# Crown Limited
# 2008 Full Year Results

## Edited Transcript of Analyst Presentation held on 20 August 2008 at 12.00pm at Crown Towers Hotel, Southbank

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*The following is an edited transcript of the presentation made to analysts by Mr Rowen Craigie (Chief Executive Officer), Mr Geoff Kleemann (Chief Financial Officer) and Mr Robert Turner (Executive Vice President, International Business Development). The transcript should be read in conjunction with the presentation slides associated with Crown's 2008 full year results.*

**Presentation**

Rowen Craigie: Welcome everybody and thank you for joining us today for the Crown Limited full year results' announcement. With me today I have Geoff Kleemann, Crown's CFO and Rob Turner, Crown's Executive Vice President of International Business Development.

Today's result is a solid result for Crown Limited and I would like to recognise the contribution made by all the dedicated people that work in the Crown Group. By now you will have seen our detailed earnings' release so I do not 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 update on the Cannery acquisition.

Geoff will give you further information on our debt refinancing and then we'll conclude by discussing the Group's focus over the next 12 months. There will be ample time for questions. For the benefit of those of you on the conference call we will be using the results' slide presentation that we sent to the investors and launched on the ASX. So if I make reference to slide 3 or slide 4 it will be the relevant page number on the bottom right hand corner of the slide.

The first slide is the Crown Limited overview and the key take out from that overview is that Crown Melbourne and Burswood delivered solid earnings growth, and the substantial CAPEX programs which are underway will set up Crown Melbourne and Burswood for further strong growth in the future. We are also pleased to say that 2008-09 is off to good start.

Crown Macau traded successfully in its first full year of operation and City of Dreams is on track for completion mid-2009 and is fully funded. We are on track to acquire Cannery, we anticipate regulatory approval at the end of the calendar year and we expect Cannery to be EPS accretive in its first full year of ownership. Recent trading at Cannery has been satisfactory and we will give you more information on that later in the call.

Our recent debt refinance programme was an excellent result for the Group and it sets Crown up with US denominated debt with a lower interest cost and a natural foreign exchange hedge. The reported NPAT for the Group is $3.6 billion. We do need to point out as we did at the six month result that this is artificially inflated by discontinued operations and non-recurring items. This is a requirement of the Australian Accounting Standards and Geoff will provide more detail on that shortly.

We believe investors should focus on the net profit before discontinued operations and non-recurring items. That is the normalised NPAT number which was $370 million and the key points to focus on are the solid earnings growth from Crown Melbourne and Burswood and MPEL delivering a significant improvement on last year's loss.

Crown is today declaring a final dividend of 29 cents per share bringing the total dividends for the year to 54 cents per share. Slide 4 provides you with the trading performance of Crown Limited. As you will notice from this slide and the subsequent slides is that we have increased the disclosure on the operations of each of Crown Melbourne and Burswood and this will be a feature of our ongoing reporting for those properties.

We will discuss the key trading highlights of the Australian casinos shortly, but I might just get Geoff to take you through slide 5 on the discontinued operations and non-recurring items.

Geoff Kleemann: Yes, thanks, Rowen. The first part of the slide which is the discontinued operations is exactly the same as we reported at December so it is effectively the accounting entries that are required from the de-merger plus the gains or losses on the sales of assets that were part of the PBL group. So that is unchanged.

The next section is the write downs that we have taken for assets that we continue to be involved in at Crown. As already flagged, there is the LVTI write-off from when we decided not to proceed with the option over the land in Las Vegas. We have written down the assets in the "assets available for sale" group which is primarily Fontainebleau, Stations and Harrah's by $181 million and the deferred debt provision of $13 million is the adjustment to market value of the Fontainebleau debt that we have on our books -- giving us a total non recurring gain of $3, 187 million

Rowen Craigie: Thank you, Geoff. Slides 6 and 7 provide detail on Crown Melbourne and Burswood's performance. The key highlights, normalized gaming revenue increased by 4% at Crown, 14% at Burswood. There is strong growth in most segments of both businesses. Non-gaming revenue grew particularly strongly at both properties -- 8% in Melbourne and 14% in Perth.

Across the two properties the VIP commission programme play turnover increased slightly to $30 billion with a combined win rate of 1.37%. That was a pretty satisfying result given the increased competition that Australia faced from Macau. Costs growth at Burswood was up, there is a tight labour market in Perth which led to wage pressures and some additional overtime through staff shortages and there was an uplift in marketing activities to support the higher business levels.

So at the normalized EBITDA line Crown Melbourne is up 6.4% to $433 million and Burswood up 12.6% to $195.3 million. Margin improvement at Crown Melbourne is due to a shift in mix towards high margin main floor business and Burswood's margin decreased because of those factors I outlined.

We've put two graphs in the pack just to give an historical perspective on Crown Melbourne's EBITDA growth and Burswood's EBITDA growth. Turning to Crown Melbourne first. I think that track record illustrates that Crown Melbourne is a proven performer, irrespective of economic conditions. It got knocked around by the smoking ban in 2003 but that's a pleasing upward slope on the EBITDA curve. The construction of the third hotel and the refurbishment of the casino floor will set Crown Melbourne up for further growth.

