.
- Unlicensed competitors: While many offshore operators (e.g. Pinnacle) exited the Australian market following changes to the IGA legislation in September 2017, they still have the ability to attract our customers due to the superior value offering they can provide as they pay no fees or taxes in Australia. The introduction of PoC only further enhances the value these offshore operators can provide to customers. Management will continue to work with Responsible Wagering Australia (RWA), Australian Communications and Media Authority (ACMA), The Black Economy Taskforce, Australian racing and sports bodies, as well as the Hong Kong Jockey Club (HKJC) in an attempt to stop Citibet (or any other illegal offshore operator) from taking bets from Australian and New Zealanders.

#### OPPORTUNITIES

- Regulation of offshore operators: Linked to the progress made via the IGA legislation and offshore wagering operators exiting the Australian market, Betfair is using its ever-expanding social community to voice support for Betfair over illegal offshore operators.
- In-play betting: Removing the prohibition of in-play sports betting online would present significant upside, given that the betting exchange is a perfect platform for in-play betting. However, this is not expected to be introduced in the current five-year plan.



## 7.2. DGN Games

<b>DGN Games Financial Plan</b>	Forecast	Forecast	Forecast	Forecast	Forecast
US\$m	F19	F20	F21	F22	F23
<b>Net Revenue</b>					
Old Vegas Slots	10.8	11.7	14.3	15.8	16.9
Lucky Time Slots	11.9	8.0	7.3	7.0	6.6
Product Three	0.0	0.0	10.6	17.6	23.2
<b>Total Net Revenue</b>	<b>22.7</b>	<b>19.7</b>	<b>32.2</b>	<b>40.4</b>	<b>46.7</b>
Marketing Costs	(13.0)	(8.7)	(22.2)	(27.5)	(28.4)
Operating Expenses	(4.0)	(4.2)	(4.4)	(4.7)	(5.0)
<b>EBITDA</b>	<b>5.7</b>	<b>6.8</b>	<b>5.6</b>	<b>8.1</b>	<b>13.4</b>
D&A	(3.0)	(3.8)	(4.6)	(5.5)	(6.4)
EBIT	2.7	3.0	0.9	2.6	6.9
Capitalised Costs	(6.7)	(7.3)	(7.7)	(8.2)	(8.7)
Working Capital	0.0	0.2	0.1	(0.8)	(1.3)
<b>Operating Cashflow</b>	<b>(1.1)</b>	<b>(0.4)</b>	<b>(2.0)</b>	<b>(0.8)</b>	<b>3.4</b>

### INTRODUCTION

- Crown acquired a 60% interest in DGN Games LLC (“DGN”) in July 2015 for US\$32.5m (US\$27.5m upfront payment and US\$5m working capital injection) plus an earn-out of 6x CY17F and CY20F EBITDA. DGN develops social casino games for desktop and mobile, including its flagship title “Old Vegas Slots” (OVS) and the more recently developed “Lucky Time Slots” (LTS).
- In December 2015, DGN acquired Winners Club Limited (“Winners Club”), which was established by some of the founders and former leaders of Playtika and House of Fun (both acquired by Caesars Interactive). Crown made an upfront payment of US\$10m to Winners Club (refundable against the earn-out) plus an earn-out of 6x CY17F (10%) and CY20F (15%) EBITDA (in line with the DGN deal). Crown also injected a further US\$5m of working capital into DGN in December 2015;
- Following the Winners Club transaction, Crown owned 70% of the combined DGN business and DGN Management owned 30%.
- In April 2018 as part of the first earn-out arrangement, Crown made a payment of US\$8.4m to the founders of DGN in exchange for 15% of the equity, meaning from May 2018 Crown owned 85% of the combined DGN business with DGN management owning the remaining 15%. No payment was required to the Winners Club founders, however the carry forward of the original US\$10m was reduced to US\$5.2m.
- Crown is due to make a second payment under the earn-out arrangement in early 2021 based on CY20 earnings of DGN. Based on the current plan this payment will be US\$6.8m to DGN management and US\$0.4m to the founders of Winners Club. After this payment is made Crown will own 100% of the DGN business.

### KEY STRATEGIES

#### *Old Vegas Slots (OVS)*

- OVS operates in a sub-genre/niche market of the main social casino slots and holds a nice portion of the market which only contains 4-5 major players. OVS has the first to market advantage and a number of loyal players/VIPs, with revenues quite stable due to the very loyal player base, high spenders and less competition.

- OVS has relatively stable revenues, despite low user acquisition spend.
- OVS generates the majority of revenues on Canvas. Whilst this is a declining platform (in favour of Mobile), it still represents a material contributor of earnings. OVS on Canvas currently utilises Flash on Web browsers. At some stage in the near term (expected later this year), Flash will stop being supported, creating a risk to Canvas revenues. As a result, there is a requirement to stop using Flash on Web and migrate to WebGL in order to retain current levels of revenues. A key strategy for OVS is to complete this project and minimise the loss of users and revenue during the transition phase. Once the transition is complete DGN will endeavour to reengage/retain those users lost as part of the migration process.
- OVS Mobile KPIs have recently shown improvement. Technical and management issues at the new OVS office in Kiev which had delayed the product have largely been resolved.
- The key issue facing the OVS product is improving retention metrics, especially long term. DGN is currently developing a new meta-feature (the “Worlds” feature) with a progression element which is expected to help with retention/engagement and monetisation:
  - This feature will introduce progression through the game via the completion of missions. Each mission will have a set of tasks defining the mission and when a mission is complete a new world is unlocked.
  - Each world will have ten slot machines including a unique slot and will have different bonuses/features from the other worlds. Each world will also contain a change in minimum bet to improve monetisation. Users will have a favourite section to improve navigation through the worlds.
  - Work on the “Worlds” feature is currently underway, with a targeted testing date of August 2019.

#### *Lucky Time Slots (LTS)*

- LTS operates in the main genre of social casino slots and competes directly with the strongest operators and apps in the marketplace. DGN arrived quite late to the market with LTS and therefore holds a very small portion of the market.
- Revenue from LTS stopped growing around July 2018 after a period of strong month to month improvements (with certain KPIs slowing from April 2018).
- LTS has a low long-term retention metric of around 5-6% (vs target of c.10%). Cost per install in the online slots market continued to increase throughout F19, which, combined with a low percentage of organic users, has led to DGN finding it very hard to acquire new users and grow.
- Game economy and the existing loyalty plan is also thought to be contributing to the softening in recent performance – the current loyalty plan has resulted in a large number of users becoming ‘top tier’ customers (despite relatively low spend) giving them access to a large number of coins for small cash outlay. DGN also had technical issues on the LTS app from August 2018 that hurt performance and led to a drop in retention.
- A key strategy for the short-medium term for LTS is to update the game economy and loyalty plan, and resolve existing technical issues to improve retention and monetisation metrics. DGN will also keep user acquisition investment at a balanced level (about 40% of gross revenues) and try to minimise any decline in revenue.
- Longer-term, DGN considers that a “unique value proposition” (“UVP”) is required to differentiate LTS from its larger competitors to improve long term retention metrics to enable the product to grow. DGN had considered whether a UVP similar to that being worked on at OVS is appropriate, but the DGN Board felt a product UVP would best be served in a new app (using the content of LTS but with additional features), whilst running the existing LTS product for cash.



### *Product Three*

- DGN have commenced developing a third product, which will be a social casino slots game with a UVP that will make the app different and unique, supporting long term growth through improved player retention/engagement and more organic users.
- Product Three will be a hybrid casual and slots game whereby users will earn “credits” through slot play, for the casual aspect. This app will result in short and long term challenges with rewards and punishment elements to engage users.
- The key to the UVP for Product Three is to ensure an interesting narrative/story that evolves and contains high quality art and animations. This UVP will help DGN target a wider audience with a product that other slots in the market do not contain.
- DGN aim to have a visual mock-up of the app ready by the end of 2019 for testing with a small group of customers, with modifications thereafter and a release of the app in mid-2020.

### KEY ASSUMPTIONS

#### *Revenue*

- DGN’s online social games earn revenue via (i) in-app purchases on Facebook, iOS, Android and Amazon; and (ii) in-game advertising (albeit to a lesser extent);
- OVS Daily active users (DAU) are forecast to increase in F20 to around 75k from 67k in F19 driven by higher user acquisition (UA) spend on the Mobile platform as well as the roll out of the “Worlds” feature and then increasing slowly to 99k DAU by the end of F23, with the growth in the Mobile platform offsetting a gradual decline in Canvas. OVS Average Revenue Per Daily Active User (ARPDau) for F20 is forecast to remain around 60c, and gradually increase to 68c by the end of F23.
- LTS DAU are forecast to decline in F20 to around 62k from 96k in F19 driven by reduced marketing spend on user acquisition. DAU are expected to continue to slowly decrease to 51k by the end of F23 as DGN redirects marketing spend to Product Three. LTS ARPDau for F20 is forecast to remain at 50-53c, and stagnate until the end of F23.
- Product Three is expected to launch in May 2020. Product Three DAU is forecast to be around 99k in F21 driven by marketing spend on user acquisition. DAU increases in F22 and F23 with forecast DAU of 174k by F23 as the product gains traction and DGN spends on increased marketing. Product Three ARPDau for F21 is forecast to be 44c, increasing to 55c by F23.

#### *Expenses*

- Major expense items include: (i) platform fees (c.30% of gross revenue is payable to Facebook, Apple, Google and Amazon); (ii) marketing expenses (user acquisition and retention); and (iii) labour costs (Austin, Ukraine, Tel Aviv and Sydney offices).
- DGN is forecasting to spend US\$8.7m on marketing in F20, with around US\$4.3m for both OVS and LTS. This is a significant reduction in LTS marketing due to DGN currently not seeing the return on recent LTS marketing spend it expects. OVS spend is forecast to increase in the second half of F20 as the “Worlds” feature is launched and upon completion of the migration to WebGL.
- Operating costs are forecast to increase 6% to US\$4.0m in F20 with wage growth in Israel along with an increased team to support the three products. Operating costs will continue to grow at around 6% for the forecast period to F23.

- Capitalised costs are forecast to grow from US\$6.9m in F19 to US\$7.4m in F20 led by increased resources required to develop Product Three as well as wage increases for the Ukraine and Australian development teams. Development costs will continue to grow to US\$8.7m by F23 with DGN continuing to develop three products.

#### *Capital expenditure and cashflow*

- In April 2019, DGN recommenced capitalising development costs, consistent with the treatment since acquisition. It is assumed DGN will continue to capitalise costs throughout the plan period.
- Crown will be required to insert additional cash into the business of US\$1.0m in F20 and US\$3.0m in F21 to fund ongoing operations of the business and development and marketing costs of Product Three. These funds are forecast to be returned during F23 when Product Three reaches maturity.

#### RISKS

- Maintaining an effective working relationship with DGN's major application development partner, Onseo. Following the conclusion of the earn out, Onseo will no longer have an economic interest in the performance of DGN (and possibly before that time if the earn out appears to be of little or no value). As a result it will be critical to ensure that Onseo's interests are aligned with DGN's to ensure continued access to high quality application development capability in Ukraine.
- Achieving adequate returns on marketing investment – DGN is targeting to spend US\$9m on marketing in F20 increasing to US\$22m in F21 and US\$28m in F22 with the ramp up of spend of Product Three.
- Declining Canvas/Desktop market (particularly relevant for OVS) and ability to successfully offset by gaining market share on Mobile platform.
- Managing the WebGL migration for OVS Canvas (which is expected to have a negative impact on revenues).
- Delays in the execution timelines for the "Worlds" feature in OVS and the development of Product Three or that the features will not be unique when launched leading to KPI's not being met for OVS and Product Three.
- The growth in revenue in the social casino industry has slowed during CY18 and into CY19 with downloads flat and only modest growth in revenues across the industry. In addition user acquisition costs are rising and at an all-time high. Any further declines in social gaming users or continued increase in user acquisition costs would impact DGN's long term strategy.
- Employee retention in the short to medium term is an issue, with a competitive market in the Ukraine in particular for key talent and developers making hiring and retaining staff difficult.

#### OPPORTUNITIES

- Potential to develop additional games/applications outside of the core casino genre with the assistance of Onseo.
- Convert some of the land based games developed by Chill/Wymac to social and develop an app with the combination of chance/skill games and non-monetary rewards.
- Tangible benefits to the broader Crown business, including: the Onseo (Ukraine based IT firm) relationship, richer insights into customers interacting on land-based and social, and converting digital content to land based saving against costly land-based games content purchases (first machines launched during 2018).



### 7.3. Chill Gaming

<b>Chill Gaming</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
<b>Financial Plan (A\$m)</b>	<b>F20</b>	<b>F21</b>	<b>F22</b>	<b>F23</b>
<b>Revenue</b>				
GTX Units (FOTB/Trax)	5.8	14.0	23.8	34.6
GTS Units (Bloom/Blox)	7.6	16.4	25.9	37.5
<b>Total Revenue</b>	<b>13.4</b>	<b>30.3</b>	<b>49.7</b>	<b>72.2</b>
Cost of Goods Sold	(10.5)	(21.3)	(32.4)	(45.4)
Operating Expenses	(2.4)	(2.3)	(2.3)	(2.4)
<b>EBITDA</b>	<b>0.5</b>	<b>6.7</b>	<b>14.9</b>	<b>24.3</b>
D&A	(2.5)	(3.7)	(5.2)	(7.0)
<b>EBIT</b>	<b>(2.0)</b>	<b>3.0</b>	<b>9.7</b>	<b>17.3</b>
Income Tax	-	-	-	(3.5)
<b>NPAT</b>	<b>(2.0)</b>	<b>3.0</b>	<b>9.7</b>	<b>13.8</b>
Capital Expenditure	(4.7)	(5.4)	(6.2)	(10.2)
Working Capital	(6.2)	(6.9)	(6.6)	(3.3)
Income Tax Paid	-	-	-	(2.1)
<b>Operating Cashflow</b>	<b>(10.3)</b>	<b>(5.5)</b>	<b>2.1</b>	<b>8.6</b>

#### INTRODUCTION

- In December 2015, Crown established Chill Gaming – a 50/50 JV with a Victorian gaming machine manufacturer to create next generation EGMs. The two concepts combine elements of skill-based video games with traditional spinning reels (Fortunes of the Brave and Trax) and elements of social gaming with traditional spinning reels (Bloomtopia and Blox). Both these concepts also combine monetary and non-monetary rewards to deliver a unique game format for Millennial players and a new entertaining experience for our existing players.
- Key features:
  - A game that uses a chance mechanic as its core with a skill game feature that awards players based on performance
  - Non-monetary chance based rewards feed into meta game progression / development, driving player engagement and retention (eg. aesthetic or game influencing items)
  - The skill feature allows players to influence monetary win through display of skill by interacting with the game systems
  - Both games allow players to play socially, sharing in the excitement of the experience as they attempt to win greater monetary rewards through play
  - Player progression through game structure, driving engagement to achieve goals set by the system and the ability to transfer status and progression visit to visit via RFID technology
  - The game is housed in a revolutionary cabinet design complete with a game controller
- Unique product – 5 patents have been lodged to protect the idea and the mathematic application in the game

- To date, Crown has invested c.\$11m in the Chill Gaming JV for product development. Product development continues with Bloomtopia launched at Crown Melbourne in January 2019 and performing in line with expectations.

#### KEY STRATEGIES

- Distribution in Australia and New Zealand will be undertaken by Wymac Gaming Solutions which commenced exclusively at Crown with Bloomtopia in January 2019. Australian distribution will then expand to NSW (with Fortunes of the Brave in the Sandbox trial), Victorian pubs and NZ.
- Distribution internationally will be undertaken by IGT with the focus of F20 being key US markets, where the machines will predominately be sold on a revenue share basis (meaning Chill will share the machine revenue with the casino).
- In Australia, sales of Bloomtopia are forecast to commence at Crown Perth as well as NSW from July 2019, followed by Darwin and the Victorian network in August 2019 and Auckland in October 2019. Fortunes of the Brave is forecast to commence in the NSW Sandbox in July 2019, and subject to approval rollout across NSW. Rollout to Crown Melbourne and Crown Perth will occur post approval from Victoria and WA. The rollout strategy for Australia and New Zealand is to initially target casinos and Tier 1 venues (those with over 200 slots) during F20. In F21-F23 Wymac will target new sites each year including Tier 2 and Tier 3 venues as needed with only minor increases in footprint at existing customer sites. This strategy involves approximately 22% of venues containing Chill product and combines a penetration of venues with a sustainable footprint in each venue (assuming one new game per segment each year).
- In the US, sales of Bloomtopia are to commence from June 2019 with six units at Graton in California, with a subsequent roll out to Caesars (four units) and MGM (four units) in New Jersey. Fortunes of the Brave will follow a month later (subject to approval) at each property with the same footprint as Bloomtopia. The North American rollout strategy is to focus on six priority markets as directed by IGT, being California, New Jersey, Nevada, Oklahoma, British Columbia and Alberta. The F20 approach is to follow a similar strategy to Australia/New Zealand targeting larger Tier 1 and Tier 2 venues before targeting new and smaller sites of F21-F23, with minor increases in footprints at current sites.
- Forecast unit sales for F20-F23 by region are outlined below:

	F20	F21	F22	F23
Australia/NZ Box Install (Cum)	310	687	1,079	1,492
North America Box Install (Cum)	400	1,132	2,098	3,209
Total Box Install (Cum)	710	1,819	3,177	4,701
<b>Total Revenue</b>	<b>\$13.4m</b>	<b>\$30.3m</b>	<b>\$49.6m</b>	<b>\$72.1m</b>
<b>EBITDA</b>	<b>\$0.5m</b>	<b>\$6.7m</b>	<b>\$14.9m</b>	<b>\$24.3m</b>

- Wymac on behalf of Chill Gaming will continue to develop games throughout the plan period, with the next games (Blox and Trax) 60% complete and scheduled to be shown at AGE and G2E Las Vegas during 2019. Chill will aim to develop one new game in each segment per year for F21-F22, increasing to four total games in F23.

#### KEY ASSUMPTIONS

- All sales in Australia and New Zealand will be an outright sale as currently a revenue share basis is unavailable in these markets. Revenue in North America is forecast to be 35% outright sales and 65% revenue share whereby Chill will receive a portion of the revenue the venue receives from the Chill product on floor. Chill has assumed a revenue share cap of US\$50 per unit per day and the ability to achieve US\$250 win per unit per day.

- The forecast assumes that Wymac is licensed in all six priority North American markets by October 2019 and subsequently seeks licenses in other jurisdictions to continue to grow the Chill business (with no revenue assumed for additional markets).
- Capital expenditure for the forecast period is expected to increase 15% per annum from \$4.7m in F20 to \$6.2m in F22 prior to the increase to four games per year from F23 where development costs increase to \$10.2m.
- The budget and financial plan assumes that Crown and Wymac will contribute \$8.5m each in additional funding over the Plan period to fund growth of the business, with cash distributions to shareholders forecast to commence in F22 when the business is mature.
- Working capital reflects the assumption above that a large portion of international sales will be on a revenue share basis, requiring Chill to fund the inventory upfront.

#### RISK/CHALLENGES

- Regulatory Approval – Currently Bloomtopia is only approved in Victoria and Fortunes of the Brave is yet to receive regulatory approval. Given the games are subject to regulatory approval, any delays in achieving this approval or should the games not be approved in the current format would lead to reduction in EBITDA and delay in earning revenue.
- Licencing – Wymac is required to get licenced in several overseas jurisdictions as the manufacturer of the games and is currently licenced in Australia and two of the six US priority markets. Further delays in licencing approval for the other US markets would lead to delays in international revenue.
- Popularity – Given Chill is producing a unique product not currently available worldwide, it is yet to be seen how popular the games will be with casino operators and their customers. Despite testing well and encouraging early signs for Bloomtopia at Crown Melbourne, there is a risk that the games do not achieve revenue levels expected by operators. Chill is mitigating this risk by the development of additional games that could be switched into the same box.
- Competition - Despite being first to market, there is potential for other manufacturers to copy the idea and sell competing machines. Chill has tried to mitigate this risk by lodging 5 patents to protect the idea.

#### OPPORTUNITIES

- Sales into additional jurisdictions – The forecast currently assumes the sale of Chill products into Australia/New Zealand through Wymac and six priority markets in North America. Should the Chill games be popular there could be an opportunity to sell the games into European and Asian markets, and other US jurisdictions.
- Conversion and upgrades – Current forecasts only include an outright sale in Australia/New Zealand and outright sale/revenue share for North America, without Chill receiving income for upgrades and conversion of machines from one product to another. The ability to charge casinos for upgrades or conversions would lead to revenue and EBITDA over and above the forecast in the financial plan.
- Online – Opportunity to expand the Chill products into online slot machines through DGN. There is also an opportunity to use the non-monetary reward feature being built by DGN on land based products if successful in social.



## 8. Aspers Group

	FY19F	FY20B	FY21P	FY22P	FY23P
	£'000	£'000	£'000	£'000	£'000
<b>EBITDA</b>					
Aspers (Stratford City) Limited	14.1	13.4	13.0	12.9	12.9
Aspers (Newcastle) Limited	1.2	1.3	1.4	1.3	1.2
Aspers (Northampton) Limited	0.3	0.3	0.3	0.3	0.3
Aspers (Milton Keynes) Limited	2.0	2.1	2.2	2.2	2.2
Others - Wide Area Network	(0.2)	(0.2)	0.0	0.0	0.0
Aspers Online	1.9	2.3	2.5	2.8	3.1
Aspers Management Services Limited	(2.5)	(2.5)	(2.5)	(2.6)	(2.6)
<b>Total EBITDA before abnormal costs</b>	<b>16.9</b>	<b>16.8</b>	<b>16.8</b>	<b>16.9</b>	<b>17.0</b>
Depreciation and Amortisation	3.7	3.9	4.1	4.3	4.5
Interest Expense	3.2	3.1	3.1	2.1	2.1
<b>Net Profit before Tax</b>	<b>10.0</b>	<b>9.8</b>	<b>9.7</b>	<b>10.5</b>	<b>10.4</b>
Taxation	2.4	2.3	2.3	2.4	2.5
Minority Interest	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)
<b>Net Profit after Tax</b>	<b>7.6</b>	<b>7.6</b>	<b>7.4</b>	<b>8.2</b>	<b>8.0</b>

### 8.1. Introduction

- Crown owns a 50% interest in Aspers Holdings (Jersey) Limited, the parent company of the Aspers group. Aspers currently operate four casinos in the UK, namely Aspers Stratford City, Aspers Newcastle, The Casino Milton Keynes and Aspers Northampton (the last one being a Joint Venture with Kerzner). In addition, Aspers has two “cold” 1968 Act casino licences (one in Swansea and one in Bournemouth) and a 2005 Act Large licence in Southampton, with an option to acquire a 1968 Act licence in Nottingham. Following the triennial machine review there are no current plans to utilise the Bournemouth licence. Aspers Online is a joint venture that allows customers to play casino games online and was successfully launched in October 2017.

### 8.2. Key Strategies

- *Stratford* – Aspers Stratford opened in December 2011 and was the first large licence to be opened under the Gambling Act 2005. The casino has been expanded several times to meet growing demand. Key strategies for FY20:
  - To attract Licenced Betting Office (“LBO”) players looking for alternative roulette gaming options now that the fixed odds betting terminal (“FOBT”) stake has been reduced, with the stakes reduced at betting office terminals from £100 to £2 from April 2019;
  - To increase attendances through general awareness of the casino, pushing the property both internally and externally as an entertainment venue;
  - To focus on Customer service across the business to generate repeat visitation and improve customer loyalty; and
  - To drive F&B within the business as part of the four pillars strategy (gaming, bars, restaurant, nightlife) with F&B to become an additional reason to visit rather than solely being a support to gaming.

- *Milton Keynes* – The Casino MK opened in September 2013 and is the second large licence to open in the UK after Aspers Stratford. Key strategies for FY20:
  - To attract LBO players looking for alternative roulette gaming options now that the FOBT stake has been reduced;
  - To continue to grow the bingo offering and attract bingo and arcade slot players;
  - To arrest the decline in attendances by improving awareness of the property;
  - Increase frequency of existing and new patrons; and
  - Run The Casino MK and Aspers Northampton as one marketplace, increasing brand awareness and reducing management costs.
- *Newcastle* – Aspers Newcastle at The Gate opened in October 2005 and is located on the first floor of The Gate entertainment complex. The Gate is no longer the leisure destination it once was and has several vacancies within the centre. The Gate attendances have reduced by over 30% in the last 5 years. Key strategies for FY20:
  - To attract LBO players looking for alternative roulette gaming options now that the FOBT stake has been reduced;
  - Increased focus on the leisure market and expanding the offering in this area of the business to generate new players; and
  - Reduce overheads whilst maintaining revenue levels.
- *Northampton* – Aspers Northampton opened in June 2008 and performed consistently until The Casino MK opened in September 2013. Attendances have never recovered to pre-MK levels. Key strategies for FY20:
  - To attract LBO players looking for alternative roulette gaming options now that the FOBT stake has been reduced;
  - Leverage marketplace brand position with The Casino MK;
  - Target new patrons and increase attendance through events and weekend entertainment; and
  - Reinvigorate the Chinese and East Asian customer base.
- *Aspers Online* – Aspers.com is a joint venture with Stride Gaming. After a successful launch in October 2017, net gaming revenue has been relatively flat throughout FY19; this is against a backdrop of increased regulatory attention in the remote sector and an increase in point of consumption (“POC”) tax. A general manager has been recruited to run the JV and develop a growth strategy for FY20.

### 8.3. Key Assumptions

- Stratford - Following the introduction of rigorous Know Your Customer (KYC) / enhanced due diligence (EDD), underlying gaming revenue growth has declined from 11% in FY16 and 4% in FY17 to a decline of 6% in FY18, with FY19 forecast to decline by 2%. The plan assumes a recovery to inflationary levels of growth of 1% in FY20 and growth of 1%-2% across the remainder of the plan as the KYC/EDD activity is normalised and the leisure sector continues to be developed. In addition:
  - Revenues after prizing impacts declined by 1% in FY17, 5% in FY18 and forecast 3% decline in FY19. Prizing is reduced in the plan removing £0.5m EBITDA in FY20 and £0.25m in FY21.

- The gap in London living wage is planned to be addressed across FY20/FY21 adding £1.0m to wage costs across the two years to reduce staff turnover, reinforce commitments made to the Council at the time of opening and protect this relationship moving forward.
- Milton Keynes gaming revenue growth of 1%-2% across the plan period is in line with inflationary expectations as the site matures, following a forecast 4% decline in FY19.
- Newcastle continues to struggle in a difficult centre that has continued declining footfall. Underlying gaming revenues declined by 4% in both FY17 and FY18, and are forecast to decline by 9% in FY19. Revenues are forecast to grow by 1%-2% across the plan period as the declines bottom out and inflationary growth is achieved.
- Northampton table games are expected to normalise at 17% hold following a forecast 19% hold for FY19. This leads to a revenue decline of 1% in FY20 following flat revenues in FY19. Underlying growth in volume is expected in line with inflation at 1%-2% as the market stabilises.
- Following the triennial review and no additional machines being allowed to 1968 Act operators, the decision to not invest in Bournemouth is still held. Government canvassing for additional machines in the UK casinos continues to be supported by Aspers.
- Aspers reached agreement with an online provider for a joint venture in May 2017, whereby the online provider contributes the software platform and Aspers provides the brand and initial footfall. Profits are shared 50/50. The online offering commenced trading in October 2017 delivering an EBITDA contribution of £0.9m in FY18 and is forecast to deliver £1.9m in FY19. With recruitment of a dedicated manager currently in progress, the Plan reflects prudent expectations of growth following the strong start.
- Southampton – Aspers has been awarded the Provisional Statement for the large casino licence in Southampton. This was challenged in the Courts, but the allotment of the licence and the process followed was upheld. The casino is part of a regeneration project around the Royal Pier site. The project is literally under water - due to the project involving land reclamation from the sea - at the present time, and Aspers have applied for renewal of the provisional statement that lapsed in March 2019. A new developer is being sought by all stakeholders. It is anticipated that the casino will open in 2023/24 at the earliest, with no forecast expenditure on the project included in the plan.

#### 8.4. Cashflow and Net Debt

In March 2016 the group refinanced all of its Crown borrowings and residual RBS debt with a five year £75m syndicated facility (£70m Term and £5m RCF) with RBS, Lloyds, Investec and Deutsche Bank being the lenders. There is an amortising element of £31m and a bullet of £39m. In March 2017, due to below budgeted trading, the covenants were amended, but all other principal terms remained the same. The revised covenants give sufficient headroom and no breaches are anticipated over the term of the facility.

Aspers would like to explore the prospects for refinancing its facility later this year or early 2020, given increasing political risk. UK political risk, with a general election looking ever likely, and the potential for a Labour Government, combined with the increasing regulatory tightening (i.e. now the pushing on affordability checks), means there are now even fewer banks offering liquidity in the UK gambling sector. In addition, margins on facilities in the UK have tightened significantly since 2016, with an indicative margin of between 2.00% to 2.50% (1.00% lower than the current facility).

Crown will assist Aspers management in the refinancing by both sounding out the current banking group and prospective banks who may be willing to lend to Aspers as well as assisting engagement with lenders, documentation and due diligence as required. Any refinance of the Aspers facility would require Aspers Board approval.



The cash flow assumes:

- No early refinancing
- Interest at 4.5% over the life of the facility;
- Capex at £1.0m pa;
- Refinance of the £39m bullet in 2021 with no further amortising payments (repayable in 5 years) and 3.5% issue costs. Aspers are about to commence an early refinancing process of the facility with the objective to fully test and evaluate all options in the market and reduce overall interest costs.
- Dividend payments funded by surplus cash have not been included in the Plan due to the probable imminent re-financing of the existing debt package with unknown covenants

	FY19F £'m	FY20B £'m	FY21P £'m	FY22P £'m	FY23P £'m
<b>EBITDA</b>	16.9	16.8	16.8	16.9	17.0
Abnormal costs	(1.2)	0.0	0.0	0.0	0.0
Add/(Less): Working Capital Mvts	(3.5)	0.0	0.0	0.0	0.0
<b>Operating Cashflows before Int &amp; Tax</b>	<b>12.3</b>	<b>16.8</b>	<b>16.8</b>	<b>16.9</b>	<b>17.0</b>
Net Interest	(2.3)	(2.2)	(2.0)	(1.8)	(1.8)
Taxation	(2.4)	(2.4)	(2.3)	(2.4)	(2.4)
<b>Net Operating Cashflows</b>	<b>7.5</b>	<b>12.2</b>	<b>12.5</b>	<b>12.7</b>	<b>12.8</b>
Lease payments	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Capex payments	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)
<b>Net Investment Cashflows</b>	<b>(1.0)</b>	<b>(1.1)</b>	<b>(1.1)</b>	<b>(1.1)</b>	<b>(1.1)</b>
Facility Drawdown/(Repayments)	(6.2)	(6.2)	(6.2)	0.0	0.0
Loan issue costs	0.0	(1.4)	0.0	0.0	0.0
<b>Net Financing Cashflows</b>	<b>(6.2)</b>	<b>(7.6)</b>	<b>(6.2)</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Cashflows</b>	<b>0.2</b>	<b>3.5</b>	<b>5.2</b>	<b>11.6</b>	<b>11.6</b>
<b>Opening Cash Balance</b>	<b>7.0</b>	<b>7.3</b>	<b>10.7</b>	<b>15.9</b>	<b>27.5</b>
Adj in "Locked cash"					
<b>Closing Cash Balance</b>	<b>7.3</b>	<b>10.7</b>	<b>15.9</b>	<b>27.5</b>	<b>39.1</b>
Lease Liabilities	0.4	0.4	0.4	0.4	0.4
Senior Facility	51.4	45.2	39.0	39.0	39.0
<b>Gross debt</b>	<b>51.8</b>	<b>45.6</b>	<b>39.4</b>	<b>39.4</b>	<b>39.4</b>
<b>Closing net debt</b>	<b>(44.5)</b>	<b>(34.9)</b>	<b>(23.5)</b>	<b>(11.9)</b>	<b>(0.3)</b>

## 8.5. Risks and Challenges

### GAMING MACHINES

- The government has undertaken its review of stakes and prizes with stakes on B2's (FOBT's) being reduced from £100 to a lower limit of £2, effective from 1 April 2019. The review was primarily focussed around FOBT's, in bookmakers, however scope has crept to all sectors, and there are clear Responsible Gambling and safeguarding issues that the industry is not perceived to be doing enough about. There is no longer any expectation that the government will increase the number of slot machines allowed in casinos.
- The Gambling Commission have recently published a call for evidence on player protection, in which it has asked the industry to submit plans to meet the challenges set out in the Government's recent Review of Gaming Machines and Social Responsibility Measures.

#### COST INFLATION vs REVENUE INFLATION

- The UK Gambling sector is in an environment where cost pressure is increasing, but the market is suffering declining revenues – down 10.5% (excluding hi end London) in drop for the year to Feb 2019.

#### STRATFORD

- Continued regulatory focus on Know Your Customer (KYC) and Source of Funds (SOF), and a Gambling Commission inspection in Stratford in May 2019;
- The introduction of checking ID on entry in February 2019 has had a detrimental impact on attendance and hospitality revenues, currently down 12% and 14% respectively. The attendance reduction has been predominantly by leisure players, with gaming revenues remaining relatively unaffected;
- Pressure by Local Authorities to pay London Living Wage with Stratford currently having c.230 employees below the threshold. This is addressed in FY20/FY21 but any increase above 2% in FY22 onwards poses a risk;
- Westfield are planning to extend their retail offering which will result in the main car park being closed for up to 2 years. This has now been deferred to FY21 at the earliest; and
- Continued poor management of London Stadium events and local authority lack of support for Night Time economy.

#### MILTON KEYNES

- Continued regulatory focus on KYC and SOF;
- Recruitment and retention of experienced gaming staff due to proximity to London and significantly higher London salaries;
- No attendance growth since FY14, and a 7% decline in FY19;
- Worsening reputation of the Xscape complex; and
- Migration of the Milton Keynes town centre retail and leisure businesses away from the complex.

#### NEWCASTLE

- Continued regulatory focus on KYC and SOF;
- Historically, the property has had a high reliance on Chinese patronage which has been further impacted by the KYC process as the community has responded negatively to SOF requests; and
- Continued closure of tenancies and declining footfall of The Gate has resulted in a further 12% decline in attendance in FY19.

#### NORTHAMPTON

- Continued regulatory focus on KYC and SOF;
- Previously had a high reliance on a small group of higher value players. Visitation has decreased from this group which has been the main reason for the 13% decrease in turnover in FY19. However, volatility has also reduced, resulting in a strengthening of table hold to 19%.
- Increased competition: Rank operates 2 licences in one property with an enhanced slots offering; risk of an additional casino licence being activated (Beacon Bingo).

## 8.6. Additional Opportunities

- *Nottingham* – Aspers have a three-year option to acquire a dormant licence in Nottingham for £1m. This remains on hold until additional slot machines are granted/obtained from the Government. Consideration will be given to exercise the option.



## 9. Nobu

US\$m	Forecast	Budget	Plan	Plan	Plan
	FY19	FY20	FY21	FY22	FY23
<b>Net Income Combined</b>					
Domestic Restaurants	9.6	11.6	13.1	15.9	16.7
International Restaurants	2.0	2.1	1.7	2.4	2.6
Managed Location Restaurants	7.8	8.1	8.9	9.4	9.9
Hospitality	6.5	6.8	8.3	12.8	16.9
<b>Total Net Income (pre minority interest)</b>	<b>26.0</b>	<b>28.6</b>	<b>32.0</b>	<b>40.5</b>	<b>46.1</b>

### 9.1. Introduction

- In October 2015 Crown acquired a 20% equity interest in the Nobu Hospitality Group and Nobu Restaurant Group worldwide for a purchase price of US\$100m;
- Nobu Hospitality Group currently earns revenue through management/licence fees for hotels in eight hospitality locations, being Las Vegas, Eden Roc (Miami beach), Shoreditch, Manila, Palo Alto, Malibu Ryokan, Cabo and Marbella. In addition, Nobu Hospitality earns management/licence fees for restaurants associated with the hotels (with the exception of Miami Beach and Malibu) in addition to management/licence fees for a restaurant located in Sao Paolo, Brazil. Nobu Hospitality also has a development pipeline for additional branded hospitality venues, working with developers to establish hotel and restaurant locations around the world.
- Nobu Restaurant Group consists of three different income streams, being International Owned Restaurants, Domestic Owned Restaurants and Managed Locations. International Owned Restaurants consists of three restaurants, two in the United Kingdom and one in Tokyo, Japan, whilst Domestic Owned Restaurants consists of twelve restaurants throughout the United States of America. All fifteen of these are owned and operated by Nobu. Managed Locations consists of seventeen restaurants (as well as a royalty fee from the Indian Wells tennis tournament) across the globe, which are owned and operated by independent parties for which Nobu receives a royalty fee for the use of the Nobu brand. Nobu Restaurant Group also has a pipeline of opportunities either to develop new restaurants or to partner with restaurant owners for additional managed locations so long as the owner will meet the strict requirements associated with a Nobu branded restaurant.
- The group will not open any new restaurant only locations (excluding Scottsdale), rather the strategy is to pursue hospitality opportunities that include a restaurant.
- The group continues to generate strong cash flows, and distributions have been and will continue to be paid quarterly

### 9.2. Key Strategies

The strategies for Nobu for the F20-F23 plan period consist of the following:

- Domestic Restaurants – During F19, two events negatively impacted the results of the Domestic restaurants business. The first event was the California bushfires in November 2018, which forced the closure of Nobu Malibu (one of Nobu's busiest and most profitable restaurants) for seven days followed by a slow recovery of sales over the November to January period. By March 2019, Nobu Malibu had fully recovered from the impact of the bushfires with revenue and net income for March in line with budget. The second event impacting the domestic business was the changes in minimum wages in various stages throughout the United States (especially California and New York) from 1 January 2019, along with the change in compensation of Service

Bar employees from tip to non-tip from December 2018. Nobu has counteracted the increased labour costs through a combination of reviewing staffing levels as well as undertaking a review of food and beverage menu prices for all restaurants in the US with an average increase of around 4% to offset the increase in labour costs. During F20-F23, Nobu's key strategies for its domestic restaurants are as follows:

- A continued focus on further domestic restaurant menu pricing optimisation to maximise profitability, without impacting customer behaviour with the aim to minimise any reduction in the level of covers based on updated menu pricing.
  - A continued effort to reduce controllable labour costs with a focus on commencing with larger locations before moving to other domestic locations with a smaller workforce
  - Continued investment in restaurant management to ensure staff satisfaction and that Nobu retains the quality of restaurant customers are accustomed too.
  - Management are currently undertaking a review of the procurement contracts and procurement process to identify efficiencies and cost saving initiatives to lower cost of goods sold for the restaurant business.
  - F20 will also be impacted by the opening of new domestic restaurants in Chicago and Scottsdale, with the current plan seeing them open in the summer of 2019.
- International Owned Restaurants – During F19, International Owned restaurants results have been in line with budget, with above budget results in the two United Kingdom restaurants offset by below budget results in Tokyo. During F20-F23, Nobu's key strategies for its international owned restaurants are as follows:
    - Return Nobu Tokyo to profitability through increased covers as well as a review of staffing levels and cost structure.
    - Manage the closure of Nobu Berkeley (forecast to close in April 2020) and opening of Nobu Portman Square (a managed hotel and restaurant in London) and ensure customers of Berkeley are aware of the new restaurant location.
    - Continued investment in restaurant management for the two remaining restaurants to ensure staff satisfaction and that Nobu retains the quality of restaurant customers are accustomed too.
    - Management are currently undertaking a review of the procurement contracts and procurement process to identify efficiencies and cost saving initiatives to lower cost of goods sold for the restaurant business.
- Managed Locations - During F19, Managed locations results have been in line with budget, with fee income above budget, offset by increases in costs (head office allocated costs and other expenses). During F20-F23, Nobu's key strategies for its managed locations are as follows:
    - Work with current operators to ensure they have access to management as required and review operations to ensure appropriate fees are paid.
    - Work with the operator to manage the opening of Nobu Lanai Koele (anticipated to open July 2019) and ensure appropriate management fees are received by the Nobu Restaurant Group.
- Hospitality – During F19, Hospitality results have been slightly below budget, with an increase in costs (head office allocated costs and other expenses), and lower than forecast fee income in Las Vegas, offsetting above budget results at other hospitality locations. During F20-F23, Nobu's key strategies for its hospitality business are as follows:

- Work with hotel management for a successful opening and operation of new hospitality locations in Chicago, Barcelona, London and Riyadh.
  - Review preopening costs to ensure minimum cost to Nobu for new openings.
  - F20 income will be assisted by the full year impact of the new Houston and Miami hotels, with ongoing growth in these locations contributing to growth in the hospitality business.
- Corporate Costs – Nobu currently allocates all corporate costs between the domestic restaurants, international owned restaurants and hospitality businesses, with only minor costs unallocated each year. During F20-F23 there will be a continued focus on reducing head office costs where possible, with Nobu aiming to reduce costs whilst still maintaining the required level of oversight and management of the businesses to ensure ongoing success of the Nobu brand.

### 9.3. Key Assumptions

- The development pipeline for new restaurants and hospitality locations remains on track with openings of new operations throughout the plan period.
- Successful transfer of the London operations in April 2020 from the owned restaurant in Berkeley to the managed hotel and restaurant in Portman Square, with the new facility opening as the old restaurant closes.
- Proactive management of any future wage pressures for the domestic and international business through review of staffing levels and price optimisation to continue growth in net income.
- Excess free cashflow generated by the Nobu business is distributed to shareholders with forecast total dividends of US\$27.5m in F20 (Crown's share US\$5.5m) growing to US\$40m (Crown's share US\$8.0m) by F23.

### 9.4. Risks / Challenges

- Execution of new domestic restaurant and hospitality pipeline, with future profit growth including the current development pipeline. Any delays in development or cancellation of restaurant or hospitality projects could decrease future profitability.
- Payroll management associated with all new restaurant and hospitality openings as well as any future material increases in minimum wages across the United States or changes in employee compensation requirements.
- Ability to generate forecast efficiencies from procurement.
- Loss of key management from both restaurant and hospitality businesses.

### 9.5. Opportunities

- Confirmation of hospitality projects that continue to be classified as work in progress, including Rome, Atlanta, London, Sao Paulo, Tel Aviv, Warsaw and New York.
- Sourcing of new domestic and international restaurant locations to either own and operate or outsource to a restaurant owner as a branded restaurant.

## 10. Crown Group Corporate Costs

	F19 \$m	F20 \$m	Mvt %	F21 \$m	Mvt %	F22 \$m	Mvt %	F23 \$m	Mvt %
Payroll	14.2	15.3	8%	15.7	3%	18.5	18%	19.0	3%
STI	0.0	0.0	N/A	4.7	N/A	5.8	25%	6.0	3%
Executive LTI	1.3	1.3	0%	1.3	0%	1.3	0%	1.3	0%
Digital Option Plan	0.1	0.2	99%	0.2	0%	0.2	0%	0.2	0%
Senior exec option plan	1.8	1.8	0%	1.8	0%	1.8	0%	1.8	0%
CPH recharge	3.8	3.6	(6%)	3.7	3%	3.8	3%	3.9	3%
Legal, tax & other consulting	8.4	6.6	(21%)	6.8	3%	7.0	3%	7.2	3%
Insurance	2.4	2.7	15%	3.1	15%	3.6	15%	4.1	15%
Ellerston rent	1.0	1.0	0%	1.0	0%	1.0	0%	1.0	0%
Other corporate costs	2.7	2.8	3%	2.9	3%	3.0	3%	3.1	3%
Marketing & PR	0.7	0.7	3%	0.7	3%	0.8	3%	0.8	3%
Director's costs	6.5	6.6	2%	7.3	10%	7.4	2%	7.6	3%
Crown Foundation	7.1	8.3	17%	8.5	2%	8.5	0%	8.5	0%
Corporate jet & related costs	(0.5)	0.4	(196%)	0.4	3%	0.5	3%	0.5	3%
Other net expenses	(6.6)	(0.4)	(94%)	(0.4)	(13%)	(0.3)	(14%)	(0.3)	(17%)
<b>Total Corporate</b>	<b>43.1</b>	<b>51.1</b>	<b>19%</b>	<b>57.9</b>	<b>13%</b>	<b>63.0</b>	<b>9%</b>	<b>65.0</b>	<b>3%</b>

F20 Increase in corporate costs reflects an increase of circa 3% in underlying costs with the exception of the following:

- The F19 forecast includes a \$6m one-off benefit in relation to an Alon distribution
- The annual cost of the Executive Option Plans is fixed over the plan period
- The plan assumes no STI's in F19 and F20. STI's are assumed from F21 onwards
- The F20 budget assumes a reduction in EY tax consulting fees from \$3.2m to \$1.5m
- A \$15% annual increase in insurance expenses, reflecting anticipated market increases
- The plan assumes Crown Resorts Foundation donations of \$7.1m in F19, increasing to \$8.3m in F20 and \$8.5m from F21 onwards
- The plan assumes no further capitalisation of Crown Sydney project office costs from F22 onwards, resulting in an anticipated increase in payroll expenses



**AGENDA ITEM 5:**  
CEO's Report





# Crown Resorts Limited

Chief Executive Officer's Report  
June 2019

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## SECTION 1 – FINANCIAL UPDATE

### 1. Financial Summary by Segment

31 MAY 2019 YTD

	Normalised Result					Crown Group	Adjustment	Actual Crown Group
	Crown Melbourne	Crown Perth	Crown Aspinalls	Wagering & Online	Unallocated			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating revenue</b>								
Main floor tables	707,073	171,398	-	-	-	878,471	-	878,471
Main floor machines	422,929	245,202	-	-	-	668,131	-	668,131
VIP program play	426,613	60,947	49,891	-	-	537,451	(11,565)	525,886
Wagering & Non gaming	439,553	252,432	886	105,468	70	798,410	-	798,410
<b>Operating revenue (excl comps)</b>	<b>1,996,168</b>	<b>729,979</b>	<b>50,777</b>	<b>105,468</b>	<b>70</b>	<b>2,882,463</b>	<b>(11,565)</b>	<b>2,870,898</b>
<b>Segment result</b>								
Operating expenses	(1,441,221)	(527,058)	(46,523)	(89,117)	(38,875)	(2,142,795)	30,345	(2,112,450)
<b>Earnings before interest, tax, depreciation and amortisation "EBITDA"</b>	<b>554,947</b>	<b>202,921</b>	<b>4,254</b>	<b>16,351</b>	<b>(38,805)</b>	<b>739,668</b>	<b>18,780</b>	<b>758,447</b>
Depreciation and amortisation	(161,290)	(78,654)	(2,560)	(5,631)	(3,250)	(251,384)	-	(251,384)
<b>Earnings before interest and tax "EBIT"</b>	<b>393,657</b>	<b>124,267</b>	<b>1,694</b>	<b>10,720</b>	<b>(42,055)</b>	<b>488,283</b>	<b>18,780</b>	<b>507,063</b>
Equity accounted share of associates' net profit/(loss)						11,485	-	11,485
Net interest income/(expense)						(10,323)	-	(10,323)
Income tax benefit/(expense)						(146,186)	(6,129)	(152,316)
<b>Profit/(loss) after tax</b>						<b>343,259</b>	<b>12,651</b>	<b>355,910</b>
Non-Controlling Interest						(108)	-	(108)
<b>Profit/(loss) attributable to equity holders of the Parent</b>						<b>343,151</b>	<b>12,651</b>	<b>355,801</b>

The above table reflects Crown's year to date financial results by key operating segments. Normalised EBITDA is \$739.7m, with Actual EBITDA of \$758.4m. Crown's year to date normalised NPAT is \$343.2m, with Actual NPAT of \$355.8m.

## 2. May 2019 Results – Comparison to Budget and Last Year

	Estimate May-19 \$m	Budget May-19 \$m	May		Actual May-18 \$m	Variance	
			Variance			F/(U) \$m	F/(U) %
			F/(U) \$m	F/(U) %			
<b>Total Revenue @ Theoretical</b>							
Melbourne - Local	151.4	152.2	(0.8)	(0.5%)	143.3	8.1	5.6%
Melbourne - VIP Program	40.6	53.2	(12.5)	(23.6%)	49.7	(9.1)	(18.3%)
Crown Melbourne	192.0	205.3	(13.3)	(6.5%)	193.0	(1.0)	(0.5%)
Perth - Local	59.2	65.1	(5.9)	(9.1%)	60.6	(1.3)	(2.2%)
Perth - VIP Program	2.6	7.5	(5.0)	(66.1%)	5.2	(2.6)	(50.9%)
Crown Perth	61.8	72.7	(10.9)	(15.0%)	65.8	(4.0)	(6.1%)
Crown Aspinalls	3.9	6.9	(3.0)	(43.8%)	7.0	(3.1)	(44.6%)
Wagering & Online	9.4	10.3	(0.9)	(8.3%)	8.4	1.0	12.3%
<b>Total revenue (incl comps)</b>	<b>267.1</b>	<b>295.2</b>	<b>(28.1)</b>	<b>(9.5%)</b>	<b>274.3</b>	<b>(7.1)</b>	<b>(2.6%)</b>
<b>EBITDA @ Theoretical</b>							
Melbourne - Local	48.7	47.4	1.3	2.7%	46.0	2.7	5.9%
Melbourne - VIP Program	4.4	6.8	(2.4)	(34.9%)	7.6	(3.2)	(41.7%)
Crown Melbourne	53.1	54.2	(1.1)	(2.0%)	53.6	(0.4)	(0.8%)
Perth - Local	16.7	20.1	(3.4)	(17.0%)	20.9	(4.2)	(19.9%)
Perth - VIP Program	1.9	0.6	1.3	209.5%	0.1	1.8	2532.8%
Crown Perth	18.6	20.7	(2.2)	(10.4%)	20.9	(2.3)	(11.2%)
Crown Aspinalls	0.3	1.3	(1.0)	(80.2%)	1.4	(1.1)	(81.4%)
Wagering & Online	2.5	2.2	0.3	15.7%	1.6	0.9	56.3%
Corporate	4.2	(5.1)	9.3	181.1%	(4.1)	8.2	201.7%
<b>TOTAL EBITDA @ Theoretical</b>	<b>78.6</b>	<b>73.3</b>	<b>5.3</b>	<b>7.2%</b>	<b>73.4</b>	<b>5.2</b>	<b>7.1%</b>
Depreciation	(22.4)	(22.4)	0.0	0.0%	(23.2)	0.7	3.2%
Interest	(0.4)	(0.6)	0.2	33.7%	(2.8)	2.4	85.8%
Taxation	(16.7)	(15.0)	(1.7)	(11.5%)	(14.1)	(2.6)	(18.6%)
Equity Accounted Result	0.9	1.1	(0.2)	(16.0%)	0.9	0.0	1.8%
Minority Interest	(0.7)	(0.1)	(0.6)	(502.1%)	0.0	(0.8)	(8598.5%)
<b>Crown NPAT @ Theoretical</b>	<b>39.3</b>	<b>36.3</b>	<b>3.0</b>	<b>8.2%</b>	<b>34.2</b>	<b>5.0</b>	<b>14.7%</b>
<b>EBITDA @ Actual</b>							
Crown Melbourne	55.0	54.2	0.8	1.4%	48.9	6.1	12.5%
Crown Perth	30.4	20.7	9.6	46.4%	18.1	12.2	67.4%
Crown Aspinalls	4.2	1.3	2.8	217.8%	(17.0)	21.2	124.4%
Wagering & Online	2.5	2.2	0.3	15.7%	1.6	0.9	56.3%
Corporate	4.2	(5.1)	9.3	181.1%	(4.1)	8.2	201.7%
<b>TOTAL EBITDA @ Actual</b>	<b>96.2</b>	<b>73.3</b>	<b>22.9</b>	<b>31.2%</b>	<b>47.5</b>	<b>48.7</b>	<b>102.4%</b>
<b>Crown NPAT @ Actual before significant items</b>	<b>52.0</b>	<b>36.3</b>	<b>15.7</b>	<b>43.1%</b>	<b>14.1</b>	<b>37.9</b>	<b>268.3%</b>

May normalised NPAT of \$39.3m is expected to be \$3.0m (8%) above budget and \$5.0m (15%) above last year. Reported NPAT is expected to be \$52.0m, which is \$15.7m (43%) above budget and \$37.9m (268%) above last year with favourable variances from theoretical at all three properties.

