

Explanatory Note
Melco Resorts Finance Limited's Quarterly Report
for the Three and Nine Months Ended September 30, 2021

This quarterly report provides Melco Resorts Finance Limited's unaudited condensed consolidated financial statements, comprising condensed consolidated balance sheets, condensed consolidated statements of operations and condensed consolidated statements of cash flows, for the three and nine months ended September 30, 2021, together with the related information.

Melco Resorts Finance Limited
Report for the Third Quarter of 2021

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INTRODUCTION

In this quarterly report, unless otherwise indicated:

- “2015 Credit Facilities” refer to the HK\$13.65 billion (equivalent to approximately US\$1.75 billion) senior secured credit facilities agreement dated June 19, 2015, entered into by Melco Resorts Macau, as borrower (originally comprising (i) a Hong Kong dollar term loan facility of HK\$3.90 billion (equivalent to approximately US\$500 million) with a term of six years and (ii) a HK\$9.75 billion (equivalent to approximately US\$1.25 billion) revolving credit facility, and in respect of which, following the repayment on May 7, 2020 of all outstanding loan amounts (together with accrued interest and associated costs) other than the HK\$1.0 million (equivalent to approximately US\$0.1 million) which remained outstanding under the term loan facility and the HK\$1.0 million (equivalent to approximately US\$0.1 million) revolving credit facility commitment which remained available under the revolving credit facility, all other commitments were canceled), the maturity date of which was extended to June 2022 pursuant to a waiver letter executed on April 29, 2020;
- “2020 Credit Facilities” refer to the senior facilities agreement dated April 29, 2020, entered into between, among others, our subsidiary MCO Nominee One Limited (“MCO Nominee One”), as borrower, and Bank of China Limited, Macau Branch, Bank of Communications Co., Ltd. Macau Branch and Morgan Stanley Senior Funding, Inc., as joint global coordinators, under which lenders have made available HK\$14.85 billion (equivalent to approximately US\$1.91 billion) in a revolving credit facility for a term of five years;
- “2025 Senior Notes” refer to the US\$1.0 billion aggregate principal amount of 4.875% senior notes due 2025 we issued, of which US\$650.0 million in aggregate principal amount was issued on June 6, 2017 (the “First 2025 Senior Notes”) and US\$350.0 million in aggregate principal amount was issued on July 3, 2017 (the “Additional 2025 Senior Notes”);
- “2026 Senior Notes” refer to the US\$500.0 million aggregate principal amount of 5.250% senior notes due 2026 we issued on April 26, 2019;
- “2027 Senior Notes” refer to the US\$600.0 million aggregate principal amount of 5.625% senior notes due 2027 we issued on July 17, 2019;
- “2028 Senior Notes” refer to the US\$850.0 million aggregate principal amount of 5.750% senior notes due 2028 we issued, of which US\$500.0 million in aggregate principal amount was issued on July 21, 2020 (the “First 2028 Senior Notes”) and US\$350.0 million in aggregate principal amount was issued on August 11, 2020 (the “Additional 2028 Senior Notes”);
- “2029 Senior Notes” refer to the US\$1.15 billion aggregate principal amount of 5.375% senior notes due 2029 we issued, of which US\$900.0 million in aggregate principal amount was issued on December 4, 2019 (the “First 2029 Senior Notes”) and US\$250.0 million in aggregate principal amount was issued on January 21, 2021 (the “Additional 2029 Senior Notes”);
- “Altira Macau” refers to an integrated resort located in Taipa, Macau;
- “China” and “PRC” refer to the People’s Republic of China, excluding the Hong Kong Special Administrative Region of the PRC (Hong Kong), the Macau Special Administrative Region of the PRC (Macau) and Taiwan from a geographical point of view;
- “City of Dreams” refers to an integrated resort located in Cotai, Macau, which currently features casino areas and four luxury hotels, including a collection of retail brands, a wet stage performance theater (temporarily closed since June 2020) and other entertainment venues;
- “DICJ” refers to the Direção de Inspeção e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau), a department of the Public Administration of Macau;
- “HK\$” and “H.K. dollar(s)” refer to the legal currency of Hong Kong;
- “Melco Resorts Macau” refers to our subsidiary, Melco Resorts (Macau) Limited, a Macau company and the holder of our gaming subconcession;