At Burswood there is dramatically improved performance since the acquisition in 2004-05. We can talk a bit more about what is happening there going forward.

Slide 10 on the property updates. The refurbishment of the gaming floor at Crown Melbourne would only be about 10% complete; the refurbishment at Burswood about 30% complete, but probably between 20% and 30% is currently underway at both properties. Those renovations are being carefully managed but there is always some disruption to patron comfort levels when you are trying to play a gaming machine next to a construction site. But, management are doing a good job of trying to keep that disruption to a minimum but some customer impact is inevitable.

I think in Crown Melbourne we undoubtedly now have Melbourne's premier restaurant precinct with the addition of Rockpool, Giuseppe Arnaldo & Sons and Bistro Guillaume joining Number 8 and Philippe Mouchel and over at Burswood during the year they've opened the River Room, the Minq Bar and a new sports bar and there are additional refurbishments to come.

We've put in the pack a few photos and artist's impression of the third hotel when completed and the state of the construction site at the moment. You can see it is now level with the eight storey multi-deck car park on Clarendon Street and there are some photos of the sort of refurbishments that are happening at Burswood for those of you that have not yet been to Perth to have a look.

On slide 14, we have just given you a bit of a feel for the start of the current 2008-09 year. In the first 45 days, which takes us to 14 August 2008, total revenue growth across the two properties is up 4% excluding VIP. Over that same 45 days, VIP commission based play has actually grown very strongly.

So, in general, we maintain a positive trading outlook for Crown Melbourne and Burswood in 2008-09. We expect together that they will achieve mid-single digit growth in 2008-09 which, when I was asked by the media, what did that mean, I said -- a number somewhere between four and six percent. I did not want to be held to a particular number but that seems to me to be mid-single digit, around four to six percent.

We will need to carefully manage the refurbishment programmes over this year but as they come on stream we do expect uplift in revenue.

Turning to Cannery on slide 15. We have given an overview of the Cannery facilities there. East Side Cannery is opening next Thursday and the Meadows permanent facility is scheduled to open in April 2009 and when that happens Cannery will have 9,000 slots, 73 tables and 514 hotel rooms - so very much a slot focused business.

There has been a lot of discussion in the media about how US gaming companies are going so in the next two slides we just give you a bit of a sense of where the Cannery properties are at. The Meadows temporary casino is in a market which is growing at double digit rates. The Meadows itself is now 13 months old so you have the first of the month on month comparatives and it was up 18% in July. When the Meadows permanent is open we just want it noted that Meadows will constitute 55% of Cannery's EBITDA. So the Pittsburgh story is the majority of the Cannery story.

The two Cannery properties in Las Vegas are suffering as is the rest of the Las Vegas locals market, but having said that, for the seven months to July the revenue decline is less than 1%. They are in fact gaining market share at the expense of the competition.

Slide 18 reiterates our view on Cannery. We anticipate that we will get regulatory approval around December 2008 and then we will close the transaction. We think it will be EPS and cash flow positive in our first year of ownership and for the 2009-10 year, which will be the first full year after both East Side and Meadows are open, we are anticipating EBITDA of around US$200 million.

A general point to note is that we consider Pittsburgh to be an under-penetrated market. The Las Vegas market is a mature one but we believe in the long term growth prospects of Las Vegas locals.

Slide 19 is an outline of the investment in Macau. The key point from that slide is that MPEL has come out supporting the announcement by the Macau Government on limiting the number of licenses and capping commission rates. They believe, as do we, that this will benefit the incumbent operators in Macau of which we are one of six.

The MPEL Quarter 2 result was released last week, which you have now all seen. Crown Limited today is reporting its share of the MPEL loss of $5 million compared with the $47 million loss last year. MPEL reported Crown Macau EBITDA for the year of US$100.6 million.

With respect to City of Dreams, more than 90% of the costs have been let to sub-contractors. All four hotels have topped out and it is now down to interior fit out. So we do not expect any surprises on the cost side and the timing, as I said, is still the first half of 2009.

Slide 21 documents the fact that this is a market which even in the seven months to July was growing in excess of 50% in gaming revenue. The visa restrictions are expected to moderate that growth. I do not think that anyone thinks that 50% plus growth rates are sustainable. But I think as one of the analysts, last night, pointed out, if 50% gets moderated to 25% that is still not a bad growth in gaming markets when you look around the world.

We have just put a couple of photos in there at slides 22 and 23 showing an artist's impression of the completed City of Dream project and just showing you the state of the construction. Crown Towers is on the left in the foreground, the Hard Rock Hotel next to it, and all the hotels are capped out.

Gateway -- slide 24 just gives you a rundown of the Gateway investment and the structure of the industry in British Columbia. I think that the point to note there is that by the time all the expansions and developments of the Gateway portfolio are completed. Gateway will be operating in excess of 5,400 machines and 200 table games.

The Gateway results are outlined on slide 25. There is no doubt the initial trading of the Starlight Casino, which has now been open for eight months is below expectations. The smoking bans have hit Gateway harder than anticipated and there have been delays and in some cases, serious delays, in implementing the operational improvements that were identified previously. We can talk about the reasons for that later.