Theoretical EBITDA of \$78.6m was \$5.3m (7%) above budget and \$5.2m (7%) above last year. The main factors impacting the results were:

- In relation to the Australian businesses, **Crown Melbourne** EBITDA was \$1.1m (2%) below budget (Local +\$1.3m or +3%, VIP -\$2.4m or -35%), and \$0.4m (1%) below last year (Local +\$2.7m or +6%, VIP -\$3.2m or -42%). **Crown Perth** was \$2.2m (10%) below budget (Local -\$3.4m or -17%, VIP +\$1.3m or +210%) and \$2.3m (11%) below last year (Local -\$4.2m or -20%, VIP +\$1.8m).
  - In Melbourne, local contribution was \$1.3m (3%) above budget. Local Tables contribution was \$0.7m (2%) above budget, with the benefit of cost savings, slightly below budget drop and hold for the month of 20.6% (budget of 20.8%). Slots contribution was \$0.9m (5%) below budget, with turnover slightly above budget and a win rate of 7.8% (budget of 7.9%). F&B was \$0.2m (6%) above budget, while Hotels were \$0.3m (4%) above budget. Occupancy and rate were above budget in Promenade, while Towers had below budget occupancy but above budget rate. Metropol had above budget occupancy but below budget rate.
  - Melbourne VIP theoretical contribution of \$4.4m was \$2.4m (35%) below budget, with turnover of \$2.9b (24% below budget). Despite a below theoretical win rate of 1.04%, variance from theoretical was \$1.9m favourable due to a low win rate on revenue share programs and high win rate on non-revenue share programs.
  - In Perth, local contribution was \$3.4m (17%) below budget. Local Tables contribution was \$2.0m (26%) below budget, with drop 11% below budget and hold of 21.0% (budget of 21.9%). Slots contribution was \$0.8m (5%) below budget, with turnover 4% below budget and a win rate of 8.4% (budget of 8.5%). F&B was \$0.8m (33%) below budget, while Conventions & Entertainment was \$0.6m below budget due to budgeted convention events and theatre shows not eventuating. Hotels contribution was \$0.5m (16%) below budget, with below budget room rates and occupancy in all three hotels.
  - Perth VIP theoretical contribution was \$1.3m above budget, with turnover of \$0.2b (66% below budget). During the month, a reassessment of the debtors provision resulted in the reversal of excess doubtful debt provisions that had been previously expensed (\$3m impact at theoretical, \$5m impact at actual). This is due to stronger than expected debtor collections. For the month there was an \$11.8m favourable variance from theoretical, driven by a very high win rate of 6.86% and the doubtful debt provision reversal.
- **Crown Aspinalls** theoretical EBITDA of \$0.3m is \$1.0m below budget, with turnover of £205m which was 56% below budget. Actual EBITDA of \$4.2m was \$2.8m above budget with a win rate of 2.46%.
- **Wagering & Online** was \$0.3m (16%) above budget. Betfair's EBITDA of \$1.2m was \$0.2m above budget and DGN's EBITDA of \$1.3m was \$0.2m favourable to budget.
- **Corporate costs** were \$9.3m favourable to budget due to an assessment of accruals and provisions in advance of year end. This includes savings in STI, Crown Foundation and consulting fees. In addition, during the month Crown recognised a \$7.2m gain relating to the release of funds from escrow in relation to the Alon settlement.
- **Net interest expense** of \$0.4m is expected to be \$0.2m below budget.

- **Equity Accounted Results** of \$0.9m were \$0.2m below budget. Equity accounted results include Aspers and Nobu profits, partially offset by costs in Chill.

Reported NPAT for the month of \$52.0m is \$15.7m (43%) above budget. Crown Melbourne and Crown Perth reported win rates of 1.04% and 6.86% respectively, resulting in a combined favourable variance from theoretical of \$13.7m pre income tax. Crown Aspinalls reported a favourable variance from theoretical of A\$3.9m pre income tax for the month with a win rate of 2.46%.

Normalised NPAT was \$5.0m (15%) above the prior corresponding period reflecting the net impact of the following factors:

- Group EBITDA increased by \$5.2m (7%) from last year, driven by the Alon gain of \$7.2m in Corporate costs. EBITDA at Crown Melbourne was lower than last year by \$0.4m (1%) and Crown Perth below last year by \$2.3m (11%). At Crown Melbourne, Local contribution increased by \$2.7m (6%) and VIP Program Play contribution decreased by \$3.2m (42%). At Crown Perth, Local contribution was \$4.2m (20%) below last year, but VIP Program Play contribution was \$1.8m above last year. EBITDA at Crown Aspinalls was \$1.1m unfavourable to last year, and Wagering & Online was \$0.9m (56%) above last year.
- Depreciation and amortisation was \$0.7m (3%) below last year.
- Net interest expense was \$2.4m (86%) below last year due to lower net debt levels.

### 3. FY19 YTD Results

	FINANCIAL YEAR TO DATE			FULL YEAR		
	Actual A\$m	Budget A\$m	Last Year A\$m	Forecast A\$m	Budget A\$m	Last Year A\$m
<b>EBITDA @ Theoretical</b>						
Melbourne - Local	495.5	519.5	510.7	538.3	565.8	560.4
Melbourne - VIP Program	59.5	73.3	92.6	69.2	80.2	99.7
Crown Melbourne	555.0	592.8	603.3	607.5	646.0	660.2
Perth - Local	203.7	224.0	219.7	221.0	244.5	241.6
Perth - VIP Program	(0.8)	10.0	9.9	(1.5)	10.6	10.3
Crown Perth	202.9	233.9	229.6	219.5	255.1	251.9
Crown Aspinalls	4.3	13.7	10.7	6.0	14.9	12.0
Wagering & Online	16.4	18.1	25.1	26.0	19.8	26.9
Corporate	(38.8)	(56.1)	(45.4)	(43.0)	(61.2)	(54.4)
<b>TOTAL EBITDA @ Theoretical</b>	<b>739.7</b>	<b>802.4</b>	<b>823.4</b>	<b>816.0</b>	<b>874.6</b>	<b>896.6</b>
Depreciation	(251.4)	(251.5)	(263.5)	(273.5)	(273.1)	(285.9)
Interest	(10.3)	(16.3)	(43.7)	(10.5)	(16.4)	(46.0)
Taxation	(146.2)	(159.3)	(157.3)	(162.3)	(174.3)	(175.6)
Equity Accounted Results	11.5	14.0	7.5	12.7	15.0	9.3
Minority Interest	(0.1)	(0.0)	1.3	(0.7)	(0.1)	1.2
<b>Crown NPAT @ Theo</b>	<b>343.2</b>	<b>389.3</b>	<b>367.7</b>	<b>381.8</b>	<b>425.6</b>	<b>399.6</b>

<b>EBITDA @ Actual</b>						
Crown Melbourne	551.3	592.8	501.6	603.8	646.0	586.0
Crown Perth	230.3	233.9	224.3	246.9	255.1	221.5
Crown Aspinalls	(0.7)	13.7	(7.6)	1.0	14.9	12.4
Wagering & Online	16.4	18.1	25.1	26.0	19.8	26.9
Corporate	(38.8)	(56.1)	(45.4)	(43.0)	(61.2)	(54.4)
<b>TOTAL EBITDA @ Actual</b>	<b>758.5</b>	<b>802.4</b>	<b>698.1</b>	<b>834.8</b>	<b>874.6</b>	<b>792.4</b>
<b>Crown NPAT @ Actual before significant items</b>	<b>355.8</b>	<b>389.3</b>	<b>278.0</b>	<b>394.4</b>	<b>425.6</b>	<b>326.7</b>

Normalised YTD NPAT of \$343.2m is \$46.1m (12%) below budget and \$24.5m (7%) below last year. YTD reported NPAT of \$355.8m is \$33.5m (9%) below budget, but \$77.9m (28%) above last year.

Group YTD theoretical EBITDA of \$739.7m is \$62.8m (8%) below budget and \$83.7m (10%) below last year.

- **Crown Melbourne's** theoretical YTD result is due to below budget local contribution (\$24.0m or 5%), and below budget VIP Program Play contribution (\$13.8m or 19%). Program play turnover of \$30.2b is 21% below budget. The below budget local result is attributable to Table Games (\$21.7m or 7% below budget), Food & Beverage (\$3.9m or 8%), Gaming Machines (\$2.4m or 1%) and Hotels (\$1.9m or 2%), partially offset by savings in Support Departments. Crown Melbourne's theoretical YTD result is \$48.4m (8%) below last year (Local -\$15.2m or -3%, VIP - \$33.2m or -36%).
- **Crown Perth's** theoretical YTD result is due to below budget local contribution (\$20.3m or 9%) and below budget VIP Program Play contribution (\$10.8m or 108%). VIP turnover of \$4.4b is 40% below budget. The below budget local result is largely attributable to Table Games (\$15.6m or 18%), Gaming Machines (\$4.7m or 3%), Food & Beverage (\$4.0m or 15%), Conventions & Entertainment (\$1.4m or 18%) and Hotels (\$2.4m or 6%), partially offset by savings in Support

Departments. Crown Perth's theoretical YTD result is \$26.7m (12%) below last year (Local - \$16.0m or -7%, VIP -\$10.7m).

- **Crown Aspinalls'** YTD turnover of £2.6b is 46% below budget. The YTD unfavourable variance from theoretical is £2.7m at a win rate of 0.90%.
- **Wagering & Online's** below budget result is due to below budget results in DGN (\$3.4m), partially offset by above budget results in Betfair (\$1.7m or 11%).
- **Corporate costs** of \$38.8m are \$17.3m (31%) favourable to budget due to the recognition of the gain in Alon (\$7.2m), along with savings in STI, Crown Foundation and consulting fees. YTD **net interest** expense of \$10.3m is \$5.9m (37%) below budget due to lower net debt largely as a result of the timing of the on-market share buyback.

YTD reported NPAT of \$355.8m is \$33.5m (9%) below budget and includes a net favourable normalisation adjustment of \$12.7m (net of income tax). The combined unfavourable variance from theoretical for the Australian casinos is \$16.6m (net of income tax), with YTD win rates on VIP Program Play of 1.31% at Crown Melbourne and 1.93% at Crown Perth. Crown Aspinalls' unfavourable variance from theoretical is \$4.0m (net of income tax) at a win rate of 0.90%.

Crown's forecast F19 normalised NPAT is \$381.8m, reflecting results to May and a re-forecast for June. This compares to a budget F19 normalised NPAT of \$425.6m and a prior year normalised NPAT of \$399.6m. Crown Melbourne's full year EBITDA forecast is \$607.5m (Local \$538.3m, VIP \$69.2m). Crown Perth's full year EBITDA forecast is \$219.5m (Local \$221.0m, VIP -\$1.5m).



## SECTION 2 – AUSTRALIAN RESORTS

### 1. Review of Australian Resorts

#### 1.1. Australian Resorts

F19 has been a very challenging year with soft trading conditions in both Melbourne and Perth resulting in unanticipated weakness in the usually strongly performing Table Games business in Melbourne in particular (historical CAGR of circa 6% pa). VIP and Perth Tables have likewise been heavily impacted with the subdued results having also been felt variously across the other areas of the business albeit to a lesser extent. This is particularly disappointing as property visitation is up 4% year on year in Melbourne and 2% in Perth.

Current macro-economic conditions coupled with a significant downturn in house prices, which have proven to be strongly correlated to Melbourne Table Games revenue trends, have caused a tightening in discretionary consumer spending.

It is hoped that the outcome of the recent Federal election may assist economic stability and growth as well as potential tax and interest rate relief in the near term which may in turn provide some stimulus to the housing market.

Notwithstanding the above, trading conditions are expected to remain challenging through the remainder of calendar 2019. As a result, and in the absence of any macro assistance, we have identified a number of initiatives designed 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). The items requiring additional capital funding were introduced to the Board during the April 2019 meeting:

#### 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.

#### Melbourne:

- Convert Club 23 into premium gaming (\$6.7m);
- Acceleration of the machine refresh program providing additional, new and market leading product (\$7.0m);
- Conversion of JJ's into Premium Slots (\$8.0m);
- Convert Pit 30 into an expanded black Tier Slots area (\$3.4m);
- Further expansion of Teak Room non-smoking offering (\$1.7m);
- Addition of premium gaming area in the west end (Dragon Den) (from H2 F20);

- Placeholder for Lessor's contribution towards an alternative offering in the existing Dinner by Heston tenancy;
- Expanded NSW interstate sales team (tables and slots);
- Reduction in minimum domestic front money to attract more interstate customers (reduced from \$25k to \$10k);
- Expand sales team focus into regional Victoria;
- Ability to market to international machines customers outside of Hong Kong (progressively from H1 F20).

Perth:

- Reduction in machine spin rates (from five to three seconds), subject to Regulator approval;
- Additional Gaming Machine product to accelerate the rollout of machine product with reduced spin rates (\$2.0m), subject to Regulator approval;
- Simplified electronic game mathematics in line with Eastern states, subject to Regulator approval;
- Theatre Bars grab n go development (\$0.9m);
- Tap n Go capability at the table and / or Ticket Redemption Terminal (TRT), subject to Regulator approval;
- Enabling cash withdrawals from the Cage and F&B outlets (already activated and averaging over \$100k per week);
- Changing policy to allow up to three guests in the Pearl Room (currently one). 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;
- Further electronic Table games (eTG) expansion and enhancement (\$1.6m).

In addition to the above, the strong focus of the business continues to be on reviewing the cost base to identify efficiency opportunities to assist bottom line growth.

The one positive in the business at present is the performance of mainstream Gaming Machines in Melbourne, where new and refreshed product has been very well received by the customer, resulting in a turnaround in growth year on year and improvement in market share.

VIP volumes in both properties of late remain subdued, consistent with feedback from other jurisdictions.

## 1.2. Crown Melbourne

The focus in Melbourne continues to be 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. Initiatives specific to Table Games, underway or planned, are as follows:

- Luxury Car Promotion in Mahogany Room continued through April and May;
- Mahogany Room cash draws;
- Calendar of ad hoc and planned dinner events for Platinum and Black customers continues;
- Enhanced promotional activity for Local and Interstate VIPs through the Easter and Anzac Day periods;
- Maple Room Golden draws commenced at the end of April and continued through May. As with previous draws, a trigger-based mechanic was used that had the greatest appeal to the rated Maple target market;
- The 25th Birthday offer is currently in market aimed at the mid-value Interstate customer segment has been enhanced with a supplementary offer suitable for Interstate customers with at least \$75k front money. The mechanism is threshold based and provides benefits including additional hotel stays and lucky money rewards.

Other gaming initiatives underway include:

- Crown's installation of the popular Aristocrat Lightning Link and Dragon Link / Cash product will increase to 800 units in May and remains the largest single site installation in the world. Based on its continued success Crown is in the process of constructing a dedicated Dragon Den in the Westend with state-of-the-art transparent LED signage walls, due for completion by the end of June including new game titles Genghis Khan and Peace & Long Life for Dragon Link and titles for Lightning Link, Magic Totem and Eyes of Fortune.
- Other new machine product recently launched from Sci-Games (JJBX), IGT (Wheel Shot and Fortune Gong), Konami (All Aboard) and Wymac (Rapid Respins) continue to perform well;
- Chill Product 'Bloomtopia' is continuing to perform above area average. This is the first product to introduce a combination of monetary and non-monetary rewards as well as an RFID player storage facility. The product will be expanded into the Main Gaming Floor in the coming weeks.
- Launch of the new Teak Room non-smoking gaming machine area was completed in September 2018 and is performing to expectation with great customer feedback. Based on the success of this initiative, further expansion of the area is scheduled for early July increasing machine numbers by 40+ 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 following initiatives are currently under development:

- 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;
- 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.

### 1.3. Crown Perth

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

- Continued optimization of Table Open hours which has so far yielded reductions of over 1,700 open hours per week (over 10% reduction in 6 months).
- Focus on extracting further benefits from Stadium game days, 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).
- High margin eTGs continue to increase traction aided by lowering price point to 50c, yielding an increase in games played by over 30%, albeit, with a decline in average bet of circa 15%. This initiative has yielded 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 Q1F20.
- New, non-traditional Table Game player KPIs are being developed to broaden the player identification process. Initial tests have identified over 200 new MGF players exhibiting growth behaviours. Trial will proceed to next stage in coming weeks.
- Aristocrat's Lightning Link remains on schedule to be delivered to the Perth market in Q2F20, with an increased denomination mix and broadened title options. Dragon Link opportunities have commenced discussion.
- CrownLife continues to develop a loyal and engaged following amongst the older machine demographic, evidenced by the improving performance of the Silver tier.

- IGT 9.7 upgrade features are now providing positive performance results to machines, primarily through Scheduled Lucky Coin, which appears to have stabilized at over 1% growth YoY. Some of the service capability embedded in this upgrade, expected to be rolled out imminently, will enhance the experience of premium guests.
- Crown Perth recently rolled out its Purpose, Values, Behaviours and Community platform aimed at enhancing overall team performance and engagement. Initial response at all levels and across all departments has been encouraging.
- 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, utilizing 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 a hospitality sector experiencing significant closure rates.

## 2. Current Trading

### 2.1. Crown Melbourne

**Table Games** April YTD contribution of \$276.5m was \$22.4m or 7.5% below budget and \$8.2m or 2.9% below last year. Despite prior corresponding period (pcp) growth in casino visitation, volumes and patron hours have remained subdued and the benefit of hold that was seen earlier in the financial year has reduced.

**Main Gaming Floor** (excluding Poker and eTGs) volumes April YTD were down 5.7% to budget and 3.9% to the pcp. Volumes were below budget and prior year in all areas with the infrequent areas still more pronounced but the core also showing increased weakness. Hold of 25.4% was marginally ahead of budget (25.2%) and the pcp, while patron hours were 5.6% below budget and 3.3% below the pcp.

**Electronic Table Games** (eTGs) turnover April YTD was 4.5% below budget but 1.2% above the pcp. Despite a softer March and April, eTGs continued to show year-on-year turnover and revenue growth on a 1.6% decline in patron hours. Actual hold of 2.66% was down slightly on the theoretical of 2.70%.

**Poker cash and tournament play** has continued to enjoy strong growth and revenue was 2.2% ahead of budget April YTD and 5.8% favourable to prior year. The Aussie Millions Poker Championship, which concluded in early February saw a Main Event record 822 entrants (800 pcp), while the Crown Poker Championships which concluded in early May saw a 40% increase in entrants and a 25% lift in revenue year-on-year.

**Premium Table Games** volumes, the main area of concern for the business through to the end of Q3, were more robust in April (flat to budget and 8.6% above pcp) bringing April YTD to \$1.8bn, down 7.2% to budget and 2.5% to prior year. After closing November YTD down 7.5% to last year, Premium volumes were up 2.8% to the pcp December through to April. The combined hold of 20.6% was up on expectations (19.9%) but not sufficient to bridge the volume shortfall, with revenue down 3.5% to budget but up 2.3% to pcp.

**Main Floor Premium (MFP)** volumes April YTD were down 6.2% on budget and 2.3% on the pcp. Overall volume softness continued in April with Teak and Atrium Rooms subdued but Maple Room up on both budget and prior year. The volume shortfalls remain an issue of customer spend patterns rather than visitation, with patron hours April YTD up 3.0% to budget and 2.0% to the pcp. The Maple Room continues to exhibit the strongest patron hour growth with movements of 8.3% and 6.0% to budget and pcp respectively.

**Mahogany Room** volumes April YTD were 8.5% below budget and 2.7% below the pcp with April continuing on from the improved performance from March at 2.9% above budget and 12.5% above the prior year. Patron hours remain relatively robust with April YTD 2.0% above budget and 2.4% above pcp. The primary issue in the first half of the year was in the Top 20 customer set where there was a significant decline in turnover against the pcp. In more recent months an increase in activity from these patrons has helped to reduce the YTD budget and pcp variances.

**Table Games Interstate** (Commission and Standard) April YTD turnover of \$4.9b was 6.1% below budget and 15.1% below the pcp. The overall market continues to be strongly supported by the commission side of the business, albeit on slightly lower base of unique customers. Conversely, the standard side of the business is enjoying strong growth in the number of uniques but remains below budget for turnover, albeit up 7.9% on the pcp. Total Table Games Interstate theoretical contribution was 12.6% unfavourable to budget, however on an actual basis, contribution was \$27.2m above pcp.

Table Games May trading performance has seen a continuation of the trend from the preceding two months. Strong Premium volumes, up 5.7% to budget and 8.5% to pcp, combined with hold of 20.4% (budget 19.9%) drove revenues 8.8% favourable to budget and 6.1% favourable to pcp. Mainstream volumes continue to be a concern, down 11.2% to budget and 2.6% to pcp, with soft hold compounding the issue and leading total Table Games revenue 1.3% below budget but 0.6% above pcp.

**Gaming Machines'** April YTD contribution of \$189.9m was \$1.4m or 0.7% below budget and \$0.5m or 0.3% below the pcp. Turnover of \$4.9b was 3.0% above budget and 4.7% above the pcp, with a win rate of 7.9% (budget 8.0%, pcp 8.1%) leading to revenue of \$385.3m, 0.9% above budget and 2.0% above the pcp. The key drivers of the miss to contribution were gaming tax due to an unfavourable mix of program and cash play and increased costs of program and other complimentary.

**Gaming Machines Local** April YTD turnover of \$4.2b was 4.8% above budget and 5.5% above the pcp. Year-on-year growth has been across all Crown Rewards tiers except Silver with Black, Platinum and Gold combined up 4.7% and Silver, Member and Unrated combined up 6.9%.

**Gaming Machines Interstate and International** April YTD theoretical revenue of \$41.2m was 2.0% below budget but 0.9% above the pcp. The variance to pcp was despite reduced play from our top two North Asia customers. Combined theoretical revenue from these players was down \$1.6m year on year. Our number one player is currently in-house.

Gaming Machines May MTD turnover is 0.4% above budget and 8.2% above pcp with Local up 3.0% to budget and 6.9% to pcp and Interstate and International down 13.4% to budget but up 17.3% to pcp.

The April Market share results for Gaming Machines was 15.35% marking seven months in a row of being above 15%. YTD F19 Market Share is 14.83% with the rolling 12-month market share being up 0.11% to 14.69%.

**Food & Beverage's** April YTD result was \$4.1m or 8.6% below budget and \$3.1m or 6.6% below the pcp. The shortfall against the pcp is due to \$3.0m in sign-on fees being received during the pcp. At an operational level the YTD result is down 2.8% on the pcp. April was a challenging month, with the Easter / Anzac public holidays being close together having a significant impact on Events & Conferencing in particular, but also in general compared to normal trading period. Bars was close to hitting the April target but other categories were down. Main gaming floor bars continue to be the strongest YTD performers, and Events & Conferencing will achieve their full year budget despite the April shortfall. Nobu continues to be the standout restaurant, although a number of outlets are close to the YTD budget. The Aviary continues to trade well, even as we enter the cooler months and will have hosted over 100 events in the nine months of trade in F19 since opening (\$3.7m revenue).

**Hotels'** April YTD result was \$2.2m or 2.5% below budget and \$1.3m or 1.6% above the pcp. Occupancy levels in Towers, Metropol and Promenade were 96.3%, 94.1% and 94.0% respectively, while combined occupancy of 94.3% was 1.4% below budget (mostly due to lower gaming nights and reduced Wholesale production) and 0.9% down on the pcp. By comparison, the Melbourne premium hotel market dropped from 88.1% in the pcp to 86.2%. Average rate growth was relatively positive with 3.8%, 2.1% and 3.0% recorded in Towers, Metropol and Promenade respectively; with Villas declining 2.0% year on year (revenue is up 2.8% due to higher occupancy). The combined growth of 2.9% has been achieved by a more favourable market mix (higher Leisure and Villas, lower Wholesale and Gaming segments) rather than major price increases. By comparison, the Melbourne premium market rate grew 1.4%. Total room revenue grew 2.0% compared to a market decline of -0.4%. As with F&B, the Easter / Anzac Day pattern impacted Corporate and Group markets in particular across the two weeks. Groups rooms were down 25% on the long-term April average.

## 2.2. Crown Perth

**Local Table Games'** contribution April YTD was \$13.6m or 17.6% below budget and \$10.2m or 13.9% below the pcp. Regular and premium tables continue to be hampered by soft volumes as a result of the subdued Perth economy.

**Regular Table Games'** contribution April YTD was \$10.5m or 15.3% below budget and \$8.0m or 12.0% below the pcp. A concerted effort to re-engage the core customer base across the MGF (Main Gaming Floor), in particular those with a preference to Roulette and Blackjack has commenced and will continue to be a high priority through the end of F19 and into F20. Electronic Table Games continue to be the shining light with continual growth on the pcp. There is evidence of further growth in Blackjack through May, while Roulette volumes remain challenged. Consolidation of all Baccarat products into the Baccarat Room, with a refreshed offer is showing positive signs. Overall, results through May remain subdued.

Providing the highest level customer experience through our service teams and premium asset offering is a key focus for the remainder of F19, continuing to build through F20. With a declining premium tier customer base, a strategy has been introduced to refine the levels of service provided to our highest value customers.

**Gaming Machines'** April YTD contribution was below budget by \$3.9m or 2.4% however above last year by \$0.2m or 0.1%. April YTD turnover was above last year by 0.9%, with low single digit growth continuing through to May.

The rated Gaming Machines membership base has delivered a stable level of visitation despite the challenges of a soft local premium market continuing to linger. 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 proven to be more robust in the current year to date and provided some relief to challenges described above through stable customer volumes.

The remainder of the year and F20 will see a suite of new games installed across the casino for Gaming Machines. 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)** April YTD contribution was \$3.2m or 13.0% below budget and \$2.1m or 8.7% below the pcp. The below budget results continue to be driven mostly by the on-going lack of beverage spend, particularly through the Main Gaming Floor Bars such as Merrywell, and the decline in Eve Nightclub. The value campaign continues to impact the contribution, showing a lower average check yet higher covers, as customers choose to move towards the lower valued menu items. The average check is down 3.7% and covers are up 1.9% YOY. Other factors impacting the result have been the average attendance numbers in the Theatre during some key months where good F&B pre and post spend was expected, Optus Stadium AFL games not having the same revenue impact YOY, plus relatively soft trading around public holidays.

May trading is expected to continue the same below budget trend as above particularly with only 5 adhoc shows in the Theatre this month.

**Conventions'** April YTD contribution was \$0.8m or 16.9% below budget and \$0.2m or 5.5% above last year. The YTD result continues to be driven by the loss of business to new competitor set in the market (the Stadium and the Westin). During April, Conventions held the ATE Welcome Event by Crown Towers Poolside for 2,100 guests which was a resounding success. Trade during May has been challenging due to a lack of events.

Key events YTD included the NAB Federal Budget Breakfast, ATE Welcome Reception, West Coast Eagles Season Launch and Club Lunch, FFC Women's Day, Fremantle Football Club Season Launch, Master Building Housing Excellence Awards, Hopman Cup NYE Gala, E Bridal Expo, Flight Centre Ball, Chevron NAIDOC Ball, 2018 Brainchild Ball WA, REIWA Awards, The Long Lunch, APPA National Conference, TEMC 2018 Conference, West Coast Eagles Finals lunch, Australian Orthopaedic Association, Parkerville Children & Youth Care Lunch, Magellan Global Lunch Briefing, ACM 2018 National Conference, The Agency Pink Ribbon Gala Ball, Melbourne Cup Luncheon, Perth Airport WA Tourism Awards, Foodworks National Conference, and Ronald McDonald Charities Ball.



Entertainment's April YTD contribution was \$34k or 1.7% above budget and \$1.5m above last year. The result was mainly driven by better than expected patronage at Disney's Aladdin, which ran from 19 July until 28 October 2018, with 117 performances. The next two months will be relatively quiet, with fewer shows contracted than budgeted.

The following are confirmed future events in the Theatre:

The Ultimate Vegas Show	May
The Gipsy Kings	May
Fastlove	May
Dave Hughes Hairy	May
In Conversation with the Sopranos	May
The Class of 59	June
Nick Offerman	June
Urzila Carlson (2 performances)	June
Bjorn Again	June
Billy Ocean	June

**Perth Hotels'** April YTD result was \$1.9m or 5.2% below budget and \$0.8m or 2.2% below the pcp. The below budget result was largely due to lower than expected occupancy levels across the three hotels, partially offset by a higher average room rate predominately in Crown Towers.

May is currently tracking behind budget in both rate and occupancy due to the traditional seasonality having an impact. As expected, the leisure demand remains soft and the corporate market has not returned to expected volumes post the school holiday and Easter period, with overall booking pace remaining behind last year. The soft market sentiment is expected to continue into June. A number of hotels packages and Crown Direct EOFY sales have been rolled out to hopefully push some leisure volumes into these two months.

### 3. Legal and Regulatory Matters

#### 3.1. Australian Resorts

##### *Proposal to Restrict Cash Transactions*

The Federal Treasury Department issued a paper titled "Introducing an Economy-Wide Cash Payment Limit; Government Response to the Black Economy Taskforce Final Report" dated 23 May 2018 inviting submissions from the public (which were due by 24 June 2018).

Included in the resulting report is a proposal to restrict cash transactions for goods and services to under \$10,000, to address its concerns around the black economy. All transactions over \$10,000 are proposed to be by electronic transfer only.

Crown prepared a joint submission with The Star Group and Sky City to the Treasury Department seeking an exemption to the \$10,000 proposal on the basis they are already major reporters (with the banks and payment providers who are to be exempt) to AUSTRAC. To date, the Treasury Department has not provided its formal response. Informal discussions continue between Crown, the Treasury Department and AUSTRAC.

It is noted that with the recent re-election of the Liberal National Federal Government, there has been a reallocation of Ministerial portfolios. It has been confirmed that the new Assistant Treasurer, Michael Sukkar will have carriage of the legislation to give effect to the Government's response to the Task Force recommendations. Arrangements are currently being made to meet with the new Assistant Treasurer to brief him on the Casinos' position.

#### *AUSTRAC Compliance Assessments*

AUSTRAC had advised Crown that it will be conducting a Compliance Assessment of Crown Perth in October 2019, which will to give Crown the opportunity to adopt and implement the new Joint AML/CTF Program and revoke its existing programs.

#### *Joint Program – AUSTRAC*

The draft Joint Program is under review by Minter Ellison. Initial comments from Minter Ellison have been provided **REDACTED - PRIVILEGE**

The Joint Program will also include feedback from the independent review of our Transaction Monitoring Program. This independent review was recently updated by the reviewer to take account of the bespoke transaction monitoring solution developed in-house and pending implementation. We expect the review document shortly and our AML/CTF framework will consider any recommendations received.

#### *Section 25 Review Recommendations*

Crown Melbourne is continuing to progress the implementation of the 11 Responsible Gaming Recommendations (s 25 Recommendations) and the 9 General Recommendations, made by the Victorian Commission for Gambling and Liquor Regulation (VCGLR) in its s 25 Review. Nine of the Recommendations are due for completion by 1 July 2019.

#### *Responsible Gaming Advisory Panel (Panel)*

Paul Delfabbro and Lia Nower have been appointed to the Panel.

In April and May, Professor Blaszczyński (who will chair the Panel) visited Crown Melbourne to familiarise himself with Crown Melbourne's operations and to provide feedback on the progress of the s25 Recommendations and the Crown Model.

A first meeting of the Panel is in the process of being scheduled and is expected to be held in June/July 2019.

#### *Victorian Responsible Gambling Foundation (VRGF)*

On 18 March 2019, the Minister for Consumer Affairs, Gaming and Liquor Regulation, the Hon. Ms Marlene Kairouz announced the appointment of Shane Lucas as the Victorian Responsible Gambling Foundation's new Chief Executive Officer. Mr Lucas has held executive and senior management positions in the non-government, government and private sectors since 2000. He served as CEO of Early Learning Association Australia from 2013 to 2017, and most recently was a full-time member of the Administrative Appeals Tribunal.

Mr Lucas and other representatives from the VRGF visited Crown Melbourne on 28 May 2019 and meet with Crown Senior Management for a tour of the property and a presentation on Responsible Gambling.

*Responsible Gambling Ministerial Advisory Council (RGMAC) (Vic)*

There have been no RGMAC meetings in the reporting period.

Separately, Barry Felstead wrote to Minister Kairouz to recommend the appointment of Chris Reilly, the recently appointed General Manager – Tourism, Crown Resorts, has been appointed to the RGMAC in place of Sonja Bauer. Sonja Bauer has resigned from her position on the RGMAC

The next meeting is scheduled for 4 July 2019.

*The Department of Justice and Community Safety (DJCS) (Vic)*

Cate Carr, who has led the DJCS's Liquor, Gaming and Racing Division for the past five years, has resigned from her position as Executive Director, Liquor, Gaming and Racing. Simon Cohen has been appointed Deputy Secretary, Regulation, DJCS. Josh Preston and Chris Reilly have had an introductory meeting with Mr Cohen, who is scheduled to visit Crown Melbourne shortly, to meet with Senior Management and for a tour of Crown Melbourne and a presentation on Responsible Gaming.

Several other senior staff members and policies officers from the DJCS visited Crown Melbourne on 28 May 2019 and met with Crown Senior Management for a tour of the property and a presentation on Responsible Gambling.

*Liquor and Gaming and the Office of Responsible Gambling (NSW)*

On 20 March 2019, Natasha Mann Executive Director, Regulatory Policy & Strategy, Liquor and Gaming NSW and Natalie Wright, Director, Office of Responsible Gambling, visited Crown Melbourne. The visit included a property tour, as well as a presentation pertaining to the Facial Recognition Technology currently in use at Crown Melbourne. The visit concluded in the Responsible Gaming Support Centre, where the Responsible Gaming Framework was discussed. Ms Mann subsequently attended Crown Perth for a similar tour in May 2019.

### **3.2. Crown Melbourne**

*China Matter*

Crown Melbourne recently received a copy of the draft China Report from the VCGLR – please refer to Agenda Item 7.

There has been no progress with former China based staff member Jenny Jiang.

### *Workers Compensation Claim*

On 1 January 2016, an incident occurred involving an MSS Security Officer and Mr James Packer at Crown Melbourne. On 22 January 2016, the security officer lodged a WorkCover claim for physical and psychological injuries, which was accepted by MSS and its insurer. At the time, the VCGLR investigated the incident and stated that they were satisfied that Crown had followed processes and procedures and that from their perspective the matter was finalised.

On 4 February 2019, Crown received a serious injury application (SI) alleging that Crown and James Packer are entities against which the security officer potentially has a claim. The SI seeks the grant of a SI certificate by MSS which is a precursor and compulsory step prior to the issue of common law proceedings. MSS has granted the SI.

Crown continues to monitor the progress. Crown remains in dialogue with the parties involved to determine the appropriate strategy regarding this matter.

### *April/May 2018 Wilkie Allegations*

The final administrative matter to attend to related to the Button Picks was for Crown to provide a report to the VCGLR detailing the steps Crown has taken to comply with the direction, being ensuring that Button Picks or like items are not used by patrons for gaming on electronic gaming machines in the Melbourne Casino. A report was duly provided to the VCGLR and we have not received any response to date.

### *Blanking Buttons*

The final matter related to the Blanking Buttons issue was for Crown to present to the Commission on its compliance framework. Subsequent to that, the VCGLR advised that the Commission now required a written submission as opposed to a presentation, which Crown submitted on 24 December 2018.

On 10 May 2019, the VCGLR wrote to Crown regarding its compliance framework submission stating that it intends to monitor Crown's implementation of the framework which will include:

- reviewing Executive Risk and Compliance Committee agendas, minutes and papers for the last six months;
- reviewing Compliance Committee agendas, minutes and papers for the last six months;
- reviewing Board Compliance Committee agendas, minutes and papers for the last six months;
- auditing a sample of "Gaming Initiatives" forms;
- inspecting Annual Compliance Plans for the last two years; and
- reviewing a sample of CURA system incident reports.

The letter provides that Crown will shortly be provided with a detailed request for information necessary to assist this process.

*EGM Continuous Play*

There has been no update on this matter during the reporting period.

*EGM Your Play Pre-Commitment*

There has been no update on this matter during the reporting period.

*Poker Tax*

There has been no update on this matter during the reporting period.

*Junket Operator – SUJADI*

On 1 March 2019, the VCGLR served Crown Melbourne with a Notice to Show Cause as to why it should not be disciplined for failing to provide the VCGLR with notice of a new non-resident Junket Operator in 2017, as required by the Junket and Premium Player Internal Control Statement. Crown Melbourne responded on 29 March 2019 that the matter arose from human error during a change in the Junket Operator on-boarding process. Crown's response listed the further process changes that had been undertaken since the matter arose, to mitigate the opportunity for recurrence.

On 7 May 2019, the VCGLR issued Crown with a \$25,000 fine which has been paid. The matter is now closed.

*Car Parks*

Crown continues to occupy the Clarke Street and Clarendon Street car parks pursuant to the monthly tenancy. DTF has advised Crown that the Victorian Assistant Treasurer has signed off on offering Crown a new long-term lease (likely to be a 10-year lease plus 2 options of 5 years each) at the rental determined by the Valuer-General. DTF has also advised that the Surveyor General is preparing updated plans for these areas and once that is completed Crown will be presented with the new lease offer.

*Zantran Pty Ltd (Class action – Crown Resorts Limited)*

An update on this matter is included at Agenda Item 6.3.

### **3.3. Crown Perth**

*Trackside and TAB Sale*

Crown Perth has finalised negotiations with the State Government regarding the inclusion of simulated racing products (Trackside) within the proposed sale of the TAB, with the following key terms agreed:

- the TAB Licensee must pay Crown consideration of \$1.2 million upfront;

- operating conditions will be imposed on the TAB Licensee, including restricting the offering to simulated thoroughbred, harness and greyhound racing only;
- any online offering of Trackside is to be prohibited; and
- the hours of operation and game frequency will be regulated to ensure that Crown is not disadvantaged.

The State Government also agreed to Crown Perth's proposal that the terms of the agreement be reflected as an amendment to the Casino (Burswood Island) Agreement through a Supplementary Agreement (Fifteenth Supplementary State Agreement), which has now been executed by Crown Perth and the State. This will ultimately result in Trackside remaining an "Authorised Game" pursuant to section 22(4) of the *Casino Control Act 1984* and contractual arrangements remaining between the State Government and Crown rather than between Crown and any future acquirer of the TAB (as originally proposed by the State).

The next milestone is the passing of relevant legislation through State Parliament, with the *TAB (Disposal) Bill 2019* having been introduced into Parliament on 15 May 2019. This sets out the framework for establishing the new wagering licence regime and racing industry funding model.

#### *Crown Perth – Sale and Development Agreement*

On purchasing 5,823 hectares from the State to develop Crown Towers Perth in 2013, the Agreement for Sale and Development of Land required Crown to commence development of the undeveloped residual land (approximately 3 hectares) by no later than September 2020 and for all development on the land to be completed by September 2028. In failing to meet this obligation, the State has the option to repurchase the undeveloped residual land at the original purchase price.

As Crown has no current plans to develop this land, Crown representatives continue to progress discussions with the Premier and Minister for Gaming's offices as to an extension of time.

#### *IGT Advantage System – Lucky Number Jackpot and Carded Lucky Rewards*

As previously reported, the IGT Advantage System has recently been upgraded to address issues with respect to various jackpot and bonus features. Crown has been requested by the Regulator to provide a further report as to the intended operations of Carded Lucky Rewards before referring Crown's request to recommence operation of this jackpot to the Gaming and Wagering Commission of Western Australia (Commission).

#### *Gaming Initiatives*

In respect of the gaming initiatives being recently progressed by Crown, the following update is provided:

- in principle approval has been granted by the Commission for amending the Casino Gaming Licensed Area (subject to consent of the Minister being obtained pursuant to section 21 (4a) of the *Casino Control Act 1984*) to incorporate the Convention Centre

facilities to allow this area to be utilised for VVIP and private gaming functions and tournaments. The Commission will now seek formal legal advice from the State Solicitor's Office and approval of the Minister to amend the Gaming Licensed Area. Crown Perth will continue to work with the Regulator on relevant procedures, including the nature of events in which gaming will be permitted within the Convention Centre facilities;

- approval has been granted by the Commission and the Minister to amend the criteria for local patron access to the International Gaming Facility (Pearl Room), which now allows a member of the Pearl Room to invite up to three guests into the facility. Members were previously restricted to one guest only;
- Crown Perth has implemented the use of EFTPOS (Debit only) at restaurants and bars on the main gaming floor and in the International Gaming Facility (Pearl Room). A limit of \$400 applies for each transaction up to the cardholder's daily withdrawal limit. The Regulator has been formally advised of the new practice and has not raised any objection;
- in principle approval has been granted by the Commission for patrons to use EFTPOS (Debit only) 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.
- Crown Perth is presently progressing relevant casino manual procedures (which will need to be approved by the Regulator) and operational requirements to facilitate the new practice, subject to also receiving full approval from the Commission; and
- at the Commission meeting held in March 2019, Crown sought approval from the Commission to amend Western Australian Appendix to the Australian /New Zealand Gaming Machine National Standard 2016, in particular standard WA4.2 seeking the following amendments:
  - Games Outcomes: removal of restrictions impacting how EGM game results are determined;
  - Speed of Play: amending Speed of Play of the base game from 5 seconds to 3 seconds per game; and
  - Return To Player: amending RTP from 90.0% to 87.5%.

The Commission has not made any determination to date on this matter.

## 4. Marketing Initiatives

### 4.1. Australian Resorts

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

New capabilities are being built and leveraged to realise three material incremental opportunities:

- Driving mass visitation to property;
- Reactivating inactive Crown Rewards members; and
- New Lifecycle Management 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 over 350k meal deal participants in Melbourne year to date and 250k in Perth. Following the success of the post work catch-ups promotions across multiple bars and restaurants in Melbourne broader Happy Hour promotions have been scaled up in Melbourne and are now live for members in Perth after successful tests. More broadly, mainstream was supported by a wide range of promotions and events with a seasonal focus on Easter.
- **Marketing communications** were focussed on key Easter campaigns and MGF Island Treasure promotion along with tactical messaging for Value meals and other key F&B offers while Perth remained centred on value led messages within the Live A Little Larger campaign platform with research showing these to be particularly effective at increasing likelihood to visit. This communications approach continues to drive key brand metrics up with Melbourne seeing a lift in consideration to visit and perceptions around lots of things to do at Crown. Perth saw brand awareness lift in April along with consideration to visit and perception of Crown having a great atmosphere.
- These activities continue to drive increased web traffic year on year in both properties with over 1 million sessions to Crown sites across both properties for the month of April as prospects investigate the offering. In Melbourne, web traffic is up more than 14% year on year since launch of the new brand platform and dynamic website and in Perth, web traffic for April has lifted 5% year on year as the refreshed value campaign elements build momentum.
- **Mass visitation metrics** have seen Melbourne grow total foot traffic 4.7% year to date with gaming foot traffic up 2.6% (versus -4% in F18) and up 2.4% in Q3. Perth has seen MGF foot traffic grow 2.2% YTD and, while Q3 was weak, May is up 6.3% month to date supported by stadium events and strong promotional and communications activity.



**Reactivation of Crown Rewards** members who have not visited for more than 6 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** have seen over 340k members contacted, with Birthday and F&B offers proving most successful reaching up to 5% and 3% reactivation respectively. Year to date these tests have delivered more than \$3m revenue across the two properties from 15k reactivated members.
- **Premium activities** have also been scaled up following successful tests through the first half of the year. Local premium activities have seen 560 members reactivated generating more than \$1m in revenue. The interstate mass premium activities started pre-Christmas and have been built into an ongoing program that scaled up through March. To date 95k offers have been made ranging in richness based on likely customer value. In the four months since launch this has generated more than \$1.6m in incremental revenue.

Additionally, regional offers to Crown Rewards members located more than 50kms from Crown Melbourne launched in April and have seen good early reactivation rates (4% in the first few weeks). These will now be ongoing as part of the Interstate program.

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

Tests of these personalised offers through Q3 have shown encouraging results with 6k table games members targeted with 'earn and get' offers showing revenue lifts of between 7% and 28% (equating to ~\$500k incremental revenue) over the four week test and a further test to 3k lower value members showing similar revenue lifts. Further personalisation tests across April involved changing standard monthly offers to those based on the customers prior behaviour which resulted in a 290% lift in revenue for members targeted with the new versus standard offers. Tests will continue to further optimise member marketing.

Following CAPEX approval, the LCM project is now starting to build the capability required to automate and scale these personalised offers and accelerate creation of new offers.

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 supported by a range of promotions including the marquee promotional combination of the Island of Treasure promotion and the Golden Treasure Jackpot running across the main casino floor, Riverside and Teak throughout the end of March into mid-April. The Island of Treasure promotion offered members the chance win major prizes through a fun and interactive treasure chest mechanic multiple times per day, while the Golden Treasure Jackpot gave members the chance to win jackpots across five jackpot sessions each day.

For the remainder of April through May, specific in-room activity drove engagement with Colossal Cash Jackpot running across the main casino floor, 15 Minute Blitz Jackpot running across Riverside and Teak, Golden Draws and Mystery Seat running across Maple and Teak, and, in the premium gaming space, the popular and iconic Luxury Car Giveaway featuring the BMW i8 valued at over \$340k running in The Mahogany Room.

In addition, over 140 targeted promotions and events have been delivered to key customer groups YTD. Following on from Lunar New Year, tactical activity ran across March and April with highlights including Crown Rewards renewals specific activity in the form of Tier Bounceback Offers and Easter specific activity in the form of visit-bonus-offers and dinners, events and cash draws.

**Food and Beverage** was led by a renewed focus on drink pricing to bring to life the Main Gaming Floor, a structured Happy Hour campaign which continues to build momentum across all key beverage categories supported by a consistent stream of beverage partner theming and new news including Furphy, Easter themed cocktails, St Patricks Day, Game of Thrones campaign and Pimms jugs to engage potential visitors.

The seasonally refreshed gaming meals campaign transitioned from 'Fresh Flavours' to 'Harvest Table' to refresh with seasonal ingredients and align to seasonal change in the weather. This campaign continues to drive strong main floor dining venues and is supported across property with the support of targeted media delivering an average weekly revenue of \$115k. Additionally, our key dining venues were heavily supported through the amplification of the Melbourne Food & Wine Festival across eight festivals and events delivering strong social and PR engagement.

### 4.3. Crown Perth Campaigns

The "Live a Little Larger..." campaign platform continued in market and accommodates the value offers including \$8 pints, under \$20 menus and \$55 Ultimate Lunch and Dinner with the messages optimised to focus on value messages to support visitation and mainstream gaming and F&B. The new under \$15 Member Meals were extended as they continue to perform well with improvement seen in lunch time transactions in main gaming floor restaurants. In addition to the successful meal deals over 246,000 \$8 pints have been sold YTD.

The AFL season is in full swing with majority of game days falling on a Sunday during April. Focus has been on a range of F&B activities to capitalise on stadium foot traffic along with protection strategies for regular customers including a member parking strategy to direct members to allocated areas, game day breakfasts to key member tiers, Sunday Jackpots and key value food and beverage offerings such as the member meals and \$8 Pints. To date rated hours have increased by over 5% when comparing 2019 AFL season v 2018 driven primarily through the MGF.

April also delivered the Crown Reward renewal cycle which included bounce back offers to selected patrons across all Reward tiers. Over the four weeks of the promotion, 13% of eligible patrons lifted spend to bounce back to their previous tier with the strongest response from Gold tier with 18% of patrons hitting the target and Platinum not far behind at 17%.

As part of the Lifecycle Management Project, Crown Rewards saw launch of a new automated, digital on-boarding process for Crown Rewards members. Results have seen

10% of new on-boarded patrons redeeming the offer driving \$45 of incremental gaming on-spend versus an 8% redemption rate and \$25 average gaming spend through the previous direct mail on-boarding process.

## 5. HR Initiatives

### 5.1. Australian Resorts

#### *Indigenous Employment Programme (IEP)*

As at 1 April 2019, there were 192 Indigenous Australians employed across Crown Melbourne (108) and Crown Perth (84).

We are currently recruiting to replace the role of Indigenous Programmes Manager – Melbourne, due to the late withdrawal of the appointed candidate. In the meantime, Marcus Maccora (HR – Hotels, food and Beverage and Retail) will assist with the management of the programme in this transitional phase. It is noted that Jacinta Cubillo, who had been overseeing this in addition to her Employee Relations management role has now been appointed to the role of HRM – Table Games.

Crown's Employment Parity Initiative (EPI) contract with Crown has been formally extended and expanded.

Crown Perth hosted a National Reconciliation Breakfast on 31 May with the Reconciliation Week theme "*Grounded in Truth – Walk together with Courage.*" Sharon Ninnette delivered a speech on behalf of Crown Resorts acknowledging the Uluru Statement from the Heart.

#### *Workplace Gender Equity*

The first Crown Resorts Gender Action Plan is in the final stages of drafting, with actions for the main themes of focus (Attraction & Retention, Promotion, Development, Flexibility and Cultural Change and Communication) demonstrating progress to date as well as our commitment of furthering Gender Equity at Crown Resorts. The document is a three-year action plan that also links to find cross over focus with our other diversity and inclusion programs.

This year's Women of Crown Management Program is progressing well and an alumnae event (for all previous participants) will take place in the coming months to continue to promote the program.

Preparations are currently underway for Crown Community Week which will take place the last week of June. This year the Melbourne property will be showcasing all programs and celebrating a theme of intersectionality by hosting combined events as well as conducting a Food Bank drive across the week.

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

### *Crown Pride*

Work has commenced on the creation of the FY19/20 Crown Pride Action plan.

The results for the AWEI (Australian workplace Equality Index) are expected to be released shortly. This was the first time Crown participated in this benchmark national reporting program, which measures LGBTIQ+ activities and inclusion.

### *Learning and Development*

#### *Crown College International (CCI)*

To date CCI has received 370 applications and 186 enrolments. F19 will see 90 students commencing against a forecast of 60 student enrolments.

#### *Crown College Institute of Higher Education (CCIHE)*

The governance and strategic management activities required for CCIHE are continuing. The CCIHE Academic Board have held their fourth meeting to work through the academic requirements for the program's registration.

