# Crown Limited
# 2009 Full Year Results

## Edited Transcript of Analyst Presentation held on 27 August 2009 at 12.00pm at Crown Towers, Southbank

*The following is an edited transcript of the presentation made to analysts by Mr Rowen Craigie (Chief Executive Officer), Mr Robert Turner (Chief Financial Officer) and Mr Anthony Klok (Executive Vice President, Investor Relations).*

**Presentation**

Rowen Craigie: Thank you. Welcome everybody and thanks for joining us today for the Crown Limited full year results announcement for F09. With me today I have Rob Turner, Crown's CFO and Anthony Klok, Crown's Executive Vice-President of Investor Relations. By now you will have seen our detailed earnings release so I don't intend to repeat all the information set out there. Instead, I would like to give you an overview of how our major businesses have performed and an outline of the group's focus over the next 12 months. Obviously there'll be time for questions after that.

The first two slides in the presentation provide a summary of the key points of Crown's full year results for F09. Normalised revenue is up 6.8%, normalised EBITDA up 5.2% and normalised NPAT was $280.7 million. Crown Melbourne and Burswood delivered solid EBITDA growth of about 4% and 7% respectively, despite a challenging environment and disruption from the continuing refurbishment program of both properties. Together the two casinos achieved an all time record of $35 billion of turnover in VIP program play. Both casinos are off to a solid start in the new financial year and the staged completion of the refurbishment and expansion programs of the two properties over the next two to three years, will enhance further growth.

As you know, City of Dreams opened in June and recent trends in gaming activity are encouraging. There are general indications that the business environment in Macau is also improving. We have recorded further write-downs of our North American investments, resulting from the major adverse impact of the global financial crisis on the North American casino industry. Despite these write-downs, Crown has one of the strongest balance sheets of any gaming company in the world with a comparatively low net debt of $540 million at 30 June and low gearing with a net debt to EBITDA ratio of 0.9 times.

This financial strength and capability places Crown in a sound position for the future. Crown is announcing today a final dividend of 19 cents per share, taking the full year dividend to 37 cents per share representing 100% of normalised NPAT. Going forward, Crown intends to pay the higher of 37 cents per share and 65% of normalised full year NPAT as a full year dividend subject to Crown's financial position.

The next slide provides the summary of the numbers behind the Crown Limited results, and I'll hand over to Rob to take you through it.

Rob Turner: Thanks Rowen. I'll now step through the key line items of Crown's result. Crown achieved EBITDA growth of $30.8 million or 5.2% compared to the prior year, and that featured the solid growth of both Crown Melbourne and Burswood. Crown's EBIT of $471.6 million was an increase of $15.6 million or 3.4% with depreciation and amortisation 11% higher due to the additional capex at Crown Melbourne and Burswood in the past two years. NPAT of $280.7 million was $90 million lower than last year, due mainly to the higher interest cost in 2009. 2008 interest was inflated by interest income earned on $2 billion of cash balances, which were subsequently returned to shareholders following the PBL demerger.

In 2009 equity accounted losses were $44 million higher than the previous year, and that was due mainly to the higher equity accounted losses from Crown's investment in Melco Crown. Crown's overall loss was $1.2 billion following the non-recurring items of $1.4 billion, the majority of which were investment write-downs and these will be covered later in the presentation.

Rowen Craigie: The next two slides, slides 5 and 6, provide information on the main drivers behind Crown Melbourne and Burswood earnings growth. Normalised revenue increased by 6.8% across the two properties, 6.9% in Melbourne and 6.5% in Perth. Main floor gaming revenue grew about 7% at each casino, and this growth was achieved consistently throughout the 12 month period. However, non-gaming operations were adversely impacted by the downturn in the corporate sector in the second half and across the 12 months achieved only low growth. Hotel bookings, conference and banqueting bookings and entertainment shows all suffered, and they offset an otherwise solid growth in retail and leisure segments of non-gaming operations.

VIP program play revenue at theoretical grew 13.2% with turnover at both properties hitting all time records. Melbourne was $24.4 billion and Perth $10.4 billion. The win rate at Crown Melbourne at 1.48% was above the theoretical win rate of 1.35%, resulting in a positive variance to theoretical EBITDA of $27 million in Melbourne, the win rate at Burswood of 1.34% was pretty close to theoretical.

The overall earnings result at both properties was particularly pleasing, considering the domestic and international economic environment and the level of disruption to the operations at both casinos with refurbishment work. As we've discussed previously, we tried to minimise that disruption impact but it's there nonetheless.

The EBITDA margin (at theoretical) declined slightly at Crown Melbourne by less than 1% due to disproportionately high VIP activity which obviously has a lower margin and additional VIP gaming provisions, but non-VIP margins were maintained. At Burswood the EBITDA margin improved slightly.

The next slide provides information on recent trading in July and the first three weeks of August for the two Australian casinos.

Main floor gaming revenue growth at Crown Melbourne and Burswood continues to be solid. For the first seven weeks of trading in F10 main floor gaming revenue across both properties grew around 5% compared to the same seven week period last year. And more pleasingly, non-gaming revenue at both properties resumed positive year on year growth. It is only the first seven weeks but there has been a pick-up in non-gaming activity.