The point is that Gateway trading will improve significantly over the next 12 to 18 months. Those marketing and product enhancements will flow through and you have got a significant pipeline of new and expanded properties. We have set out the details of those on slide 26. Again the take out is that British Columbia is a very under-serviced market. It has got favourable demographics and Gateway will benefit from Crown's expertise in loyalty programmes, marketing and premium player facilities. We want to expand the range of jackpots and optimise the product but that has been slower to implement than we thought.

We have given the results for Betfair which shows an equity share loss of $1.5 million. Equine influenza affected revenue from horse racing which is a major part of the Betfair business. There is also the impact of start up costs. The major limitation on Betfair's expansion is the state government legislation. Various state governments have legislated to prevent Betfair from advertising and Betfair is currently challenging the validity of that legislation in the New South Wales and Victorian courts.

Aspinalls, on slide 28. Crown's equity share of the Aspinalls' loss is $9 million due in large part to the low win rate at the Aspinalls' Club. The Aspinalls' results are on a reported basis not a theoretical basis so that is a major factor there. But the UK Government, with the introduction of smoking bans, the increase in the casino tax and the removal of the section 21 gaming machines has not helped the UK casino industry in general and Aspinalls in particular.

Nonetheless the Aspinalls Club achieved record drop last year and looks like it has got off to a good start this year and Newcastle is now trading profitably and further strategies will be implemented over the next 12 months to improve earnings.

Other US investments -- we've set out there the investments in Fontainebleau, Harrah's and Stations. I might let Geoff talk about the investment write downs that we have taken.

Geoff Kleemann: Thanks Rowen. As you can see from the slide these particular investments are ones which are categorised in our balance sheet as "available for sale assets". We have reviewed the carrying value of those and our adjustments are pretty much in line with what some of the other valuation adjustments are that you may have seen recently in the press.

We have written down to the P&L by $181 million -- which is about a 25% to 26% on average write down. On top of that we have had to adjust the carrying value to reflect FX movements and that is a further $77 million that has gone to foreign exchange reserves. Having said that the bulk of that is reversed since 30 June 2008 -- we had to use the 30 June 2008 exchange rate of 96 cents. As you know it is around 87 cents so the bulk of that has reversed in the six weeks post 30 June 2008.

The reason for the write down is the highly levered nature of these businesses as well as current trading in the places where two of them operate and one is likely to operate in the future. We had no alternative but to write down. Having said that, we hold these assets for the medium term and it is our view that the downturn is cyclical and the end result of that is that we think value will be restored over the coming years.

Rowen Craigie: And Geoff, while you've got the floor if you want to take us through the financing updates.

Geoff Kleemann: Thanks, Rowen. The first point I think follows on from what we released in an announcement last week. In the last few months Crown has raised a billion dollars in new debt facilities in what can only be described as "not easy" markets to raise money in, so we're very pleased with that outcome. Maturity is between five and 12 years has driven out and improved our debt maturity profile and we've used those proceeds to pay down the August 2010 debt facility of $2.15 billion of debt which is now sitting at just over a billion dollars. So we are very pleased with that outcome.

We have also taken the opportunity to draw approximately $1.6 billion of debt in US dollars and placed it on deposit in US dollars ready for the Cannery settlement later this year. It will be our intention that post the Cannery settlement the bulk of our drawn debt will be denominated in US dollars given the level of US denominated assets we have and that's appropriate.

It also does give us a locked in interest rates , in all those debt raisings -- so over the five to 12 year period we have locked in the full billion dollars and the average rate is 5.9%, which is a lower rate than if we were to lock in Australian dollar debt for the same term.

The next slide just shows the breakdown of the various facilities and really what I have just commented on with the syndicated facility now down to much more manageable levels and also the liquidity at the moment of about $2.6 billion. And the obvious use of that liquidity in the near term is the settlement of Cannery and then just cash flows over the next 12 months.

Just looking at our operating cash flow. You will probably recall that the 4E announcement has to include Crown for a full 12 months but also the PBL cash flows for the first five months. The major ones of those are dividends received on their equity account in the investments as well as some head office costs and working capital payments.

What we have done is, and we'll concentrate on the Crown pro-forma column, we've pulled out those particular aspects and tried to deliver a pro-forma for Crown that reflects the cash flow for this business.

So I think the thing of note on slide 32 is at $593 million reported EBITDA the bulk of that EBITDA flows through to the cash flow generated lines. So very high cash retention but interest and tax almost offset so operating cash flow of about $574 million. That's used Capex $193 million - that is purely Perth and Crown Melbourne. Investments of $496 million really covers the settlement of Gateway, of Station's and Harrah's offset by cash inflows for the sale of Hoyts and the first instalment on the new Regency sale and then the dividend paid, so net cash flow of

$454 million for that fiscal 08 and the maturity profile is a graphical form of what we had on a couple of slides ago.