### *CROWNability*

There are currently a total of 279 employees and contractors in the *CROWNability* program across both properties, with 124 direct employees and 8 contractors at Crown Melbourne and 139 direct employees and 8 contractors at Crown Perth. This represents a retention rate of 66% as at 23 May 2019.

#### Australian Network on Disability (AND) Conference:

In line with the conference theme '*Positive Forces for Change*', *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.

#### Hospitality Disability Network (HDN):

In November 2018, the HDN submitted an Expression of Interest to the WA Department of Communities – Disability Services to access funding allocated to employers to develop a capacity building program for people with disability. The HDN was successful in its application and awarded \$212,000.

The HDN WA is in the process of hiring a consultant and the application for Incorporation has been submitted.

The organisations involved in the HDN include: Crown Perth, Marriott Hotels, Optus Stadium (Venues live), Australian Hospitality Services (AHS), RAC, Hospitality Group Chamber of Commerce in Western Australia (CCIWA), Australian Hotels Association (AHA), Atwork Australia and The ORS Group.

## 5.2. Government Relationships

The Governor of Western Australia, the Honourable Kim Beazley AC, met with the CROWNability Group Manager and has expressed interest in visiting Crown Perth to learn more about the program.

Luke Donnellan, Minister for Disability, Ageing and Carers for Victoria is scheduled to visit Crown Melbourne on 25 July.

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

- Will Fowles MP – Victorian State Member for Burwood (Tour)
- Senior Staff from the Department of Justice and Community Safety – Liquor and Gaming Division (Tour)
- CEO, Board Member and Senior Staff from the Victorian Responsible Gambling Foundation (Tour)
- Nick Wakeling MP – Victorian Shadow Minister for Industrial Relations (Tour)
- Vicki Ward MP – Victorian Parliamentary Secretary for Public Transport Infrastructure (Tour)
- Ros Spence MP - Victorian Parliamentary Secretary for Road Infrastructure (Tour)
- Jane Garrett MP - Victorian Parliamentary Secretary for Jobs (Tour)
- Mark Gepp MP – Victorian State Member for Northern Metropolitan Region
- Tour of Crown Melbourne with Natasha Mann & Natalie Wright (Liquor & Gaming NSW)
- Presentation to VCGLR Officers regarding AML framework
- Participation, at AUSTRAC's request, to present on casino operations for Financial Intelligence Analyst Course
- Tour of Crown Melbourne involving the whole of the Commission and CEO of the VCGLR
- Presentation and tour given to the Australasian Regulators Conference at Crown Perth

In addition, the following tours are scheduled to occur in the coming weeks:

- Steph Ryan MP – Victorian Shadow Minister for Gaming and Liquor Regulation
- Cindy McLeish – Deputy Leader of the Victorian Liberal Party and Shadow Minister for Education
- Simon Cohen – Deputy Secretary 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 with a total of 271 active enrolments in the program; a total of 99 Security students and 58 Hospitality students having completed the training to date. A total of nine Security and 40 Hospitality students have gained employment with Crown and an additional 52 students are currently employed within the industry. There have been four expressions of interest in the June security course and eight expressions of interest in the July hospitality course. There are

four hospitality students attending interviews for roles at Crown next week with an additional five still completing their service shifts within the business.

#### *Industrial Relations*

Area Manager's EA – negotiations have progressed towards settling the terms of the proposed new agreement (wage increase of 2.5% pa backdated to 1 July 2018); United Voice held meetings with AMs on 11 May to consider the settlement. It is expected the Agreement will be presented to the employees for voting within a month.

Crown Melbourne EA – Three bargaining meetings have been held to date; discussions have so far focussed on working through the parties' claims. Key claims made by the union (United Voice) include a 5% pa wage increase; and improvements to the current part time band arrangements, and career progression. Crown has, amongst other claims, sought to terminate the recognition allowance, and have the redundancy provisions revert to the base entitlements in the Fair Work Act. Both of these claims have been rejected. The current agreement nominally expires on 1 July 2019.

Property Services EA – Negotiations for this agreement are anticipated to commence in the week of 27 May. There are indications that some employees may seek to appoint themselves as independent bargaining representatives in addition to the representative (CFMMEU, ETU, and PTEU), which would be for the first time in Crown Melbourne. The current agreement nominally expires on 30 June 2019.

Crown is intending to apply to the Fair Work Commission for an Order that the Betfair Enterprise Agreement (BEA) 2015 not apply to Betfair employees transferring to Crown (under the Fair Work Act that agreement would otherwise transfer across with the employees concerned).

#### **5.4. Crown Perth**

##### *Industrial Relations*

The Hospitality Sector WA United Voice Crown Perth Enterprise Agreement 2016, covering 3,511 employees as at 8 April 2019, nominally expires on 30 September 2019. Crown Perth and workplace representatives will commence bargaining for the 2019 Enterprise Agreement from 30 May 2019.

## **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*

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

The mitigation strategies identified through the development of the Crown Melbourne Counter Terrorism Escalation Plan (**Plan**) have been incorporated within the broader Crown Melbourne Limited's Risk Management Plan and by way of update from previous reports, include:

- The expanded Facial Recognition system has been installed, is operational and comprises 68 cameras which provide coverage of public access points to the complex and all casino entry points. An additional five Facial Recognition cameras have been included in FY20 Capex, these cameras will be used to cover other relevant areas. Fine tuning and additional software development continues;
- Preparations are underway to transition from our current mass communication provider (AtHoc) to a new more capable provider (X-Matters) by July 2019;
- Victoria Police Executive Command has advised that the PSO proposal for Crown Melbourne still sits with the Police Minister and is to be considered as part of a broader proposal for PSO's across the community;
- The Executive Director Security and Surveillance completed the Singapore based Certified Counter Terrorism Practitioner course in April 2019. This course is a professional UK accredited Level 4 credential.
- Victoria Police Counter Terrorism Command arranged and conducted a three-hour training/familiarisation session at Crown Melbourne during the 2019 ANZAC Day shutdown. The session was very successful and attended by over 40 senior Police Operations Commanders with further training sessions planned for future shutdown periods;
- Discussions continue with key stakeholders from the Department of Justice and Melbourne City Council regarding the replacement and upgrading of the current bollards in place on the Crown Riverside at Queensbridge and Clarendon Streets to a high-level crash rating as mitigation against hostile vehicle attack (this includes the replacement of the pneumatically-operated access bollards at both ends of the Riverside). Temporary hostile vehicle mitigation barriers (in the form of Planter Boxes) have been installed behind the existing bollards pending the installation of the new crash rated bollards;
- The additional external review of current physical anti-terrorism security measures at Crown Melbourne has been completed with a number of recommendations being made including the placement of additional hostile vehicle mitigation bollards at the Metropol Hotel driveway, Crown Towers Hotel's Southern Porte Cochere and adjacent to the Vegas Room on B1. The new crash rated bollards have been funded in FY20 Capex and installation is planned to commence in July 2019. Temporary hostile vehicle mitigation barriers (in the form of Planter Boxes) have been installed until the installation of the permanent bollards is complete. The purchase of a portable explosive detector device was also supported and delivery of the equipment is expected within the next month;

- In line with mitigation strategies outlined in the Plan, a Dog Force Australia explosive detection dog demonstration was recently held at Crown Melbourne with a view to better understanding the impact and capability provided by the company;
- A restricted trial implementation of the Plan was recently conducted at the Crown Melbourne Conference Centre to exercise security's ability to 'ramp up' our screening capability in a time restricted environment. The trial was a valuable exercise and will be undertaken again in the future;
- As a result of UK based research into the criticality of an organisation's initial actions in a terrorist incident, the Security and Surveillance Training Managers have recently been tasked with designing a training program focussing on exercising our emergency response capability in the first 5 minutes of a terrorism incident. It is expected the implementation strategy will further develop and increase our emergency response capacity in line with our existing Emergency Management Plan; and
- Preparations and planning for possible escalation of the National Terrorism Threat Level or specific threats to Crown Melbourne continue.

### 6.3. Crown Perth

#### *Counter Terrorism - Risk Management and Escalation Plan*

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

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

The actions recommended by the external consultant, and others identified by management, have been incorporated within the Risk Management Plan and by way of update from previous reports include:

- The installation of fixed and extendable bollards at certain locations around the property, with a particular focus on Plaza Level due to the number of patrons using the pathways. Bollard installation is underway on Plaza Level with expected completion by July 2019.
- The rollout of Profiling and Body Language Awareness training to additional departments (Bell Services, Theatre Ushers, Hotel Front Desk) continues. Courses are delivered each month with currently 145 staff trained with more courses booked. This training is complemented by exercises (live, desktop and discussion) which are undertaken monthly and delivered in collaboration with the Western Australia Police Force (WAPF) Hostile Reconnaissance Detection (HRD) Officers and counter-surveillance personnel from the United States Consulate, Perth.
- Biometric access points to be installed on doors on critical infrastructure has commenced with a trial at the Security Management Offices. Capital funds have



been sought for F20 to commence a broader rollout of the biometric solution to enhance the protection of key assets.

- The installation of remote “drive open” emergency doors on the main gaming floor has commenced with initial works underway after approval from the Department of Health (DoH). Further works relating to doors to be potentially carried out have been identified and will commence subsequent to DoH approval being received.
- Capex for the installation of a PA system (‘Mass Communications’) to allow a public announcement through EWIS (evacuation and public address system) has been sought through the F20 Capex process. Honeywell has been selected to undertake the works and will commence shortly. The expected completion date for the works is early F20.
- Further to recommendations made subsequent to the Counter-Terrorism Risk Assessment undertaken by Lockforce Consultants in collaboration with Security Management, a Counter-Terrorism Escalation Plan (CTEP) has been developed and is currently in circulation for approval. The CTEP seeks to describe how Crown Perth will respond to an increase in the National Security Threat Level or a specific threat to Crown Perth, specifically related to terrorism, through the activation of a number of pre-approved strategies contained within the CTEP. Escalation Plans are recommended by the Federal Government through the ‘Australia’s Strategy for the Protecting Crowded Places from Terrorism’ document.
- Crown Perth is currently trialling Facial Recognition Technology (FRT) in Perth. NEC (currently in Melbourne) is being trialled in a live operational environment against another FRT solution, namely ‘AnyVision’. The trial has been underway for nearly 3 months and the preferred solution for Crown Perth is AnyVision. AnyVision is an Israeli product and relatively new to the market, however is being widely used in Las Vegas and is performing more effectively in the Crown Perth environment.
- The General Manager Security and Surveillance completed the Singapore based Certified Counter Terrorism Practitioner course in April 2019. This course is a professional UK accredited Level 4 credential.

## SECTION 3 – UK BUSINESSES

### 1. Update on the Potential Sale of UK Assets

As previously noted, preliminary discussions were held in relation to the potential sale of all or part of the Aspers Group with a number of potential buyers operating in the UK however, none of those parties were interested in pursuing a transaction. Subsequent to those discussions, Aspers has 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) and will test interest with a short list of parties. Any update on this process will be provided to the Board in due course.

The intention of the sale of the regional casino assets would be to repay part or all of Aspers debt balance with the Aspers Group continuing to operate Aspers Stratford City as a standalone property and continuing to hold the 50% interest in the Aspers Online JV with Stride Gaming PLC.

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 is £68 million with Crown to retain all cash and receivables associated with Aspinalls.

A meeting with the principals of Inventive Star took place in Hong Kong on Tuesday, 26 February 2019. Following a presentation on the business, the principals indicated that they remained interested in pursuing the proposed acquisition.

A sale process has been ongoing including discussions with Inventive Star and the establishment of an online data room containing certain key information on the Aspinalls business and a draft Share Purchase Agreement was provided on 4 April. Inventive Star executives indicated that they will provide an update on the status of their work and their intentions with respect to the proposed transaction by early June. An update will be provided to the Board if further information is received in advance of the Board meeting.

### 2. Crown Aspinalls

#### *Gambling Commission AML Survey*

There are no updates since the last CEO's Report in relation to this matter.

#### *UK Gambling Act – Amendment to Section 81*

There are no updates since the last CEO's Report in relation to this matter.

#### *Legal Matters (Legally Privileged)*

There are no updates since the last CEO's Report in relation to a debtor making material allegations concerning his debt, after a freezing injunction was imposed by Crown Aspinalls.

As noted in the previous report, a Subject (Data) Access Request was received from a patron via a solicitor's letter on 20 March 2019. A follow-up solicitor's letter has been received advising that the CCTV footage must be released in accordance with the *EU General Data Protection Regulations* (GDPR). GDPR specific legal advice is being sought by Crown Aspinalls in relation to the release of CCTV. The patron alleges breaches of responsible service of gaming and of gaming and money lending regulations. The response (data) was provided to the patron, however, the CCTV request is currently under review and due to be released in early June.

#### *Debt Transfer (Legally Privileged)*

Crown has received legal advice on the proposal to 'Transfer Debts' from Crown London to Crown Melbourne for collection from Harris Hagan (gambling specialist solicitors). The advice has permitted the recovery of a significant outstanding debt, however is limited in scope to specific circumstances and doesn't permit recovery broadly.

#### *Brexit – EU Settlement Scheme*

EU citizens will be required to apply to the EU Settlement Scheme to continue living in the UK after 30 June 2021. The Scheme was open from 30 March 2019 with the deadline for applications being 30 June 2021 (or 31 December 2020 if the UK leaves the EU without a deal). Successful applicants will receive a settled or pre-settled status.

This impacts approximately 34% of Crown Aspinalls' current labour force who are EU citizens residing in the UK. Crown Aspinalls has implemented a plan to assist all affected employees whereby discussions and support are provided from line managers together with information packs/tools and assistance with applications. Crown Aspinalls will continue to monitor and report.

#### *National Strategy to Reduce Gambling Harms*

The National Strategy to Reduce Gambling Harms was launched by the Gambling Commission on 25 April 2019. The three-year strategy will deliver two priorities:

- Prevention and Education – making significant progress towards a clear public health plan which includes a mix of interventions.
- Treatment and Support – delivering national treatment and support options that meet the needs of users.

As part of the new strategy, the Commission will continue to take a firm regulatory enforcement approach whilst also further improving gambling harms research and evaluation so that there is widespread adoption of effective strategies.

#### *The Gambling Commission 2019-20 Business Plan*

The Gambling Commission published its 2019-20 Business Plan, which outlines the Commission's key areas of focus for the next 12 months. The Plan is in terms of protecting consumers, preventing harm, raising standards, optimising returns to good causes from lotteries, and improving the way they regulate.

### 3. Aspers

#### *Gambling Commission Investigations*

The first week of April saw the introduction of reduced maximum stakes on Fixed Odds Betting Terminals (FOBTs) from £100 to £2. The Commission raised concerns of new products launched by high street bookmakers Paddy Power, Betfair and BetFred, which were subsequently withdrawn from the market following a warning from the Gambling Commission. The Commission are also investigating key senior staff at the bookmakers, who were responsible for bringing those products to market. Neil McArthur, Chief Executive of the Gambling Commission, warned bookmakers against any attempts to circumvent the FOBT stake cut and reminded them of their responsibilities to ensure their consumers are protected. Operators have been told to take down new products, which undermine the changes, and the Commission will investigate any other products that are not within the spirit and intention of the new rules.

#### *Financing Arrangements*

In March 2016, the Aspers group refinanced all of its debt with a five year £75m syndicated facility (£70m Term and £5m RCF) with RBS, Lloyds, Investec and Deutsche Bank as lenders (the covenants were subsequently amended in March 2017 due to below budget trading with all other principal terms remaining the same). There is an amortising element of £31m at £6.2m p.a. and a bullet of £39m due March 2021. The current amount outstanding under the facility is £51.4m as at 31 May 2019.

Having regard to the current political climate, Aspers is keen to commence the refinancing process later this year or in early 2020. In addition, margins on facilities in the UK have tightened significantly since 2016, with an indicative margin of between 2.00% to 2.50% (1.00% lower than the current facility).

Crown will assist Aspers in the refinancing process, including in relation to engaging with relevant banks and assisting with documentation and due diligence.

Any refinance of the Aspers facility will require approval of the Aspers Board (which includes John Alexander and Ken Barton).

#### *Aspers Online JV with Stride Gaming PLC*

The Aspers Group has a 50/50 joint venture (JV) with Stride Gaming PLC (a publicly listed company in the UK) (Stride), under which the JV has contracted Stride to operate an online casino business aimed at UK customers under the "Aspers" brand. The JV has been in operation for approximately 18 months and the online casino business is generating only modest revenue. In addition to its 50% interest in the JV with Aspers, Stride has various other online casino and online bingo businesses.

On 31 May 2019, it was announced that Rank Group had made a takeover offer for Stride which is expected to complete in Q3 2019. After the transaction completes, the Stride senior management team will lead Rank's digital business. The takeover transaction is not expected to impact the operations of the Aspers/Stride JV.

## SECTION 4 – BETFAIR

### 1. Trading

For the month ended 30 April 2019, total Revenue finished up 13% YoY and 3% up against budget. Exchange Revenue grew 18% YoY, but was down 4% against budget. Premium Charge was strong again this month finishing 34% up YoY and 130% up against budget primarily due to our #1 customer performance on UK racing.

FY EBITDA is still expected to hit the previously advised forecast of \$18m (+\$2.5m/+16% up on budget). The main drivers for this increase are the positive impacts of Exchange Growth and GST changes, partly offset by a reduction in FY Premium Charge revenue (from our # 1 customer) and the impact of Point of Consumption taxes.

### 2. Legal and Regulatory

The first tranche of the National Consumer Protection Framework (NCPF) requirements (NCPF Requirements) came into effect on 26 May 2019. It is noted that Betfair's regulator, the Northern Territory Racing Commission, implemented the NCPF Requirements by making changes/additions to the existing *NT Code of Practice for Responsible Online Gambling*.

During May 2019, Paddy Power Betfair Plc (PPB) made certain amendments to Betfair's websites so that we are compliant with the NCPF Requirements.

#### *Account Closure*

To meet the NCPF Requirements, PPB has added a 'Close My Account' section into the 'My Account' section of the Betfair websites. A Betfair customer can now request the closure of his/her account by clicking on the 'Edit' button in the 'Close My Account' section. Once such a closure request is made, the following occurs:

- the customer's account is immediately suspended, meaning that he/she cannot deposit, withdraw or place further bets; and
- Betfair's Customer Service Team promptly processes the request and closes the account.

We note that detailed commentary on the new account closure process, and the difference between account closure and a self-exclusion, has been added to Betfair's Responsible Gambling webpage.

#### *Deposit Limits*

So that Betfair complies with the NCPF Requirements, PPB has also amended Betfair's customer registration page so that:

- a new customer can set a daily, weekly or monthly deposit limit during the account registration process; and

- if the new customer clicks on 'No deposit limit' (i.e. opts out of setting a deposit limit), he/she will immediately be shown certain information about the benefits of having a deposit limit, and will have to confirm that they wish to proceed without setting a deposit limit.

#### *Loss Limit Options*

It is noted that, earlier in the year, the South Australian Government indicated that it was going to require online wagering operators who were servicing South Australia residents to include 'loss limit' options on their customer registration pages. On 20 May 2019, the South Australian Government advised Responsible Wagering Australia that it wouldn't be pushing ahead with that requirement (at least for the time being). This was a good result for Betfair, as meeting such a requirement would have involved further expensive development work.

#### *New Inducement Laws*

One of the NCPF Requirements is a complete ban on 'sign-up' offers. Betfair's Legal Team has briefed Betfair's Marketing Team on this new ban, and all 'sign-up' offers were removed from Betfair's websites in mid-May. In addition, on 17 May, Betfair sent an email to all of its affiliates advising them to remove any sign-up offers (that relate to Betfair) from their websites.

It is also noted that, in mid-May, Betfair brought an end to its 'Refer and Earn Program' (a Program where existing customers were rewarded for getting friends to sign-up with Betfair). The NCPF Requirements prohibit online wagering operators from offering such programs going forward.

## 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.

### 1. Consolidated Press Holdings Sale of Crown Shares

As the Board is aware, on 30 May 2019 Crown was informed that CPH Crown Holdings Pty Limited, a wholly-owned subsidiary of Consolidated Press Holdings Pty Limited, had entered into an agreement in relation to the sale of 19.99% of the issued capital of Crown to Melco Resorts & Entertainment Limited (Melco).

In its press release, Melco said that while the announced transaction does not require regulatory approval to be consummated, Melco, its Chairman and Chief Executive Officer, Lawrence Ho, and select Melco executives will promptly submit applications to the gaming regulatory authorities in each of Victoria, Western Australia, New South Wales and any other relevant jurisdictions. Following approval from these authorities, Melco intends to pursue board representation on Crown's board of directors commensurate with its ownership position. Additionally, subject to obtaining requisite regulatory approvals, Melco welcomes the opportunity to increase its ownership in Crown.

Melco has sought Crown's assistance to facilitate an introduction to our various gaming regulators for the purposes of pursuing relevant approvals.

Initial discussions have been had with the New South Wales, Victorian and Western Australian gaming regulators regarding next steps who propose to work collaboratively on the matter.

### 2. ASIC Corporate Governance Taskforce

Further to the previous update that was provided to the Board, John Alexander has been interviewed by ASIC and Geoff Dixon (as Chair of the Nomination and Remuneration Committee) is scheduled to be interviewed by ASIC on 14 June 2019.

### 3. Victorian State Security Arrangements

As previously noted, the Department of Treasury and Finance Victoria (DTF) and the Treasurer have indicated in-principle approval for the proposal and draft amending deeds in relation to Crown's financial security arrangements with the State of Victoria (the State).

Since the last Board meeting, the Department of Justice and Community Safety has also indicated in-principle approval for the proposal and the draft documentation. It is understood that a brief is being prepared for submission to the Department of Premier and Cabinet.

Should the Department of Premier and Cabinet's approval be received, it is expected that DTF will arrange for execution of the amending deeds by the State.

## SECTION 6 – NET DEBT AND CASH FLOW

Net Debt Movements	YTD 2/06/2019	Forecast 30/06/2019
<b>Opening Net Debt (excl. Working Capital Cash)</b>	<b>221.0</b>	<b>221.0</b>
Theoretical EBITDA	747.5	815.6
Add/(Less): Variance from Theo	16.4	16.4
Reported EBITDA	764.0	832.1
Working Capital Movements	12.7	9.4
Crown Melbourne Maintenance Capital Expenditure	(63.1)	(70.7)
Crown Perth Maintenance Capital Expenditure	(18.1)	(30.1)
Crown Aspinalls Capital Expenditure	(0.6)	(1.0)
Betfair Capital Expenditure	(4.1)	(4.9)
DGN Capital Expenditure	(2.3)	(10.1)
Net Interest	(39.6)	(50.4)
Taxation Payments	(69.3)	(75.3)
<b>Cashflow from Operating Activities</b>	<b>579.5</b>	<b>599.0</b>
<b>Growth Capital Expenditure and Investments</b>		
Crown Sydney Capital Expenditure	(321.1)	(372.1)
Crown Australian Resorts Major Projects Capital Expenditure	(0.7)	(0.7)
Other	5.1	4.4
Dividends Received from Associates	5.3	7.4
<b>Cashflow from Investing Activities</b>	<b>(311.4)</b>	<b>(361.0)</b>
<b>Net Cashflow</b>	<b>268.1</b>	<b>238.0</b>
Dividends Paid	(409.0)	(409.0)
Share Buy-Back	(131.5)	(131.5)
MTM of Subordinated Notes/Foreign Debt	(9.5)	(9.5)
<b>Closing Group Net Debt (excl. Working Capital Cash)</b>	<b>(60.9)</b>	<b>(91.0)</b>
<b>Closing Group Net Debt (30 June 2018 Plan Update)</b>		<b>(454.2)</b>

Net debt at 2 June 2019 was \$60.9m (excluding working capital cash of \$146.2m), comprising gross debt of \$1,081.1m and closing available cash of \$1,020.2m. Forecast net debt at 30 June 2019 of \$91.0m is expected to be \$363.2m lower than budget.

The key reasons for forecast closing net debt as at 30 June 2019 being lower than budget are:

- F19 EBITDA is forecast to be \$42.6m lower than budget due to below theoretical win rates at Crown Melbourne (\$4.2m) and Crown Aspinalls (\$7.7m), and lower theoretical EBITDA at Crown Melbourne (\$38.5m), Crown Perth (\$35.6m) and Crown Aspinalls (\$8.9m). This is partially offset by above theoretical win rates at Crown Perth (\$28.3m), higher EBITDA from Wagering/Online (\$5.9m) and lower corporate costs (\$18.2m including one-off gain on disposal of Alon).
- Crown Sydney capital expenditure is forecast to be \$101.7m lower than budget, with budgeted expenditure in F19 being pushed into F20 and F21.



- Capital expenditure for Wagering and Online is forecast to be \$10.9m higher than budget with the forecast now reflecting the capitalisation of costs at DGN, whilst the budget had these costs being expensed.
- Share buy-back payments are forecast to be \$245.0m lower than budget, with a YTD share buy-back of 10.3m shares at an average cost of \$12.77 compared to a budget of \$13.50 per share (\$7.0m saving). The full year forecast assumes no further share buy-back for the remainder of the year (\$238.0m saving).
- Dividends paid are \$4.9m higher than budget due to the delay in the share buy-back.
- Working capital is forecast to be \$25.2m favourable to budget due to stronger VIP debtor receipts and large debt collections at Aspinalls.
- Crown received an unbudgeted receipt of US\$3m on the settlement of the Alon litigation.
- Interest (\$7.6m) and taxation (\$36.2m) payments are forecast to be lower than budget

Total liquidity at 2 June 2019 was \$1,218.5m taking into account available unused facilities of \$198.3m and available cash of \$1,020.2m (excluding \$146.2m of working capital cash).



**AGENDA ITEM 6:**  
Litigation Update  
(privileged and confidential)















## 5 Parameters of the proposed initial offer

### Components of the aggregate potential offer amount

Primary tax	127,451,898
Penalties	55,026,273
SIC	12,131,825
GIC	6,718,805
Less: WHT on disallowed interest	(43,772,981)
<b>Total</b>	<b>157,555,820</b>

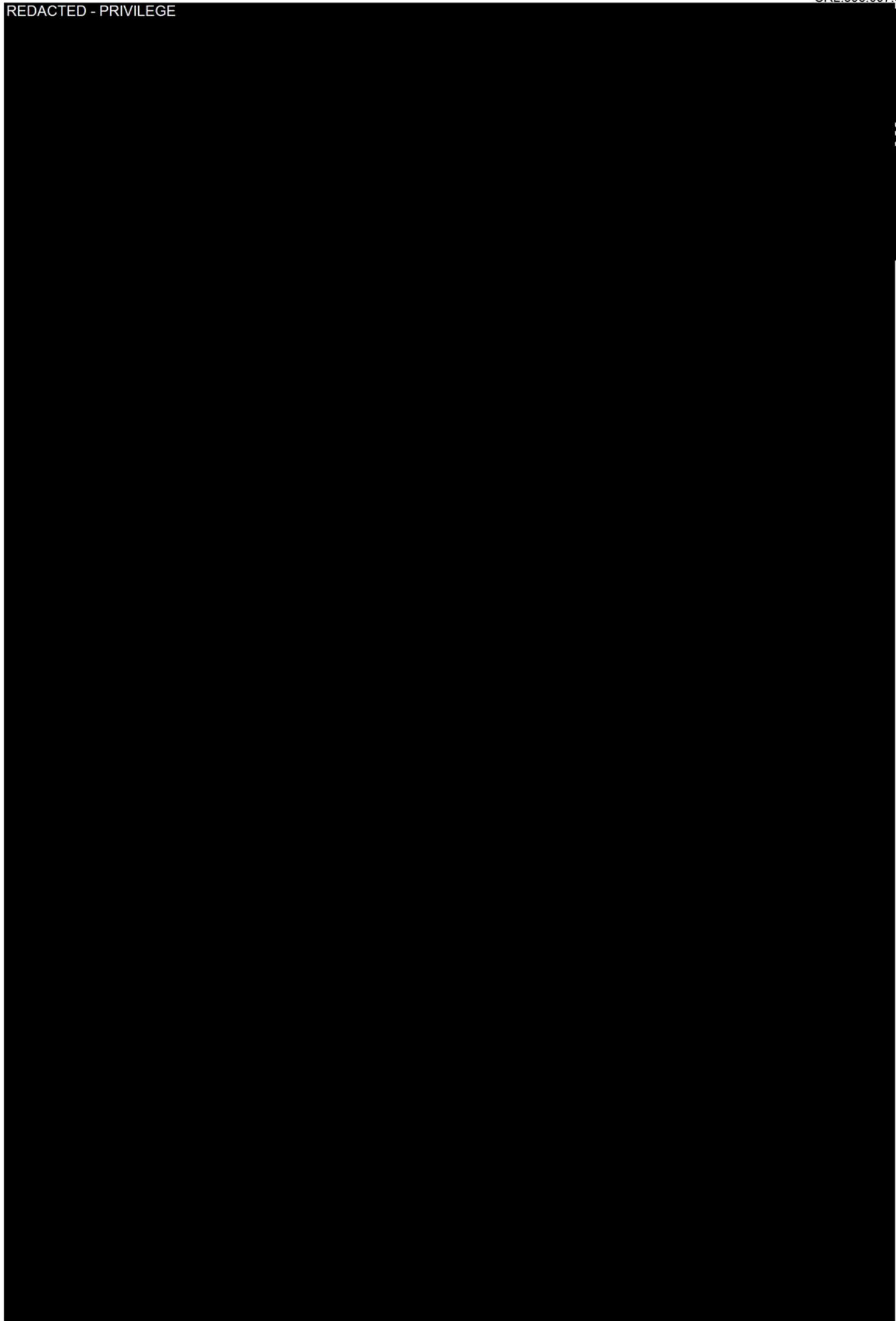
- The potential offer has been determined under the following parameters:
- A deduction for Internal Interest is allowed for the 2009 to 2011 income years (net of 20% litigation risk assumed by Crown). The relevance of this period is that regulatory approval was given for the conversion of the Series B Preferred Units into Series A2 Preferred Units in the Cannery entities in March 2011. No penalties are applied on the basis that Crown has a “Reasonably Arguable Position”.
- A deduction for External Interest is allowed for the 2014 to 2016 income years (net of 20% litigation risk assumed by Crown). No penalties are applied on the basis that Crown has a “Reasonably Arguable Position”.
- Only 20% of the Internal Interest is allowed as a deduction for the 2012 to 2014 income years, with penalties applied at the ATO rates (that is, Crown assumes 80% litigation risk in respect of these amounts of Internal Interest).
- SIC and GIC are calculated based on the primary tax being reduced for the respective litigation risk factors applied above.
- WHT on the interest components not treated as deductible under the above assumptions is allowed as a refund at the end of the last year in dispute (i.e. the interest and penalties are calculated on the gross adjustment, rather than the tax, calculated each year net of the WHT credit).
- Even though deductions for relevant interest were not claimed in the 2017 and 2018 income years, no refund is sought for WHT paid in respect of that interest. Further, notwithstanding Crown’s position as to the availability of deductions in respect of Internal Interest for the 2015 to 2018 income years, those deductions have yet to be claimed and would be forgone by Crown should the potential offer result in settlement. The total amount of such interest is \$227.9 million (i.e. a tax effect of \$68.4 million). There are no income statement or balance sheet implications of foregoing these deductions.







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**AGENDA ITEM 7:**  
China Matter Update



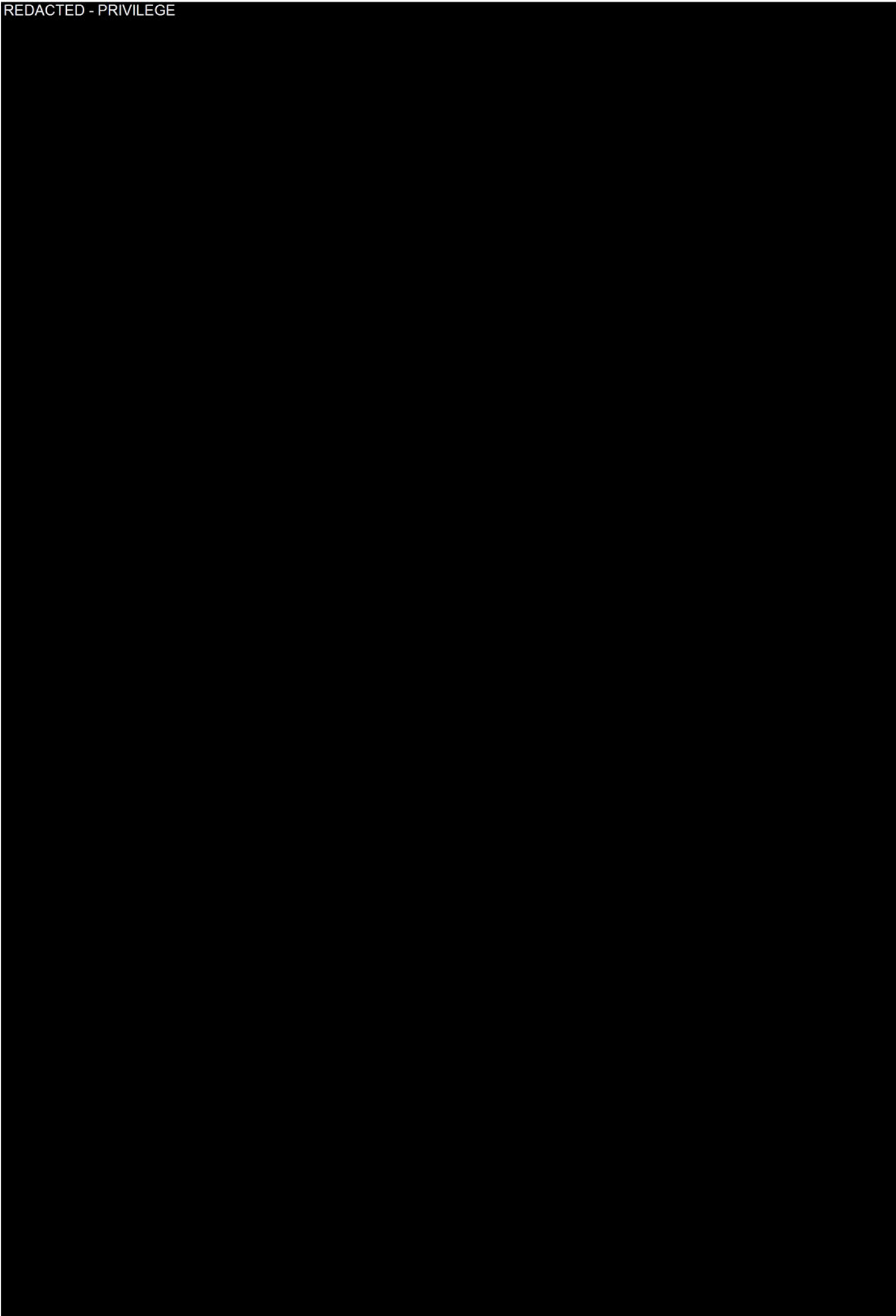




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**AGENDA ITEM 8:**  
CPH Sale of Shares



# Crown Resorts Limited

## Memorandum

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**To:** The Board of Directors - Crown Resorts Limited

**From:** John Alexander

**Date:** 7 June 2019

**Subject:** CPH Sale of Shares

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Dear Directors

As the Board is aware, on 30 May 2019 Crown was informed that CPH Crown Holdings Pty Limited, a wholly-owned subsidiary of Consolidated Press Holdings Pty Limited, had entered into an agreement in relation to the sale of 19.99% of the issued capital of Crown to Melco Resorts & Entertainment Limited.

This matter will be the subject of discussion in the "In Camera" session at Agenda Item 15.

Kind regards

John Alexander  
**Executive Chairman**



**AGENDA ITEM 9:**  
Development Update



**Crown Resorts**  
Development Update  
12 June 2019

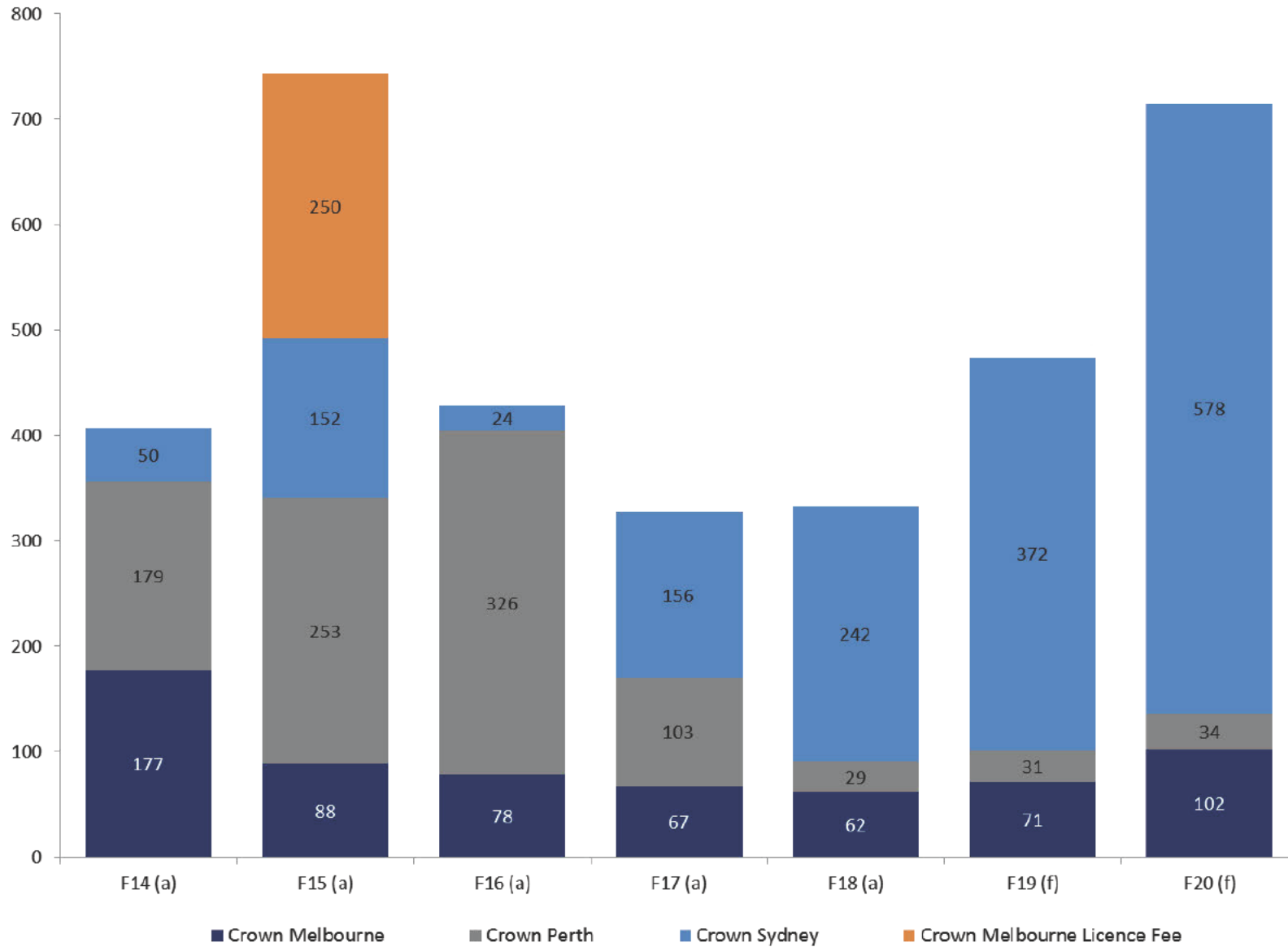
Australia's  
Integrated  
Resort  
Company

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## Capital Investment Profile

# Executive Summary

## Capital Investment Profile



Note: F18 to F20 Sydney Expenditure is net of forecasted apartment sale proceeds (\$28.8m F18, \$50.0m F19, \$39.4m F20)

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Crown Sydney



# Crown Sydney



# Crown Sydney

## Executive Summary



The following is a summary of the key project activities that are underway:

- The operational management team have been preparing base case financial modelling in support of the end of year financial planning and Crown Sydney pre-opening activities. As a result of this process the base line EBITDA scenario (ex Synergy Benefits) for Crown Sydney has anchored around the mid-point FY23 EBITDA case of \$221m.
- Residential sales by value are above the business plan with 31 units under contract and 6 units currently under negotiation. The 31 units under contract represent \$439.5m and the 6 units currently under negotiation are valued at approximately \$78.8m for a total forecasted revenue of \$518.3m.
- The business plan contribution for the Residential component of Crown Sydney provides a net yield of \$850m for the revised apartment mix of 87 keys. The net residential contribution after accounting for GST and the increased project cost associated with the higher residential key count (66 to 87) is forecasted to be achieved resulting in a net project cost of approximately \$1.3 billion.
- Construction is progressing in line with the targeted acceleration program which supports the hotel construction to be completed in December of 2020 supporting a January 2021 soft opening of the hotel and gaming facilities with Grand Opening events to be held early February 2021 to coincide with Chinese New Year. The residential portion of the project is currently forecasted to complete in a staged manner from March 2021 through July 2021.
- As reported at the last board meeting Infrastructure New South Wales (INSW) has assumed responsibility for the Barangaroo Development as a part of its projects division. Without prejudice discussions have been held with their CEO Simon Draper and the head of major projects in support of the government's desire to resolve the sight lines negotiations before the appeal court date of 19 August 2019. Discussions have progressed with INSW and the BDA over proposed built form massing in Central Barangaroo. Consistent with the court ruling Crown has provided indicative massing models to the BDA which preserve all of the icon views from the resort while optimising the central development rights.

# Crown Sydney

## Current | Pro Forma Property Estimate Scenarios



Base EBITDA scenarios (ex Synergy Benefits) for FY23 are representative of the current market conditions and the latest project design and program (FY23 – being 2.25 years after estimated opening – CNY 2021). Baseline property EBITDA forecast of 221m is the mid-point and consistent with prior forecasts.

<b>Crown Sydney financial summary—FY23</b>	<b>\$185m Case</b>	<b>\$220m Case</b>	<b>\$250m Case</b>
<b>Revenue</b>			
International VIP	\$475m	\$562m	\$657m
Interstate VIP	\$32m	\$36m	\$39m
Local VIP	\$346m	\$380m	\$415m
Hotel and other	\$220m	\$220m	\$220m
<b>Total revenue</b>	<b>\$1,073m</b>	<b>\$1,198m</b>	<b>\$1,331m</b>
Allocated expenses	(\$651m)	(\$714m)	(\$777m)
Gaming tax expense	(\$151m)	(\$171m)	(\$189m)
<b>Contribution</b>			
International VIP	\$61m	\$80m	\$101m
Interstate VIP	\$7m	\$8m	\$9m
Local VIP contribution	\$131m	\$145m	\$159m
Hotel and other contribution	\$71m	\$71m	\$71m
<b>Total contribution</b>	<b>\$270m</b>	<b>\$305m</b>	<b>\$341m</b>
<i>% margin</i>	25.2%	25.4%	25.6%
Support Departments	(\$84m)	(\$84m)	(\$84m)
<b>EBITDA</b>	<b>\$186m</b>	<b>\$221m</b>	<b>\$257m</b>
<i>% margin</i>	17.4%	18.4%	19.3%
<i>FY23 VIP International Turnover</i>	\$34b	\$40b	\$47b

# Crown Sydney

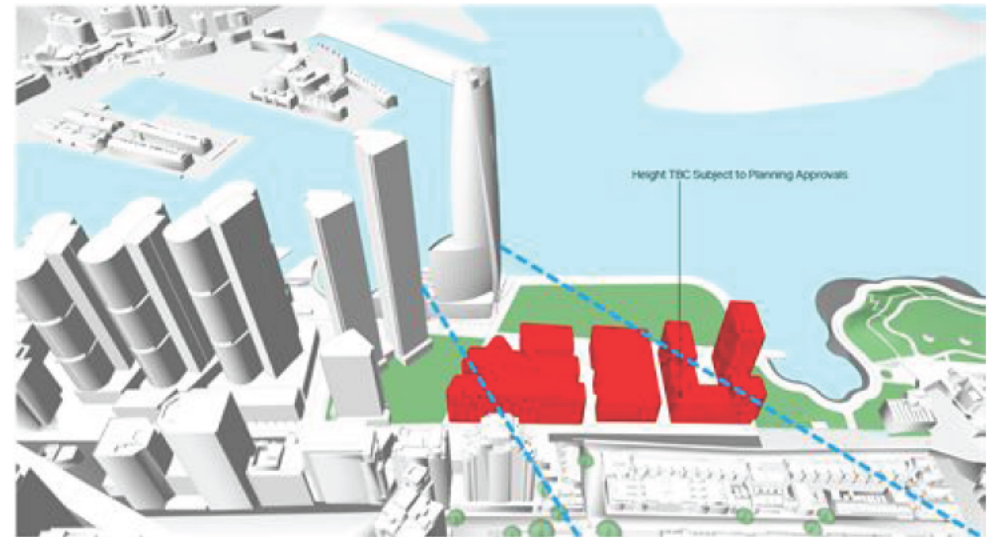
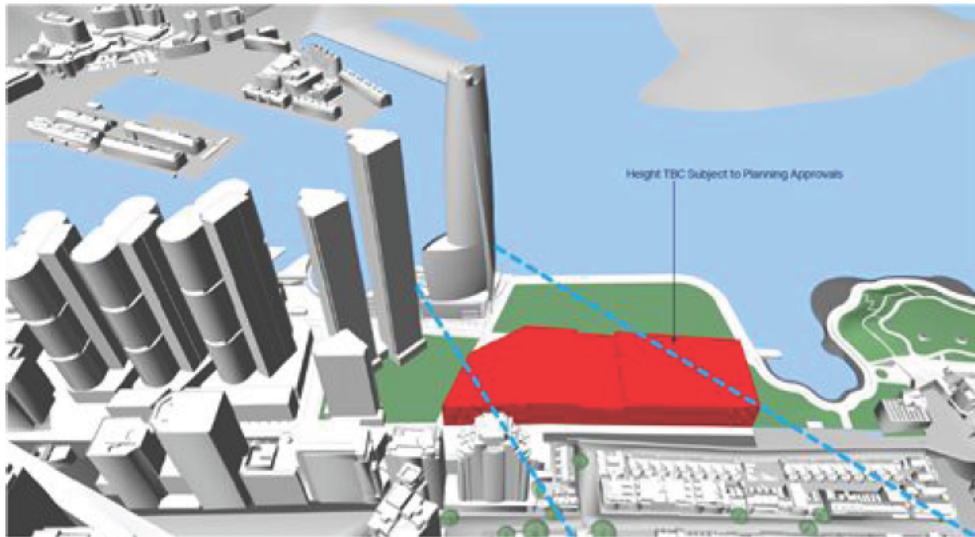
## Sight Lines – Settlement Discussions



- The Sight Lines appeal hearing dates are confirmed to be 19 August 2019 to 22 August 2019. Any claims for damages and/or cost reimbursement will be determined after the appeal.
- On 3 April 2019 the NSW Department of Premier and Cabinet announced the BDA will be dissolved by 1 July 2019 and Infrastructure NSW will manage the Barangaroo Precinct thereafter under the direction of Mr. Simon Draper, Chief Executive. Craig van der Laan, the CEO of the BDA, has resigned and the BDA Board has been dissolved.
- On 10 May 2019 Infrastructure New South Wales and the BDA issued a letter requesting sight line discussions and agreement on a process and participants.
- On 20 May 2019 Crown, Lendlease, and the Authority met to discuss sight lines and the Authority provided a development proposal for Central.
- 30 May 2019 Crown met with INSW and the Authority to propose acceptable building heights on Central which retain views from Crown Sydney to the Harbour Bridge and Opera House. An executive summary of this study and Crown's counter to the Authority's massing will be reviewed at the Board meeting. Key issues tabled as a part of Crown's consideration of settlement are:
  - retention of sight lines from level 3 restaurant and all hotel rooms;
  - understanding of the qualitative nature of the Central development and ability of the Central consortium to execute a high quality outcome;
  - equal consideration of Crown's land payments to the extent that Lendlease is granted a deferral of their remaining land payments; and
  - consideration of Crown's licensed area payments as an offset for dispute settlement/litigation costs.