In the next few slides we've given you an update of the property development and refurbishment and expansion at Crown Melbourne. Crown Metropol, the third hotel, is on budget and is expected to open one month early in April of next year. The upgrade of the standard rooms in Crown Towers was completed in July and the Crown Conference Centre will host its first conference in November. A redeveloped food and beverage area at the western end of the property has opened progressively from May through to July and we've started preliminary design and feasibility work on an upgrade of the Teak Room and Mahogany Room and the VIP gaming salons to help ensure Crown Melbourne remains competitive with the world's best VIP gaming facilities.

The refurbishment of the main casino floor in Melbourne is almost 50% complete, with the remaining refurbishment projects programmed over the next two to three years to ensure disruption to patrons is minimised.

The redevelopment of Crown Melbourne has already generated revenue improvements to the business and will continue to drive growth as the balance of the program is completed.

As you're aware, in May 2009 the Victorian Government announced it had reached an agreement with Crown Melbourne to introduce a staged increase in casino gaming machine taxes and an increase in the number of table games.

The implementation of that agreement is subject to passage of legislation through the Victorian parliament. It's through the Lower House and it goes into the Upper House in the next week or two.

Slide 9 and 10 provides you some images of the new third hotel, the new conference centre, the West End gaming precinct, the West End food and beverage precinct and the new standard rooms and bathrooms at Crown Towers.

At Burswood the refurbishment of the casino main gaming floor is well advanced - it's about 70% complete. The major projects which opened during the year include the Meridian Room (the second VIP gaming machine facility), a new casino entrance, a new poker room and a new main casino gaming floor bar in Mesh plus Carvers Buffet and Snax Café, again adjacent to the gaming floor. That addresses the lack of appropriate food and beverage facilities on the Burswood gaming floor.

Work is also under-way on a third VIP suite and refurbishment of the InterContinental Club Rooms and River Suite as well as the continued refurbishment of the main floor gaming areas.

So like Melbourne, those completed projects have commenced to contribute to Burswood revenue growth and further growth is expected as the remaining areas are refurbished.

Again, the next two slides are photos of the new casino entrance, the VIP and Infinity Suites, Mesh, some of the casino floor refurbishments and restaurants.

Turning to Macau, Crown's share of Melco Crown's normalised results for the period adjusted to theoretical win rates and excluding pre-opening expenses was a loss of $34.3 million. This was due to the impact of the global financial crisis on the Macau gaming market, visa restrictions on travel from mainland China and adverse financial conditions in China and Hong Kong which are the key feeder markets to Macau.

City of Dreams opened in June and the recent trading results for City of Dreams show encouraging trends in gaming activity.

Melco Crown's other casino in Macau, the Asian VIP focused Altira has not seen any meaningful cannibalisation of VIP volumes following the opening of City of Dreams. Essentially we've got a different set of junket operators in Altira than those in City of Dreams.

Recent data indicates that the business environment in Macau is improving. Gaming revenues were up year on year in July which was the first monthly increase since November 2008 and unofficial reports have August gaming revenues well up on the previous August.

A regulated enforceable junket commission cap of 1.25% will be introduced by the Macau Government in the near future and more recently there's been reports that visa restrictions out of Guangdong will shortly be relaxed. Crown sees long term potential for the Macau market growth given its exposure to China.

Melco Crown raised additional equity of US$180 million in April and a further US$220 million this month, both by way of institutional placements. These follow-on capital raisings have further strengthened Melco Crown's balance sheet. As a result of these placements Crown's interest in Melco Crown has been diluted to 33.5%.

Melco Crown has approximately $660 million cash at 30 June and expects to incur approximately $176 million of capital expenditure at the City of Dreams in the third quarter of 2009. Melco Crown's capital expenditure at the City of Dreams will essentially be finished at the point following the completion of the Grand Hyatt Twin Towers and the Dragone Show Theatre.

The next slide gives you an overview of the facilities offered at City of Dreams and some photographs of key buildings, Crown Towers, Hard Rock and you can see the Twin Towers Hyatt in the background.

Gateway. Gateway has resulted in an equity accounted loss for Crown of $14.3 million. Crown has written down the carrying value of the equity and debt component of its investment in Gateway to nil with a non-recurring loss of $231.2 million taken to the P&L of which $48.8 million was reported at the half year.

Having already written down the current value of the equity component of its investment in Gateway, Crown considers it prudent given the current trading, competitive and regulatory environment to likewise write down the loan component of its investment.

Aspinalls. Aspinall's resulted in an equity accounted loss for Crown of $15.2 million. Trading was negatively impacted by a low win rate on VIP play at the Aspinalls Club which impacted on Crown share of the equity accounted result by about $12.9 million, and losses at Swansea and Northampton due to gaming revenue being below expectation. Crown has written down the carrying value of its equity investment in Aspinalls to nil, with a non-recurring loss of $82.7 million taken to the P&L. $43.8 million of that loss was reported at the half year.

The asset write down is due to the deteriorating outlook for the UK casino industry and failure by the UK government to deregulate the casino industry as initially announced. Crown has not written down the value of its loan to Aspinall's.

Betfair. Betfair's customer base continues to grow strongly and with the recent lifting of advertising restrictions on the Australian mainland, the business is now investing in customer acquisition in order to secure a solid platform for growth. Betfair resulted in an equity accounted loss for Crown of $5.1 million primarily due to these increased marketing costs.

Product fees introduced as a result of changes in race fields legislation in New South Wales and other states have adversely affected margins. Resolution of this issue by way of Betfair's Federal Court action against Racing NSW remains the critical issue for the company.

