

ASX ANNOUNCEMENT

ECHO ENTERTAINMENT GROUP



THE STAR



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14 June 2012

ECHO ENTERTAINMENT GROUP LIMITED TO CONDUCT A \$454 MILLION 1 FOR 5 ACCELERATED RENOUNCEABLE ENTITLEMENT OFFER

Echo Entertainment Group Limited (“**Echo**” or the “**Company**”) today announced a fully underwritten 1 for 5 accelerated renounceable entitlement offer of new Echo ordinary shares (“**New Shares**”) at an offer price of \$3.30 per New Share (“**Offer Price**”) to raise approximately \$454 million (“**Entitlement Offer**”).

Echo’s ordinary shares will remain in trading halt until Monday, 18 June 2012.

Echo’s Managing Director and CEO, Larry Mullin, said “the Entitlement Offer announced today will reduce gearing, help ensure a more appropriate capital structure and maintain financial flexibility for the Company.

The International Rebate Business (“**IRB**”) provides a large growth opportunity for Echo both through improved market share and underlying volume growth. The IRB has seen continued pleasing growth, with customer front money up approximately 60% in the 11 months to 31 May 2012.”

Echo update¹

As announced to the market on 31 May 2012, trading conditions have remained difficult in 2H12 with revenues negatively affected by soft consumer sentiment and volatility in IRB revenues.

For the year ended 30 June 2012, Echo expects to report:

| | Before significant items | After significant items |
|----------------------------|--------------------------|-------------------------|
| Expected Normalised EBITDA | \$380-390m | \$302-312m |
| Expected Statutory EBITDA | \$348-393m | \$270-315m |

¹ All FY12 numbers are estimates only and have not been audited. Please refer to the Important Information in this announcement for more detail, and to page 13 of the “Echo Entertainment market update and equity capital raising” presentation lodged with ASX today Thursday, 14 June 2012 for the basis of assumptions underlying the FY12 numbers

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The range in expected Statutory EBITDA is due to the potential range of win rates in the IRB in June 2012.

Echo's dividend policy has been amended to now reflect an intention to pay dividends equal to 50% of statutory net profit after tax. The final dividend for FY12 is subject to a Board resolution post 30 June 2012.

Use of proceeds raised under the Entitlement Offer

The proceeds from the Entitlement Offer (less associated costs) will be used to repay debt and provide a revised capital structure that the Board believes is appropriate given growth in the IRB.

In conjunction with the Entitlement Offer, Echo is in discussions with its banks and US Private Placement ("**USPP**") Noteholders to modify the terms of its debt facilities:

- Echo has agreed with its banks to modify the terms of its Syndicated Bank Facility and the facility is expected to continue, subject to compliance with the terms and conditions of the facility;
- Echo remains in discussions with the USPP Noteholders to modify the terms of the USPP Notes:
 - If Echo reaches agreement with the USPP Noteholders to modify the terms of the USPP Notes on terms satisfactory to each party by 28 June 2012 (AEST), the Entitlement Offer proceeds (less associated costs) will be applied to reduce the amount drawn on the Syndicated Bank Facility ("**Scenario 1**");
 - If Echo does not reach agreement to modify the terms of the USPP Notes on terms satisfactory to each party by 28 June 2012 (AEST), Echo will issue a notice to redeem the USPP Notes and the Entitlement Offer proceeds (less associated costs) will be used to repay the USPP Notes and associated costs ("**Scenario 2**").

Echo has received a commitment from a bank to provide a A\$350 million bridge debt facility to provide additional debt funding to repay the USPP Notes.

Crown Group to participate in Entitlement Offer

A subsidiary of Crown Limited, Pennwin Pty Ltd ("**Crown**"), has a direct shareholding of approximately 10% in Echo. Echo has been advised by Crown that, on the basis that the Entitlement Offer proceeds as announced, it intends to take up its Entitlement in full. This will

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be settled with the retail component of the Offer to ensure that Crown does not have voting power in Echo in excess of 10% (being the applicable limit under the Echo constitution).

Entitlement Offer details

The Entitlement Offer is renounceable and comprises an accelerated institutional component (“**Institutional Entitlement Offer**”) and a retail component (“**Retail Entitlement Offer**”). New Shares issued under the Entitlement Offer will rank equally with existing Echo ordinary shares in all respects.