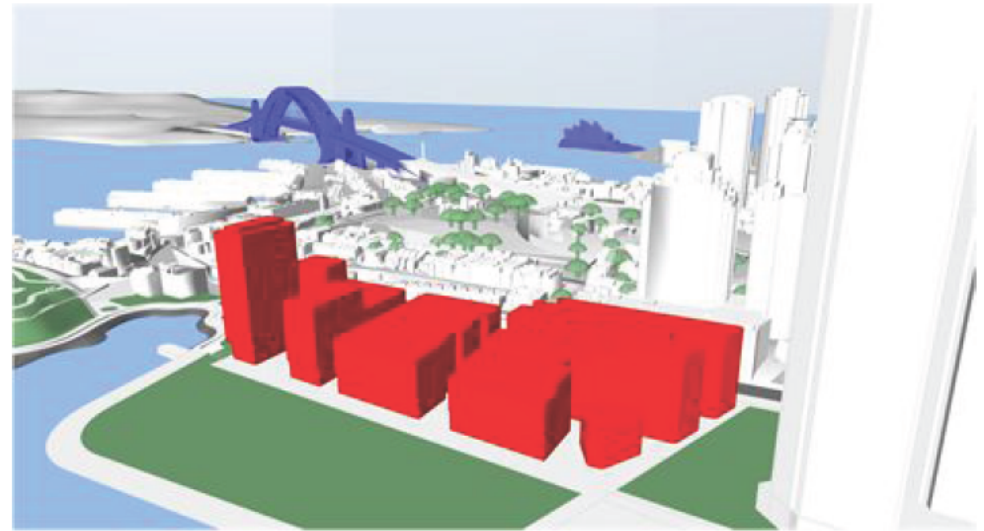
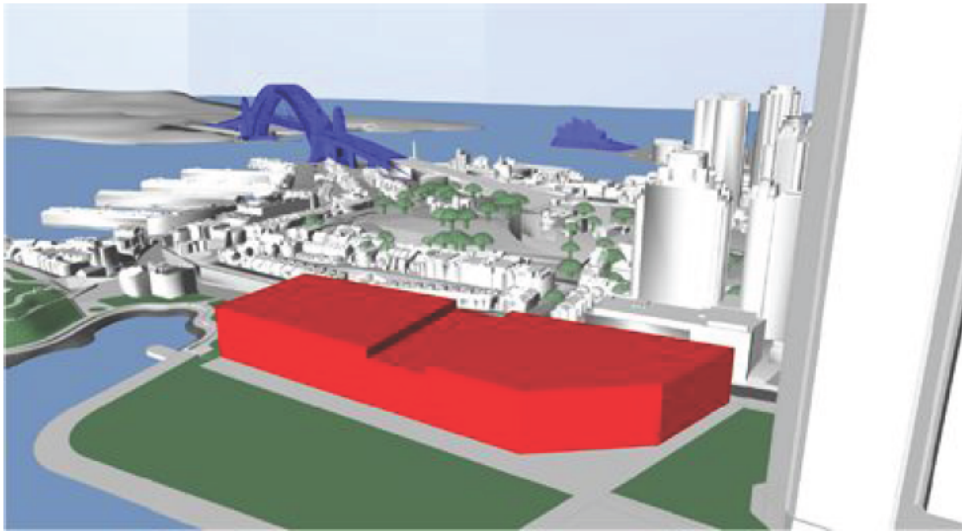
# Crown Sydney

## Sight Lines | Massing View 01: Mod 8 vs May 2019 Massing



# Crown Sydney

## Sight Lines | Massing View 02: Mod 8 vs May 2019 Massing



# Crown Sydney

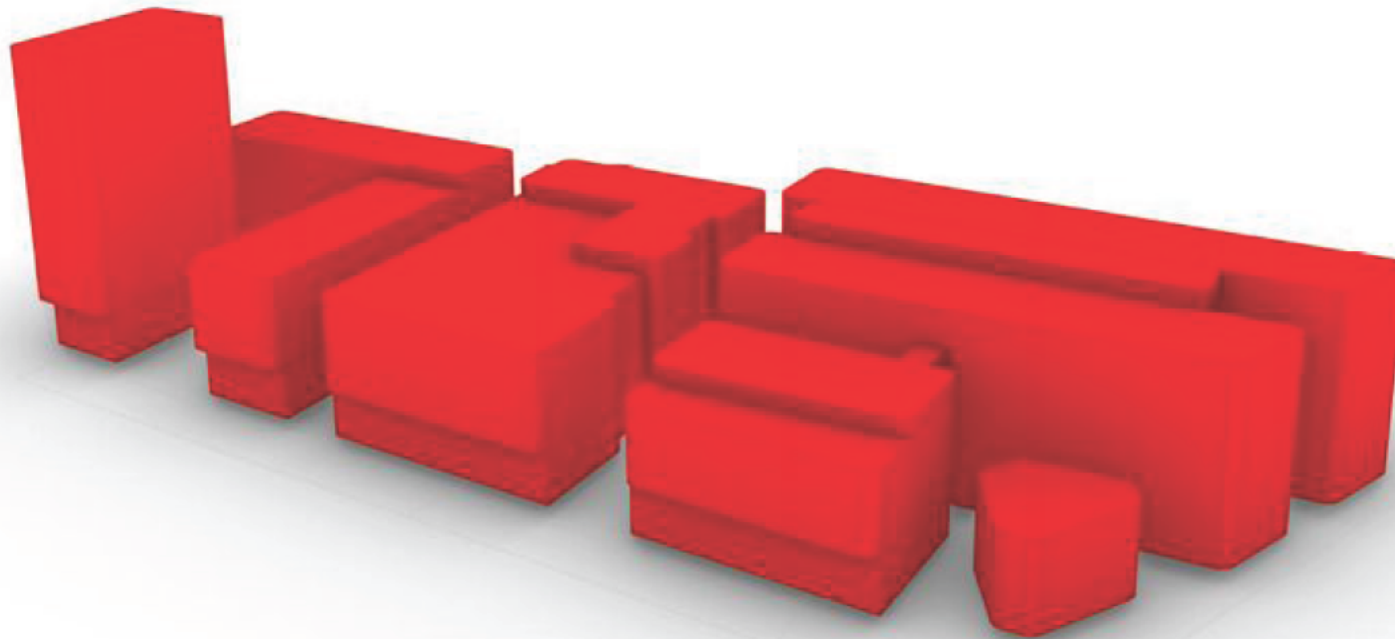
## Sight Lines | Central Barangaroo – BDA May 2019



Central Barangaroo  
**Volume Comparison**

BDA May 2019

Building Envelope  
Approx. **625,500 m<sup>3</sup>**



# Crown Sydney

## Sight Lines | Central Barangaroo – Crown View Corridor Conflict

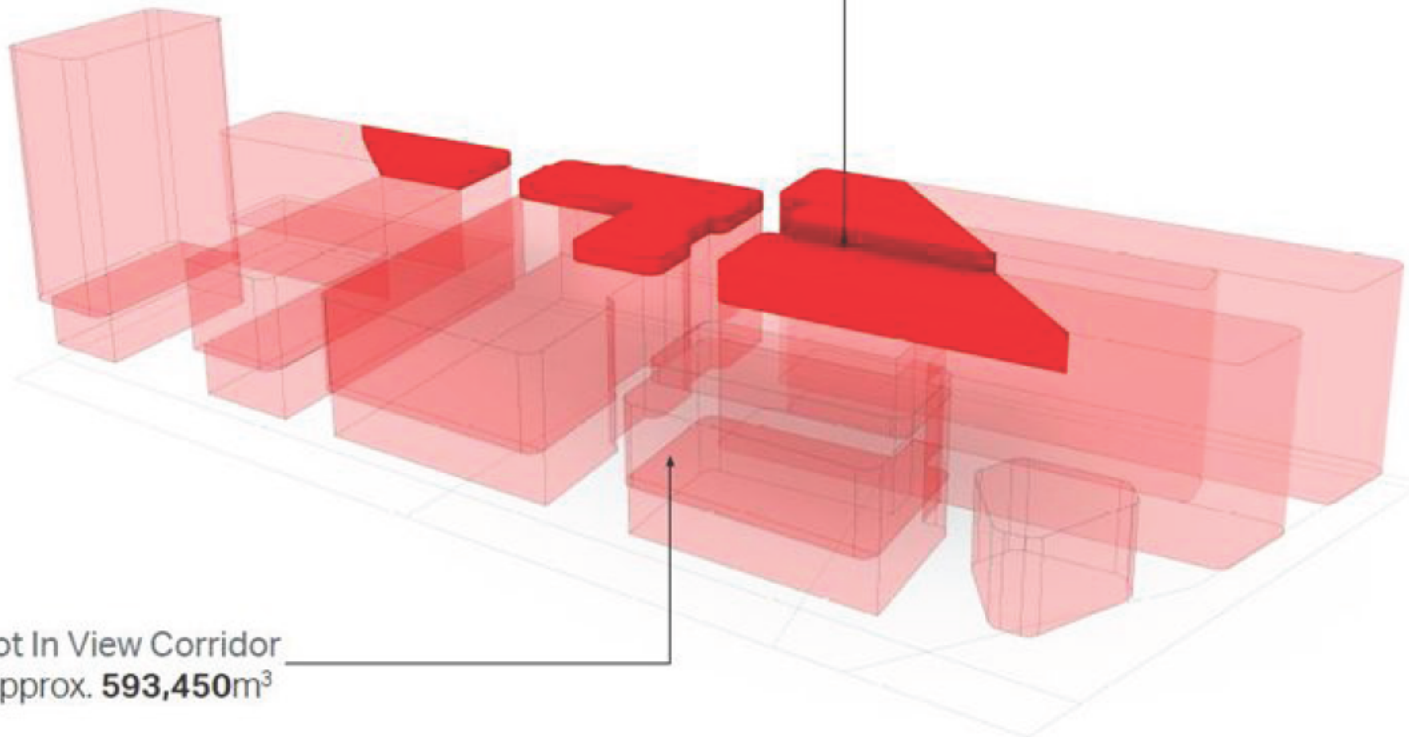


Central Barangaroo  
**Volume Comparison**

BDA May 2019

View Corridor  
Approx. **32,050 m<sup>3</sup>**

In View Corridor  
Approx. **32,050 m<sup>3</sup>**



Not In View Corridor  
Approx. **593,450 m<sup>3</sup>**



# Crown Sydney

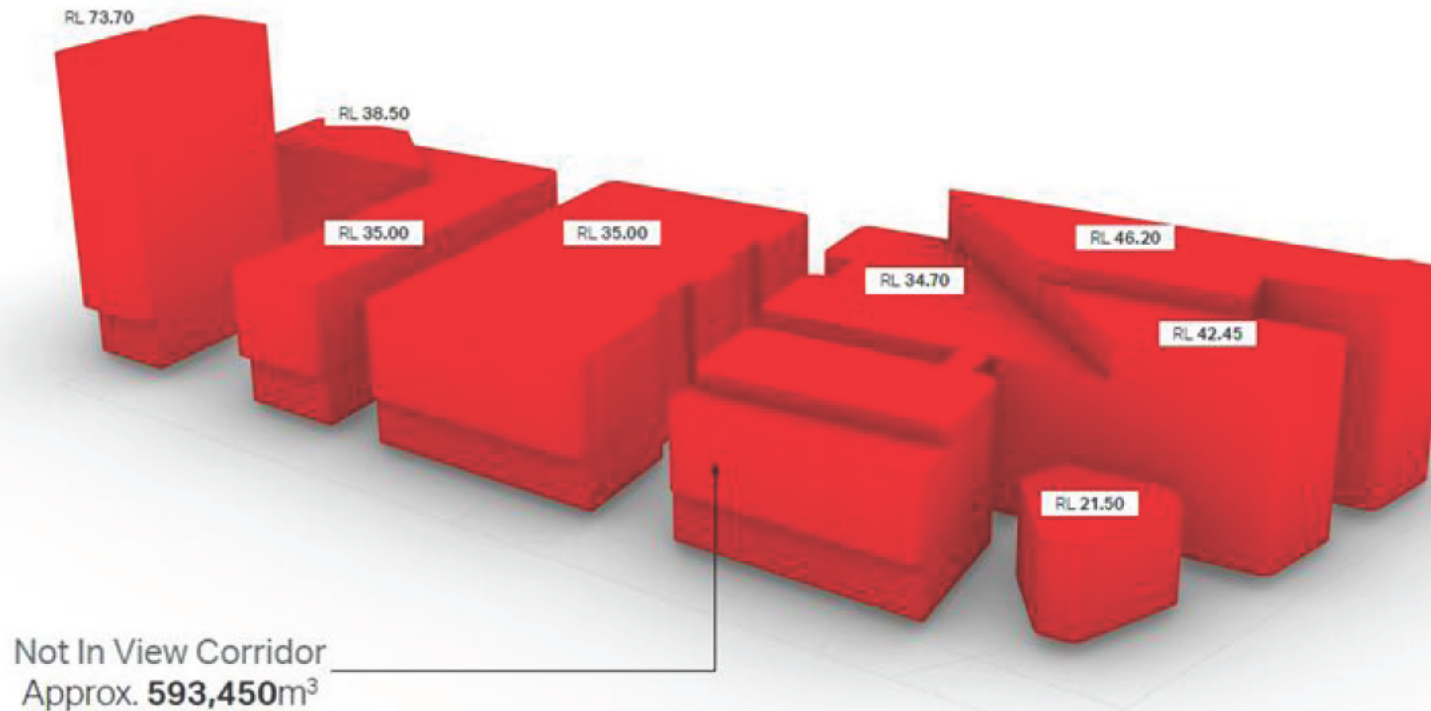
## Sight Lines | Central Barangaroo Volume – Reduced BDA Massing



Central Barangaroo  
**Volume Comparison**

BDA May 2019

Adjusted  
Approx. **593,450 m<sup>3</sup>**



# Crown Sydney

## Sight Lines | Central Barangaroo – Crown Proposed Adjustments

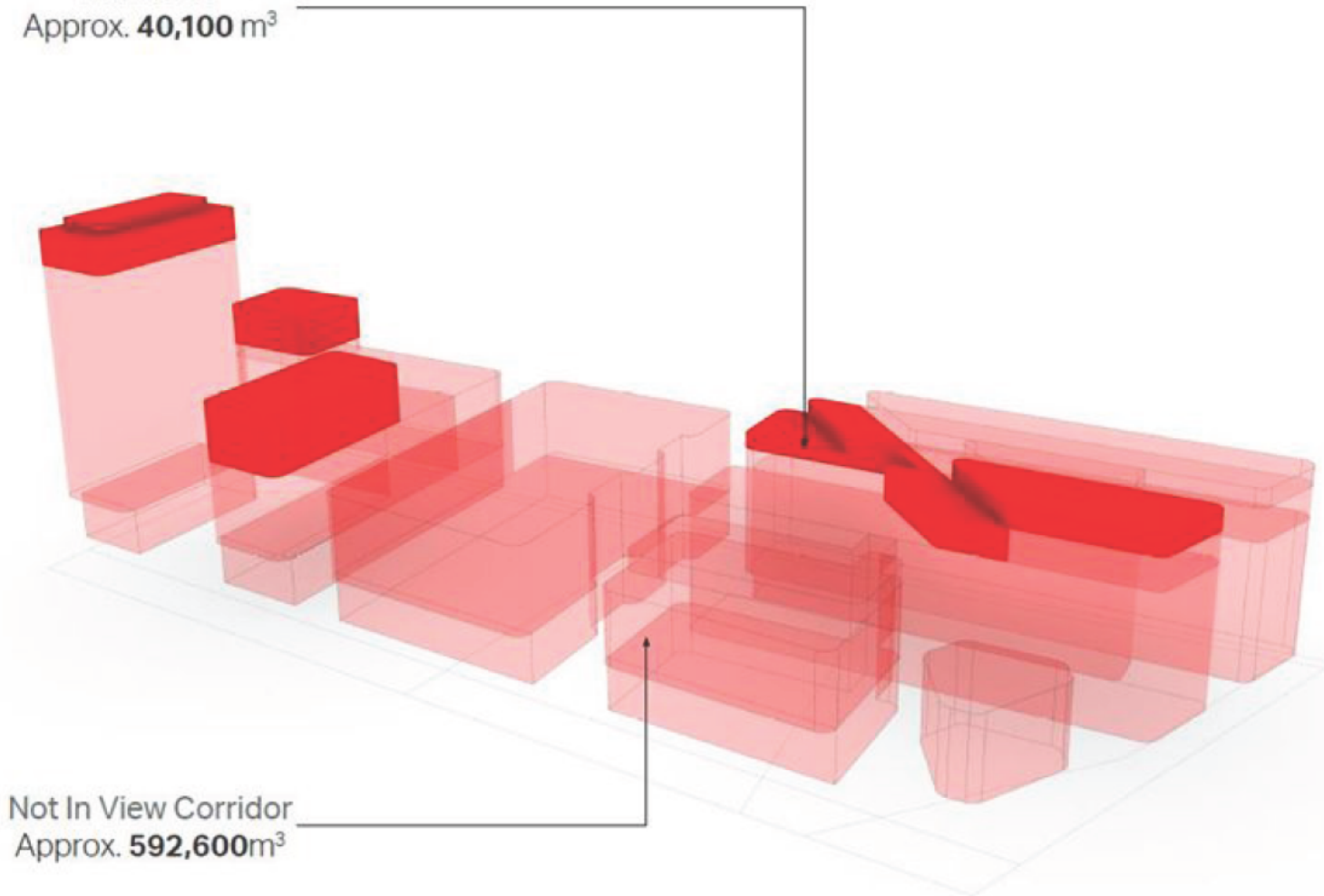


Central Barangaroo  
**Volume Comparison**

BDA May 2019

Proposed Additions  
Approx. **40,100 m<sup>3</sup>**

Additions  
Approx. **40,100 m<sup>3</sup>**



Not In View Corridor  
Approx. **592,600m<sup>3</sup>**

# Crown Sydney

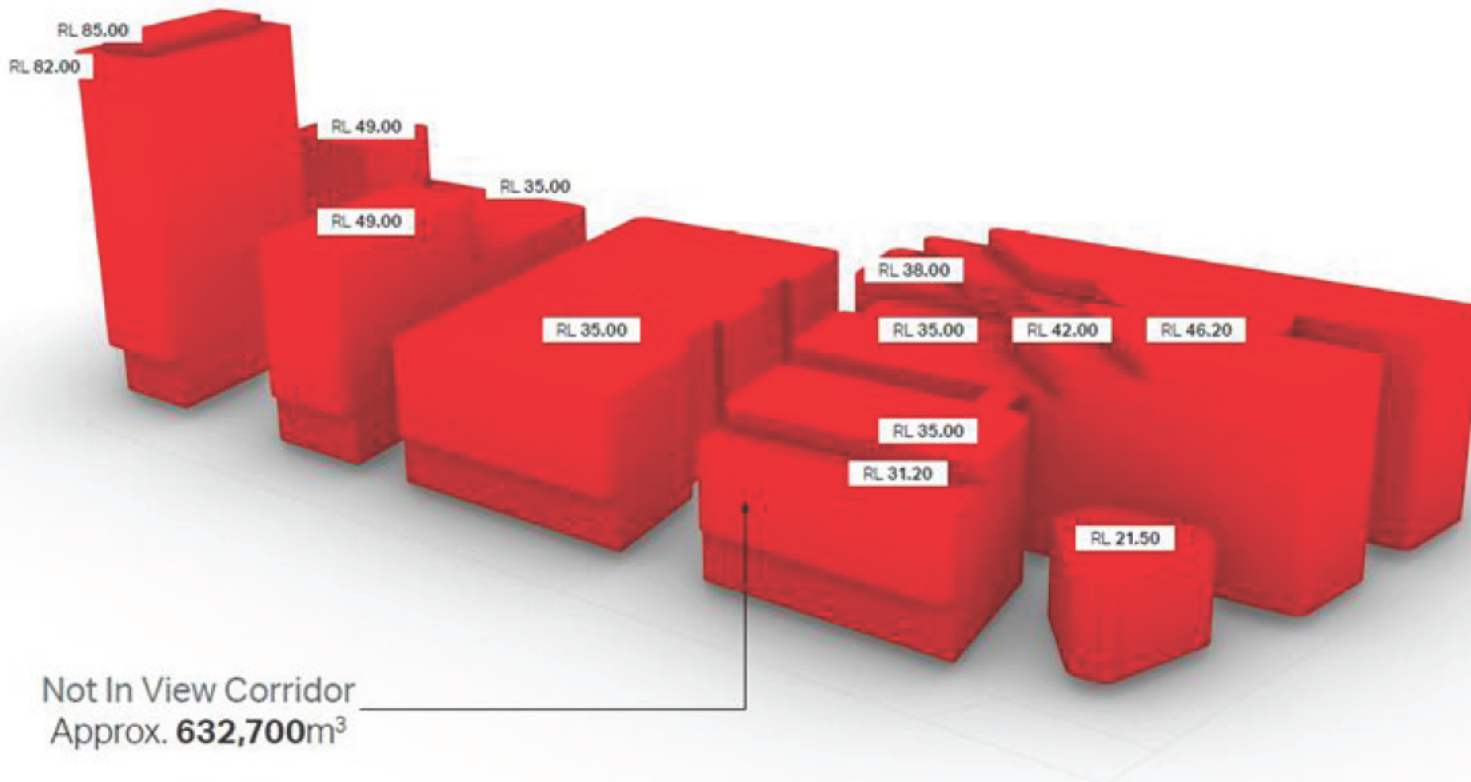
## Sight Lines | Central Barangaroo – Proposed Massing Comparison



Central Barangaroo  
**Volume Comparison**

BDA May 2019

Crown Proposal  
Approx. **632,700m<sup>3</sup>**

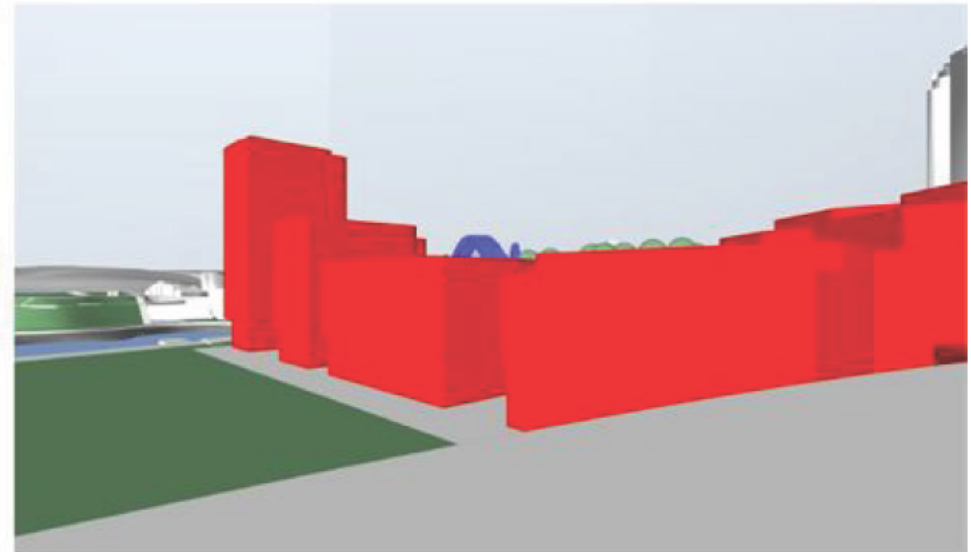
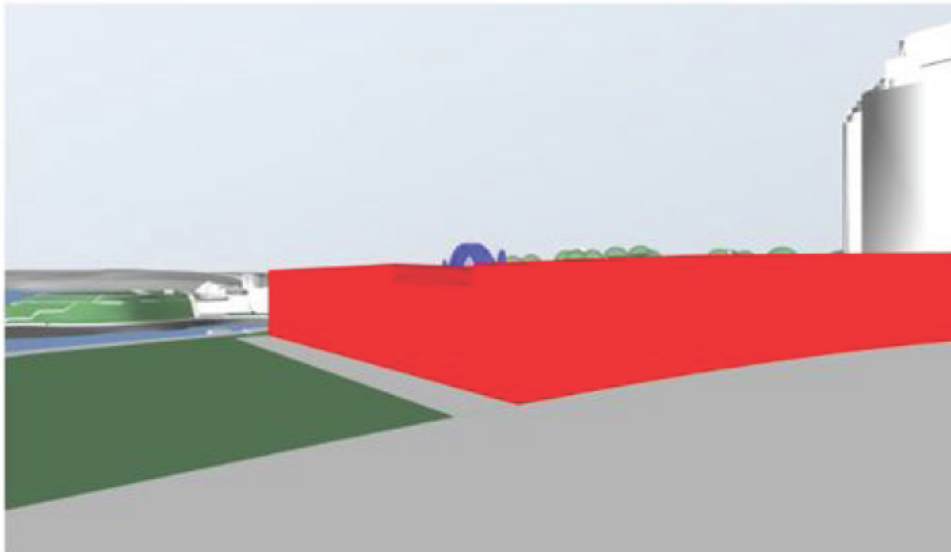


# Crown Sydney

## Sight Lines | Central Barangaroo View Analysis



Level : 03  
Location : **ADD Terrace**  
RL FFL : 28.70m  
RL Camera : 30.20m

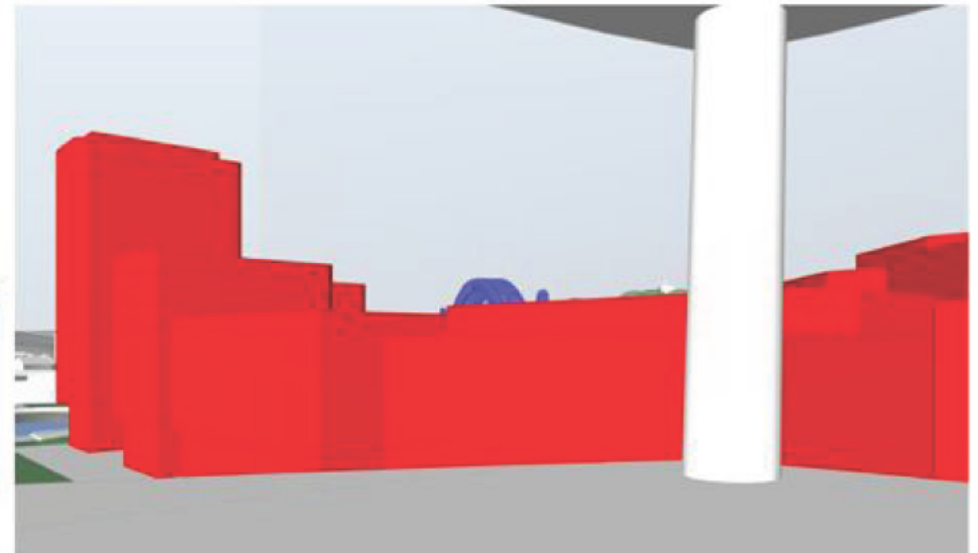
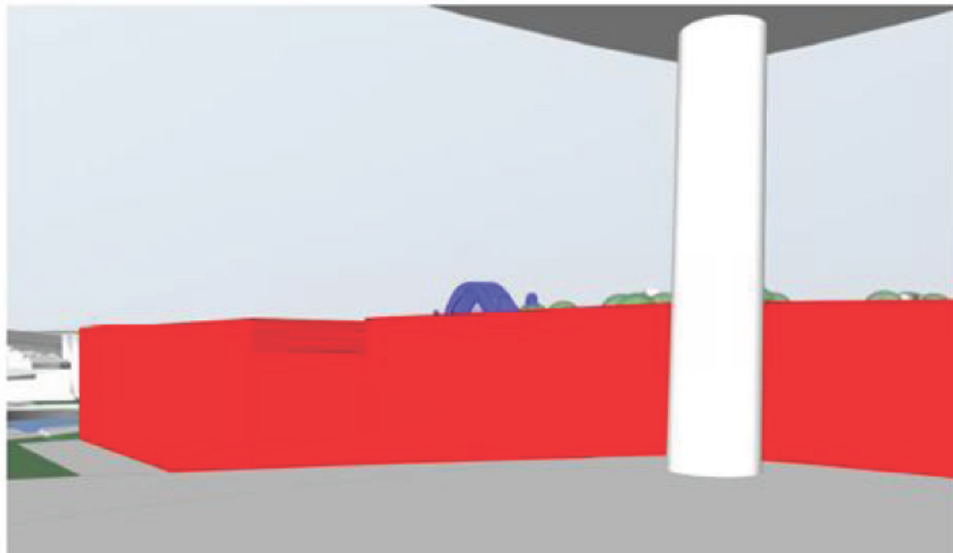


# Crown Sydney

## Sight Lines | Central Barangaroo View Analysis



Level : 03  
Location : **ADD Restaurant**  
RL FFL : 28.70m  
RL Camera : 30.20m

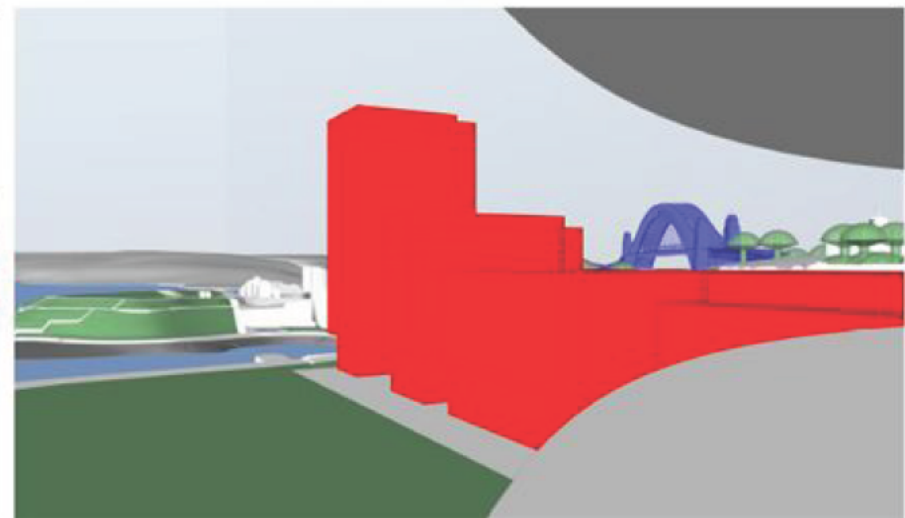
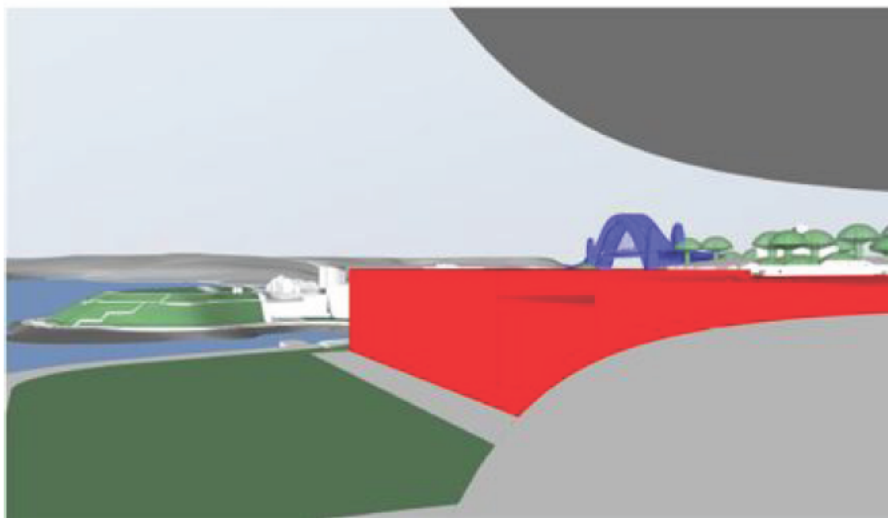


# Crown Sydney

## Sight Lines | Central Barangaroo View Analysis



Level : 04  
Location : Gym / Treatment  
RL FFL : 34.60m  
RL Camera : 36.10m

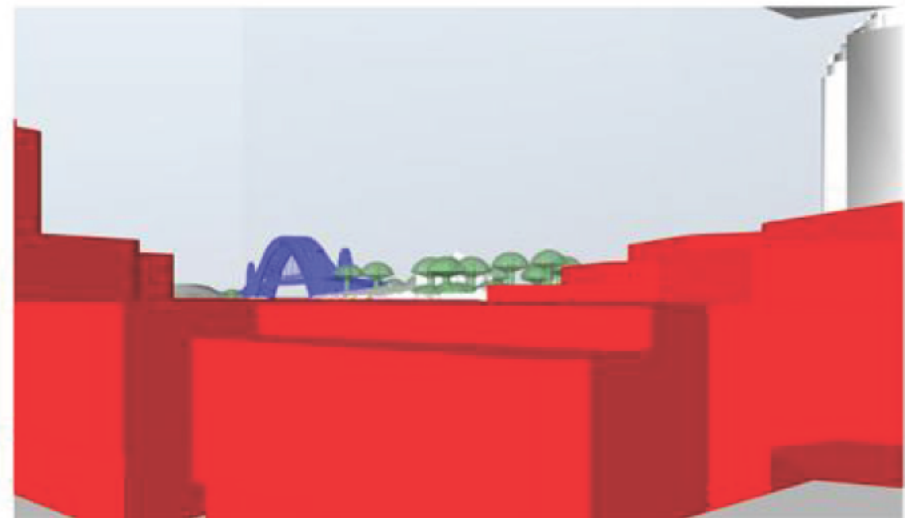
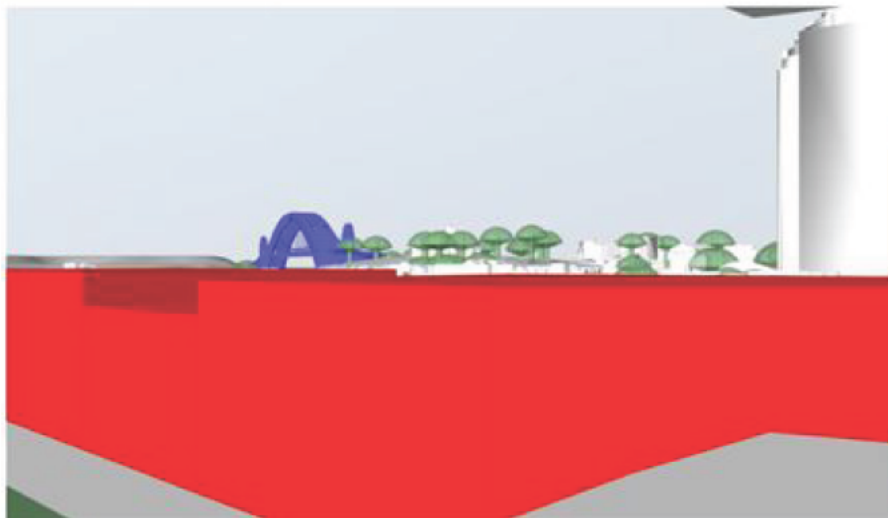
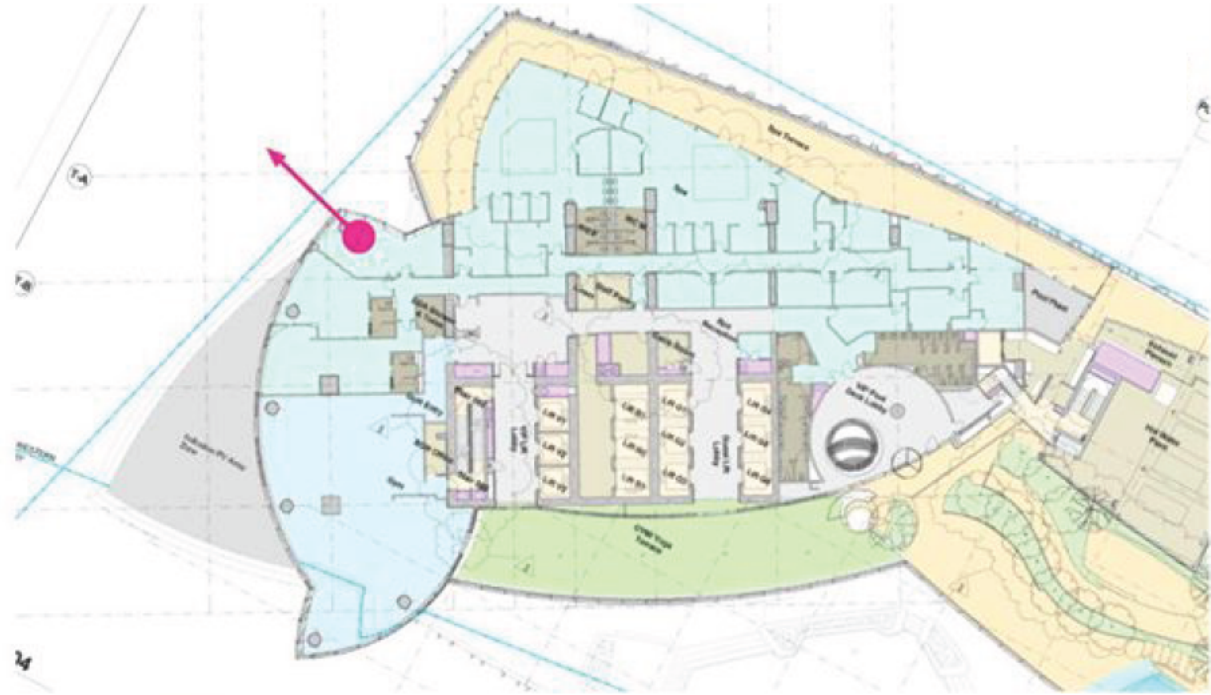


# Crown Sydney

## Sight Lines | Central Barangaroo View Analysis



Level : 04  
Location : Gym / Treatment  
RL FFL : 34.60m  
RL Camera : 36.10m

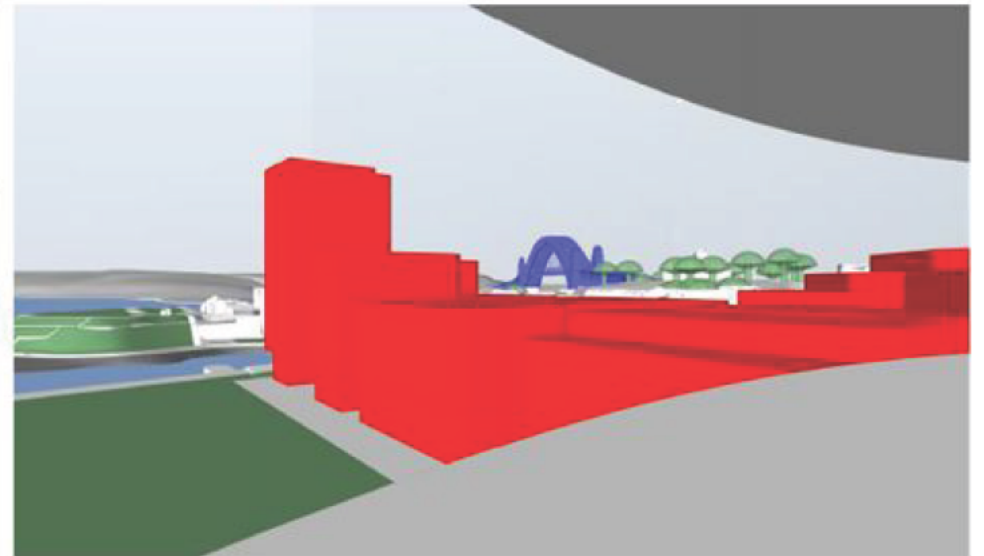
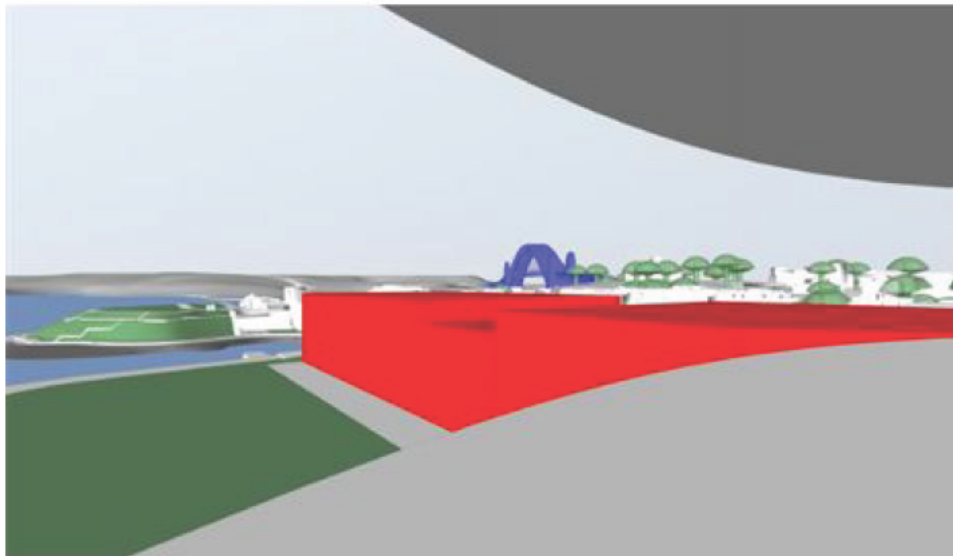
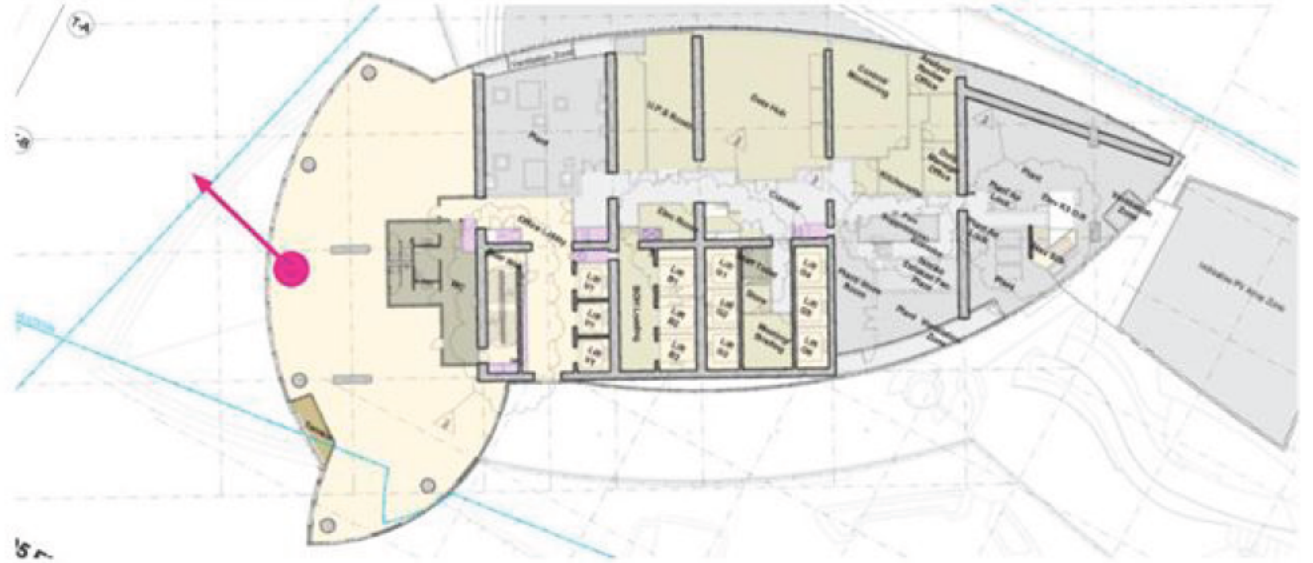




# Crown Sydney

## Sight Lines | Central Barangaroo View Analysis

Level : 05  
Location : Boardroom / Meeting  
RL FFL : 38.60m  
RL Camera : 40.10m



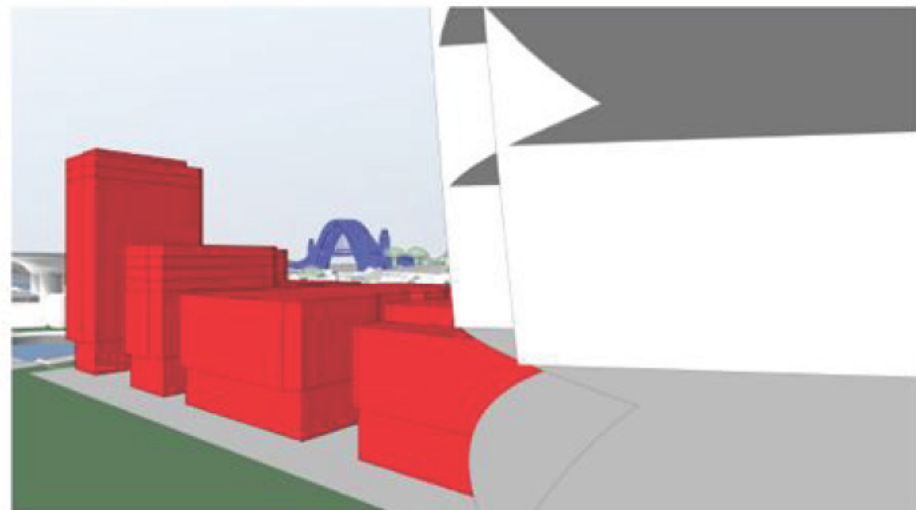
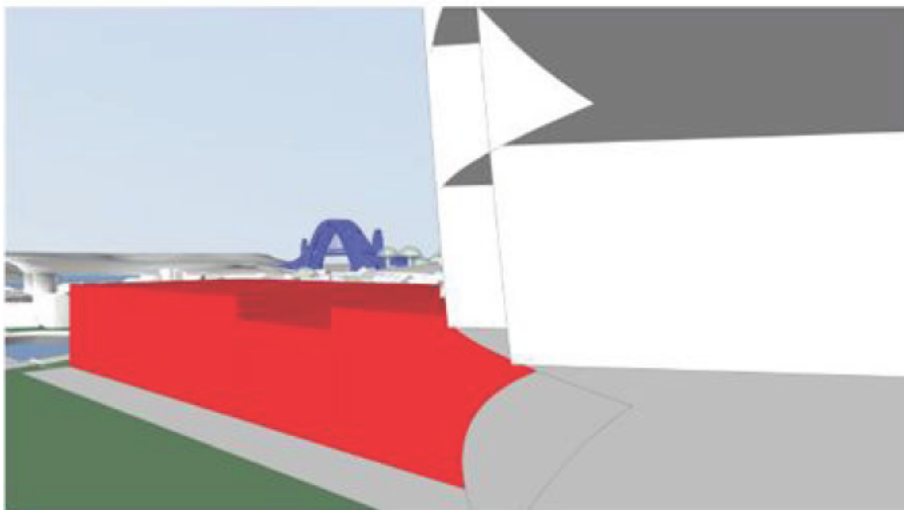




# Crown Sydney

## Sight Lines | Central Barangaroo View Analysis

Level : 06  
Bay : 19  
RL FFL : 42.70m  
RL Camera : 44.20m

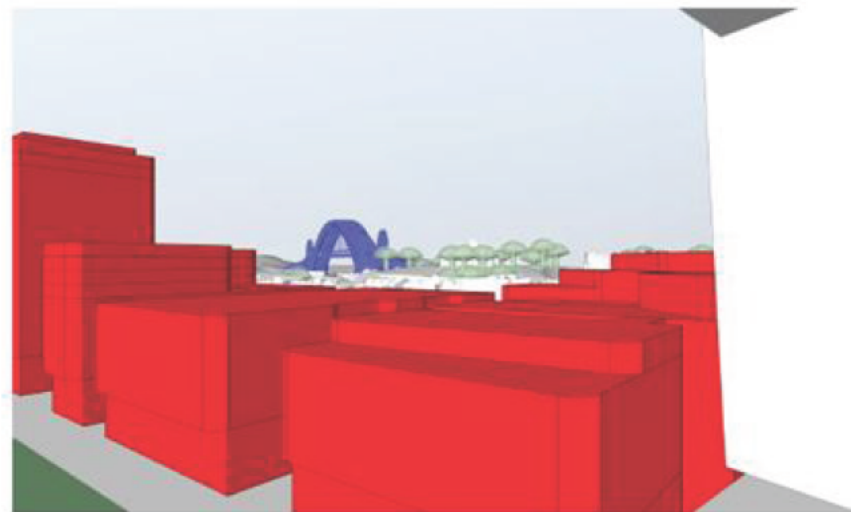
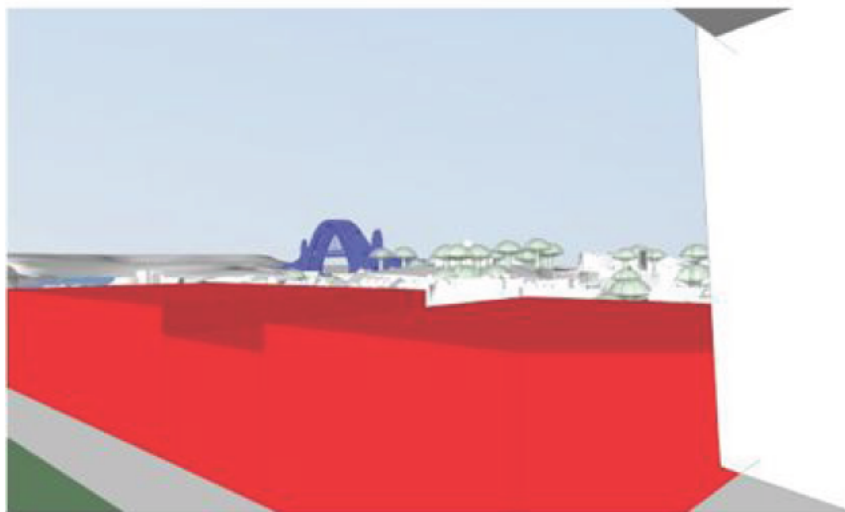


# Crown Sydney

## Sight Lines | Central Barangaroo View Analysis



Level : 06  
Bay : 15  
RL FFL : 42.70m  
RL Camera : 44.20m

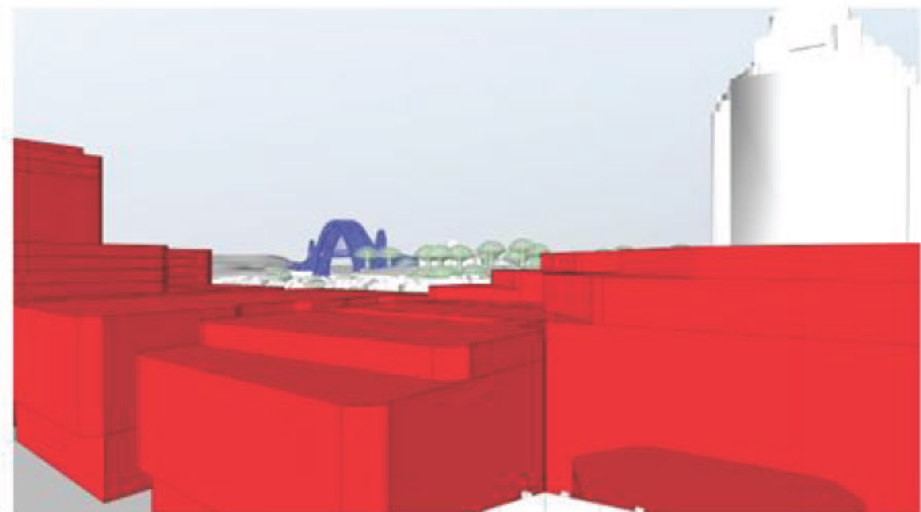
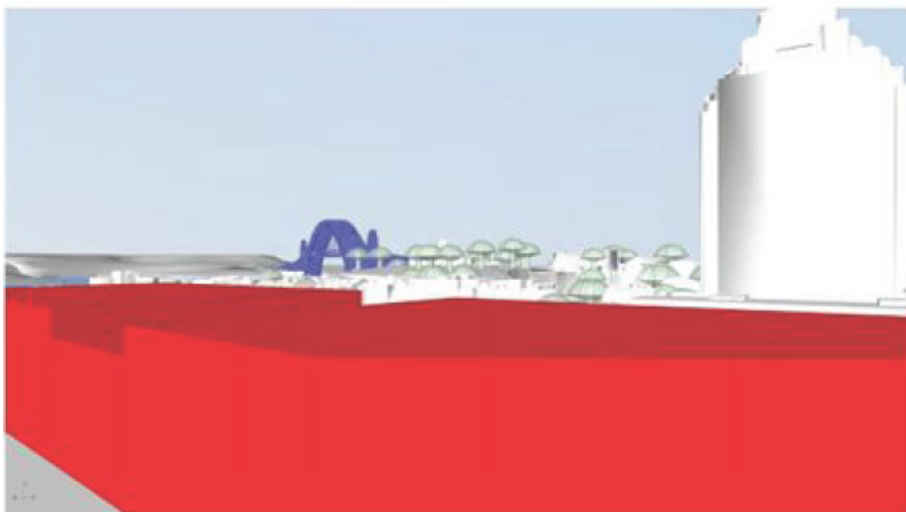


# Crown Sydney

## Sight Lines | Central Barangaroo View Analysis



Level : 06  
Bay : 12  
RL FFL : 42.70m  
RL Camera : 44.20m



# Crown Sydney

## Crown Residences | Residential Sales and Marketing



  
**THE RICH LIST**  
 IS EXACTLY AS LONG AS ADVERTISED.  
 THE LIST OF VACANCIES BY THE HARBOUR, HOWEVER, IS SHORTER THAN YOU WOULD IMAGINE.

A few short years ago, Sydney's harbourside underwent something of a residential renaissance. Architects re-imagined much of our waterfront as luxury homes and beautiful hotels. The city felt as if it was coming of age. While the ambitions were laudable, the tides of fortune have revealed a somewhat different waterline. Many of those grand visions are still yet to materialise.

One address, however, continues to rise skyward, with construction already beyond the halfway point and 82 residents just months away from holding their keys. It's a singular address that sits on the cusp of changing the unique city. You'll find it by the water, atop a most luxurious resort, at the very start of Barangaroo Avenue.

