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Wynn Macau, Limited  
永利澳門有限公司\*

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1128 and Debt Stock Code: 5983)**

## **INSIDE INFORMATION**

# **ANNUAL REPORT FOR THE FISCAL YEAR 2015 OF OUR CONTROLLING SHAREHOLDER, WYNN RESORTS, LIMITED**

This announcement is issued pursuant to Rule 13.09 and 37.47B of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited and under Part XIVA of the Securities and Futures Ordinance (Cap. 571).

Our controlling shareholder, Wynn Resorts, Limited has, on or about 29 February 2016 (6:35 a.m., Las Vegas time), released its Annual Report for the fiscal year 2015.

This announcement is issued by Wynn Macau, Limited (“we” or our “**Company**”) pursuant to Rule 13.09 and 37.47B of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited and under Part XIVA of the Securities and Futures Ordinance (Cap. 571).

Our Company’s controlling shareholder, Wynn Resorts, Limited, is a company listed on the National Association of Securities Dealers Automated Quotations (“**NASDAQ**”) Global Select Market in the United States. As at the date of this announcement, Wynn Resorts, Limited beneficially owns approximately 72% of the issued share capital of our Company.

Reference is made to our announcement on 12 February 2016 (the “**WRL Earnings Release Announcement**”) in respect of the release by our controlling shareholder, Wynn Resorts, Limited, of its unaudited financial results for the fourth quarter and year end of the fiscal year 2015. Unless otherwise defined in this announcement, terms defined in the WRL Earnings Release Announcement have the same meaning when used in this announcement.

\* For identification purposes only.

Further to the WRL Earnings Release Announcement, Wynn Resorts, Limited has, on or about 29 February 2016, 6:35 a.m., Las Vegas time, released its audited Annual Report for the fiscal year 2015 (“**WRL Annual Report**”). If you wish to review the WRL Annual Report prepared by Wynn Resorts, Limited and as filed with the U.S. Securities and Exchange Commission, please visit <http://www.sec.gov/Archives/edgar/data/1174922/000117492216000144/0001174922-16-000144-index.htm>. The WRL Annual Report contains segment financial information about Wynn Resorts, Limited’s Macau operations, which are owned by our Company. The WRL Annual Report is also available in the public domain.

The financial results of Wynn Resorts, Limited, including those contained in the WRL Annual Report, have been prepared in accordance with the Generally Accepted Accounting Principles of the United States (“**US GAAP**”), which are different from the International Financial Reporting Standards (“**IFRS**”) that we use to prepare and present our financial information. As such, the financial information in the WRL Annual Report is not directly comparable to the financial results our Company discloses. In particular, Average Daily Rate (“**ADR**”) and Revenue Per Available Room (“**REVPAR**”) as presented in the WRL Annual Report are based on room revenues as reported under US GAAP, which include associated promotional allowances within room revenues. Under US GAAP, promotional allowances are deducted from gross revenues in presenting net revenue. Under IFRS, room revenues exclude such promotional allowances. Consequently, we offer no indication or assurance that the financial results of our Group for the fourth quarter and year end of the fiscal year 2015 will be the same as that presented in the WRL Annual Report. In the WRL Earnings Release Announcement, we announced our unaudited financial results for the fourth quarter ended 31 December 2015 prepared in accordance with IFRS.

To ensure that all shareholders and potential investors of our Company have equal and timely access to the information pertaining to our Company, set forth below are the key highlights of financial information and other information published by Wynn Resorts, Limited in the WRL Annual Report that relate to our Company and our operations in Macau (unless otherwise provided, all dollar amounts in the WRL Annual Report are denominated in United States dollars), some of which may constitute material inside information of the Company:

## ***“ITEM 1. BUSINESS***

### ***Our Resorts***

#### ***Macau Operations***

*We opened Wynn Macau on September 6, 2006 and opened Encore at Wynn Macau, an expansion of Wynn Macau, on April 21, 2010. We refer to the integrated Wynn Macau and Encore at Wynn Macau resort as “Wynn Macau | Encore” or as our “Macau Operations.” We operate Wynn Macau | Encore under a 20-year casino concession agreement granted by the Macau government in June 2002. We lease from the Macau government an approximately 16-acre parcel of land in downtown Macau’s inner harbor where Wynn Macau | Encore is located.*

*Wynn Macau | Encore features the following as of February 12, 2016:*

- Approximately 284,000 square feet of casino space offering 24-hour gaming with 458 table games and 708 slot machines, private gaming salons, sky casinos and a poker pit;*

- *Two luxury hotel towers with a total of 1,008 guest rooms and suites;*
- *Casual and fine dining in eight restaurants;*
- *Approximately 57,000 square feet of high-end, brand-name retail shopping, including stores and boutiques by Bvlgari, Cartier, Chanel, Dior, Dunhill, Ermenegildo Zegna, Ferrari, Giorgio Armani, Graff, Gucci, Hermes, Hugo Boss, Jaeger-LeCoultre, Loro Piana, Louis Vuitton, Miu Miu, Piaget, Prada, Richard Mille, Roger Dubuis, Rolex, Tiffany, Vacheron Constantin, Van Cleef & Arpels, Versace, Vertu, and others;*
- *Approximately 31,000 square feet of space for lounges and meeting facilities;*
- *Recreation and leisure facilities, including two health clubs, spas, a salon and a pool; and*
- *A rotunda show featuring a Chinese zodiac-inspired ceiling along with gold “prosperity tree” and “dragon of fortune” attractions.*

*In response to our evaluation of our Macau Operations and our commitment to creating a unique customer experience, we have made and expect to continue to make enhancements and refinements to this resort. In February 2015, we completed the renovation of approximately 27,000 square feet of our casino space at Wynn Macau for new VIP gaming rooms.*

### ***Construction and Development Opportunities***

*We are currently constructing Wynn Palace, an integrated resort featuring a 1,700 room hotel, a performance lake, and a wide range of amenities, including meeting, retail, food and beverage, and gaming space, in the Cotai area of Macau. The total project budget, including construction costs, capitalized interest, pre-opening expenses, land costs and financing fees, is \$4.1 billion. As of December 31, 2015, we have invested \$3.5 billion in the project.*

*In September 2011, Palo Real Estate Company Limited (“**Palo**”) and Wynn Resorts (Macau), S.A. (“**Wynn Macau SA**”), each an indirect subsidiary of Wynn Macau, Limited, formally accepted the terms and conditions of a land concession contract from the Macau government for approximately 51 acres of land in the Cotai area of Macau. On May 2, 2012, the land concession contract was gazetted by the government of Macau evidencing the final step in the granting of the land concession.*

*The initial term of the Cotai land concession contract is 25 years from May 2, 2012, and it may be renewed with government approval for successive periods. The total land premium payable, including interest as required by the land concession contract, is \$193.4 million. An initial payment of \$62.5 million was paid in December 2011, with eight additional semi-annual payments of approximately \$16.4 million each (including interest at 5%), which began in November 2012. As of December 31, 2015, the remaining \$16.0 million obligation was recorded as a current liability. We will be required to make annual lease payments of \$0.8 million during the resort construction period and annual lease payments of approximately \$1.1 million once the development is completed.*

*On July 29, 2013, Wynn Macau SA and Palo executed a guaranteed maximum price construction (“GMP”) contract with Leighton Contractors (Asia) Limited, acting as the general contractor. The general contractor is obligated to substantially complete the project in the first half of 2016 for a guaranteed maximum price of HK\$20.6 billion (approximately \$2.7 billion). On November 18, 2015, we were notified by the general contractor that the Wynn Palace project in the Cotai area of Macau will not be ready to open by the projected early completion date of March 25, 2016. The general contractor has expressed its commitment to the completion of the project by the required date but has advised us that they dispute our assessment of liquidated damages. We continue to expect to open the property in the first half of 2016; however, potential construction delays could push the opening date into the second half of 2016. Both the contract time and guaranteed maximum price are subject to further adjustment under certain specified conditions. The performance of the general contractor is backed by a full completion guarantee given by CIMIC Group Limited (formerly Leighton Holdings Limited), the parent company of the general contractor, as well as a performance bond for 5% of the guaranteed maximum price.*

### ***Our Strategy***

*Our integrated resorts are conceptualized, designed, built and operated in major metropolitan markets to service all customers with an emphasis on providing superior levels of premium customer service. In Las Vegas and Macau, we have been successful in attracting not only a wide range of domestic guests, but also extending our customer market areas into international markets. We leverage our international marketing team across branch offices (Hong Kong SAR, Singapore, Japan, Taiwan and Vancouver, Canada) located in five countries to attract international customers.*

