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Crown Sydney Hotel Resort

Financial submission

June 2013

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Section 1

Executive summary

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Executive summary

Crown is proposing to construct an iconic six-star hotel resort—Crown Sydney...

- Sydney deserves one of the world's great hotels
- Barangaroo South represents a spectacular opportunity to showcase an iconic six-star hotel resort
- Sydney's current hotel offering (including The Star's latest hotel) does not match the standard of the best hotels in Asia
- Following a public tender, Lend Lease entered into an agreement with the BDA to pay for the right to develop all the land at Barangaroo South and to then facilitate 99 year leases between the BDA and the owners of each new building. Crown has entered into an agreement with Lend Lease which provides Crown with the exclusive right to develop a hotel resort at Barangaroo South
- Crown is proposing to design, construct and operate Sydney's first six-star luxury hotel resort at Barangaroo South on Sydney Harbour. The Crown Sydney Hotel Resort will be world-class and will feature 350 hotel rooms and suites, 80 luxury apartments, signature restaurants, bars, luxury retail outlets, pool and spa facilities, conference rooms and VIP gaming facilities

Crown is proposing two alternative combinations of upfront licence fees and tax rates...

- **(Option A):** upfront licence fee of \$100 million, a tax rate of 10% (including GST) on international and interstate VIP revenue and a tax rate of 27.5% (including GST) on local VIP revenue
- **(Option B):** upfront licence fee of \$250 million, a tax rate of 9% (including GST) on international and interstate VIP revenue and a tax rate of 23% (including GST) on local VIP revenue

Crown will also guarantee future gaming taxes payable to the NSW Government...

- **(Guarantee 1):** under Option A and Option B, Crown will guarantee the average annual normalised gaming taxes received by the NSW Government from Crown Sydney and The Star in FY20 to FY22 will exceed the normalised gaming taxes received by the NSW Government from The Star in FY19
- **(Guarantee 2):** under Option B only, Crown will also guarantee that Crown Sydney will pay gaming taxes of at least \$1 billion to the NSW Government over the first 15 years of full operation (ie. FY22 to FY36)

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Crown Sydney will deliver significant financial benefits to the NSW Government...

- **Substantial upfront licence fee**

- Crown is prepared to pay a substantial upfront licence fee of \$100 million (Option A) or \$250 million (Option B) upon granting of the licence (which is expected to be in CY2013), notwithstanding that VIP gaming will not be operational until 14 November 2019

- **Significant additional gaming taxes resulting from the Crown Sydney project and the benefit of two gaming tax guarantees...**

- given that Crown Sydney will significantly grow the size of the international, interstate and local VIP table gaming markets, State Gaming Tax Revenue (SGTR) received by the NSW Government from Crown Sydney and The Star is expected to increase following the opening of Crown Sydney (compared to the estimated level in the absence of Crown Sydney)
- additional SGTR of c.\$█ billion (Option A) or c.\$█ billion (Option B) is expected to be received by the NSW Government over the first 10 years of full operation (FY22 to FY31)

Additional SGTR from Crown Sydney and The Star

(compared to the estimated level in the absence of Crown Sydney)

	FY22	FY22–FY31	NPV (up to FY31)	NPV (life of project)
Option A	█	█	█	█
Option B	█	█	█	█

- if the actual win rate at Crown Sydney and The Star was 1.60% (rather than 1.35%), the additional SGTR referred to in the table above would increase by c.\$█ million (Option A) or c.\$█ million (Option B) over the first 10 years of full operation (FY22 to FY31)
- if an iconic world-class hotel resort situated on one of the world's great harbours with one of the world's best VIP gaming facilities is able to attract more high net worth international gaming customers than projected, there will be additional gaming tax payable to the NSW Government. For example, if Crown Sydney achieved an additional 1% of the global VIP gaming market (ie. Australia's market share grows to █% rather than █%), the additional SGTR referred to in the table above would increase by c.\$█ million (Option A) or c.\$█ million (Option B) over the first 10 years of full operation (FY22 to FY31)
- additional future gaming taxes resulting from the Crown Sydney project will be protected by two gaming tax guarantees from Crown

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Crown Sydney will deliver significant other benefits to the State of NSW...

- **Iconic six-star hotel resort for Sydney**
 - the Crown Sydney Hotel Resort will be a world-class tourist offering, helping Sydney compete with other global destinations and become a landmark attraction for millions of international and domestic visitors
 - Wilkinson Eyre, one of the world's best architects, has been engaged to design the Crown Sydney Hotel Resort
 - the Crown Sydney Hotel Resort will be instantly recognisable around the world and its architecture will complement Sydney icons like the Sydney Harbour Bridge and the Sydney Opera House

- **Significant economic benefits including:**
 - Gross State Product (GSP) is estimated to increase by \$638 million in FY22
 - Employment is estimated to increase by between 2,300 to 3,300 in FY22
 - Export income is estimated to be \$513 million higher than in Crown Sydney's absence in FY22
 - Business investment is estimated to increase by \$151 million in FY22
 - Business investment during construction is estimated to increase by \$381 million in FY17
 - Additional payroll tax revenue of c.\$100m over the first 10 years of full operation (FY22 to FY31)

- **Assisting NSW to meet its tourism targets**
 - help the NSW Government meet its State tourism objectives
 - help NSW become more competitive with domestic and international tourist destinations
 - assist NSW in attracting a greater share of Asia's booming outbound tourism market
 - attract high net worth tourists and increase visitor spend
 - attract a greater share of international VIP gaming players
 - help NSW compete for major domestic and international events
 - provide a strategic addition to the stock of hotel accommodation in Sydney
 - the location of a globally recognised building on the harbour near the Sydney Harbour Bridge and the Sydney Opera House will also assist in attracting mainstream international tourists and the general public to Barangaroo

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An iconic six-star hotel resort is not viable without VIP gaming...

- The return on investment from building and operating an iconic six-star hotel resort (without gaming) is very low
 - estimated cost of c.\$ [REDACTED] million for a standalone iconic six-star hotel resort
 - EBITDA of only c.\$ [REDACTED] million (based on Crown's estimate of the hotel and related activities of Crown Sydney in FY22)
- A standalone six-star hotel will only generate limited tax revenue for NSW (payroll tax only)

However, the addition of VIP gaming can make the project viable...

- The incremental earnings that would be generated by incorporating world-class VIP gaming facilities can make the project viable
 - gaming would contribute incremental EBITDA of c.\$ [REDACTED] million (Option A) or c.\$ [REDACTED] million (Option B) in FY22
- VIP gaming would also generate significant additional gaming taxes for the NSW Government
- World-class VIP gaming would provide a further attraction to high net worth tourists from China and other Asian countries

The VIP gaming licence is a restricted gaming licence...

- The VIP gaming licence will only allow limited table gaming operations
 - no poker machines
 - no low limit tables (refer to page 32 for definition)
 - members only – no general public – membership system to be similar to Crown Melbourne
- Crown Sydney will only appeal to a small proportion of local gaming patrons
- Based on Crown Melbourne data, only approximately [REDACTED]% of local gaming patrons would play in a restricted gaming facility like Crown Sydney
 - poker machines typically account for about [REDACTED]% of all local gaming patrons and will not be offered at Crown Sydney
 - given that there will be no low limit tables at Crown Sydney, minimum annual turnover per local patron is estimated to be \$ [REDACTED] p.a.—only [REDACTED]% of local table game players (ie. [REDACTED]% of all local gaming patrons) have the financial capacity to play at such turnover levels
 - a significant proportion of local table game patrons who play on high limit tables (typically around [REDACTED]%) choose not to become members (ie. only [REDACTED]% of all local gaming patrons) would play the type of gaming proposed for Crown Sydney

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The VIP gaming licence is a restricted gaming licence (continued)...

- In addition, given the limited size of the VIP gaming facilities, it is not in Crown's commercial interest to attract the general public
 - the exclusive and private nature of the VIP gaming facilities is incompatible with allowing access to the general public
 - Crown will ensure that the table games at Crown Sydney will be occupied by high value players rather than lower value mass market players
- The restrictive nature of the VIP gaming licence will significantly reduce the potential for problem gambling issues to arise at Crown Sydney. Nevertheless, Crown is a world leader in responsible gaming and will provide a unique set of responsible gaming programs and services to its Crown Sydney customers

Revenue from VIP gaming in Sydney should be larger than in Melbourne...

- Sydney has a larger population (+9%) with favourable demographics, higher household incomes (+9%), more international arrivals (+55%) and higher expenditure on all forms of gambling other than casinos (eg. wagering (+28%) and poker machines (+76%))

Despite this, The Star significantly underperforms Crown Melbourne in all VIP markets...

- International and interstate VIP turnover of c.\$[REDACTED] billion at The Star vs c.\$[REDACTED] billion at Crown Melbourne in FY12 (+c.100%)
- Local VIP player revenue of c.\$[REDACTED] million¹ at The Star vs c.\$[REDACTED] million² at Crown Melbourne in FY12 (+c.40%)

Crown Sydney is expected to grow Sydney's share of the international and interstate VIP markets as well as grow the local VIP market...

- Australia currently has only a c.2.5% share of the international VIP gaming market, which is expected to grow to [REDACTED]% in FY22 primarily as a result of Crown Sydney entering the international VIP market
- International VIP revenue is expected to grow by c.[REDACTED]% compared to the expected level in FY22 in the absence of Crown Sydney
- Interstate VIP revenue is expected to grow by c.[REDACTED]% compared to the expected level in FY22 in the absence of Crown Sydney
- Local table gaming revenue is expected to grow by c.[REDACTED]% compared to the expected level in FY22 in the absence of Crown Sydney

Notes:

- 1 Local VIP revenue of [REDACTED] plus Crown's estimate of the annualised revenue impact of the Oasis Room at The Star of c.\$20m
- 2 Local VIP revenue of [REDACTED] plus an uplift of 5% to allow for the refurbishment impact on Mahogany Room revenue in FY12

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The Star is also expected to benefit from the growth in VIP markets...

- Given that Crown Sydney will significantly grow the size of the international, interstate and local VIP table gaming markets, The Star is also expected to benefit following the opening of Crown Sydney
 - The Star's revenue from VIP gaming is expected to improve by c. [REDACTED]% (compared to the estimated level in FY22 in the absence of Crown Sydney) as a result of the growth in the markets
- Crown is strongly of the view that "cannibalisation" of SGTR will not occur given that total Sydney VIP gaming revenues will increase following the opening of Crown Sydney. However, financial analysis indicates that even if "cannibalisation" of all of The Star's local VIP revenue were to occur, the impact on SGTR would be minimal
- Growth in The Star's VIP gaming business (which is expected to occur following the opening of Crown Sydney) is incremental to the continued growth of The Star's main gaming floor and poker machine businesses, which are expected to represent c. [REDACTED]% of The Star's revenue in FY22

The expected returns for Crown are constrained by the nature of the project...

- The expected returns for Crown from the project are:
 - NPV of between [REDACTED] and [REDACTED] (Option A) or [REDACTED] and [REDACTED] (Option B) (based on a discount rate of [REDACTED])
 - IRR of [REDACTED]% (Option A or Option B)
 - payback period of [REDACTED] years (Option A or Option B)
- These returns are impacted by the significant cost of constructing an iconic luxury six-star hotel resort to world-class standard and the nature of the VIP gaming licence, which does not permit poker machines or low limit tables
- Despite the constrained returns, the iconic status of Crown Sydney will assist Crown in broadening its global luxury brand status

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The downside risk of this project will be carried by Crown – not by the NSW Government...

- If Crown has overestimated its ability to grow the VIP table gaming markets which are available to Sydney, Crown will be severely impacted
 - the project will be materially NPV negative for Crown and generate a clearly inadequate return
- However, even under this scenario the NSW Government is expected to still benefit from the project
 - NSW would still benefit from an iconic six-star hotel resort on the harbour at Barangaroo
 - NSW would still receive a substantial upfront licence fee of \$100 million (Option A) or \$250 million (Option B)
 - the NSW Government would still be expected to collect an additional c.\$ [REDACTED] million (Option A) or c.\$ [REDACTED] million (Option B) in SGTR over the first 10 years of full operation (FY22 to FY31) (compared to the estimated level in the absence of Crown Sydney)
 - under Option B, the NSW Government would also be protected by Guarantee 2—Crown will guarantee that Crown Sydney will pay gaming taxes of at least \$1 billion to the NSW Government over the first 15 years of full operation (ie. FY22 to FY36)

The Crown Sydney project will have a limited impact on The Star's exclusivity arrangements...

- If the Crown Sydney project proceeds, the NSW Government still retains the option to receive a further payment (in addition to a substantial upfront licence fee from Crown) for the issue of a non-VIP gaming licence to another operator post 2019 or by extending The Star's exclusivity in relation to non-VIP gaming activities beyond 2019

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Crown has the track record to successfully deliver this project...

- Crown's track record and financial capacity provide confidence that it will deliver on its promise to build one of the world's great hotels on Sydney harbour. It also provides confidence that Crown can grow Sydney's share of the global VIP gaming market
- Crown has a long track record of successfully designing, constructing and operating world-class six-star luxury hotel resorts, including the following achievements:
 - Crown has 20 years of experience in developing a global VIP gaming business with a well-recognised brand and operations in Melbourne, Perth, Macau and London
 - Crown has a strong brand recognition in China and Macau – which has a c.75% share of the global VIP gaming market
 - Crown has a strategy of investing in its properties to generate growth and returns
 - Crown and its associates have developed (or are developing) 12 new hotels in Melbourne, Perth, Macau and Manila – of which four are of a six-star standard
 - Crown is currently undertaking a \$2.8 billion investment program to ensure that its Melbourne and Perth properties remain of the highest standard
 - Crown's properties in Australia attract more than 25 million visitors every year
 - Crown's international visitors generate approximately one-third of Crown's revenue in Australia
 - Crown's international VIP gaming turnover at its Australian properties has more than doubled over recent years
 - Crown's business in Melbourne generates twice as much turnover from international VIP gaming than the equivalent operation at The Star in Sydney
 - Crown has paid more than \$1.2 billion in taxes to the Victorian and West Australian Governments over the last 5 years
 - Crown's Australian resorts provide employment for more than 14,400 people and Crown operates an in-house training college at Crown Melbourne
 - Crown is a recognised leader in responsible gaming
 - Crown has a market capitalisation of c.\$9 billion and a strong balance sheet with an investment grade credit rating
 - Crown has a well resourced and stable management team which has the know-how and experience to deliver this important project for Sydney

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Executive summary – financial model

VIP gaming markets—key assumptions

	International VIP	Interstate VIP	Local VIP
Sydney vs Melbourne			
Market growth rate			
Crown Sydney share			
FY22 revenue (\$m)			
FY22 contribution (\$m)			

Alternative combinations of upfront licence fee, tax rates and tax guarantees—key assumptions

	Upfront licence fee	Int'l / interstate VIP tax rate ¹	Local VIP tax rate ²	Gaming tax guarantee ^{1,3}	Gaming tax guarantee ^{2,4}
Option A	\$100m	10%	27.5%	✓	✗
Option B	\$250m	9%	23%	✓	✓

For further detail in relation to gaming tax guarantees please refer to Section 11

Notes:

- Including GST
- Option A tax rates (including GST): State gaming tax of 16.41% + 2% responsible gaming levy + 9.09% GST. Option B tax rates (including GST): State gaming tax of 11.91% + 2% responsible gaming levy + 9.09% GST
- Crown will guarantee the average annual normalised gaming taxes received by the NSW Government from Crown Sydney and The Star in FY20 to FY22 will exceed the normalised gaming taxes received by the NSW Government from The Star in FY19
- Crown will guarantee that Crown Sydney will pay gaming taxes of at least \$1 billion to the NSW Government over the first 15 years of full operation (ie. FY22 to FY36)
- Reflects Crown's share of the net proceeds from apartments sales

Project cost—key assumptions

	A\$m
Upfront licence fee	100 (Option A)
	250 (Option B)
Land cost (estimate)	
Design and pre-construction	
Remediation of land	
Hotel resort construction	
Apartment construction	
Gaming equipment	
Total gross project cost	
Proceeds from apartment sales ⁵	
Total net project cost	
Pre-opening expenses	
Total project cost	

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Executive summary – financial model

Summary of financial model for Crown Sydney

	OPTION A	OPTION B
Crown Sydney revenue and EBITDA in FY22		
International and interstate VIP revenue (\$m)		
Local VIP revenue (\$m)		
Hotel and other revenue (\$m)		
Total revenue (\$m)		
International and interstate VIP contribution (\$m)		
Local VIP contribution (\$m)		
Hotel and other contribution (\$m)		
Total contribution (\$m)		
<i>% margin</i>		
Corporate costs (\$m)		
EBITDA (\$m)		
<i>% margin</i>		
Crown's financial returns		
NPV (at 10.5%–9.5%) (\$m)		
IRR		
Payback period		

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Executive summary – financial model

Summary of financial model for Crown Sydney

	OPTION A	OPTION B
Benefits for the NSW Government		
Key terms		
Upfront licence fee (\$m)	100	250
International / interstate VIP tax rate (including GST)	10%	9%
Local VIP tax rate (including GST)	27.5%	23%
Gaming tax guarantee 1	✓	✓
Gaming tax guarantee 2	✗	✓
		\$1bn over 15 years
Gross Gaming Tax (GGT) paid by Crown Sydney and The Star		
Incremental GGT in FY22 (\$m) ¹		
% increase / (decrease) ¹		
Incremental GGT (FY22–31) (\$m) ¹		
including upfront licence fee (\$m) ²		
NPV of incremental GGT up to FY31 ^{1,2,3}		
NPV of incremental GGT over the life of the project (\$m) ^{1,2,3}		
State Gaming Tax Revenue (SGTR) received by the NSW Government from Crown Sydney and The Star		
Incremental SGTR in FY22 (\$m) ¹		
% increase / (decrease) ¹		
Incremental SGTR (FY22–31) (\$m) ¹		
including upfront licence fee (\$m) ²		
NPV of incremental SGTR up to FY31 ^{1,2,3}		
NPV of incremental SGTR over the life of the project (\$m) ^{1,2,3}		
Benefits for The Star		
FY22 VIP revenue impact (\$m)		
% increase / (decrease) ¹		