Number One, to be exact

  
**CROWN RESIDENCES**  
*Almost Impossible*

[WWW.ONEBARANGAROO.COM](http://WWW.ONEBARANGAROO.COM)  
 One Barangaroo | Partner One Barangaroo  
 Tel: 609 225 700 | [enquiries@onebarangaroo.com](mailto:enquiries@onebarangaroo.com)

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# Crown Sydney

## Crown Residences | Residential Sales and Marketing



### Media

- Residential Roundtable – State of the Market review held in the marketing suite
- Australian Financial Review – 2019 Rich List double page advertisement
- The Weekend Australian feature article “Buying at the top end back in favour”
- The Australian feature article “Rooms with views fetch \$40m price tag”

### Event Calendar Highlights

#### June

- Taipei – Knight Frank Wealth Report launch
- Taipei – Offshore Investment luncheon in conjunction with the Australian and British Chamber of Commerce
- Taipei - DBS Private Wealth Event

#### July

- Marketing Suite – Subzero/Belle Magazine event

#### August

- Marketing Suite – Asian Fashion Week VIP Sydney launch
- Knight Frank Australian Prime Residential Review

#### September

- Singapore – F1 Grand Prix events with Zegna and Citibank

## Buying at the top end back in favour

Window shopping has become buying as hand brake comes off

LISA ALLEN

Knight Frank partner Deborah Cullen spent this week appraising country estates in the NSW Southern Highlands for potential sale, while closer to town, Crown Residences One Barangaroo partner Erin van Tuil is looking to make more positive announcements about sales in the 82-unit complex on Sydney Harbour where prices start at \$9.5 million for a two-bedroom, two-bathroom apartment.

The agents, along with several others experienced in Sydney's wealthier north shore and Palm Beach markets, note a recent shift in market sentiment, listings and appetite for high-end property, predicting that after spending the past six months complaining about the lack of stock and paucity of buyers the Sydney market has turned — and in a good way.

"It's like a hand brake has come off in the past week," says Cullen, a specialist in selling high-end property from the Southern Highlands to Sydney city. She is also marketing a level 40 five-bedroom penthouse in the Harry Seidler-designed The Horizon in conjunction with Belgravia Private's Adam Ross.

"It won't be crazy but consumers are putting in offers, rather than just window shopping," Cullen says.

"Our clients tend to have city places, a country estate and a beach house. If they are under financial stress those places are the first things to go. (But) they are adding to those portfolios. There's still confidence and money to be spent and people are watching for opportunities."

In the NSW Southern Highlands, Cullen recently listed Buradoo House with a price guide of \$6m through an expressions-of-interest campaign. Cullen sold the property two years ago for a record price to Rose Deo.

Built in 1927 it has since been renovated throughout by the Coco Republic interior design team. It's also with the Contemporary Hotel Group for luxury holiday lettings.

Cullen is hoping to whet the appetite of wealthy buyers before they set off on their annual holiday pilgrimage to the Northern Hemisphere for the European summer.

But Cullen concedes the past six months have been particularly

challenging in getting people to commit to purchase and there have been price cuts such as the reduction in pricing on the Seidler penthouse from \$20m to \$17.5m.

Socialite Heidi Onisforou has reportedly twice pulled her Potts Point penthouse from auction though Ray White agent Gavin Rubinstein. It had a \$6m price tag.

Obtaining finance for property purchases has not been a problem for Cullen's wealthy property buyer clients rather it's been poor market sentiment that has the market rattled.

"It's been a game-changer of a market — we've had a royal commission and two elections," she says.

Christie's International real estate partner Darren Curtis says there has been a reduction in overseas interest, stock levels have reduced but his agency is now preparing stock for the spring release. "I think the market will change over the next 12-16 weeks," he says.

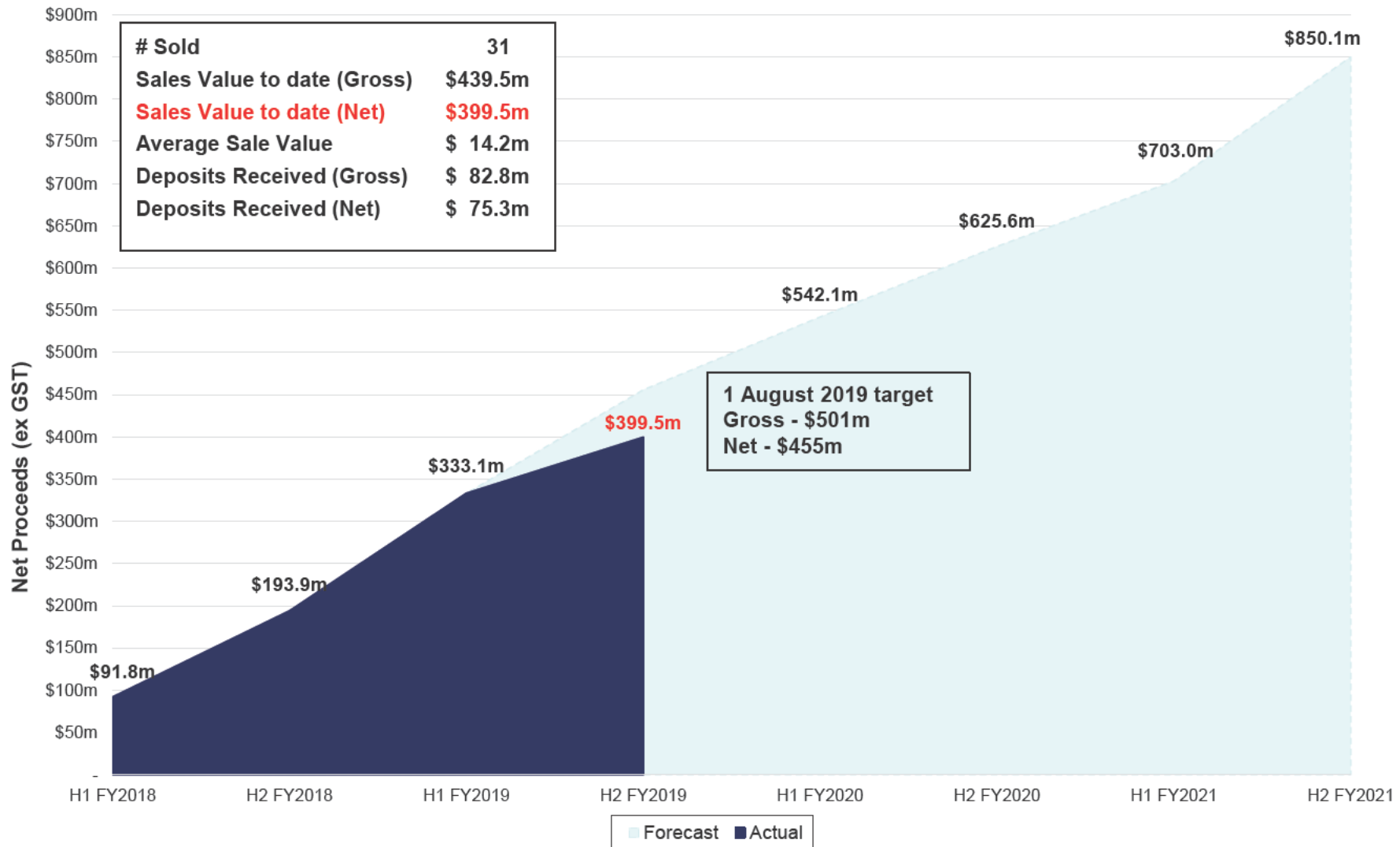
Chadwick Real Estate agent Glenn Curran says certainty is returning to his upper north shore market adding that he is appraising some substantial homes.

# Crown Sydney

## Residential Sales Overview – As at 31 May 2019



Net Cumulative Sales by Half Year (ex GST)



# Crown Sydney

## Residential Sales Update



Contracts In Agreed Form & Deposit Received								Approved Crown Business Plan		Charter Keck Cramer (CKC)		Actual Sales Price		Var to Business Plan		Var to CKC		
Unit Number	Level (Cons.)	Floor (Mktg.)	Category	Aspect	Internal Area (sqm)	Ext. Area (sqm)	Total Area (sqm)	\$/psm int	GDV (inclusive of GST)	\$/psm int	GDV (inclusive of GST)	\$/psm int	GDV (inclusive of GST)	GDV (inclusive of GST)	%	GDV (inclusive of GST)	%	
Per Previous presentation (17th April 2019)																		
28	Contracts in Agreed Form & Deposit Received				6,418	353	6,771	42,727	\$292.6m	51,471	\$349.7m	57,097	\$393.0m	\$100.3m	34.3%	\$43.3m	12.4%	
New Sales																		
57.01	40	57	3 Bed	NW	222	11	233	43,727	\$9.7m	45,884	\$10.2m	57,805	\$12.9m	\$3.1m	32.2%	\$2.7m	26.0%	
58.01	41	58	3 Bed	NW	218	11	228	44,274	\$9.6m	46,415	\$10.1m	60,202	\$13.1m	\$3.5m	36.0%	\$3.0m	29.7%	
61.02	44	61	4 Bed	NE	304	20	323	47,557	\$14.4m	53,671	\$16.3m	67,715	\$20.6m	\$6.1m	42.4%	\$4.3m	26.2%	
31					7,161	394	7,556	45,584	\$326.4m	53,947	\$386.3m	61,371	\$439.5m	\$113.1m	34.6%	\$53.2m	13.8%	

Net Cumulative Sales as at 31 May 2019 (Ex GST)

\$399.5m

Apartments under Negotiation								Approved Crown Business Plan		Charter Keck Cramer (CKC)		Proposed Sales Price		Var to Business Plan		Var to CKC	
Unit Number	Level (Cons.)	Floor (Mktg.)	Category	Aspect	Internal Area (sqm)	Ext. Area (sqm)	Total Area (sqm)	\$/psm int	GDV (inclusive of GST)	\$/psm int	GDV (inclusive of GST)	\$/psm int	GDV (inclusive of GST)	GDV (inclusive of GST)	%	GDV (inclusive of GST)	%
55.01	38	55	3 Bed	NW	231	11	242	42,654	\$9.9m	45,002	\$10.4m	55,387	\$12.8m	\$2.9m	29.9%	\$2.4m	23.1%
56.01	39	56	3 Bed	NW	227	11	238	42,341	\$9.6m	45,455	\$10.3m	55,163	\$12.5m	\$2.9m	30.3%	\$2.2m	21.4%
63.01	46	63	3 Bed	NW	198	10	208	47,111	\$9.3m	48,965	\$9.7m	61,837	\$12.3m	\$2.9m	31.3%	\$2.6m	26.3%
64.01	47	64	3 Bed	NW	189	11	200	48,154	\$9.1m	49,709	\$9.4m	69,212	\$13.1m	\$4.0m	43.7%	\$3.7m	39.2%
68.03	51	68	2 Bed	SE	195	7	201	37,731	\$7.3m	27,735	\$5.4m	57,524	\$11.2m	\$3.9m	52.5%	\$5.8m	107.4%
71.02	54	71	3 Bed	NE	219	15	235	51,237	\$11.2m	58,797	\$12.9m	77,484	\$17.0m	\$5.8m	51.2%	\$4.1m	31.8%
6					1,259	64	1,323	44,859	\$56.5m	46,148	\$58.1m	62,620	\$78.8m	\$22.4m	39.6%	\$20.7m	35.7%
37	Total				8,420	459	8,879	45,476	\$382.9m	52,780	\$444.4m	61,558	\$518.3m	\$135.4m	35.4%	\$73.9m	16.6%

# Crown Sydney

## Design and Procurement Update



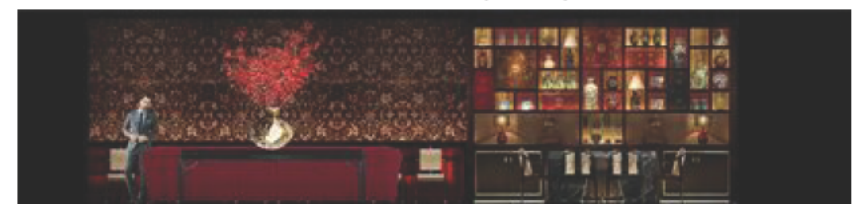
- Shop drawings for hotel stonework and integrated joinery have been completed. The first consignments have been shipped and manufacture of the balance is ongoing.
- First delivery of the stainless steel pool basins is expected to take place in mid-July 2019.
- A detailed 3D model has been developed to finalise all the design details, and is being used to produce the final fabrication details and shop drawings for the Atrium spiral feature stair and chandelier feature.
- Crown has received another round of hand trials for the carpets, all of which are now approved, ready for production in August 2019.
- London based Interior Design firm, Fabled Studio, is working closely with Clare Smyth in space planning and concept development for the Level 24 fine dining venue. Target concept issue date July 2019.
- Michela Curetti Design presented a preliminary Concept Presentation for L0 Northwest Italian Restaurant on 21 May 2019, with the final Concept package received 31 May 2019 for executive review. Design to be completed October 2019.
- Studio PCH have submitted several preliminary packages for L1 Nobu Japanese Restaurant. Final Concept Layout approved and progressing with Scheme Design. Design to be completed October 2019.
- Strickland submitted a Concept Presentation for L2 Chinese and Noodle Restaurants on 15 May 2019, which have both been approved. Final design and construction documentation to be completed by October 2019.



Ground Floor Italian Restaurant | Preliminary Concept Render



Level 2 Chinese Restaurant | Concept Render



Level 2 Noodle Bar | Concept Render



# Crown Sydney

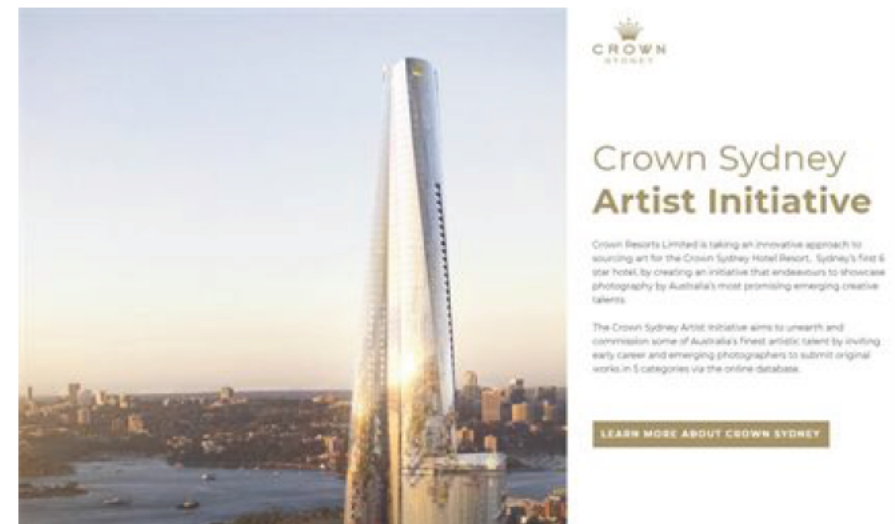
## Design and Procurement Update



- St Legere Landscape has completed all trees and greeneries selection for the Level 24 Outdoor Terrace in May 2019, which will include a feature olive tree.
- A detailed 3D model has been developed to finalise all the design details, and is being used to produce the final fabrication details and shop drawings for the spiral feature stair.
- Spa & Gym furnishings, light fittings and the joinery fit-out packages have been awarded.
- Staff Dining tile and kitchen equipment have commenced along with the staff offices.
- Majority of large and small scale decorative light fittings have been awarded and are currently being manufactured.
- Art Consultants UAP have commenced sourcing artwork for the project, initially focusing on the large sculptures in the public areas, making good progress on the Gaming floors and Spa, with the 2D artwork proposals for the Podium levels to follow at the end of May 2019.
- The Artists Initiative Open Photography Competition concluded on 31 May and will be judged by a panel selected by Crown. There were in excess of 5,000 images submitted for consideration. The successful images will contribute to the guest room artwork.



Level 24 Lounge | Concept Image



Crown Sydney Artist Initiative Website

# Crown Sydney

## Construction Progress | 31 May 2019



# Crown Sydney

## Construction Overview | Podium



- Façade/Window Wall installation targeted for completion end July 2019.
- Podium Fit Out:
  - Ground Level – North Area (Porte Cochere & Main Lobby/Atrium) used for construction staging and logistics through 2019.
  - Level 0 Mezzanine – BOH Interior wall framing and drywall complete, ceiling framing in progress. Floor and wall tile complete in Male and Female Toilets and Change areas. Staff Kitchen mechanical duct work and hood install in progress.
  - Level 1 – Excluding Japanese Restaurant, all wall framing is complete on this level. Main Gaming Male and Female Amenities walls complete, subflooring install in progress. Main Gaming ceiling coffer support structure install in progress. Coffers install expected to complete end July 2019.
  - Level 1 Mezzanine (Plant Level) – Services and plant equipment install in progress. Emergency Generators delivered and loaded on floor, installation in progress.
  - Level 2 – Excluding Chinese Restaurant all wall framing complete. High level mechanical and electrical services install in progress. Main Gaming ceiling coffer support structure install will follow Level 1 install.
  - Level 2 Mezzanine (Plant Level) – Equipment delivery and install in progress.
  - Level 3 – Pre Function and Function Room overhead services install in progress. Wall framing will commence upon completion of Façade/Window Wall install end July 2019.
  - Level 3 Mezzanine – Plant equipment delivered, installation in progress.
  - Level 4 - Overhead services install in progress. Install of façade/window wall panels complete excluding All Day Dining and Spa Terrace areas.
    - Pool Terrace – Slab edge balustrade set out complete, waterproofing of deck in progress. Pool delivery expected end July 2019.
    - Tennis Court – Wall construction in progress.

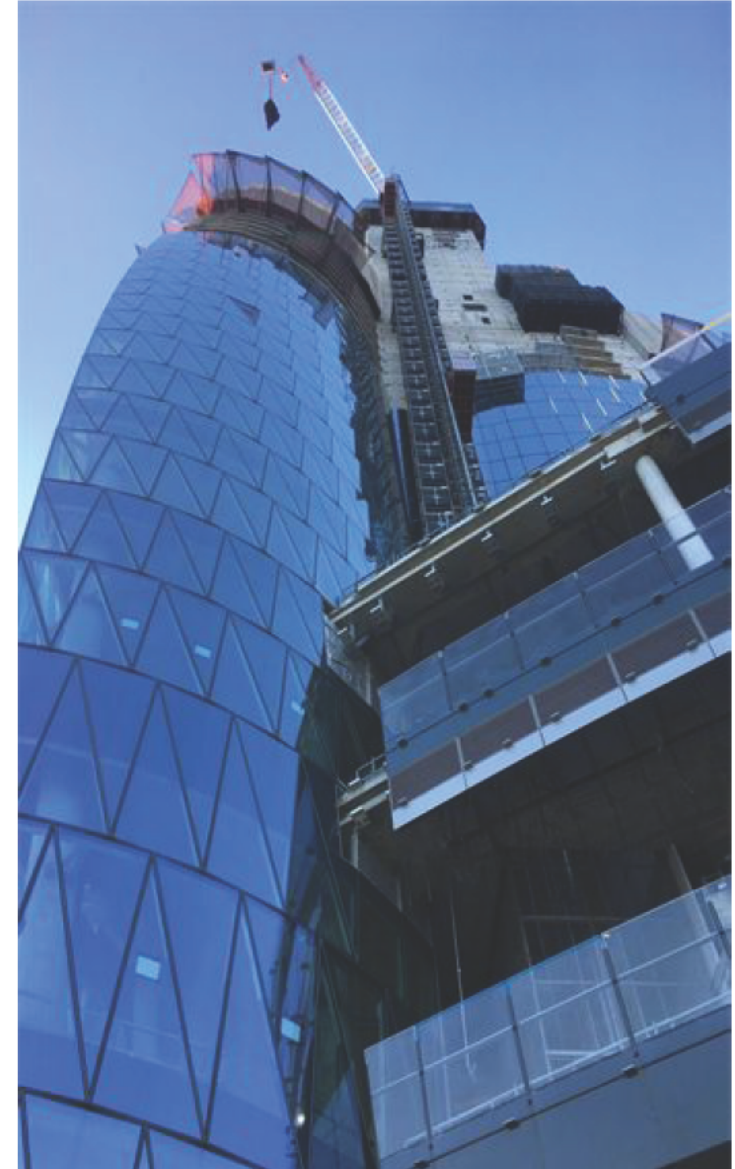


# Crown Sydney

## Construction Overview | Tower



- Tower Fit Out (Façade/Window Wall complete through Level 12):
  - Level 6 – Walls & Ceilings complete, waterproofing at Bathrooms near completion, tiling of bathrooms has commenced.
  - Level 7 – Walls & Ceilings tape, set and sand nearly complete, waterproofing of bathrooms to follow.
  - Level 8 – Drywall Ceiling and Soffits in progress.
  - Level 9 – Drywall walls one side, services first fix in progress.
  - Level 10 – Insulate walls and drywall walls close up.
  - Level 11 – Final set out of Fan Coil Units and Room Control Units.
  - Level 12 – Wall framing in progress.
  - Level 13 – Service Riser Shaft Wall install.
  - Level 14 – Final duct work and chilled water main install at Service Risers.
  - Level 15 – Stock framing and Drywall material.
  - Level 16 – High Level plumbing waste line. Secondary duct work from risers.
  - Level 17 – High Level domestic water main install.
  - Level 18 – Façade/Window Wall set out.
  - Level 20 – Staging for Façade/Window Wall install.
  - Level 21 – High Level plumbing waste line. Secondary duct work from risers.
  - Level 22 – Wall layout and top track install. Fire Sprinkler install.
- Gaming Levels
  - Level 23 – Hotel HVAC & BMU Plant Level.
  - Level 24 – High Level services first fix.
  - Level 25 – Gaming Plant Level.
  - Level 26 – Removal of form material and clean up.
  - Level 27 – Perimeter shoring in place for exterior screen support.
  - Level 28 – Electrical Plant Level. Formwork and shoring in place for Level 29.



# Crown Sydney

## Construction Overview | Tower



- Villa Levels
  - Level 29 – Pour completed week of 20 May 2019.
  - Level 30 – Formwork in progress.
- Tower Structure:
  - Tower Core - consists of sections A, B and C constructed of concrete, rebar and embedded structural steel.
  - Core A system runs the full height of the tower while Core B topped out at Level 24 on 8 February 2019, form system has been removed.
  - Core C is comprised of hotel and tower level shear walls to Level 50.
  - Core A has cleared Level 40 and is now progressing through the Apartment Levels.
  - Core C; Part 1 - complete to Level 31.
- Hotel Level Slabs – Structural construction is complete through Level 29. First Apartment level expected to complete early to mid-July 2019.
- Project completion is on track for 2021 Chinese New Year grand opening event.



# Crown Sydney

## Project Cost Detail | As of 31 May 2019



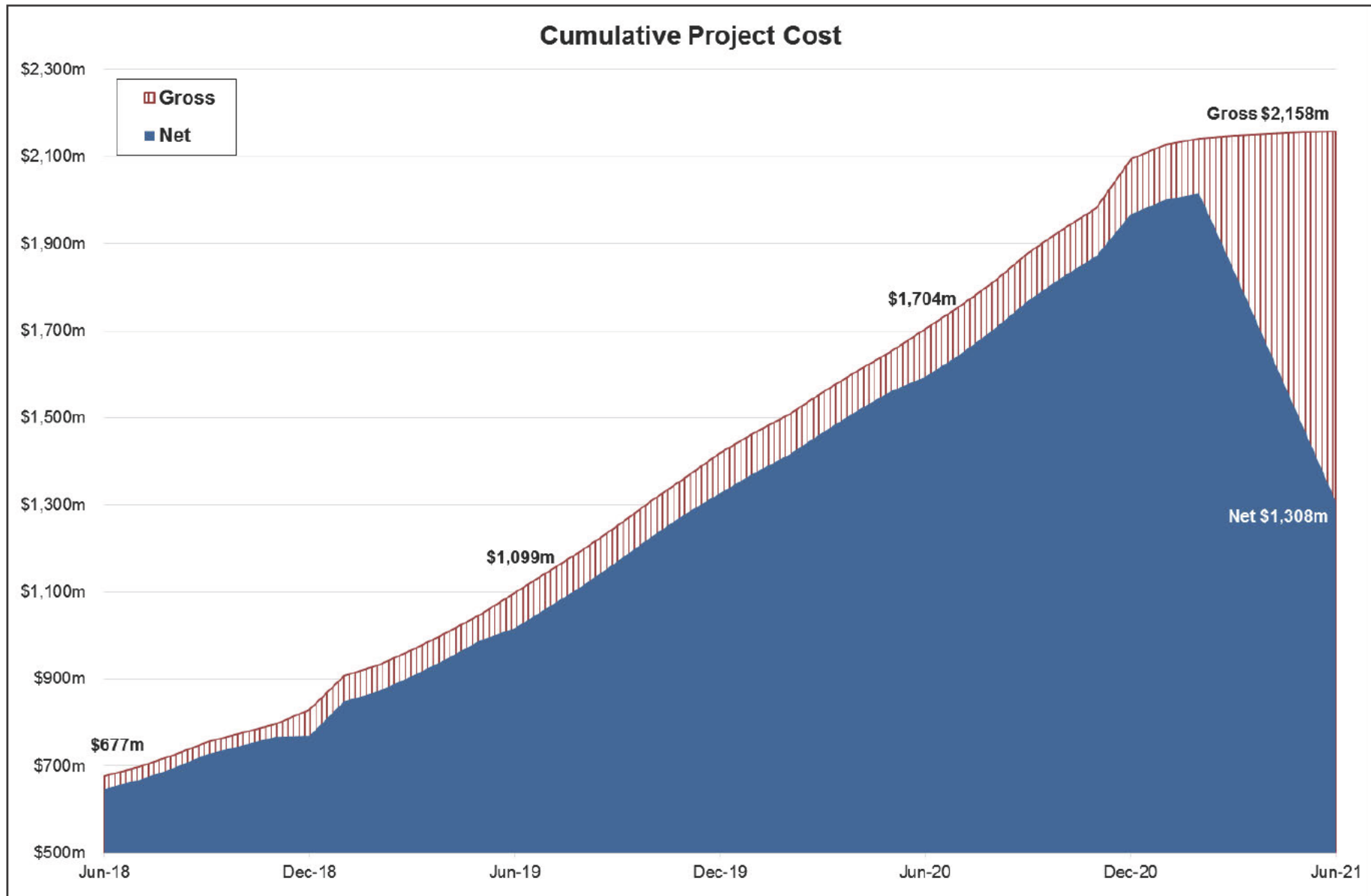
	Budget	Commitments To Date	Spend To Date	Remaining Spend
<b>Development Cost</b>				
<b>Lend Lease Building</b>				
Temp & Prelim/Supervision	85.0M	100%	85.0M	41.2M
Trade Subcontractors	777.7M	91%	709.7M	372.9M
Trade - Remediation works	30.6M	100%	30.6M	.0M
Contractor's Fee	35.2M	100%	35.2M	19.3M
<b>Sub-Total</b>	<b>928.6M</b>	<b>93%</b>	<b>860.5M</b>	<b>433.4M</b>
Lend Lease Shared Basement	15.7M	88%	13.8M	11.8M
Escalation / Contingency	154.3M	95%	146.7M	154.3M
<b>Total Lend Lease Cost</b>	<b>1,098.6M</b>	<b>93%</b>	<b>1021.0M</b>	<b>599.5M</b>
<b>Crown Direct Construction</b>				
Design / Project Mgt	120.8M	82%	98.6M	29.8M
FF&E / OS&E / Equipment	172.8M	31%	53.8M	132.6M
Landscaping & Site Improvement	31.0M	35%	10.9M	29.9M
Pre-Opening / Training / Working Capital	60.0M	1%	.3M	59.7M
Permits / Fee / Insurance	32.8M	25%	8.3M	24.6M
Residential Sales / Marketing	35.0M	39%	13.6M	21.7M
Legal / Tax	10.0M	132%	13.2M	-3.2M
<b>Sub-Total</b>	<b>462.3M</b>	<b>43%</b>	<b>198.6M</b>	<b>295.0M</b>
Contingency / Escalation / Forex	149.4M	0%	.0M	149.4M
<b>Total Crown Direct Cost</b>	<b>611.7M</b>	<b>32%</b>	<b>198.7M</b>	<b>444.4M</b>
<b>Indirect Costs</b>				
Gaming Licence / Consulting	130.1M	100%	129.9M	.2M
Land	324.3M	100%	324.3M	65.5M
Corporate Cost Allocations	23.5M	82%	19.3M	4.2M
<b>Total Indirect</b>	<b>477.9M</b>	<b>99%</b>	<b>473.5M</b>	<b>69.9M</b>
<b>Sub-Total</b>	<b>2,188.2M</b>	<b>77%</b>	<b>1693.1M</b>	<b>1,113.8M</b>
Reimbursement from BDA (Variations to LLB)	-30.6M			-30.6M
<b>Sydney Gross Budget (excl. cap int)</b>	<b>2,157.6M</b>	<b>78%</b>	<b>1693.1M</b>	<b>1,113.8M</b>

Total Trade Budget Committed to Date	709.7M
Value of Total Trade	777.7M
Percentage of Total Trades Awarded to Date	91%

Total Trade Escalation/Contingency Committed to Date	146.7M
Value of Total Trade Escalation / Contingency	154.3M
Percentage of Trade Escalation / Contingency Used	95%



# Crown Sydney Construction Cash Flow





# Crown Sydney

## Construction Progress | Aerial View of L24 & L27





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## One Queensbridge

# CSJV – One Queensbridge



9

# One Queensbridge

## Market Opportunity| Investment Dynamics



- Melbourne's population continues to grow faster than the rest of Australia achieving 2.2% growth compared to 1.6% growth across the nation.
- The Melbourne office market is currently experiencing a demand and supply imbalance as a result of the amount of residential projects that were prioritised in the CBD coupled with recent planning restrictions. Office tenants are seeking larger floor plates in modern green star rated buildings making new buildings highly desirable. The One Queensbridge location offers a prime city position with public transportation connectivity and the ability to support large scale 2,000 square meter floor plates.
- Although this supply demand imbalance is expected to normalise over the next 4-5 years, the rental rate yields in Melbourne are expected to outperform Sydney as the gap between office rental rates in Melbourne and Sydney close.
- Declines in the Australian dollar have increased the attractiveness of Australian commercial property, in particular Melbourne, for foreign investors.
- These favourable dynamics provide an opportunity to reposition the development while preserving Crown's original premise of maintaining strategic control of the Queensbridge site and expanding Crown's luxury hospitality portfolio.
- The challenges to attracting a third party commercial investor for the project with Schiavello are:
  - Schiavello's desire to maintain a ground floor showroom space facing the Yarra for their office furnishings business;
  - Schiavello's focus on their M-City project and capital constraints over the next 2 years resulting in a reluctance to fund design work for an alternative scheme; and
  - new investors' desire for control over the office component and building branding – historical tri-party discussions (PDG) have been challenging.

# One Queensbridge

## Planning & Government Relations



### Planning & Government Relations Update

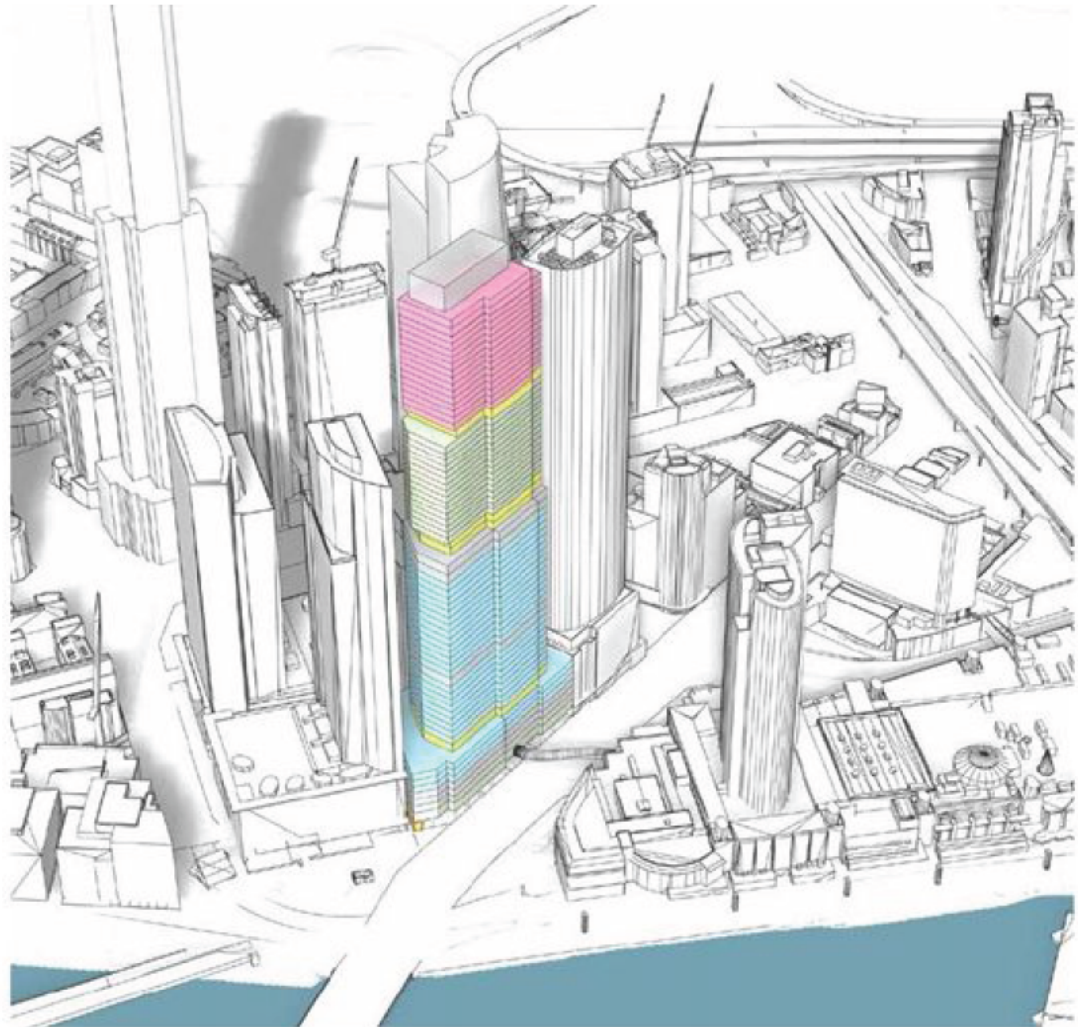
- Despite the fact that 1-7 Queens Bridge Street site has received two separate permits which allowed for the demolition of the original Queensbridge Hotel, the City of Melbourne Office of Heritage and Urban Strategy has made a recommendation for the building façade to be heritage listed. Crown and Schiavello have formally opposed the recommendation with the panel hearing listed for 24<sup>th</sup> July 2019.
- The project team in conjunction with Ashurst, Urbis and specialist heritage architects are preparing a submission for the panel hearing objecting to the potential Heritage overlay for this address. The Heritage overlay only affects the Queensbridge hotel façade, the remaining parcels which form the total site area (9-15, 17-23 & 25-29 Queens Bridge Street) are unaffected.
- Although no formal submissions have been made, the Planning Department have indicated that there is a need for commercial office space in the CBD and the Queensbridge site is viewed as strategically important to the Southbank precinct.
- The Crown project team have developed a new scheme that maximises the new planning controls and indicative returns on the development, with the following key assets:
  - Approx. 120 Luxury Branded Crown Residences including 8 Penthouses with views over Freshwater Place
  - 352 Key Forbes 5-star hotel with two levels of shared amenities
  - Approx. 53,000sqm of Grade A Commercial Office NLA
  - Approx. 2,000sqm of Retail Tenancy NLA
  - 646 car parking spaces

# One Queensbridge

## Proposed Massing & Program



SITE AREA	5,060 m <sup>2</sup>
PROPOSED GROSS BUILDING AREA	180,284 m <sup>2</sup>
MELBOURNE PLANNING GFA	165,673 m <sup>2</sup>
PROPOSED NLA	96,428 m <sup>2</sup>
PROPOSED PLOT RATIO	32.74:1
PROPOSED BUILDING HEIGHT (RL )	279.75
COMMERCIAL NLA	53,195 m <sup>2</sup>
RETAIL NLA	1,685 m <sup>2</sup>
TOTAL HOTEL NLA	20,480 m <sup>2</sup>
HOTEL KEYS	352
RESIDENTIAL NSA	21,068 m <sup>2</sup>
RESIDENTIAL APARTMENTS	120
CAR PARKING SPACES	646



Key

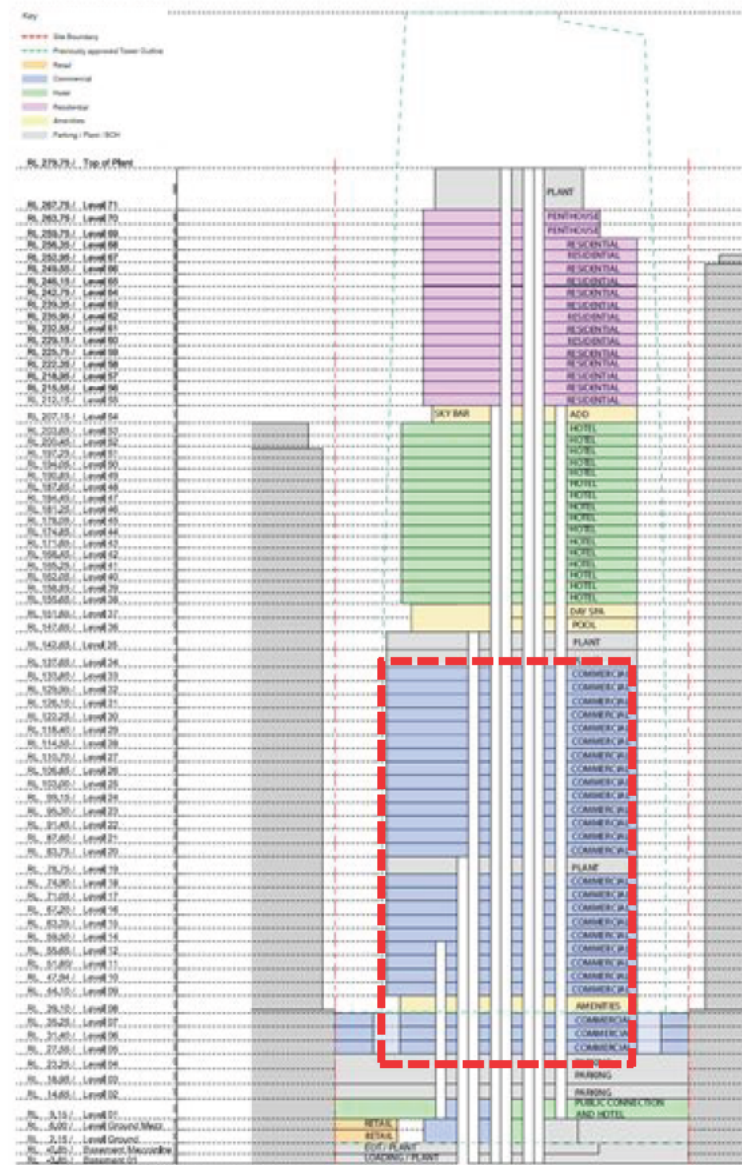
<span style="color: yellow;">■</span>	Amenities
<span style="color: blue;">■</span>	Commercial
<span style="color: green;">■</span>	Hotel
<span style="color: pink;">■</span>	Residential
<span style="color: orange;">■</span>	Retail
<span style="color: grey;">■</span>	Plant & Parking

Note:  
The above schedule summary is to be read in conjunction with the General Notes and Clarifications in the back of this document.

# One Queensbridge Commercial Office Overview



- Commercial Office assets include:
  - Commercial High Rise NLA 26,740sqm (L20-33)
  - Commercial Low Rise NLA 16,480sqm (L9-18)
  - Commercial Co-Working NLA 9,975sqm (L6-8)
  - **Total Commercial NLA 53,195sqm**
  - **Total Retail NLA 1,904sqm**
  
  - 229 Commercial Car Parking spaces (L3-4)
  - 10 Retail Car Parking Spaces (L4)
  - **Total 239 Allocated Car Parking Spaces**
  
  - Podium Rooftop Wellness Amenity & Meeting Facilities (L8)
  - Best in Class End-of-Trip Facilities (LB1M)
  - Double height ground floor Lobby space with a Queensbridge Street address & Freshwater Place access
  - **14 Passenger Lifts (3,800sqm NLA/ per lift)**
  - **1 dedicated Service Lift**



# One Queensbridge

## Arrival Experience at Street Level & Public Realm Interface



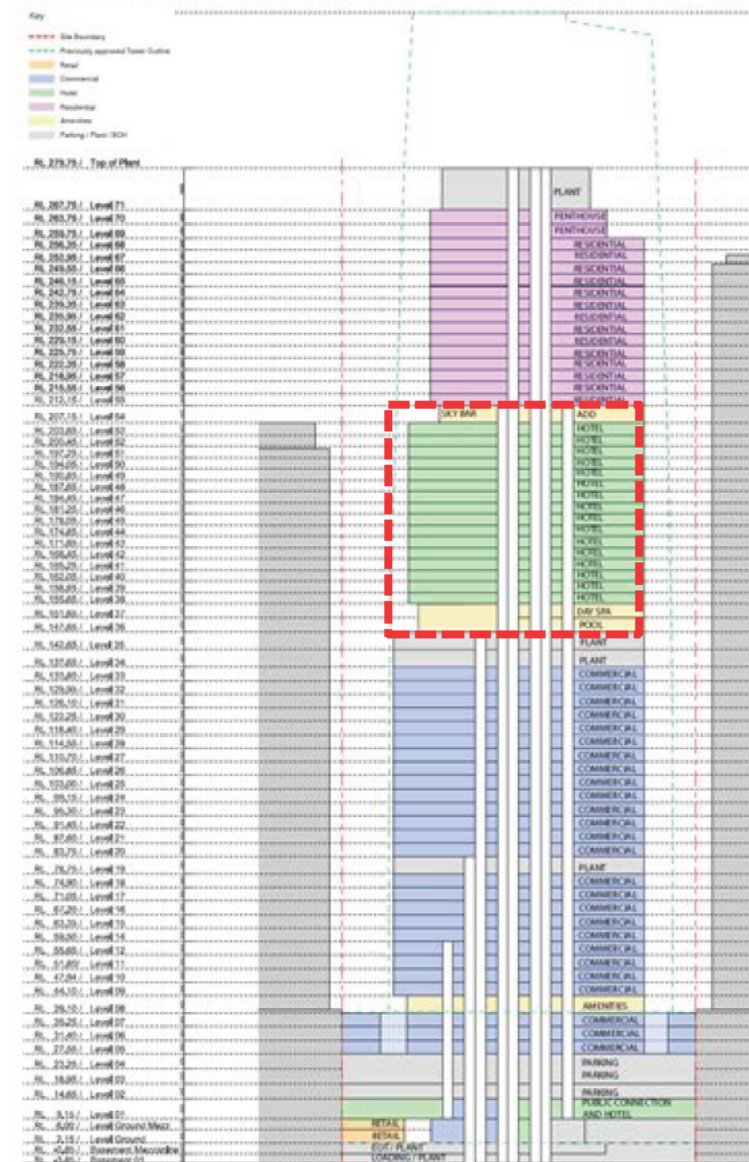
Ref: CIBC Square, Toronto

# One Queensbridge Hotel Overview



## Hotel assets include:

- 304 Standard Hotel Rooms (86%)
- 48 Luxury Suites (14%)
- 352 Total Forbes 5-star Hotel Keys (100%)
- **Total Hotel NLA 20,480sqm (L38-53)**
- 199 Hotel Valet Car Parking spaces (L2)
- 39 Residential Valet Parking Spaces on L2\*
- **Total 199 Allocated Car Parking Spaces**
- All Day Dining Restaurant & Sky Bar (L54)
- Resort Pool, Gymnasium & Day Spa (L36-37 – shared with Crown Residences & Serviced by Crown)
- Hotel Reception & Lobby Bar (L1)
- Double height ground floor Lobby space with a Queensbridge Street address
- Basement Housekeeping & BOH Support spaces (LB1)
- **4 dedicated Passenger Lifts (88 keys/ per lift)**
- **3 dedicated Service Lifts**





# One Queensbridge

## Split Level Amenities + External Deck Concept



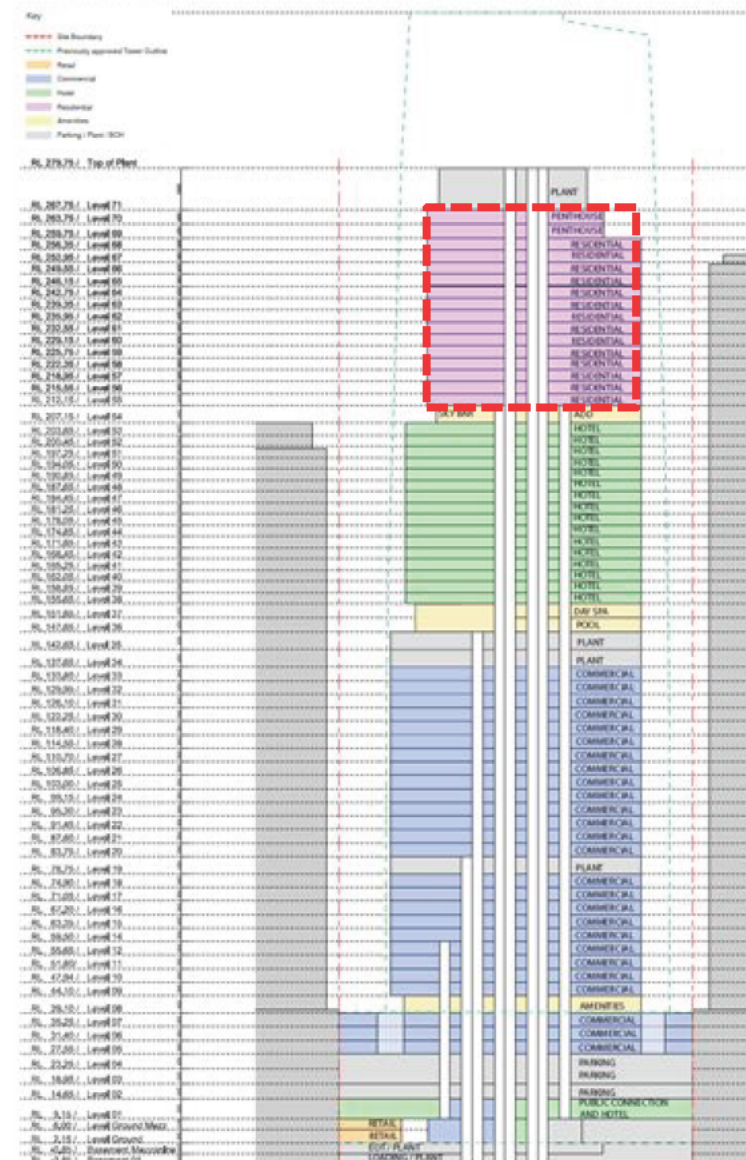
Ref: 400 North Lakeshore Drive, Chicago

# One Queensbridge Residential Overview



## Residential assets include:

- 42 x 2 Bedroom Crown Residences (35%)
- 70 x 3 Bedroom Crown Residences (58%)
- 8 x 4 Bedroom Penthouses (7%)
- 120 Total Crown Residences & Penthouses (100%)
- **Total Residential NLA 21,068sqm (L55-70)**
- 39 Residential Valet Parking Spaces (L2)\*
- 169 Residential Car Parking Spaces (L3)
- **Total 208 Allocated Car Parking Spaces**
- Dedicated Residential Pool Deck (L36) with access to Resort Pool Deck, Gymnasium & Day Spa (L36-37), plus All Day Dining & Sky Bar (L54)
- Double height ground floor Lobby space with a Freshwater Place entrance (also accessible to Queensbridge Street & Porte Cochere)
- **4 dedicated Passenger Lifts (30 keys/ per lift)**
- **1 dedicated Service Lift (shared with Hotel for Room Service/ Housekeeping Services)**



# Indicative Project Economics

## Preliminary Asset Values / Project Returns



Project Cost / Uses <sup>1</sup>	A\$m	Project Returns <sup>1</sup>	A\$m
Development Cost – Residential <i>(includes Land Allocation of \$50.0m)</i>	293	Residential Sales – Net of GST & Selling Costs <i>(\$/sqm incl. GST)</i>	395 A\$20,000
Demolition and Construction – Commercial <i>(includes Land Allocation of \$115.0m)</i>	601	Commercial – Net of Selling Costs <i>(\$/sqm after incentives)</i>	719 A\$13,000
Demolition and Construction – Hotel <i>(includes Land Allocation of \$25.0m)</i>	265	Hotel Valuation <i>(EBITDA of \$25.0m at an 7% cap rate)</i>	357
<b>Total Project Cost</b>	<b>\$1,160m</b>	<b>Net Proceeds</b>	<b>\$1,472m</b>
<b>Funding Sources</b>	<b>A\$m</b>	<b>Project Returns (pre-tax)</b>	<b>%      A\$m</b>
Hotel Purchase	265	Residential Project return	34.7%      \$102m
Equity (35% of \$1,160m less \$265m for hotel)	313	Commercial Project return	19.7%      \$118m
Debt (65% of \$1,160m less \$265m for hotel)	582	Hotel Project return	34.8%      \$92m
<b>Total Sources</b>	<b>\$1,160m</b>	<b>Total Project Return (pre-tax)</b>	<b>26.9%      \$312m</b>

Note:

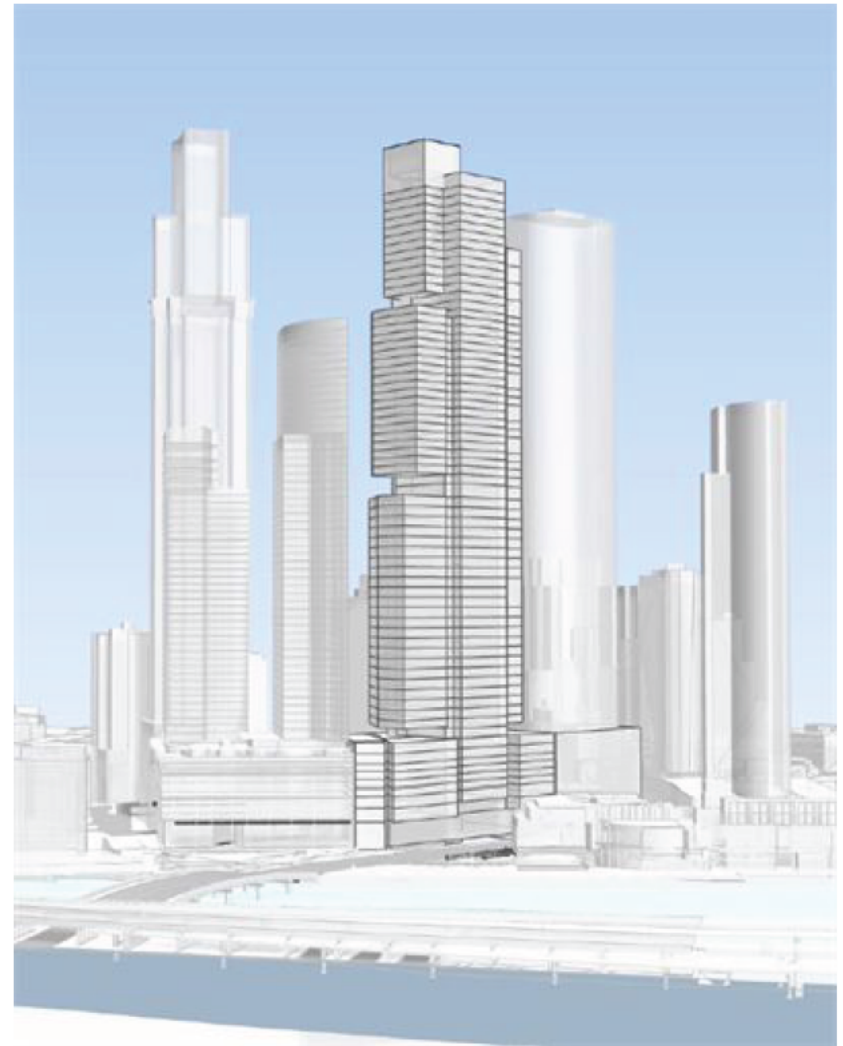
1. Excludes 10% GST

# One Queensbridge

## Next Steps



- Explore a take out or partial sell down valuation with Schiavello which eliminates the Schiavello showroom requirement, providing an unencumbered commercial office suitable for institutional investment.
- Continue to support investor meetings with the goal of securing a project partner to develop the commercial office component.
- Manage the expenditure on the site and minimise holding costs. Crown's 50% share of the holding costs (taxes, council rates, labour allocations) is approximately \$800k per annum.