But just to reiterate the refinancing - even though it's still two years away - the refinancing of that 2010 debt will continue over the next 12 months. Our obvious target there is US dollar debt. We want term debt so we'll be focusing on US capital markets and I would envisage that that will be complete over the next 12 months and will be completely refinanced the 2010 maturity which will be a good position to be in and the interest income I think was really to just give some guidance, if not a definitive answer, to where the interest is going and really just point out what happened to our interest income.

The first half of the year was very strong where we had close to $2 billion of cash on hand. Then as you all know we sent that $2 billion out to shareholders as a result of the demerger. Therefore in the second half the average cash balance was quite low at around $60 million and so was the net interest income.

How that then impacts on fiscal 09 is firstly we would expect pre-Cannery and that's probably through to around December January we'll have about $50 million of net debt, but the structure of that net debt is drawn debt of about $2.4 billion and cash of about $2.35 billion and the negative carry of about 190 basis points - the difference between what we invest at and what we borrow at which is margin plus base rates on term debt - is about as I say 190 basis points.

So the cost of $45 million on the annualised basis, will then be impacted by the timing of the Cannery settlement and also included in there is the full year of related party interest on the likes of the Gateway debt, the Fontainebleau debt, Aspinalls and MPEL debt and that is in the order of $23 million per annum. So it'll be a very different interest story - it'll certainly be an interest expense not an interest income. The extent of it of course will depend on the numbers I've given you plus of course the timing of the Cannery settlement.

Rowen Craigie: Thanks Geoff. In the penultimate slide, I would just like to summarise the Crown Limited business strategy going forward. Our primary goal is to maximise the value of our existing portfolio by leveraging our key strengths. So that's Crown and Burswood plus the new international acquisitions. We believe our two key strengths are in locals gaming and in the Asian high roller business.

With "locals" gaming we believe that Crown has undoubted expertise in product optimisation, designing and implementing loyalty programs, effective direct marketing and the ability to execute key non-gaming drivers, whether that's food and beverage, entertainment or retail. We also think we have a track record of understanding and managing the key issues which inevitably arise in the casino industry from time to time and these are the core attributes of our local gaming expertise.

We also think we've got a comparative advantage in the VIP high roller gaming space particularly in Asia. We've got an extensive network of VIP players and sales representatives throughout the Asian region. We have relationships with junket operators and probably most importantly, we have a reputation for delivering the highest level of service to Asian high rollers and that reputation's been developed over more than a decade at Melbourne and now more recently in Perth, particularly with the refurbishment of the VIP salons and the high roller accommodation at Burswood. We place a lot of emphasis on the training of our staff and getting that culture of quality service endemic throughout the organisation. We've got an experienced and stable management team who have the skills to maximise the value of our portfolio. I believe we are the employer of choice in the region and our track record as shown on those EBITDA trend graphs for Crown Melbourne and Burswood - is evidence of our capabilities.

We are prepared to selectively consider potential new opportunities if and when they arise. Such opportunities will be primarily focused on majority owned investments in under penetrated US locals market and we are committed to maintaining our investment grade credit rating. So to sum up on the last slide we see our Australian casinos continuing to achieve solid growth and that growth will be further enhanced by the extensive Capex program underway in Melbourne and Perth which will drive further growth.

Cannery will be EPS and cash flow positive in its first year of ownership by Crown and we're expecting EBITDA of around US$200 million in 2009-2010. In Macau, Crown Macau is trading successfully. The opening of City of Dreams is on track for mid 2009. Gateway operates in an under penetrated market. It's got a significant development pipeline and the business opportunities will be implemented in the coming 12 to 18 months. We think Crown's in a very strong financial position.

We have US dollar denominated debt generating that low interest cost and providing a natural foreign exchange hedge. The post 2008-2009 group's earnings are substantially de-risked with majority of the growth Capex completed and it's that Capex - that pipeline of Capex projects which will generate strong cash flow beyond 2008-2009. So that's all for the slides and happy to throw it open for questions.

**Question and Answer Session**

Question: (Craig Sheppard, CommSec) Just an idea about what the underlying performance is at Aspinalls after the win rates and the opening costs and that sort of thing?

Rowen Craigie: The drop at the Aspinalls Club is at record levels but the win rate has impacted the club performance. Newcastle is now trading in the black and we are hoping to significantly improve that. Swansea is still the wrong side of being in the black and that needs to be lifted and Northhampton has just opened so it's too early to call. These are small venues so the principal story about Aspinalls is the Club and when the win rate inevitably come back that will lift the Aspinalls performance significantly. But regional casinos in the UK are basically struggling given the government changes to smoking, tax rates and machine type.

Question: (Craig Sheppard, CommSec) Thank you. Just a quick following up. Thanks for the disclosure today. It's fantastic and an enormous improvement.

Question: (Craig Sheppard, CommSec) Just can we return to what the strategic value of those investments in Harrah's and Stations were? I mean I'm not particularly concerned about the write-downs themselves but if you could perhaps return to why you were interested in them and what they could provide in the future.

Rowen Craigie: Those investments were the product of the economic conditions at the time and probably the financial position of PBL at the time. We've indicated in the presentation today what opportunities we're interested in going forward.