- “Mocha Clubs” refer to, collectively, our clubs with gaming machines, which are now the largest non-casino based operations of electronic gaming machines in Macau;
- “our subconcession” and “our gaming subconcession” refer to the Macau gaming subconcession held by Melco Resorts Macau;
- “Parent” and “Melco” refer to Melco Resorts & Entertainment Limited, a Cayman Islands exempted company with limited liability;
- “Pataca(s)” or “MOP” refer to the legal currency of Macau;
- “Services and Right to Use Arrangements” refers to the agreement entered into among, *inter alia*, Melco Resorts Macau and Studio City Entertainment, dated May 11, 2007 and amended on June 15, 2012, and any other agreements or arrangements entered into from time to time, which may amend, supplement or relate to the aforementioned agreements or arrangements;
- “Studio City” refers to a cinematically-themed integrated resort in Cotai, an area of reclaimed land located between the islands of Taipa and Coloane in Macau;
- “Studio City Casino” refers to the gaming areas being operated within Studio City;
- “Studio City Entertainment” refers to our affiliate, Studio City Entertainment Limited, a Macau company which is a subsidiary of the Parent;
- “US\$” and “U.S. dollar(s)” refer to the legal currency of the United States;
- “U.S. GAAP” refers to the U.S. generally accepted accounting principles; and
- “we,” “us,” “our” and “our company” refer to Melco Resorts Finance Limited and, as the context requires, its predecessor entities and its consolidated subsidiaries.

This quarterly report includes our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2021.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. We operate in a heavily regulated and evolving industry, and have a highly leveraged business model. Moreover, we operate in Macau's gaming sector, a market with intense competition, and therefore new risk factors may emerge from time to time. It is not possible for our management to predict all risk factors, nor can we assess the impact of these factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed or implied in any forward-looking statement. Forward-looking statements involve inherent risks and uncertainties, and a number of factors could cause actual results to differ materially from those contained in any forward-looking statement. These factors include, but are not limited to, (i) the global pandemic of COVID-19, caused by a novel strain of the coronavirus, and the continued impact of its consequences on our business, our industry and the global economy, (ii) growth of the gaming market and visitations in Macau, (iii) capital and credit market volatility, (iv) local and global economic conditions, (v) our anticipated growth strategies, (vi) gaming authority and other governmental approvals and regulations, and (vii) our future business development, results of operations and financial condition. In some cases, forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "target," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions.

The forward-looking statements made in this quarterly report relate only to events or information as of the date on which the statements are made in this quarterly report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this quarterly report with the understanding that our actual future results may be materially different from what we expect.

GLOSSARY

“cage”	a secure room within a casino with a facility that allows patrons to carry out transactions required to participate in gaming activities, such as exchange of cash for chips and exchange of chips for cash or other chips
“chip”	round token that is used on casino gaming tables in lieu of cash
“concession”	a government grant for the operation of games of fortune and chance in casinos in Macau under an administrative contract pursuant to which a concessionaire, or the entity holding the concession, is authorized to operate games of fortune and chance in casinos in Macau
“drop”	the amount of cash to purchase gaming chips and promotional vouchers that is deposited in a gaming table’s drop box, plus gaming chips purchased at the casino cage
“drop box”	a box or container that serves as a repository for cash, chip purchase vouchers, credit markers and forms used to record movements in the chip inventory on each table game
“electronic gaming table”	table with an electronic or computerized wagering and payment system that allow players to place bets from multiple-player gaming seats
“gaming machine”	slot machine and/or electronic gaming table
“gaming machine handle”	the total amount wagered in gaming machines
“gaming machine win rate”	gaming machine win (calculated before non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) expressed as a percentage of gaming machine handle
“gaming promoter”	an individual or corporate entity who, for the purpose of promoting rolling chip and other gaming activities, arranges customer transportation and accommodation, provides credit in its sole discretion if authorized by a gaming operator and arranges food and beverage services and entertainment in exchange for commissions or other compensation from a gaming concessionaire or subconcessionaire
“integrated resort”	a resort which provides customers with a combination of hotel accommodations, casinos or gaming areas, retail and dining facilities, MICE space, entertainment venues and spas
“junket player”	a player sourced by gaming promoters to play in the VIP gaming rooms or areas
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“mass market patron”	a customer who plays in the mass market segment
“mass market segment”	consists of both table games and gaming machines played by mass market players primarily for cash stakes
“mass market table games drop”	the amount of table games drop in the mass market table games segment
“mass market table games hold percentage”	mass market table games win (calculated before discounts, commissions, non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) as a percentage of mass market table games drop
“mass market table games segment”	the mass market segment consisting of mass market patrons who play table games

