



Crown Melbourne Limited

Current Issues – 21 February 2018

Business Overview

- The Melbourne local business is tracking slightly below expectations with Local Contribution down on budget by \$1.2m or 0.4% YTD 31 January 2018. Local Gaming, both tables and machines, are tracking slightly below budget with poor hold (bad luck) negatively impacting contribution by \$7.1m in tables and \$4.1m in machines. Food & Beverage and Hotels are also tracking slightly below budget YTD. Support Department costs are favourable to budget YTD.
- Program Play volumes have very strong, up on budget by 44% YTD.

Property Specific Initiatives

The focus in Melbourne continues to be on driving the local gaming market with the following initiatives designed to grow visitation, spend and market share whilst presenting opportunities for on-spend across the rest of the property:

- Carded Lucky Rewards continues to drive strong incremental revenue where selected members are awarded random prizes at defined jackpot intervals (based on individual targets). Players can monitor progression to their target via the service window which also delivers the bonus via an interactive game;
- 10 complimentary coffee machines for Main Gaming Floor (MGF) customers have been implemented and well received by members. Members may access up to six complimentary tea, coffee or hot chocolate drinks aligned to their Crown Rewards tiers;
- Complimentary hotel rooms to Gold Tier members Sunday through Thursday, where excess room capacity allows, continues to be well received and assist in driving incremental visits and revenue;
- Crown's installation of the very popular Lightning Link gaming machine product has surpassed 260 units and remains the largest single site installation in the world. Plans are now underway for the launch of its next game iteration, Dragon Link in February 2018;
- The premium player alert program on the Main Gaming Floor continues with a recent success being the identification and sign up of International and Domestic VIP players who have been upgraded to Platinum & Black;
- Beer and wine drink specials across MGF bars continue following on from the recently completed competitor reviews. Crown representatives competitively shop metropolitan venues with a view to identifying actionable shortcomings in the Crown offer (led to the introduction of some of the drinks initiatives and marketing of specific product scale);

- Crown's Asian strategy (particularly Chinese and Vietnamese) continues to drive high value visitation, particularly into the Maple Room delivering 65 events YTD. Initiatives include leveraging relationships with Chinese related businesses, clubs and network, working with inbound and outbound Chinese focussed travel agents and utilising an incentivised referral service;

The following initiatives are currently under development:

- High level scope of works is underway to create a Crown Resorts Wallet combining our multiple accounts into one for use within the property;
- Virtual Card Project is underway with the objective being to have a virtual card within the Crown Rewards App that will allow customers to use their phone to tap instead of the magnetic stripe card. Costing and timelines to be confirmed in March 2018;
- High Level scope of works underway to explore the feasibility of an expansion of the Teak Room to create a non- smoking gaming machine offer.

Australian Resorts Marketing Initiatives

As part of developing a marketing strategy to drive incremental revenue across both properties the following key areas for growth have been identified:

- Utilisation of Crown & (new) external data to identify groups of consumers in market where there is opportunity to grow revenue;
- Using the resulting target segments to help the business create more compelling offers to attract current, inactive and new customers to property;
- Delivering these offers to members and prospects through multiple new communication channels.
- Inactive Rewards Members will be the primary focus for activity development with the aim of bringing these customers back to property and providing the right experience to convert them to frequent visitors.

Work is progressing to build plans to realise value across these three areas with the initial focus being on the Melbourne Gaming Machines business.

Loyalty - New member acquisition remains strong and work is progressing to improve the value the program brings to both members and the business. As part of this, new mid-tier benefits have been trialled in Melbourne to test striving behaviour for Gold and Platinum customers (with full results due at the April renewal cycle), status matching is now live in Melbourne for higher tier members of clubs and casinos and a new member on-boarding process has been mapped out (designed to increase engagement and visitation) and is due for implementation in late March.