Question: (Adam Alexander, Goldman Sachs JBWere) The capital program in Crown and Burswood's a big part of the growth of the group going forward. You mentioned we're about 10 per cent in for Crown.

Rowen Craigie: [Interrupts] Do you mean of the casino floor or…

Question: (Adam Alexander, Goldman Sachs JBWere) …of the casino floor yes.

Rowen Craigie: There are other parts of that capital program affecting restaurants, hotels and the third hotel under construction - so the overall program would be in advance of that 10 per cent. The casino floor at Crown is probably 10 percent completed. Another 25 per cent is currently underway.

Question: (Adam Alexander, Goldman Sachs JBWere) Okay so when –do you anticipate sort of the peak year of disruption? Is it going to be 2009 or 2010 or is it fairly straight lined through the whole project?

Rowen Craigie: There's always going to be some disruption on some part of the gaming floor for the next, two to three years in both properties. We're doing it in bite sized chunks and we're trying to, shift the customers around as best we can. But, the good news is there was disruption this year just gone and the results have held up well. The management in both properties needs to be congratulated for the job they've done in minimising the disruption. But jack hammering is jack hammering wherever you're forced to do it and it doesn't matter how fancy the billboard you put behind it, it's still a jack hammer.

Question: (Adam Alexander, Goldman Sachs JB Were) And just shifting down below the EBITDA line to MPEL, that's going to be a fairly highly levered vehicle in an uncertain market once it gets up and running with City of Dreams. What do you see as your biggest risk there? Is it - is it sort of the capital costs you seem fairly confident with now or is it the sustainable EBITDA or is it overriding government regulation that might impact the results there and just on top of that how do you assess the risk to your business of a further equity contribution into MPEL?

Rowen Craigie: City of Dreams will be affected by government regulation whether it's from the central government in terms of visa restrictions or commission caps from the Macau Government, but as I said on commission caps that should improve margins. Visa restrictions - we're talking about a government trying to wind back 50 per cent growth rates - not trying to wind back five per cent growth rates. In terms of the positioning of City of Dreams, it's going to be a truly spectacular property. It's next door to the Venetian which is now trading very well if you looked at the last results and we will eventually have Steve Wynn's second property as our other neighbour. The ferry traffic in the Cotai has increased enormously over the last few months. The property's not open yet but I think the fundamentals –of City of Dreams are pretty good.

Geoff Kleemann: Maybe I could add. I actually don't think it's going to be as levered as what it would have originally been and it sort of answers two questions. Because of the equity that MPEL has raised including the additional $570 million late last year, the net debt is in the order of $1.3, $1.4 billion on completion of City of Dreams. I'm leaving out of that the apartments for the moment which will be funded in a different way and the third site. So with just what's on their plate and fortunately that debt's drawn in Hong Kong dollars based off HIBOR with a base rate of about 2.8 per cent at the moment - so the average interest rate on that debt - and their margins were - are not too bad - is actually not a big impediment. So I think that the interest side of it will be well covered by the trading of those two properties and Mocha Slots EBITDA and again as a result of that net debt position, we don't anticipate there'll be any call at all on us for extra - or shareholders in general - for extra contribution.

Question: (Dan Renshaw, Merrill Lynch) Do you think that the wind back of the - or you spoke about them wanting to wind back, 50 per cent growth rates out of Macau. Do you think that is - are you hearing anything else of whether it's that there are social issues that are coming up inside China as a result of higher VIP play because if that was the case maybe they will try and wind it back a little harder and not really care about winding it back to only 25 or to 10? Can you comment on that at all?

Rowen Craigie: I don't think anyone is privy to the inner workings of the Chinese Central government but the point you would have to make is the Macau government is a major stakeholder in the industry. There has been previous announcements on visa restrictions, so I would think the government is taking an incremental approach. It would be possible for any Government to slam the industry into reverse if you were determined to do that, but there's clearly no sign of that. I think it's a measured incremental approach to moderate growth rates which can't continue to grow at 50 per cent.

Question: (Dan Renshaw, Merrill Lynch) So would you put no credibility in the news overnight of it potentially moving to once every six months?

Rowen Craigie: I saw that speculation and that might be right. I've got no evidence one way or the other but again, I don't think that would be inconsistent with an attempt to moderate growth which is just at phenomenal levels. I mean its still 50 per cent even after everything that's been happening.

Question: (Dan Renshaw, Merrill Lynch) And just also your guidance, you said you don't want to be held a number, but mid seems four to six, that seems, if you were to do the low end of that, given you're doing four per cent ex VIP which is very strong, that would be pretty conservative. Have you got any comments on that?

Rowen Craigie: We are only six weeks in, so we've got to be a bit careful. VIP is always unpredictable in the sense that we have got a significant number of large customers and it depends when they decide to visit. One month's VIP growth is not a very good indicator of where you've going to finish up at the end of the year. If VIP performs well, we'll be closer to six. If VIP doesn't perform so well I guess we'd be closer to four.