*Reflecting our commitment to customer service globally, the Company has received the following recognition:*

- Collectively, Wynn Resorts earned more Five-Star awards than any other independent hotel company in the world in the official 2016 Forbes Travel Guide Star Rating list.*
- Wynn Macau \ Encore continues to be the only resort in the world with seven Five-Star awards.*

### ***Market and Competition***

*The casino resort industry is highly competitive. Both our Macau Operations and our Las Vegas Operations compete with other high-quality casino resorts. Resorts located on or near our properties compete on the basis of the range of amenities, level of service, price, location, entertainment, themes and size, among other factors. We seek to differentiate our Macau and Las Vegas integrated resorts from other major resorts by delivering superior design and customer service.*

## *Macau*

*Macau is governed as a special administrative region of China and is located approximately 37 miles southwest of, and approximately one hour away via ferry from, Hong Kong. Macau, which has been a casino destination for more than 50 years, consists principally of a peninsula on mainland China, with two neighboring islands, Taipa and Coloane, between which the Cotai area is located. In 2002, the government of Macau ended a 40-year monopoly on the conduct of gaming operations by conducting a competitive process that resulted in the issuance of gaming concessions to three concessionaires (including Wynn Macau SA), who in turn were permitted, subject to the approval of the government of Macau, to each grant one subconcession, resulting in a total of six gaming concessionaires and subconcessionaires. In addition to Wynn Macau SA, each of Sociedade de Jogos de Macau (“SJM”) and Galaxy Entertainment Group Limited are primary concessionaires with Sands China Ltd., Melco Crown and MGM China Holdings Limited operating under subconcessions. There is no limit to the number of casinos each concessionaire or subconcessionaire is permitted to operate, but each facility is subject to government approval. Currently, there are 36 operating casinos in Macau.*

*We believe that Macau is located in one of the world’s largest concentrations of potential gaming customers. According to Macau Statistical Information, casinos in Macau, the largest gaming market in the world, generated approximately \$29 billion in gaming revenue in 2015. Since the introduction of new casinos starting in 2004, the Macau market has experienced a significant increase in annual gaming revenue from the \$2.9 billion generated in 2002; however, the Macau market has recently experienced significant year-over-year declines, including a 34.3% decline in 2015.*

*Macau’s gaming market is primarily dependent on tourists. Tourist arrivals in 2015 were 30.7 million, compared to 31.5 million in 2014. The Macau market has also experienced tremendous growth in capacity in the last several years. As of December 31, 2015, there were 32,200 hotel rooms, 5,957 table games and 14,578 slot machines in Macau, compared to 12,978 hotel rooms, 2,762 table games and 6,546 slot machines as of December 31, 2006.*

*Gaming customers traveling to Macau have typically come from nearby destinations in Asia, including Hong Kong, mainland China, Taiwan, South Korea and Malaysia. According to the Macau Statistics and Census Service Monthly Bulletin of Statistics, approximately 90% of the tourists who visited Macau in 2015 came from Hong Kong, mainland China and Taiwan. Travel to Macau by citizens of mainland China requires a visa. Chinese government officials have, on occasion, exercised their authority to adjust the visa policy and may do so in the future.*

*Wynn Macau faces competition primarily from the 35 other casinos located throughout Macau plus casinos located throughout the world, including Singapore, Australia, the Philippines, Las Vegas and cruise ships in Asia that offer gaming.*

## **Regulation and Licensing**

### *Macau*

#### *Gaming Promoters.*

*In late 2015, the Macau government implemented enhanced accounting and financial procedures and requirements to be followed by gaming promoters. These enhanced procedures require gaming promoters to disclose more detailed financial and accounting information to the DICJ, including the disclosure of certain financial information on a monthly basis. Gaming promoters also must identify and nominate senior financial or accounting representatives to be available to the DICJ for any follow-up matters the Bureau may require.*

#### **Employees**

*As of December 31, 2015, we had approximately 20,800 total employees (including approximately 8,900 in Macau and 11,900 in Las Vegas).*

### **ITEM 1A. RISK FACTORS**

***Visitation to Macau may continue to decline due to economic disruptions in mainland China, restrictions on visitations to Macau from citizens of mainland China and the anti-corruption campaign.***

*A significant number of our gaming customers at Wynn Macau \ Encore come from mainland China. Continued economic disruption, contraction and uncertainty in China could further impact the number of patrons visiting our Macau Operations or the amount they may be willing to spend. In addition, policies adopted from time to time by the Chinese government, including any travel restrictions imposed by China on its citizens such as restrictions imposed on exit visas granted to residents of mainland China for travel to Macau, could disrupt the number of visitors from mainland China to our property. It is not known when, or if, policies similar to those implemented in 2009 restricting visitation by mainland Chinese citizens to Macau and Hong Kong, will be put in place and travel policies may be adjusted, without notice, in the future. Furthermore, the Chinese government's ongoing anti-corruption campaign has influenced the behavior of Chinese consumers and their spending patterns both domestically and abroad. The campaign has specifically led to tighter monetary transfer regulations, including real time monitoring of certain financial channels, which has disrupted and may continue to impact the number of visitors and the amount of money they bring from mainland China to Macau. The overall effect of the campaign and monetary transfer restrictions may continue to impact or result in an even greater decline in visitations and may continue to negatively affect our revenues and results of operations.*

***All our current and future construction projects will be subject to significant development and construction risks, which could have an adverse effect on our financial condition, results of operations or cash flows from this planned facility.***

*Our Wynn Palace facility or the Wynn resort in Massachusetts facility may not commence operations on schedule and construction costs for these projects may exceed budgeted amounts. Failure to complete these projects on schedule or within budget may have a significant negative effect on us and on our ability to make payments on our debt. On November 18, 2015, we were notified by the general contractor of Wynn Palace that the facility will not be ready to open by the projected early completion date of March 25, 2016. The general contractor has expressed its commitment to the completion of the project by the required date but has advised us that they dispute our assessment of liquidated damages.*

### ***Risks Associated with our Macau Operations***

***We depend upon gaming promoters for a significant portion of our gaming revenue. If we are unable to maintain, or develop additional, successful relationships with reputable gaming promoters, our ability to maintain or grow our gaming revenues could be adversely affected.***

*We may lose the clientele of our gaming promoters, who generate a significant portion of our gaming revenue. There is intense competition among casino operators in Macau for services provided by gaming promoters, which we expect to intensify as additional casinos open in Macau. If we are unable to maintain, or develop additional, successful relationships with reputable gaming promoters, or lose a significant number of our gaming promoters to our competitors, our ability to maintain or grow our gaming revenues will be adversely affected and we will have to seek alternative ways of developing relationships with VIP customers. In addition, if our gaming promoters are unable to develop or maintain relationships with our VIP customers, our ability to maintain or grow our gaming revenues will be hampered.*

***The financial resources of our gaming promoters may be insufficient to allow them to continue doing business in Macau which could adversely affect our business and financial condition. Our gaming promoters may experience difficulty in attracting patrons.***

*Given present market conditions in Macau and certain economic and other factors occurring in the region, gaming promoters are encountering difficulties in attracting patrons to come to Macau. Further, gaming promoters are experiencing decreased liquidity, limiting their ability to grant credit to their patrons, resulting in decreased gaming volume in Macau and at Wynn Macau. Credit already extended by our gaming promoters to their patrons has become difficult for them to collect. The inability to attract sufficient patrons, grant credit and collect amounts due in a timely manner are negatively affecting our gaming promoters' operations, causing gaming promoters to wind up or liquidate their operations or resulting in some of our gaming promoters leaving Macau. Current and any future difficulties could adverse impact our results of operations.*

***Increased competition for the services of gaming promoters may require us to pay increased commission rates to gaming promoters.***

*Certain gaming promoters have significant leverage and bargaining strength in negotiating operational agreements with casino operators. This leverage could result in gaming promoters negotiating changes to our operational agreements, including higher commissions, or the loss of business to a competitor or the loss of certain relationships with gaming promoters. If we need to increase our commission rates or otherwise change our practices with respect to gaming promoters due to competitive forces, our results of operations could be adversely affected.*

***Failure by the gaming promoters with whom we work to comply with Macau gaming laws and high standards of probity and integrity might affect our reputation and ability to comply with the requirements of our concession, Macau gaming laws and other gaming licenses.***