Brand Tracking - Amid the entertainment category media spend peaking in Q2, Crown has managed to maintain its high top-of-mind awareness with consideration remaining stable across both Perth and Melbourne properties. In Perth tracking showed the Fun and Entertaining campaign to have performed strongly in Q2 (particularly amongst non-members), successfully engaging its target audiences. Spontaneous brand awareness improved to 64% (up 4% quarter on quarter) while

consideration scores were maintained over the period at 29%. In Melbourne the Q2 Christmas at Crown campaign built on the World of Entertainment campaign to lift spontaneous awareness and consideration amongst members, while helping to maintain non-member awareness and consideration to visit. Member brand perceptions of 'lot's to do' and 'great atmosphere' were strengthened year on year, also supported by on-site activity and direct communications.

Digital & Social Media - Crown Melbourne and Perth website traffic continues to grow, with over 1.2m visits in January. Key drivers of traffic to the site continue to be improvements in Google natural search rankings (SEO), paid Google adverts, email and social media. Crown's social media footprint now covers 470,500 users on Facebook, 49,500 followers on Instagram and 23,400 on Twitter.

Outbound Call Centre - Continue to expand on the success of the outbound call centre operation with an additional four positions being recruited to significantly improve targeted and premium customer contact. Some 83,000 calls have been made YTD with circa 28,000 successful contacts and from that, nearly 11,000 successful offers made.

Campaigns Melbourne – The World of Entertainment campaign evolved to connect Crown to the festive season and provide overarching support to specific campaigns across Gaming and Food & Beverage (F&B). In gaming the Christmas Rewards promotion, in its 4th iteration, delivered its strongest revenue performance to date alongside the Main Gaming Floor Christmas Cracker promotion. January activity focussed on jackpots across the rooms including the Shop Shop Shop and 15 Minute Blitz campaigns. F&B was supported with a seasonal update to the \$15 & \$7.50 value meals campaign (which saw 79% year-on-year revenue growth) along with a range of events including the Jack Daniel's Barrelhouse, Moet Golden Door & Corona Sunsets.

People - Nic Emery has joined Crown Resorts as Chief Marketing Officer and he and his team are in the process of developing a strategy to ensure marketing drives further incremental revenue for Crown through increased visits and spend.

Australian Resorts HR Initiatives

Indigenous Employment Program (IEP)

There are currently a total of 210 employees in the Crown Indigenous Employment Program as of 7 February 2018, 113 at Crown Melbourne and 97 at Crown Perth.

The Indigenous Online Cultural Learning Program is in the final review process and will be rolled out within the next few months.

Planning for the next Reconciliation Action Plan (RAP) document has commenced with an initial meeting with Reconciliation Australia (RA) held on 6 February 2018 attended by Alicia Gleeson and Rory Smeaton. RA has advised that they anticipate this process to be of about six months' duration.

With Sean Armistead's (Group Manager) departure from Crown, Rory Smeaton has commenced his 12 month secondment reporting directly to EGM – HR Melbourne, and Sharon Ninnette in Perth now also reports directly to the EGM - HR. Each manager has a team of two supporting the program.

Workplace Gender Equity

Crown Resorts' paid parental leave scheme was announced on 5 December 2017 across Melbourne and Perth. Under the scheme, Crown provides employees with a payment that tops up the amount

the employees are eligible to receive under the government scheme to their base level of pay so that they are no worse off for their period of eligibility. Effective from 1 July 2017, eligible primary carers will receive up to 12 weeks top up pay and secondary carers will receive up to 2 weeks top up pay.

The Gender Fitness App was also announced and launched on 5 December 2017. Promotion of the app is ongoing and the app has already had its first update based on user feedback. Take up/engagement in the app was slow in the initial weeks but a recent campaign to increase awareness has improved employee engagement.

The Gender Advisory Groups (both Melbourne and Perth) continue to work on their initiatives, specifically focussing on preparing the Gender Action Plan for approval and launch (with an aim for April 2018).