Cannery, In March 2009 Crown announced it had agreed to terminate the original Cannery transaction and had agreed to pay Cannery US$320 million to subscribe for a preferred instrument. Subject to regulatory approval the preferred instrument carries with it the right to be converted to an equity entitlement of 24.5%. The preferred instrument has no coupon and is non-participating and as such Crown has not reflected any share of Cannery's profit in its F09 result.

The Pennsylvania Gaming Control Board is continuing to process Crown's licence application so as to allow Crown to convert the preferred instrument into equity. Crown has written down the carrying value of its investment in Cannery to $49.6 million with a non-recurring loss of $378.2 million taken to the P&L.

The asset write-down has been precipitated by the effect that current economic conditions in the United States have had on Cannery's business. Crown considers that Cannery's Las Vegas casinos will be affected by the US recession for some time. In addition, the original projections for the new permanent Meadows Casino in Pittsburgh have also been adversely impacted by the onset of the US recession.

Crown has further written down the carrying value of its minority US investments, namely Fontainebleau, Stations and Harrahs which are classified under Australian Accounting Standards as Available for Sale Assets.

As previously foreshadowed, Crown has written off its $31.3 million loan to Fontainebleau. The book value of these assets has been adjusted to nil with a non-recurring loss of $592.8 million taken to the P&L, of which $454.9 million was reported at the half year.

The asset write-down is primarily due to the impact of the US recession on the US casino industry.

Rob Turner: Thanks Rowen. Rowen has covered many of the items that are on the list of non-recurring items but I will summarise the position.

Crown's total non-recurring items for the year were $1.44 billion. Of this amount $1.29 billion related to investment write-downs and, of this total, $548 million was previously reported at the half year. I'll take you through the remaining non-recurring items. Firstly we have the termination fee that was paid on the original Cannery transaction of A$77 million. We had the break costs for the termination of interest rate swaps on US dollar debt that was repaid during the year and that's an after tax cost of $40 million.

And finally, the other key item was the cost of the financing that was incurred by Crown on the original Cannery transaction at a cost of $38 million.

However notwithstanding the level of investment write-downs that Crown has had to incur in 2009, Crown's financial position is one of the strongest of all gaming companies in the world.

The slide you can see before you compares Crown's gearing, which is in gold on the far right hand side, against its peers in the global gaming industry.

Gearing is 0.9 times net debt to EBITDA and that takes into account the EBITDA for the last 12 months for the companies covered.  Crown's gearing is less than its local peers and well below the level of many US gaming companies.

In F09, net interest switched to an interest expense, and that was due to the significant reduction in interest income.  Interest income in F08 was boosted by interest earned on the $2 billion of cash which was distributed as part of the PBL demerger in December 2007.

As indicated earlier, part of Crown's net interest expense in F09 related to the funding of the original Cannery transaction. Funding was arranged for US$1.75 billion, whereas the revised transaction only required US$370 million in total.  The cost of the negative interest carry on the difference of US$1.4 billion, as well as the related refinancing costs that Crown incurred in December, have all been classified as a non-recurring expense. You can see the breakdown of that in the second table.

In F10 it's our expectation for a net interest expense of around $75 million.

The next slide shows Crown's total debt at 30 June.  Crown's total debt is $1.057 billion and Crown had total available bank facilities at 30 June of $2 billion.

The next chart shows the maturity profile for Crown's debt facilities.  This clearly shows that Crown has no significant debt refinancing requirements in the short to medium term and, in fact, the only refinancing of any substance is not until F13.  The majority of Crown's debt facilities expiring over the next two to three years are undrawn facilities.

Crown's cash from operations in F09 increased $50 million to $628 million, and that was due to stronger business performance and a higher win rate on VIP program play.  Operating cash flow was lower on the back of a turnaround in net interest by a total of $191 million, and that was due to the previously mentioned reduction in interest income and also the payment of the non-recurring items, which are listed at the bottom of the page. Those items being the interest rates swap termination costs and the financing costs on the original Cannery transaction.

There was an overall reduction of net cash of $1.8 billion during the year, with this cash used to pay down debt.

Capital expenditure for the year was significantly higher, due mainly to construction costs at the Crown Metropol Hotel.

Net investments of $599 million related almost entirely to the payment of US$370 million for the Cannery investment. During the year Crown completed the equity raising of $337 million and that comprised a placement of $300 million and a share purchase plan of $37 million. Finally, as I mentioned, $1.8 billion of debt at the end of the year was repaid, and that related to borrowings taken out principally to finance the original Cannery transaction.

Crown's corporate overhead for the year was $39.4 million and that was similar to last year's level. However, we expect corporate costs in F10 to be less than $35 million, which is a similar level of the expenditure incurred in the second half of F09.

We're in the process at the moment of closing our offices in Las Vegas and London, and a salary freeze has been implemented for the Senior Executives for F10.

As mentioned earlier by Rowen, the final dividend for F09 is 19 cents per share, franked to 60%, and that takes the total dividend to 37 cents per share, which is a pay out of 100% of normalised net profit after tax. Crown has changed its dividend policy going forward to reduce the pay-out level to 65% of normalised NPAT or 37 cents per share, whichever is the greater. Over time the actual pay out ratio will trend towards 65% of NPAT as earnings increase.

Rowen Craigie: Thanks Rob. If we can just make a few points in conclusion, Crown's Australian casinos continue to perform well and drive Crown's growth. They are currently amongst the best performing casinos in the world. The ongoing refurbishment and expansion programmes will enhance revenue growth into the future.