Notes:

- Compared to the estimated level in the absence of Crown Sydney. FY22 has been adopted as a reference point given that it is the first year which reflects the full impact of all of Crown Sydney's operations
- Including upfront licence fee of \$100m (Option A) or \$250m (Option B) payable upon granting of the licence (which is expected to be in CY2013)
- Projected GGT and SGTR discounted at a rate of [REDACTED] to [REDACTED] reflect timing and risk associated with forecast cashflows. Please refer to page 66 for further detail

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Section 2

Key terms and conditions of Crown's proposal

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Key terms and conditions of Crown's proposal

Iconic building

- Iconic six-star luxury hotel resort at Barangaroo South
- The Crown Sydney Hotel Resort will be world-class and will feature 350 hotel rooms and suites, 80 luxury apartments, signature restaurants, bars, luxury retail outlets, pool and spa facilities, conference rooms and VIP gaming facilities
- Site footprint of at least 6,000m²
- Construction is subject to receipt of all necessary approvals including BDA and Ministerial planning approvals

VIP gaming

- No poker machines
- No low limit tables (refer to page 32 for definition)
- Members only – no general public – membership system to be similar to Crown Melbourne
- There will be a limit on the amount of floor space occupied by table games (being the lesser of 20,000m² and 20% of the total gross floor area of the building) but VIP gaming to be permitted anywhere on the site with no cap on the number of table games
- Table games to include traditional table games, semi-automated table games and fully automated table games

Upfront licence fee and tax rates

- Substantial upfront licence fee and agreed tax rates—see Sections 4, 9 and 10 for further detail
- Crown will guarantee future gaming taxes payable—see Sections 4 and 11 for further detail

Smoking

- Smoking will be permitted in all VIP gaming areas but subject to the commitments agreed with United Voice (NSW Branch) in relation to air quality in VIP gaming areas
- Permitting patrons to smoke in VIP gaming areas is absolutely critical for Crown Sydney given the internationally competitive nature of VIP gaming and the fact that all of Crown Sydney's competitors in Singapore, Macau, Philippines and Las Vegas permit smoking in VIP gaming areas
- Some non-smoking tables will also be provided in Crown Sydney's VIP gaming areas, reflecting the preferences of some VIP gaming customers

Land

- Crown has entered into an agreement with Lend Lease which provides Crown with the exclusive right to develop a hotel resort at Barangaroo South
- Crown is seeking an amendment to the Project Development Agreement (PDA), an agreement between the BDA and Lend Lease, to exclude VIP gaming at Crown Sydney from the calculation of, amongst other things, 'fixed land payments' and 'value share payments' on the basis that the PDA pre-dates the Crown Sydney proposal

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Regulatory and investment certainty

Crown believes that regulatory certainty is essential given the scale of its investment in the project

Licence terms

- The VIP Gaming Licence contains terms that are critical to the viability of the Crown Sydney Hotel Resort, namely:
 - VIP gaming will not include poker machines;
 - VIP gaming will not include low limit tables (as defined on page 32);
 - VIP gaming will be for members only – no general public – membership system to be similar to Crown Melbourne;
 - smoking will be permitted in all VIP gaming areas but subject to the commitments agreed with United Voice (NSW Branch) in relation to air quality in VIP gaming areas;
 - VIP gaming may include the operation of traditional table games, semi-automated table games and fully automated table games;
 - there will be a limit on the amount of floor space occupied by table games (being the lesser of 20,000m² and 20% of the total gross floor area of the building) but VIP gaming to be permitted anywhere on the site with no cap on the number of table games;
 - VIP gaming may be conducted 24 hours a day, 7 days a week, 365 days a year;
 - the Crown Sydney Hotel Resort will be licensed to serve alcohol in all areas; and
 - expiry date for the VIP Gaming Licence will be the expiration date of the lease
- Accordingly, the VIP Gaming Licence can only be amended by agreement. If the NSW Government were to take action that has the effect of amending the key terms of the VIP Gaming Licence or that has some other material adverse impact on the operation of the Crown Sydney Hotel Resort, then Crown is entitled to compensation

Taxation arrangements

- If the State wishes to vary VIP gaming tax rates or introduce any new tax, levy or other charge or payment in relation to VIP gaming (or increase any such amount), it must first seek to reach agreement in relation to any such change proposed by the State. However, where the parties cannot reach agreement in relation to any such change proposed by the State, then the Treasurer has the power to unilaterally determine the outcome. If the Treasurer were to use his/her power to unilaterally determine such an outcome during the first 30 years after the issue of the VIP Gaming Licence, then Crown is entitled to compensation
- The 30 year compensation period referred to above is appropriate given:
 - the pay-back period of the project is approximately [REDACTED] years;
 - the pay-back period of the project is approximately [REDACTED] years as per the “downside scenario”;
 - the net present value of the expected cash flows generated by the project over 99 years is [REDACTED];
 - the internal rate of return of the project is low – only approximately [REDACTED];
 - the total project cost of up to c. [REDACTED] billion is very significant and is to be funded by Crown without any contribution by the NSW Government; and
 - Crown is assuming project risk
- If the rate of GST increases, then the gaming tax rates must be adjusted so that Crown is not disadvantaged

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Section 3

Description of the Crown Sydney Hotel Resort

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Components of the Crown Sydney Hotel Resort

The Crown Sydney Hotel Resort will comprise a luxury six-star hotel, world-class VIP gaming facilities and other luxury facilities

Hotel

- Opening in 2018
- Luxury six-star hotel with 350 guest rooms
- Includes luxury pool and spa
- c.80 luxury apartments

Food & Beverage / Retail

- Opening in 2018
- Five world-class restaurants, including café, seafood, Chinese, Japanese and all-day restaurant
- Three bars (including a nightclub / lounge)
- Three luxury retail outlets

VIP Gaming




- Opening in 2019, following the expiry of Echo's exclusivity arrangements
- No poker machines
- No low limit tables (refer to page 32 for definition)
- Members only – no general public – membership system to be similar to Crown Melbourne

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Comparison with Crown Melbourne and The Star

Unlike The Star and Crown Melbourne, Crown Sydney will not have poker machines or a main gaming floor

	 CROWN (Sydney) FY22	 CROWN (Melbourne) FY12	 THE STAR FY12
VIP gaming salons	✓ (c.30 salon tables)	✓ (c.30 salon tables)	✓ (c.40 salon tables)
VIP gaming rooms	<ul style="list-style-type: none"> • VIP gaming rooms (c.90 tables) 	<ul style="list-style-type: none"> • Mahogany Room (c.60 tables) • Teak Room (c.30 tables) 	<ul style="list-style-type: none"> • Sovereign Room (c.50 tables) • Oasis Room (c.20 tables)
Main gaming floor	x	✓	✓
Number of tables	c.120	c.500	c.300+
Number of poker machines	Nil	2,500	1,500
Hotels ¹	<ul style="list-style-type: none"> • Hotel (350 rooms; 6 star) 	<ul style="list-style-type: none"> • Crown Towers (480 rooms; 6 star) • Metropal (658 rooms; 5 star) • Promenade (465 rooms; 4.5 star) 	<ul style="list-style-type: none"> • The Darling (157 rooms; 5 star) • Astral Tower (490 rooms; 4.5 star)
Other facilities	<ul style="list-style-type: none"> • Restaurants, bars and retail • Pool and spa facilities • Conference rooms 	<ul style="list-style-type: none"> • Restaurants, bars and retail • Conference centre • Palladium 1,500-seat ballroom • Palm's 900-seat cabaret venue • Nightclubs • Multi-screen cinema complex • Bowling alley 	<ul style="list-style-type: none"> • Restaurants, bars and retail • Events and entertainment centre (including banquet and meeting facilities) (4,000 capacity) • Marquee nightclub • Lyric Theatre (2,050 capacity)

Note:

¹ Hotel star ratings are based on Crown's assessment

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Section 4

Significant benefits for NSW

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Key financial benefits for the NSW Government

Crown Sydney will deliver significant benefits to the NSW Government including a substantial upfront licence fee, significant additional gaming taxes and two gaming tax guarantees

	Option A	Option B
Upfront licence fee	\$100 million payable upon granting of the licence (which is expected to be in CY2013)	\$250 million payable upon granting of the licence (which is expected to be in CY2013)
Tax rates	10% (including GST) on international / interstate VIP gaming revenue and 27.5% ¹ (including GST) on local VIP gaming revenue	9% (including GST) on international / interstate VIP gaming revenue and 23% ¹ (including GST) on local VIP gaming revenue
Gaming tax guarantees²	The average annual normalised gaming taxes received by the NSW Government from Crown Sydney ³ and The Star ⁴ in FY20 to FY22 will exceed the normalised gaming taxes received by the NSW Government from The Star ⁴ in FY19	The average annual normalised gaming taxes received by the NSW Government from Crown Sydney ³ and The Star ⁴ in FY20 to FY22 will exceed the normalised gaming taxes received by the NSW Government from The Star ⁴ in FY19

and

Crown Sydney³ will pay gaming taxes of at least \$1 billion to the NSW Government over the first 15 years of full operation (ie. FY22 to FY36)

Notes:

- 1 Comprises State gaming tax of 16.41% (Option A) or 11.91% (Option B) + 2% responsible gaming levy + 9.09% GST
- 2 Please refer to the Draft Framework Agreement in Volume 4—Legal Documentation for further details about the proposed gaming tax guarantees
- 3 Normalised gaming taxes received by the NSW Government from Crown Sydney in FY20 to FY22 will be calculated as the sum of: (i) international/interstate VIP gaming turnover multiplied by a win rate of 1.35% and then multiplied by a tax rate of 10% (Option A) or 9% (Option B); and (ii) local VIP gaming revenue multiplied by a tax rate of 18.41% (being 16.41% + 2% responsible gaming levy) (Option A) or 13.91% (being 11.91% + 2% responsible gaming levy) on local VIP revenue (Option B)
- 4 Normalised gaming taxes received by the NSW Government from The Star⁴ in FY19 and FY20 to FY22 will be calculated as the sum of: (i) international/interstate VIP gaming turnover multiplied by a win rate of 1.35% and then multiplied by a tax rate of 10%; and (ii) local gaming revenue multiplied by a tax rate of 18.41% (being 16.41% + 2% responsible gaming levy) plus super tax

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Crown Sydney will deliver significant financial benefits to NSW

In addition to a substantial upfront licence fee of \$100–250 million, the NSW Government is expected to receive incremental State Gaming Tax Revenue of up to c.\$ [REDACTED] from Crown Sydney and The Star over the first 10 years of full operation of Crown Sydney (FY22–FY31)

Substantial upfront licence fee

- Crown is prepared to pay a substantial upfront licence fee of \$100 million (Option A) or \$250 million (Option B) upon granting of the licence (which is expected to be in CY2013), notwithstanding that VIP gaming will not be operational until 14 November 2019

Significant additional gaming taxes resulting from the Crown Sydney project

(i) Additional Gross Gaming Tax (GGT) payable by Crown Sydney and The Star of:

- [REDACTED] (Option A) or c. [REDACTED] (Option B) in FY22 – represents an increase of up to [REDACTED] (compared to the estimated level in FY22 in the absence of Crown Sydney)
- c. [REDACTED] (Option A) or c. [REDACTED] (Option B) over the first 10 years of full operation (FY22 to FY31) (compared to the estimated level in the absence of Crown Sydney)
- NPV (including upfront licence fee) of c. [REDACTED] (Option A) or c. [REDACTED] (Option B) up to FY31¹
- NPV (including upfront licence fee) of c. [REDACTED] (Option A) or c. [REDACTED] (Option B) over the life of the project¹

(ii) Additional State Gaming Tax Revenue (SGTR) received by the NSW Government from Crown Sydney and The Star of

- c. [REDACTED] (Option A) or c. [REDACTED] (Option B) in FY22 – represents an increase of up to [REDACTED] compared to the estimated level in FY22 in the absence of Crown Sydney)
- c. [REDACTED] (Option A) or c. [REDACTED] (Option B) over the first 10 years of full operation (FY22 to FY31) (compared to the estimated level in the absence of Crown Sydney)
- NPV (including upfront licence fee) of c. [REDACTED] (Option A) or [REDACTED] (Option B) up to FY31¹
- NPV (including upfront licence fee) of c. [REDACTED] (Option A) or c. [REDACTED] (Option B) over the life of the project¹

Note:

¹ Projected GGT and SGTR discounted at a rate of [REDACTED] to [REDACTED] reflect timing and risk associated with forecast cashflows). Please refer to page 66 for further detail

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Crown Sydney will deliver significant financial benefits to NSW

If Crown and The Star were to achieve a higher actual win rate (say 1.60%) or achieve an additional 1% of the global VIP gaming market (ie. Australia's market share grows to [REDACTED] rather than [REDACTED]), the additional SGTR arising from the project would increase further

▢ Significant additional gaming taxes resulting from the Crown Sydney project (continued)

(iii) If the actual win rate at Crown Sydney and The Star was 1.60% (rather than 1.35%), the additional SGTR referred to on page 23 would increase by:

- [REDACTED] (Option A) or [REDACTED] (Option B) in FY22
- [REDACTED] (Option A) or [REDACTED] (Option B) over the first 10 years of full operation (FY22 to FY31)
- NPV of [REDACTED] (Option A) and [REDACTED] (Option B) up to FY31¹
- NPV of [REDACTED] (Option A) and [REDACTED] (Option B) over the life of the project¹

(iv) If Crown Sydney achieved an additional 1% of the global VIP gaming market (ie. Australia's market share grows to [REDACTED] rather than [REDACTED]), the additional SGTR referred to on page 23 would increase by:

- c. [REDACTED] (Option A) or c. [REDACTED] (Option B) in FY22
- c. [REDACTED] (Option A) or c. [REDACTED] (Option B) over the first 10 years of full operation (FY22 to FY31)
- NPV of c. [REDACTED] (Option A) and c. [REDACTED] (Option B) up to FY31¹
- NPV of c. [REDACTED] (Option A) and c. [REDACTED] (Option B) over the life of the project¹

Note:

¹ Projected SGTR (discounted at a rate of [REDACTED] to reflect timing and risk associated with forecast cashflows). Please refer to page 06 for further detail.

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Crown Sydney will deliver significant financial benefits to NSW

Additional gaming taxes resulting from the Crown Sydney project will be protected by guarantee(s) from Crown in relation to future gaming taxes payable to the NSW Government. In addition, the Crown Sydney project will also generate additional payroll tax revenue for the NSW Government

□ Crown will guarantee future gaming taxes payable to the NSW Government¹

- **(Guarantee 1):** under Option A and Option B, Crown will guarantee the average annual normalised gaming taxes received by the NSW Government from Crown Sydney and The Star in FY20 to FY22 will exceed the normalised gaming taxes received by the NSW Government from The Star in FY19
- **(Guarantee 2):** under Option B, Crown will also guarantee that Crown Sydney will pay gaming taxes of at least \$1 billion to the NSW Government over the first 15 years of full operation (ie. FY22 to FY36)

□ Crown Sydney will also generate additional payroll tax revenue for the NSW Government

- additional payroll tax revenue of c.\$10 million in FY22
- additional payroll tax revenue of c.\$100 million over the first 10 years of full operation (FY22 to FY31)
- additional payroll tax revenue has an NPV of c.\$55 million to the NSW Government up to FY31²
- additional payroll tax revenue has an NPV of c.\$195 million to the NSW Government over the life of the project²

Notes:

1 Please refer to the Draft Framework Agreement in Volume 4—Legal Documentation for further details about the proposed gaming tax guarantees

2 Project payroll tax revenue (discounted at a rate of [REDACTED] to reflect timing and risk associated with forecast cashflows). Please refer to page 66 for further detail

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Crown Sydney will deliver significant other benefits to NSW

Crown Sydney will deliver an iconic six-star hotel resort for Sydney, significant economic benefits for the State of NSW and assist NSW to meet its tourism targets

Iconic six-star hotel resort for Sydney

- the Crown Sydney Hotel Resort will be a world-class tourist offering, helping Sydney compete with other global destinations and become a landmark attraction for millions of international and domestic visitors
- Wilkinson Eyre, one of the world's best architects, has been engaged to design the Crown Sydney Hotel Resort
- the Crown Sydney Hotel Resort will be instantly recognisable around the world and its architecture will complement Sydney icons like the Sydney Harbour Bridge and the Sydney Opera House

Significant economic benefits for NSW include¹:

- Gross State Product (GSP) is estimated to increase by \$638 million in FY22
- Employment is estimated to increase by between 2,300 to 3,300 in FY22
- Export income is estimated to be \$513 million higher than in Crown Sydney's absence in FY22
- Business investment is estimated to increase by \$151 million in FY22
- Business investment during construction is estimated to increase by \$381 million in FY17

Assisting NSW to meet its tourism targets

- help the NSW Government meet its State tourism objectives
- help NSW become more competitive with domestic and international tourist destinations
- assist NSW in attracting a greater share of Asia's booming outbound tourism market
- attract high net worth tourists and increase visitor spend
- attract a greater share of international VIP gaming players
- help NSW compete for major domestic and international events
- provide a strategic addition to the stock of hotel accommodation in Sydney
- the location of a globally recognised building on the harbour near the Sydney Harbour Bridge and the Sydney Opera House will also assist in attracting mainstream international tourists and the general public to Barangaroo

Note:

¹ Economic benefits as per The Allen Consulting Group's report titled 'Crown Sydney Proposal—An Economic Benefit Assessment' (June 2013)

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Section 5

Viability of a standalone iconic six-star hotel resort

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Viability of a standalone iconic six-star hotel resort

The return on investment from building and operating an iconic six-star hotel resort (without gaming) is very low

Financial viability

- Estimated cost of c. [REDACTED] for a standalone iconic six-star hotel resort¹
- EBITDA of only c. [REDACTED] (based on Crown's estimate of the hotel and related activities of Crown Sydney in FY22)²
- A standalone six-star hotel will only generate limited tax revenue for NSW (payroll tax only)

No Australian precedents

- Sydney lacks a six-star hotel—Sydney's current hotel offering (including The Star's latest hotel) does not match the standard of the best hotels in Asia
- The only six-star hotel that has been built in Australia to date is Crown Towers at Crown Melbourne—it is not commercially viable to build a six-star hotel in Australia without the incremental earnings provided by gaming

Expert report

“

Whilst a 5-star (Australian standard) hotel development at Barangaroo is possible, we do not believe a standalone hotel development of the scale and quality being proposed by Crown (i.e. what Crown describes as a 6-star hotel resort) is viable given the expected low development return of such an investment, unless the development includes a gaming component or other concessions to underpin the overall viability of the project.