*The reputations and probity of the gaming promoters with whom we work are important to our own reputation and to our ability to operate in compliance with our concession, Macau gaming laws and other gaming licenses. We conduct periodic reviews of the probity and compliance programs of our gaming promoters. However, we are not able to control our gaming promoters' compliance with these high standards of probity and integrity, and our gaming promoters may violate provisions in their contracts with us designed to ensure such compliance. In addition, if we enter into a new business relationship with a gaming promoter whose probity is in doubt, this may be considered by regulators or investors to reflect negatively on our own probity. If our gaming promoters are unable to maintain required standards of probity and integrity, we may face consequences from gaming regulators with authority over our operations. Furthermore, if any of our gaming promoters violate the Macau gaming laws while on our premises, the Macau government may, in its discretion, take enforcement action against us, the gaming promoter, or each concurrently, and we may be sanctioned and our reputation could be harmed.*

***Revenues from our Macau gaming operations will end if we cannot secure an extension of our concession in 2022 or if the Macau government exercises its redemption right in 2017.***

*Our concession agreement with the Macau government expires in June 2022. Unless our concession is extended, in June 2022, all of our gaming operations and related equipment in Macau will be automatically transferred to the Macau government without compensation to us and we will cease to generate any revenues from these operations. Beginning in June 2017, the Macau government may redeem the concession agreement by providing us at least one year's prior notice. In the event the Macau government exercises this redemption right, we are entitled to fair compensation or indemnity. The amount of such compensation or indemnity will be determined based on the amount of revenue generated during the tax year prior to the redemption multiplied for the remaining years under the concession. We may not be able to renew or extend our concession agreement on terms favorable to us or at all and, if our concession is redeemed, the compensation paid to us may not be adequate to compensate us for the loss of future revenues. The redemption of or failure to extend our concession would have a material adverse effect on our results of operations.*



***The Macau government has established a maximum number of gaming tables that may be operated in Macau and may limit the number of new gaming tables at new gaming areas in Macau, including our development project, Wynn Palace.***

*The Macau government has imposed a cap on gaming tables and restricts the number of gaming tables that may be operated in Macau. We may not be able to obtain Macau government's approval to operate a sufficient number of gaming tables at our development project, Wynn Palace. These restrictions may have a material adverse effect on our business, financial condition, results of operations or cash flows.*

***We are currently required to complete Wynn Palace by May 2017. If we are unable to meet this deadline, we may lose the respective land concession, which could prohibit us from operating any facilities developed under such land concession.***

*The Company has capitalized approximately \$3.4 billion, including the land premium (net of amortization) and \$199.9 million in outstanding construction payables and construction retention, as of December 31, 2015. Under the Company's land concession for Wynn Palace, the Company is required to complete the development by May 2017. Should the Company determine that it is unable to complete Wynn Palace by this deadline, the Company would expect to apply for an extension from the Macau government. If the Company is unable to meet the current deadline and the deadline for the development is not extended, the Company could lose its land concession for Wynn Palace, which would prohibit the Company from operating any facilities developed under the land concession. As a result, the Company could record a charge for all or some portion of its capitalized construction costs and land premiums (net of amortization). The Company expects to open Wynn Palace in the first half of 2016; however, potential construction delays could push the opening date into the second half of 2016.*

***The smoking control legislation in Macau could have an adverse effect on our business, financial condition, results of operations or cash flows.***

*In 2014, the Macau government approved smoking control legislation, which prohibits smoking in casinos starting on October 6, 2014. The legislation, however, permits casinos to maintain certain limited smoking areas open to VIP patrons if such areas are within restricted access areas, comply with certain square footage ratios based on overall gaming area square footage and comply with the conditions set out in the Dispatch of the Chief Executive, dated November 1, 2012, as amended by the Dispatch of the Chief Executive, dated June 3, 2014. Public announcements by the Macau government indicate that the Macau government intends to pursue a full smoking ban within all Macau casinos. The existing smoking legislation, and any smoking legislation intended to fully ban all smoking in casinos, may deter potential gaming customers who are smokers from frequenting casinos in Macau and disrupt the number of patrons visiting or the amount of time visiting patrons spend at our property, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.*

### **ITEM 3. LEGAL PROCEEDINGS**

We are occasionally party to lawsuits. As with all litigation, no assurance can be provided as to the outcome of such matters and we note that litigation inherently involves significant costs. Please see Item 8 — “Financial Statements and Supplementary Data,” Note 17 “Commitments and Contingencies — Litigation” in this Annual Report on Form 10-K, which is incorporated herein by reference. For additional information, please see Item 8 — “Financial Statements and Supplementary Data” as well as Item 1A — “Risk Factors” in this Annual Report on Form 10-K.

#### **CCAC Information Request**

In July 2014, Wynn Macau SA was contacted by the Macau Commission Against Corruption of Macau (“CCAC”) requesting certain information related to its land in the Cotai area of Macau. Wynn Macau SA is cooperating with CCAC’s request.

### **ITEM 6. SELECTED FINANCIAL DATA**

| <i>As of December 31,</i>                       |             |             |                           |             |
|---|-------------|-------------|---------------------------|-------------|
| <u>2015</u>                                     | <u>2014</u> | <u>2013</u> | <u>2012<sup>(1)</sup></u> | <u>2011</u> |
| <i>(in thousands, except per share amounts)</i> |             |             |                           |             |

#### **Consolidated Balance**

##### **Sheets Data:**

|  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| Cash and cash equivalents                  | \$2,080,089 | \$2,182,164 | \$2,435,041 | \$1,725,219 | \$1,262,587 |
| Total long-term obligations <sup>(2)</sup> | 9,390,243   | 7,543,452   | 6,789,145   | 6,041,285   | 3,096,149   |

(2) Includes long-term debt, long-term portion of the contract premium payments under our land concession contract at Wynn Macau, other long-term liabilities and deferred income taxes, net.

### **ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

#### **Overview**

In Macau, we own 72% of Wynn Macau, Limited and operate Wynn Macau and Encore at Wynn Macau. We refer to the integrated Wynn Macau and Encore at Wynn Macau resort as Wynn Macau \ Encore or as our Macau Operations. We are currently constructing Wynn Palace, an integrated casino resort in the Cotai area of Macau.

#### **Macau Operations**

Our integrated Macau resort of Wynn Macau and Encore at Wynn Macau features approximately 284,000 square feet of casino space with 458 table games and 708 slot machines and two luxury hotel towers with a total of 1,008 guest rooms and suites. Wynn Macau \ Encore includes casual and fine dining in eight restaurants, approximately 57,000 square feet of retail space, approximately 31,000 square feet of lounge and meeting facilities and recreation and leisure facilities.

*In response to our evaluation of our Macau Operations and our commitment to creating a unique customer experience, we have made and expect to continue to make enhancements and refinements to this resort. In February 2015, we completed the renovation of approximately 27,000 square feet of our casino space at Wynn Macau for new VIP gaming rooms.*

**Results of Operations**

**Financial results for the year ended December 31, 2015 compared to the year ended December 31, 2014.**

*Net revenues*

*The following table presents net revenues from our Macau and Las Vegas Operations (in thousands):*

|                         | <u>Years Ended December 31,</u> |             | <u>Percent<br/>Change</u> |
|-------------------------|---------------------------------|-------------|---------------------------|
|                         | <u>2015</u>                     | <u>2014</u> |                           |
| <i>Net revenues</i>     |                                 |             |                           |
| <i>Macau Operations</i> | \$2,463,092                     | \$3,796,750 | (35.1)                    |

*Net revenues decreased 25.0% to \$4,075.9 million for the year ended December 31, 2015, from \$5,433.7 million for the same period in 2014. The decline is primarily due to a decrease of 35.5%, or \$1,273.9 million, in casino revenues from our Macau Operations.*

*Casino revenues*

*Casino revenues decreased 31.4% to \$2,932.4 million for the year ended December 31, 2015, from \$4,274.2 million in the same period of 2014. The decline is primarily due to the continued weak gaming environment affecting our Macau Operations, which experienced a year-over-year decrease in casino revenues of 35.5% from \$3,586.8 million to \$2,312.9 million. Our VIP gaming operations drove the Macau Operations casino revenue reduction, with \$57.92 billion in VIP turnover for the year ended December 31, 2015, compared to \$108.08 billion for the same period of 2014. In addition, our mass market gaming operations contributed to the decline in casino revenues from our Macau Operations with a 12.0% decrease in table drop combined with a reduction in table games win percentage of 1.9 percentage points. Our VIP tables decreased from 248 at December 31, 2014 to 190 at December 31, 2015 based on current operating environment and customer demand.*