Question: (Dan Renshaw, Merrill Lynch) This might be for Geoff. With regards to balance sheet capacity, how does Gateway fit in there? Without speculating whether Macquarie will sell that 50 per cent stake or not, you still may need to consider the possibility that that might occur as a contingency. And given that that business is so heavily geared it may change your credit profile dramatically. So when you look at the next opportunity do you sort of hang that potential requirement to acquire 50 per cent of Gateway as a contingency?

Geoff Kleemann: We don't expect that to happen. So the answer is we're not contingently thinking that will happen and so any opportunities that do come up will be assessed in their own right. But within those constraints that Rowen talked about which is the investment grade rating. But we certainly don't expect in the near term that we'll be increasing our stake in Gateway.

Rowen Craigie: And Macquarie are actively involved in both at board level and in an advisory capacity to Gateway Management. Macquarie executives, as we speak, are in Vancouver with Crown executives, so I would say Macquarie is not at all behaving like someone that wants to exit this investment.

Question: (Dan Renshaw, Merrill Lynch) This is an operational question. Can you give us some description about the performance in Crown Melbourne on the main gaming for the first half, for a second half? Because we didn't have the full level of disclosure in the first half, I'm not really sure whether it looks like there was a tale of two halves.

Rowen Craigie: On both the Crown Melbourne and Burswood gaming floors, the year was one in which tables out performed slots. And my interpretation of that is when you think of the headwinds of higher petrol prices and interest rates; they will typically affect the low end of the casino customer base, rather than the high end. So if you look at restaurants, low end restaurants were more adversely affected than high end restaurants during the year. The high end restaurants had a terrific year. The hotels had a terrific year, which again in the case of Melbourne in particular, is a high end product. So slots felt the headwinds more than tables and the slot performance was more adversely affected in the second half than the first half, just because of the impact of petrol and interest rates was more skewed to the second half. Having said that, in the first six weeks, slots have started surprisingly strongly, given where they finished the year. Both properties are off to a good start.

Question: (Mark Wilson, Deutsche Bank) Thanks Rowen and Geoff. Just a couple of quick questions. Firstly the CAPEX outlook over the next two years, has there been any change in the profile of expenditure at Melbourne and Burswood and is there also any change in relation to the dividend policy?

Rowen Craigie: No the CAPEX program was flagged in the de merger document, there's been no change to those numbers and on the dividend, we'll be addressing the question of dividends each year but the dividend this year I think equates to a 100 per cent pay out. But the board looks at the dividend each year.

Question: (Mark Wilson, Deutsche Bank) Just looking forward to '09 if it's going to remain at 100 per cent as normalized net profit, would it indicate that there will be a cut in '09?

Geoff Kleemann: As I said the board will determine the dividend at the end of the year as it always does.

And Mark I guess that depends on answering your question, in where you think '09 earnings are going to be versus '08 and whilst we've given levels of guidance, we're not going to be drawn on a bottom line number.

Question: (Mark Wilson, Deutsche Bank) Certainly. And looking at the pre opening costs at MPEL would they be able to back in a normalized figure?

Geoff Kleemann: I wasn't anticipating that they would be, no.

Question: (Mark Wilson, Deutsche Bank) Okay thanks.

Rowen Craigie: We will look forward to your model Mark when it comes out.

Question: (Jenny Owen, Citi Investment Research) Could you give us any more detail on the breakdown of the write down of 181 million across the three investments in the US?

Rowen Craigie: No Jenny we're just giving the aggregate write down. It equates as Geoff said to about 25 per cent on average of those investments.

Question: You're looking to settle on Cannery in late calendar year '08 but Meadows doesn't open its permanent property until April of next year. I think it was originally envisaged that the vendor of Cannery would bear all the CAPEX risk on properties. I'm just wondering what's happening with the remainder of the CAPEX on that Meadows permanent facility. Clearly you'll own the property before it opens

Rowen Craigie: As you'd appreciate if a casino is going to open in April the bulk of the CAPEX is expended well before that. So the acquisition documents deal with that issue but they'll be a minimal amount of CAPEX still outstanding at the end of December. Rob do you want to give some colour on this?

Rob Turner: There'll be a hold back of what the estimated CAPEX to complete the project will be. So there'll be quantity surveyors involved to help us with that. But as Rowen said, we don't expect it to be a large sum, but there's a mechanism in the purchase price to deal with that.

Question: (Jenny Owen, City Investment Research) Okay that's fine. And then you talk about the two properties in Las Vegas, It was my understanding was there were three although one was leased. So I was just wondering when you talk about the two, are you excluding Eastside or are you Excluding Summerlin?

Rowen Craigie: No excluding Eastside because Nevada Palace is closed. Eastside is being built right over the top of it. So the two we're referring to are Cannery North and Rampart the leased property.

Question: (Jenny Owen, City Investment Research) Thank you. Could you give us some colour on why VIP is up so strongly in early '09 so far?

Rowen Craigie: Look we've had some large customers come in the first six weeks and as I said, it really is, it's a bit potluck whether they would have come pre 30 June or post 30 June. In any event they've come post 30 June so as much as we are providing forward looking guidance, I am nervous about telling you every year about six weeks of VIP activity because if they don't come in the first six weeks, if they come in the second six weeks, I'm going to be here one year telling you that VIP is depressed. You just cannot annualise VIP volumes on any six week period. So we've got off to a good start. And we've had good volumes, good win rate, so far so good. But its six weeks and we've got 46 weeks to go.