LGBTI Employee Network – Crown Pride

The Crown Pride committee are working to create a calendar of events and activities over the coming year to celebrate the LGBTI community. Where appropriate, these events will coincide with significant dates from the LGBTI calendar.

CROWNability program

There are currently a total of 215 employees in the CROWNability program across both properties, encompassing 105 employees and 10 contractors at Crown Perth, with 88 employees and 12 contractors at Crown Melbourne. This represents a retention rate of 69% as at 1 February 2018.

CROWNability is currently researching the opportunity to pilot a Veterans Employment initiative at Crown Perth, in collaboration with the Australian Defence Force (ADF). This pilot aims to provide employment opportunities to those living with disability or health concerns, following their service in the ADF.

CROWNability will be participating in the Disability Confident Recruiter (DCR) Program, run as an initiative of the Australian Network on Disability (AND). This program provides organisations with the skills and resources required to recruit talent from diverse groups, including people with disability. Upon completion of the program, Crown will be awarded the Disability Confident logo, a formal endorsement that we are a Disability Confident Recruiter. This logo can be used on all recruitment and promotional material as appropriate.

In 2018, the CROWNability program will further progress the development of Crown as an accessible and inclusive organisation. This is supported by the CAP's focus on the following key areas:

- Organisation commitment
- Premises
- Suppliers and Partners
- Information and Technology
- Learning and Development
- Communication and Marketing
- Recruitment and Selection
- Workplace Adjustment

Training and Development

Both Crown College Pty Ltd, and Crown College RTO have been granted state government funding training contracts for 2018.

Crown College International (CCI) is focusing on developing a brand in key markets off shore and creating a quality agent network. To date, Crown has received a total of 138 student applications with 49 having confirmed and commenced their study. The next student intake commences in April.

The Crown College Institute of Higher Education (CCIHE) is continuing the preparation of appropriate administrative requirements and preparatory foundation work related to registration of the program and entity.

The 500 Training Places initiative at Crown Melbourne has progressed and there are now a total of 209 active enrolments in the program. There are currently 55 active hospitality students, 41 of whom have completed their face to face training with 15 having commenced training in January 2018. In addition, there are three students currently completing the Certificate II in Security Services. There have also been a number of expressions of interest for upcoming courses scheduled to commence in March/April. To date, 73 students have now completed the program and have been issued with their qualifications, with 27 students having been employed at Crown and 44 students employed in industry.

Industrial Relations – Crown Melbourne

On Monday 29 January, the first Steering Committee meeting was held for the Table Games and Cage Area Manager Enterprise Agreement which expires on 30 June 2018. Following this, the members of the committee and negotiation team were finalised.

The Notice of Employee Representational Rights to the Table Games and Cage Area Managers is being distributed on 9 February, with notice to the United Voice Union advising the expectation to commence negotiation in March.

There has been an early indication from the Union that Security Managers and Surveillance Operators may also apply for coverage under the Agreement.

Current Trading - Crown Melbourne

Table Games January YTD contribution of \$201.5m was below budget by \$0.5m or 0.2% and above last year by \$6.6m or 3.4%. Lower than expected hold has impacted contribution by \$7.1m versus budget.

Main Gaming Floor (excluding Poker and eTGs) volumes January YTD were down 1.0% on budget and down 0.7% on the prior corresponding period (pcp). Strong volume growth across the peak holiday periods of December and January (2.1% above budget and 4.4% above pcp) have not yet been enough to offset the patron hour weakness experienced across the pre and post Spring Racing Carnival lull periods during October and November. A slightly weaker YTD hold (25.1% v 25.3% budget and pcp) has also impacted revenues, being 1.7% down on budget and 1.5% down on the pcp.

Electronic Table Games (eTGs) turnover January YTD was down 6.6% on budget and down 0.7% on the pcp due to continued top end Premium eTG patron softness. This has been partially offset by an

improvement in the win rate (vs theoretical), with revenues 3.2% below budget and 2.2% above pcp. The Pit 6 Rapid Stadium expansion was completed in December, with an additional 15 player terminals added along with the introduction of new smaller footprint tables.