The table below sets forth our casino revenues and associated key operating measures for our Macau and Las Vegas Operations (dollars in thousands, except for win per unit per day).

|                                   | <u>Years Ended December 31,</u> |               | <u>Increase/<br/>(Decrease)</u> | <u>Percent<br/>Change</u> |
|-----------------------------------|---------------------------------|---------------|---------------------------------|---------------------------|
|                                   | <u>2015</u>                     | <u>2014</u>   |                                 |                           |
| <b>Macau Operations:</b>          |                                 |               |                                 |                           |
| Total casino revenues             | \$2,312,925                     | \$3,586,781   | \$(1,273,856)                   | (35.5)                    |
| Average number of table games     | 458                             | 461           | (3)                             | (0.7)                     |
| <b>VIP</b>                        |                                 |               |                                 |                           |
| Average number of table games     | 230                             | 259           | (29)                            | (11.2)                    |
| VIP turnover                      | \$57,917,060                    | \$108,077,342 | \$(50,160,282)                  | (46.4)                    |
| Table games win                   | \$1,659,683                     | \$3,051,046   | \$(1,391,363)                   | (45.6)                    |
| VIP win as a % of turnover        | 2.87%                           | 2.82%         | 0.05                            |                           |
| Table games win per unit per day  | \$19,785                        | \$32,258      | \$(12,473)                      | (37.2)                    |
| <b>Mass market</b>                |                                 |               |                                 |                           |
| Average number of table games     | 228                             | 202           | 26                              | 12.9                      |
| Table drop                        | \$4,857,804                     | \$5,517,382   | \$(659,578)                     | (12.0)                    |
| Table games win                   | \$951,458                       | \$1,187,997   | \$(236,539)                     | (19.9)                    |
| Table games win %                 | 19.6%                           | 21.5%         | (1.9)                           |                           |
| Table games win per unit per day  | \$11,431                        | \$16,154      | \$(4,723)                       | (29.2)                    |
| Average number of slot machines   | 708                             | 679           | 29                              | 4.3                       |
| Slot machine handle               | \$3,961,115                     | \$5,415,127   | \$(1,454,012)                   | (26.9)                    |
| Slot machine win                  | \$191,164                       | \$264,763     | \$(73,599)                      | (27.8)                    |
| Slot machine win per unit per day | \$740                           | \$1,068       | \$(328)                         | (30.7)                    |

#### *Non-casino revenues*

Room revenues decreased \$4.3 million to \$538.5 million for the year ended December 31, 2015, from \$542.8 million in the same period of 2014, driven by a decline from our Macau Operations of \$8.4 million, partially offset by an increase from our Las Vegas Operations of \$4.2 million.

The table below sets forth our room revenues and associated key operating measures for our Macau and Las Vegas Operations.

|                                    | <u>Years Ended December 31,</u> |             | <u>Percent Change<sup>(a)</sup></u> |
|------------------------------------|---------------------------------|-------------|-------------------------------------|
|                                    | <u>2015</u>                     | <u>2014</u> |                                     |
| <b>Macau Operations:</b>           |                                 |             |                                     |
| Total room revenues (in thousands) | \$125,348                       | \$133,781   | (6.3)                               |
| Occupancy                          | 96.5%                           | 98.4%       | (1.9)                               |
| ADR                                | \$323                           | \$333       | (3.0)                               |
| REVPAR                             | \$312                           | \$327       | (4.6)                               |

(a) Except occupancy, which is presented as a percentage point change.

Food and beverage revenues decreased \$7.6 million to \$597.1 million for the year ended December 31, 2015, from \$604.7 million for the same period of 2014. We experienced a decline of \$24.0 million in food and beverage revenues from our Macau Operations, mainly from restaurants, partially offset by an increase of \$16.4 million in food and beverage revenues from our Las Vegas Operations, which was driven by increases in revenues at nightclubs and from catering and banquets.

Entertainment, retail and other decreased 12.6%, or \$50.6 million, to \$350.6 million for the year ended December 31, 2015, from \$401.2 million for the same period of 2014. The decrease is primarily due to a decline in revenue from retail shops at our Macau Operations.

#### Operating costs and expenses

Casino expenses decreased 30.2%, or \$804.3 million, to \$1,862.7 million for the year ended December 31, 2015, from \$2,667.0 million for the same period of 2014, primarily due to lower gaming taxes from the 39.0% gross win tax incurred at our Macau Operations.

Entertainment, retail and other expenses decreased 3.9%, or \$6.3 million, to \$157.4 million for the year ended December 31, 2015, from \$163.8 million in the same period of 2014. The decrease is primarily attributable to the reduction in merchandise cost at our Macau Operations associated with the decline in retail shop revenues, partially offset by an increase from our Las Vegas Operations due to costs associated with Steve Wynn's ShowStoppers, which opened in December 2014.

Pre-opening costs were \$77.6 million for the year ended December 31, 2015, compared to \$30.1 million for the same period of 2014 and were primarily associated with the design and planning for our development projects. During the year ended December 31, 2015, we incurred \$55.1 million related to Wynn Palace and \$22.6 million related to the Wynn resort in Massachusetts. Pre-opening costs for the year ended December 31, 2014 related to Wynn Palace. We expect our pre-opening costs to increase in 2016 as Wynn Palace progresses toward completion and we begin development of the Wynn resort in Massachusetts.

*Depreciation and amortization increased 2.7%, or \$8.5 million, to \$322.6 million for the year ended December 31, 2015, from \$314.1 million for the same period of 2014. The increase is primarily due to additional depreciation associated with building improvements at our Macau Operations, including our new VIP gaming rooms. The increase was partially offset by a \$7.4 million reduction in depreciation due to a change in the estimated useful lives of certain assets in Macau. Effective September 1, 2015, we changed our estimate of remaining useful lives of buildings and improvements for Wynn Macau to more accurately reflect the estimated periods during which these assets are expected to remain in service.*

#### *Income Taxes*

*For the years ended December 31, 2015 and 2014, we recorded a tax expense of \$7.7 million and a tax benefit of \$3.8 million, respectively. For the year ended December 31, 2015, our income tax expense is primarily related to an increase in our deferred tax liabilities. For the year ended December 31, 2014, our benefit for income taxes was primarily related to a release of valuation allowance on prior year foreign tax credits resulting from the implementation of a tax planning strategy.*

*Wynn Macau SA received a 5-year exemption from Macau's Complementary Tax on casino gaming profits through December 31, 2015. In October 2015, Wynn Macau SA received an additional 5-year exemption, effective January 1, 2016, from Macau's Complementary Tax on casino gaming profits through December 31, 2020. During the years ended December 31, 2015 and 2014, we were exempt from the payment of \$41.6 million and \$99.4 million in such taxes, respectively. Our nongaming profits remain subject to the Macau Complementary Tax and casino winnings remain subject to the Macau Special Gaming tax and other levies together totaling 39% in accordance with our concession agreement.*

*In 2011, Wynn Macau SA entered into an agreement with the Macau Special Administrative Region that provides for an annual payment of 15.5 million Macau patacas ("MOP") (approximately \$1.9 million) to the Macau Special Administrative Region as complementary tax due by shareholders on dividend distributions. This agreement on dividends is effective through December 31, 2015. In June 2015, Wynn Macau SA applied for an extension of the agreement for an additional five years effective January 1, 2016 through December 31, 2020.*

*In December 2015, the Financial Services Bureau completed an examination of the 2012 Macau income tax return of Wynn Macau SA. While no additional tax was due, adjustments were made to our foreign net operating loss carryforwards.*

#### *Net income attributable to noncontrolling interests*

*Net income attributable to noncontrolling interests was \$86.2 million for the year ended December 31, 2015, compared to \$231.1 million for the year ended December 31, 2014. These amounts represent the noncontrolling interests' share of net income from Wynn Macau, Limited for each year.*