”

Jones Lang LaSalle report titled 'Sydney Hotel Accommodation Report' (June 2013)

Notes:

- 1 Based on the allocation of total project cost (Option A). \$100m upfront licence fee included in VIP gaming component
- 2 EBITDA after corporate costs

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Impact of adding VIP gaming to the hotel resort

The incremental earnings that would be generated by incorporating world-class, VIP gaming facilities are necessary to make the project viable

Project	Hotel and related activities	+	VIP gaming	=	Crown Sydney
Project cost ¹					
FY22 EBITDA ²					
Additional taxes received by the NSW Government ³	Payroll tax only	+			
Crown's financial returns ⁴					

Notes:
 1 Based on the allocation of total project cost (Option A). \$100m upfront licence fee included in VIP gaming component
 2 EBITDA after corporate costs (Option A)
 3 Represents State Gaming Tax Revenue (Option A)
 4 Based on Option A

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Section 6

VIP gaming at Crown Sydney

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Key operating features of VIP gaming at Crown Sydney

VIP gaming at Crown Sydney will be world-class and will attract additional international VIP players, interstate VIP players and local VIP players to Sydney

International VIP

- Services international VIP customers (primarily from Asia) with an exclusive and luxurious gaming and vacation experience
- Operates an extensive international marketing network with offices throughout Asia targeting VIP customers
- Two incentive programs:
 - junket groups—junket operators represent multiple VIP customers and receive the program benefits for the play of their group
 - direct players—high value individual players who receive commissions directly
- Crown provides access to its private aircraft and limousine fleet
- Access to private gaming areas and gaming salons for an exclusive and personalised gaming experience as well as luxurious accommodation (including villas)
- Baccarat is the preferred game and represents over ██████ of total business

Interstate VIP

- Organised program play for interstate VIP players
- Facilities are similar to international VIP but are tailored for the domestic market
- Access to private gaming areas or gaming salons will depend on customer turnover

Local VIP

- Members only access – no general public – membership system to be similar to Crown Melbourne
- Customers receive high service levels in an opulent environment
- Offers personalised hosting (similar to international VIP service)

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Key features of the Crown Sydney VIP gaming licence

The VIP gaming licence will only allow limited table gaming operations

- No poker machines
- No low limit tables—meaning a gaming table with a minimum bet limit of less than the lower of:
 - \$30 for Baccarat, \$20 for Blackjack and \$25¹ for Roulette; and
 - the lowest minimum bet limit for the equivalent game located in any of the VIP gaming areas at Crown Melbourne from time to time
- Members only – no general public – membership system to be similar to Crown Melbourne
- Smoking to be permitted in all VIP gaming areas, subject to the commitments in relation to air quality in VIP gaming areas as agreed with United Voice (NSW Branch)
- There will be a limit on the amount of floor space occupied by table games (being the lesser of 20,000m² and 20% of the total gross floor area of the building) but VIP gaming to be permitted anywhere on the site with no cap on the number of table games
- Table games to include traditional table games, semi-automated table games and fully automated table games
- VIP gaming may be conducted 24 hours a day, 7 days a week, 365 days a year
- The Crown Sydney Hotel Resort will be licensed to serve alcohol in all areas
- Expiry date for the VIP gaming licence will be the expiration date of the lease

For further detail please refer to Volume 4—Legal Documentation

Note:

¹ For the purpose of determining the minimum bet limit in relation to Roulette, the bet limit represents the minimum total of all bets placed per player, per spin

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Key features of the Crown Sydney VIP gaming licence

Based on Crown Melbourne data, only approximately [REDACTED] of local gaming patrons would play in a restricted gaming facility like Crown Sydney—no poker machines, no low limit tables and members only – no general public

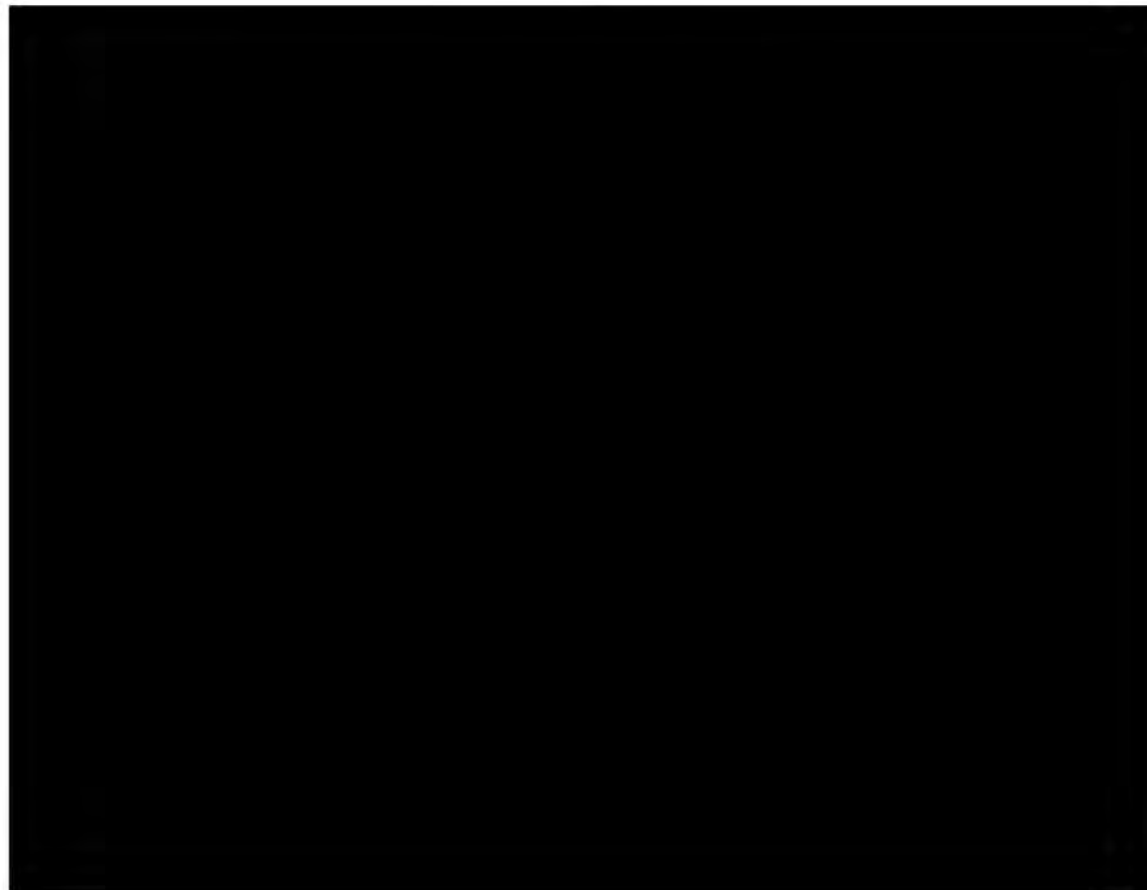
Crown Sydney

No poker machines

No low limit tables

Members only
– no general public

Breakdown of Sydney local gaming patrons¹



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VIP gaming – no general public access

Crown Sydney will only appeal to a small proportion of local gaming patrons and, given the limited size of the VIP gaming facilities, it is not in Crown’s commercial interest to attract the general public

Minimum bets on table games and annual turnover

Game	Minimum bet amount (example)	Average frequency of bet (seconds)	Turnover per hour at min. bet	Turnover p.a. at min. bet (based on typical local VIP player profile)
Baccarat	\$30	50	\$2,160	██████████
Roulette ¹	\$25	60	\$1,500	██████████
Blackjack	\$20	40	\$1,800	██████████

No poker machines

- Poker machines typically account for about ██████ of all local gaming patrons and will not be offered at Crown Sydney

No low limit tables

- Crown Sydney will only offer table games with higher minimum bet requirements
 - minimum annual turnover per local patron is estimated to be ██████████ at Crown Sydney
 - only a small proportion of local table game players have the financial capacity to play at these minimum annual turnover levels

Members only – no general public

- Membership system to be similar to Crown Melbourne
- A significant proportion of local table game players at Crown Melbourne choose not to become members (typically around ██████)

Crown’s commercial interests

- It is not in Crown’s commercial interest to allow general public access to the VIP gaming facilities at Crown Sydney given:
 - the size of the VIP gaming facilities—typically, less than ██████ members (approx.) would be accommodated at Crown Sydney’s gaming tables at any one time
 - the exclusive and private nature of the VIP gaming facilities is incompatible with allowing access to the general public
- Crown will ensure that the table games at Crown Sydney will be occupied by high value players rather than lower value mass market players

Note:
 1 For the purpose of determining the minimum bet limit in relation to Roulette, the bet limit represents the minimum total of all bets placed per player, per spin

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Section 7

Significant growth opportunity in Sydney's VIP gaming markets

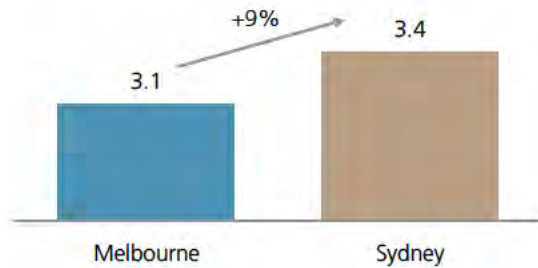
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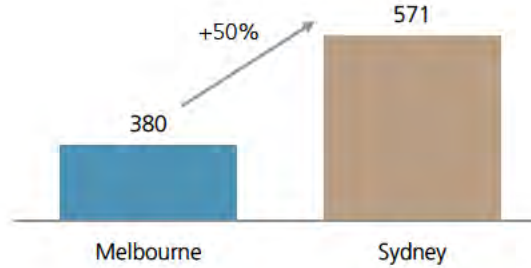
Melbourne vs Sydney – market indicators

Revenue from VIP gaming in Sydney should be larger than in Melbourne

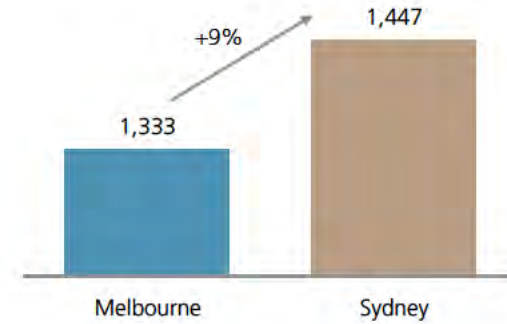
Adult population (m)



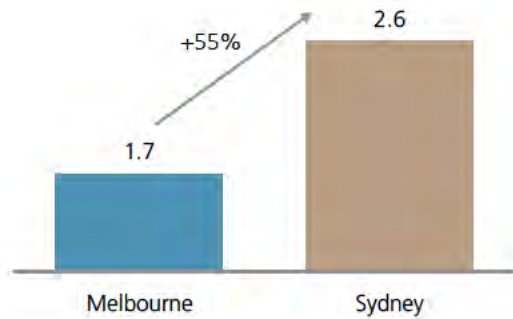
Asian population ('000)



Median household income (\$ per week)



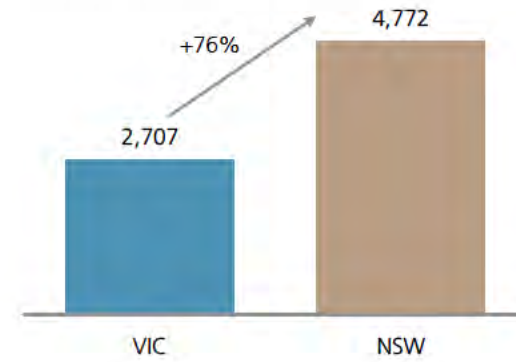
International annual overnight visitors (m)



TAB Wagering—retail turnover (\$m)



Gaming machine expenditure (\$m)



Source: Census data (2011), Tabcorp company filings (2012), Australasian Gaming Council (2011/12)

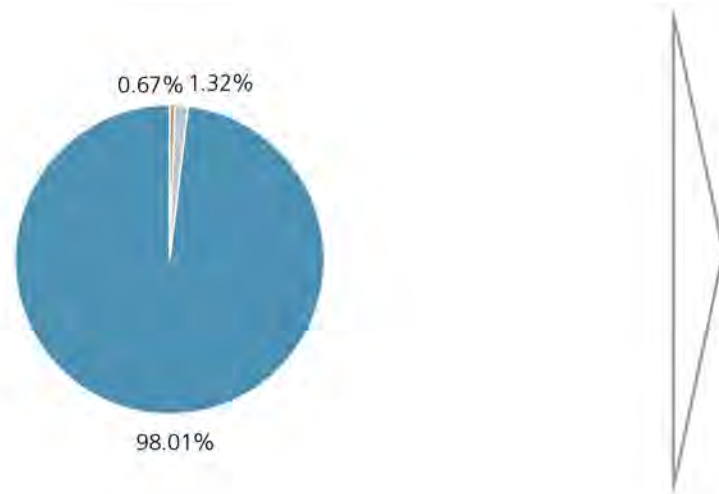
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International VIP gaming market opportunity

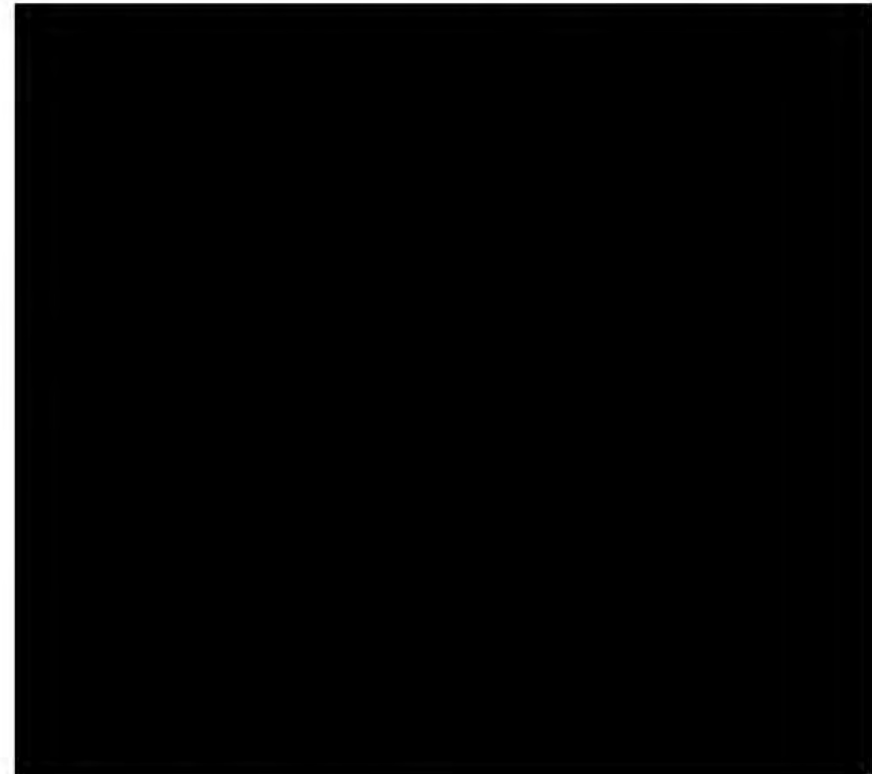
The international VIP gaming market is currently worth c.\$2.5 trillion and is principally sourced from China. Sydney holds only a c.0.7% share of this market. Consequently, a significant growth opportunity exists for Sydney, particularly given that Crown Melbourne is currently generating approximately double The Star’s international VIP gaming turnover

Composition of the international VIP gaming market—FY12



\$2,470bn turnover in FY12

Composition of the international VIP gaming market—FY22



- Rest of world
- The Star
- Crown Melbourne
- Crown Sydney

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Local VIP gaming market opportunity