“MICE”	Meetings, Incentives, Conventions and Exhibitions, an acronym commonly used to refer to tourism involving large groups brought together for an event or specific purpose
“non-negotiable chip”	promotional casino chip that is not to be exchanged for cash
“premium direct player”	a rolling chip player who is a direct customer of the concessionaires or subconcessionaires and is attracted to the casino through marketing efforts of the gaming operator
“rolling chip” or “VIP rolling chip”	non-negotiable chip primarily used by rolling chip patrons to make wagers
“rolling chip patron”	a player who primarily plays on rolling chip or VIP rolling chip tables and typically plays for higher stakes than mass market gaming patrons
“rolling chip segment”	consists of table games played in private VIP gaming rooms or areas by rolling chip patrons who are either premium direct players or junket players
“rolling chip volume”	the amount of non-negotiable chips wagered and lost by the rolling chip market segment
“rolling chip win rate”	rolling chip table games win (calculated before discounts, commissions, non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) as a percentage of rolling chip volume
“slot machine”	traditional slot or electronic gaming machine operated by a single player
“subconcession”	an agreement for the operation of games of fortune and chance in casinos between the entity holding the concession, or the concessionaire, and a subconcessionaire, pursuant to which the subconcessionaire is authorized to operate games of fortune and chance in casinos in Macau
“table games win”	the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues. Table games win is calculated before discounts, commissions, non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis
“VIP gaming room”	gaming rooms or areas that have restricted access to rolling chip patrons and typically offer more personalized service than the general mass market gaming areas

EXCHANGE RATE INFORMATION

The majority of our current revenues are denominated in H.K. dollars, while our current expenses are denominated predominantly in Patacas and H.K. dollars, and in connection with a portion of our indebtedness and certain expenses, in U.S. dollars. The non-financial pages of this quarterly report include all translations from H.K. dollars to U.S. dollars and from U.S. dollars to H.K. dollars at a rate of HK\$7.7855 to US\$1.00, unless otherwise noted.

The H.K. dollar is freely convertible into other currencies (including the U.S. dollar). Since October 17, 1983, the H.K. dollar has been officially linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The market exchange rate has not deviated materially from the level of HK\$7.80 to US\$1.00 since the peg was first established. However, in May 2005, the Hong Kong Monetary Authority broadened the trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has stated its intention to maintain the link at that rate, and, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. However, no assurance can be given that the Hong Kong government will maintain the link at HK\$7.75 to HK\$7.85 per U.S. dollar or at all.

The noon buying rate on September 30, 2021 in New York City for cable transfers in H.K. dollars for U.S. dollars, provided in the H.10 weekly statistical release of the Federal Reserve Board of the United States as certified for customs purposes by the Federal Reserve Bank of New York, was HK\$7.7850 to US\$1.00. On November 19, 2021, the noon buying rate was HK\$7.7915 to US\$1.00. We make no representation that any H.K. dollar or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or H.K. dollars, as the case may be, at any particular rate or at all.

The Pataca is pegged to the H.K. dollar at a rate of HK\$1.00 = MOP1.03. All translations from Pataca to U.S. dollar in the non-financial pages of this quarterly report were made at the exchange rate of MOP8.0191 = US\$1.00. The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Pataca.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in connection with our unaudited condensed consolidated financial statements included elsewhere in this quarterly report. Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2020. The historical results are not necessarily indicative of the results of operations to be expected in the future. Certain statements in this “Financial Condition and Results of Operations” are forward-looking statements.

Summary of Financial Results

For the third quarter of 2021, our total operating revenues were US\$378.8 million, an increase of 127.8% from US\$166.3 million of total operating revenues for the third quarter of 2020. The increase in total operating revenues was primarily attributable to an improved performance at City of Dreams, as well as increased casino revenues generated from the operations of Studio City Casino by our subsidiary, Melco Resorts Macau, the gaming subconcessionaire. Such increases resulted from a year-over-year increase in inbound tourism in the third quarter of 2021. Net income/loss from Studio City Casino gaming operations are reimbursed to/from Studio City Entertainment pursuant to the Services and Right to Use Arrangements. Such reimbursement is included in general and administrative expenses.

Net loss for the third quarter of 2021 was US\$139.9 million, compared to net loss of US\$203.4 million for the third quarter of 2020. The decrease in net loss was primarily attributable to the improved performance at City of Dreams mentioned above, partially offset by higher interest expenses, net of amounts capitalized, and net foreign exchange losses in the third quarter of 2021.