Yarra River View



**Crown Resorts**  
Development Update  
12 June 2019

Australia's  
Integrated  
Resort  
Company



**AGENDA ITEM 10:**  
Investor Relations Report



# Investor Relations Update

*June 2019*



## Executive summary

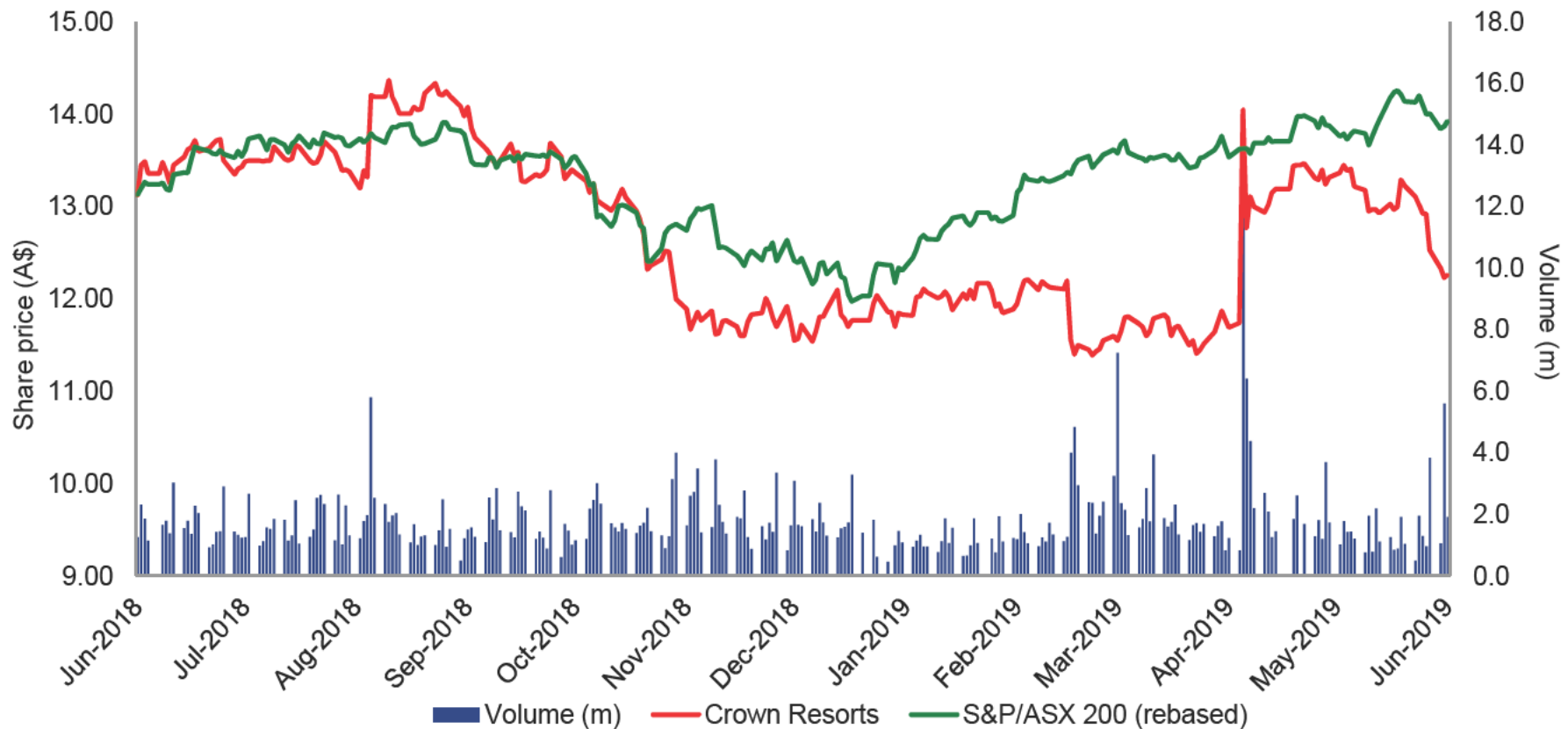
- Crown's share price closed at \$12.26 on 5 June 2019. Over the last 12 months, Crown's share price decreased by 6.6% compared to the S&P/ASX 200 which increased by 6.1%
- Crown's forecast F19 normalised EBITDA is approximately 2.3% below analyst consensus, whilst F19 normalised NPAT is approximately 2.1% below analyst consensus
- On 30 May 2019, CPH entered into an agreement to sell 135.35m shares (19.99% of shares outstanding) to Melco Resorts & Entertainment Ltd for a price of \$13 per share
  - The transaction was structured in two equal tranches, with 67.675m shares sold on 6 June 2019, and 67.675m shares to be sold on a date on or before 30 September 2019
  - The transaction will reduce CPH's shareholding in Crown to approximately 26%





# Crown Share Price and Volume

5 June 2018 – 5 June 2019



In the 12 month period to 5 June 2019, Crown Resorts Limited share price decreased by 6.6% compared to the S&P/ASX 200 which increased by 6.1%.



# Analyst Consensus

Broker	Report Date	Rating	Share Price Target	FY19F EBITDA	FY19F NPAT	FY20F EBITDA	FY20F NPAT
BAML	31-May-19	Buy	\$13.70	\$831m	\$397m	\$848m	\$410m
CLSA	3-Jun-19	Sell	\$13.59	\$816m	\$372m	\$859m	\$407m
Credit Suisse	31-May-19	Neutral	\$14.00	\$829m	\$375m	\$846m	\$392m
Deutsche Bank	31-May-19	Neutral	\$13.00	\$828m	\$380m	\$848m	\$406m
Evans & Partners	31-May-19	Neutral	\$12.98	\$824m	\$385m	\$852m	\$424m
Goldman Sachs	17-Apr-19	Neutral	\$12.75	\$813m	\$379m	\$862m	\$419m
JP Morgan	10-Apr-19	Neutral	\$12.00	\$820m	\$373m	\$852m	\$388m
Macquarie	24-May-19	Neutral	\$14.75	\$803m	\$371m	\$821m	\$394m
Morgan Stanley	3-Mar-19	Neutral	\$11.40	\$828m	\$389m	\$858m	\$422m
MST	9-Apr-19	Buy	\$14.30	\$815m	\$381m	\$865m	\$422m
UBS	31-May-19	Neutral	\$12.05	\$830m	\$384m	\$814m	\$392m
<b>Consensus (1.35%)</b>			<b>\$13.14</b>	<b>\$822m</b>	<b>\$381m</b>	<b>\$848m</b>	<b>\$407m</b>
Crown forecast (1.35%)				\$803m	\$373m	\$810m	\$398m
<i>Crown vs Consensus</i>				(2.3)%	(2.1)%	(4.5)%	(2.2)%
Crown Plan (1.40%)				\$816m	\$382m	\$825m	\$408m

# Crown Share Register



## Top 30 shareholders <sup>(1)</sup>

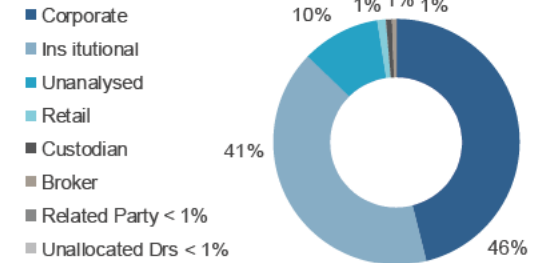
Rank	Name	% S/O	27-May-2019	Net Change	29-Mar-2019	31-Jan-2019	31-May-2018
1 (1)	Consolidated Press Holdings Pty Ltd <sup>(2)</sup>	45.88%	310,700,000	0	310,700,000	310,700,000	310,700,000
2 (2)	Perpetual Investment Management Limited	4.12%	27,879,061	1,708,058	26,171,003	24,719,091	21,449,176
3 (3)	Investors Mutual Limited	2.54%	17,199,255	-54,374	17,253,629	15,574,877	11,429,605
4 (4)	Schroder Investment Management (Australia) Ltd.	2.52%	17,058,123	-172,616	17,230,739	17,131,577	18,695,912
5 (5)	BlackRock Institutional Trust Company, N.A.	1.75%	11,829,513	107,566	11,721,947	12,031,142	11,046,567
6 (6)	Schroder Investment Management Ltd. (S M)	1.65%	11,183,211	0	11,183,211	10,605,497	7,915,682
7 (7)	Schroder Investment Management (Singapore) Ltd.	1.60%	10,800,754	452,129	10,348,625	10,218,848	10,281,170
8 (8)	The Vanguard Group, Inc.	1.51%	10,258,423	177,304	10,081,119	9,921,257	9,284,548
9 (9)	Vanguard Investments Australia Ltd.	1.31%	8,843,725	569,549	8,274,176	8,578,261	7,786,260
10 (10)	State Street Global Advisors Australia Ltd.	1.14%	7,747,093	-44,404	7,791,497	7,859,639	5,772,630
11 (11)	Lazard Asset Management Pacific Company	1.04%	7,062,319	41,151	7,021,168	464,818	241,787
12 (12)	Norges Bank Investment Management (NBIM)	0.91%	6,129,480	500,000	5,629,480	6,636,480	7,026,056
13 (14)	IFM Investors	0.88%	5,927,378	1,082,504	4,844,874	4,725,567	5,320,043
14 (13)	WaveStone Capital Pty Ltd.	0.78%	5,309,206	232,720	5,076,486	4,983,987	4,022,113
15 (16)	Realindex Investments Pty. Ltd.	0.69%	4,650,444	-1,419	4,651,863	4,814,630	3,516,395
16 (15)	DFA Australia Ltd.	0.64%	4,343,773	-348,097	4,691,870	4,499,968	6,879,730
17 (17)	State Street Global Advisors (US)	0.59%	4,023,398	22,647	4,000,751	4,190,484	4,143,466
18 (18)	Russell Investment Management Ltd	0.59%	4,000,048	117,517	3,882,531	3,736,416	3,979,205
19 (19)	Benelong Long Short Equity Management Pty Ltd	0.55%	3,693,459	-43,764	3,737,223	3,756,181	3,629,300
20 (29)	Paradice Investment Management Pty. Ltd.	0.53%	3,611,257	1,138,023	2,473,234	5,966,796	7,766,058
21 (22)	Macquarie Investment Management Ltd.	0.46%	3,116,019	225,890	2,890,129	3,038,353	2,747,968
22 (79)	California Public Employees' Retirement System	0.40%	2,686,676	1,996,809	689,867	689,867	940,846
23 (26)	BlackRock Advisors (UK) Limited	0.39%	2,619,350	11,942	2,607,408	2,682,559	2,042,540
24 (27)	IOOF Investment Management Ltd.	0.39%	2,615,998	9,101	2,606,897	2,579,958	2,586,697
25 (25)	Argo Investments Limited	0.39%	2,609,184	0	2,609,184	2,609,184	2,609,184
26 (30)	AllianceBernstein Australia Ltd. (Value)	0.37%	2,508,810	167,580	2,341,230	0	0
27 (21)	Acadian Asset Management (Australia) Ltd.	0.35%	2,341,137	-870,483	3,211,620	3,262,997	2,760,771
28 (33)	BlackRock Asset Management Australia Limited	0.33%	2,251,803	223,120	2,028,683	2,201,485	3,180,595
29 (32)	Legal & General Investment Management Ltd.	0.33%	2,233,954	4,127	2,229,827	2,412,831	2,454,278
30 (23)	HSBC Trinkaus & Burkhardt - Custodian	0.33%	2,229,677	-597,438	2,827,115	2,563,202	267,829

Provided by Nasdaq and as at 27 May 2019

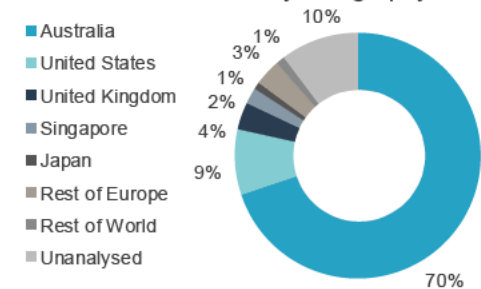
(1) By holder

(2) On 30 May 2019, CPH entered into an agreement to sell 135.35m shares (19.99% of shares outstanding) to Melco Resorts & Entertainment Ltd. The transaction will reduce CPH's shareholding in Crown to approximately 26%

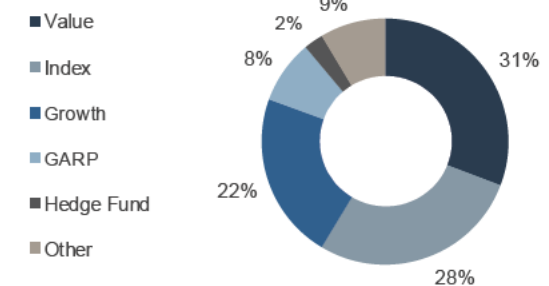
## Total Shareholder Composition



## Total Shares by Geography



## Institutional Shares by Investment Style

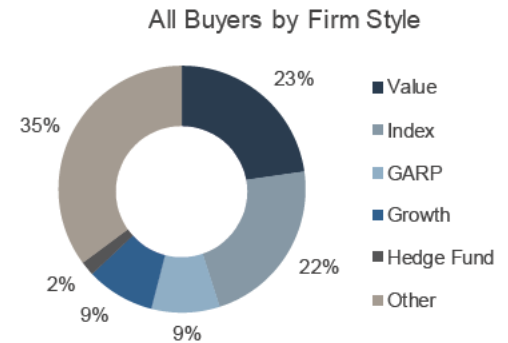




# Top Institutional Buyers and Sellers

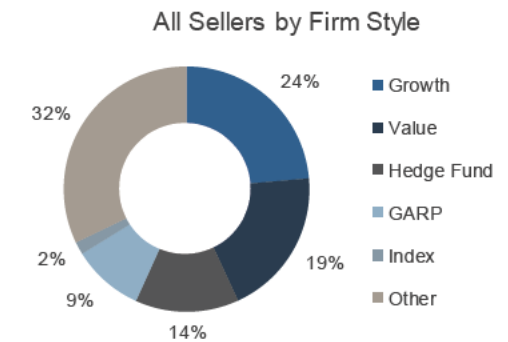
## Top 10 buyers by holder

Rank	Name	% S/O	27-May-2019	Net Change	29-Mar-2019	31-Jan-2019	31-May-2018
22 (79)	California Public Employees' Retirement System	0.40%	2,686,676	1,996,809	689,867	689,867	940,846
33 (254)	Spheria Asset Management Pty Limited	0.27%	1,834,443	1,776,088	58,355	47,891	0
2 (2)	Perpetual Investment Management Limited	4.12%	27,879,061	1,708,058	26,171,003	24,719,091	21,449,176
52 (-)	Lyxor Asset Management	0.17%	1,158,197	1,158,197	0	187,433	0
20 (29)	Paradise Investment Management Pty. Ltd.	0.53%	3,611,257	1,138,023	2,473,234	5,966,796	7,766,058
13 (14)	IFM Investors	0.88%	5,927,378	1,082,504	4,844,874	4,725,567	5,320,043
61 (489)	Bank of Nova Scotia Asia Ltd	0.15%	1,042,091	1,041,138	953	60	0
53 (162)	Societe Generale SA	0.17%	1,142,987	960,878	182,109	182,109	223,450
73 (215)	Accident Compensation Corporation	0.11%	741,507	646,660	94,847	198,251	274,357
84 (-)	Ausbil Investment Management Limited	0.09%	605,472	605,472	0	0	0



## Top 10 sellers by holder

Rank	Name	% S/O	27-May-2019	Net Change	29-Mar-2019	31-Jan-2019	31-May-2018
37 (20)	AQR Capital Management, LLC	0.24%	1,644,915	-1,839,400	3,484,315	4,205,266	5,553,303
100 (31)	MFS Investment Management	0.07%	453,049	-1,811,922	2,264,971	2,259,163	0
64 (28)	Airlie Funds Management Pty Ltd	0.15%	1,022,267	-1,569,329	2,591,596	3,149,183	4,890,046
46 (24)	Arrowstreet Capital, Limited Partnership	0.19%	1,287,501	-1,380,688	2,668,189	2,094,626	5,023,347
292 (47)	Barclays Capital	0.00%	30,030	-1,351,650	1,381,680	2,372,794	12,244
27 (21)	Acadian Asset Management (Australia) Ltd.	0.35%	2,341,137	-870,483	3,211,620	3,262,997	2,760,771
99 (50)	Goldman Sachs Asset Management (US)	0.07%	479,522	-822,951	1,302,473	1,492,418	1,529,027
- (73)	Lord, Abnett & Co. LLC	0.00%	0	-787,229	787,229	787,229	1,159,300
83 (46)	ATP	0.09%	609,748	-778,483	1,388,231	1,205,329	0
63 (39)	Numeric Investors LLC	0.15%	1,031,417	-770,300	1,801,717	3,159,699	1,844,700





**AGENDA ITEM 11:**  
Committees



## Risk Management Committee

Minutes of a Meeting of the Committee held on  
8 May 2019 at 8.00am by teleconference

**Members Present:** Geoff Dixon (Chair)  
Jane Halton

**By Invitation:** John Alexander (Executive Chairman)  
Ken Barton (Crown Resorts Limited)  
Barry Felstead (CEO – Australian Resorts)  
Lauren Harris (Crown Resorts Limited)  
Josh Preston (CLO – Australian Resorts)

**Apologies:** Andrew Demetriou  
Mary Manos

### BUSINESS

**VIP Operating Model - Malaysia:** Ken Barton advised the Committee that Andrew Demetriou was an apology but had considered the VIP Operating Model - Model paper and confirmed his support of the proposal.

The Committee noted the VIP Operating Model - Model paper which was taken as read.

It was noted that the paper included a detailed Risk Assessment in relation to the proposal to permit staff members to be based in Malaysia, noting that the assessment articulates the risks, controls and residual risks.

The Committee noted the updated Risk Assessment.

Having regard to the proposal, the Committee **RESOLVED** to recommend to the Board that the VIP Operating Model be adjusted to permit staff to be based in Malaysia with the controls (both existing and proposed) implemented as detailed in the Risk Assessment.

Barry Felstead advised the Committee that management would progress similar proposals in relation to Indonesia, Thailand and Taiwan and would put the proposals to the Committee for consideration at the appropriate time.

**Closure:** There being no further business, the meeting was declared closed at 8.07am.

Signed

.....

Geoff Dixon  
Chairperson

DRAFT



## Risk Management Committee

Minutes of a Meeting of the Committee held at  
Level 3, Crown Towers, 8 Whiteman Street, Southbank, Victoria on  
29 May 2019 at 9.00am

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**Members Present:** Geoff Dixon (Chair) (by telephone)  
Andrew Demetriou  
Jane Halton

Mary Manos (Secretary)

**By Invitation:** John Alexander (Executive Chairman)  
Ken Barton (Crown Resorts Limited)  
Sasha Grist (Crown Perth) (by telephone)  
Lauren Harris (Crown Resorts Limited)  
Alan McGregor (CFO – Australian Resorts)  
Josh Preston (CLO – Australian Resorts)  
Anne Siegers (Group GM Risk & Audit)  
David Skene (Betfair) (by telephone)

**Apologies:** Barry Felstead (CEO – Australian Resorts)

### BUSINESS

**Minutes of Committee Meetings:** It was **RESOLVED** that the Minutes of the Risk Management Committee Meetings held on 11 February 2019, 25 February 2019 and 8 May 2019 be approved.

**Matters Arising:** The Matters Arising paper was taken as read.

The Committee noted the Crown Melbourne self-insurance impacts of the increased number of common law claims and that management would continue to monitor the impacts.

It was also noted that management was progressing a number of VIP Operating Model proposals in other jurisdictions and would put these proposals to the Committee for consideration at the appropriate time.



**Risk Reporting:*****Report Against Material Risks***

The Report Against Material Risks was taken as read.

Anne Siegers advised the Committee that since the February meeting of the Committee, a number of new matters had arisen which were included in the Report Against Material Risks, none of which had an impact on the risk ratings of the reported risks.

In addition to other matters, management provided the Committee with updates on the following:

- the ASIC Corporate Governance Taskforce review, noting that John Alexander had been interviewed by ASIC and that Geoff Dixon's interview had been postponed to mid-June.
- The Cannery taxation matter was scheduled to go to trial on 11 June 2019.
- Mediation for the class action was scheduled to commence on 18 June 2019.
- In relation to the Black Economy Taskforce, management would re-engage with the Assistant Treasurer's office having regard to the recently announced replacement of Stuart Robert with Michael Sukkar.

It was **RESOLVED** that the Report Against Material Risks be noted.

***Annual Review of Risk Profile***

The paper with respect to this item was taken as read.

Anne Siegers advised the Committee of the work that had been undertaken to update the Company's Risk Profile, including the benchmarking exercise and consideration of reports and findings related to the recent Banking Royal Commission.

Amongst other matters, the Committee discussed the "major reputational damage" risk and requested that management consider both the scope and associated controls, including the positive promotion of the Company's businesses, and update the risk accordingly.

It was **RESOLVED** that the updated Risk Profile, as presented to the Committee, be approved with the "major reputational damage" risk to be reconsidered at the next meeting of the Committee.

### ***Delegations Policy***

The Delegations Policy paper was taken as read.

Anne Siegers advised the Committee that, in enhancing the Company's risk management framework, delegated authority of the Board was reviewed having regard to the recently approved Risk Appetite.

The Committee discussed the proposed increase in delegated authority from the Board to management from \$5 million to \$10 million.

Having regard to the increase in the proposed delegation, the Committee requested that it be provided with an executed contracts register at each of its meetings for contracts between the value of \$5 million and \$10 million so that the Committee can monitor the change in delegated authority.

It was **RESOLVED** that the Delegations Policy presented to the Committee be recommended to the Board for approval.

### ***Emerging Risks***

The Emerging Risks paper was taken as read.

It was noted that emerging risks were considered as part of the Annual Risk Profile Review and no new emerging risks were identified for the Company.

### **Risk Management Strategy:**

The Risk Management Strategy paper was taken as read.

Anne Siegers advised the Committee that, although the Company had an embedded undocumented risk management strategy, as part of the enhancements being made to the Company's risk management framework, a documented Risk Management Strategy had been prepared in the form presented to the Committee.

It was noted that the Risk Management Strategy:

- had been reviewed by Deloitte and incorporated feedback received regarding the articulation of the risk culture and roles and responsibilities of management; and
- would be reviewed annually by management with any amendments presented to the Committee for consideration.

It was **RESOLVED** that the Risk Management Strategy presented to the Committee be recommended to the Board for approval.

**Cyber Insurance Proposal:**

The paper with respect to this item was taken as read.

Anne Siegers advised the Committee that:

- the cyber insurance market had significantly matured since 2017 when the Company began investigating the relevance and appropriateness of cyber insurance;
- the Company's insurance broker, JLT, performed a review of the Company's existing insurance program cover to identify gaps in the cyber cover; and
- JLT obtained indicative quotes across the market to help enable the Company to make an informed decision on its cyber insurance cover.

It was noted that management had considered the work undertaken by JLT, the available cyber insurance offerings and the Company's cyber enhancement program of work. Based on these factors, management was recommending that the Company purchase Allianz's \$10 limit cyber insurance cover as it provides the most favourable terms, with no other insurance providers willing to add layers on these favourable terms.

The Committee requested that management review the cyber insurance offerings on an ongoing basis and the appropriate level of cover for the Company.

Having regard to the above, it was **RESOLVED** that the Company obtain Allianz's \$10 million cyber insurance cover for the period to 30 November 2020.

**Compliance Report:**

The Compliance Report was taken as read.

Josh Preston highlighted the updated format of the Compliance Report which includes material non-compliances, each of which had been incorporated in the Report Against Material Risks at Agenda Item 3.1.

It was **RESOLVED** that the Compliance Report be noted.

**Other Business:*****Review of Committee Charter:***

The Review of Committee Charter paper was taken as read.

Having reviewed the proposed amendments to the Committee Charter, the Committee **RESOLVED** that the revised Charter be recommended for approval by the Board.

***Future Meetings:***

The future meeting dates were noted.

**Closure:**

There being no further business, the meeting was declared closed at 9.50am.

Signed

.....

Geoff Dixon  
Chairperson

DRAFT



## Responsible Gaming Committee

Minutes of a Meeting of the Committee held at  
Level 3, Crown Towers, 8 Whiteman Street, Southbank, Victoria on  
29 May 2019 at 11.00am

---

### Members Present:

John Horvath (Chair)  
John Alexander  
Toni Korsanos

Mary Manos (Secretary)

### By Invitation:

Ken Barton (Crown Resorts Limited)  
Sonja Bauer (Group GM Responsible Gaming – Australian Resorts)  
Lauren Harris (Crown Resorts Limited)  
Leon Pillai (RG Operations Manager)  
Josh Preston (CLO – Australian Resorts)  
David Skene (Betfair) (by telephone)  
Melanie Strelein (Crown Perth) (by telephone)

### Apologies:

Barry Felstead (CEO – Australian Resorts)

### BUSINESS

### Minutes of Meeting held on 3 April 2019:

It was **RESOLVED** that the Minutes of the Responsible Gaming Committee Meeting held on 3 April 2019 be approved.

### Matters Arising:

The Matters Arising paper was taken as read.

In relation to the composition of the Advisory Panel, Sonja Bauer noted that Professor Delfabbro and Professor Nower had accepted their appointment as members of the Panel and that the first meeting of the Advisory Panel would be held in June or July 2019.

The Chairman requested that he and the Executive Chairman be invited to attend the first meeting of the Advisory Panel, together

with members of management as appropriate.

Josh Preston explained that Crown Melbourne has been working with the VCGLR to ensure that communications and agreed actions are appropriately documented. It was further noted that, as a matter of practice, Crown Melbourne provides feedback to the VCGLR on its draft minutes of meetings held with Crown Melbourne.

**Betfair Responsible Gaming Report:** The Betfair Responsible Gaming Report was taken as read.

Amongst other matters, David Skene noted the following:

- Paddy Power Betfair Plc had added a 'Close My Account' section to the 'My Account' section of the Betfair websites.
- The customer registration page had been updated to enable a customer to set a daily, weekly or monthly deposit limit.
- The ban on 'sign-up' offers had commenced and Betfair had removed all such offers from its websites and requested the same of its affiliates.
- Marianne Howard, a psychologist who practices in the area of gambling addiction, delivered responsible gambling training sessions to Betfair staff.

It was **RESOLVED** that the Betfair Responsible Gaming paper be noted.

**Australian Resorts Responsible Gaming Report:**

The Australian Resorts Responsible Gaming Report was taken as read.

Sonja Bauer noted the proposal to align Crown Melbourne and Crown Perth, following a recommendation made from Professor Blaszczyński, which would result in a transition from the concept of responsible *gaming* at Crown Melbourne to responsible *gambling*.

The Committee discussed the proposed alignment in detail, noting that at a meeting with senior management following the 15 November 2018 Committee meeting, the Chairman and Toni Korsanos expressed their preference for responsible *gaming*.

The Committee requested that it retain the term responsible *gaming* at Crown Melbourne and transition from responsible *gambling* at Crown Perth to responsible *gaming* to align the properties for the following reasons:

- 'gaming' is the term used for the products offered at Crown Melbourne and Crown Perth and is referred to in the Crown Melbourne Casino Licence and associated agreements including the Casino Agreement between Crown Melbourne

and the VCGLR; and

- industry convention is to use the term 'gambling' as an umbrella term for wagering and gaming, while separately, 'wagering' refers to online and sports betting and gaming refers to land based licensed gaming products.

It was noted that Professor Blaszczynski be notified of this decision and the reasons for the decision.

Amongst other matters, Sonja Bauer and Josh Preston advised the Committee of the following:

- Chris Reilly, General Manager – Tourism, Crown Resorts, has been appointed to the RGMAC in place of Sonja Bauer.
- Following his appointment as CEO of the Victorian Responsible Gambling Foundation, Shane Lucas visited Crown Melbourne for a tour of the property on 28 May 2019 and met with Crown Senior Management and received a presentation on Responsible Gaming.
- Since the last meeting of the Committee, a number of Parliamentary tours were conducted at Crown Melbourne with positive feedback received from all visitors.

Josh Preston advised the Committee that there had been several tours of Crown Melbourne undertaken with politicians and other stakeholders with positive feedback having been received. It was noted that those tours would continue on an ongoing basis.

The Chairman noted that consideration should also be given to inviting the Premier of Victoria, Daniel Andrews, and, should the Premier agree to attend a tour, he and the Executive Chairman should be involved in the tour.

The Committee also requested that invitations to tour Crown Melbourne be extended to the Prime Minister and the Federal Treasurer.

Sonja Bauer noted the general property updates and statistics.

It was **RESOLVED** that the Australian Resorts Responsible Gaming Report be noted.

**Crown Resorts Responsible Gaming Report:**

The Crown Aspinalls and Aspers Responsible Gaming Reports were taken as read.

Mary Manos advised the Committee that Aspers had adopted the term 'safe' gambling and was trialling Focal ALERT.

**Crown Melbourne Licence Review Update:**

It was **RESOLVED** that the Crown Aspinalls and Aspers Responsible Gaming Reports be noted.

The Committee noted the progress made against each recommendation in the Crown Melbourne Licence Review Update paper.

Josh Preston noted that work is continuing to finalise the actions for each recommendation with a due date of 1 July 2019 approaching for several of the recommendations. It was also noted that the Strategic Plan would be circulated to the Committee for review in the coming weeks.

The Committee requested that:

- it be provided with the draft responses to each RSG related recommendation that are due to be submitted to the VCGLR on 1 July 2019; and
- a meeting of the Committee be scheduled for 12 June 2019, immediately following the Crown Resorts Limited Board meeting.

It was **RESOLVED** that the Crown Melbourne Licence Review Update be noted.

**Gaming Environment Scan:**

The Gaming Environment Scan paper was taken as read.

It was **RESOLVED** that the Gaming Environment Scan be noted.

**Future Meetings:**

The future meeting dates were noted.

**Other Business:**

The Chairman noted the compliance matters reported to the Crown Melbourne Compliance Committee. It was noted that statistical detail on the numbers of reports would be included in the Crown Melbourne Compliance Committee papers going forward in order to assess any trends and that a reporting dashboard would be considered for presentation to the Compliance Committee.

**Closure:**

There being no further business, the meeting was declared closed at 11.59am.



Signed

.....  
Chair  
John Horvath

DRAFT



## Occupational Health & Safety Committee

Minutes of a Meeting of the Committee held at  
Level 3, Crown Towers, 8 Whiteman Street, Southbank, Victoria on  
29 May 2019 at 12.00pm

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### Members Present:

John Horvath (Chair)  
Jane Halton  
Michael Johnston (by telephone)

Mary Manos (Secretary)

### By Invitation:

John Alexander (Crown Resorts Limited)  
Ken Barton (Crown Resorts Limited)  
Tony Graham (GM – Health & Safety)  
Lauren Harris (Crown Resorts Limited)  
Damir Kucan (EGM – Human Resources) (by telephone)  
Alan McGregor (CFO – Australian Resorts)

### Apologies:

Barry Felstead (CEO – Australian Resorts)

### BUSINESS

### Minutes of Meeting held on 12 February 2019:

It was **RESOLVED** that the minutes of the Occupational Health & Safety Committee meeting held on 12 February 2019 be approved.

### Matters Arising:

It was noted that the matters that arose from the last meeting were addressed in the paper at Agenda Item 3.

### 3<sup>rd</sup> Quarter FY19 OH&S Key Performance Scorecards:

The paper with respect to this item was taken as read.

Tony Graham spoke to the matters arising from the last meeting noting, amongst others, the following:

- The self-insurance impacts of the increased number of common law claims at Crown Melbourne, as set out in the paper, was presented to the Risk Management Committee at its meeting.

It was also noted that:

- the WorkSafe auditor advised management that other self-insurers in Victoria have also been experiencing an increase in common law claims; and
- the last financial viability review of the Company's self-insurance program in Victoria was conducted by the Company's insurance broker in 2017.

The Committee requested that a financial viability review of the Company's self-insurance program in Victoria be undertaken prior to the next scheduled review in 2021.

- Health and safety due diligence training was being provided to members of senior management during the course of the week with the Chairman scheduled to attend a session following the Committee meeting.

It was noted that an additional training session would be scheduled following the 13 August 2019 Committee meeting which Jane Halton and Mike Johnston would be invited to attend.

- Security and surveillance statistics as reported to Crown Melbourne and Crown Perth had been included at the end of the paper.

It was noted that a number of weapons found on site were found in garden beds.

The Committee requested that at the next meeting of the Committee, it be provided with the frequency at which garden beds are searched at each of Crown Melbourne and Crown Perth.

- Damir Kucan and Tony Graham presented the 3<sup>rd</sup> Quarter F19 Key Performance Scorecard, noting that the current year performance was steady, and the key health and safety initiatives to the Committee, noting, amongst other matters, the following:

*Crown Melbourne*

- The Health and Safety performance statistics at Crown Melbourne for the current year were encouraging with Total Recordable Frequency Rate (**TRFR**), Average Days Lost per LTI, Average Claims and Claim Payments down year on year, noting that the total payments made was higher year on year as a result of a tail impact of claims from previous years.
- The security Health and Safety performance statistics, excluding the recent incident where a number of security guards were

injured in a patron brawl, were encouraging.

- The number of Lost Time Injuries (**LTIs**) in Food & Beverage had spiked in the last two weeks, noting that a meeting with Mark Holmes, EGM – Food & Beverage, was scheduled to be held next week to discuss the recent spike.
- The Workers Compensation program review at Crown Melbourne was finalised in the reporting period with accepted recommendations to be implemented in F20.
- The Health Monitoring Program is continuing at Crown Melbourne with an initial clearance rate of 90% and a secondary clearance rate of 96-97%.

#### *Crown Perth*

- The Health and Safety performance statistics at Crown Perth for the current year were encouraging with Lost Time Incident Frequency Rate (**LTIs**), TRFR, Average Claims and Claims Received down year on year, noting that the Average Days Lost and Claim Payments were higher year on year which was largely due to two ankle injuries.
- The insurance broker remains confident that Crown Perth could retain its record low Workers Compensation premium rate on renewal.
- A health & safety audit will be undertaken at Crown Perth against the same audit criteria utilised for Crown Melbourne annual audits to ensure consistency across the properties with the outcomes to be presented to the Committee at its next meeting.
- A working hours project team had been established to ensure risks associated with fatigue are reviewed when developing employee rosters and allocating additional shifts or overtime and are set in accordance with CrownSafe guidelines.

The Committee discussed the Mental Health Awareness program which is being implemented at Crown Melbourne and Crown Perth and recommended that employees who require assistance to be provided with up to two counselling sessions.

#### *Crown Sydney*

The Committee noted the report in relation Crown Sydney and the preparatory work being undertaken to prepare for opening.

#### *Capital Club and Betfair*

The Committee noted the reports in relation Capital Club and Betfair.

It was **RESOLVED** that the 3<sup>rd</sup> Quarter FY19 OH&S Key Performance Scorecards be noted.

**Future Meetings:**

The future Committee meeting dates were noted.

**Closure:**

There being no further business, the meeting was declared closed at 12.31pm.

Signed

.....

Chairperson  
John Horvath

DRAFT



**AGENDA ITEM 12:**  
Risk Management Committee Matters



# Crown Resorts Limited

## Memorandum

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**To:** Board of Directors  
**From:** Mary Manos  
**Date:** 7 June 2019  
**Subject:** Risk Management Strategy

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Dear Directors

As noted in the 29 May 2019 Risk Management Committee minutes included at agenda item 11.2, the Risk Management Committee was presented with and considered a draft Risk Management Strategy for adoption by the Company.

A copy of the draft Risk Management Strategy, as presented to the Risk Management Committee, is **attached**.

The Risk Management Strategy formalises the fundamental expectations of the Crown Resorts Limited Board in relation to the key elements of the Risk Framework.

As part of the program of work that has been undertaken since December 2017 to review and enhance the Risk Management Framework of Crown, a number of steps have already taken place to increase the quality of documentation and formalisation of our risk practices.

The Risk Management Strategy has been reviewed by an external party as recommended as part of the VCGLR's Section 25 review recommendations and feedback has been incorporated accordingly.

The Risk Management Committee has recommended the approval of Risk Management Strategy by the Board.

It is proposed that the Board resolve to approve the attached Risk Management Strategy.



# Crown Resorts Limited Risk Management Strategy

Crown Resorts Limited ACN 125 709 953  
A public company limited by shares

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### Document History:

Document Changes	Author(s)	Date	Approval Authority
Document created	Anne Siegers - GGM –R&A Joshua Preston - CLO	Xx May 2019	Crown Resorts Board

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## 1. Executive Summary

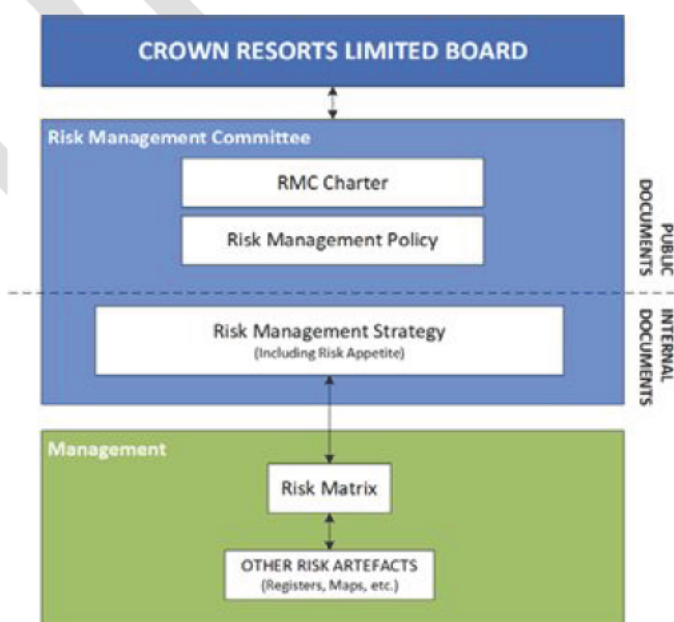
As an ASX listed company, Crown must consider the ASX Corporate Governance Principles. Principle 7 relates to how an organisation must recognise and manage risk: 'A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework'. Fundamentally, that principle articulates the following concepts:

- The Board of a listed entity is ultimately responsible for deciding the nature and extent of the risks it is prepared to take to meet its objectives.
- It is the role of the Board to set the risk appetite for the entity, to oversee its risk management framework, at least annually, and to satisfy itself the framework is sound.
- Ultimate responsibility for a listed entity's risk management framework rests with the full Board, although it can have in place a committee to oversee risk.
- The organisation should have an independent internal audit function and articulate its structure and role.

The Crown Resorts Limited (**Crown**) Risk Management Strategy (**RMS**) is an internal document, which sets out the fundamentals of what the Crown Resorts Limited Board (**Board**) expects from its risk management framework across all entities of the group. The RMS articulates the following:

- the risk management principles that underline Crown's management of risk;
- roles and responsibilities around risk across the organisation, starting with the Board;
- the risk management framework;
- the risk appetite of the Board; and
- the basic principles, aligning to *ISO31000:2018 Risk Management*, that support the identification and management of risk at Crown.

It aligns with other corporate risk documents as follows:



## 2. Background

The Board, being ultimately responsible for the effective management of risk at Crown, has established and approved this RMS.

Risk is inherent in all Crown's products, activities, processes and systems used in day-to-day operations. The Board also acknowledges that in order to operate and fulfil its objectives, Crown needs to take risks.

The purpose of this RMS is to describe Crown's approach to ensuring that it maintains a risk management framework that supports the effective management of its material risks in a manner consistent with its risk appetite and strategic objectives.

### 2.1. Document Owner

The Board owns and approves this document.

### 2.2. Confidentiality

This document is intended for internal use only and should not be distributed outside Crown without the express permission of the General Counsel.

### 2.3. Definitions

The following key definitions apply to the RMS:

- 'Australian Resorts' means Crown Melbourne, Crown Perth and Crown Sydney.
- 'Board' means Crown Resorts Limited Board.
- 'BOT' refers to the Business Operations Teams for Crown Perth and Crown Melbourne.
- 'CEO' refers to the Executive Chairman of Crown Resorts and/or the Chief Executive Officer of Australian Resorts or equivalent of any relevant wholly-owned subsidiary. .
- 'Crown' means Crown Resorts Limited and its material wholly owned subsidiaries. This includes Crown Melbourne, Crown Perth, Crown Sydney, Crown Aspinalls and Betfair.
- 'Executives' refers to the Crown Resorts' Executive team as well as the Australian Resorts' Executive team and any other senior executives of the wholly owned subsidiaries.
- 'Inherent risk' means the risk assessment prior to consideration of mitigating factors.
- 'Key management personnel' means Executives and General Managers for critical business functions.
- 'Residual risk' means the risk assessment after consideration of existing mitigating factors and/or controls.
- 'Risk' is defined as the effect of uncertainty on an objective. It is an event or possible deviation from plan, characterised by reference to the likelihood of the potential event and the impact of that event occurring.

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- 'Risk appetite' is the amount of risk that the organisation is willing to accept in pursuit of its strategic objectives and in the interest of protecting its stakeholders.
- 'Risk culture' means the system of values and behaviour that shapes the decisions and actions of staff in relation to risk taking.
- 'Risk governance framework' refers to the formal structure that supports risk-based decision-making and oversight across all operations of Crown and to support the Board's desired risk culture.
- 'Risk tolerance' is the quantitative application of risk appetite, and represents the operational boundary for the relevant risk exposure.
- 'Risk management framework' is the totality of systems, structures, policies, processes and people that Crown uses to identify, measure, monitor, report and control all internal and external sources of material risk.
- 'Senior Management' refers to all members of the Business Operations Team (for Crown Melbourne and Crown Perth) and other key management personnel of Crown Resorts and the wholly owned subsidiaries.

### 3. Risk Management Principles

Crown's culture, and more specifically its risk culture, is built around a number of core pillars, including its service standards philosophy, integrity and compliance focus, and safety of staff and patrons. These elements underpin all other elements of the risk framework and are fundamentally embedded across the organisation.

Crown's strategy for managing risk is based on the following fundamental principles:

- the fundamental purpose of risk management is to provide a framework within which Crown and its employees can take well informed risks that support its strategic objectives and add value to the organisation;
- effective risk management requires a robust and effective risk governance framework that includes clearly defined risk management responsibilities, accountabilities and mechanisms for independent oversight, review, challenge and assurance;
- effective risk management requires a strong, robust and pervasive risk culture that is consistent with Crown's values and risk appetite; and recognises that risk management is the responsibility of all staff;
- effective risk management requires clear articulation and documentation of risk appetite by the Board and effective communication of that appetite to all relevant levels of the organisation; and
- effective risk management requires consistent risk identification, assessment, measurement, management, monitoring and reporting processes that are integrated into and support strategic and business processes.

To give effect to these fundamental principles, Crown has developed a comprehensive risk management framework.

12.1

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## 4. Risk Management Framework

The risk management framework is the totality of systems, structures, policies, processes and people that Crown uses to identify, measure, monitor, report and control all internal and external sources of material risk.

The purpose of the risk management framework is to provide a structure for identifying and managing each material risk in a manner consistent with Crown's strategic objectives and risk appetite.

The key elements of the Risk Management Framework that give effect to the RMS include:

- the Crown Risk Governance Framework (Section 5);
- the Risk Appetite (Section 6);
- How the risk appetite is operationalised (Section 7); and
- Crown's risk management processes and methodology (Section 8).

The Risk Management Framework is an overarching framework that sets the basic principles within which other, more specific risk management policies and procedures are developed, and which other corporate frameworks follows. Some of these other frameworks include:

- Compliance
- Responsible Service of Gaming (RSG)
- IT Change Management
- Work Health and Safety
- AML/CTF
- Procurement
- Security and Surveillance

## 5. Risk Governance Framework

The Risk Governance Framework refers to the formal structure to support risk-based decision-making and oversight across all operations of Crown and to support the Board's desired risk culture.

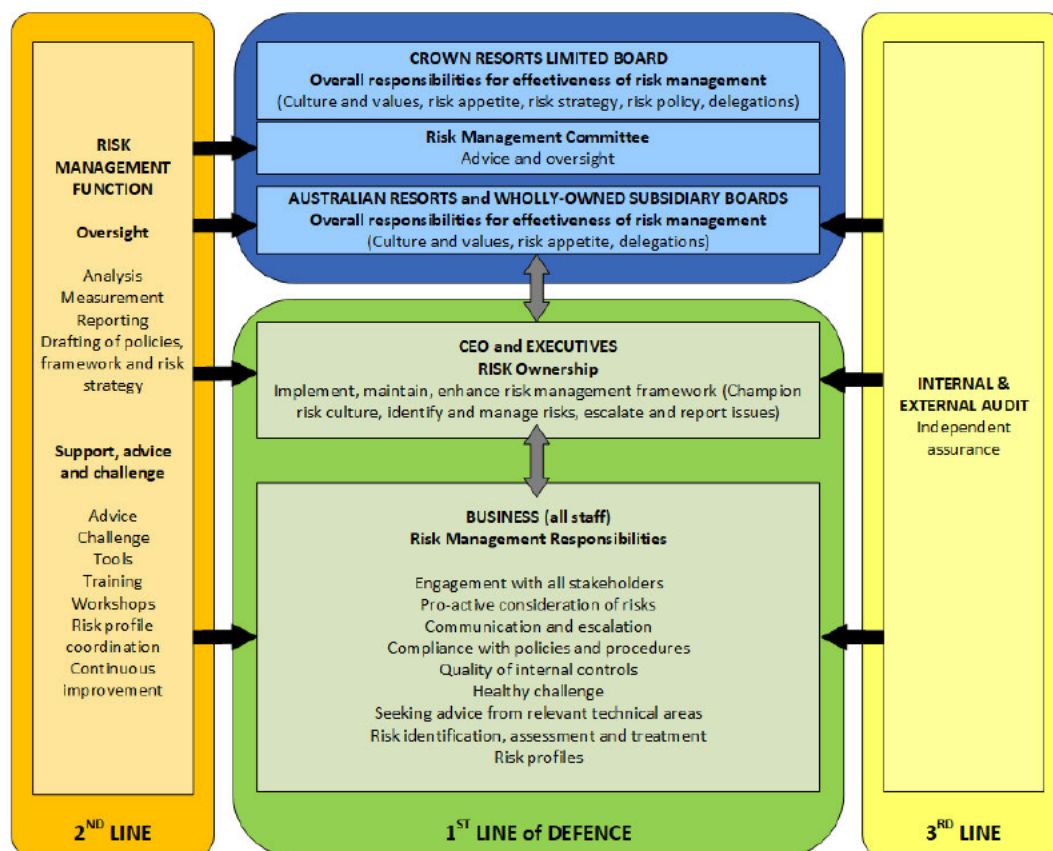
An effective Risk Governance Framework requires:

- risk ownership and risk management accountability to be clearly defined and assigned to those responsible to support the consideration of risk in all decision making. This supports the integration of risk identification and assessment into organisational decision making processes;
- independent oversight, challenge, reporting and monitoring of the risk culture, risk profile, risk management framework and material business decisions that have the potential to impact the organisations risk profile; and
- independent assurance regarding the appropriateness, effectiveness and adequacy of, and compliance with, the risk management framework.

For this reason, the Board has endorsed a "three lines of defence" risk governance model. An overview of Crown's Risk Governance Framework is illustrated below:

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12.1

The following sections outline the roles and responsibilities of each of the key components of the Risk Governance Framework illustrated above.

### 5.1. The role of the Board

The Board is ultimately responsible for the establishment and implementation of a risk management framework that enables Crown to appropriately develop and implement strategies, policies, procedures and controls to identify and manage its material risk exposures.

To fulfil its obligations, the Board:

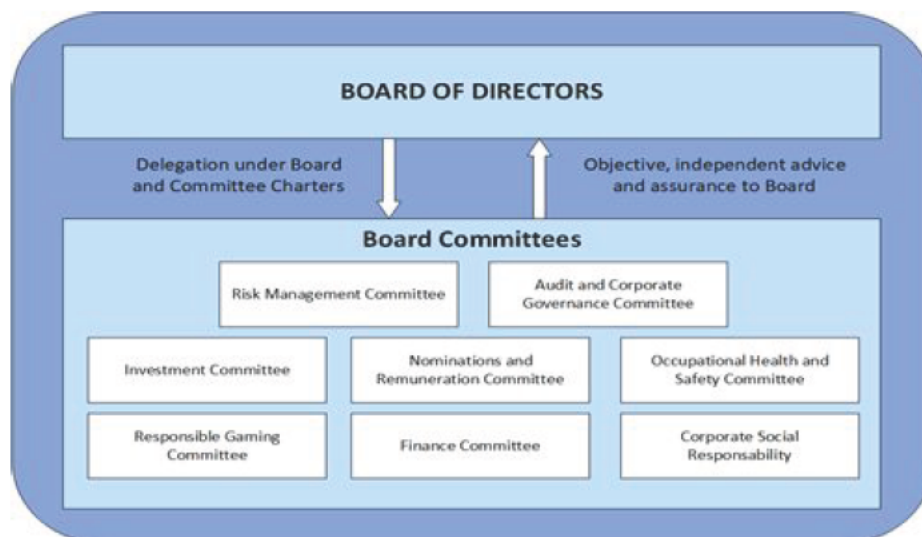
- clearly defines Crown's risk appetite;
- establishes and approves this RMS to clearly articulate Crown's risk culture and strategy for managing risk;
- ensures that senior management monitors, reports and manages all material risks consistent with the strategic objectives and risk appetite approved by the Board;
- ensures that Crown maintains an independent Risk Management and Internal Audit Function across its operational entities that have the appropriate reporting lines, resourcing, authority and access to the Board and organisation to fulfil their responsibilities outlined in Section 5.4 and 5.5 below;
- recognises uncertainties, limitations and assumptions attached to the measurement of material risk; and
- ensures that the Risk Management Framework is reviewed at least annually and approves any material changes to the RMS and the appetite.