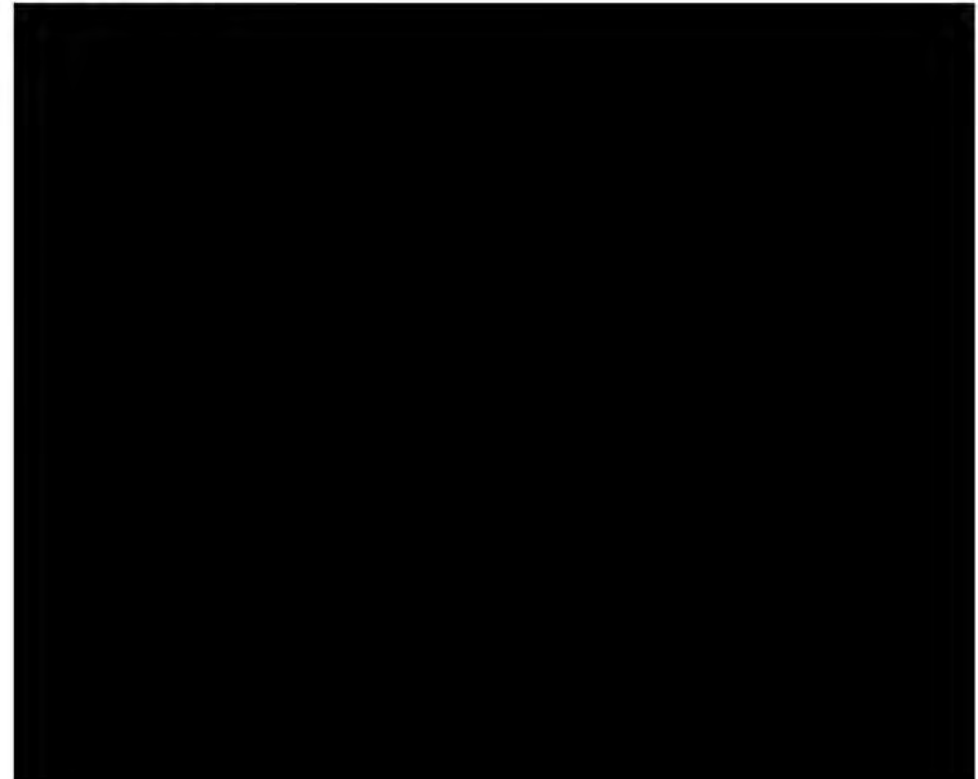
Revenue from local VIP gaming in Sydney should be larger than revenue from local VIP gaming in Melbourne. Despite this, The Star's current local VIP gaming revenue is significantly lower than that of Crown Melbourne

Sydney should outperform Melbourne in local VIP gaming given that Sydney is superior in terms of:

- ▢ Adult population: +9%
- ▢ Asian population: +50%
- ▢ Median household income: +9%
- ▢ TAB Wagering—retail turnover: +28%
- ▢ Gaming machine expenditure: +76%



Local VIP revenue



Source: Census data (2011), Tabcorp company filings (2012), Australasian Gaming Council (2011/12)

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Sydney VIP gaming market—overview

Crown Sydney is expected to grow Sydney’s share of the international and interstate VIP gaming markets. Crown Sydney will also grow the local VIP gaming market

Sydney VIP gaming markets—gross gaming revenue

	Crown Melbourne in FY12	Sydney in FY12		Sydney in FY22	
		The Star in FY12	Sydney’s potential market size in FY12	Sydney’s potential market size in FY22	Crown Sydney in FY22
International VIP					
Interstate VIP					
Local VIP					

Notes:

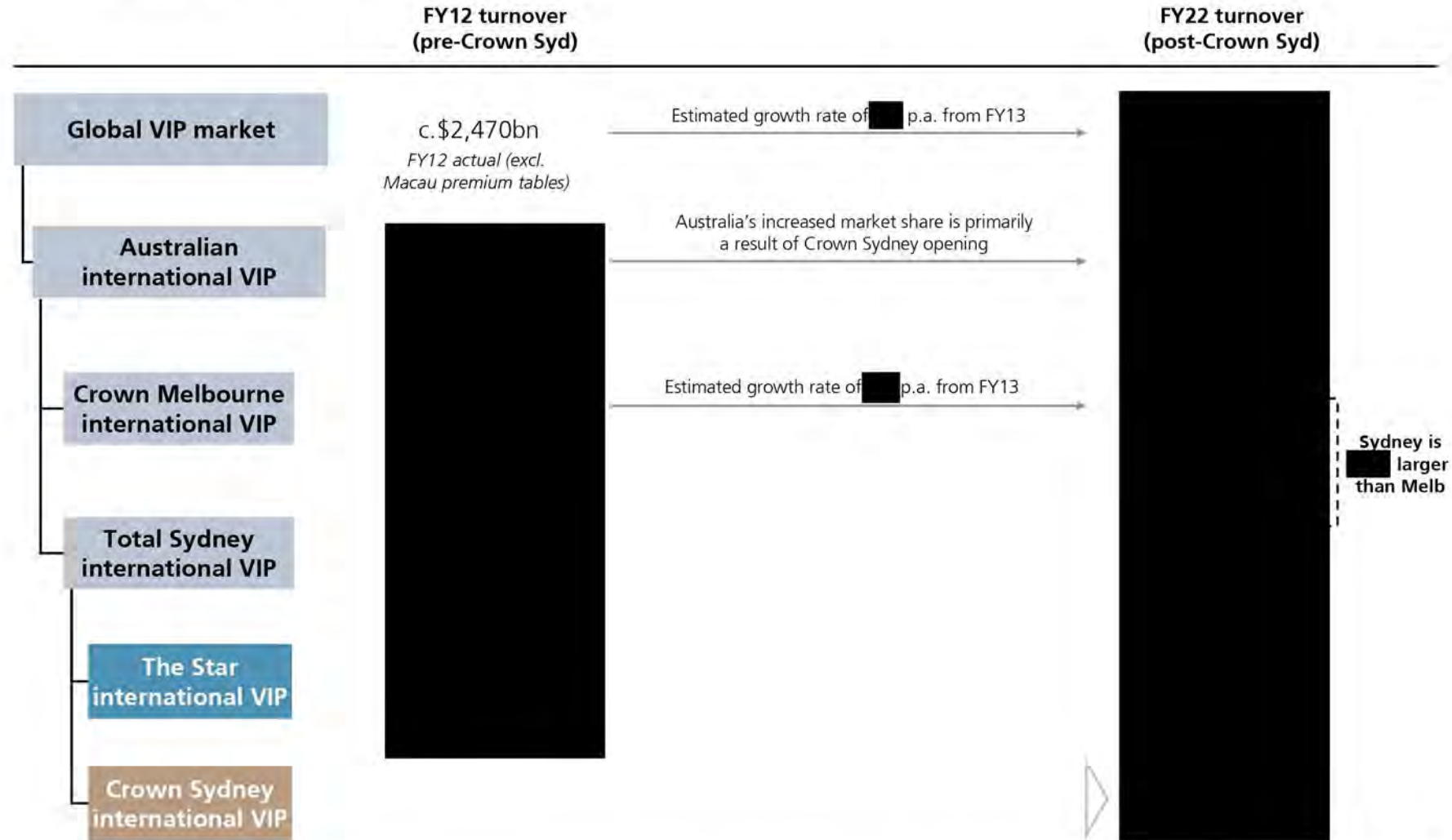
- 1 Represents normalised revenue, calculated as 1.35% of actual turnover
- 2 Assumes [redacted] of The Star’s “VIP turnover” is attributed to interstate VIP turnover
- 3 Represents Crown Melbourne’s local VIP revenue of [redacted] plus an uplift of [redacted] to allow for the refurbishment impact on Mahogany Room revenue in FY12
- 4 Represents The Star’s reported private gaming room revenue [redacted] and Crown’s estimate of the annualised revenue impact of the Oasis Room, a private gaming room which opened in May 2012 [redacted]

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International VIP gaming market

Crown Sydney will grow Sydney's share of the international VIP market



Notes:

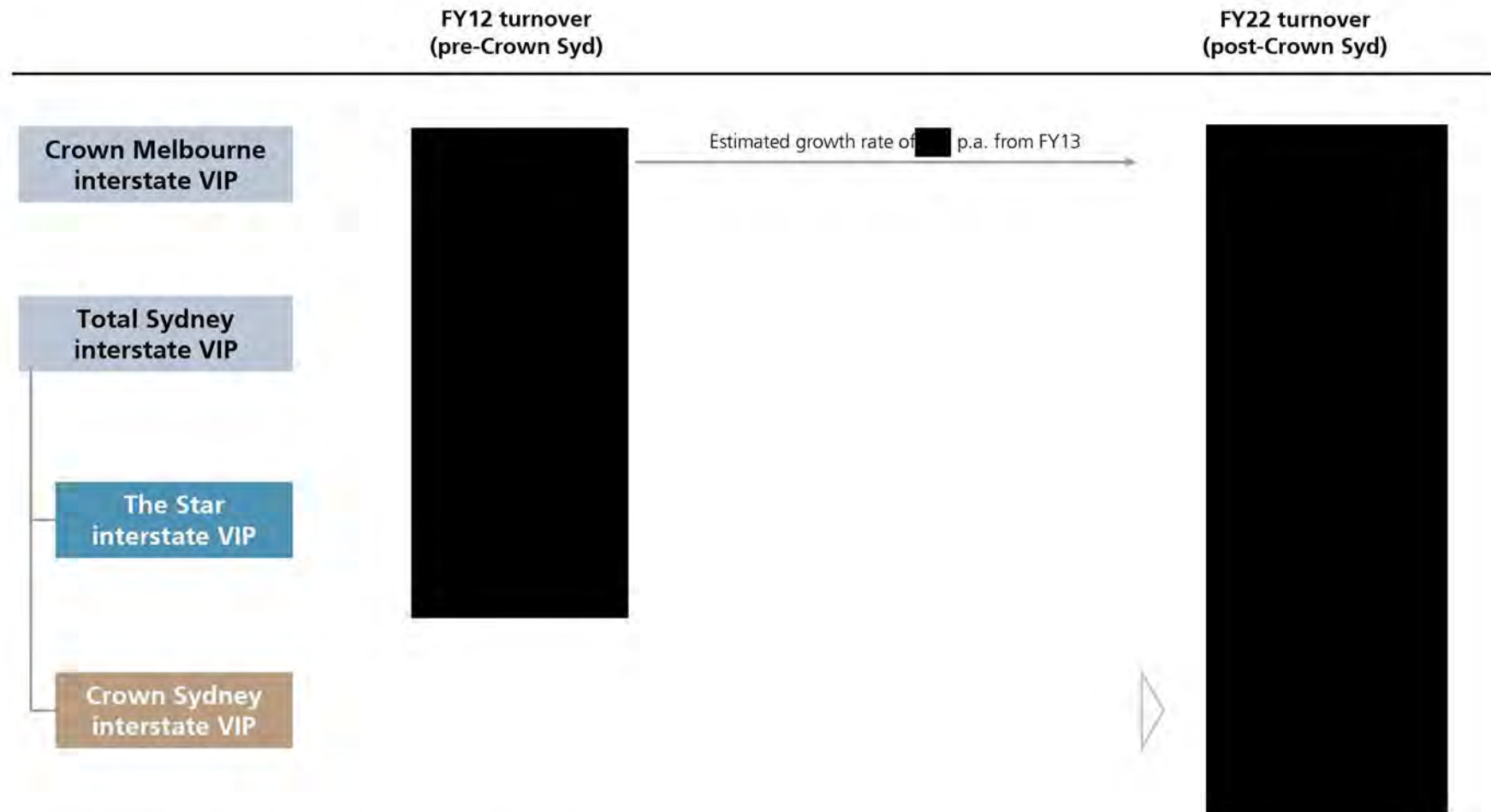
- 1 Revenue is calculated as 1.35% of turnover (being the theoretical win rate for the game of baccarat, which is the preferred game for international VIP players in Australia and represents over [redacted] of international VIP turnover generated in Australia)
- 2 Assumes [redacted] of The Star's "VIP turnover" is attributed to international VIP turnover

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Interstate VIP gaming market

Crown Sydney will grow Sydney's interstate VIP market



Notes:
1 Revenue is calculated as 1.35% of turnover (being the theoretical win rate for the game of baccarat)
2 Assumes [redacted] of The Star's "VIP turnover" is attributed to interstate VIP turnover

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Summary of the international and interstate VIP gaming markets

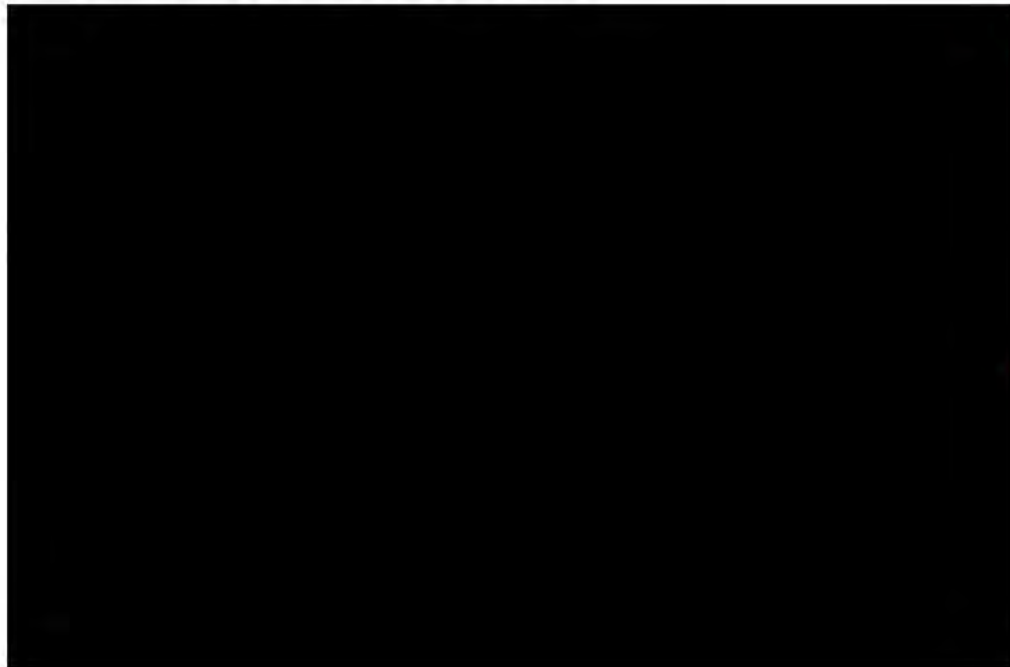
Crown Sydney will significantly grow Sydney's international and interstate VIP markets

Sydney's share of the international VIP market



- Rest of world
- The Star
- Crown Sydney

Sydney international and interstate VIP markets



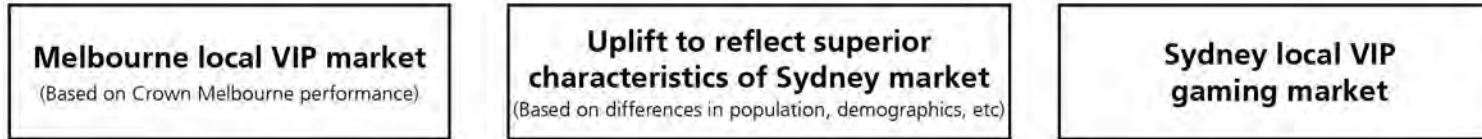
- The Star is currently generating international and interstate VIP turnover of c. [REDACTED], which is expected to increase to c. [REDACTED] in FY22
 - based on estimated growth rates of [REDACTED] p.a. (international) and [REDACTED] p.a. (interstate)
- Sydney's international VIP market is expected to be [REDACTED] larger than Melbourne in FY22, with Melbourne estimated to grow at [REDACTED] p.a. between FY13 and FY22
- Sydney's interstate VIP market is expected to be [REDACTED] smaller than Melbourne in FY22, with Melbourne estimated to grow at [REDACTED] p.a. between FY13 and FY22
- Crown Sydney is expected to capture [REDACTED] of the Sydney international and interstate VIP markets
 - expected to generate c. [REDACTED] of international VIP turnover and c. [REDACTED] of interstate VIP turnover in FY22
 - Australia's share of the global VIP market will increase from [REDACTED] in FY12 to [REDACTED] in FY22
 - assumes turnover phasing, with Crown Sydney achieving c. [REDACTED] of turnover in year 1, [REDACTED] in year 2 and then [REDACTED] thereafter
- Together, Sydney's international and interstate VIP markets are expected to grow by c. [REDACTED] in FY22 (compared to the expected level in FY22 in the absence of Crown Sydney)
 - international VIP market growth of c. [REDACTED]
 - interstate VIP market growth by c. [REDACTED]

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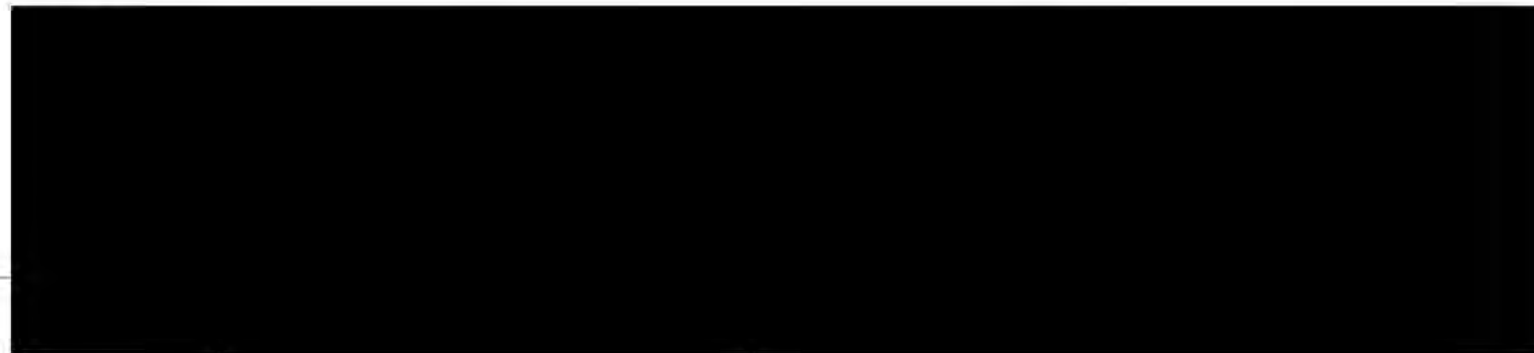
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Local VIP market opportunity