The following summarizes the results of our operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands of US\$)			
Total operating revenues	\$ 378,778	\$ 166,277	\$ 1,379,747	\$ 1,074,277
Total operating costs and expenses	\$(447,083)	\$(325,417)	\$(1,573,631)	\$(1,472,192)
Operating loss	\$ (68,305)	\$(159,140)	\$ (193,884)	\$ (397,915)
Net loss	\$(139,903)	\$(203,421)	\$ (392,819)	\$ (570,193)

Results of Operations

City of Dreams Third Quarter Results

For the quarter ended September 30, 2021, total operating revenues at City of Dreams were US\$268.2 million, compared to US\$105.1 million in the third quarter of 2020. The increase in total operating revenues was primarily a result of better performance in all gaming segments and non-gaming operations.

Rolling chip volume was US\$2.79 billion for the third quarter of 2021 versus US\$1.86 billion in the third quarter of 2020. The rolling chip win rate was 3.46% in the third quarter of 2021, versus 3.34% in the third quarter of 2020. The expected rolling chip win rate range is 2.85% - 3.15%.

Mass market table games drop increased to US\$617.7 million in the third quarter of 2021, compared with US\$90.1 million in the third quarter of 2020. The mass market table games hold percentage was 28.6% in the third quarter of 2021, compared to 38.1% in the third quarter of 2020.

Gaming machine handle for the third quarter of 2021 was US\$376.9 million, compared with US\$109.7 million in the third quarter of 2020. The gaming machine win rate was 3.1% in the third quarter of 2021, versus 3.4% in the third quarter of 2020.

Total non-gaming revenue at City of Dreams in the third quarter of 2021 was US\$54.6 million, compared with US\$31.4 million in the third quarter of 2020.

Altira Macau Third Quarter Results

For the quarter ended September 30, 2021, total operating revenues at Altira Macau were US\$10.3 million, compared to US\$11.0 million in the third quarter of 2020.

Starting in the third quarter of 2021, Altira Macau has strategically repositioned to cater to the premium mass segment and has shut down VIP operations. In the third quarter of 2020, rolling chip volume was US\$335.8 million and the rolling chip win rate was 3.06%. The expected rolling chip win rate range is 2.85% - 3.15%.

In the mass market table games segment, drop was US\$28.7 million in the third quarter of 2021, versus US\$15.7 million in the third quarter of 2020. The mass market table games hold percentage was 25.8% in the third quarter of 2021, compared with 16.9% in the third quarter of 2020.

Gaming machine handle for the third quarter of 2021 was US\$59.1 million, compared with US\$42.6 million in the third quarter of 2020. The gaming machine win rate was 3.6% in the third quarter of 2021, versus 2.3% in the third quarter of 2020.

Total non-gaming revenue at Altira Macau in the third quarter of 2021 was US\$2.1 million, compared with US\$2.3 million in the third quarter of 2020.

Mocha Clubs Third Quarter Results

Total operating revenues from Mocha Clubs were US\$22.2 million in the third quarter of 2021, compared to US\$11.3 million in the third quarter of 2020.

Gaming machine handle for the third quarter of 2021 was US\$491.3 million, compared with US\$279.6 million in the third quarter of 2020. The gaming machine win rate was 4.5% in the third quarter of 2021, versus 4.0% in the third quarter of 2020.

Other Factors Affecting Third Quarter Earnings

Total net non-operating expenses for the third quarter of 2021 were US\$71.1 million, which mainly included interest expenses of US\$58.7 million, net of amounts capitalized, and net foreign exchange losses of US\$9.7 million, compared to total net non-operating expenses of US\$43.8 million for the third quarter of 2020, which mainly included interest expenses of US\$51.3 million, net of amounts capitalized, partially offset by net foreign exchange gains of US\$9.2 million.

Nine Months' Results

For the nine months ended September 30, 2021, our total operating revenues were US\$1.38 billion, an increase of 28.4% from US\$1.07 billion for the nine months ended September 30, 2020. The increase in total operating revenues was primarily due to an improved performance at City of Dreams, as well as increased casino revenues generated from the operations of Studio City Casino by our subsidiary, Melco Resorts Macau, the gaming subconcessionaire, as a result of a year-over-year increase in inbound tourism in the nine months ended September 30, 2021. Such increase was partially offset by softer performance in the rolling chip segment at Altira Macau, which has strategically repositioned to cater to the premium mass segment and has shut down VIP operations starting in the third quarter of 2021.

Net loss for the nine months ended September 30, 2021 was US\$392.8 million, compared to net loss of US\$570.2 million in the comparable period of 2020. The reduction in net loss was primarily attributable to the improved performance at City of Dreams mentioned above, partially offset by softer performance in Altira Macau and higher interest expenses, net of amounts capitalized, in the nine months ended September 30, 2021.