Poker cash and tournament play continues to enjoy strong growth, driven by the popularity of the poker cash jackpot, the world-class Aussie Millions tournament and the online poker ban in Australia. January YTD revenues were 4.7% above budget and 6.1% above pcp. A successful Aussie Millions tournament program concluded with a record 800 entrants into the flagship \$10,600 Main Event.

Premium Table Games volumes January YTD were up 4.2% on budget and up 6.4% on the pcp.

Main Floor Premium (MFP) volumes were up 1.4% on budget and up 6.6% on the pcp, with the Maple Room expansion (completed in September 2016 with an additional seven tables) continuing to provide benefit to the overall Premium experience.

Strong Mahogany Room volumes, driven largely by significant play from the top 20 Crown Rewards Black patrons, were up 7.9% on budget and up 6.0% on the pcp. However Mahogany Room hold from September to January of only 15.5% has resulted in the January YTD hold of 17.0% being below budget expectations (19.0%).

Table Games Interstate play has continued to perform strongly. January YTD turnover of \$3.4b was up 9.2% on budget and down 3.4% on the pcp, with Commission buy-in programs performing stronger than Standard programs. The Crown Jet strategy, with 20 jets utilised YTD January, has continued to have a major impact, as has an enhanced event and promotional calendar. The overall theoretical direct contribution of \$13.8m was up 5.4% on budget and down 10.3% on the pcp.

Gaming Machines' YTD January contribution of \$136.3m was \$0.4m (0.3%) below both budget and the pcp. Whilst turnover of \$3.3b was 1.2% above budget and 0.5% above pcp, total revenue of \$268.9m was 1.0% below budget and 0.8% below pcp due to a softer than budgeted win rate (8.06% vs budget of 8.25%), costing \$4.1m in contribution versus budget. This result saw a decline in Crown's market share, with the Network improving 1.7% year on year YTD January.

Gaming Machines Local YTD turnover of \$2.8b was 0.4% below budget and 1.6% below pcp, largely driven by softness in the Crown Rewards Gold and the infrequent unrated patron groups.

Gaming Machines Interstate and International business continues to outperform YTD expectations, with theoretical revenue of \$31m being 9.0% above budget and 12.7% above the pcp. International was the key performing market with both the number one and two players from North Asia driving the result.

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

New member sign ups continue to be strong with a high majority over 80% opting in to digital marketing channels.

A selection of proactive service initiatives including Main Gaming Floor Drink Trolley service providing complimentary drinks to Black and Platinum tiers, "Know Your Customer" (interacting with

Platinum and Black tiers on the Main Gaming Floor) and “Surprise and Delight” (beverage service to high denomination rooms), continue to improve the customers’ experience.

Food & Beverage’s January YTD result was \$0.4m or 1.2% below budget and \$1.9m or 5.8% above the pcp. Bars (excluding Clubs) have been the strongest segment, while individual outlets such as Conservatory, Bistro Guillaume, Gradi and Nobu have performed well. Events & Conferencing had a lower than expected January which has pulled the YTD result back, while Silks has not fully recovered its previous junket activity. Clubs have been patchy and are well below expectations. The Value Meal campaign now extends across seven days and has seen good volumes in participating venues albeit at a lower margin.

Hotels’ January YTD result was \$0.1m or 0.1% below budget and \$1.2m or 2.1% above the pcp. Occupancy levels continue to be strong across all hotels (averaging 96%), but rate growth has been difficult due to the market being reluctant to increase prices. The YTD occupancy and rate results in the Melbourne premium hotel market are flat over the past three years, leading to zero revenue growth. Crown headline average rates have been softened by the success of the Crown Direct program, where members receive 15% off rates when booking direct with Crown. This has the effect of reducing the headline rate, but savings are made at the expense level in avoiding paying online agents a commission. Villas have produced a better than expected result, with above budget performance on both the Gaming and Non-Gaming segments.