Crown Sydney will grow Sydney's local VIP market



FY12 revenue



FY22 revenue

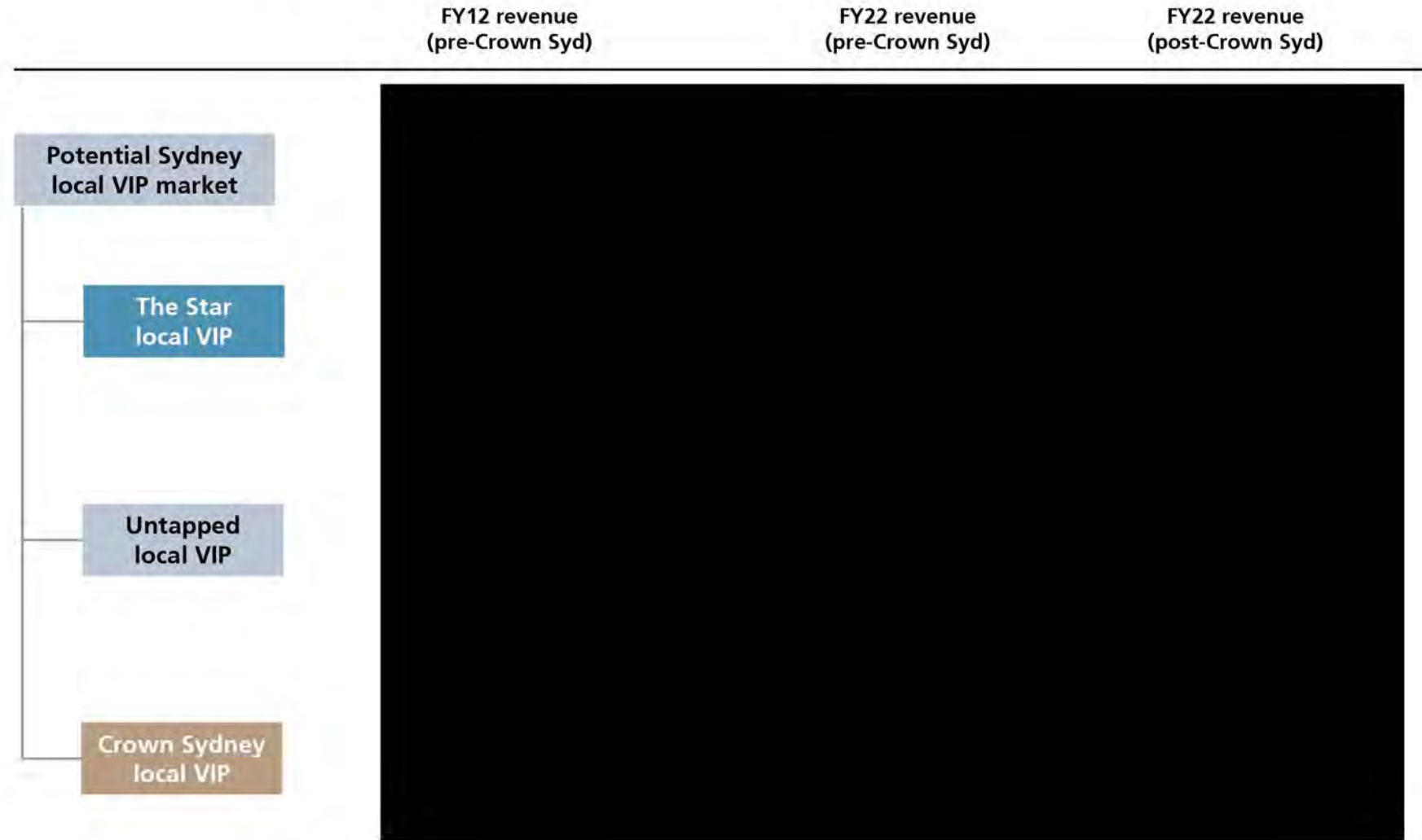


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Local VIP gaming market

Crown Sydney will grow Sydney's local VIP market



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Summary of the local VIP gaming market

Crown Sydney will grow Sydney's local VIP gaming market

Local table games market share




- The Star is currently generating local VIP revenue of [REDACTED] ([REDACTED] in the Sovereign Room and estimated [REDACTED] in the Oasis Room), which is expected to increase to [REDACTED] in FY22
 - based on estimated growth rate of [REDACTED] p.a.
- Sydney's potential local VIP market in FY12 is estimated to be [REDACTED], [REDACTED] larger than Melbourne
 - in FY22, the potential market is expected to be worth [REDACTED], based on estimated growth of [REDACTED] p.a. from FY13
- Crown Sydney expects to capture c [REDACTED], or [REDACTED] of the potential Sydney local VIP market in FY22
 - includes [REDACTED] (or [REDACTED]) of the existing market (ie. [REDACTED] of Echo's share) and c [REDACTED] (or [REDACTED]) of the untapped local VIP market
- Assumes revenue phasing, with Crown Sydney achieving [REDACTED] of revenue in year 1, [REDACTED] in year 2 and then [REDACTED] thereafter
- Sydney's local table games market is expected to grow by c [REDACTED] in FY22 (compared to the expected level in FY22 in the absence of Crown Sydney)
- The Star's local VIP revenue is expected to grow at a rate of [REDACTED] p.a. from FY22 as a result of the Crown Sydney project

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Comparison with The Star and Crown Melbourne

Crown Sydney will generate [REDACTED] million of revenue from international, interstate and local VIP play in FY22

Jun y/e	 CROWN (Sydney) FY22	 THE STAR FY22	Total Sydney FY22	 CROWN (Melbourne) FY22
VIP revenue (\$m)	[REDACTED]			
International VIP revenue				
Interstate VIP revenue				
Local VIP revenue				
Total VIP revenue				

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Section 8

Projected financial performance of Crown Sydney

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Crown Sydney VIP gaming – financial summary

Crown Sydney will generate revenue of c. [REDACTED] million and EBITDA of c. [REDACTED] million (Option A) or c. [REDACTED] million (Option B) from VIP gaming in FY22

Jun y/e	FY22	
	Option A	Option B
Revenue		
International VIP		
Interstate VIP		
Local VIP		
Total gaming revenue		
Allocated expenses		
Gaming tax expense¹		
International VIP		
Interstate VIP		
Local VIP		
Total gaming tax expense		
Contribution		
International VIP		
Interstate VIP		
Local VIP		
Total gaming contribution		
<i>% margin</i>		
Corporate costs (gaming related)		
Gaming EBITDA		
<i>% margin</i>		

Key assumptions

Revenue

- Based on assumptions previously presented

Allocated expenses

- Includes direct payroll, marketing, commissions, complimentaries, bad debts and direct overheads
- Based on Crown Melbourne experience

Gaming tax expense

- (Option A):** tax rate of 10% on international and interstate VIP gaming revenue (including GST) and tax rate of 27.5% on local VIP gaming revenue (including GST)
- (Option B):** tax rate of 9% on international and interstate VIP gaming revenue (including GST) and tax rate of 23% on local VIP gaming revenue (including GST)

Corporate costs

- Includes corporate marketing, events and sponsorship, utilities, property support services (eg. engineering, maintenance, cleaning), security, cage and corporate functions (eg. executive, finance, MIS etc)
- Based on Crown Melbourne experience

Note:
1 Including GST

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Crown Sydney hotel and other facilities—financial summary¹

Crown Sydney will generate revenue of c. [REDACTED] million and EBITDA of c. [REDACTED] million from hotel and other facilities in FY22

Jun y/e	FY22
Revenue	
Hotel	
Pool & Spa	
Restaurants	
Bars	
Retail	
Total Hotel revenue	
Allocated expenses	
Contribution	
Hotel	
Pool & Spa	
Restaurants	
Bars	
Retail	
Total Hotel contribution	
<i>% margin</i>	
Corporate costs (hotel related)	
Hotel EBITDA	
<i>% margin</i>	

Key assumptions

Revenue

- Hotel—350 rooms with occupancy and room rates based on Sydney market estimates adjusted for Crown Melbourne experience
- Pool & Spa—based on Crown Melbourne experience
- Restaurants—5 world-class restaurants with capacity estimates based on current design. Covers and revenue per cover based on Crown Melbourne experience
- Bars—3 bars with capacity based on current design. Covers and revenue per cover based on Crown Melbourne experience
- Retail—3 luxury retail outlets with revenue forecasts based on Crown Melbourne experience

Allocated expenses

- Includes direct payroll, marketing, cost of goods sold and direct overheads
- Based on Crown Melbourne experience

Corporate costs

- Includes corporate marketing, events and sponsorship, utilities, property support services (eg. engineering, maintenance, cleaning) and corporate functions (eg. executive, finance, MIS etc)
- Based on Crown Melbourne experience

Note:

¹ Assumes no impact on the operating result of the Crown Sydney Hotel Resort arises from any apartments.

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Crown Sydney – consolidated financial summary

Crown Sydney will generate revenue of c. [REDACTED] and EBITDA of c. [REDACTED] (Option A) and c. [REDACTED] (Option B) from its VIP gaming facilities, hotel and other facilities in FY22

Jun y/e	FY22	
	Option A	Option B
Revenue	[REDACTED]	
International VIP		
Interstate VIP		
Local VIP		
Hotel and other		
Total revenue		
Allocated expenses		
Gaming tax expense¹		
Contribution		
International VIP		
Interstate VIP		
Local VIP		
Hotel and other		
Total contribution		
<i>% margin</i>		
Corporate costs		
EBITDA		
<i>% margin</i>		

Note:

1 Including GST

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Section 9

Substantial upfront licence fee

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Substantial upfront licence fee

Crown is proposing to pay a substantial upfront licence fee of \$100m or \$250m for a VIP gaming licence

- ▢ Substantial upfront licence fee of \$100m (Option A) or \$250m (Option B) payable by Crown to the NSW Government for a VIP gaming licence

- ▢ Licence fee payable upon granting of the licence (which is expected to be in CY2013), notwithstanding that VIP gaming will not be operational until 14 November 2019

- ▢ Crown is proposing two alternative upfront licence fee and tax rate combinations:
 - **(Option A):** upfront licence fee of \$100 million, a tax rate of 10% (including GST) on international and interstate VIP revenue and a tax rate of 27.5% (including GST) on local VIP revenue
 - includes gaming tax guarantee 1 only
 - **(Option B):** upfront licence fee of \$250 million, a tax rate of 9% (including GST) on international and interstate VIP revenue and a tax rate of 23% (including GST) on local VIP revenue
 - includes gaming tax guarantees 1 and 2 (\$1bn over 15 years)

Please refer to Sections 10 and 11 for further detail in relation to gaming taxes and gaming tax guarantees

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Section 10

Significant increase in gaming taxes

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Summary – additional gaming taxes from Crown Sydney project

The Crown Sydney project will generate significant additional gaming tax revenue for the NSW Government

	Additional gaming taxes from Crown Sydney project ¹				Gaming tax guarantees ²	
	FY22	FY22–FY31	NPV ^{3,4} (up to FY31)	NPV ^{3,4} (life of project)	Guarantee 1	Guarantee 2
Crown Sydney + The Star						
Option A						
Gross Gaming Tax ⁵						
State Gaming Tax Revenue ⁶				✓	✗	
Option B						
Gross Gaming Tax						
State Gaming Tax Revenue				✓	✓ (\$1bn over 15 years)	
Crown Sydney only						
Option A						
Gross Gaming Tax						
State Gaming Tax Revenue				✓	✗	
Option B						
Gross Gaming Tax						
State Gaming Tax Revenue				✓	✓ (\$1bn over 15 years)	

Please refer to page 66 for Crown’s view in relation to how the NSW Government might assess the future cashflows generated as a result of the Crown Sydney project

Notes:

- 1 Compared to the estimated level in the absence of Crown Sydney
- 2 Please refer to the Draft Framework Agreement in Volume 4—Legal Documentation for further details about the proposed gaming tax guarantees
- 3 Including upfront licence fee of \$100m (Option A) or \$250m (Option B) upon granting of the licence (which is expected to be in CY2013)
- 4 Projected GGT and SGTR discounted at a rate of [redacted] to reflect timing and risk associated with forecast cashflows. Please refer to page 66 for further detail
- 5 Gross Gaming Tax (GGT) refers to the combined value of gaming tax, GST and the responsible gaming levy payable by Crown Sydney and/or The Star in connection to gaming revenue
- 6 State Gaming Tax Revenue (SGTR) refers to: (i) gaming tax and responsible gaming levy payable to the NSW Government by Crown Sydney and/or The Star; plus (ii) 31% of the amount of GST payable by Crown Sydney and/or The Star to the Commonwealth in connection to gaming revenue, being the extra GST revenue that NSW could expect to receive out of the gaming related GST payable to the Commonwealth; minus (iii) any refund or other amount sought from or payable by the NSW Government to Crown Sydney and/or The Star in connection with GST and gaming revenue

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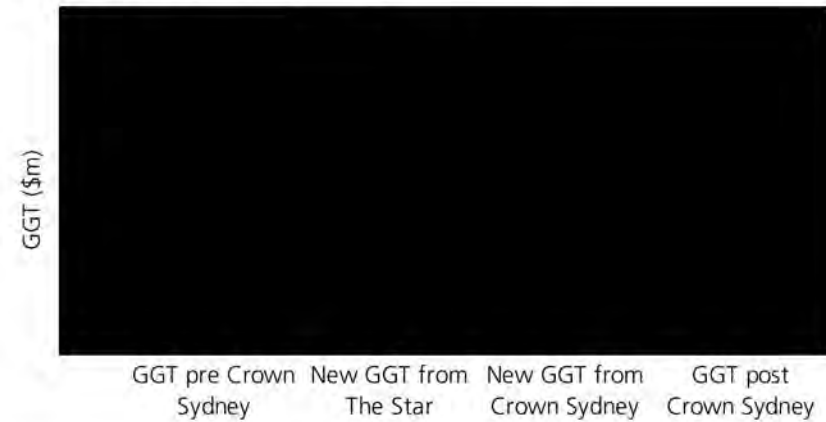
Additional Gross Gaming Tax payable in FY22 (Option A)

Given that Crown Sydney will significantly grow the size of the international, interstate and local VIP table gaming markets, additional Gross Gaming Tax (GGT) payable by Crown Sydney and The Star is also expected to increase significantly. Under Option A, it is estimated that GGT payable will increase by [REDACTED] in FY22—an increase of [REDACTED] compared to the expected level in the absence of Crown Sydney

GGT payable on international and interstate VIP gaming in FY22¹



GGT payable on local gaming in FY22^{1,2,3,4}



Total GGT payable in FY22



Notes:

- 1 Assumes a tax rate of 10% (including GST) on international and interstate VIP revenue and a tax rate of 27.5% (including GST) on local revenue
- 2 GGT payable by The Star (including new GGT) includes the impact of the super tax
- 3 Represents total GGT payable on all local revenue including main gaming floor and poker machines. The new GGT represents tax on incremental local VIP revenue
- 4 Assumes The Star's main gaming floor and poker machine revenue grows at [REDACTED] p.a. between FY12 and FY22

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Additional Gross Gaming Tax payable (Option A)

Under Option A, it is estimated that Crown Sydney and The Star will pay an additional c. [REDACTED] of Gross Gaming Tax (GGT) over the first 10 years of full operation of Crown Sydney (FY22 to FY31)



Key metrics for the Government^{1,2}

Additional GGT in FY22

Additional GGT (FY22-FY31)

NPV valuation (up to FY31)

NPV valuation (life of licence)

Key valuation assumptions

- Transaction date of 30 June 2013
- Licence period of 99 years, beginning on 1 July 2013
- Includes \$100m upfront licence fee upon granting of the licence (which is expected to be in CY2013)
- Projected GGT discounted at a rate of [REDACTED] to reflect timing and risk associated with forecast cashflows). Please refer to page 66 for further detail

Notes:

- 1 Assumes a tax rate of 10% (including GST) on international and interstate VIP revenue and a tax rate of 27.5% (including GST) on local revenue
- 2 Compared to the estimated level in the absence of Crown Sydney

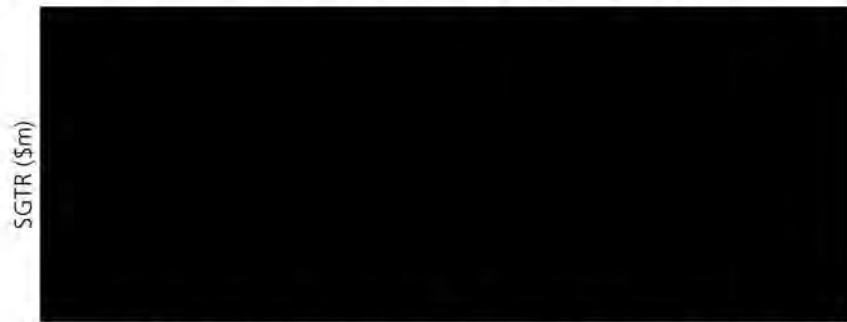
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Additional State Gaming Tax Revenue in FY22 (Option A)

Under Option A, it is estimated that the NSW Government will receive an additional [REDACTED] of State Gaming Tax Revenue (SGTR) in FY22—an increase of [REDACTED] compared to the expected level in the absence of Crown Sydney

SGTR from international and interstate VIP gaming in FY22¹



SGTR pre Crown Sydney New SGTR from The Star New SGTR from Crown Sydney SGTR post Crown Sydney

SGTR from local gaming in FY22^{2,3,4,5}



SGTR pre Crown Sydney New SGTR from The Star New SGTR from Crown Sydney SGTR post Crown Sydney