Liquidity and Capital Resources

We have relied and intend to rely on cash generated from our operations and debt and equity financings to meet our financing needs and repay our indebtedness, as the case may be. We expect to have significant capital expenditures in the future as we continue to develop our properties. Any other future developments may be subject to further financing and a number of other factors, many of which are beyond our control.

As of September 30, 2021, we held cash and cash equivalents of US\$624.5 million and restricted cash of US\$0.3 million. Further, HK\$14.85 billion (equivalent to approximately US\$1.91 billion) of the revolving credit facility under the 2020 Credit Facilities and HK\$1.0 million (equivalent to approximately US\$0.1 million) of the revolving credit facility under the 2015 Credit Facilities were available for future drawdown, subject to satisfaction of certain conditions precedent.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands of US\$)			
Net cash used in operating activities	\$ (94,950)	\$ (162,927)	\$ (201,247)	\$ (748,754)
Net cash provided by (used in) investing activities	\$ 627	\$ (165,863)	\$ (74,548)	\$ 121,337
Net cash provided by financing activities	\$ 499	\$ 464,154	\$ 9,787	\$ 775,890
Effect of exchange rate on cash, cash equivalents and restricted cash	\$ (2,579)	\$ 61	\$ (3,758)	\$ 3,294
(Decrease) increase in cash, cash equivalents and restricted cash	\$ (96,403)	\$ 135,425	\$ (269,766)	\$ 151,767
Cash, cash equivalents and restricted cash at beginning of period	\$ 721,158	\$ 670,965	\$ 894,521	\$ 654,623
Cash, cash equivalents and restricted cash at end of period	\$ 624,755	\$ 806,390	\$ 624,755	\$ 806,390

Operating Activities

Operating cash flows are generally affected by changes in operating income and accounts receivable related to VIP table games play and hotel operations conducted on a cash and credit basis and the remainder of the business, including mass market table games play, gaming machine play, food and beverage, and entertainment that are conducted primarily on a cash basis.

Net cash used in operating activities was US\$95.0 million for the third quarter of 2021, compared to net cash used in operating activities of US\$162.9 million for the third quarter of 2020. Net cash used in operating activities was US\$201.2 million for the nine months ended September 30, 2021, compared to net cash used in operating activities of US\$748.8 million for the nine months ended September 30, 2020. Both changes were primarily due to the improved performance as described in the foregoing section.

Investing Activities

Net cash provided by investing activities was US\$0.6 million for the third quarter of 2021, compared to net cash used in investing activities of US\$165.9 million for the third quarter of 2020. The change was primarily due to the decrease in placement of a bank deposit with an original maturity over three months, decrease in repayments of funds to affiliated companies and lower payments for acquisition of property and equipment during the third quarter of 2021.

Net cash provided by investing activities of US\$0.6 million for the third quarter of 2021 mainly included the withdrawal of a bank deposit with an original maturity over three months of US\$20.0 million, offset by payments for acquisition of property and equipment of US\$19.5 million.

Net cash used in investing activities of US\$165.9 million for the third quarter of 2020 mainly included the placement of a bank deposit with an original maturity over three months of US\$150.0 million and payments for acquisition of property and equipment of US\$40.2 million, partially offset by repayments of funds to affiliated companies of US\$24.4 million.

Our total payments for acquisition of property and equipment for the third quarter of 2021 were US\$19.5 million, compared to US\$40.2 million for the third quarter of 2020. Such expenditures for both periods were mainly associated with our development projects as well as enhancements to our integrated resort offerings.

Net cash used in investing activities was US\$74.5 million for the nine months ended September 30, 2021, compared to net cash provided by investing activities of US\$121.3 million for the nine months ended September 30, 2020. The change was primarily due to the decrease in placement of a bank deposit with an original maturity over three months, decrease in repayments of funds to affiliated companies and lower payments for acquisition of property and equipment in the nine months ended September 30, 2021.

Net cash used in investing activities of US\$74.5 million for the nine months ended September 30, 2021 mainly included payments for acquisition of property and equipment of US\$71.9 million.

Net cash provided by investing activities of US\$121.3 million for the nine months ended September 30, 2020 mainly included repayments of funds to affiliated companies of US\$391.6 million, partially offset by placement of a bank deposit with an original maturity over three months of US\$150.0 million and payments for acquisition of property and equipment of US\$120.3 million.

Our total payments for acquisition of property and equipment for the nine months ended September 30, 2021 were US\$71.9 million, compared to US\$120.3 million for the nine months ended September 30, 2020. Such expenditures for both periods were mainly associated with our development projects as well as enhancements to our integrated resort offerings.