Other Issues

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE

Counter Terrorism - Risk Management and Escalation Plan

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

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

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

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

The mitigation strategies identified through the development of the Plan have been incorporated within the broader Risk Management Plan and by way of update from previous reports, include:

- The conduct of a simulation exercise for the Crisis Management team on 8 March 2018;
- The conduct of fortnightly 'suspect person' and 'suspect package' exercises testing frontline security and surveillance employees (ongoing);
- Significant logistic and planning on an implementation strategy associated with an increase in the National Terrorism Threat level or the receipt of intelligence indicating Crown Melbourne is the target of a planned terror attack;

- Attendance at Australia-New Zealand Counter Terrorism Committee's Business Advisory Group meeting held at Crown Melbourne on 31 January 2018;
- Ongoing random patron bag screening at gaming floor entries;
- Installation of biometric access readers on a range of high risk doors including those protecting critical infrastructure (to be completed 20 February 2018);
- Installation of a 'Lockdown' capability on the main podium (external perimeter to be completed by 23 February 2018);
- Installation of a 'Lockdown' capability on the main podium (internal to be completed by 21 April 2018); and
- The installation of an emergency messaging push button panel within the Surveillance Communication Centre (completed).

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

The additional short term mitigation strategies implemented in November 2017 have been extended to at least end March 2018 and include:

- Increase in the number of security patrols during the day and peak nights from two to six officers in high visibility vests;
- The trial of deep learning technology on existing infrastructure – providing intelligence on unusual activities;
- Expansion of the existing facial recognition trial to 12 cameras strategically located around the gaming floor;
- An additional Crown Security Vehicle to be utilised to patrol the basement car park and external boundaries to provide an increase in security presence; and
- Increase in regular proactive monitoring of the property by surveillance operatives with a focus on suspicious actions, packages and persons.

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE

AUSTRAC General

Crown Melbourne is presently the subject of a detailed compliance assessment by AUSTRAC. This assessment has focused principally on EGMs and the Wilkie allegations, and has included an on-site two day visit and multiple rounds of questions as AUSTRAC seeks to further understand the gaming machines business. These questions have focused on, amongst other matters, AML training, alerts and monitoring rules on EGMs, how EGM collects are paid, EGM technicians and information about Crown Rewards and the Card Play offerings.

We have been advised that AUSTRAC is preparing a “detailed report” and we anticipate that this report will be provided to us in a matter of weeks.

It is clear that AUSTRAC’s current attitude appears to be more focused on enforcement as opposed to regulatory engagement. Crown is continuing to work in a proactive and engaged manner with AUSTRAC upon its request.

For example, since our last meeting we have worked with AUSTRAC – at its request – on:

- reviewing a risk assessment paper prepared by its intelligence team;
- assisting the intelligence team commence its review into ML/TF typologies for the casino industry; and
- a better form of compliance reporting under section 47 of the AML/CTF Act, providing feedback alongside our large reporting entity peers Westpac, Macquarie, Tabcorp and others.

Indicative of this increased level of engagement, Crown Melbourne has recently received an invitation from AUSTRAC to join the Fintel Alliance, a public-private partnership established in 2017 comprised largely of executives from the banking and finance sector. We will also host, at AUSTRAC’s request, a delegation of senior regulators and officials from the Philippines on 21 February 2018, having hosted a similar delegation from Singapore in September last year.

Lastly, AUSTRAC has demonstrated a keen interest in a ‘merger’ of the Crown Melbourne and Crown Perth AML/CTF Programs into the one joint program under the AML/CTF Act. This is presently under consideration.

Legal matters / Other

Legislation addressing Phase 1 of the Attorney General's Department (**AGD**) 2017 Project Plan (the road map established by the AGD to address the 84 recommendations of the 2016 Statutory Review) will commence in June 2018. New AML/CTF Rules have been put in place with effect early January 2018, with which we comply.