City of Dreams in Macau is an exciting and attractive property and is showing encouraging trends in gaming activity. There are indications that the business environment in Macau is improving.

Crown has one of the strongest balance sheets of any global gaming company and this financial capability places it in a strong position going forward.

Crown's management focus over the next 12 months will be on continuing to maximise the performance of Crown Melbourne and Burswood and managing the substantial refurbishment and capital expenditure programs presently under way across those properties.

Additionally, we'll be working with Melco Crown to further build the value of its Macau business. We'll also be working with our other joint venture partners to optimise the value of our other international investments.

So that concludes our presentation and if the operator can open the floor for questions, we're happy to take them.

Question: (Craig Shepherd, CBA) Good afternoon guys. I was just wondering about Cannery. Obviously the write-down is substantial. I just want to get a feel of whether or not you thought that was too harsh? It seems the flavour of the month with reporting is to tell us that we know that accounting makes us treat these things this way, but whether it was too harsh or not. And I understand why you're not giving us any operating details, but can you give us a flavour of what sort of EBITDA run rates it's achieving, whether the current levels of debt have changed? The second question was on loans to associates. In the cashflow statement, I was just wondering what that increase was due to and a real simple explanation on why your main gaming floor is so resilient?

Rob Turner: In terms of the valuation for Cannery, we obviously have to follow the accounting standards and they're quite prescriptive. We would like to think our valuations are conservative but nonetheless realistic as you're obliged to under the standards. The key driver for the valuations as you would know is earnings outlook, and it really just reflects our view of the earnings coming out of Las Vegas and Pennsylvania, as of today and with today's thinking, which is quite a lot different than the thinking back in 2007, when the original purchase price was struck and markets were much, much stronger and no-one saw the significant drop off in revenues. As to the debt number in Cannery, about $550 million is the net debt. Maybe Rowen, you want to speak to just how the market's travelling at the moment.

Rowen Craigie: Craig, we can't obviously discuss Cannery's current trading or forecast given our status with that transaction at the moment. But what we can say is that Las Vegas casinos (and local casinos in particular), are showing no signs of bottoming at the moment. The May monthly statistics I think gave some operators hope that the industry had hit the bottom, but then they got a shock with the June & July results. So Las Vegas is still trending down, unfortunately. I think the third part of your question was the resilience of the Australian gaming floors?

Question: (Craig Shepherd, CBA) Yeah.

Rowen Craigie: I think we saw when the smoking bans were introduced the importance of Crown's key strengths, which are service levels, the loyalty programs and the standard of the facilities. In times of an economic downturn you play to your strengths and they have proven to be mainstays in the current period. But there's also no doubt that the refurbishment program at Burswood and Crown have played their part. Patrons are responding well to being able to play in high quality facilities.

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| Question: | (Craig Shepherd, CBA) Just on the loans to associates? |
| Rob Turner: | Sorry, what was the question on loans? |
| Question: | (Craig Shepherd, CBA) From the cashflow statement, loans to associates for the half were high. I was just wondering what they were? |
| Rob Turner: | If what you were referring is that there were some very minor amounts early on in the half, but we haven't been advancing anything significantly to associates. |
| Question: | (Craig Shepherd, CBA) I'll chase that one up later. Thank you. |
| Question: | (Andrew Hills, Wilson HTM) Just regarding the dilution in your stake in MPEL. Why didn't you participate in these equity raisings, given especially the positive points you raised in slide 14? |
| Rowen Craigie: | That equity raising was many times over-subscribed. I think there was US$600 or US$800 million of offers. Both shareholders were prepared to participate, but given the heavy demand we didn't need to and were happy to let others participate. |
| Rob Turner: | The other point is there was a restriction to how much could be raised because the shelf filing back in April put a cap of US$220 million. So there was a lot of demand and we were happy to participate, but we couldn't. |
| Rowen Craigie: | We participated in the first raising and were happy to participate in the second but didn't need to. |
| Question: | (Andrew Hills, Wilson HTM) Sorry, just missing that, you couldn't participate, is that right? |
| Rowen Craigie: | No, couldn't increase the size. |
| Rob Turner: | The offer size was restricted because of the filing that had been put out back in April.<br><br>I'll just come back to Craig Shepherd re the question on loans to associates. The key item that appears as a loan to associates in the half is a loan that Crown made and Melco did the same to a joint venture company that we used to participate in the first offering. So we acquired those shares, not directly but through a joint venture vehicle so that's technically a loan to an associate and at the moment - probably within the next four to six weeks - those shares will be transferred directly into Crown's name and that loan will no longer exist. |
| Question: | (Andrew Hills, Wilson HTM) Can you update us on that SPV in terms of what the liability is there and how you think they will operate? |

Rob Turner: That's a different vehicle you're talking about. What I'm referring to is the vehicle set up specifically for participating in the April-May placement, and that's initially a loan and that loan will be repaid as the shares are returned to Crown. The point you're asking is about the Melco Crown SPV that was established about two years ago to issue bonds. That vehicle subsequently acquired approximately US$50 million of shares as the value was at the time, but it hasn't participated any further in the last 18 months to two years.

Question: (Sam Theodore, UBS) The first question I've got is around the net interest guidance. Can you just clarify whether that includes any interest or dividend from Gateway?

Rob Turner: You're talking about the net interest, the actual net interest in 2009?

Question: (Sam Theodore, UBS) That's right.