Financing Activities

Net cash provided by financing activities amounted to US\$0.5 million for the third quarter of 2021, which primarily represented funds from an affiliated company.

Net cash provided by financing activities amounted to US\$464.2 million for the third quarter of 2020, which primarily represented the proceeds from the issuance of the First 2028 Senior Notes in aggregate principal amount of US\$500.0 million in July 2020, the issuance of the Additional 2028 Senior Notes of US\$353.5 million in August 2020, which priced at 101.0% of the principal amount, and drawdown of the 2020 Credit Facilities of US\$250.0 million in September 2020, partially offset by the repayment of the 2020 Credit Facilities of US\$352.2 million and dividend payment of US\$280.0 million.

Net cash provided by financing activities amounted to US\$9.8 million for the nine months ended September 30, 2021, which primarily represented the proceeds from the issuance of the Additional 2029 Senior Notes of US\$258.1 million, which priced at 103.250% of the principal amount, partially offset by the repayment of the outstanding revolving credit facility under the 2020 Credit Facility of US\$249.9 million.

Net cash provided by financing activities amounted to US\$775.9 million for the nine months ended September 30, 2020, which primarily represented the proceeds from the issuance of the First 2028 Senior Notes in aggregate principal amount of US\$500.0 million in July 2020, the issuance of the Additional 2028 Senior Notes of US\$353.5 million in August 2020, which priced at 101.0% of the principal amount, the drawdown of the 2020 Credit Facilities of US\$602.2 million and the drawdown of the revolving credit facility under the 2015 Credit Facilities of US\$251.5 million, partially offset by the repayment of all outstanding loan amounts under the 2015 Credit Facilities of US\$252.6 million, other than HK\$1.0 million (equivalent to approximately US\$0.1 million) which remained outstanding under the term loan facility, the repayment of the 2020 Credit Facilities of US\$352.2 million, dividend payment of US\$280.0 million as well as the payments of deferred financing costs mainly arisen from the refinancing of the 2015 Credit Facilities with the 2020 Credit Facilities of US\$55.9 million.

Indebtedness

The following table presents a summary of our gross indebtedness as of September 30, 2021:

	As of September 30, 2021 (In thousands of US\$)
2025 Senior Notes	\$ 1,000,000
2026 Senior Notes	\$ 500,000
2027 Senior Notes	\$ 600,000
2028 Senior Notes	\$ 850,000
2029 Senior Notes	\$ 1,150,000
2015 Credit Facilities	\$ 128
	\$ 4,100,128

There was no change in our gross indebtedness as of September 30, 2021 compared to June 30, 2021.

On November 5, 2021, MCO Nominee One received confirmation that the majority of lenders of the 2020 Credit Facilities have consented and agreed to a waiver extension of the following financial condition covenants contained in the revolving credit facility under the 2020 Credit Facilities (the “Facility Agreement”): (i) meet or exceed the interest cover ratio (ratio of consolidated EBITDA to consolidated net finance charges as such terms are defined in the Facility Agreement) of 2.50 to 1.00; (ii) not exceed the senior leverage ratio (ratio of consolidated total debt to consolidated EBITDA as such terms are defined in the Facility Agreement) of 3.50 to 1.00; and (iii) not exceed the total leverage ratio (ratio of consolidated total debt to consolidated EBITDA as such terms are defined in the Facility Agreement) of 4.50 to 1.00, in each case in respect of the relevant periods ending on the following applicable test dates: (a) March 31, 2022; (b) June 30, 2022; (c) September 30, 2022; and (d) December 31, 2022. MCO Nominee One has paid a customary fee to all consenting lenders in relation to such consent and such consent has become effective upon receipt of the consent fee by the facility agent of the lenders to the 2020 Credit Facilities.

Recent Developments

COVID-19 outbreaks continue to have a material effect on our operations, financial position, and future prospects in the fourth quarter of 2021.

Our operations have been impacted by on-and-off travel restrictions and quarantine requirements as imposed by the governments of Macau, Hong Kong, and China in response to isolated cases. The appearance of COVID-19 cases in early August 2021 led to city-wide mandatory testing, mandatory closure of most entertainment and leisure venues (casinos and gaming areas excluded), and strict travel restrictions and requirements being implemented to enter and exit Macau. Similarly in late September 2021, the identification of additional COVID-19 cases again led to a repeat of testing, closure, and travel restrictions, which led to reduced turnout for October Golden Week holiday. Since October 19, 2021, authorities have eased pandemic prevention measures such that travelers no longer require a 14-day quarantine on arrival in Zhuhai, and the validity of negative nucleic acid tests were extended from 24 hours to 48 hours or seven days. As a result, our visitation has been gradually recovering.