## **Adjusted Property EBITDA**

*We use Adjusted Property EBITDA to manage the operating results of our segments. Adjusted Property EBITDA is net income before interest, taxes, depreciation and amortization, pre-opening costs, property charges and other, management and license fees, corporate expenses and other, intercompany golf course and water rights leases, stock-based compensation, loss on extinguishment of debt, change in interest rate swap fair value, change in Redemption Note fair value and other non-operating income and expenses, and includes equity in income from unconsolidated affiliates. Adjusted Property EBITDA is presented exclusively as a supplemental disclosure because we believe that it is widely used to measure the performance, and as a basis for valuation, of gaming companies. We use Adjusted Property EBITDA as a measure of the operating performance of our segments and to compare the operating performance of our properties with those of our competitors. We also present Adjusted Property EBITDA because it is used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Gaming companies have historically reported EBITDA as a supplement to financial measures in accordance with U.S. generally accepted accounting principles ("GAAP"). In order to view the operations of their casinos on a more stand-alone basis, gaming companies, including us, have historically excluded from their EBITDA calculations pre-opening expenses, property charges, corporate expenses and stock-based compensation that do not relate to the management of specific casino properties. However, Adjusted Property EBITDA should not be considered as an alternative to operating income as an indicator of our performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure determined in accordance with GAAP. Unlike measures of net income, Adjusted Property EBITDA does not include depreciation or interest expense and therefore does not reflect current or future capital expenditures or the cost of capital. We have significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in Adjusted Property EBITDA. Also, our calculation of Adjusted Property EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.*

*The following table summarizes Adjusted Property EBITDA (in thousands) for our Macau and Las Vegas Operations as reviewed by management and summarized in Item 8 — "Financial Statements and Supplementary Data," Note 18 "Segment Information." That footnote also presents a reconciliation of Adjusted Property EBITDA to net income.*

|                         | <b>Years Ended December 31,</b> |             |             |
|-------------------------|---------------------------------|-------------|-------------|
|                         | <b>2015</b>                     | <b>2014</b> | <b>2013</b> |
| <i>Macau Operations</i> | \$708,623                       | \$1,258,082 | \$1,324,119 |

*Adjusted Property EBITDA at our Macau and Las Vegas Operations decreased year-over-year by 43.7% and 7.4%, respectively, for the year ended December 31, 2015, primarily due to the decline in casino revenues.*

## ***Liquidity and Capital Resources***

### ***Investing Activities***

*Net cash used in investing activities for the year ended December 31, 2015 was \$1,891.6 million, which was primarily attributable to \$1,921.2 million in capital expenditures, net of construction payables and retention, with majority for Wynn Palace construction.*

### ***Financing Activities***

*Net cash provided by financing activities was \$1,216.3 million for the year ended December 31, 2015. During the year ended December 31, 2015 we amended our Wynn Macau credit facilities and received proceeds of \$2.27 billion from our fully funded senior secured term loan facility. These proceeds were used to repay \$953.3 million in outstanding borrowings under the senior secured term loan facility dated July 30, 2012 and \$815.8 million in outstanding borrowings under the senior secured revolving credit facility dated July 30, 2012, of which \$683.3 million had been previously borrowed during 2015.*

*Net cash used in financing activities was \$235.6 million for the year ended December 31, 2014, which was mainly due to the payment of dividends of \$942.9 million and payments on our long-term debt, primarily offset by proceeds of \$755.6 million from the issuance of senior notes and \$132.6 million from borrowings, net of repayments, under our Wynn Macau revolving credit facility.*

### ***Capital Resources***

*As of December 31, 2015, we had approximately \$2,080.1 million of cash and cash equivalents and \$251.6 million of available-for-sale investments in domestic and foreign debt securities and commercial paper. Cash and cash equivalents include cash on hand, cash in bank and fixed deposits, investments in money market funds, domestic and foreign bank time deposits and commercial paper, all with maturities of less than 90 days. Of these amounts, Wynn Macau, Limited and its subsidiaries (of which we own 72%) held \$868.4 million in cash.*

*The Wynn Macau credit facilities consist of a \$2.27 billion equivalent fully funded senior secured term loan facility and a \$750.0 million equivalent senior secured revolving credit facility (together, the “**Wynn Macau Credit Facilities**”). Borrowings under the Wynn Macau Credit Facilities consist of both United States dollar and Hong Kong dollar tranches and were used to refinance Wynn Macau SA’s existing indebtedness, and will be used to fund the construction and development of Wynn Palace and for general corporate purposes. As of December 31, 2015, we had \$318.8 million of available borrowing capacity under the senior secured revolving credit facility.*



## **Macau Related Debt**

*Our Macau related debt consists of senior notes and the Wynn Macau Credit Facilities.*

*On March 20, 2014, Wynn Macau, Limited (“WML”), an indirect subsidiary of Wynn Resorts, Limited, issued \$750.0 million aggregate principal amount of 5 1/4% Senior Notes due 2021 (the “Additional 2021 Notes”), which were consolidated and form a single series with the \$600.0 million aggregate principal amount of 5 1/4% Senior Notes due 2021 issued by WML on October 16, 2013 (the “Original 2021 Notes” and together with the “Additional 2021 Notes,” the “2021 Notes”).*

*The 2021 Notes will bear interest at the rate of 5 1/4% per annum and will mature on October 15, 2021. Interest on the 2021 Notes is payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2014. At any time on or before October 14, 2016, WML may redeem the 2021 Notes, in whole or in part, at a redemption price equal to the greater of (a) 100% of the aggregate principal amount of the 2021 Notes or (b) a “make-whole” amount as determined by an independent investment banker in accordance with the terms of the indenture for the 2021 Notes, dated as of October 16, 2013 (the “WML Indenture”). In either case, the redemption price would include accrued and unpaid interest. In addition, on or after October 15, 2016, WML may redeem the 2021 Notes, in whole or in part, at a premium decreasing annually from 103.94% of the principal amount to zero, plus accrued and unpaid interest. If WML undergoes a Change of Control (as defined in the WML Indenture), it must offer to repurchase the 2021 Notes at a price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest. In addition, we may redeem the 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest, in response to any change in or amendment to certain tax laws or tax positions. Further, if a holder or beneficial owner of the 2021 Notes fails to meet certain requirements imposed by any Gaming Authority (as defined in the WML Indenture), WML may require the holder or beneficial owner to dispose of or redeem its 2021 Notes.*

*The 2021 Notes are WML’s general unsecured obligations and rank pari passu in right of payment with all of WML’s existing and future senior unsecured indebtedness; will rank senior to all of WML’s future subordinated indebtedness, if any; will be effectively subordinated to all of WML’s future secured indebtedness to the extent of the value of the assets securing such debt; and will be structurally subordinated to all existing and future obligations of WML’s subsidiaries, including Wynn Macau Credit Facilities’ existing credit facilities. The 2021 Notes are not registered under the Securities Act of 1933, as amended (the “Securities Act”), and the 2021 Notes are subject to restrictions on transferability and resale.*

*The WML Indenture contains covenants limiting WML’s (and certain of its subsidiaries’) ability to, among other things: merge or consolidate with another company; transfer or sell all or substantially all of its properties or assets; and lease all or substantially all of its properties or assets. The terms of the WML Indenture contain customary events of default, including, but not limited to: default for 30 days in the payment when due of interest on the 2021 Notes; default in the payment when due of the principal of, or premium, if any, on the 2021 Notes; failure to comply with any payment obligations relating to the repurchase by WML of the 2021 Notes upon a change of control; failure to comply with certain covenants in the WML*

*Indenture; certain defaults on certain other indebtedness; failure to pay judgments against WML or certain subsidiaries that, in the aggregate, exceed \$50.0 million; and certain events of bankruptcy or insolvency. In the case of an event of default arising from certain events of bankruptcy or insolvency, all 2021 Notes then outstanding will become due and payable immediately without further action or notice.*

*On September 30, 2015, we amended our Wynn Macau Credit Facilities. The borrowing availability was increased to \$3.05 billion with ability to upsize an additional \$1 billion in equivalent senior secured loans upon satisfaction of various conditions. The senior secured term loan facility is repayable in graduating installments of between 2.5% and 7.33% of the principal amount on a quarterly basis commencing December 2018, with a final installment of 50% of the principal amount repayable in September 2021 (extended from July 2018). Any outstanding borrowings from the senior secured revolving credit facility will mature in September 2020 (extended from July 2017) by which time any outstanding borrowings from the senior secured revolving credit facility must be repaid. The Wynn Macau Credit Facilities bear interest at LIBOR or HIBOR plus a margin of 1.50% to 2.25% per annum based on Wynn Macau SA's Leverage Ratio (as defined in the Wynn Macau Credit Facilities). The commitment fee required to pay for unborrowed amounts under the senior secured revolving credit facility, if any, is between 0.52% to 0.79% per annum, based on Wynn Macau SA's Leverage Ratio. The annual commitment fee is payable quarterly in arrears and calculated based on the daily average of the unborrowed amounts.*