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The Board has established a number of Board Committees having regard to the risk profile of Crown, the complexity of Crown's business operations as well as the experience and expertise of the directors.

While some duties of directors may be delegated to Board Committees, as appropriate, the Board retains ultimate responsibility for ensuring that those duties are performed.

The following diagram illustrates the Board sub-committees in place at Crown Resorts:



Each of these Board Committees forms part of, and plays an integral role in, the governance framework and supporting the Board to fulfil its responsibilities in respect of the Risk Management Framework. The primary Committee responsible for assisting the Board in overseeing the Risk Management Framework is the Risk Management Committee (RMC). Section 5.2 outlines the responsibilities and role of the RMC and its interaction with the Board.

### 5.2. The role of the Risk Management Committee

The RMC has been delegated responsibility for overseeing Crown's Risk Management Framework and assists the Board by providing objective oversight of the implementation and operation of Crown's Risk Management Framework.

The Chair of the RMC provides a report to the Board following each RMC meeting to ensure adequate communication between the Committee and the Board.

The role of the RMC is articulated in the RMC Charter. In particular, the RMC's responsibilities include:

- overseeing and advising the Board on Crown's overall risk appetite, risk culture and Risk Management Strategy;
- establishing a view of Crown's current and future risk position relative to its Risk Appetite;
- overseeing the establishment, review, ratification and implementation of a Risk Management Framework that identifies and addresses the material risks faced by the organisation and is consistent with the strategic objectives and the RMS;

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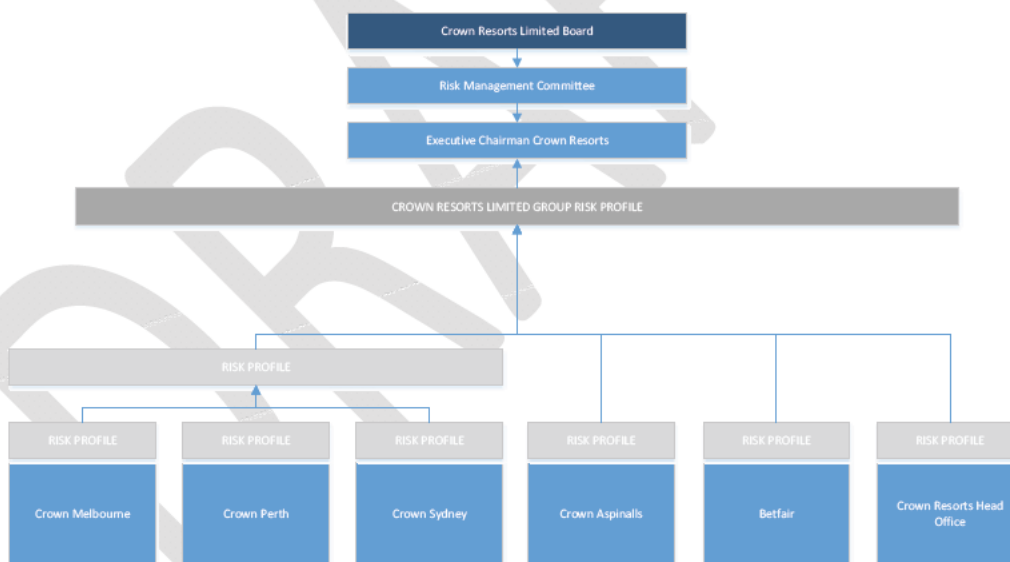
- overseeing the development of risk management policies, systems and processes to facilitate a consistent approach to the identification, assessment and management of risks;
- constructively challenging senior management's proposals and decisions on all aspects of risk management; and
- reviewing regular reports on Crown's risk profile and the adequacy and effectiveness of the Risk Management Framework and internal control systems.

### 5.3. The consolidation of entities within Crown

The Crown organisation is comprised of a number of wholly owned subsidiaries.

To ensure visibility and transparency across the organisation, the following steps are in place:

- each material entity is responsible for updating its own corporate risk profile, reflecting the material risks of its business, and operating in line with this RMS;
- On at least an annual basis, those profiles are analysed by the risk department as a key input into the annual update of the consolidated Crown Resorts risk profile, which is presented to the RMC.
- Consolidation of risk profiles will take place against the following path:



### 5.4. The first line of defence

Central to Crown's Risk Management Framework is the concept that risk is best understood, identified, assessed, managed and integrated into decision making processes by assigning risk ownership and risk management responsibility to those responsible for making material business decisions. This supports the integration of risk identification and assessment into organisational decision-making processes.

The Board has delegated, subject to Board oversight and within the confines of the strategic objectives and this RMS, to the Executive Chairman the responsibility of management oversight of risk for Crown Resorts and its wholly owned subsidiaries. The Executive Chairman in turn has delegated to the CEOs or equivalent of each wholly owned subsidiary the day-to-day management of the Risk Framework for each respective business.



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The CEOs, under authorised delegation from the Board and Executive Chairman, have sub-delegated business management responsibilities to Executives, Senior Management and to specific management committees.

The CEOs, Executives and Senior Management form the first line defence and assume ownership of, and accountability for the management of, the material risks faced and effective implementation of the Risk Management Framework.

All other Crown staff support the implementation of the Risk Management Framework under direction and delegation from the CEOs, Executives and Senior Management.

(a) CEOs, Executives and Senior Management responsibilities

CEO, Executives and Senior Management assume ownership of the material risks faced by the organisation and are charged with the responsibility for the implementation of the Risk Management Framework. Specifically, this includes:

- establishing, maintaining and championing an effective risk culture throughout the organisation;
- ensuring that policies, processes, systems and internal controls are developed to effectively identify, assess, manage and monitor the risks faced by the organisation in a manner consistent with the Risk Management Framework;
- ensuring that these policies, processes, systems and internal controls are integrated into, and support, business decision making processes and the ongoing maintenance and enhancement of the risk management framework;
- managing Crown's risk profile within the Board's risk appetite and tolerances defined in the RMS;
- ensuring that appropriate reporting and monitoring processes are developed and implemented to escalate relevant information to CEO, Executives, Senior Management, the Risk Management Function and, if necessary, the Board; and
- developing and implementing timely remediation strategies to address material risk exposures that are outside of the Board's Risk Appetite.

(b) All other Crown staff

Although the CEOs, Executives and Senior Management are assigned risk ownership, all staff play an integral role in the effective implementation of the Risk Management Framework and in the management of risk. All Crown's staff are responsible for:

- performing their role in a manner consistent with the expected organisational culture and Code of Conduct;
- implementing and complying with all Crown's policies, processes, systems and internal controls that have been developed to effectively identify, assess, manage and monitor the risks faced by the organisation; and
- managing, and being accountable for risks particular to their area of responsibility as delegated by the CEO, Executives and Senior Management.

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## 5.5. The second line of defence

Crown maintains an independent Risk Management Function that is responsible for assisting the Board, RMC, CEOs, Executives and Senior Management to develop and maintain the Risk Management Framework.

The Group General Manager – Risk and Audit (**GGM – R&A**) is designated as being the person responsible for the risk management function for Crown. To ensure that the risk management function has the appropriate authority and operational independence to perform its role and responsibilities, the GGM – R&A and Risk Management Function:

- reports directly to the CEO and the Chief Legal Officer (**CLO**) for Australian Resorts, is a member of BOT, and provides functional support to Crown wholly-owned subsidiaries as required and appropriate. This ensures that the GGM – R&A has appropriate authority and opportunity to challenge activities and decisions that may materially affect the risk profile of Crown;
- is an invited participant of the RMC meetings. This ensures that the GGM – R&A and Risk Management Function has regular and unfettered access to the RMC; and
- has no operational business reporting line or revenue generating responsibilities (1st line).

The responsibilities of the Risk Management Function and GGM – R&A include:

- assisting the Board, RMC, CEOs, Executives and Senior Management to develop and maintain a risk management framework that adequately addresses the material risks faced by Crown;
- providing independent and objective guidance, challenge and advice to the RMC and Board in respect of the development and regular review of the risk management framework including the Board approved risk appetite and RMS;
- developing risk management policies, systems and processes that facilitate a consistent approach to the identification, assessment and management of material risks across the organisation and that build risk management capabilities;
- providing independent and objective challenge to the CEOs, Executives and Senior Management's implementation of the risk management framework and to the effectiveness of risk management practices;
- participating in, and providing effective challenge to, decision making processes that could materially affect the risk profile of the organisation;
- oversight of the processes and methodologies used to identify, measure, monitor and report material risks;
- encouraging subject matter experts within, or external to, the business to be engaged when necessary;
- providing independent, objective and timely reporting of Crown's risk profile relative to the Board's Risk Appetite and escalation to the RMC, Board, CEO, Executives and/or Senior Management of actual or potentially material risk matters;
- effectively supporting the communication of the Risk Management Framework, Risk Appetite, Risk Management Strategy and Board's desired risk culture throughout the organisation;

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- providing guidance, advice and training to the relevant staff on risk related matters and the application of the Risk Management Framework.

The second line of defence also includes Compliance, AML/CTF and Legal functions which, together, assist in the management of each Crown entity's compliance, regulatory and legal risks.

#### 5.6. The third line of defence

To provide independent assurance to the Board in respect of the Risk Management Framework, Crown has established an independent Internal Audit function for its operational entities.

To ensure the independence of the Internal Audit function from the first line of defence the person designated as being responsible for the Internal Audit function (the GGM – R&A) has:

- a direct reporting line to the CEO – Australian Resorts;
- a functional reporting line to the RMC;
- an operational reporting line to the CLO – Australian Resorts, who in turn has a direct reporting line to the CEO - Australian Resorts and the Boards of each Australian resorts entity; and
- no operational business reporting line or revenue generating responsibilities (1st line).

In respect of the Risk Management Framework, the third line is responsible for:

- developing an Internal Audit Plan that provides assurance over the material operational risks of the organisation and is appropriate to test the effectiveness of the policies, controls and procedures implemented to manage those risks as documented in the Corporate Risk Profile; and
- at least every three years, facilitating an independent review of the appropriateness, effectiveness and adequacy of the Risk Management Framework.

## 6. Risk Appetite

Fundamental to the implementation of an effective Risk Management Framework is the articulation, by the Board, of its Risk Appetite. This process allows the Board to communicate to management its expectation with regards to the degree of losses that it is willing to absorb in the pursuit of its strategy.

The appetite definitions guide management risk taking activities and communicates the Board's expectations of risk culture by establishing:

- a high level statement of the Board's risk philosophy and the expected risk culture and behaviours of the organisation;
- qualitative statements and quantitative metrics triggering RMC reporting for each material risk category; and
- the requirements for the monitoring and reporting of Crown's risk profile relative to quantitative parameters (risk tolerances) against these risk categories.

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## 6.1. Risk Categories

In structuring its Risk Appetite, Crown has considered the range of consequences that any event could trigger, and it has organised its Risk Appetite against these seven (7) impact categories, which are:

- Financial
- Brand / Reputation
- Regulatory / legal
- People
- Customers / Patrons
- Infrastructure
- Strategy /Business Sustainability

## 6.2. Risk Appetite Statements and Reporting Tolerances

The following qualitative statements and quantitative metrics define the Board's appetite and its tolerance for individual risk events. Quantitative metrics trigger reporting requirements to the RMC. The trigger can be either a single event or a series of events cumulating to the below thresholds.

Category	Qualitative Statement	Quantitative Metrics – RMC Reporting Triggers	
Financial	Protect and deliver shareholder value	Outside normal trading EBITDA losses (per event)/ and or adverse to the current (normalised) forecast	>\$10M
		Large capital, equity or treasury transaction	>\$10M
Brand / Reputation	Maintain shareholder confidence	Internal event creating a sustained share price loss	>5%
	Retain public confidence in the Crown brand	Sustained negative national or international media coverage	Any event
Regulatory/ legal	Maintain systematic compliance with regulatory, legal, statutory and contractual obligations	Significant breaches that may have a financial or reputational impact	Any event
		Material legal action or class action	Any event
	Build and maintain professional and collaborative relationship with regulators and relevant government bodies	Significant breach or event that has the potential to damage the relationship	Any event
	Deliver gaming and alcohol services responsibly	Material RSG issues including adverse media	Any event
		Integrity of liquor licences	Any loss of licence and/ or points

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Category	Qualitative Statement	Quantitative Metrics – RMC Reporting Triggers	
<b>People</b>	Maintain a safe and healthy workplace	Significant notifiable incidents under the Workplace Health and Safety Act	Any event
	Maintain corporate culture and performance	Sustained staff turnover and/or unplanned absences above average	>5% point increase
		Loss or potential loss of key management personnel	Any event
	Maintain healthy engagement with Unions	Imminent industrial action	Any event
<b>Customers/ Patrons</b>	Ensure our services are available to our target customers	Negative event affecting segment of patrons (ex VIP, F&B, Hotel)	Over 20% or 20,000 patrons of segment type, or \$100M in revenue
<b>Infrastructure</b>	Maintain appropriate security and surveillance across the properties	Security incident that threatens people or property	Any event
	Maintain high levels of critical IT Infrastructure availability and reliability	Loss of core IT infrastructure or multiple key systems	>24 hrs
	Protect information	External or internal security breaches resulting in unauthorised access to, or loss of, customer, employee and company data likely to result in serious harm	Any event
	Maintain high quality physical infrastructure to deliver our world class services	Loss of critical physical infrastructure	>24 hrs
	Maintain strong Business Continuity and Disaster Recovery capabilities and facilities	Unplanned loss of gaming floor in one property	>10% for up to 24 hrs
		Unplanned loss of non-gaming front of house facilities in one property	> 1 hotel or 50% F&B for over 24hrs
<b>Strategy / Business Sustainability</b>	Maintain 24/7 operations	Critical event requiring mobilisation of resources and CMT/EMT activation	Any event
	Ensure strategic projects are delivered to provide medium	Key strategic project delayed by 12 months or more	Any event

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Category	Qualitative Statement	Quantitative Metrics – RMC Reporting Triggers	
	to long term business sustainability and competitiveness		
	Make strategic investment and divestment decision that enhance business value and sustainability	Change in ownership share of related or third party entity	Any event

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### 6.3. Reporting Triggers – Board Reporting Mechanisms

At each meeting of the RMC, a report against this risk appetite table will be prepared by the GGM – R&A. It will highlight events against reporting triggers by exception.

In most circumstances, reporting trigger events at the regular RMC meeting will be sufficient, but at times, special meetings of the RMC or other Board forums may be required based on the magnitude of the event, as well as the requirement for a timely Board decision.

The requirement for a special meeting will be decided on a case-by-case basis by consultation between the CEO, CLO, General Counsel and the GGM – R&A, as well as any relevant key management personnel.

### 6.4. When a risk materialises: issues management

Risks identified in the risk profile are future focused, but a risk that is rated possible, for example, still means that it is expected to occur every 2 to 5 years. Therefore, on a regular basis, risks that are rated within the appetite of the Board will materialise and the impact will be incurred by Crown.

When one of them materialises, two key actions will take place:

1. the risk rating will be reviewed to ensure that it is still relevant and as accurate as possible, taking into account the recent materialisation of the risk and the potential change in risk context. In that review, consideration of the effectiveness of the relevant control framework will also take place; and
2. the specific event will be managed and operational procedures will be applied within the appetite of the Board: if the consequences are within the thresholds described in section 6.2, management will handle the event; otherwise, the RMC/Board will have oversight of the resolution.

### 6.5. Operationalisation of the Risk Appetite

Risk Appetite is a high-level and qualitative concept, and needs to be translated into quantifiable and measurable thresholds to allow the business to operate within that articulated level of risk. It also needs to be relevant and understandable for day-to-day activities across the whole organisation.

This translation is facilitated through the Risk Matrix which defines likelihood and impact thresholds. The combination of a likelihood rating with a consequence rating provides a risk rating. This rating can be either inherent or residual.

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The Risk Matrix is the cornerstone of the risk identification and assessment processes detailed in Section 7 of this document and supports a consistent understanding of operational risk appetite, assessment and management across the business.

The Risk Matrix is updated by the Risk Management Function and is approved by the Executive Chairman for Crown Resorts and the CEOs or equivalent for the wholly owned subsidiaries.

The residual risk ratings guide the delegated responsibilities for the management and acceptance of risk within the boundaries of the delegations schedules.

They are expressed on the Risk Map by colour, which represent escalation levels as follows:

LIKELIHOOD	Almost certain					
	Likely					
	Possible					
	Unlikely					
	Rare					
		Insignificant	Minor	Moderate	Major	Severe
IMPACT						

#### Legend:

	Critical risk – Oversight by the RMC/Board
	High risk – Managed by CEO and relevant EGMs
	Moderate risk – Managed by BOT members
	Low risk – Managed as part of BAU

Oversight by the RMC and/or Board means that:

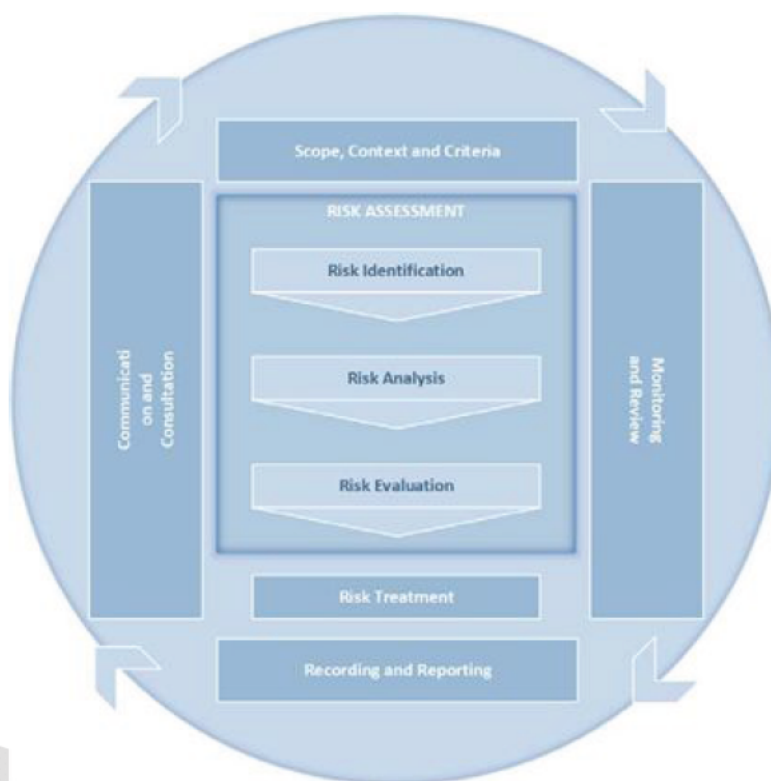
- the risk or issue is presented to the RMC and/or Board,
- remediation actions (including acceptance of the risk) are discussed and
- approval is obtained where required.

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## 7. Risk Management Process and Methodology

### 7.1. Risk Methodology

The risk management process is a systematic, recorded and regularly reviewed process. Crown follows the key principles and guidelines of *AS/NZS ISO 31000:2018 Risk Management – Principle and Guidelines* in identifying, assessing, evaluating, controlling and monitoring risk. This process is illustrated in the diagram below:



Source: AS/NZS ISO 31000:2018

These steps are the basis for any risk management activity at Crown and are outlined below.

(a) Scope, Context and Criteria

By establishing the context, the organisation articulates its objectives, defines the external and internal parameters to be taken into account when managing risk, and sets the scope and risk criteria for the remaining process.

(b) Risk Identification

This step includes identifying sources of risk, areas of impacts, events (including changes in circumstances), causes and potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives.

(c) Risk Analysis

Risk analysis involves developing an understanding of the risk. Risk analysis provides an input into risk evaluation and to decisions on whether risks need to be treated, and on the most appropriate risk treatment strategies and methods. Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences, and the likelihood that



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those consequences can occur. Factors that affect consequences and likelihood are identified. Existing controls and their effectiveness and efficiency are also taken into account.

**(d) Risk Evaluation**

The purpose of risk evaluation is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation.

It involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need and prioritisation for treatment can be considered.

**(e) Risk Treatment**

Risk treatment involves selecting one or more options for modifying risks, and implementing those options. Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances. The main treatment options are:

- **Accept:** deciding that the risk is acceptable in its current state of likelihood and impact.
- **Avoid:** deciding the risk is unacceptable for Crown and the actions or circumstances giving rise to the risk should be ceased.
- **Monitor:** the level of residual risk is currently appropriate, but monitoring is required to ensure the context or control effectiveness does not change.
- **Optimise:** taking actions to increase the likelihood and/or the consequence of an opportunity or improve the efficiency of the control framework in place for the risk.
- **Reduce:** taking action by changing the control environment to reduce the likelihood and/or the consequence of the risk materialising.
- **Transfer:** This involves transfer of risk at a cost to a third party. For Crown, this transfer occurs primarily through insurance policies.

**(f) Communication and Consultation**

Communication and consultation with external and internal stakeholders takes place during all stages of the risk management process. Effective external and internal communication and consultation ensures that those accountable for implementing the risk management process and stakeholders understand the basis on which decisions are made, and the reasons why particular actions are required.

**(g) Monitoring and Review**

Crown's monitoring and review processes are carried out for the purposes of:

- informing Crown's understanding of its operational risk profile relative to the Board's Risk Appetite;
- ensuring that appropriate controls are established, effective and are efficient in both design and operation;
- monitoring the progress in implementing risk treatment or remediation plans;
- detecting changes in the external and internal context, including changes to risk criteria and the risk itself which can require revision of risk treatments and priorities; and

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- identifying emerging risks.

(h) Recording and reporting

This part of the process is about ensuring that both the risk management process as well as the outcomes are documented and reported to the right levels of the organisation that will ensure risk-based decisions are made in line with appetite.

## 7.2. Risk Identification

Crown's strategy for identifying, analysing and evaluating its risks consists of two key processes, which include:

- a "top-down" risk assessment process that is embedded into the ongoing engagement process with the Board.

This process focuses on risks arising from the strategic objectives and the environmental uncertainties arising from the context of the organisation (i.e. economic and operating environment); and.

- a "bottom-up" risk assessment process that originates at each business unit and is aggregated up into Executive and finally a Corporate Risk Profile.

The bottom-up approach focuses on the short term strategic and operational risks of Crown. These risks are identified via an annual risk profiling mechanism that requires each business unit to review and update its risk profile.

The outcomes of the top-down and bottom-up processes are analysed and reconciled by the Risk Management Function to ensure alignment, identify gaps and seek appropriate management action to rectify any identified gaps.

Together, these processes serve to identify the material risks of the organisation and inform the CEO, Executives and the Board's view of the aggregated risk profile of Crown. They also assist to ensure that appropriate management strategies are implemented to manage that risk profile within risk appetite and inform the ongoing review and enhancement of the risk management framework.

The Risk Management Function is responsible for co-ordinating and facilitating the completion of these processes, preparing the aggregated Corporate Risk Profile and reporting the outcomes to the RMC.

Formal reviews are facilitated on an annual basis by the Risk Management Function. Each Executive is required to review and approve their business unit and aggregated Executive level risk profiles. The aggregated Corporate Risk Profile is reviewed and approved by the CEO and reported to the RMC at least annually.

These risk profiles form the basis for the development of the Internal Audit Plan. This ensures that the assurance processes in place through the third line of defence are aligned to the material risks of the organisation and assess the effectiveness of the internal control environment established to manage each risk.

Material findings from audit reviews are reviewed by the Risk Management Function to re-evaluate risk ratings and processes for each risk. This process assists in the ongoing review and enhancement of the Risk Management Framework.

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### 7.3. Monitoring and Reporting

The Risk Management Function is primarily responsible for monitoring compliance with the Board's articulated Risk Appetites and risk tolerances and escalating material risk issues to the Board.

The reporting and monitoring processes of the Risk Management Function do not negate the responsibility of the CEOs, Executives and Senior Management to monitor and report risk matters in a manner consistent with Board expectations. The Executives and Senior Management are responsible for reporting to the Risk Management Function and CEO material actual or potential risk matters in an open, transparent and honest manner.

The monitoring of risks against the Board's defined risk tolerances is performed by the Risk Management Function on an ongoing basis and is reported to the RMC at each meeting. In addition, the Risk Management Function will monitor key performance and risk indicators that provide insight into the different risk categories, and inform risk-taking activities for management.

## 8. Review

The RMS will be reviewed annually by the GGM – R&A and any changes proposed will be recommended to the RMC for consideration and the Board for approval.

In addition to the internal review process, Crown will ensure that its RMS and Risk Management Framework is subject, at least every three years, to an external review. The results of these reviews will be reported to the RMC.

**Crown Resorts Limited**  
May 2019

12.1



# Crown Resorts Limited

## Memorandum

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**To:** The Board of Directors  
**From:** Mary Manos  
**Date:** 7 June 2019  
**Subject:** **Delegations Policy**

---

Dear Directors

As noted in the 29 May 2019 Risk Management Committee minutes included at agenda item 11.2, the Risk Management Committee was presented with and considered a draft Delegations Policy for adoption by the Company.

The Delegations Policy proposes that Board approval is required for transactions or commitments with:

- a total value of \$10,000,000 (excluding GST) or greater (excluding any option to renew);
- an annual value of \$5,000,000 (excluding GST) or greater; or
- a term of greater than five years (excluding any options to renew).

Currently, contracts with a value of \$5 million or greater require Board approval.

The Delegations Policy nominates persons authorised to approve transactions and commitments between \$1 million and \$10 million and delegates to the CEO the ability to approve a Delegation Schedule articulating approval limits and positions for transactions and commitments less than \$1 million.

At a future meeting, it is proposed that Powers of Attorney be put in place in support of the Delegations Policy.

The Risk Management Committee requested that the Committee be provided with a register of executed contracts at each of its meetings with a value of between \$5 million and \$10 million to monitor the change in delegation. The Crown Melbourne Audit Committee also recommended the approval of the Delegations Policy by the Board subject to the extension of the purpose to include “supporting effective risk management in decision making”.

A copy of the Delegations Policy, which incorporates the update to the purpose, is **attached**.

The Crown Melbourne and Crown Perth Boards have adopted the same Delegations Policy.

It is proposed that the Board resolve to approve the attached Delegations Policy.



# Crown Resorts Limited Delegations Policy

Crown Resorts Limited ACN 125 709 953  
A public company limited by shares

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## 1. Introduction

This Delegations Policy (**Policy**) sets out the circumstances under which the Board may delegate its responsibilities.

Delegations of authority are the mechanisms by which Crown Resorts Limited (**Crown** or the **Company**) enables officers of Crown to act on its behalf.

This Policy will be adopted by relevant entities that form part of the Crown group.

## 2. Purpose

The purpose of this Policy is to establish a framework for delegating authority within Crown.

This Policy applies to all members of the Board and the staff of Crown who have delegated authority to act for, and to sign documents on behalf of, Crown.

Delegations of authority within Crown are intended to achieve the following objectives:

- to ensure the efficiency and effectiveness of the organisation's day to day activities;
- to support effective risk management in decision making;
- to ensure that the appropriate officers have been provided with the level of authority necessary to discharge their responsibilities;
- to ensure that delegated authority is exercised by the most appropriate and best-informed individuals within the organisation; and
- to ensure internal controls are effective.

## 3. Policy

The Board of Crown is responsible for overseeing the management of the business of the Company and it may exercise all the powers of the Company which are not required by the Corporations Act and the Constitution to be exercised by the Company in general meeting.

The Board may delegate all matters which are not matters reserved for the Board.

The CEO:

- is charged with the duty of promoting the interests and furthering the development of Crown;
- is responsible for the administrative, financial, and other business of Crown; and
- exercises a general supervision over the staff of Crown,

in accordance with the terms of appointment of the CEO.

The CEO may delegate any function or any power or duty conferred or imposed on her or him, to any member of the staff of the organisation, or any committee of the organisation, although they will retain ultimate responsibility for those actions.

## 4. Processes

The overarching Policy applies to Crown as a whole, and entities within the organisation must align their delegations policies with this central policy.

Any delegation may be made subject to any conditions and limitations as the Board shall approve from time to time.

## 5. Board Delegated Authority

This section sets out the Board's delegation of its authority in relation to making, approving and/or entering into:

- operational, recruitment and performance management decisions; and
- financial transactions,

(Transactions or Commitments).

### 5.1. Transactions or Commitments requiring Board approval

Approval of the Board is required for Transactions or Commitments with:

- a total value of \$10,000,000 (excluding GST) or greater (excluding any options to renew);
- an annual value of \$5,000,000 (excluding GST) or greater; or
- a term of greater than five years (excluding any options to renew).

For the avoidance of doubt, approval of the Board is not required for any payments contemplated by a Transaction or Commitment where the Board has previously approved entry into the Transaction or Commitment in accordance with this Policy.

### 5.2. Delegated Authority

Within the limits of Sections 3 and **Error! Reference source not found.** above, Transactions or Commitments may be approved in accordance with the below table.

Category	Value/Commitment (excluding GST)	Authorised Personnel
1	\$5,000,000 to \$9,999,999	Any two of the following: <ul style="list-style-type: none"> <li>• Director</li> <li>• CEO</li> <li>• CFO</li> <li>• Company Secretary</li> </ul>



2	\$1,000,000 to \$4,999,999	Any one of the following: <ul style="list-style-type: none"> <li>• CEO</li> <li>• CFO</li> <li>• Company Secretary</li> <li>• Director (only for contract execution when one the above personnel are unavailable)</li> </ul>
3	Up to \$999,999	As set out in the Delegations Schedule approved by the CEO from time to time.

The Board may put in place appropriate powers of attorney in support of the above.

### 5.3. Unlimited Authority

The Board delegates to the CEO, CFO and/or the Company Secretary **unlimited** authority to approve:

- any statutory, contractual or standard operating related payments, including payroll, superannuation, utilities, tax, intercompany transactions and Board approved or scheduled contractual payments;
- all gaming patron transactions and internal cash transactions subject to any regulatory restrictions; and
- recruitment and performance management decisions and matters, other than those that are required to be considered by the Nomination and Remuneration Committee.

## 6. Amendment and Review

The Board must review this policy on an annual basis to ensure it remains consistent with its objectives, the Constitution and existing regulatory requirements and recommendations.



**AGENDA ITEM 13:**  
ASX Corporate Governance  
Principles and Recommendations



# Crown Resorts Limited

## Memorandum

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**To:** The Board of Directors

**From:** Mary Manos

**Date:** 7 June 2019

**Subject:** **Review of Charters**

---

Dear Directors

As the Board is aware, the ASX Corporate Governance Council released the fourth edition of its Corporate Governance Principles and Recommendations (the **Principles and Recommendations**) which will take effect for Crown for the first full financial year commencing on 1 July 2020.

As noted at the last meeting, we are working through the Principles and Recommendations and will be proposing various refinements to governance processes between now and 1 July 2020 so that we are in a position to comply with those Principles and Recommendations that are appropriate for the Company.

As an initial step, we have reviewed the Company's Board Charter and Risk Management Charter having regard to the updates in the fourth edition of the Principles and Recommendations and have recommended some amendments to the Charters as detailed below.

### **Board Charter**

The commentary in relation to the following recommendations in the fourth edition of the Principles and Recommendations was revised:

- *Recommendation 1.1 (a listed entity to have and disclose a board charter)* – the commentary for this recommendation has been updated to: expand the matters for which the board of a listed entity should be responsible for; recommend that the responsibilities of the chair of the board be included in the Charter; and recommend that the charter set out the entity's policy on when and how directors may seek independent professional advice at the expense of the entity.
- *Recommendation 2.3 (independence of directors)* – the examples of relationships impacting director independence were updated.

A formal review of the Board Charter has been undertaken having regard to the revised recommendations and a copy of the revised draft Board Charter, marked to show the suggested amendments, is attached at **Annexure A**.

**Risk Management Committee Charter**

In the fourth edition Principles and Recommendations, the commentary in relation to Recommendation 7.1, which recommends that listed entities have a risk committee, was updated to expand the role and responsibilities of a risk committee.

A formal review of the Risk Management Committee Charter has been undertaken having regard to the revised recommendations and a copy of the revised draft Committee Charter, marked to show the suggested amendments, is attached at **Annexure B**.

The revised draft Risk Management Committee Charter was presented to the Risk Management Committee for consideration at its meeting on 29 May 2019. The Committee recommended that the revised Committee Charter be approved by the Board.

**Proposed Resolution**

Having reviewed the proposed amendments to the Board Charter and the Risk Management Committee Charter, it was **RESOLVED** that the revised charters be approved by the Board.

Kind regards

Mary Manos  
**General Counsel and Company Secretary**

**ANNEXURE A**  
**BOARD CHARTER**



# Crown Resorts Limited Board Charter

Crown Resorts Limited ACN 125 709 953  
A public company limited by shares

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## 1. Introduction and background

The Board is responsible for guiding and monitoring Crown Resorts Limited (the **Company**) on behalf of its shareholders. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

## 2. Composition of the Board

### 2.1. Structure

The Board will be made up of a minimum of three directors. The maximum number of directors is to be twelve directors.

### 2.2. Independence

A director will be considered independent if they are a non-executive director who is not a member of management and who is free of any interest, position, ~~association~~ or relationship that might influence, or reasonably be perceived to influence, in a material respect ~~his or her~~their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the ~~entity~~Company as a whole rather than the interests of an individual security holder or other party ~~and its security holders generally.~~

When assessing independence, regard will be given to whether the director:

- is, or has been, employed in an executive capacity by the Company or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- ~~received performance-based remuneration (including options or performance rights) from, or participates in, an employee incentive scheme of the Company~~
- ~~is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to the Company or any of its child entities;~~
- is, or has been within the last three years, in a material business relationship (eg as a supplier, professional adviser, consultant or customer) with the Company or any of its child entities, or is an officer of, or otherwise associated with, someone with such a relationship;
- ~~is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial security holder of the Company or an officer of, or otherwise associated with, a substantial security holder of the Company;~~
- ~~has a material contractual relationship with the Company or its child entities other than as a director;~~
- has close family-personal ties (eg family, friendship or other social or business connections) with any person who falls within any of the categories described above; or
- has been a director of the Company for such a period that ~~his or her~~their independence from management and substantial holders may have been compromised.



The test of whether an interest, position, ~~association~~ or relationship is “material” will be based on the nature, circumstances and activities of the director having regard to the guidelines above. Materiality will be considered from the perspective of the Company, the persons or organisations with which the director has an affiliation, and from the perspective of the director.

### 2.3. Compensation

Each director is entitled to remuneration out of the funds of the Company as the directors determine, in accordance with, and subject, to the Constitution of the Company.

### 2.4. Expertise

Members of the Board must have appropriate skills and experience. The following procedure will be followed when considering potential Board candidates:

- the skills and experience appropriate for an appointee will be determined, having regard to those of the existing directors and any other likely changes to the Board;
- upon identifying a potential appointee, their competencies and qualifications, independence, other directorships, time availability and the effect that their appointment would have on the overall balance of the composition of the Board will be considered; and
- the proposed appointee must be approved by all existing Board members.

## 3. Duties, responsibilities and powers of the Board

### 3.1. Management of the business of the Company

The directors are responsible for overseeing the management of the business of the Company and they may exercise all the powers of the Company which are not required, by the Corporations Act, the Constitution or, while the Company is a Listed Company, the Listing Rules, to be exercised by the Company in general meeting. In overseeing the management of the business, the directors are responsible for:

- demonstrating leadership;
- overseeing management in its implementation of the Company’s strategic objectives, instilling of the Company’s values and performance;
- when required, challenging management and holding management to account;
- overseeing the integrity of the Company’s accounting and corporate reporting systems, including the external audit;
- overseeing the Company’s process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company’s securities;
- satisfying itself that the Company has in place an appropriate risk management framework (for both financial and non-financial risks);

- satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board;
- satisfying itself that the Company's remuneration policies are aligned with the Company's purpose, values, strategic objectives and risk appetite; and
- monitoring the effectiveness of the Company's governance practices.

### 3.2. Matters reserved for the Board

Matters which are reserved for the Board include:

- in conjunction with management, establishing and defining the Company's vision purpose and its strategic objectives;
- approving the Company's statement of values;
- approving the Company's annual business plan and budget;
- approving specific items of capital expenditure and investments and divestments;
- appointing, replacing and approving the terms and conditions of appointment of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO);
- approving the appointment and replacement of relevant senior management;
- appointing the Chair and, if applicable, the Deputy Chair;
- appointing directors to the Board;
- setting the risk appetite of the Company;
- approving the half-year and full-year financial statements;
- approving interim and final dividends to shareholders;
- approving any significant changes to accounting policies;
- approving the terms of reference and membership of Board Committees; and
- approving Company policies, as appropriate, which may be developed from time to time.

### 3.3. Compliance with laws and internal codes of conduct

The directors must comply with all relevant requirements of law, including those set out in the Corporations Act and relevant common law duties.

In addition, all directors must comply with the Code of Conduct for Directors developed and approved by the Board from time to time.

### 3.4. Delegation of powers

The directors may resolve to delegate any of their powers to an officer, agent or attorney and the officer, agent or attorney must exercise the powers delegated in accordance with any directions of the directors.

### 3.5. Establishment of Committees

The directors may resolve to delegate any of their powers to a committee or committees consisting of such number of directors as they think fit.

A committee to which any powers have been so delegated must exercise the powers delegated in accordance with any directions of the directors.

## 4. Responsibility of the Chair

The Chair is responsible for leading the Board, facilitating constructive discussions at Board meetings and maintaining effective communication between the Board and management. The Chair is also responsible for approving the Board agenda for each meeting of the Board.

### 4.5. Role of the Company Secretary

The eCompany sSecretary is accountable directly to the Board, through the eChair, on all matters to do with the proper functioning of the Board. The decision to appoint or remove a eCompany sSecretary must be made or approved by the Board.

The role of the eCompany sSecretary includes:

- advising the Board and its committees on governance matters;
- monitoring that Board and committee policy and procedures are followed;
- coordinating the timely completion and despatch of Board and committee papers;
- ensuring that the business at Board and committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of directors.

## 5.6. Proceedings

### 5.1.6.1. Meeting frequency

The directors may hold meetings for the despatch of business and adjourn and otherwise regulate their meetings as they think fit.

### 5.2.6.2. Board papers

Relevant documents to be considered at Board meetings will be compiled and distributed by the Company Secretary to all directors as well as to any invitees to relevant Board meetings.

### 5.3.6.3. Attendance at Board meetings

The Board may extend an invitation to any person to attend all or part of a scheduled Board meeting. This invitation may extend to management attending future meetings. Only Board members shall be eligible to vote.

#### 5.4.6.4. Quorum

A quorum for a meeting of the Board is three directors.

#### 5.5-6.5. Minutes

Minutes of proceedings and resolutions of meetings of the directors and resolutions passed by directors without a meeting, are to be recorded and entered in the Company Register within one month after the meeting is held or the resolution passed.

Minutes of a meeting must be signed by the eChair of the meeting or the eChair of the next meeting within a reasonable time after the meeting.

A resolution may be made if a document containing the relevant resolution is assented to by all Board members eligible and willing to participate in the making of the resolution.

The resolution will be taken to have been passed when the document is last assented to by a Board member. Where a Board member has assented by means other than writing, that Board member must sign the document containing the relevant resolution within a reasonable time after having provided their assent.

## 7. Access to advice and information

Each director, the Board and its committees may, with the consent of the Chair (or, where applicable, the committee Chair), seek independent professional advice at the expense of the Company on any matter connected with the discharge of their relevant responsibilities.

#### 5.6.8. Amendment and review

The Board must review this Charter on an annual basis to ensure it remains consistent with its objectives, the Constitution and existing regulatory requirements and recommendations.

Crown Resorts Limited

February-~~June~~ 2019

**ANNEXURE B**  
**RISK MANAGEMENT COMMITTEE CHARTER**



# Crown Resorts Limited Risk Management Committee Charter

Crown Resorts Limited ACN 125 709 953  
A public company limited by shares

DRAFT

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## 1. Introduction and background

The role of the Risk Management Committee is to assist the Crown Resorts Limited (the **Company**) Board in overseeing the Company's risk management and compliance frameworks.

## 2. Composition of the Committee

### 2.1. Structure

The Committee will be comprised of a minimum of three directors to be nominated by the Board. A majority of members are to be independent, non-executive directors.

The Chairperson of the Committee will be nominated by the Board. If the Chairperson of the Committee is not present at a Committee meeting, the members present must elect one of themselves to Chair the meeting.

Unless otherwise nominated by the Board, Crown Resorts Limited's Company Secretary will act as secretary of the Committee.

The appointment of a Committee member will cease if that person ceases to be a director of the Company or as otherwise determined by the Board.

### 2.2. Compensation

The Chairperson and individual members of the Committee may be entitled to fees additional to the directors' fees to which they are entitled, as may be determined from time to time by the Board.

### 2.3. Expertise

Members will have the skills and experience required to enable them to fulfill their duties and responsibilities as members of the Committee.

## 3. Duties, responsibilities and powers

### 3.1. Risk management

The Committee will review and assess the adequacy of the Company's risk management framework at least annually to ensure that the Company is operating within the Company's Risk Appetite. This will include:

- (a) establishing and periodically reviewing the Company's Risk Management Policy;
- (b) establishing and periodically reviewing the Company's Risk Appetite;
- (c) reviewing the Company's risk profile ~~at least annually~~;
- (d) monitoring of insurance coverage for the ~~Group~~Company; and
- (e) ensuring that management has implemented effective processes in relation to:
  - (i) the identification of areas of significant business risk or exposure;
  - (ii) the identification of new and emerging risks;



- (iii) the implementation of appropriate risk management and internal control processes to mitigate those risks; and
- (iv) the assessment of the adequacy and effectiveness of the risk management and internal control processes established to mitigate those risks.

### 3.2. Compliance, systems and controls

The Committee will review and assess the adequacy of the Group's Company's compliance framework. This will include:

- (a) monitoring compliance with Company policies, relevant laws and regulatory requirements and reporting material non-compliance matters to the Board; and
- (b) ensuring that management has implemented effective processes in relation to:
  - (i) the implementation of appropriate internal control processes to ensure compliance with Company policies, relevant laws and regulatory requirements; and
  - (ii) the assessment of the adequacy and effectiveness of internal control processes for compliance with Company policies, relevant laws and regulatory requirements.

### 3.3. Engage external consultants

The Committee has the full authority of the Board to:

- (a) communicate and consult with external and internal stakeholders concerning the Company's risk management and compliance practices; and
- (b) appoint independent experts to provide advice on the Company's risk management and compliance practices.

### 3.4. Board reporting

The Committee will update the Board as required and make relevant recommendations in relation to matters arising for consideration by the Committee.

## 4. Proceedings

### 4.1. Meeting frequency

The Committee will meet at least four times annually and additionally as required.

### 4.2. Committee papers

Relevant documents to be considered at Committee meetings will be compiled and distributed by the Company Secretary to all Committee members as well as, where relevant, to any invitees.

#### 4.3. Attendance at Committee meetings

The Committee may extend an invitation, which may be a standing invitation, to any person to attend all or part of a scheduled Committee meeting. Only Committee members shall be eligible to vote.

#### 4.4. Quorum

A quorum for a meeting of the Committee is two members.

#### 4.5. Minutes

Minutes of proceedings and resolutions of meetings of the Committee and resolutions passed by members of the Committee without a meeting, are to be approved by the Committee (or in the case of written resolutions, tabled) at its next meeting.

Minutes of a meeting must be signed by the chair of the meeting within a reasonable time after the meeting at which the minutes are approved.

A resolution may be made if a document containing the relevant resolution is assented to by all Committee members eligible and willing to participate in the making of the resolution.

The resolution will be taken to have been passed when the document is last assented to by a Committee member. Where a Committee member has assented by means other than writing, that Committee member must sign the document containing the relevant resolution within a reasonable time after having provided their assent.

### 5. Amendment and review

The Committee must review this Charter on an annual basis to ensure it remains consistent with its objectives, the Constitution and existing regulatory requirements and recommendations. Any proposed changes must be referred to the Board for approval.

Crown Resorts Limited

~~February~~ June 2019

13.1



# Crown Resorts Limited

## Memorandum

---

**To:** The Board of Directors

**From:** Mary Manos

**Date:** 7 June 2019

**Subject:** **Company Values**

---

Dear Directors

The purpose of this memorandum is to propose a purpose and set of values for adoption by Crown Resorts Limited for consideration by the Board.

### **ASX Corporate Governance Principles and Recommendations**

As noted at the 17 April 2019 Board meeting, the 4<sup>th</sup> Edition of the ASX Corporate Governance Principles and Recommendations, which were released in February 2019 and take effect for Crown from 1 July 2020, introduce a new recommendation 3.1 that *"A listed entity should articulate and disclose its values"* (**New Recommendation 3.1**).

Broadly, the commentary to New Recommendation 3.1 provides as follows:

- Values are the guiding principles and norms that define what type of organisation the listed entity aspires to be and what its directors, senior executives and employees are required to do to achieve that aspiration.
- Investors and the broader community expect a listed entity to act lawfully, ethically and responsibly and that expectation should be reflected in its statement of values.
- A listed entity should consider what behaviours are needed from its officers and employees to build long term sustainable value for its security holders when formulating its values.
- The senior executive team should be responsible of instilling the values across the organisation. This would include ensuring that all employees receive appropriate training on the values and that senior executives continually reference and reinforce those values in their interactions with staff.

### **Purpose and Values**

In 2018 and independently of New Recommendation 3.1, the Crown Melbourne and Crown Perth Human Resources teams, in partnership with the Executive of both properties, embarked on a journey to create a purpose and set of values for Crown's Australian Resorts.

This extended from the work conducted around Crown Resorts' Customer Experience / Employee Experience (CX/EX) initiative and in part responded to our employees' feedback requiring greater clarity as to our purpose as a company and our guiding values.

Members of the Executive, Senior Leadership teams and HR from across Crown Melbourne and Crown Perth participated in a one-day workshop, which was facilitated by an independent facilitator from the Australian Institute of Company Directors. Through a collaborative process, the purpose statement was confirmed and the draft set of values were developed.

Subsequently, the CX/ EX Working Groups at Crown Melbourne and Crown Perth conducted focus groups based on the outcomes of this workshop where the purpose and values were tested and "sense checked" with representative groups of managerial and frontline employees to ensure the work resonated.

Set out below are the proposed purpose and values.

## Our Purpose

**Together** we create memorable experiences

## Our Values



### We act respectfully

*Acting respectfully is...*  
walking in each other's shoes  
and treating others as you  
wish to be treated.



### We are passionate

*Being passionate about  
what you do is...* never giving  
anything less than your best  
and loving what you do.



### We work together

*Working together is...*  
believing in  
"we before me" and  
that together we thrive.



### We do the right thing

*Doing the right thing...*  
is doing right by your  
colleagues, customers,  
community and company.

## Rollout at Crown Melbourne and Crown Perth

The purpose and values were officially launched at Crown Perth at its staff briefings in May 2019.

It is proposed that the purpose and values be launched at Crown Melbourne during its staff briefings in July 2019.

## Next Steps for Crown Resorts

Should the above purpose and set of values be approved by the Board, it is proposed that the purpose and values be included on the Company's website and the websites of each of our Australian resorts.

To ensure that the purpose and values are embedded and reinforced beyond the rollout at each property, the values will be supported by an established set of behaviours and integrated into a range of touchpoints.

This will be achieved by ensuring the purpose, values and related behaviours are at the front of a new employee's journey throughout induction and on-boarding. The values will be emphasised, upheld and modelled by senior leaders with a top-down expectation aligned through a consistent performance management framework.

The purpose and values will also be included in the learning and development programs at Crown College and will underpin the Company's reward and recognition framework and programs (such as Service Leader in Melbourne and Employee of the Year in Perth) as well as explicitly reflected in the Codes of Conduct and other relevant policies.

A full Back-of House activation is planned for each property. **Attached** is a sample of this activation plan.

Application of the purpose and values to other wholly owned businesses of the Company will be considered.

### **Proposed Resolutions**

The 4<sup>th</sup> Edition of the ASX Corporate Governance Principles and Recommendations recommends that the Board of a listed entity should be responsible for approving the entity's statement of values and code of conduct to underpin the desired culture within the entity.