The pace of recovery from COVID-19 will depend on future events, including duration of travel and visa restrictions, the pace of vaccination progress, development of new medicine for COVID-19, the impact of potentially higher unemployment rates, declines in income levels, and loss of personal wealth resulting from the COVID-19 outbreak affecting discretionary spending and travel, all of which remain highly uncertain.

Gaming is a highly regulated industry in Macau and is subject to various laws and regulations. These laws and regulations are complex and there are limited precedents on the interpretation and enforcement of these laws and regulations. Changes in laws and regulations, and the interpretation and enforcement of such laws and regulations, may result in increased risks for operations on our properties. For example, in November 2021, the Court of Final Appeal in Macau issued a final unappealable decision that a gaming operator is jointly liable with a gaming promoter for the refund of funds deposited with such gaming promoter at a casino and the Macau authorities arrested executives from a gaming promoter for alleged illegal overseas gaming related activities.

Melco Resorts Finance Limited
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For the Three and Nine Months Ended September 30, 2021

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Melco Resorts Finance Limited
Condensed Consolidated Balance Sheets
(In thousands of U.S. dollars, except share and per share data)

	<u>September 30, 2021</u> (Unaudited)	<u>December 31, 2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 624,481	\$ 894,246
Restricted cash	274	—
Accounts receivable, net	51,147	110,248
Receivables from affiliated companies	610,212	490,502
Inventories	21,048	19,852
Prepaid expenses and other current assets	41,843	54,827
Total current assets	<u>1,349,005</u>	<u>1,569,675</u>
Property and equipment, net	2,593,492	2,748,447
Gaming subconcession, net	41,409	84,663
Intangible assets, net	14,919	18,840
Goodwill	81,858	82,203
Long-term prepayments, deposits and other assets	75,480	88,404
Restricted cash	—	275
Receivables from affiliated companies, non-current	1,258,183	1,278,111
Operating lease right-of-use assets	29,597	33,601
Land use rights, net	294,580	304,001
Total assets	<u>\$ 5,738,523</u>	<u>\$ 6,208,220</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	\$ 5,631	\$ 8,057
Accrued expenses and other current liabilities	655,121	727,745
Income tax payable	2,421	3,375
Operating lease liabilities, current	12,465	13,533
Current portion of long-term debt, net	128	—
Payables to affiliated companies	31,621	26,418
Total current liabilities	<u>707,387</u>	<u>779,128</u>
Long-term debt, net	4,070,498	4,060,731
Other long-term liabilities	4,885	854
Deferred tax liabilities, net	9,500	9,826
Operating lease liabilities, non-current	20,379	25,619
Total liabilities	<u>4,812,649</u>	<u>4,876,158</u>
Shareholder's equity:		
Ordinary shares, par value \$0.01; 5,000,000 shares authorized; 1,202 shares issued and outstanding	—	—
Additional paid-in capital	1,858,165	1,849,785
Accumulated other comprehensive income	13,983	35,732
Accumulated losses	(946,274)	(553,455)
Total shareholder's equity	<u>925,874</u>	<u>1,332,062</u>
Total liabilities and shareholder's equity	<u>\$ 5,738,523</u>	<u>\$ 6,208,220</u>

Melco Resorts Finance Limited
Condensed Consolidated Statements of Operations (Unaudited)
(In thousands of U.S. dollars)