*The Wynn Macau Credit Facilities contain a requirement that Wynn Macau SA must make mandatory repayments of indebtedness from specified percentages of excess cash flow. If Wynn Macau SA's Leverage Ratio is greater than 4.5 to 1, then 25% of Excess Cash Flow (as defined in the Wynn Macau Credit Facilities) must be used for prepayment of indebtedness and cancellation of available borrowings under the Wynn Macau Credit Facilities. There is no mandatory prepayment in respect of Excess Cash Flow if Wynn Macau SA's Leverage Ratio is equal to or less than 4.5 to 1.*

*The Wynn Macau Credit Facilities contain customary covenants restricting certain activities including, but not limited to: the incurrence of additional indebtedness, the incurrence or creation of liens on any of its property, sale and leaseback transactions, the ability to dispose of assets, and making loans or other investments. In addition, Wynn Macau SA is required by the financial covenants to maintain a Leverage Ratio of not greater than 5.25 to 1 for the fiscal year ending December 31, 2015, and an Interest Coverage Ratio (as defined in the Wynn Macau Credit Facilities) of not less than 2.00 to 1 at any time.*

*Borrowings under the Wynn Macau Credit Facilities will continue to be guaranteed by Palo Real Estate Company Limited ("Palo"), a subsidiary of Wynn Macau SA, and by certain subsidiaries of the Company that own equity interests in Wynn Macau SA, and are secured by substantially all of the assets of Wynn Macau SA and Palo, and the equity interests in Wynn Macau SA. Borrowings under the Wynn Macau Facilities are not guaranteed by the Company or WML.*

*In connection with the gaming concession contract of Wynn Macau SA, Wynn Macau SA entered into a Bank Guarantee Reimbursement Agreement with Banco Nacional Ultramarino,*

S.A. (“**BNU**”) for the benefit of the Macau government. This guarantee assures Wynn Macau SA’s performance under the casino concession agreement, including the payment of premiums, fines and indemnity for any material failure to perform under the terms of the concession agreement and the payment of any gaming taxes. As of December 31, 2015, the guarantee was in the amount of MOP 300.0 million (approximately \$37.0 million) and will remain at such amount until 180 days after the end of the term of the concession agreement (2022). BNU, as issuer of the guarantee, is currently secured by a second priority security interest in the senior lender collateral package. From and after repayment of all indebtedness under the Wynn Macau Credit Facilities, Wynn Macau SA is obligated to promptly, upon demand by BNU, repay any claim made on the guarantee by the Macau government. BNU is paid an annual fee for the guarantee of MOP 2.3 million (approximately \$0.3 million).

### *Contractual Obligations and Commitments*

The following table summarizes our scheduled contractual commitments at December 31, 2015 (dollars in millions):

|                                   | <i>Payments Due By Period</i> |                         |                         |                          | <i>Total</i> |
|-----------------------------------|-------------------------------|-------------------------|-------------------------|--------------------------|--------------|
|                                   | <i>Less Than<br/>1 Year</i>   | <i>1 to<br/>3 Years</i> | <i>4 to<br/>5 Years</i> | <i>After<br/>5 Years</i> |              |
| <i>Leasehold interest in land</i> | 16.0                          | —                       | —                       | —                        | 16.0         |

### *Critical Accounting Policies and Estimates*

#### *Development, Construction and Property and Equipment Estimates*

We review remaining estimated useful lives of our property and equipment on an ongoing basis. In our review of estimated useful lives of buildings and improvements for Wynn Macau, we consider factors such as liberalization of the gaming industry in Macau, market expansion and actions taken by the Macau government regarding concession renewals. This review indicated that our estimated useful lives of buildings and improvements extend beyond the current expiration of the gaming concession in June 2022 and land concession in August 2029. As a result, effective September 1, 2015, we have changed our estimate of the remaining useful lives of Wynn Macau assets to better reflect the estimated periods during which these assets are expected to remain in service.

#### *Allowance for Estimated Doubtful Accounts Receivable*

The following table presents key statistics related to our casino accounts receivable (dollars in thousands):

|                                   | <i>December 31,</i> |             |
|-----------------------------------|---------------------|-------------|
|                                   | <i>2015</i>         | <i>2014</i> |
| <i>Casino accounts receivable</i> | \$190,294           | \$257,930   |

As of December 31, 2015 and 2014, 38.7% and 28.2%, respectively, of our outstanding casino account receivable balance originated at our Macau Operations.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### ***Interest Rate Risks***

As of December 31, 2015, interest rate swaps were recorded as an asset of \$0.7 million included in deposits and other assets and as a liability of \$0.1 million included in other long-term liabilities in the accompanying Consolidated Balance Sheet. As of December 31, 2014, interest rate swaps were recorded as an asset of \$5.9 million included in deposits and other assets in the accompanying Consolidated Balance Sheet.

The fair value approximates the amount we would pay or receive if these contracts were settled at the respective valuation dates. Fair value is estimated based upon current, and predictions of future, interest rate levels along a yield curve, the remaining duration of the instruments and other market conditions, and therefore, is subject to significant estimation and a high degree of variability of fluctuation between periods. We adjust this amount by applying a non-performance valuation, considering our creditworthiness or the creditworthiness of our counterparties at each settlement date, as applicable.

## **WYNN RESORTS, LIMITED AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **Note 2 — Summary of Significant Accounting Policies**

##### ***Accounts Receivable and Credit Risk***

The Company advances commissions to its gaming promoters in Macau. These were previously supported primarily by held checks and recognized as cash and cash equivalents (\$153.4 million as of December 31, 2014). Market conditions in Macau and other regional economic factors have impacted the liquidity of certain gaming promoters. As a result, the Company's advanced commissions to gaming promoters now are supported primarily with signed promissory notes. The advanced commissions are on terms requiring settlement within five business days of the month following the advance. The Company recognized advanced commissions of \$46.9 million as casino receivables in the accompanying Consolidated Balance Sheet as of December 31, 2015, and assesses these advanced commissions in connection with the Company's evaluation of its bad debt reserve for casino receivables. Additionally, the amount presented in the accompanying Consolidated Balance Sheet has been offset by related commissions payable to gaming promoters of \$36.6 million as of December 31, 2015.

##### ***Property and Equipment***

The Company reviews the remaining estimated useful lives of its property and equipment on an ongoing basis. For the review of estimated useful lives of buildings and improvements for Wynn

Macau, the Company considers factors such as liberalization of the gaming industry in Macau, market expansion and actions taken by the Macau government regarding concession renewals. This review during the third quarter of 2015 indicated that the Company's estimated useful lives of buildings and improvements extended beyond the current expiration of the gaming concession in June 2022 and land concession in August 2029. As a result, effective September 1, 2015, the Company changed its estimate of remaining useful lives of buildings and improvements for Wynn Macau to better reflect the estimated periods during which these assets are expected to remain in service. The maximum useful life of buildings and improvements for Wynn Macau was increased to 45 years from the date placed in service. The effect of this change in estimate for the year ended December 31, 2015, was to reduce depreciation expense and increase income from continuing operations and net income by \$7.4 million, and increase basic and diluted earnings per share by \$0.01.

**Note 6 — Property and Equipment, net**

Property and equipment, net consisted of the following (in thousands):

|                          | <i>As of December 31,</i> |             |
|--------------------------|---------------------------|-------------|
|                          | <u>2015</u>               | <u>2014</u> |
| Construction in progress | 3,217,117                 | 1,666,326   |

Construction in progress consists primarily of costs capitalized, including interest, for the construction of Wynn Palace and the Wynn resort in Massachusetts.

**Note 7 — Intangible Assets, net**

Intangible assets, net consisted of the following (in thousands):

|                                 | <i>As of December 31,</i> |                 |
|---------------------------------|---------------------------|-----------------|
|                                 | <u>2015</u>               | <u>2014</u>     |
| Finite-lived intangible assets: |                           |                 |
| Macau Gaming Concession         | 42,300                    | 42,300          |
| Less: accumulated amortization  | <u>(26,815)</u>           | <u>(24,432)</u> |
|                                 | <u>15,485</u>             | <u>17,868</u>   |

The Macau gaming concession is a finite-lived intangible asset and being amortized over the 20-year life of the concession. The Company expects that amortization of the Macau gaming concession will be \$2.4 million each year from 2016 through 2021, and \$1.2 million in 2022.