It is therefore proposed that the following resolution be made by the Board:

*It was **RESOLVED** that:*

- *the purpose and values, in the manner presented to the Board, be adopted by the Company and published on the Crown Resorts website and the websites of each of its Australian resorts; and*
- *the rollout of the purpose and values, in the manner presented to the Board, is to commence at Crown Melbourne and Crown Perth (and Crown Sydney when applicable).*

Kind regards

Mary Manos  
**General Counsel & Company Secretary**

Crown Values Activation  
Crown Melbourne + Crown Resorts  
30 May 2019 Version : 1



**CROWN**

*Together* we create memorable experiences

## Our Values



We act respectfully



We are passionate

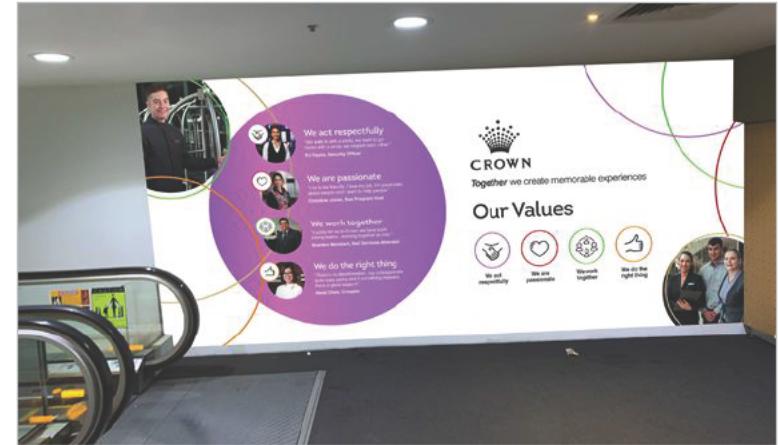


We work together

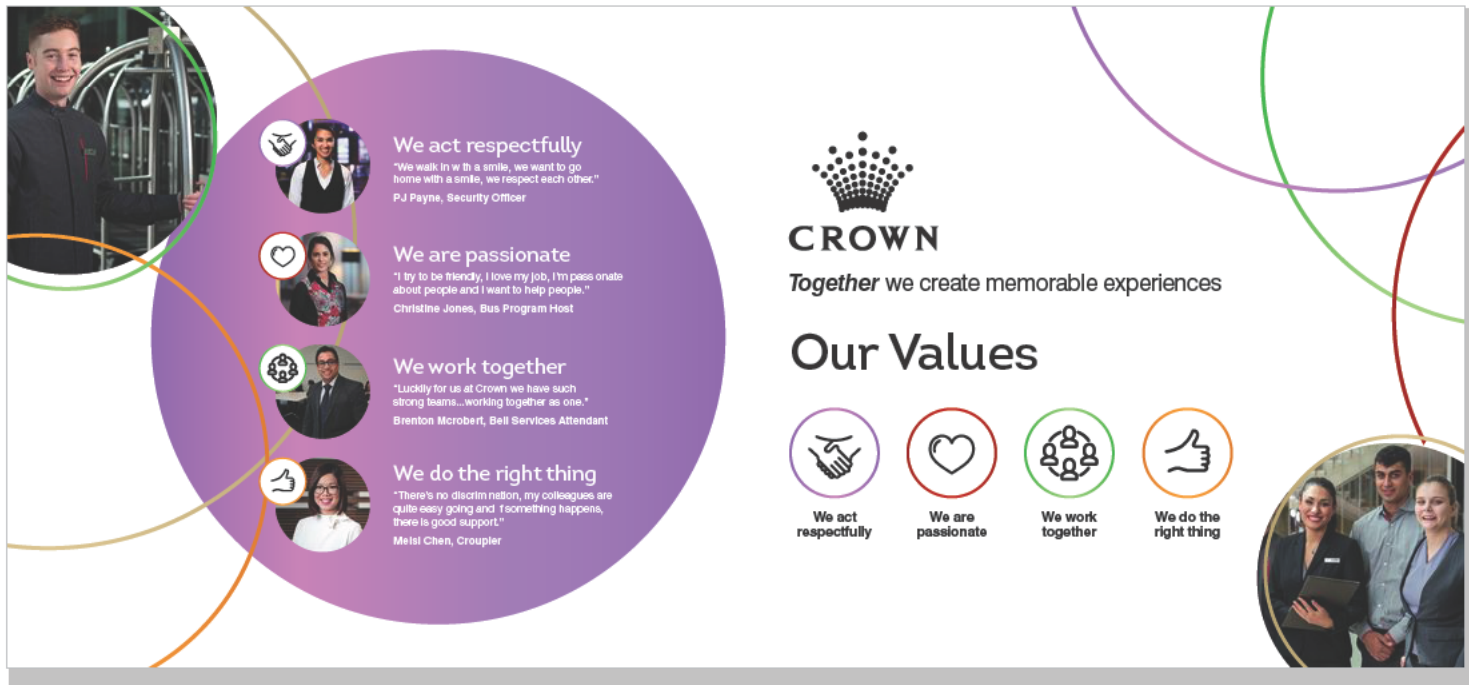


We do the right thing

Staff Entry Escalator Wall  
4890mm x 2220mm



13.2





Staff Entry Landing Pinboard  
4 kinds x 1480mm x 650mm

13.2



# *Together* we create memorable experiences

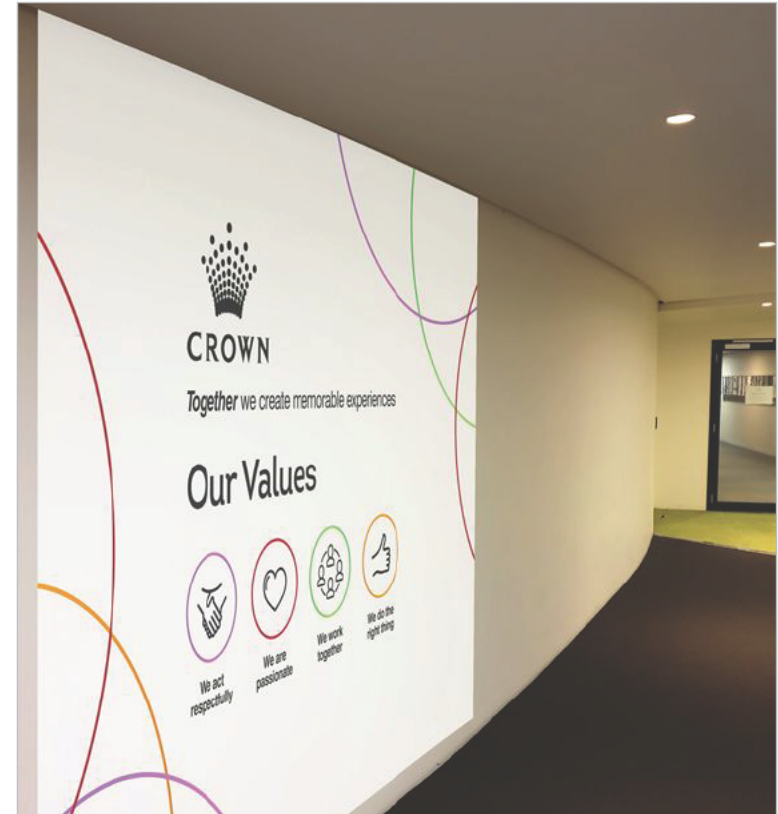
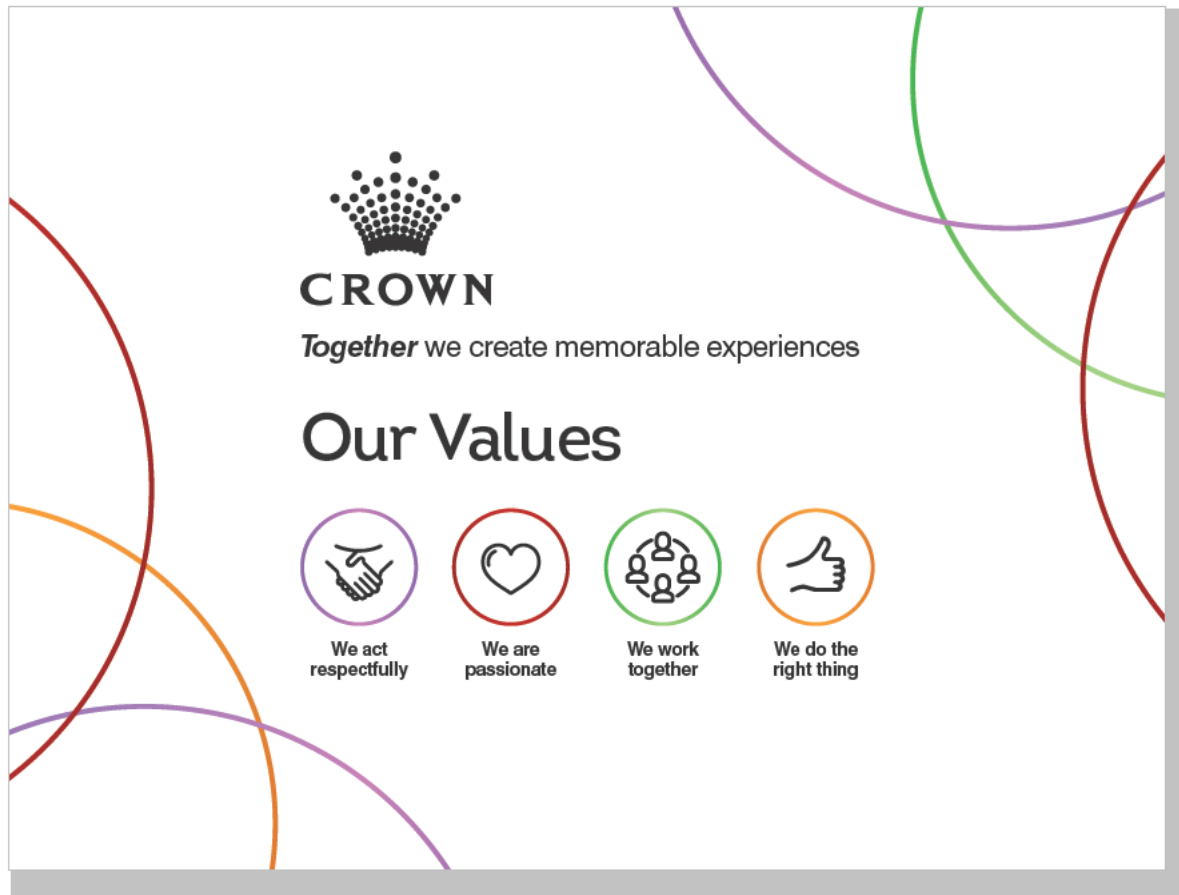


Handshake Wall  
3110mm x 2320mm



13.2

Crown College Hallway Wall  
3110mm x 2320mm



Wardrobe Posters A2  
420mm x 594mm



**Meet**  
JESSIKA SIMPSON



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**CROWN**  
Together we create memorable experiences



We act responsibly | We are passionate | We work together | We do the right thing

**Meet**  
JESSIKA SIMPSON



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**CROWN**  
Together we create memorable experiences



We act responsibly | We are passionate | We work together | We do the right thing

**Meet**  
JESSIKA SIMPSON



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JESSIKA SIMPSON



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i labor totis ne volupis.



**CROWN**  
Together we create memorable experiences



We act responsibly | We are passionate | We work together | We do the right thing

Wardrobe Pinboard  
840mm x 109mm



### Double sided Airbridge Windows

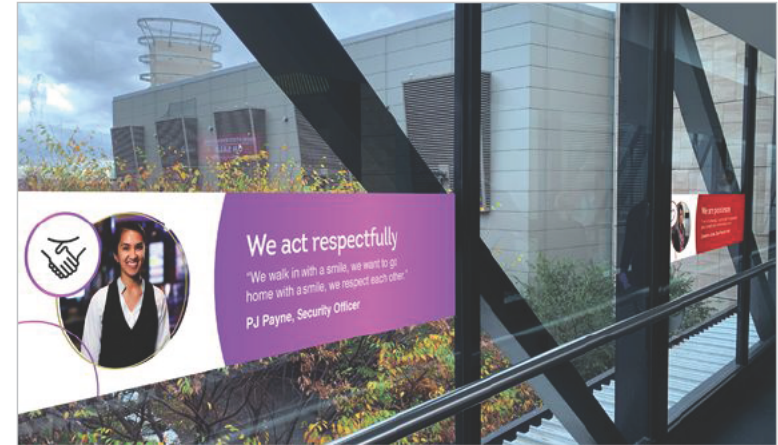
Internal

1585mm x 400mm

16 panels

The internal window panels feature four distinct testimonials, each with a circular icon and a portrait of the employee. The panels are stacked vertically with a grey border between each one.

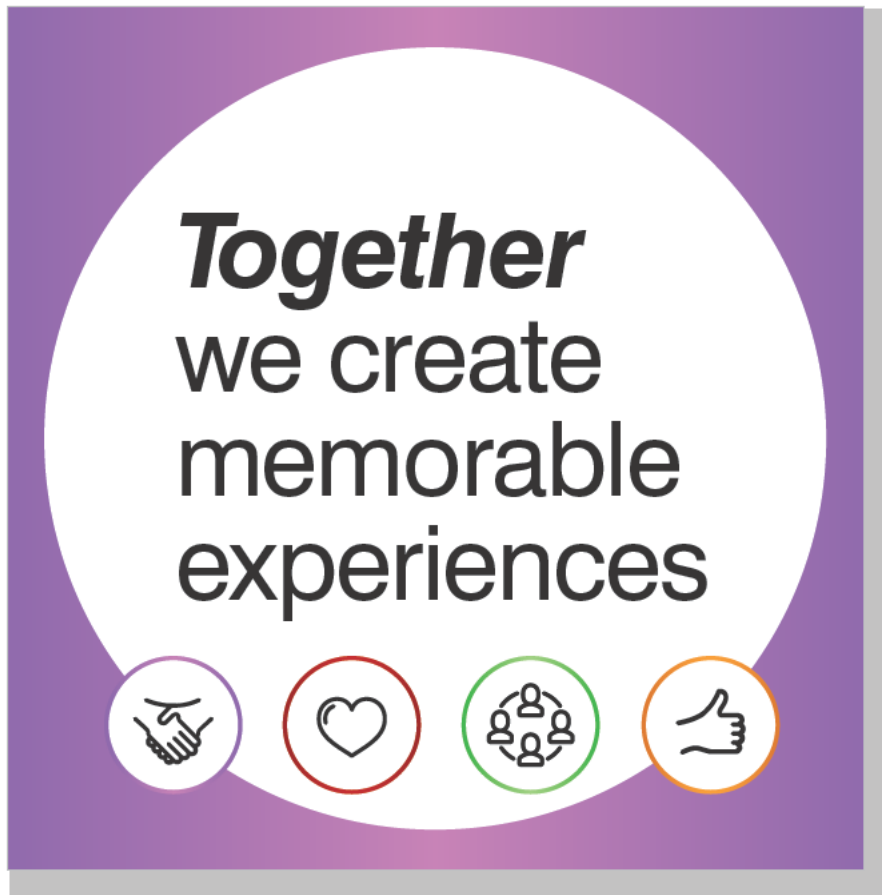
- Panel 1 (Purple):** Icon of two hands shaking. Text: "We act respectfully", "We walk in with a smile, we want to go home with a smile, we respect each other.", PJ Payne, Security Officer.
- Panel 2 (Red):** Icon of a heart. Text: "We are passionate", "I try to be friendly, I love my job, I'm passionate about people and I want to help people.", Christine Jones, Bus Program Host.
- Panel 3 (Green):** Icon of three people. Text: "We work together", "Luckily for us at Crown we have such strong teams...working together as one.", Brenton Mcrobert, Bell Services Attendant.
- Panel 4 (Orange):** Icon of a thumbs up. Text: "We do the right thing", "There's no discrimination, my colleagues are quite easy going and if something happens, there is good support.", Meisi Chen, Croupier.



External  
1585mm x 400mm

***Together*** we create memorable experiences

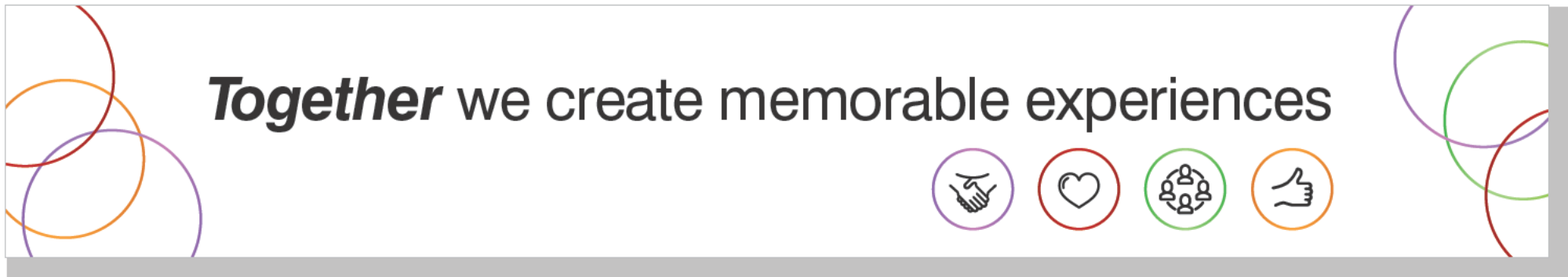
End Airbridge Wall  
3000mm x 2300mm



Staff Club Desk  
4920mm x 805mm



13.2

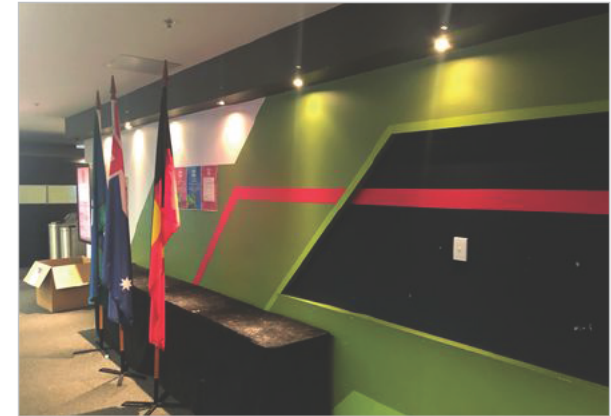





### Pull Up Banners





840mm x 2150mm

Black Stand

**CROWN**  
Together we create memorable experiences

### Our Values


-  We act respectfully
-  We are passionate
-  We work together
-  We do the right thing

## We act respectfully

"We walk in with a smile, we want to go home with a smile, we respect each other."  
PJ Payne, Security Officer




**CROWN**  
Together we create memorable experiences

-  We act respectfully
-  We are passionate
-  We work together
-  We do the right thing

## We are passionate

"We walk in with a smile, we want to go home with a smile, we respect each other."  
PJ Payne, Security Officer




**CROWN**  
Together we create memorable experiences

-  We act respectfully
-  We are passionate
-  We work together
-  We do the right thing

## We work together

"We walk in with a smile, we want to go home with a smile, we respect each other."  
PJ Payne, Security Officer




**CROWN**  
Together we create memorable experiences

-  We act respectfully
-  We are passionate
-  We work together
-  We do the right thing

## We do the right thing

"We walk in with a smile, we want to go home with a smile, we respect each other."  
PJ Payne, Security Officer




**CROWN**  
Together we create memorable experiences

-  We act respectfully
-  We are passionate
-  We work together
-  We do the right thing

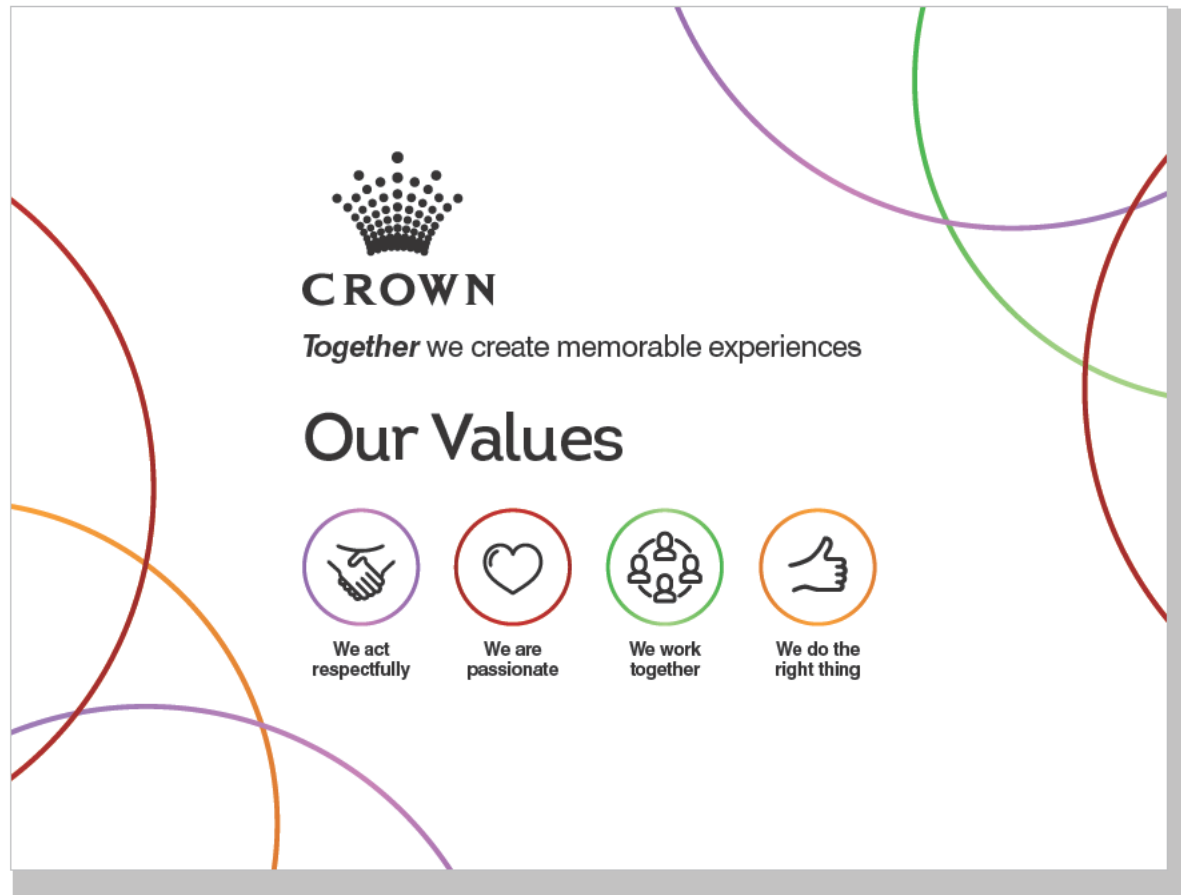
IDs Table Tops

800mm x 800mm

600mm x 600mm

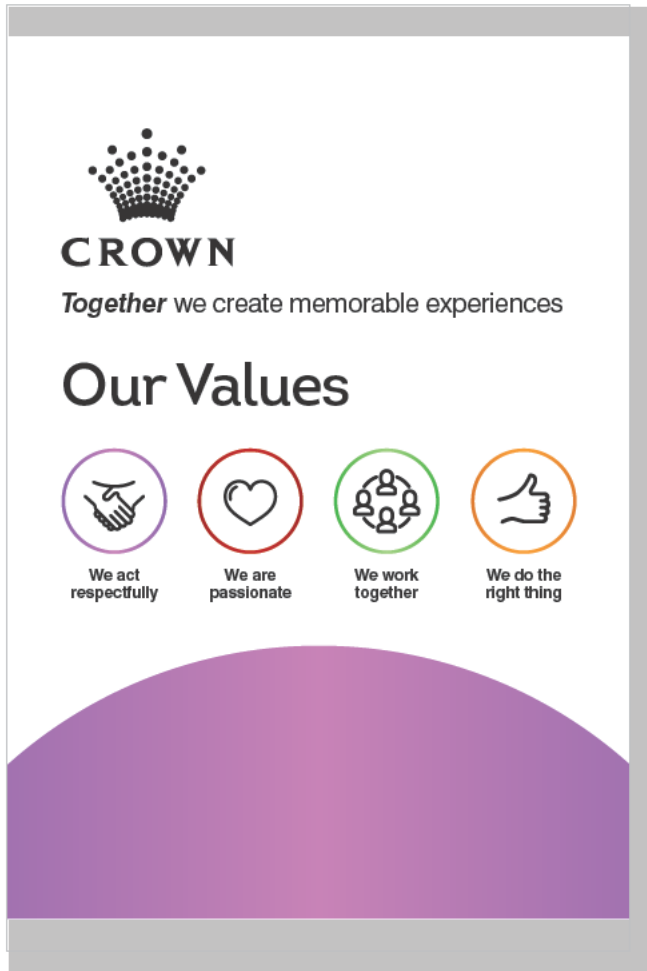


IDs Escalator Wall  
?????mm x ?????mm



Outlet Posters A3

297mm x 420mm





**AGENDA ITEM 14:**  
Other Business







# Crown Resorts Limited Political Donations Policy

Crown Resorts Limited ACN 125 709 953  
A public company limited by shares

DRAFT

14.1



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## 1. Summary

This Policy:

- sets out Crown Resorts Limited’s policy and guiding principles in relation to the making of political donations;
- imposes annual monetary limits on political donations; and
- sets up a framework to ensure Crown Resorts Limited complies with relevant State based and Commonwealth reporting requirements.

The Policy applies to Crown Resorts Limited and each of Crown Resorts Limited’s Australian wholly owned subsidiaries (the **Crown Group**).

In this Policy, the term:

“political donations” has the meaning given in the **Annexure** to this Policy; and

“political party” has the meaning set out in the **Annexure** to this Policy and includes a political party as defined in any of the *Commonwealth Electoral Act 1918* (Cth) (**Commonwealth Act**) or the *Electoral Act 1907* (WA) (**WA Act**) and, for Victorian electoral purposes, includes a registered political party as defined in the *Electoral Act 2002* (Vic) (**Victorian Act**).

## 2. Political Donations

### 2.1. Crown policy

The Crown Group is committed to full compliance with all applicable legislative requirements and prohibitions in relation to political donations.

Consistent with this, political donations may only be made by the Crown Group where:

- the political donations do not contravene any legislative requirements or prohibitions from time to time, including those set out below;
- the contributions support the democratic process and assist the political parties in developing good public policy which is in the interests of the Crown Group’s shareholders, customers, staff and the Australian community;
- no particular political party is unduly favoured; and
- contributions are approved, made and recorded in compliance with the requirements of this Policy and any other legislative requirements.

Exempt Donations (as defined in section 2.2 of this Policy) may only be made with the prior written approval of the General Counsel and Company Secretary and any one of the Executive Chairman, Chief Executive Officer – Australian Resorts or Chief Financial Officer of Crown Resorts Limited or Crown Melbourne.

## 2.2. Legislative restrictions

### Victoria

The Victorian Act imposes a \$4,000 cap on the amount any one donor and their related bodies corporate may donate to any one political party during an election period (being the period between one State election and the next, which is typically four years).

For the purposes of calculating the \$4,000 cap, a political party includes its endorsed candidates, groups and elected members and its nominated entities.

Under the Victorian Act, donations made to associated entities and third party campaigners (e.g. activists and public interest groups) will not be considered a political donation where the donations are not used, or intended to be used, by the recipient to incur, or reimburse the recipient for, a political donation or political expenditure (as defined in the Victorian Act) (**Exempt Donations**).

### New South Wales

The *Election Funding, Expenditure and Disclosures Act 1981* (NSW) imposes a restriction on directors (and their spouses) of companies whose main business is gambling from making donations to New South Wales state political parties.

The Crown Group, any of its directors (and their spouses) must not make donations to New South Wales state political parties.

### Commonwealth

The Commonwealth Act requires “persons” to provide a political donations return for a financial year within 20 weeks after the end of the financial year. The Return is to be filed on a group basis.

Political donations made for Commonwealth electoral purposes must not be paid into a State campaign account of the corresponding party. This must be communicated in writing to the recipient of any such political donation.

### Other jurisdictions

The Crown Group may from time to time make political donations in other Australian states and or territories subject to:

- compliance with relevant state or territory legislation and regulations; and
- the prior written approval of the Crown Resorts Limited Executive Chairman, the Chief Financial Officer or the General Counsel and Company Secretary.

## 2.3. Donating party

For the purposes of relevant state/territory legislation, all entities within the Crown Group are aggregated (such that the relevant caps apply to the Group as a whole, rather than to individual entities within the Group).

For the purposes of this Policy, political donations must be made as set out below.

### **Commonwealth**

Any political donations made for Commonwealth electoral purposes must be made by Crown Resorts Limited.

### **Victoria**

Any political donations and Exempt Donations made for Victorian electoral purposes must be made by Crown Melbourne, and must not be made anonymously.

Where Crown Melbourne makes an Exempt Donation, it should only do so in circumstances where it is provided with appropriate assurances that the funds donated will not be used for political expenditure.

### **Western Australia**

Any political donations made for Western Australian electoral purposes must be made by Crown Perth.

## **2.4. Monetary limits**

Except with the prior written approval of the General Counsel and Company Secretary and any one of the Executive Chairman, Chief Executive Officer – Australian Resorts or Chief Financial Officer of Crown Resorts Limited or Crown Melbourne, the following monetary limits apply to political donations:

- **Crown Resorts Limited:** Crown Resorts Limited must not make political donations in excess of \$100,000 (in aggregate) per financial year;
- **Crown Melbourne Limited:** Crown Melbourne Limited must not make political donations in excess of \$4,000 for Victorian electoral purposes to a political party or its nominated entity, a candidate or group of candidates or an elected member during an election period;
- **Crown Perth:** Crown Perth entities must not make political donations in excess of \$50,000 (in aggregate) per financial year to any Western Australian political party and must not make political donations in excess of \$100,000 (in aggregate) per financial year.

The monetary limits set out above are inclusive of Goods and Services Tax.

## **2.5. Required approval**

### **Crown Resorts Limited**

All political donations proposed to be made by or on behalf of Crown Resorts Limited, must be approved by at least one of the Crown Resorts Limited Executive Chairman, the Chief Financial Officer or the General Counsel and Company Secretary prior to being made.

### **Crown Melbourne**

All political donations proposed to be made by or on behalf of Crown Melbourne, must be approved by at least one of the following persons prior to being made:

- the Crown Resorts Limited Executive Chairman, Chief Financial Officer or General Counsel and Company Secretary; or

- the Australian Resorts Chief Executive Officer or Chief Financial Officer.

#### **Crown Perth**

All political donations proposed to be made by or on behalf of Crown Perth, must be approved by at least one of the following persons prior to being made:

- the Crown Resorts Limited Executive Chairman, Chief Financial Officer or General Counsel;  
or
- the Australian Resorts Chief Executive Officer or Chief Financial Officer.

### **3. Political Donation Registers**

#### **3.1. Political Donation Registers**

The Crown Group will have Political Donation Registers in place at each of:

- Crown Resorts Limited;
- Crown Melbourne;
- Crown Perth,

which record all political donations made by or on behalf of that entity.

#### **3.2. Responsibility for maintenance**

The maintenance of the Political Donation Registers is the responsibility of the Chief Financial Officer of each relevant Crown Group entity.

#### **3.3. Content of Political Donation Registers**

The Political Donation Registers will include:

- The name of the party that the political donation was made to;
- The address of the relevant political party;
- The date on which the donation was made;
- The purpose of the political donation together with an appropriate description;
- The value of the donation; and
- The names of Crown Group employees or representatives attending any particular event.

#### **3.4. Periodic reporting**

Each of Crown Melbourne and Crown Perth will provide a monthly report to the Crown Resorts Limited Chief Financial Officer (or their delegate) summarising the content of their respective Political Donation Registers.

Crown Resorts Limited will be responsible for the annual disclosure of political donations under relevant legislation.

A political donation made by Crown Melbourne for Victorian electoral purposes of \$1,000 or more (either individually or in aggregate) must be notified in writing to the Chief Financial Officer of Crown Resorts Limited within five days of making that donation. Crown Resorts Limited must then ensure that a disclosure return is provided to the Victorian Electoral Commission within 21 days of the making of that political donation.

The Audit and Corporate Governance Committee will be provided with a report twice a year summarising the donations which have been made in the preceding sixth month period.

#### 4. Policy responsibility

Each director and employee of the Crown Group is responsible for adhering to this Policy.

The Company Secretary has responsibility for maintaining the policy.

This Policy will be reviewed from time to time to ensure it remains consistent with the Crown Group's objectives, the Constitution and existing regulatory requirements and recommendations.

**Crown Resorts Limited**  
[June 2019]

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## Annexure – Definitions

### Political Donation

Any disposition of property made by a person to a political party without consideration in money or money's worth or with inadequate consideration, including:

- the provision of a service (other than volunteer labour); and
- the payment of an amount in respect of a guarantee; and
- the making of a payment or contribution at a fundraising function.

“Political donations” can extend to both cash payments and payments in kind. Political donations will include things like providing free or subsidised goods or services such as:

- accommodation;
- marketing support;
- functions;
- prizes at political auctions; or
- winning bids for items at political auctions.

Payments to political parties for attending dinners, functions and conferences should also be considered political donations. Further, notwithstanding that the cost of a ticket to attend a function may exceed the cost of the dinner and refreshments received, the entire cost of the ticket should be counted.

A political donation does not include a gift to an individual made in a private capacity.

### Political Party

An organisation the object or activity, or one of the objects or activities, of which is the promotion of the election to a public office or a house of parliament of a candidate or candidates endorsed by it.



# Crown Resorts Limited Political Donations Policy

Crown Resorts Limited ACN 125 709 953  
A public company limited by shares

14.1



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## 1. Summary

This Policy:

- sets out Crown Resorts Limited's policy and guiding principles in relation to the making of political donations;
- imposes annual monetary limits on political donations; and
- sets up a framework to ensure Crown Resorts Limited ~~is able to comply~~ complies with relevant State based and Commonwealth reporting requirements.

The Policy applies to Crown Resorts Limited and each of Crown Resorts Limited's Australian wholly owned subsidiaries (the **Crown Group**).

In this Policy, the term:

"political donations" has the meaning given in the Annexure to this Policy; and

"political party" has the meaning set out in the Annexure to this Policy and includes a political party as defined in any of the Commonwealth Electoral Act 1918 (Cth), (Commonwealth Act) or the Electoral Act 1907 (WA) (WA Act) and, for Victorian electoral purposes, includes a registered political party as defined in the Electoral Act 2002 (Vic) ~~or the Electoral (Victorian Act 1907 (WA))~~.

## 2. Political Donations

### 2.1. Crown policy

The Crown Group is committed to full compliance with all applicable legislative requirements and prohibitions in relation to political donations.

Consistent with this, political donations may only be made by the Crown Group where:

- the political donations do not contravene any legislative requirements or prohibitions from time to time, including those set out below;
- the contributions support the democratic process and assist the political parties in developing good public policy which is in the interests of the Crown Group's shareholders, customers, staff and the Australian community;
- no particular political party is unduly favoured; and
- contributions are approved, made and recorded in compliance with the requirements of this Policy and any other legislative requirements.

Exempt Donations (as defined in section 2.2 of this Policy) may only be made with the prior written approval of the General Counsel and Company Secretary and any one of the Executive Chairman, Chief Executive Officer – Australian Resorts or Chief Financial Officer of Crown Resorts Limited or Crown Melbourne.

### 2.1.2.2. Legislative requirements/restrictions

#### Victoria

##### The Victorian

~~The Electoral Act 2002 (Vic) imposes a \$504,000 annual cap on the amount holders of a licence under the Casino Control Act 1991 (Vic) any one donor and their related bodies corporate may donate to any registered Victorian one political party. As during an election period (being the holder of a licence under period between one State election and the Casino Control Act, Crown Melbourne Limited, next, which is subject to the annual caps imposed by the Electoral Act, typically four years).~~

For the purposes of calculating the \$4,000 cap, a political party includes its endorsed candidates, groups and elected members and its nominated entities.

Under the Victorian Act, donations made to associated entities and third party campaigners (e.g. activists and public interest groups) will not be considered a political donation where the donations are not used, or intended to be used, by the recipient to incur, or reimburse the recipient for, a political donation or political expenditure (as defined in the Victorian Act) (Exempt Donations).

#### **New South Wales**

The *Election Funding, Expenditure and Disclosures Act 1981* (NSW) imposes a restriction on directors (and their spouses) of companies whose main business is gambling from making donations to New South Wales state political parties.

The Crown Group, any of its directors (and their spouses) must not make donations to New South Wales state political parties.

#### **Commonwealth**

The Commonwealth ~~Electoral Act 1918 (Cth)~~ requires "persons" to provide a political donations return for a financial year within 20 weeks after the end of the financial year. The Return is to be filed on a group basis.

### 2.2. Crown policy

~~The Crown Group, any of its directors (and their spouses) must not make donations to New South Wales state political parties.~~

Political donations made for Commonwealth electoral purposes must not be paid into a State campaign account of the corresponding party. This must be communicated in writing to the recipient of any such political donation.

#### Other jurisdictions

The Crown Group may ~~otherwise from time to time~~ make political donations, provided in other Australian states and or territories subject to:

- compliance with relevant state or territory legislation and regulations; and

- the prior written approval of the Crown Resorts Limited Executive Chairman, the Chief Financial Officer or the General Counsel and Company Secretary.

### 2.3. Donating party

For the purposes of relevant state/territory legislation, all entities within the Crown Group are aggregated (such that the relevant caps apply to the Group as a whole, rather than to individual entities within the Group).

- For the purposes of this Policy, political donations do not contravene any legislative requirements or prohibitions from time to time, including those must be made as set out above; below.

- the contributions support public policy which is aligned to the best interests of the Crown Group's shareholders, customers, staff and the broader community;

no particular Commonwealth

- Any political party is unduly favoured; and

- contributions are approved, donations made and recorded in compliance with the requirements of this Policy and any other legislative requirements for Commonwealth electoral purposes must be made by Crown Resorts Limited.

#### Victoria

Any political donations and Exempt Donations made for Victorian electoral purposes must be made by Crown Melbourne, and must not be made anonymously.

Where Crown Melbourne makes an Exempt Donation, it should only do so in circumstances where it is provided with appropriate assurances that the funds donated will not be used for political expenditure.

#### Western Australia

Any political donations made for Western Australian electoral purposes must be made by Crown Perth.

### 2.3.2.4. Monetary limits

Except with the prior written approval of the Chairman General Counsel and Company Secretary and any one of the Executive Chairman, Chief Executive Officer – Australian Resorts or Chief Financial Officer of Crown Resorts Limited or Crown Melbourne, the following monetary limits apply to political donations:

- **Crown Resorts Limited:** Crown Resorts Limited must not make political donations in excess of \$50100,000 (in aggregate) per financial year;
- **Crown Melbourne Limited:** As the owner of Crown Entertainment Complex in Melbourne, Crown Melbourne Limited must not make political donations in excess of \$504,000 per financial year to any for Victorian electoral purposes to a political party and must not make political donations in excess of \$100,000 (in aggregate) per financial year or its nominated entity, a candidate or group of candidates or an elected member during an election period;

- **Crown Perth:** Crown Perth entities must not make political donations in excess of \$50,000 (in aggregate) per financial year to any Western Australian political party and must not make political donations in excess of \$100,000 (in aggregate) per financial year.

~~To ensure compliance with the Electoral Act 2002 (Vic), political donations to Victorian registered political parties must only be made by Crown Melbourne Limited.~~

The monetary limits set out above are inclusive of Goods and Services Tax.

#### 2.4.2.5. Required approval

##### **Crown Resorts Limited**

All political donations proposed to be made by or on behalf of Crown Resorts Limited, must be approved by at least one of the Crown Resorts Limited ~~Chief Executive Officer~~Chairman, the Chief Financial Officer or the General Counsel and Company Secretary prior to being made.

##### **Crown Melbourne ~~Limited~~**

All political donations proposed to be made by or on behalf of Crown Melbourne ~~Limited~~, must be approved by at least one of the following persons prior to being made:

- the Crown Resorts Limited ~~Chief Executive Officer~~Chairman, Chief Financial Officer or General Counsel and Company Secretary; or
- the ~~Crown Melbourne Limited~~Australian Resorts Chief Executive Officer or Chief Financial Officer.

##### **Crown Perth**

All political donations proposed to be made by or on behalf of Crown Perth, must be approved by at least one of the following persons prior to being made:

- the Crown Resorts Limited ~~Chief Executive Officer~~Chairman, Chief Financial Officer or General Counsel; or
- the ~~Crown Perth~~Australian Resorts Chief Executive Officer or Chief Financial Officer.

### 3. Political Donation Registers

#### 3.1. Political Donation Registers

The Crown Group will have Political Donation Registers in place at each of:

- Crown Resorts Limited;
- Crown Melbourne ~~Limited~~;
- Crown Perth,

which record all political donations made by or on behalf of that entity.

### 3.2. Responsibility for maintenance

The maintenance of the Political Donation Registers is the responsibility of ~~each~~the Chief Financial Officer of each relevant Crown ~~Resorts Limited, Crown Melbourne Limited and Crown Perth~~Group entity.

### 3.3. Content of Political Donation Registers

The Political Donation Registers will include:

- The name of the party that the political donation was made to;
- The address of the relevant political party;
- The date on which the donation was made;
- The purpose of the political donation together with an appropriate description;
- The value of the donation; and
- The names of Crown Group employees or representatives attending any particular event.

### 3.4. Periodic reporting

Each of Crown Melbourne ~~Limited~~ and Crown Perth will provide a monthly report to the Crown Resorts Limited Chief Financial Officer (or their delegate) summarising the content of their respective Political Donation Registers.

Crown Resorts Limited will be responsible for the annual disclosure of political donations under relevant legislation.

~~The~~A political donation made by Crown Melbourne for Victorian electoral purposes of \$1,000 or more (either individually or in aggregate) must be notified in writing to the Chief Financial Officer ~~will provide a report to the~~of Crown Resorts Limited within five days of making that donation. Crown Resorts Limited must then ensure that a disclosure return is provided to the Victorian Electoral Commission within 21 days of the making of that political donation.

The Audit and Corporate Governance Committee will be provided with a report twice a year, summarising the donations which have been made in the preceding sixth month period.

## 4. Policy responsibility

Each director and employee of the Crown Group is responsible for adhering to this Policy.

The Company Secretary has responsibility for maintaining the policy.

This Policy will be reviewed from time to time to ensure it remains consistent with the Crown Group's objectives, the Constitution and existing regulatory requirements and recommendations.

Crown Resorts Limited  
~~February 2018~~ June 2019

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## Annexure – Definitions

### Political Donation

Any disposition of property made by a person to a political party without consideration in money or money's worth or with inadequate consideration, including:

- the provision of a service (other than volunteer labour); and
- the payment of an amount in respect of a guarantee; and
- the making of a payment or contribution at a fundraising function.

“Political donations” can extend to both cash payments and payments in kind. Political donations will include things like providing free or subsidised goods or services such as:

- accommodation;
- marketing support;
- functions;
- prizes at political auctions; or
- winning bids for items at political auctions.

Payments to political parties for attending dinners, functions and conferences should also be considered political donations. Further, notwithstanding that the cost of a ticket to attend a function may exceed the cost of the dinner and refreshments received, the entire cost of the ticket should be counted.

A political donation does not include a gift to an individual made in a private capacity.

### Political Party

An organisation the object or activity, or one of the objects or activities, of which is the promotion of the election to a public office or a house of parliament of a candidate or candidates endorsed by it.





# Crown Resorts Limited

## Memorandum

---

**To:** The Board of Directors

**From:** Mary Manos

**Date:** 7 June 2019

**Subject:** **2019 Annual General Meeting**

---

Dear Directors

We have commenced preparations for the publication of this year's Annual Report and Notice of Meeting and have started thinking about the items of business for this year's AGM.

There are two potential items of business for the AGM for consideration by the Board:

1. approval to reinstate the proportional takeover provisions set out in the Company's constitution; and
2. approval to allow the Company to make termination payments beyond the restrictions in the Corporations Act.

These matters are detailed below and are presented to the Board for discussion.

### **Proportional Takeover provisions**

Like many other public company constitutions, the Company's constitution includes a provision that provides that if an off-market offer is made for a specified number of shares in a class, that offer needs to be put to shareholders and approved prior to the registration of any acceptances (**Proportional Takeover provisions**). The Proportional Takeover provisions have a three year sunset date which has lapsed.

A proportional takeover bid is an off-market takeover bid that is made or purports to be made in respect of a specified portion of shares included in a class (ie only a part of the accepting shareholder's shares will be transferred to the bidder).

For the Proportional Takeover provisions to apply, the Company will need to include a resolution to refresh the provision in its Notice of Meeting. The "refresh" resolution would need to be passed as a special resolution (75% of votes cast).

There are various advantages and disadvantages to having the Proportional Takeover provisions in place. The most compelling advantage is that shareholders are given an additional right to consider a proportional takeover bid and decide by majority vote on whether it should be accepted at large, with

the bidder and its associates excluded from voting on the proportional takeover bid resolution. There is a view however that the provisions could discourage a proportional takeover bid.

If a resolution is included in the Company's Notice of Meeting to renew the Proportional Takeover provisions in our Constitution, certain information in relation to the provisions must be included in the Notice, including whether the directors are aware of a proposal to acquire, or increase the extent of, a substantial interest in the company. If there is a change in circumstances from the date the Notice of Meeting is published and the date of the AGM, we would likely need to update our Notice of Meeting.

Given the above, we are seeking direction from the Board as to whether there is any appetite to "refresh" the Proportional Takeover provisions at this year's AGM.

### **Potential Termination Benefit Approvals**

The Corporations Act prohibits the giving of benefits in connection with the cessation of employment of an individual who holds a managerial and executive office (ie Key Management Personnel (**KMP**) and subsidiary directors) (**Termination Benefits**), unless shareholder approval is obtained (by ordinary resolution) at a general meeting.

An exemption exists for the provision of certain termination benefits where the value of the Termination Benefit does not exceed the executive's average annual "base salary".

"Base salary" does not include remuneration which conditional on the satisfaction of a performance condition and therefore excludes performance-based STI and LTI benefits.

For this reason, the Company has attempted to constrain directorships of subsidiary boards to Crown Resorts' KMP, however, this is not always possible given the small number of KMP. Seeking approval for the payment of potential Termination Benefits may create greater flexibility for the Company to appoint appropriate executives to subsidiary board positions. Approval of potential Termination Benefits does not guarantee that an executive will receive a Termination Benefit, however it does provide the Board with discretion to do so when deemed appropriate.

If the Company was to put such a resolution to shareholders at the AGM, it would be required to include in the Notice of Meeting the details of the benefits (ie the amount/value or, if the amount/value cannot be ascertained, the manner in which that amount/value is to be calculated and any matter/event/circumstance that will, or is likely to, affect the calculation).

A number of listed companies have sought shareholder approval in recent years for the provision of potential Termination Benefits to KMP and/or subsidiary directors for a three year period. For example, approximately 30% of the ASX 20 companies have obtained such approval in the last three years. Many of the examples largely deal with ensuring that payment in lieu of notice as provided under an employment contract and the acceleration of incentive plans do not trigger the prohibition.

It is worth noting that Star Entertainment and Tabcorp have not sought similar approvals in the past three years.

In the absence of a specific example which requires this to be addressed, there may be no need to pursue this item of business. In any event, a proposed Termination Benefit could always be put to shareholders prior to being paid (as was done in the case of Rowen Craigie). Notwithstanding, given that this appears to be a trend for other listed companies, we thought it appropriate to bring it to the attention of the Board.

Kind regards

Mary Manos  
**General Counsel & Company Secretary**



# Crown Resorts Limited

## Memorandum

---

**To:** The Board of Directors

**From:** Mary Manos

**Date:** 7 June 2019

**Subject:** **Deed of Cross Guarantee**

---

Dear Directors

On 21 June 2017, the Company entered into a Deed of Cross Guarantee (as the Holding Entity) with a number of Crown Group entities (the **Deed of Cross Guarantee**). It is proposed that Crown Digital Holdings Pty Ltd be added to the Deed of Cross Guarantee.

### **Large Proprietary Companies – Reporting Relief**

The Crown Group entities that are party to the Deed of Cross Guarantee can claim financial reporting relief and avoid preparing and lodging with ASIC standalone statutory accounts.

From 1 July 2019, the thresholds for determining what constitutes a large proprietary company will be increased as set out below:

A company must satisfy at least two of the following:

1. \$50 million or more of consolidated revenue for the financial year and the entities it controls (increased from \$25 million);
2. \$25 million or more of consolidated gross assets at the end of the financial year of the company and its controlled entities (increased from \$12.5 million); or
3. the company and its controlled entities having 100 employees at the end of the financial year.

Having regard to the changes which will come into effect from 1 July, consideration will be given to whether any companies are removed from the Deed of Cross Guarantee.

### **Addition of Crown Digital Holdings**

The finance team has requested that Crown Digital Holdings Pty Ltd be added to the Deed of Cross Guarantee as this company is now a large proprietary company following the restructure of the digital business which took place in December 2018. By adding this Crown Group entity to the Deed of Cross Guarantee, it will be afforded financial reporting relief for FY19.

In order to add new Crown Group entities to the Deed of Cross Guarantee, the Company, as the Holding Entity, is required to enter into an Assumption Deed which is to be provided to ASIC before the end of the financial year in respect of which the new Crown Group entities take advantage of the financial reporting relief.

It is therefore proposed that the Company enter into an Assumption Deed, in the form required by ASIC, to add Crown Digital Holdings Pty Ltd to the Deed of Cross Guarantee.

**Requested Resolution**

That the Board approve the form of the draft resolutions set out in Annexure A.

Mary Manos  
**General Counsel & Company Secretary**

**ANNEXURE A****Deed of Cross Guarantee**

It was noted that:

- the Company is a party to a Deed of Cross Guarantee dated 21 June 2017 entered into pursuant to ASIC Instrument 2016/785 (**Deed of Cross Guarantee**); and
- Crown Digital Holdings Pty Ltd will be required to obtain relief under ASIC Instrument 2016/785 for the 2019 financial year and it is therefore proposed that the Company enter into an assumption deed to add this Crown Group entity to the Deed of Cross Guarantee (**Assumption Deed**).

Having regard to the above, it was **RESOLVED** that:

- it is for the benefit of the Company to execute the Assumption Deed;
- any two directors or a director and secretary of the Company be authorised to execute the Assumption Deed; and
- each of the directors and secretary are separately authorised to take all steps necessary and to execute and lodge with ASIC such forms and documents as are necessary or desirable to give effect to the above resolutions.



# Crown Resorts Limited

## Memorandum

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**To:** The Board of Directors

**From:** John Alexander

**Date:** 7 June 2019

**Subject:** **Crown Perth Board Composition**

---

Dear Directors

On 31 May 2019, the Burswood Limited Board considered and approved the appointment of Maryna Fewster as an independent director of Burswood Limited subject to the receipt of a signed consent to act from Maryna and any necessary regulatory approvals.

Maryna is the current Chief Executive Officer (WA) of Seven West Media and has a strong history in operational improvement. In my view, she will be a valuable addition to the Board and her appointment will enhance the overall balance and composition of the Board, including by reference to the Board's skill set.

The members of the Crown Resorts Nomination and Remuneration Committee were consulted prior to Maryna's appointment and indicated their support of the appointment.

Maryna has provided Burswood Limited with a copy of her signed consent to act and will now need to be approved by the Gaming and Wagering Commission of Western Australia at which time her appointment will be effective. Maryna will be invited to attend Burswood Limited Board meetings as an observer prior to the receipt of the WA regulatory approval.

Additionally, on 5 June 2019, Timothy Roberts resigned as a director of Burswood Limited.

Following the appointment of Maryna, the composition of the Burswood Limited Board will be as follows:

- John Alexander
- Ken Barton
- Barry Felstead
- Maryna Fewster
- John Poynton

Kind regards

John Alexander  
**Executive Chairman**



# Crown Resorts Limited

## Memorandum

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**To:** The Board of Directors

**From:** Mary Manos

**Date:** 7 June 2019

**Subject:** **Crown Resorts Foundation 5<sup>th</sup> Anniversary**

---

Dear Directors

This year marks the 5<sup>th</sup> anniversary of the Crown Resorts Foundation and Packer Family Foundation. To celebrate the anniversary, the following events will be held in Melbourne and Sydney in August:

- **Melbourne Event:** Tuesday, 6 August from 12-2pm at the Aviary at Crown Melbourne; and
- **Sydney Event:** Wednesday, 7 August from 12-2pm at Carriageworks.

Directors are invited to attend the anniversary events.

Calendar invitations will be circulated shortly after the Board meeting with formal invitations scheduled to be sent in June.

Kind regards

Mary Manos  
**General Counsel & Company Secretary**



# Crown Resorts Limited

## Memorandum

**To:** The Board of Directors

**From:** Mary Manos

**Date:** 7 June 2019

**Subject:** **Future Meetings**

Dear Directors

The remaining scheduled 2019 Board meeting dates are set out in the table below.

DATE	MEETING	LOCATION
Tuesday, 20 August* 10.00am – 1pm	Crown Resorts Board (Full Year Results)	Chairman's Villa, Level 38, Room 3818, Crown Towers
Wednesday, 11 September 10.00am – 10.30am	Crown Resorts Board (Approval of Annual Report)	Teleconference
Wednesday, 23 October 4.00pm – 7pm	Crown Resorts Board (Pre AGM)	M7&8, Level 1, Crown Promenade (Conference Centre)
Thursday, 24 October 10.00am – 12.00pm	Crown Resorts AGM	River Room, Level 1, Crown Towers
Thursday, 12 December 10.00am – 1pm	Crown Resorts Board	M7&8, Level 1, Crown Promenade (Conference Centre)

\* The August Board meeting will be held in the Crown Towers Chairman's Villa, Level 38, Room 3818. As access to this Villa is restricted, directors should meet in the Chairman's Office Boardroom by 9.45am to be taken to the Villa in time for the commencement of the meeting. Additionally, Crystal Club access will not be available during this period so directors are invited to have breakfast in the Conservatory or in their room.

Kind regards

Mary Manos  
General Counsel & Company Secretary





**AGENDA ITEM 15:**  
"In Camera" Session



# Crown Resorts Limited

## Memorandum

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**To:** The Board of Directors  
**From:** Mary Manos  
**Date:** 7 June 2019  
**Subject:** "In Camera" Session

---

Dear Directors

The purpose of this session is for directors to meet in the absence of management.

Kind regards

Mary Manos  
**General Counsel and Company Secretary**