Total SGTR in FY22



SGTR pre Crown Sydney New SGTR from The Star New SGTR from Crown Sydney SGTR post Crown Sydney

Notes:

- 1 Assumes a net tax rate of 6.21% being: (i) 10% (excluding GST) on international and interstate VIP revenue; less (ii) the rebate payable by the NSW Government to Crown Sydney and The Star for GST payable to the Federal Government (at a rate of 5.5%); plus (iii) 1.71% (being 31% of the GST payable by Crown Sydney and The Star to the Federal Government, which is recovered by the NSW Government)
- 2 Assumes a net tax rate of 21.2% (being 16.41% + 2% responsible gaming levy + 2.82% (31% of GST)) on local revenue for both Crown Sydney and The Star
- 3 SGTR from The Star (including new SGTR) includes the impact of the super tax
- 4 Represents total SGTR on all local gaming revenue including main gaming floor and poker machines. The new SGTR represents tax on incremental local VIP revenue
- 5 Assumes The Star's main gaming floor and poker machine revenue grows at [REDACTED] p.a. between FY12 and FY22

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Additional State Gaming Tax Revenue (Option A)

Under Option A, it is estimated that the NSW Government will receive additional State Gaming Tax Revenue (SGTR) of c. [REDACTED] over the first 10 years of full operation of Crown Sydney (FY22 to FY31)



Key metrics for the NSW Government^{1,2,3}

Additional SGTR in FY22	[REDACTED]
Additional SGTR (FY22–FY31)	[REDACTED]
NPV valuation (up to FY31)	[REDACTED]
NPV valuation (life of licence)	[REDACTED]

Key valuation assumptions

- Transaction date of 30 June 2013
- Licence period of 99 years, beginning on 1 July 2013
- Includes \$100m upfront licence fee upon granting of the licence (which is expected to be in CY2013)
- Projected SGTR discounted at a rate of [REDACTED] to reflect timing and risk associated with forecast cashflows). Please refer to page 66 for further detail

Notes:

- 1 Assumes a net tax rate of 6.21% being: (i) 10% (excluding GST) on international and interstate VIP revenue; less (ii) the rebate payable by the NSW Government to Crown Sydney and The Star for GST payable to the Federal Government (at a rate of 5.5%); plus (iii) 1.71% (being 31% of the GST payable by Crown Sydney and The Star to the Federal Government, which is recovered by the NSW Government)
- 2 Assumes a net tax rate of 21.2% (being 16.41% + 2% responsible gaming levy + 2.82% (31% of GST) on local revenue for both Crown Sydney and The Star)
- 3 Compared to the estimated level in the absence of Crown Sydney

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Additional Gross Gaming Tax payable in FY22 (Option B)

Under Option B, it is estimated that Crown Sydney and The Star will pay an additional [REDACTED] of Gross Gaming Tax (GGT) in FY22—an increase of [REDACTED] compared to the expected level in the absence of Crown Sydney

GGT payable on international and interstate VIP gaming in FY22¹



GGT payable on local gaming in FY22^{1,2,3,4}



Total GGT payable in FY22



Notes:

- 1 Assumes a tax rate of 9% (including GST) on international and interstate VIP revenue and a tax rate of 23% (including GST) on local revenue
- 2 GGT payable by The Star (including new GGT) includes the impact of the super tax
- 3 Represents total GGT payable on all local revenue including main gaming floor and poker machines. The new GGT represents tax on incremental local VIP revenue
- 4 Assumes The Star's main gaming floor and poker machine revenue grows at [REDACTED] p.a. between FY12 and FY22

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Additional Gross Gaming Tax payable (Option B)

Under Option B, it is estimated that Crown Sydney and The Star will pay an additional c. [REDACTED] of Gross Gaming Tax (GGT) over the first 10 years of full operation of Crown Sydney (FY22 to FY31)



Key metrics for the Government^{1,2}

Additional GGT in FY22	[REDACTED]
Additional GGT (FY22-FY31)	[REDACTED]
NPV valuation (up to FY31)	[REDACTED]
NPV valuation (life of licence)	[REDACTED]

Key valuation assumptions

- Transaction date of 30 June 2013
- Licence period of 99 years, beginning on 1 July 2013
- Includes \$250m upfront licence fee upon granting of the licence (which is expected to be in CY2013)
- Projected GGT discounted at a rate of [REDACTED] to reflect timing and risk associated with forecast cashflows). Please refer to page 66 for further detail

Notes:
 1 Assumes a tax rate of 9% (including GST) on international and interstate VIP revenue and a tax rate of 23% (including GST) on local revenue
 2 Compared to the estimated level in the absence of Crown Sydney

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Additional State Gaming Tax Revenue in FY22 (Option B)

Under Option B, it is estimated that the NSW Government will receive an additional [REDACTED] of State Gaming Tax Revenue (SGTR) in FY22—an increase of [REDACTED] compared to the expected level in the absence of Crown Sydney

SGTR from international and interstate VIP gaming in FY22¹



SGTR from local gaming in FY22^{2,3,4,5}



Total SGTR in FY22



Notes:

- 1 Assumes a net tax rate of 5.21% being: (i) 9% (excluding GST) on international and interstate VIP revenue; less (ii) the rebate payable by the NSW Government to Crown Sydney and The Star for GST payable to the Federal Government (at a rate of 5.5%); plus (iii) 1.71% (being 31% of the GST payable by Crown Sydney and The Star to the Federal Government, which is recovered by the NSW Government)
- 2 Assumes a net tax rate of 16.73% (being 11.91% + 2% responsible gaming levy + 2.82% (31% of GST)) on local revenue for both Crown Sydney and The Star
- 3 SGTR from The Star (including new SGTR) includes the impact of the super tax
- 4 Represents total SGTR on all local gaming revenue including main gaming floor and poker machines. The new SGTR represents tax on incremental local VIP revenue
- 5 Assumes The Star's main gaming floor and poker machine revenue grows at [REDACTED] p.a. between FY12 and FY22

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Additional State Gaming Tax Revenue (Option B)

Under Option B, it is estimated that the NSW Government will receive an additional c. [REDACTED] of State Gaming Tax Revenue (SGTR) over the first 10 years of full operation of Crown Sydney (FY22 to FY31)



Key metrics for the NSW Government^{1,2,3}

Additional SGTR in FY22	[REDACTED]
Additional SGTR (FY22–FY31)	[REDACTED]
NPV valuation (up to FY31)	[REDACTED]
NPV valuation (life of licence)	[REDACTED]

Key valuation assumptions

- Transaction date of 30 June 2013
- Licence period of 99 years, beginning on 1 July 2013
- Includes \$250m upfront licence fee upon granting of the licence (which is expected to be in CY2013)
- Projected SGTR discounted at a rate of [REDACTED] to reflect timing and risk associated with forecast cashflows). Please refer to page 66 for further detail

Notes:

- 1 Assumes a net tax rate of 5.21% being: (i) 9% (excluding GST) on international and interstate VIP revenue; less (ii) the rebate payable by the NSW Government to Crown Sydney and The Star for GST payable to the Federal Government (at a rate of 5.5%); plus (iii) 1.71% (being 31% of the GST payable by Crown Sydney and The Star to the Federal Government, which is recovered by the NSW Government)
- 2 Assumes a net tax rate of 16.73% (being 11.91% + 2% responsible gaming levy + 2.82% (31% of GST)) on local revenue for both Crown Sydney and The Star
- 3 Compared to the estimated level in the absence of Crown Sydney

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Sensitivity analysis – change in int’l VIP market share to [redacted] (vs. [redacted])

	Incremental gaming taxes from Crown Sydney project ^{1,2}			
	FY22	FY22–FY31	NPV ^{3,4} (up to FY31)	NPV ^{3,4} (life of project)
Crown Sydney + The Star				
Option A				
Gross Gaming Tax	[redacted]	[redacted]	[redacted]	[redacted]
<i>change⁵</i>	[redacted]	[redacted]	[redacted]	[redacted]
State Gaming Tax Revenue	[redacted]	[redacted]	[redacted]	[redacted]
<i>change⁵</i>	[redacted]	[redacted]	[redacted]	[redacted]
Option B				
Gross Gaming Tax	[redacted]	[redacted]	[redacted]	[redacted]
<i>change⁵</i>	[redacted]	[redacted]	[redacted]	[redacted]
State Gaming Tax Revenue	[redacted]	[redacted]	[redacted]	[redacted]
<i>change⁵</i>	[redacted]	[redacted]	[redacted]	[redacted]
Crown Sydney only				
Option A				
Gross Gaming Tax	[redacted]	[redacted]	[redacted]	[redacted]
<i>change⁵</i>	[redacted]	[redacted]	[redacted]	[redacted]
State Gaming Tax Revenue	[redacted]	[redacted]	[redacted]	[redacted]
<i>change⁵</i>	[redacted]	[redacted]	[redacted]	[redacted]
Option B				
Gross Gaming Tax	[redacted]	[redacted]	[redacted]	[redacted]
<i>change⁵</i>	[redacted]	[redacted]	[redacted]	[redacted]
State Gaming Tax Revenue	[redacted]	[redacted]	[redacted]	[redacted]
<i>change⁵</i>	[redacted]	[redacted]	[redacted]	[redacted]

Notes:

1. Illustrative impact on Gross Gaming Tax and State Gaming Tax revenue assuming Crown Sydney achieves an additional 1% of the global VIP gaming market (ie, Australia’s market share grows to [redacted] rather than [redacted]).
2. Compared to the estimated level in the absence of Crown Sydney.
3. Including upfront licence fee of \$100m (Option A) or \$250m (Option B) upon granting of the licence (which is expected to be in CY2013).
4. Projected GGT and SGTR (discounted at a rate of [redacted] to reflect timing and risk associated with forecast cashflows). Please refer to page 66 for further detail.
5. Compared to the analysis on page 54.

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Win rates – forecasting international and interstate VIP revenue

Crown applies a “win rate” of 1.35% when forecasting international and interstate VIP revenue. If Crown were to apply a higher win rate (say 1.60%), this would have a material positive impact on the State Gaming Tax Revenue generated by the Crown Sydney project

Crown's approach

- Crown applies a “win rate” (the expected portion of the player’s bets that is retained by the operator) when forecasting international and interstate VIP revenue
- Crown is of the view that the appropriate win rate to adopt when forecasting international and interstate VIP revenue is a theoretical win rate of 1.35%
 - 1.35% is based on the theoretical win rate for the game of Baccarat. Baccarat is the preferred game for international VIP players in Australia and represents over █████ of international VIP turnover generated in Australia
 - Crown has (for almost a decade) adopted a constant theoretical win rate of 1.35%
- Other major Australian casino operators (except Echo) also currently adopt a theoretical win rate of 1.35%

Echo's approach

- When “normalising” international and interstate VIP revenue, Echo currently adopts a unique and unorthodox approach which reflects the five-year rolling average of Echo’s actual win rate
- Consequently, the win rate used to “normalise” Echo’s VIP Revenue will change from year to year
 - eg. in FY12 Echo adopted a win rate of 1.60% in relation to The Star (vs 1.54% in FY11 and 1.43% in FY10)
- In the event that Echo experiences a particularly fortunate (or unfortunate) year, their approach incorporates that distortion for the following five years until that year is discarded by the rolling average
- Note that before the demerger of Echo Entertainment in June 2011, a theoretical win rate of 1.35% was used when calculating normalised international and interstate VIP revenue for The Star

Sensitivity analysis

- If Crown were to apply a higher win rate than the theoretical win rate of 1.35% in the Crown Sydney Financial Model (say 1.60%) to facilitate a like-for-like comparison with Echo, this would have a material positive impact on the additional State Gaming Tax Revenue (SGTR) generated by the Crown Sydney project (compared to the expected level in the absence of Crown Sydney)
 - if the actual win rate at Crown Sydney and The Star was 1.60% (rather than 1.35%), the additional SGTR referred to on page 23 would increase by c █████ (Option A) or c █████ (Option B) over the first 10 years of full operation (FY22 to FY31)
- Please refer to page 65 for further detail

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Sensitivity analysis – change in VIP win rate to 1.60% (vs. 1.35%)

	Incremental gaming taxes from Crown Sydney project ^{1,2}			
	FY22	FY22–FY31	NPV ^{3,4} (up to FY31)	NPV ^{3,4} (life of project)
Crown Sydney + The Star				
Option A				
Gross Gaming Tax				
<i>change⁵</i>				
State Gaming Tax Revenue				
<i>change⁵</i>				
Option B				
Gross Gaming Tax				
<i>change⁵</i>				
State Gaming Tax Revenue				
<i>change⁵</i>				
Crown Sydney only				
Option A				
Gross Gaming Tax				
<i>change⁵</i>				
State Gaming Tax Revenue				
<i>change⁵</i>				
Option B				
Gross Gaming Tax				
<i>change⁵</i>				
State Gaming Tax Revenue				
<i>change⁵</i>				

Notes:

- 1 Illustrative impact on Gross Gaming Tax and State Gaming Tax Revenue assuming international and interstate revenue for Crown Sydney and The Star is calculated as 1.60% of turnover (being the win rate used by Echo in its ASX filings to "normalise" its international and interstate VIP revenue). Please refer to page 64 for further detail
- 2 Compared to the estimated level in the absence of Crown Sydney
- 3 Including upfront licence fee of \$100m (Option A) or \$250m (Option B) upon granting of the licence (which is expected to be in CY2013)
- 4 Projected GGT and SGTR discounted at a rate of [REDACTED] to reflect timing and risk associated with forecast cashflows). Please refer to page 66 for further detail
- 5 Compared to the analysis on page 54

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Discounting future cashflows from Crown Sydney

In determining the appropriate discount rate to apply to future cashflows generated by a counterparty, the NSW Government should have regard to its own cost of capital, the proponent's credit risk, timing of cashflows and the risk associated with those cashflows

Certain cashflows	Base rate	=	NSW Government bond rate	=	4.05% ¹	
	+		+		+	
	Risk premium given credit assessment of counterparty	=	Assessment required	=		Premium reflects Crown's credit risk (see page 67)

Crown projected revenue / government taxes	Base rate	=	NSW Government bond rate	=	4.05% ¹	
	+		+		+	
	Risk premium given credit assessment of counterparty	=	Assessment required	=		Premium reflects Crown's credit risk (see page 67)
	+		+			Premium reflects timing and risk associated with cashflows—noting the nature of the cashflow (ie. revenue not profit) and the counterparty's track record (see page 68)
	Risk premium given the cashflows	=	Assessment required	=		

Note:

¹ Reflects the March 2022 NSW Government bond rate as at June 2013. Approximately \$7 billion of bonds on issue with liquidity of approximately \$5 billion since January 2012

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Credit risk assessment

In assessing the credit risk associated with a counterparty, key indicators suggest Crown should have a lower risk premium than Echo

Reference points

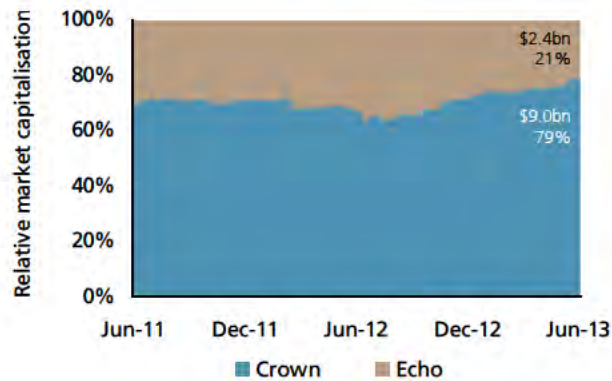
Market capitalisation

Quantum and consistency of earnings

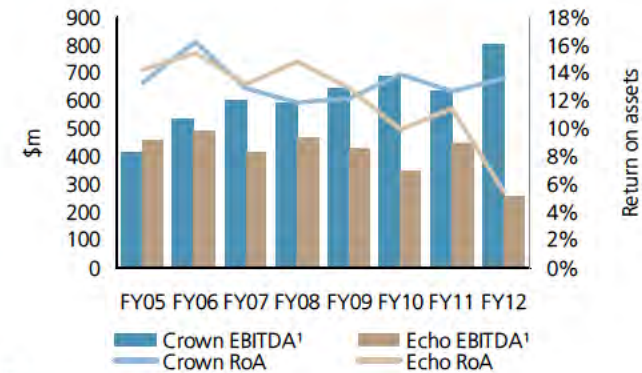
Credit rating

Future commitments

Crown is c.4x larger than Echo



Crown has generated higher and more consistent earnings than Echo



Note: 1 Represents reported actual EBITDA

Credit rating

- Crown has an investment grade credit rating with all three of the major rating agencies
 - Standard & Poor's: BBB (stable)
 - Moody's: Baa2 (stable)
 - Fitch: BBB (stable)

“ In our view, Crown's high-quality Australian casino assets should continue to generate relatively stable cash flow and underpin the group's credit profile

Standard & Poor's
23 April 2013

Future commitments

- Crown is proposing to invest c.\$1.5 billion (c.15% of its market cap) to develop the Crown Sydney Hotel Resort at Barangaroo South
- Echo has indicated that it is prepared to spend over \$1 billion in each of Sydney and Queensland (totalling over \$2 billion, or c.85% of its market cap)

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Assessing future cashflows

In assessing the risk associated with future cashflows from an investment, the NSW Government should have regard to the nature of those cashflows and the counterparty's track record

Nature of cashflows

- The risk associated with projected cashflows that are based on revenue (eg. State Gaming Tax Revenue generated by a VIP gaming facility) is less than the risk associated with projected cashflows that are based on profit (eg. the earnings generated by a project, which may be subject to fluctuating costs, capital requirements or working capital movements)
- Consequently, when calculating the net present value of a future tax stream for the NSW Government, the projected tax revenue stream should attract a lower discount rate than, say, the discount rate of the project on the basis that there is greater certainty (and less risk) that the projected tax revenue stream will be achieved