## Note 8 — Long-Term Debt

Long-term debt consisted of the following (in thousands):

|  | <u>December 31,</u> |             |
|--|---------------------|-------------|
|  | <u>2015</u>         | <u>2014</u> |
| <b>Macau Related:</b>  |                     |             |
| <b>Wynn Macau Credit Facilities:</b>   |                     |             |
| Senior Term Loan Facility (as amended September 2015), due September 2021; interest at LIBOR or HIBOR plus 1.50%–2.25% (2.08% at December 31, 2015), net of original issue discount of \$34,612 at December 31, 2015 | \$2,272,700         | \$—         |
| Senior Revolving Credit Facility (as amended September 2015), due September 2020; interest at LIBOR or HIBOR plus 1.50%–2.25% (2.00% at December 31, 2015)   | 431,172             | —           |
| Senior Term Loan Facility, due July 31, 2017 and July 31, 2018; interest at LIBOR or HIBOR plus 1.75%–2.50%, net of original issue discount of \$3,830 at December 31, 2014  | —                   | 948,823     |
| Senior Revolving Credit Facility, due July 31, 2017, interest at LIBOR or HIBOR plus 1.75%–2.50%   | —                   | 132,524     |
| 5 1/4% Senior Notes, due October 15, 2021, including original issue premium of \$4,491 and \$5,141 at December 31, 2015 and 2014, respectively   | 1,354,491           | 1,355,141   |

### Macau Related Debt

#### Wynn Macau Credit Facilities

Upon closing of the Amended Wynn Macau Credit Facilities, the Company received proceeds of \$2.27 billion from the Wynn Macau Senior Term Loan Facility. The proceeds were used to repay \$953.3 million in outstanding borrowings under the senior secured term loan facility dated July 30, 2012, and \$815.8 million in outstanding borrowings under the senior secured revolving credit facility dated July 30, 2012. In connection with Amended Wynn Macau Credit Facilities, the Company recorded a loss on extinguishment of debt of \$2.1 million related to the write-off of unamortized deferred financing costs.

As of December 31, 2015, the Company had \$318.8 million of available borrowing capacity under the Wynn Macau Senior Revolving Credit Facility.

#### 5 1/4% Senior Notes due 2021

On March 20, 2014, WML, an indirect subsidiary of Wynn Resorts issued \$750 million aggregate principal amount of 5 1/4% Senior Notes due 2021 (the “Additional 2021 Notes”),

which were consolidated and form a single series with the \$600 million aggregate principal amount of 5 1/4% Senior Notes due 2021 issued by WML on October 16, 2013 (the “**Original 2021 Notes**” and together with the “**Additional 2021 Notes**,” the “**2021 Notes**”). WML received net proceeds of \$591.5 million from the issuance of the Original 2021 Notes and \$748.8 million from the issuance of the Additional 2021 Notes after adding the original issue premium and deducting commissions and expenses of the offerings.

### **Note 9 — Interest Rate Swaps**

As of December 31, 2015, interest rate swaps were recorded as an asset of \$0.7 million included in deposits and other assets and as a liability of \$0.1 million included in other long-term liabilities in the accompanying Consolidated Balance Sheet. As of December 31, 2014, interest rate swaps were recorded as an asset of \$5.9 million included in deposits and other assets in the accompanying Consolidated Balance Sheet.

The Company currently has three interest rate swap agreements intended to hedge a portion of the underlying interest rate risk on borrowings under the Amended Wynn Macau Credit Facilities. Under two of the swap agreements, the Company pays a fixed interest rate (excluding the applicable interest margin) of 0.73% on notional amounts corresponding to borrowings of HK\$3.95 billion (approximately \$509.4 million) incurred under the Amended Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable HIBOR at the time of payment. These interest rate swaps fix the all-in interest rate on such amounts at 2.23% to 2.98%. These interest rate swap agreements mature in July 2017.

Under the third swap agreement, the Company pays a fixed interest rate (excluding the applicable interest margin) of 0.68% on notional amounts corresponding to borrowings of \$243.8 million incurred under the Amended Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable rate based on the applicable LIBOR at the time of payment. This interest rate swap fixes the all-in interest rate on such amounts at 2.18% to 2.93%. This interest rate swap agreement matures in July 2017.

### **Note 11 — Property Charges and Other**

Property charges and other consisted of the following (in thousands):

|  | <b>Years Ended December 31,</b> |                 |                 |
|--|---------------------------------|-----------------|-----------------|
|  | <b>2015</b>                     | <b>2014</b>     | <b>2013</b>     |
| Net loss on disposal of assets             | \$7,408                         | \$6,975         | \$7,358         |
| Donation to University of Macau Foundation | 3,127                           | 3,462           | 3,780           |
| Loss on contract termination               | —                               | —               | 6,000           |
|  | <u>\$10,535</u>                 | <u>\$10,437</u> | <u>\$17,138</u> |

Property charges and other generally include costs related to the disposal of assets for renovations and asset abandonment at our resorts.

**Note 15 — Stock-Based Compensation**

*Wynn Macau, Limited*

The Company's majority-owned subsidiary WML has two stock-based compensation plans which provide awards based on shares of WML's common stock. The shares available for issuance under these plans are separate and distinct from the common stock of Wynn Resorts' share plan and are not available for issuance for any awards under the Wynn Resorts share plan.

*Share Option Plan*

WML adopted a stock incentive plan effective September 16, 2009 for the grant of stock options to purchase shares of WML to eligible directors and employees of its subsidiaries (the "**Share Option Plan**"). The Share Option Plan is administered by WML's Board of Directors, which have the discretion on the vesting and service requirements, exercise price, performance targets to exercise if applicable and other conditions, subject to certain limits. A maximum of 518,750,000 shares have been reserved for issuance under the Share Option Plan.

The summary of stock option activity under the plan for the year ended December 31, 2015 is presented below:

|   | <u>Options</u>   | <u>Weighted<br/>Average<br/>Exercise<br/>Price</u> | <u>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term</u> | <u>Aggregate<br/>Intrinsic<br/>Value</u> |
|---|------------------|--|--|--|
| Outstanding at January 1, 2015                            | 3,090,000        | \$2.88   |  |  |
| Granted   | 1,268,000        | \$1.99   |  |  |
| Exercised   | —                | \$—  |  |  |
| Outstanding at December 31,<br>2015                       | <u>4,358,000</u> | \$2.63   | 7.3  | \$—                                      |
| Fully vested and expected to<br>vest at December 31, 2015 | <u>4,358,000</u> | \$2.63   | 7.3  | \$—                                      |
| Exercisable at December 31,<br>2015                       | <u>1,710,800</u> | \$2.51   | 5.8  | \$—                                      |



The following is provided for stock options from the Share Option Plan (in thousands, except weighted average grant date fair value):

|   | <i>Years Ended December 31,</i> |                |               |
|---|---------------------------------|----------------|---------------|
|   | <u>2015</u>                     | <u>2014</u>    | <u>2013</u>   |
| <i>Weighted average grant date fair value</i>           | <u>\$0.47</u>                   | <u>\$0.94</u>  | <u>\$0.78</u> |
| <i>Intrinsic value of stock options exercised</i>       | <u>\$—</u>                      | <u>\$1,134</u> | <u>\$—</u>    |
| <i>Cash received from the exercise of stock options</i> | <u>\$—</u>                      | <u>\$773</u>   | <u>\$—</u>    |

As of December 31, 2015, there was a total of \$1.4 million of unamortized compensation related to stock options, which is expected to be recognized over a weighted-average period of 3.3 years.

#### *Share Award Plan*

On June 30, 2014, the Company's majority-owned subsidiary WML approved and adopted the WML Employee Ownership Scheme (the "**Share Award Plan**"). The Share Award Plan allows for the grant of nonvested shares of WML's common stock to eligible employees. The Share Award Plan is administered by WML's Board of Directors and has been mandated under the plan to allot, issue and procedure the transfer of a maximum of 50,000,000 shares. The Board of Directors have discretion on the vesting and service requirements, exercise price and other conditions, subject to certain limits.

The summary of nonvested share activity under the Share Award Plan for the year ended December 31, 2015 is presented below:

|                                       | <u>Shares</u>    | <u>Weighted<br/>Average<br/>Grant Date<br/>Fair Value</u> |
|---------------------------------------|------------------|---|
| <i>Nonvested at January 1, 2015</i>   | 7,743,000        | \$3.81  |
| <i>Granted</i>                        | 1,353,082        | \$1.95  |
| <i>Vested</i>                         | —                | \$—   |
| <i>Forfeited</i>                      | <u>(649,244)</u> | <u>\$3.47</u>   |
| <i>Nonvested at December 31, 2015</i> | <u>8,446,838</u> | <u>\$3.54</u>   |

The weighted average grant date fair value was \$1.95 and \$3.81 for nonvested shares awarded during 2015 and 2014, respectively. No nonvested shares were granted during 2013. As of December 31, 2015, no shares have vested under the Share Award Plan.