Question: (Jenny Owen, City Investment Research) Are you concerned about the impact of the two integrated resorts in Singapore on the Burswood property in particular and are you expecting a negative impact and what would you do to try to mitigate that?

Rowen Craigie: We are concerned about the impact of Singapore on Burswood and over the last two years we've made a conscious effort to skew Burswood away from its heavy reliance on South East Asian business to tap into the key growth market of North Asia, namely mainland China and Hong Kong. So that strategy has been underway for two years. We've got 18 months before Singapore opens and we'll continue to push that. So we're trying to align Burswood up to the powerhouse of high roller baccarat in the region and that's how we're going to mitigate it. But Singapore is going to put pressure on Perth. We've upgraded the salons, we're upgrading the accommodation, and Burswood is benefiting from the impact of the entire Crown sales network. So, we're not down in the dumps but Singapore is going to affect Perth more than it's going to affect Melbourne.

Question: (Fraser McLeish, ABN Amro) Thank you. Just a couple of Cannery questions. Just on Pittsburgh and The Meadows. Just how much confidence, there's a lot of capacity coming on line there when you get the new property open, how confident are you that you can fill that and maybe also if you could just talk about the smoking bans and the impact of new competition in that market as well?

Rowen Craigie: There's three points there. We are in consultation with the existing managers and owners and we were very keen to see the expansion of The Meadows bought forward and during the year Cannery received regulatory approval for that. So the performance of the temporary casino justified Cannery bringing that expansion forward from what Cannery management had originally envisaged.

The smoking ban legislation provides for 25 per cent of the gaming floor to still allow smoking. But it also provides for casinos to be able to argue on the basis of comparative performance of non-smoking and smoking machines, they could argue for an increase of up to a further 25 per cent of the gaming floor to have smoking permitted. So if the casino is successful in arguing that case with the regulator, you could see a 50 per cent smoking exemption for the main gaming floor in Pennsylvania. Now by any standards in Australia, or certainly if you compare it to Atlantic City, that's not a bad outcome.

And with respect to additional competition in the Pittsburgh area, there is a casino going into downtown Pittsburgh. It's running late due to some financing issues with the winner of the license, who's now brought in additional partners who are in fact going to be the majority owners. That property is running late, so it will open after The Meadows. Then you're into a debate about "do you like downtown casinos or suburban casinos". For the Sydneysiders on the call, the best way I can describe that is "would you prefer to locate your casino in Pyrmont or your casino in Homebush"? There are cases for and against whether you want the suburban location or the downtown location. A lot of people will not fancy going to downtown Pittsburgh late at night. And during the day, car parking issues arise. Having said that, not too many business travellers and convention-goers will find their way out to Strabane, Washington County, where The Meadows is located. So it'll be an interesting, competitive situation in Pittsburgh.

There is another license – and again now I might switch to Victoria. Think of a casino in Torquay competing with Crown in Melbourne. There's a third license which might go into a venue about an hour and a half away from the Meadow's. But that venue is facing some licensing delays and there's been media speculation as to what will ultimately happen with that license.

All of that was known to us and is known to Cannery management. Competition in local casinos is something we're all used to and we quite relish.

Question: (Fraser McLeish, ABN Amro) Great. Thanks very much. Maybe just one quick one for Geoff, just for our numbers. What's the sort of run rate depreciation in Cannery that we should start factoring in?

Geoff Kleemann: Post the permanent, it's in the order of about $30 million.

Question: (Fraser McLeish, ABN Amro) Great, thanks very much.

Question: (Steve Wheen, Macquarie) I just had another question on Cannery as well. That was not yet settled from its purchase, or the announcement date in December of last year. Have you been able to take advantage of the currency movement? And is that benefit material, or has most of that been given up, given recent movements in currency?

Geoff Kleemann: It's arguable whether there is a big difference, given that we're borrowing in US dollars and will continue to do so. But in any event, the money that we do have on deposit at the moment was converted across at an average exchange rate of 96 cents.

Question: (Steve Wheen, Macquarie) Right, so that compares to December when the currency was sub-90. Correct?

Geoff Kleemann: That's right.

Question: (Steve Wheen, Macquarie) Then just also on Cannery, you've given some guidance about it in 2010. You've got quite an impressive interest rate financing. What does that do to your effective tax rate for the group in that year? Because it has the potential to drag it up.

Geoff Kleemann: Look, I think we are continuing the PBL tradition and would guide towards low 20 per cent range for tax rates for the next few years.

Question: (Steve Wheen, Macquarie) Including the year that you consolidate Cannery earnings in 12 months?

Geoff Kleemann: Yes.

Question: (Steve Wheen, Macquarie) Okay. And then just finally, your corporate cost line, relative to some expectations I guess six months ago, has inched up a bit. Is there anything you can say about what's behind that?