Counterparty's track record

- Crown should attract a lower risk premium than Echo given its strong track record of generating consistent revenue growth and returns on its capital employed
 - conversely, Echo has publicly stated that it is yet to achieve its target return on its recent \$860 million investment at The Star
 - similarly, Tabcorp (pre the demerger of Echo) announced a \$625 million QLD investment program in 2010, only c.\$40m (or c.6%) of which has been spent to date

Please refer to Section 16 for further detail in relation to Crown's track record and a comparison of Crown and Echo's investment track record

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Section 11

Gaming tax guarantees from Crown

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Gaming tax guarantees

Crown will guarantee the average annual normalised gaming taxes received by the NSW Government from Crown Sydney and The Star in FY20 to FY22. In addition, under Option B, Crown will guarantee \$1bn of gaming taxes paid to the NSW Government over the first 15 years of full operation (FY22–FY36)

	Option A	Option B
Gaming tax guarantee 1¹	The average annual normalised gaming taxes received by the NSW Government from Crown Sydney ² and The Star ³ in FY20 to FY22 will exceed the normalised gaming taxes received by the NSW Government from The Star ³ in FY19	The average annual normalised gaming taxes received by the NSW Government from Crown Sydney ² and The Star ³ in FY20 to FY22 will exceed the normalised gaming taxes received by the NSW Government from The Star ³ in FY19
Gaming tax guarantee 2¹	Not applicable	Crown Sydney ² will pay gaming taxes of at least \$1 billion to the NSW Government over the first 15 years of full operation (ie. FY22 to FY36)

For further detail please refer to the Draft Framework Agreement in Volume 4—Legal Documentation

Notes:

- 1 Please refer to the Draft Framework Agreement in Volume 4—Legal Documentation for further detail about the proposed gaming tax guarantees
- 2 Normalised gaming taxes received by the NSW Government from Crown Sydney in FY20 to FY22 will be calculated as the sum of: (i) international/interstate VIP gaming turnover multiplied by a win rate of 1.35% and then multiplied by a tax rate of 10% (Option A) or 9% (Option B); and (ii) local VIP gaming revenue multiplied by a tax rate of 18.41% (being 16.41% + 2% responsible gaming levy) (Option A) or 13.91% (being 11.91% + 2% responsible gaming levy) on local VIP revenue (Option B)
- 3 Normalised gaming taxes received by the NSW Government from The Star in FY19 and FY20 to FY22 will be calculated as the sum of: (i) international/interstate VIP gaming turnover multiplied by a win rate of 1.35% and then multiplied by a tax rate of 10%; and (ii) local gaming revenue multiplied by a tax rate of 18.41% (being 16.41% + 2% responsible gaming levy) plus super tax

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Section 12

Benefits for The Star from growth in VIP markets

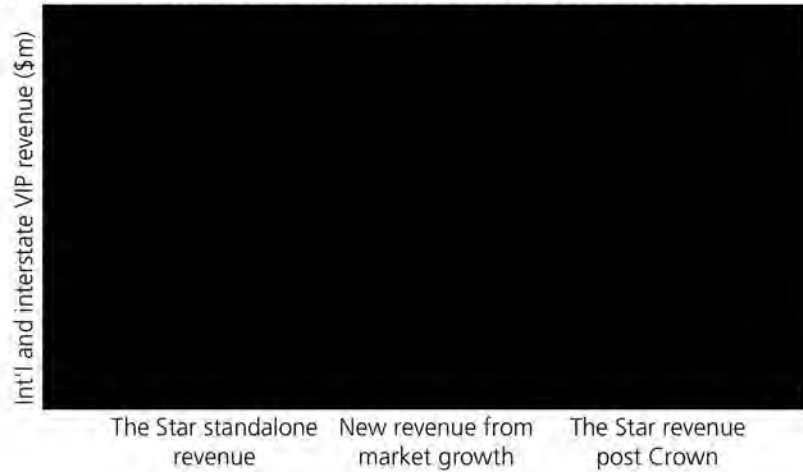
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Consequential uplift in The Star's VIP business

Given that Crown Sydney will significantly grow the size of the international, interstate and local VIP table gaming markets, The Star is also expected to benefit following the opening of Crown Sydney

The Star—international and interstate VIP revenue in FY22¹



The Star—local VIP revenue in FY22²



The Star—total VIP gaming revenue in FY22



Notes:

- 1 Assumes The Star's local VIP revenue grows at [redacted] p.a. between FY12 and FY22
- 2 Assumes The Star's international VIP revenue grows at [redacted] and interstate VIP revenue grows at [redacted] p.a. between FY12 and FY22

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State Gaming Tax Revenue scenario analysis

Crown is strongly of the view that “cannibalisation” of State Gaming Tax Revenue (SGTR) will not occur given that total Sydney VIP gaming revenues will increase following the opening of Crown Sydney. However, financial analysis indicates that even if “cannibalisation” of all of The Star’s local VIP revenue were to occur, the impact on SGTR would be minimal

- For illustrative purposes, Crown has undertaken financial analysis to assess the possibility of “cannibalisation” of SGTR
- The analysis below sets out Crown’s estimate of the impact on SGTR generated by The Star in FY22 in the unlikely and hypothetical scenario that up to 100% of The Star’s local VIP revenue is cannibalised by Crown Sydney and that Crown Sydney does not gain any additional local VIP gaming revenue following the opening of Crown Sydney

SGTR “cannibalisation” scenario in FY22¹

	Option A ²				Option B ³			
% of The Star’s local VIP revenue transferred to Crown Sydney ⁴	5%	25%	50%	100%	5%	25%	50%	100%
Potential SGTR “cannibalisation” in FY22	[Redacted]							

- In the worst case scenario (ie. where 100% of The Star’s local VIP revenue in FY22 is lost to Crown Sydney and Crown Sydney does not gain any additional local VIP gaming revenue) total SGTR in FY22 will decrease by:
 - **(Option A):** only c. [Redacted] (or c. [Redacted]) of the total SGTR relating to local gaming revenues expected to be generated by The Star in FY22 in the absence of Crown Sydney)
 - **(Option B):** only c. [Redacted] (or c. [Redacted]) of the total SGTR relating to local gaming revenues expected to be generated by The Star in FY22 in the absence of Crown Sydney)

Notes:

1. These scenarios and the analysis above have been prepared for illustrative purposes only. Crown does not believe that any of these scenarios are likely. Crown maintains its view that “cannibalisation” of SGTR will not occur given that total Sydney VIP gaming revenues will increase and therefore total SGTR will increase following the opening of Crown Sydney
 2. Assumes a tax rate of 21.23% (being 16.41% plus 2% responsible gaming levy + 31% of GST) on local revenue for Crown Sydney (Option A) and a tax rate of 21.23% (being 16.41% plus 2% responsible gaming levy + 31% of GST) on local revenue for The Star plus super tax
 3. Assumes a tax rate of 16.73% (being 11.91% plus 2% responsible gaming levy + 31% of GST) on local revenue for Crown Sydney (Option B) and a tax rate of 21.23% (being 16.41% plus 2% responsible gaming levy + 31% of GST) on local revenue for The Star plus super tax
 4. Assumes Crown Sydney does not gain any additional local VIP gaming revenue

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The importance of The Star’s main gaming floor and poker machines

Growth in The Star’s VIP gaming business (which is expected to occur following the opening of Crown Sydney) is incremental to the continued growth of The Star’s main gaming floor and poker machine businesses, which are expected to represent c [REDACTED] of The Star’s revenue in FY22

The Star—total gaming revenue of [REDACTED] in FY12¹

The Star—total gaming revenue of [REDACTED] in FY22^{2,3}



Notes:

- 1 Local VIP revenue of [REDACTED] plus Crown's estimate of the annualised revenue impact of the Oasis Room at The Star of [REDACTED]
- 2 Assumes The Star's private gaming room revenue grows at [REDACTED] p.a. and main gaming floor and poker machine revenue grow at [REDACTED] p.a. between FY12 and FY22
- 3 Assumes The Star's international VIP revenue grows at [REDACTED] p.a. and interstate VIP revenue grows at [REDACTED] p.a. between FY12 and FY22

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Section 13

Crown's projected financial returns

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Returns for Crown from Crown Sydney (Option A)

It is expected that Crown Sydney will generate an NPV of between [REDACTED] with an IRR of [REDACTED] and a payback period of [REDACTED] years

Jun y/e	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue																		
Gaming	-	-	-	-	-													
Hotel and other	-	-	-	-	-													
Total Revenue	-	-	-	-	-													
EBITDA																		
Gaming	-	-	-	-	-													
Hotel and other	-	-	-	-	-													
Total EBITDA	-	-	-	-	-													
Margin	-	-	-	-	-													
Corporate tax	-	-	-	-	-													
Operating cash profit	-	-	-	-	-													
Change in working capital	-	-	-	-	-													
Capital expenditure																		
Upfront licence fee																		
Land cost (estimate)																		
Construction cost																		
Other development capex																		
Pre-opening expenses																		
Ongoing capex																		
Total capex																		
Free cash flow																		

Indicative valuation

NPV valuation (at 10.5%–9.5%) [REDACTED]

IRR (licence period) [REDACTED]

Payback period [REDACTED]

Key valuation assumptions

- Transaction date of 30 June 2013
- Upfront licence fee of \$100m upon granting of the licence (expected in CY2013)
- Licence period of 99 years, beginning on 1 July 2013
- Discount rate of [REDACTED] applied to NPV valuation
- Tax rate of 10% (including GST) on international and interstate VIP revenue and a tax rate of 27.5% (including GST) on local VIP revenue

For a detailed breakdown of revenue, expenses and earnings, please refer to Appendix A

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Returns for Crown from Crown Sydney (Option B)

It is expected that Crown Sydney will generate an NPV of between [REDACTED] with an IRR of [REDACTED] and a payback period of [REDACTED] years

Jun y/e	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue																		
Gaming	-	-	-	-	-													
Hotel and other	-	-	-	-	-													
Total Revenue	-	-	-	-	-													
EBITDA																		
Gaming	-	-	-	-	-													
Hotel and other	-	-	-	-	-													
Total EBITDA	-	-	-	-	-													
Margin	-	-	-	-	-													
Corporate tax	-	-	-	-	-													
Operating cash profit	-	-	-	-	-													
Change in working capital	-	-	-	-	-													
Capital expenditure																		
Upfront licence fee																		
Land cost (estimate)																		
Construction cost																		
Other development capex																		
Pre-opening expenses																		
Ongoing capex																		
Total capex																		
Free cash flow																		

Indicative valuation

NPV valuation (at 10.5%–9.5%) [REDACTED]

IRR (licence period) [REDACTED]

Payback period [REDACTED]

Key valuation assumptions

- Transaction date of 30 June 2013
- Upfront licence fee of \$250m upon granting of the licence (expected in CY2013)
- Licence period of 99 years, beginning on 1 July 2013
- Discount rate of [REDACTED] applied to NPV valuation
- Tax rate of 9% (including GST) on international and interstate VIP revenue and a tax rate of 23% (including GST) on local VIP revenue

For a detailed breakdown of revenue, expenses and earnings, please refer to Appendix B

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Funding, returns and gearing

When assessing the expected IRR of a project, Crown adopts an ungeared IRR. Even if Crown assumes a level of gearing in the project, the expected IRR of the project does not change materially

Funding

- Like Crown Melbourne and Crown Perth, Crown Sydney is expected to be a wholly-owned subsidiary of Crown Limited
- It is not Crown's practice to allocate external debt to a wholly-owned subsidiary, especially where that subsidiary is not expected to generate earnings during the first 7 years of its operations
- The total gross project cost of up to [REDACTED] is expected to predominantly be spent over a 5 year period (FY14–FY18) Crown finances the group on a consolidated basis and Crown will fund the Crown Sydney project with funds from a range of sources including operating cash flow, cash, bank debt and debt capital markets

Returns

- There are a number of ways to assess the returns of a project
- Crown has assessed the return of the Crown Sydney project using a range of measures, including IRR, NPV and payback
- The NPV is calculated by applying the discount rate to the future expected unlevered cash flows from this project
 - the NPV of a project necessarily has an underlying gearing assumption as it assesses the forecast returns of the project against the discount rate, which takes into account gearing
 - in this case, the discount rate was determined having regard to various matters including the cost of capital, the risks associated with the project and Crown's targeted returns for new investments
- The IRR is calculated using the future expected unlevered cash flows from this project

Gearing

- In this case, Crown believes that an unlevered IRR is appropriate given that it is not Crown's practice to allocate external debt to a wholly-owned subsidiary (as stated above)
 - further, in Crown's experience, generally, governments and regulators do not like long lead-time projects (that are subject to a variety of project risks) to sit in highly leveraged project finance structures that add financial risk to the project
- Even if Crown assumes a level of gearing in the project, the expected IRR of the project does not change materially:
 - (ungeared scenario): IRR of [REDACTED] (Option A or Option B)
 - (equity funding pre-opening then [REDACTED] LTM EBITDA gearing post opening): [REDACTED]
 - [REDACTED] debt:equity pre-opening and post opening): [REDACTED]

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Section 14

Minimal risk for the NSW Government

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Downside scenario analysis

The risk to the NSW Government is minimal given that, even in a downside scenario, NSW would still benefit from an iconic six-star hotel resort, would still receive a substantial upfront licence fee and significant gaming tax revenue, protected by guarantee(s) in relation to future gaming taxes payable to the State



Key terms	OPTION A DOWNSIDE	OPTION B DOWNSIDE
Upfront licence fee (\$m)	100	250
International / interstate VIP tax rate (including GST)	10%	9%
Local VIP tax rate (including GST)	27.5%	23%
Gaming tax guarantee 1	✓	✓
Gaming tax guarantee 2	✗	✓
		(\$1bn over 15 years)
State Gaming Tax Revenue (SGTR)		
Incremental SGTR in FY22 (\$m) ¹ % increase / (decrease) ¹	[redacted]	[redacted]
Incremental SGTR (FY22–31) (\$m) ¹ including upfront licence fee (\$m)	[redacted]	[redacted]
NPV of incremental SGTR up to FY31 (\$m) ^{1,2,3}	[redacted]	[redacted]
NPV of incremental SGTR over the life of the project (\$m) ^{1,2,3}	[redacted]	[redacted]
Crown's financial returns		
FY22 EBITDA (\$m)	[redacted]	[redacted]
NPV (at 10.5%–9.5%) (\$m)	[redacted]	[redacted]
IRR	[redacted]	[redacted]
Payback period	[redacted]	[redacted]

NSW Government still receives significant State Gaming Tax Revenue and is protected by gaming tax guarantee 2 under Option B (\$1bn over 15 years)

Crown's financial returns are clearly inadequate

Notes:

- 1 Compared to the estimated level in the absence of Crown Sydney
- 2 Including upfront licence fee of \$100m (Option A) or \$250m (Option B)
- 3 Projected SGTR discounted at a rate of [redacted]

[redacted] to reflect timing and risk associated with forecast cashflows). Please refer to page 66 for further detail

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Section 15

Limited impact on The Star's exclusivity arrangements

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NSW Government still retains the option to receive a further payment

If the Crown Sydney project proceeds, the NSW Government still retains the option to receive a further payment (ie. in addition to a substantial upfront licence fee from Crown) for the issue of a non-VIP gaming licence to another operator post 2019 or by extending The Star's exclusivity in relation to non-VIP gaming activities beyond 2019

VIP gaming proposed for Crown Sydney

- The proposed licence for VIP gaming facilities at Crown Sydney would permit a limited range of gaming activities:
 - no poker machines
 - no low limit tables
 - members only – no general public – membership system to be similar to Crown Melbourne

The Star offers unrestricted VIP gaming and non-VIP gaming

- In contrast, The Star's licence permits unrestricted VIP gaming (ie. not subject to the limitations proposed for the Crown Sydney VIP gaming licence) plus the operation of poker machines and main gaming floor tables
- The gaming activities which are permitted at The Star but which would not be permitted at Crown Sydney (being the operation of poker machines and main gaming floor tables) account for c [REDACTED] of The Star's revenue and are more profitable than VIP gaming

Licence payments made by Crown and Echo should not be compared

- Consequently, any payment made by Echo to extend The Star's exclusive licence (which includes poker machines and main gaming floor tables) ("Echo's Payment") should not be compared with the upfront licence fee proposed by Crown for the VIP gaming licence (which will not permit poker machines and main gaming floor tables)
- However, it would be appropriate to compare Crown's proposed upfront licence fee with the portion of Echo's Payment (if any) which relates only to VIP gaming (c [REDACTED] based on The Star's VIP gaming revenue)

NSW Government retains the option to receive further payment

- This approach would recognise that the NSW Government could still preserve the option to receive a further payment (in addition to a substantial upfront licence fee from Crown) for the issue of a non-VIP gaming licence to another operator or by extending The Star's exclusivity in relation to non-VIP gaming activities (ie. the operation of main gaming floor tables and poker machines) beyond 2019

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Section 16

Crown's track record

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Crown has the track record to successfully deliver this project

Crown's track record and financial capacity provide confidence that it will deliver on its promise to build one of the world's great hotels on Sydney harbour. It also provides confidence that Crown can grow Sydney's share of the global VIP gaming market

Crown has a long track record of successfully designing, constructing and operating world-class six-star luxury hotel resorts:

- Crown has 20 years of experience in developing a global VIP gaming business with a well-recognised brand and operations in Melbourne, Perth, Macau and London
- Crown has a strong brand recognition in China and Macau – which has a c.75% share of the global VIP gaming market
- Crown has a strategy of investing in its properties to generate growth and returns
 - Crown and its associates have developed (or are developing) 12 new hotels in Melbourne, Perth, Macau and Manila – of which four are of a six-star standard
 - Crown is currently undertaking a \$2.8 billion investment program to ensure that its Melbourne and Perth properties remain of the highest standard
- Crown's properties in Australia attract more than 25 million visitors every year
- Crown's international visitors generate approximately one-third of Crown's revenue in Australia
- Crown's international VIP gaming turnover at its Australian properties has more than doubled over recent years
- Crown's business in Melbourne generates twice as much turnover from international VIP gaming than the equivalent operation at The Star in Sydney
- Crown has paid more than \$1.2 billion in taxes to the Victorian and West Australian Governments over the last 5 years
- Crown's Australian resorts provide employment for more than 14,400 people and Crown operates an in-house training college at Crown Melbourne
- Crown is a recognised leader in responsible gaming
- Crown has a market capitalisation of c.\$9 billion and a strong balance sheet with an investment grade credit rating
- Crown has a well resourced and stable management team which has the know-how and experience to deliver this important project for Sydney

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Comparison of track record – Crown vs Echo

Unlike Echo, Crown has a strong track record of delivering returns for all stakeholders including Governments

Crown's track record

- Crown and its associates have developed (or are developing) 12 new hotels in Melbourne, Perth, Macau and Manila—of which four are six-star standard
- Over the seven years to 2015, Crown and its associates will have spent in excess of \$10 billion of capital expenditure across their Australian and Asian properties
- From FY08 to FY12, Crown spent c.\$1.8 billion of capex in Australia, with EBITDA increasing from c.\$600 million to c.\$800 million
- Crown's EBITDA is c.3x Echo's EBITDA
 - despite the population of Sydney and South East Queensland being c.30% larger than that of Melbourne and Perth
 - Crown Melbourne is currently generating more than double The Star's international VIP gaming revenue and 50% more local VIP gaming revenue than The Star
- Crown has significant financial capacity and an investment grade credit rating

“

The significant capital expenditure program has ensured that Crown Melbourne and Perth continue to be two of Australia's premier tourist destinations, capable of competing with the best in the Asian region

”

Rowen Craigie
Crown Limited 2012 Annual Report

Echo's track record

- Expansion of The Star
 - an expansion of The Star was announced in 2007 and has been revised on numerous occasions with a final investment of \$860 million
 - despite this investment, from FY08 to FY12 The Star's normalised EBIT (after significant items) has fallen by c.40%
- Queensland development
 - in December 2010, a \$625 million investment in Echo's Queensland casinos was announced in exchange for various concessions from the Queensland Government
 - more than two years later, only \$40 million (or 6%) of that promised investment has been made
 - despite benefiting from some of the Government's concessions between FY08 and FY12, the normalised EBIT (after significant items) from those properties has fallen by c.40%

“

Although the [14%] return [on the \$870m spent at The Star] may not have been reached as quick as some were hoping, it is something that's a realistic, achievable number if not this year, then next

”

John Redmond
Financial Review Sunday program – Channel 9 (2 June 2013)

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Section 17

Conclusion

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Conclusion

A significant market opportunity exists for Sydney

- Revenue from both international and local VIP gaming in Sydney should be larger than in Melbourne
- Despite this, The Star significantly underperforms Crown Melbourne in all VIP gaming markets
 - Crown Melbourne is currently generating more than double The Star's international VIP gaming revenue and 50% more local VIP gaming revenue than The Star

Crown Sydney is expected to grow Sydney's share of the international and interstate VIP gaming markets. Crown Sydney will also grow the local VIP gaming market

- Australia currently has only a c.2.5% share of the international VIP gaming market, which is expected to grow to [REDACTED] in FY22 primarily as a result of Crown Sydney entering the international VIP market
- International VIP revenue is expected to grow by c. [REDACTED] compared to the expected level in FY22 in the absence of Crown Sydney
- Interstate VIP revenue is expected to grow by c. [REDACTED] compared to the expected level in FY22 in the absence of Crown Sydney
- Local table gaming revenue is expected to grow by c. [REDACTED] compared to the expected level in FY22 in the absence of Crown Sydney

Consequently, Crown Sydney will deliver significant benefits to NSW, including:

- Substantial upfront licence fee of \$100 million (Option A) or \$250 million (Option B) upon granting of the licence (which is expected to be in CY2013)
- [REDACTED]
- Crown will guarantee future gaming taxes payable
- Iconic six-star hotel resort for Sydney
- Significant contribution to the NSW economy and employment through the investment in the facility, the expenditure incurred in operating the facility and through stimulating tourism. This will include increases in GSP, employment, export income and business investment
- Assist NSW to meet its tourism targets

Given that Crown Sydney is expected to significantly grow the size of the international, interstate and local VIP table gaming markets, Crown believes that The Star is also expected to benefit following the opening of Crown Sydney

- The Star's revenue from VIP gaming is expected to improve by c. [REDACTED] (compared to the estimated level in FY22 in the absence of Crown Sydney) as a result of the growth in the VIP markets

Crown has the track record to successfully deliver this project

- Crown's track record and financial capacity provide confidence that it will deliver on its promise to build one of the world's great hotels on Sydney harbour. It also provides confidence that Crown can grow Sydney's share of the global VIP gaming market

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Appendix A

Supporting financial information—Option A

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Crown Sydney – consolidated financial profile (Option A)

Jun y/e	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue												
International VIP												
Interstate VIP												
Local VIP												
Hotel and other												
Total revenue												
Allocated expenses												
Gaming tax expense¹												
Contribution												
International VIP												
Interstate VIP												
Local VIP												
Hotel and other												
Total contribution												
<i>% margin</i>												
Corporate costs												
Total EBITDA												
<i>% margin</i>												

Note:

1 Including GST

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VIP gaming facility – financial profile (Option A)

Jun y/e	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue												
International VIP												
Interstate VIP												
Local VIP												
Total gaming revenue												
Allocated expenses												
Gaming tax expense¹												
International VIP												
Interstate VIP												
Local VIP												
Total gaming tax expense												
Contribution												
International VIP												
Interstate VIP												
Local VIP												
Total gaming contribution												
<i>% margin</i>												
Corporate costs (gaming related)												
Gaming EBITDA												
<i>% margin</i>												

Note:
¹ Including GST

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Hotel—key assumptions

Hotel & Spa

- Luxury six-star hotel with 350 guest rooms, opening in 2018
- Average room rate of █████ per night (FY12 terms), growing at █████ p.a.
 - based on experience at other Crown properties, adjusted for the Sydney market
 - equates to average room rate of █████ per night in FY22
- On average, █████ of the 350 rooms are allocated a █████ gaming discount, increasing to █████ rooms on Friday and Saturday nights
- Average occupancy rate of █████ in year 1, █████ in year 2 and █████ thereafter
 - based on experience at other Crown properties, adjusted for the Sydney market
- Other revenue (amenities) of █████ in FY19, growing at █████ p.a.
 - includes mini-bar, room service and parking
- Includes luxury pool and spa facilities
 - daily revenue of █████ (FY12 terms), growing at █████ p.a.
 - loss-making, labour intensive business due to high demand for strong levels of customer service

Retail

- 3 luxury retail outlets
- Crown expects to take █████ of revenue, with daily store revenue forecast to grow at █████ p.a.
- Daily store revenue forecasts based on experience at other Crown venues

Restaurants and bars

- Expected to open in 2018
- 5 world-class restaurants, including: café, seafood, Chinese, Japanese and all-day restaurant
- 3 bars—Lobby Bar, Mahogany Bar and Ultra Lounge (Club 23)
- Capacity, occupancy, turns and revenue per customer forecasts based on experience at other Crown venues

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Hotel and other – financial profile

Jun y/e	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue												
Hotel												
Pool & Spa												
Restaurants												
Bars												
Retail												
Total Hotel revenue												
Allocated expenses												
Contribution												
Hotel												
Pool & Spa												
Restaurants												
Bars												
Retail												
Total Hotel contribution												
<i>% margin</i>												
Corporate costs (hotel related)												
Hotel EBITDA												
<i>% margin</i>												

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Expenses

Jun y/e	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Allocated gaming expenses												
Payroll												
Marketing												
Commissions												
Complimentaries												
Bad debts												
Direct overheads												
Total allocated gaming expenses												
Allocated hotel expenses												
Payroll												
Cost of goods												
Direct overheads												
Total allocated hotel expenses												
Corporate costs												
Marketing												
Property support services												
Security, cage and other												
Total corporate costs												
TOTAL EXPENSES												

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Capex and pre-opening costs (Option A)

Initial investment

Jun y/e	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	TOTAL
Upfront licence fee	[REDACTED]								
Land cost (estimate)									
Design and pre-construction									
Remediation of land									
Hotel resort construction									
Apartment construction									
Gaming equipment									
Total gross development costs									
Proceeds from apartment sales									
Total net development costs									
Pre-opening expenses¹									
Hotel									
Gaming									
Marketing									
Other									
Total pre-opening expenses									

Ongoing capex

- Assumptions based on Crown Melbourne experience, adjusted for relative gross asset values
- Annual maintenance capex of [REDACTED] p.a. (FY12 terms), growing at [REDACTED] p.a.
- Refurbishments every 10 years (starting in FY30) at a total cost of [REDACTED] (FY12 terms), growing at [REDACTED] p.a.
 - includes: hotel rooms [REDACTED] suites / villas [REDACTED], private gaming rooms [REDACTED], restaurants [REDACTED] private salons [REDACTED] and [REDACTED] contingency

Note:
 1 Pre-opening expenses mainly relate to recruitment and training of staff and marketing

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Appendix B

Supporting financial information—Option B

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Crown Sydney – consolidated financial profile (Option B)

Jun y/e	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue												
International VIP												
Interstate VIP												
Local VIP												
Hotel and other												
Total revenue												
Allocated expenses												
Gaming tax expense¹												
Contribution												
International VIP												
Interstate VIP												
Local VIP												
Hotel and other												
Total contribution												
<i>% margin</i>												
Corporate costs												
Total EBITDA												
<i>% margin</i>												

Note:

¹ Including GST

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VIP gaming facility – financial profile (Option B)

Jun y/e	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue												
International VIP												
Interstate VIP												
Local VIP												
Total gaming revenue												
Allocated expenses												
Gaming tax expense¹												
International VIP												
Interstate VIP												
Local VIP												
Total gaming tax expense												
Contribution												
International VIP												
Interstate VIP												
Local VIP												
Total gaming contribution												
<i>% margin</i>												
Corporate costs (gaming related)												
Gaming EBITDA												
<i>% margin</i>												

Note:
¹ Including GST

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Hotel—key assumptions

Hotel & Spa

- Luxury six-star hotel with 350 guest rooms, opening in 2018
- Average room rate of █████ per night (FY12 terms), growing at █████ p.a.
 - based on experience at other Crown properties, adjusted for the Sydney market
 - equates to average room rate of █████ per night in FY22
- On average, █████ of the 350 rooms are allocated a █████ gaming discount, increasing to █████ rooms on Friday and Saturday nights
- Average occupancy rate of █████ in year 1, █████ in year 2 and █████ thereafter
 - based on experience at other Crown properties, adjusted for the Sydney market
- Other revenue (amenities) of █████ in FY19, growing at █████ p.a.
 - includes mini-bar, room service and parking
- Includes luxury pool and spa facilities
 - daily revenue of █████ (FY12 terms), growing at █████ p.a.
 - loss-making, labour intensive business due to high demand for strong levels of customer service

Retail

- 3 luxury retail outlets
- Crown expects to take █████ of revenue, with daily store revenue forecast to grow at █████ p.a.
- Daily store revenue forecasts based on experience at other Crown venues

Restaurants and bars

- Expected to open in 2018
- 5 world-class restaurants, including: café, seafood, Chinese, Japanese and all-day restaurant
- 3 bars—Lobby Bar, Mahogany Bar and Ultra Lounge (Club 23)
- Capacity, occupancy, turns and revenue per customer forecasts based on experience at other Crown venues

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Hotel and other – financial profile

Jun y/e	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue												
Hotel												
Pool & Spa												
Restaurants												
Bars												
Retail												
Total Hotel revenue												
Allocated expenses												
Contribution												
Hotel												
Pool & Spa												
Restaurants												
Bars												
Retail												
Total Hotel contribution												
<i>% margin</i>												
Corporate costs (hotel related)												
Hotel EBITDA												
<i>% margin</i>												

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Expenses

Jun y/e	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Allocated gaming expenses												
Payroll												
Marketing												
Commissions												
Complimentaries												
Bad debts												
Direct overheads												
Total allocated gaming expenses												
Allocated hotel expenses												
Payroll												
Cost of goods												
Direct overheads												
Total allocated hotel expenses												
Corporate costs												
Marketing												
Property support services												
Security, cage and other												
Total corporate costs												
TOTAL EXPENSES												

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Capex and pre-opening costs (Option B)

Initial investment

Jun y/e	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	TOTAL
Upfront licence fee									
Land cost (estimate)									
Design and pre-construction									
Remediation of land									
Hotel resort construction									
Apartment construction									
Gaming equipment									
Total gross development costs									
Proceeds from apartment sales									
Total net development costs									
Pre-opening expenses									
Hotel									
Gaming									
Marketing									
Other									
Total pre-opening expenses									

Ongoing capex

- Assumptions based on Crown Melbourne experience, adjusted for relative gross asset values
- Annual maintenance capex of [redacted] p.a. (FY12 terms), growing at [redacted] p.a.
- Refurbishments every 10 years (starting in FY30) at a total cost of [redacted] (FY12 terms), growing at [redacted] p.a.
 - includes: hotel rooms [redacted], suites / villas [redacted] private gaming rooms [redacted] restaurants [redacted] private salons [redacted] and [redacted] contingency

Note:
 1 Pre-opening expenses mainly relate to recruitment and training of staff and marketing

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Appendix C

Estimating the final project cost

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Estimated range of project cost

Crown has estimated a range for the expected cost of the project on the basis that it is possible that the final project cost will differ to the current estimate given that the detailed design is yet to be finalised and planning approval is yet to be obtained

- Crown has estimated the cost of the Crown Sydney project
- This estimate is based on the information currently available to Crown
- It is possible that the final project cost will differ to the current estimate for various reasons including the fact that the detailed design for the building is not yet finalised and planning approval is yet to be obtained
- In addition, there are various matters which involve third parties which are yet to be resolved and which could impact the cost of the project
 - eg. there are various matters currently in dispute between the BDA and Lend Lease in relation to Barangaroo South which, when resolved, may impact the cost of this project
- Consequently, Crown has formulated a range for the expected cost of the project and has adopted the low end of the range for the purpose of preparing its financial submission and in providing information to the Allen Consulting Group (ACG) for the purpose of preparing their Economic Benefit Assessment
 - for details of the range of the estimated project costs, please refer to page 104
- Crown's approach ensures:
 - a conservative estimate of the expected economic benefits to NSW arising from the project; and
 - Crown has not understated its projected financial returns from the project
- Crown has received written advice from ACG about:
 - the relationship between potential changes in the project cost and the outputs from their economic analysis. ACG has indicated that changes in the outputs as a result of any increase in construction costs would, in broad terms, be proportional to any variation in the construction cost input; and
 - the impact of Crown making a land payment to Lend Lease and/or paying an upfront licence fee and/or gaming taxes to the NSW Government. ACG has advised that the payment by Crown of such amounts has no impact on their economic analysis given the nature of the economic model
- For a copy of that advice, please refer to page 105

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Estimated range of project cost

Crown has adopted the low end of the estimated project cost range for both the financial and economic modelling of the project. This results in a conservative estimate of the expected economic benefits to NSW arising from the project and also results in Crown not understating its projected financial returns from the project

Project cost—estimated range

A\$m	Low	High
Upfront licence fee	100 (Option A) 250 (Option B)	100 (Option A) 250 (Option B)
Land cost (estimate)	[REDACTED]	
Design and pre-construction		
Remediation of land		
Hotel resort construction		
Apartment construction		
Gaming equipment		
Total gross project cost		
Proceeds from apartment sales ¹		
Total net project cost		
Pre-opening expenses		
Total project cost		

Inputs used for both the Crown Sydney financial model and the Allen Consulting Group's Economic Benefit Assessment

Note:

¹ Reflects Crown's share of the net proceeds from apartments sales

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The Allen Consulting Group

19 June 2013

Mr Rowen Craigie
Chief Executive Officer
Crown Limited
8 Whiteman Street
Southbank VIC 3006

Dear Rowen

Potential Variation in Model Inputs

Crown Limited (Crown) has informed Allen Consulting Group (ACG) that there are several inputs in the Crown Sydney financial model which may change prior to commencement of operations of the Crown Sydney Hotel Resort in 2019, compared to the inputs previously provided by Crown to ACG. These inputs include:

1. the amount of the upfront licence fee (if any);
2. the amount of the land cost (if any);
3. the amount of the estimate of additional taxes to be generated by Crown Sydney; and
4. the amount of the construction cost.

We can confirm that any changes to inputs 1 to 3 will not impact the outputs from the MMRF Model, due to the nature of the modelling we have undertaken.

In relation to input 4, we can confirm that any potential change in the amount of the construction cost would impact the outputs from the MMRF Model during the construction phase. The extent of this impact would, in broad terms, be proportional to any variation in the construction cost input. This assumes that the percentage of construction cost that represents imported materials or labour (eg. project managers, architects, engineers) does not change.

An increase in the amount of the construction cost will slightly reduce the outputs from the MMRF Model during the operations phase due to the national financing assumption (ie. national foreign debt is higher during the construction phase as a result of the higher construction cost, which would result in higher repayments during the operations phase and consequently reduce national consumption). However, the impact of this change is not likely to be material.

Please do not hesitate to contact me should you have any questions.

Yours sincerely



Jerome Fahrer
Director

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