Rob Turner: Yes. There was some interest on the shareholder loan. That was booked in the first half and we haven't booked any interest since that time, so that amount hasn't changed.

Question: (Sam Theodore, UBS) Right, and obviously it won't continue going forward?

Rob Turner: Correct.

Question: (Sam Theodore, UBS) The second question is more just your view on recapitalising any of these associates? Is that something you will consider doing or is it something you'd rather just see how they progress as they are?

Rob Turner: We have no obligation to participate in anything that might be on the table for any of those associates, and I'm assuming the main one you're talking about is Gateway. We would be extremely cautious about participating in any further proposals that might come to light, so there's no formal plans, there's no firm discussions. We would be very cautious about proceeding any further.

Question: (Sam Theodore, UBS) Rowen, one question, given your strong balance sheet and your comments on the Vegas market, I'm just wondering what your view is on further investments in any of these markets. Sitting back, what market do you think poses the most attractive characteristics today?

Rowen Craigie: I think for the next 12 months we're just going to keep focusing on the Australian operations and assisting Melco Crown. If proposals come our way that make sense, we've got the financial capacity to assess them and look at them, but we're not currently looking at anything and we don't have any plans at the moment.

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| Question: | (Jennifer Owen, Citigroup) It doesn't sound like you're going to give us any guidance for the Cannery contribution in F10. I'm just wondering, when the regulatory approval is expected and why it's taking so long? |
| Rowen Craigie: | We think the regulatory approval is probably likely around the end of this year, but obviously the regulator continues to process the application and we really can't comment on their processes or progress. Jenny, once they've made a determination you know we can comment, but we don't comment during regulatory assessments. |
| Question: | (Jennifer Owen, Citigroup) Until the approval is received and you convert your instruments, there'll be no earnings contribution in any case from Cannery, is that correct? |
| Rowen Craigie: | Correct. |
| Question: | (Jennifer Owen, Citigroup) Just a question maybe for Rob. Could you give us some guidance on D&A for F10? Obviously that number's building as you continue to refurbish both domestic properties. Can you give us a sense of what you expect the number to be in F10? |
| Rob Turner: | F10 should be about 10% higher than F09 . |
| Question: | (Adam Alexander, Goldman Sachs). Good afternoon guys. I've just got one question for Rowen and then one for Rob. When you look at the growth rates at the property level for Crown Melbourne and Burswood there seems to be a significant slowdown in the second half. Crown Melbourne's gone from 6% to 2% and Burswood from 14% to about flat. Can you just detail the key elements of that? Was it all VIP or was it a bit of a slowdown on the main floor as well and whether or not there was more disruption in the second half? I mean for the first seven weeks of trading you've given us a main floor gaming at plus 5%. If you look at the property level is that a similar sort of growth rate?<br><br>Just secondly for Rob - the interest costs on having those $2 billion at call facilities is quite a drag on earnings and I'm just wondering if you've got any plans to sort of redress those? As those facilities stand today, would you be allowed to use them for either a big share buyback or would they be allowed to be used in any type of privatisation? |
| Rowen Craigie: | Okay, thanks Adam. In the second half main floor gaming at Crown Melbourne - main floor gaming revenue grew 8% and Burswood grew 6% for a combined growth of 7.5%, but there was no deterioration in main floor gaming revenue in the second half.<br><br>As you quite rightly say the story was in VIP program play. Turnover in the second half at Crown Melbourne matched last year or almost matched last year, but at Burswood the second |

half turnover didn't match the previous year. Burswood had such an enormously strong first half in international turnover and obviously it's a smaller property than Melbourne, so you're going to get timing differences across the year in a property like Burswood.

As we mentioned, non-gaming revenue went backwards in both properties in the second half, but the pleasing story is in that the last seven weeks non-gaming revenue has responded strongly at Burswood. Events and concerts have come back, whereas promoters, who were not crossing the Nullarbor in the second half of F09, have returned and there had been signs of a rebound in corporate activity in both properties in the non-gaming area.

So I think that the key message to come out of that is that there was no deterioration in the second half performance on the main gaming floor and we've started the new financial year well with solid performance.

So if non-gaming can hold up and admittedly it is only seven weeks, we should be in good shape. Seven weeks of VIP play is just too early to call. You can't extrapolate how the year's going to pan out with just seven weeks of VIP play activity.

Rob Turner: To the second part of your question in terms of our unused facility costs - you're right it does cost to maintain undrawn lines and for Crown in F10 at those levels of unused facilities it would be an expense of around about $11, $12, $13 million to maintain that.

In terms of restrictions on use there are no specific restrictions on use but we have financial covenants within all of our lending documents. We have to keep within those but they're not restricted as to the use, I'm not necessarily commenting on the specifics of your question in any case, but there's no specific restriction on them.

Question: (Adam Alexander, Goldman Sachs). So that could be used for any sort of corporate purpose you think in terms of acquisition, buyback or...?

Rob Turner: Yes any corporate purposes. The only restrictions are our financial covenants.

Question: (Adam Alexander, Goldman Sachs). Right, thanks.

Question: (James Gruber, CLSA). Good afternoon, two questions - with regards to Melco, Melco's talked about potentially acquiring or developing assets outside of gaming in Macau, particularly tourism or infrastructure related with the Macau Government keen on developing industries outside of gaming in Macau. Would you be interested in participating in such ventures going forward with the cash you've got?