The Offer Price of \$3.30 per New Share represents a:

- 26.5% discount to the closing price of Echo shares on Friday, 8 June 2012, being the last trading day of Echo ordinary shares prior to this release; and
- 23.1% discount to the theoretical ex-rights price (“**TERP**”)².

Eligible shareholders will be able to purchase 1 New Share for every existing 5 Echo shares (“**Entitlement**”) held on the record date of 7:00pm (AEST) on Monday, 18 June 2012 (“**Record Date**”).

Key dates of the Entitlement Offer are provided in the Appendix to this announcement.

Institutional Entitlement Offer

Eligible institutional shareholders in selected jurisdictions will be invited to participate in the Institutional Entitlement Offer which will take place from Thursday, 14 June 2012 to Friday, 15 June 2012.

However, eligible institutional shareholders will not be able to participate in the Institutional Entitlement Offer if by such participation any person’s **Voting Power**³ in Echo will exceed 10%, being the applicable limit under the constitution of Echo (such institutional shareholders are “**Non-participating Shareholders**”).

Any such Non-participating Shareholders will be entitled to participate in the Retail Entitlement Offer (that is, by choosing to take up all, part or none of their Entitlements)

² TERP is the theoretical price at which shares in Echo should trade immediately after the ex-date of the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which shares in Echo trade immediately after the ex-date of the Entitlement Offer will depend on many factors and may not be equal to the TERP. The TERP is calculated by reference to Echo’s closing price of \$4.49 per share on Friday, 8 June 2012, being the last trading day prior to the announcement of the Entitlement Offer

³ “Voting Power” has the meaning given to it in section 610 of the Australian Corporations Act, 2001 Cth.

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provided that its participation in the Retail Entitlement Offer will not cause any person's Voting Power to exceed 10%.

It is the responsibility of institutional shareholders to inform themselves of the eligibility criteria for exercise of Entitlements. In the event that institutional shareholders (other than Non-participating Shareholders) are not able to, or do not, take up Entitlements in the Institutional Entitlement Offer, those Entitlements will be sold for their benefit in the institutional shortfall bookbuild and the institutional shareholders may receive no value for them.

Entitlements not taken up by eligible institutional shareholders and Entitlements of ineligible institutional shareholders not entitled to participate in the Institutional Entitlement Offer, will be sold for the benefit of such institutional shareholders through the institutional shortfall bookbuild on Monday, 18 June 2012 ("**Institutional Shortfall Bookbuild**"). If the price set under the Institutional Shortfall Bookbuild exceeds the Offer Price, the difference between the two amounts will be paid to those shareholders net of withholding tax ("**Institutional Premium**") on a pro rata basis in respect of the number of Entitlements that were sold for their benefit in the Institutional Shortfall Bookbuild. There is no guarantee that there will be any Institutional Premium. Institutional Entitlements cannot be traded on ASX.

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Monday, 25 June 2012 and close at 5.00pm (AEST) on Monday, 9 July 2012.

The Entitlements under the Retail Entitlement Offer may only be exercised by eligible retail shareholders, being persons who:

- are registered holders of Echo ordinary shares at 7:00pm (AEST) on Monday, 18 June 2012;
- have a registered address on the Echo share register in Australia or New Zealand;
- are not in the United States and are not U.S. Person (as defined in Rule 902(k) of Regulation S under the Securities Act of 1933) or acting for the account or benefit of a U.S. Person;
- were either:

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- not invited to participate (other than as a nominee in respect of other underlying holdings) in the Institutional Entitlement Offer; or
- invited to participate in the Institutional Entitlement Offer but did not warrant that their participation in (including the issue of New Shares pursuant to their application under) the Institutional Entitlement Offer will not cause any person to have voting power in Echo which exceeds 10% (being the applicable limit under the constitution of Echo), and were not treated as ineligible institutional shareholders under the Institutional Entitlement Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

It is the responsibility of retail shareholders to inform themselves of the eligibility criteria for exercise of Entitlements. Further details on eligibility criteria to exercise Entitlements will be included in the retail offer booklet to be lodged with ASX on or about Monday, 25 June 2012.

