

ASX ANNOUNCEMENT

ECHO ENTERTAINMENT GROUP



24 June 2013

Echo Entertainment Group announces details of its Stage 2 Unsolicited Proposal Submission to NSW Government

Highlights

- Detailed proposal submitted to the NSW Government on 21 June 2013
- Proposed investment to transform The Star into one of the leading Integrated Resorts in the Asia-Pacific region and to deliver significant tourism and transport infrastructure for NSW
- Proposal includes total capital investment of up to \$1.1 billion in Sydney, to be delivered by FY19, subject to a range of approvals and appropriate certainty over the competitive environment
- Proposal represents the next phase of The Star's development as Sydney's only Integrated Resort which would create value for all stakeholders over The Star's remaining 80 year licence term
- Proposal complements the NSW Government's vision for a revitalised Pyrmont and Darling Harbour precinct and includes enhanced transport and connectivity solutions
- The Star would become the anchor and focal point of Sydney's new feature entertainment precinct by connecting to Barangaroo, Pyrmont and ICC Sydney
- Echo's investment expected to be funded through existing debt facilities and free cash flow generated by the business. Dividend Reinvestment Plan available to further support future funding needs
- Echo remains committed to opportunities in Queensland, most immediately in Brisbane
- Details of the proposal still to be negotiated with the NSW Government should Echo be successful in proceeding to Stage 3 of the Unsolicited Proposal process

Echo Entertainment Group Limited (**Echo**) today announced details of its Stage 2 Unsolicited Proposal for the next stage of the proposed development of The Star, which was submitted to the NSW Government on Friday, 21 June 2013 (the **Proposal**).

Echo Managing Director and Chief Executive Officer, John Redmond, said: "Echo has reinforced its commitment to Sydney and the State of New South Wales through a proposal that will result in major additional investment in tourism infrastructure in the heart of Sydney's tourism precinct."

ASX ANNOUNCEMENT

ECHO ENTERTAINMENT GROUP



THE STAR



“Following its recently completed expansion, The Star already represents a high quality Integrated Resort which plays an important and growing role in the New South Wales tourism landscape. However, considerable additional investment is required to take The Star to the next stage to enable it, and Sydney, to more effectively compete on a global scale.”

“This investment will undoubtedly deliver Australia’s premier Integrated Resort, which I believe is the best located resort complex in the world – close to the city hub, next to the convention and exhibition centres and right in the entertainment district of Sydney. We will combine Sydney’s world acclaimed destination appeal with the proven pulling power of Integrated Resorts for Australia’s primary growing tourism audience. The Star is a critical element in delivering on the NSW Government’s goal of making Sydney number one.”

Echo’s non-executive Chairman, John O’Neill AO, added “We have the opportunity to further develop into a globally recognised Integrated Resort that competes with the best in Macau, Singapore and other destinations. We have put our best foot forward with a comprehensive proposition to turn The Star into a destination that matches the very best in the region, and that will secure for Sydney an increased share of the rapidly growing Asian middle-class visitor opportunity. The economic and other benefits of delivering on this vision for NSW will be substantial.”

Echo’s Proposal includes total investment of up to \$1.1 billion that covers significant investment in a range of tourism infrastructure, including up to \$130 million for improved transport and connectivity solutions for the City of Sydney.

“We acknowledge the importance of better integrating The Star with Sydney and we see significant benefits to the public of improving connectivity with key adjacent sites such as International Convention Centre Sydney (**ICC Sydney**), Darling Harbour and Barangaroo. The proposed connectivity solutions will be public assets and are expected to have wide ranging benefits for locals and visitors alike,” Mr Redmond added.

The Proposal delivers the next stage of Echo’s long-term vision for Sydney and The Star as Sydney’s only Integrated Resort, including:

- Over 500 five-star and six-star hotel rooms across two new hotels
- New transportation options, connectivity and visitor attractions at and surrounding The Star
- Additional non-gaming infrastructure, including additional high end retail, food and beverage offerings at The Star and new ballroom and meeting facilities
- Upgrades to The Star’s gaming offering and VIP facilities

As part of its Proposal, Echo is also seeking measures to optimise The Star’s operating and regulatory environment (including gaming duty arrangements) to underpin the investment and ensure The Star remains globally competitive. This includes certainty provided over the competitive environment through exclusivity arrangements.

ASX ANNOUNCEMENT

ECHO ENTERTAINMENT GROUP



In relation to exclusivity, Echo has proposed a 15 year term post November 2019 with associated staged payments to the NSW Government totalling \$250 million. In addition, Echo has submitted an alternative option of reduced exclusivity which would provide Echo with exclusive casino arrangements in NSW for an additional 15 years, with one defined exception of a single VIP rebate-only¹ table gaming facility at a defined site in Barangaroo. Under this alternative option there would be no payments made for exclusivity.

If the Proposal proceeds, construction would be expected to commence once all regulatory and planning approvals are received and the project would be expected to be completed by FY19. It is expected the project would involve around 2,000 new jobs over the construction phase and create an extra 1,460 direct and indirect jobs for Sydney by FY2025.

Echo expects to have the capacity to fund the project using existing debt facilities and free cash flow generated by the business, and also has the option of using its dividend reinvestment program. Echo has sought and will require commercial terms and a package of arrangements from the NSW Government that allow Echo to target return hurdles that are appropriate to justify the proposed investment.

Mr Redmond said, “Echo is in a position of strength with conservative gearing and significant cashflow generation as the earnings at The Star benefit from the recently completed investment program. We have the capability and experience to deliver significant projects in the Sydney market with the \$870 million expansion of The Star delivered on time and on budget.”

“The Star is Echo’s flagship property and we are here for 80 more years. These plans enable us to expand on our current contribution to State tourism without the need for additional gaming licences in Sydney.”

In relation to Queensland, Mr O’Neill added, “Echo is committed to Queensland. We are excited by the opportunity there and continue to hold discussions with the Queensland Government in relation to the potential redevelopment of Treasury Brisbane Casino on a new site. While the timing of any investment is expected to be some years away, Echo remains confident of its ability to deliver any potential redevelopment in Brisbane in addition to this proposal for Sydney.

Under the NSW Government’s Unsolicited Proposal process, the outcome of the current Stage 2 process will be that Echo will be advised whether or not the NSW Government wishes to progress consideration of Echo’s Proposal to Stage 3. If the NSW Government wishes to progress consideration of Echo’s Proposal to Stage 3, negotiations between Echo and the NSW Government would then take place.

¹ VIP rebate gaming is gaming by international and interstate players who meet minimum requirements as currently defined within the NSW regulatory environment.

ASX ANNOUNCEMENT

ECHO ENTERTAINMENT GROUP



Until any such negotiations are concluded, no legally binding commitment to implement the Proposal exists.

Details of Echo's Proposal can be viewed at www.starsydney.com.au.

Ends

For further information contact:

Media – Peter Brookes, Citadel Communications 0407 911 389

Financial Analysts – Matt Bekier, Chief Financial Officer (02) 9657 7545