Rowen Craigie: We're bringing on some additional resources to assist with the new acquisitions. So we're just reflecting that.

Question: (Steve Wheen, Macquarie) Are you expecting that to max out at the sort of level where we are now, or you can't say?

Rowen Craigie: I guess it does depend on what happens going forward, Steve. But I think for modelling purposes I'd stick around that number.

Question: (Steve Wheen, Macquarie) Okay great. Thanks very much.

Question: (Stuart Jackson, JP Morgan) As you alluded to the expenses at Burswood in particular grew quite strongly in 2008 because of labour issues. What's the outlook for that, for each of the casinos through 2009?

Rowen Craigie: The management at Burswood's taken a lot of initiatives on the job front. They're utilising job fairs, using a lot of online advertising, using dealer get dealer initiatives where they're trying to get – it's a young labour force, they're trying to encourage existing employees to bring their friends into the industry. But the reality of being in the service or hospitality sector in Perth is, you're going head to head with the mining industry and the other resource industries for that labour pool of young mobile employees.

Burswood is getting on top of the issue, the overtime's coming down. But the labour market for that particular type of worker is very tight in Perth. But management's coming up with innovative ways to tackle it. So we're looking for some margin improvement next year.

Question: (Stuart Jackson, JP Morgan) How about in Melbourne? What's the situation in Melbourne?

Rowen Craigie: Melbourne's fine. Melbourne had margin improvement this year, and there's no labour cost pressures in Melbourne.

Question: (Oliver Anstead, Concorde Capital) You've given some detail on your expectations for Cannery for EBITDA. I was wondering if you could give an indication of what sort of revenue or EBITDA margins you're expecting that to come from.

And secondly, the detail you've given on Crown and Burswood by EBITDA and revenue, are you able to give a first half, second half split? I guess you're going to have to give that at the half year anyway.

Rowen Craigie: No, unfortunately Oliver we're at the limit of what we're prepared to release. So I'll have to pass on both those questions.

Question: (Larry Gandler, Credit Suisse) One last question, you probably won't answer it though.

Rowen Craigie: Please ask.

Question: (Larry Gandler, Credit Suisse) The short of the question is, would you be a seller of MPEL? That's the short of it. But I'll ask you in a way that might get you to answer some of it.

Given the balance sheet constraints of the company, and there are some although they're not entirely limited at this stage, there's going to be a number of distressed assets that may become available, particularly in highly regulated markets like the States. Listening to you talk about China, you said something to the order of you couldn't really predict the inner workings of the central government of China. Also, when you look in Macau you had six competitors get together and fix pricing, which in any other market would be illegal. But it doesn't make investors, or perhaps owners, too confident about how to manage a business going forward. So would you trade out of some of your ownership of Macau for a better asset in a more regulated market in the US?

Rowen Craigie: I think the way I'd answer that is, there is a queue of people not in Macau who wish they were. And that queue is a lot bigger than the queue of incumbents who are trying to get out or downsize. Every major casino company that isn't in Macau is still stomping around up there trying to figure out how to get in. And I would think we have read that correctly rather than incorrectly. That's how I'd answer your question.

Question: (Sam Theodore, UBS) Rowen, I think you mentioned earlier some difficulties at the Gateway, in terms of delays in getting some of those operational improvements that you had seen. Just wondering if you could give some further comments on that?

Rowen Craigie: Yes. The product configuration is in the hands of the BCLC, the British Columbia Lotteries Corporation. So operators have to make representations to the Lotteries Corporation as to the type of slot product or table product that goes onto the casino floor, and how that's best configured in terms of player return, bet limits, etcetera. Similarly, the British Columbia Lotteries Corporation approve marketing programs. And that process of moving Gateway onto more optimal product configuration and marketing programs has taken longer than we thought.

A new chief executive of the Lotteries Corporation has recently been appointed, and things are starting to move. But there are other issues which are more within Gateway's control.

Question: (Sam Theodore, UBS) Is that just dealing with government delay, or is it a CAPEX issue?

Rowen Craigie: No, no. It's dealing with government. We're currently undertaking some trials and illustrating what improvements are possible through those trials.

Question: (Sam Theodore, UBS) Alright, thanks.

Question: (Jenny Owen, City Investment Research) Still on Gateway, the equity share of the loss of $6 million, I assume that includes the $8.9 million of capital recoveries which won't be recurring?

Geoff Kleemann: It does include it but it will be recurring. That capital recovery program is one that's in place, and our expectation is that there will be recoveries under that program for the foreseeable future, in the order of quite a lot more than that amount that they booked for the six months.

Question: (Jenny Owen, City Investment Research) Okay.

Rob Turner: Jenny, the way you want to think about that is there's a percentage of the revenue that goes back to the operator in the form of a capital recovery, so it's ongoing.

Question: (Jenny Owen, City Investment Research) Okay thank you. And were there any pre-opening costs related to Starlight that effected that $6 million loss as well?

Rowen Craigie: Not significant, no.

Question: (Jenny Owen, City Investment Research) Okay, thank you.

Facilitator: Ladies and gentlemen that concludes the conference. I thank you for your participation today.

**End of transcript**