Entitlements not taken up by eligible retail shareholders and Entitlements of ineligible retail shareholders not entitled to participate in the Retail Entitlement Offer, will be sold for the benefit of such retail shareholders through the retail shortfall bookbuild on Thursday, 12 July 2012 (after market close) and Friday, 13 July 2012 (before market open) ("**Retail Shortfall Bookbuild**"). If the price set under the Retail Shortfall Bookbuild exceeds the Offer Price, the difference between the two amounts will be paid to those shareholders net of withholding tax ("**Retail Premium**") on a pro rata basis in respect of the number of Entitlements that were sold for their benefit in the Retail Shortfall Bookbuild. There is no guarantee that there will be any Retail Premium. Retail Entitlements cannot be traded on ASX.

Further details about the Retail Entitlement Offer, including restrictions on eligibility to exercise Entitlements, will be set out in the retail offer booklet, which Echo expects to lodge with ASX on or about Monday, 25 June 2012.

10% shareholder limit

No application, acceptance, formal bids or other commitments will be accepted, and no allocations or allotments will be made to any shareholder or institutional investor, under the Entitlement Offer (including the Institutional Shortfall Bookbuild and the Retail Shortfall Bookbuild), if their participation in the Entitlement Offer (including the issue of New Shares pursuant to their application) would cause any person to have voting power which exceeds 10%, being the applicable limit under the constitution of Echo.

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Shareholder enquiries

Retail shareholders who have questions regarding the Retail Entitlement Offer should call the Echo Offer Shareholder Information Line on 1300 880 923 (local call cost within Australia) or +61 2 8280 7504 (from outside Australia) at any time from 8.30am to 7.30pm (AEST) Monday to Friday during the Retail Entitlement Offer period, or consult their stockbroker, accountant or other independent professional adviser.

Important Information

This release does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer would be illegal. This release does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of the New Shares in any jurisdiction outside Australia. In particular, neither the Entitlements nor the New Shares have been, and none of them will be, registered under the U.S. Securities Act of 1933 (the "Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be taken up by, and the New Shares may not be offered or sold to, directly or indirectly, persons in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. This release includes "forward-looking statements" within the meaning of securities laws. These forward looking statements can generally be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "estimate", "plan", "intend", "believe", "continue", "objective", "outlook", "guidance" or other similar words and include statements regarding certain plans, strategies and objectives of management and expected financial performance. Any forward-looking statements involve known and unknown risks, uncertainties and other factors including significant regulatory, business, competitive and economic uncertainties, risks and contingencies, many of which are outside the control of Echo and its officers, employees, agents or associates, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. No representation, warranty or assurance (express or implied) is given or made in relation to any forward looking statement by any person. In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this release will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Given these uncertainties, readers are cautioned to not place undue reliance on forward-looking statements and Echo assumes no obligation to update such information. The forward-looking statements in this release speak only as of the date of this release. Subject to any continuing obligations under applicable law or any relevant ASX listing rules, Echo disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statements in this release to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in this release will under any circumstances create an implication that there has been no change in the affairs of Echo since the date of this release.

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Appendix – Key dates for the Entitlement Offer

| Event | Date |
|--|--------------------|
| Announcement and Entitlement Offer opens | Thursday, 14 June |
| Institutional Entitlement Offer closes | Friday, 15 June |
| Institutional Shortfall Bookbuild opening | Monday, 18 June |
| Institutional Shortfall Bookbuild closing | Monday, 18 June |
| Trading halt lifted | Monday, 18 June |
| Record date (7:00pm) | Monday, 18 June |
| Retail Entitlement Offer opens | Monday, 25 June |
| Institutional Entitlement Offer settlement | Friday, 29 June |
| Allotment of shares under the Institutional Entitlement Offer and Institutional Shortfall Bookbuild | Monday, 2 July |
| Retail Entitlement Offer closes | Monday, 9 July |
| Retail Shortfall Bookbuild opens | Thursday, 12 July |
| Retail Shortfall Bookbuild closes | Friday, 13 July |
| Retail Entitlement Offer and Retail Shortfall Bookbuild settlement | Wednesday, 18 July |
| Retail Entitlement Offer and Retail Shortfall Bookbuild allotment | Thursday, 19 July |
| Holding statements of New Shares despatched, New Shares issued under the Retail Entitlement Offer commence normal settlement trading | Friday, 20 July |

Note: The above timetable is indicative only and subject to change. Echo reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), the Australian Securities Exchange ("ASX") Listing Rules and other applicable laws. In particular, Echo reserves the right to extend the closing date of the offers, to accept late applications either generally or in particular cases or to withdraw the offers without prior notice. The commencement of quotations of New Shares is subject to confirmation from ASX. All references in announcement are to AEST.