Number two - any update on what you think the impact will be from the Singapore casinos both of which are likely to open around December on VIP, particularly at Crown? Thank you.

Rowen Craigie: Yes thanks. We haven't had any proposition put to us either at the Melco Crown board level or at the Crown board level on participating in a non-gaming project in Macau.

With respect to the impact on Singapore I think we've discussed previously how we've tried over the last three years to skew Burswood's target market for VIP play away from South East Asia, more heavily in to China and Hong Kong which is the predominant market for Crown Melbourne.

Clearly given the proximity of Burswood you would expect a greater impact from Singapore - a greater potential impact from Singapore - on Burswood than Melbourne.

Having said that, I think the Macau experience has shown us that it is possible for both Melbourne and Perth to increase their level of activity, even though there's more supply coming onto the market. What Macau has done is expand the worldwide market for high stakes baccarat. At both Melbourne and Burswood, while their percentage share has undoubtedly shrunk given that there's a big chunk of play going to the Macau casinos, the absolute level of play has still been able to rise. As we said, we set a record last year.

So, yes, Singapore will add additional competition into that market, but I think it will also increase the size of the market as Macau did. Certainly the indications are that conditions within the critical feeding market of China might be improving. In the coming months I think that's also going to be quite timely.

Question: (Stuart Jackson, JPMorgan). Hi guys. Just going back to that first half/second half split for the Australian casinos share, I see the revenue on the main floor held up pretty well, but if I look at the EBITDA line - second half EBITDA line only grew by say 1.2% after growing 8.3% in the first half. If that's a mix between the revenues, is that the non-gaming side of things coming off or is there some mix and some disruption costs coming through the P & L in the second half associated with the refurbishment?

Rowen Craigie: No it's basically the mix effect. You've got VIP coming off quite significantly in Burswood and you've got non-gaming going backwards at both properties.

Question: (Stuart Jackson, JPMorgan). I wouldn't have expected that if VIP was coming off that your margins would come down, but the EBITDA margins came down in Crown?

Rowen Craigie: The EBITDA margin at Crown came down 0.5%. At Crown Melbourne turnover basically was flat with the second half so the drop in VIP turnover in the second half was Burswood.

Question: (Stuart Jackson, JPMorgan). Yeah so what caused the margin contraction at Crown then?

Rowen Craigie: At Crown it was in VIP and there was additional provisions made for VIP gaming.

Question: (Stuart Jackson, JPMorgan). Okay so there were some player issues or is this a receivable sort of issue?

Rowen Craigie: No they related to specific players but the impact was about $5 million so it's not a big amount.

Question: (Stuart Jackson, JPMorgan). Okay. If we look at the main floor itself, how's the machines versus tables - I mean you have seen it sort of trend - that tables have been growing quite strongly and machines have been lagging. Has anything changed in that regard?

Rowen Craigie: No, but I think that your point is well taken that table growth has been very strong of late. I think a more important distinction could be the difference between premium main floor play and what you might call mainstream main floor play. So we've had very good growth in both properties from the premium end of main floor gaming, particularly as we refurbish the facilities and we leverage the loyalty program.

So the loyalty program on the main floor is not a one size fits all - it's a tiered program. That's working well in both properties and as you've seen in Melbourne, and you will see in Perth with the completion of these recent facilities, we are tiering the gaming rooms on the main floor for various categories of play.

Question: (Stuart Jackson, JPMorgan). The lagging of the mainstream sort of player base, is that just the way the flow of the refurbishment is going and that'll pick up or what do you see in terms of the way you're focusing your marketing and so forth?

Rowen Craigie: I think if you're looking at F09 you've got factors in the F09 results which knock around the mainstream play more than premium. So if you think of petrol prices, if you think of interest rates, the mainstream main floor - if I can call it that - the lower end of the main floor is much more susceptible to those impacts or media coverage about those impacts, than premium.

Remember, particularly in Melbourne, we're asking people to come in from the suburbs, bypass literally hundreds of pubs and clubs with gaming machines just to play in the central business district. Concerns about petrol prices are going to knock around that lower end much more so than at the high end.

Question: (Stuart Jackson, JPMorgan) Looking at the balance sheet, as you point out your balance sheet is very healthy relative to other comparable companies around the world. What sort of balance sheet capacity and what sort of metrics do you think you actually have within terms of capacity within the balance sheet itself, and within that context what's the rationale behind dropping the pay-out ratio?

Rob Turner: Clearly, we would have capacity to take on additional debt but at the moment we're not thinking as specifically as perhaps your questions are suggesting. Suffice to say we're very happy with the current level of gearing. We're very happy to maintain an investment grade credit rating. As to our risk appetite or target levels of gearing, we don't really have that and we certainly wouldn't be sharing that at the moment.

With the rationale for changing the dividend pay-out, if you can recall PBL, which was obviously the predecessor to Crown, had a dividend pay-out ratio of 65%. We went to 100% subsequent to the demerger, so we're returning back to the long-term dividend outlook the company's predecessor had.

We obviously don't need the cash at the moment to reduce gearing any further, given it's very low. But we think it's a prudent, disciplined approach and retaining cash within the operation to help further fund growth - is an appropriate thing to do.

Question: (Stuart Jackson, JPMorgan) Just lastly, just on Betfair, you alluded to obviously race fields and threatened dispute at the moment with Racing New South Wales. What's the outlook for that business if those court cases do go against you? Obviously, they're being heard in November this year.