The fair value of stock options granted under WML's Share Option Plan was estimated on the date of grant using the following weighted-average assumptions:

|  | <i>Years Ended December 31,</i> |             |             |
|--|---------------------------------|-------------|-------------|
|  | <i>2015</i>                     | <i>2014</i> | <i>2013</i> |
| <i>Expected dividend yield</i>         | 5.0%                            | 5.0%        | 5.0%        |
| <i>Expected stock price volatility</i> | 41.3%                           | 40.9%       | 43.3%       |
| <i>Risk-free interest rate</i>         | 1.3%                            | 1.1%        | 0.6%        |
| <i>Expected term (years)</i>           | 6.5                             | 6.5         | 6.5         |

#### **Note 16 — Income Taxes**

In July of 2011, Wynn Macau SA received an extension of its agreement with the Macau Special Administrative Region that provides for an annual payment of MOP 15.5 million (approximately \$1.9 million) as complementary tax otherwise due by shareholders of Wynn Macau SA on dividend distributions through 2015. As a result of the shareholder dividend tax agreements, income tax expense includes \$1.9 million for each of the years ended December 31, 2015, 2014 and 2013, respectively. In June 2015, Wynn Macau SA applied for an extension of the agreement for an additional five years effective through December 31, 2020.

#### **Note 17 — Commitments and Contingencies**

##### *Litigation*

In addition to the actions noted below, the Company and its affiliates are involved in litigation arising in the normal course of business. In the opinion of management, such litigation is not expected to have a material effect on the Company's financial condition, results of operations or cash flows.

##### *Macau Action:*

On July 3, 2015, WML announced that the Okada Parties filed a complaint in the Court of First Instance of Macau ("**Macau Court**") against Wynn Macau SA and certain individuals who are or were directors of Wynn Macau SA and/or WML (collectively, the "**Wynn Macau Parties**"). The principal allegations in the lawsuit are that the redemption of the Okada Parties' shares in the Company was improper and undervalued, that the previously disclosed payment by Wynn Macau SA to an unrelated third party in consideration of relinquishment by that party of certain rights in and to any future development on the land in Cotai where the Company is building Wynn Palace was unlawful and that the Company's previously disclosed donation to the University of Macau Development Foundation was unlawful. The plaintiffs seek dissolution of Wynn Macau SA and compensatory damages. The Macau Court has not yet served the complaint on all of the defendants.

The Company believes the actions commenced by Mr. Okada discussed above are without merit and will vigorously defend the Wynn Macau Parties against them. Management has determined that based on proceedings to date, it is currently unable to determine the probability of the outcome of this action or the range of reasonably possible loss, if any.

## Note 18 — Segment Information

The Company reviews the results of operations for each of its operating segments. Wynn Macau and Encore at Wynn Macau are managed as a single integrated resort and have been aggregated as one reportable segment (“**Macau Operations**”). Wynn Las Vegas and Encore at Wynn Las Vegas are managed as a single integrated resort and have been aggregated as one reportable segment (“**Las Vegas Operations**”). The Company identifies each resort as a reportable segment considering operations within each resort have similar economic characteristics, type of customers, types of services and products, the regulatory environment of the operations and the Company’s organizational and management reporting structure. The Company also reviews construction and development activities for each of its projects under development, in addition to its reportable segments.

Other Macau primarily represents cash and investment securities held at the Company’s Macau holding company.

The following tables present the Company’s segment information (in thousands):

|   | <i>Years Ended December 31,</i> |             |             |
|---|---------------------------------|-------------|-------------|
|   | <i>2015</i>                     | <i>2014</i> | <i>2013</i> |
| <i>Net revenues</i>                           |                                 |             |             |
| <i>Macau Operations</i>                       | \$2,463,092                     | \$3,796,750 | \$4,040,526 |
| <i>Adjusted Property EBITDA<sup>(1)</sup></i> |                                 |             |             |
| <i>Macau Operations</i>                       | \$708,623                       | \$1,258,082 | \$1,324,119 |

(1) “Adjusted Property EBITDA” is net income before interest, taxes, depreciation and amortization, pre-opening costs, property charges and other, management and license fees, corporate expenses and other, intercompany golf course and water rights leases, stock-based compensation, loss on extinguishment of debt, change in interest rate swap fair value, change in Redemption Note fair value and other non-operating income and expenses, and includes equity in income from unconsolidated affiliates. Adjusted Property EBITDA is presented exclusively as a supplemental disclosure because management believes that it is widely used to measure the performance, and as a basis for valuation, of gaming companies. Management uses Adjusted Property EBITDA as a measure of the operating performance of its segments and to compare the operating performance of its properties with those of its competitors. The Company also presents Adjusted Property EBITDA because it is used by some investors as a way to measure a company’s ability to incur and service debt, make capital expenditures and meet working capital requirements. Gaming companies have historically reported EBITDA as a supplement to financial measures in accordance with U.S. GAAP. In order to view the operations of their casinos on a more stand-alone basis, gaming companies, including Wynn Resorts, have historically excluded from their EBITDA calculations preopening expenses, property charges, corporate expenses and stock-based compensation that do not relate to the management of specific casino properties. However, Adjusted Property EBITDA should not be considered as an alternative to operating income as an indicator of the Company’s performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure determined in accordance with GAAP. Unlike measures of

net income, Adjusted Property EBITDA does not include depreciation or interest expense and therefore does not reflect current or future capital expenditures or the cost of capital. The Company has significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in Adjusted Property EBITDA. Also, Wynn Resorts' calculation of Adjusted Property EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

|                             | <i>Years ended December 31,</i> |                  |                  |
|-----------------------------|---------------------------------|------------------|------------------|
|                             | <u>2015</u>                     | <u>2014</u>      | <u>2013</u>      |
| <b>Capital expenditures</b> |                                 |                  |                  |
| <b>Macau</b>                |                                 |                  |                  |
| <i>Macau Operations</i>     | \$68,744                        | \$92,566         | \$63,284         |
| <i>Wynn Palace</i>          | 1,566,090                       | 982,389          | 381,365          |
| <b>Total Macau</b>          | <u>1,634,834</u>                | <u>1,074,955</u> | <u>444,649</u>   |
|                             |                                 |                  |                  |
|                             | <i>As of December 31,</i>       |                  |                  |
|                             | <u>2015</u>                     | <u>2014</u>      | <u>2013</u>      |
| <b>Assets</b>               |                                 |                  |                  |
| <b>Macau</b>                |                                 |                  |                  |
| <i>Macau Operations</i>     | \$1,331,811                     | \$1,520,098      | \$2,510,444      |
| <i>Wynn Palace</i>          | 3,439,041                       | 1,854,521        | 755,452          |
| <i>Other Macau</i>          | 583,346                         | 974,170          | 652,267          |
| <b>Total Macau</b>          | <u>5,354,198</u>                | <u>4,348,789</u> | <u>3,918,163</u> |
|                             |                                 |                  |                  |
|                             | <i>As of December 31,</i>       |                  |                  |
|                             | <u>2015</u>                     | <u>2014</u>      | <u>2013</u>      |
| <b>Long-lived assets</b>    |                                 |                  |                  |
| <b>Macau</b>                | \$4,324,743                     | \$2,799,781      | \$1,732,485      |

This announcement contains forward-looking statements. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by us. The risks and uncertainties include, but are not limited to, competition in the casino/hotel and resorts industries, our Company's dependence on existing management, levels of travel, leisure and casino spending, general economic conditions, and changes in gaming laws or regulations. Additional information concerning potential factors that could affect our Company's financial results are included in our published interim and annual reports. We are under no obligation to (and expressly disclaim any such obligation to) update the forward-looking statements as a result of new information, future events or otherwise.

Our shareholders and potential investors are advised not to place undue reliance on the WRL Annual Report and to exercise caution in dealing in securities in our Company.

By order of the Board  
**Wynn Macau, Limited**  
**Stephen A. Wynn**  
*Chairman*

Hong Kong, 1 March 2016

*As at the date of this announcement, the Board comprises Stephen A. Wynn, Gamal Aziz, Ian Michael Coughlan and Linda Chen (as executive directors); Matthew O. Maddox (as non-executive director); and Allan Zeman, Nicholas Sallnow-Smith, Bruce Rockowitz and Jeffrey Kin-fung Lam (as independent non-executive directors).*