The draft bill/rules addressing Phase 2 of the AGD's Project Plan are due for release in the first half of this calendar year. Phase 2 progresses the significant reforms, and the AGD has foreshadowed that this will be in close consultation with Government agencies and industry.

*Compliance Matters**Blanking Plates*

The VCGLR has issued to Crown Melbourne a show cause notice as related to the "blinking plates" issue which was a key matter in the Wilkie allegations. Crown has responded with a robust argument denying the allegations of a breach of the Casino Framework. The VCGLR has subsequently advised that Crown's position is not accepted and has afforded Crown another opportunity to respond. Crown is working with Minter Ellison on the various responses.

Responsible Gambling Ministerial Advisory Council (RGMAC) - Working Group

A RGMAC Working Group has been convened to provide the Minister for Consumer Affairs, Gaming and Liquor Regulation, the Hon Marlene Kairouz MP, to provide her with advice on the consumer protection and gambling-related harm risks associated with emerging gambling products. Emerging gambling products to be considered include skill-based gaming machines, fantasy sports competitions, eSports and any other products identified by the Council or working group. The advice is due March 2018. The current status is that a matrix was developed which splits products into regulated and unregulated products and outlines what applies to each product in regards to the likelihood of risk and the capacity for enforcement. It was also recommended that the VCGLR present their views on how to approve and regulate these products at the next meeting (28 February 2018).

Incident in the Responsible Gaming Support Centre (RGSC), 19 January 2018

Further to Security updates, RGSC staff have participated in de-briefs, counselling has been offered and engaged with as per each staff member's personal requirements. The RGSC has been repainted and recarpeted, other damage made good, with some immediate security enhancements including additional mobile duress alarms. Further changes are anticipated following the Security Review.

Joint Self-Exclusion Crown Melbourne and Crown Perth

The Crown Resorts Limited Responsible Gaming Board Committee has recommended that the current Crown Melbourne and Crown Perth Joint Self-Exclusion Program be reviewed with a view to changing this as an opt out of a joint self-exclusion rather than the current opt in. These changes will require a number of considerations and work with the VCGLR. This is anticipated to be introduced this financial year, following some clarification with the CRL RG Board Committee at the meeting 14 February 2018.

Section 25 Review

The VCGLR formally advised Crown Melbourne on 25 July 2017 that the 6th Review of the Casino Operator and Licence (Review), pursuant to s 25 of the Casino Control Act would be commencing and a request was made by the VCGLR for submissions from Crown. Requests for submissions from public and community interested groups, Law Enforcement Agencies and other Regulators of Crown (such as AUSTRAC), were also made. The current Review period covers 1 July 2013 to 30 June 2018. All Submissions were required to be made by 21 September 2017, with Crown's being filed at the same time. All submissions will be made publically available and published on the VCGLR's website; however, this has not occurred to date.

Since September, Crown Melbourne has responded to various requests from the VCGLR for information covering the broad operations of the business (we have received well in excess of 100 requests for written information and have responded to each of those, as and when required). Crown Melbourne and Crown Resorts have also undertaken a number of requested presentations (including the Corporate Group Structure, Security and Surveillance, Tables Games, Gaming Machines, VIP International, RSG and RSA). The next requests will be for interviews with staff members and approved Associates. The interviews will range from about 8-10 gaming floor staff, through to the CEO of Australian Resorts, the Chairman and Chief Financial Officer of Crown Resorts Limited and other Board Members.

We anticipate that this Review will have a significant focus on junket operations, RSG (specifically around the use of data and facial recognition technology), Anti-Money Laundering, Crown's sell-down of its Asian interests, the matters in China and possibly touch on the Wilkie allegations.

The usual practice is that a draft copy of the VCGLR's report will be provided to Crown for review and comment with the final report to be provided to the Minister for Gaming by 30 June 2018.