Rowen Craigie: I might invite Anthony Klok to respond to that because one of the many hats Anthony wears is he's on the board of Betfair. Anthony?

Anthony Klok: If the case was to be decided in favour of Racing New South Wales, there would be an affect on the margin, which we indicated in the slide. I think at that point you just need to examine the business model and see what you do about it.

Question: (Larry Gandler, Credit Suisse) A couple of questions. Subject to Victorian Parliament passing the legislation to expand the gaming floor at Crown, when do you think you'll be rolling out those tables? I know you won't roll them all out right away. Maybe another way to ask the question is how many additional tables do you need to meet demand and when will they be installed?

Rowen Craigie: Larry, the Victorian Commission for Gambling Regulation isn't going to approve any new installation of those tables until the legislation goes through. The current gaming floor has limited physical capacity, to install the extra tables. We can probably squeeze 10 or 20 tables onto the existing floor, but after that we need to accommodate them in extended or refurbished facilities. We're currently in the planning process to identify which parts of the gaming floor can accommodate those tables.

It's most likely there'll be an extension in the western end of the facility and at the time of the agreement we indicated that we thought there'd be a location in the West End that could handle a large part, but not all of those extra tables, and that we thought the capex involved would be about $50 million.

As we get more into our planning it may well be we can identify some other locations which can pick up that demand. A new facility in the west end is probably only going to take demand on busy times such as weekends and holidays.

Having said that, if you could create a destination experience, for example, for a younger demographic that wanted to play table games, it may well be that you can get seven day trading out of those tables. We're also looking at whether it's possible to use some of those tables in some of the expanded VIP facilities.

But it's all in the planning stages at this stage and we can talk to you more about that the next time we assemble.

Question: (Larry Gandler, Credit Suisse) Okay, so 10 to 20 tables, possibly, in the near term subject to various approvals, and then $50 million in capex in the western end.

Rowen Craigie: That was just thinking, you know, as of May. As I said we've got a bit more into that planning, so I think it's probably watch this space at this stage.

Question: (Larry Gandler, Credit Suisse) I know this question's been asked but I'm going to take another stab at it, and that's just to gauge your confidence about current play levels. You talked about July-August maintaining 4% or 5%. You know, we had the stimulus packages run through and I think people probably were at the time expecting a very weak consumer. Consumers held up, and that maybe created this real strong feeling of confidence.

What are you seeing at retail in your casinos? Is that holding up in July and August?

Rowen Craigie: I think the leisure market and the retail market have been pretty good, but for both properties it's been corporate activity that's been soft over the last six months. Hopefully, some of that's starting to come back.

Question: (Larry Gandler, Credit Suisse) I guess generally, are you feeling more confident about the prospects for the next 12 months than you were three, six months ago, having the stimulus packages come off?

Rowen Craigie: The main gaming floor is growing at 5% in seven weeks I think is a pretty accurate barometer of what I'd be expecting over the next 12 months.

Question: (Larry Gandler, Credit Suisse) Last question for Rob, the $70 million interest expense guidance for F10, just to clarify that –

includes any Gateway income and includes the payments for keeping the facilities open?

Rob Turner: Yes. Well, the guidance is $75 million. We won't be booking any more interest income from Gateway, so therefore it does include it, but it's zero, and yes it does include all financing costs, including unused facility fees.

Question: (Tony Scenna, Selector Fund Management) Just a quick question on Macau. With respect to the commission cap of 1.25%, can you indicate what the situation is now and what this could mean for the business?

Rowen Craigie: At the moment City of Dreams and the Venetian have entered into bilateral agreement to cap commissions at 1.25%. The recently formed casino association is also talking about a multilateral cap of 1.25%. What the Government is talking about is a regulated cap with penalties for breaching, which would take an agreed cap to another level.

Question: (Tony Scenna, Selector Fund Management) So the Government…

Rowen Craigie: But you know, on the Macau peninsula, Altira and most of the other casinos would be in excess of 1.25%.

Question: (Tony Scenna, Selector Fund Management) Do you see this as a net positive for…

Rowen Craigie: Yes. It should improve margins for the six license holders.

Question: (Tony Scenna, Selector Fund Management) In terms of your holding, you've been diluted a few times now. Is there a floor to what level you wish to hold, to Melco?

Rowen Craigie: No, as I said, the shareholders were prepared to participate. In the last raising they didn't need to.

Question: (Tony Scenna, Selector Fund Management) I understand that, but is there a point at which you're prepared to…

Rowen Craigie: No, there's no target.

Question: (Tony Scenna, Selector Funds Management) In terms of – just perhaps for Rob. I understand you're in the refurbishment phase, the capex phase, but what is a normal capex program for the casinos in future years?

Rob Turner: Well, we would see in the long run an annual spend between $80 million and $100 million as a long-run maintenance level of capex that gives you some room to move for some projects that are revenue enhancing projects.

So we would say over the next three years we would be at that maintenance level and we are trending from the peak of F09 down to that level.

Question: (Tony Scenna, Selector Fund Management) Final…

Rowen Craigie: Sorry, when Rob refers to maintenance levels - those sort of levels do give you some capability to do earnings enhancement projects, but nothing of the scale of a major refurbishment of the casino floor or building a third hotel obviously.

Question: (Tony Scenna Selector Fund Management) Thank you, I understand that. Finally, just with your franking, can you just comment. It was 60% franked this time. Where is that heading?