	Three Months September 30, 2021	September 30, 2020	Nine Months Ended September 30, 2021	September 30, 2020
Operating revenues:				
Casino	\$ 320,616	\$ 117,977	\$ 1,135,203	\$ 876,370
Rooms	18,669	6,946	66,235	34,120
Food and beverage	10,878	7,270	40,456	22,606
Entertainment, retail and other	28,615	34,084	137,853	141,181
Total operating revenues	<u>378,778</u>	<u>166,277</u>	<u>1,379,747</u>	<u>1,074,277</u>
Operating costs and expenses:				
Casino	(275,011)	(178,192)	(973,711)	(891,604)
Rooms	(7,053)	(4,945)	(23,462)	(21,573)
Food and beverage	(12,031)	(8,486)	(40,486)	(34,095)
Entertainment, retail and other	(4,660)	(7,275)	(15,899)	(36,138)
General and administrative	(61,326)	(43,157)	(253,724)	(225,800)
Pre-opening costs	—	(28)	(195)	(16)
Amortization of gaming subconcession	(14,307)	(14,364)	(42,990)	(43,050)
Amortization of land use rights	(2,716)	(2,727)	(8,161)	(8,173)
Depreciation and amortization	(67,511)	(64,272)	(200,843)	(200,319)
Property charges and other	(2,468)	(1,971)	(14,160)	(11,424)
Total operating costs and expenses	<u>(447,083)</u>	<u>(325,417)</u>	<u>(1,573,631)</u>	<u>(1,472,192)</u>
Operating loss	<u>(68,305)</u>	<u>(159,140)</u>	<u>(193,884)</u>	<u>(397,915)</u>
Non-operating income (expenses):				
Interest income	621	876	2,443	1,582
Interest expenses, net of amounts capitalized	(58,666)	(51,345)	(175,022)	(138,337)
Other financing costs	(3,367)	(2,365)	(9,639)	(5,329)
Foreign exchange (losses) gains, net	(9,699)	9,184	(15,584)	(28,107)
Other expenses, net	—	(137)	—	(225)
Loss on extinguishment of debt	—	—	—	(1,236)
Costs associated with debt modification	—	—	—	(310)
Total non-operating expenses, net	<u>(71,111)</u>	<u>(43,787)</u>	<u>(197,802)</u>	<u>(171,962)</u>
Loss before income tax	<u>(139,416)</u>	<u>(202,927)</u>	<u>(391,686)</u>	<u>(569,877)</u>
Income tax expense	(487)	(494)	(1,133)	(316)
Net loss	<u>\$ (139,903)</u>	<u>\$ (203,421)</u>	<u>\$ (392,819)</u>	<u>\$ (570,193)</u>

Melco Resorts Finance Limited
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands of U.S. dollars)

	Three Months Ended September 30, 2021	2020	Nine Months Ended September 30, 2021	2020
Cash flows from operating activities:				
Net cash used in operating activities	\$ (94,950)	\$ (162,927)	\$ (201,247)	\$ (748,754)
Cash flows from investing activities:				
Acquisition of property and equipment	(19,529)	(40,226)	(71,879)	(120,262)
Placement of a bank deposit with an original maturity over three months	—	(150,000)	(19,966)	(150,000)
Acquisition of intangible assets	—	—	(3,136)	—
Proceeds from sale of property and equipment	190	6	467	42
Withdrawal of a bank deposit with an original maturity over three months	19,966	—	19,966	—
Repayments of funds to affiliated companies	—	24,357	—	391,557
Net cash provided by (used in) investing activities	627	(165,863)	(74,548)	121,337
Cash flows from financing activities:				
Principal payments on long-term debt	—	(352,246)	(249,887)	(604,837)
Payments of deferred financing costs	(2)	(7,344)	(2,123)	(55,853)
Funds from an affiliated company	501	244	3,672	9,415
Proceeds from long-term debt	—	1,103,500	258,125	1,707,165
Dividends paid	—	(280,000)	—	(280,000)
Net cash provided by financing activities	499	464,154	9,787	775,890
Effect of exchange rate on cash, cash equivalents and restricted cash	(2,579)	61	(3,758)	3,294
(Decrease) increase in cash, cash equivalents and restricted cash	(96,403)	135,425	(269,766)	151,767
Cash, cash equivalents and restricted cash at beginning of period	721,158	670,965	894,521	654,623
Cash, cash equivalents and restricted cash at end of period	<u>\$ 624,755</u>	<u>\$ 806,390</u>	<u>\$ 624,755</u>	<u>\$ 806,390</u>
Supplemental cash flow disclosures:				
Cash paid for interest, net of amounts capitalized	\$ (41,312)	\$ (16,511)	\$ (151,107)	\$ (96,835)
Cash paid for income taxes	\$ —	\$ —	\$ (2,367)	\$ (2,340)
Cash paid for amounts included in the measurement of lease liabilities - operating cash flows from operating leases	\$ (4,641)	\$ (2,261)	\$ (13,295)	\$ (8,115)
Change in operating lease liabilities arising from obtaining operating lease right-of-use assets and lease modification or other reassessment events	\$ (16)	\$ 59	\$ 8,840	\$ (4,810)
Change in accrued expenses and other current liabilities related to acquisition of property and equipment	\$ (4,698)	\$ (6,394)	\$ 10,922	\$ 19,150
Reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheets:				
			September 30, 2021	December 31, 2020
Cash and cash equivalents			\$ 624,481	\$ 894,246
Current portion of restricted cash			274	—
Non-current portion of restricted cash			—	275
Total cash, cash equivalents and restricted cash			<u>\$ 624,755</u>	<u>\$ 894,521</u>