Rob Turner: It was franked at 60% at both the half and the final. We have set the level at what we think is a sustainable level of franking, out for let's say the next couple of years, as far as you can have a reasonable outlook – so that's what we think you could look forward to.

Question: (Tony Scenna, Selector Fund Management) Sorry, but just to clarify that, at the 60%?

Rob Turner: Sorry, at the 60% level we think that's maintainable and sustainable for a couple of years.

Question: (Mark Wilson, Deutsche Bank) I just wanted to look at VIP first of all, just looking at the trends there, first half, second half. I recall back to first half, you did have a couple of tournaments that drove that particularly strong play. I'm just wondering what you saw there in the second and whether you are seeing increased competition, whether it be from the likes of Macau or also other domestic casinos? Then just to clarify Rob, in relation to the capex outlook, I noticed you had pushed out some of the gaming floor refurbishment at Melbourne, so we are now just going to see capex of $80-100 million per annum going forward, and basically that will take care of the tail end of the Burswood refurbishment plus the other developments to come through in Melbourne?

Rowen Craigie: On VIP turnover, I think with the property at Burswood, which has turnover at let's say – last year in a record year - $10 billion. The monthly split of that turnover or the quarterly split of that turnover or the half yearly split of the turnover is really subject to the vagary of when key players want to come to Perth, and what they're doing in their business life or their domestic life or whatever. I'm just nervous about trying to read too much into variations in monthly or quarterly or even half yearly turnover with a property that's doing (I know it sounds a lot of money) but with a property that's doing as low a turnover as Burswood is.

So I don't think we see any long term trends or long term concerns in the half yearly split of Burswood's turnover. With Crown Melbourne there's a small variation in the split, but in half the years over the last 10 years, the first half's been stronger than the second half and then in the other years, it has been the other way round. It really just depends on when these key players come, and as you quite rightly say, we can influence that by the scheduling of our major tournaments and the scheduling of our promotional activity. So I think let's just see where turnover goes over the next 6-12 months, but staring at half yearly splits in Crown Melbourne or Burswood and drawing conclusions, I think it's pretty hazardous.

Rob Turner: On the capex point, just to clarify what I was saying before. Maintenance capex, which includes a bit of room to move on projects to nonetheless improve earnings, will be $80-100 million per year across both Crown and Burswood. We would see that number emerging probably F13. So that's about three years away. We will progressively get to that number, in almost a straight line. This year we would expect the capex to be around about $300 million, so this year drops down somewhat from last year and then it drops away much more rapidly, to that run rate in about F13. As to your point about what back end we will change, I guess we're continually reprioritising projects and some projects will get fast-tracked and others will get delayed, either because we've reprioritised or because inevitably there's issues that arise in the feasibility or in the execution of projects. Does that answer your question?

Question: (Mark Wilson, Deutsche Bank) Look it does, and that $300 million is the majority of the additional spend there at Melbourne or Burswood?

Rob Turner: It's probably biased a bit towards some construction costs on the Crown Metropol and the conference centre, so it's probably biased a bit towards that. It's not a two-thirds one-third split which is how most things at Crown & Burswood would go. It's probably biased a bit more towards Crown because of those major projects, which are about to come online.

Question: We'll now move to a question we have from the web from Rajat Sethi from Newbrook. His question is, can you talk about current trends in Macau, especially in August?

Rowen Craigie: There's no official gaming revenue data out for August yet but unofficial reports which in general tend to be fairly accurate, would suggest that August is going to show very good growth month on month. The comparable is affected by the fact that August last year was the Olympics. It's a soft comparison but a number of media reports and analyst reports are forecasting August to be an all time record for Macau, an all time monthly record. And, given the soft comparison, I've seen numbers bandied around of 20% or even 30% month on month growth, but again all that's unofficial. It's month to date, it's against a soft comp but there does appear to be a prospect that August '09 will set a monthly record, an all time monthly record for Macau revenue.

Question: (Jennifer Owen, Citi) A question on Betfair. How important is the relationship with TOTE Tasmania to Betfair and what are the implications of the sale of TOTE Tasmania to someone else in the market?

Anthony Klok: The relationship is important but not so much on the bottom line. It's an added service to Betfair customers if you will, offering a range of TOTE products. The sale of TOTE Tasmania (if it proceeds), we don't think will impact that relationship. Betfair obviously has a lot of customers overseas; it's got over one million customers who wager with it in the UK and it's really an introduction channel to those customers. So whoever the eventual owner of TOTE Tasmania is there's probably a discussion to be had.

Question: (Harry Theodore, RBS) Just a quick one on the outlook for the impact from disruptions in the Australian casinos looking into F10 and beyond. Are we likely to see much of a step change from F09 and which year now looks like it's going to be impacted the most?

Rowen Craigie: Harry, I think the level of disruption from F09 to F10 and into F11 is reasonably comparable. Both casinos are staging refurbishment works to try and minimise the disruption. It's inevitable that if you start jack-hammering casino floors, that is going to impact on adjacent areas in which you're trying to offer a good playing environment to your customers. So the disruption impact is there. It's been in the F09 numbers, it will be in the F10 and F11 numbers as well, and it's tried to be kept to a minimum.

Rowen Craigie: I would like to thank everyone for their participation today and thanks for the questions and I'm sure if anything else occurs to you later today, Anthony Klok and his team will be happy to assist.

So thank you everyone for participating.

Facilitator: This concludes today's conference. Thank you everyone for your participation.