

MEDIA RELEASE

13 August 2014

**SKYCITY Entertainment Group Limited
FY14 Full Year Results**

Key Points

- Normalised Net Profit After Tax (NPAT) for FY14 of \$123.2m
- Reported NPAT of \$98.5m, impacted by below theoretical International Business win rate
- Strong growth in Auckland with 2H14 Normalised Revenues up 9.0% and normalised Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) up 7.4%
- Strong growth in International Business (IB) turnover to \$6.5b, up 41.3% in 2H14
- Significant disruption to the Adelaide Casino with extensive construction works transforming the property to take advantage of the reforms negotiated with the SA Government
- The significant appreciation of the NZ dollar against the Australian dollar
- Announcement of a new 5 Star 300 room international hotel as part of the New Zealand International Convention Centre site Master Plan
- Announcement of appointment of new CFO – Mr Rob Hamilton, Managing Director, Investment Banking, First NZ Capital
- Final dividend retained at 10 cents per share

SKYCITY Entertainment Group Limited (NZX: SKC) today announced Normalised Net Profit After Tax (NPAT) of \$123.2m and Reported NPAT of \$98.5m for the year ended 30 June 2014.

Group normalised EBITDA for the year declined by \$12.9m (4.3%) from \$300.5m to \$287.6m. Of this, \$9.9m was attributable to the exchange rate impact of the strengthened NZ dollar and A\$6.4m to the transformation of Adelaide and the consequential significant disruption to the local operations.

SKYCITY Chief Executive Nigel Morrison says "The overall financial result for 2014 was mixed, with some very pleasing improvements offset by the costs of transitioning some of our key businesses, positioning them for future growth. We delivered good growth in our Auckland and International businesses, particularly in the second half; the second half results of Auckland were a real highlight of this result. These were overshadowed by the significant disruption of the extensive construction works, at the Adelaide Casino transforming that property to take advantage of the reforms negotiated with the SA Government. The impact of the strong New Zealand dollar has also materially reduced the value of our Australian revenues and earnings."

"Pleasingly, SKYCITY Auckland, our largest business, experienced good growth across all business segments, particularly in the second half with revenues up 9% and with momentum continuing into the first quarter FY15. The strong management team lead

by John Mortensen and Matt Ballesty are optimising the investments made in the Auckland property over the last 3 years.

“Our International Business turnover grew strongly in the second half resulting in a record turnover for the year of \$6.5 billion. Focusing on growing our International Business and becoming more competitive in the region, we increased our maximum table differential in December 2013, which has, over this short period, increased volatility as we build up volume. The FY15 year has started well with IB turnover to 10 August of \$1.2 billion with a win rate of 1.3%”.

SKYCITY's Reported NPAT for the year of \$98.5m was \$24.7m less than Normalised NPAT primarily attributable to the actual win rate across the International business of 0.97%, below the theoretical win rate of 1.35%, reducing net win from our IB players for the year from \$88.0m to \$63.2m. Other costs attributable to the NZICC development and the Adelaide redevelopment also contributed to the reduction of reported NPAT.

“The 2014 year was a very significant year for SKYCITY with the execution of the agreements with the NZ and SA Governments and the passing of the enabling legislation by the respective parliaments. These agreements providing licence and tax certainty, enable us to invest with confidence and position these properties to better compete in their regional markets. The hard work has now started in implementing these agreements, which will underpin the foundations of SKYCITY's long term future growth.

“In addition to maintaining the momentum in our largest business, Auckland, and continuing to grow our international business, the focus for FY15 will be completing the Adelaide Casino transformation by the end of calendar 2014, finalising the NZICC development plans, achieving resource consent and awarding the construction contract for the NZICC by the end of the FY15 year. (Refer separate release on NZICC)

“As part of the NZICC site master plan SKYCITY announced today that we will also develop a 300 room five star international hotel which will complement and enhance the NZICC development.” (Refer separate Release)

“I am also delighted to announce that after an extensive international search we have appointed Mr Rob Hamilton as Chief Financial Officer. Rob is currently the Managing Director and Head, Investment Banking at First NZ Capital in Auckland and will commence on 13 October”. Mr Morrison says. (Refer separate Release)

Auckland

Trading

Auckland's Normalised EBITDA improved 3.9% to \$218m, with good growth in 2H14 with Normalised EBITDA up 7.4% on 2H13.

“Auckland is seeing strong momentum in both gaming and non-gaming revenues. This, combined with tight cost control has seen pleasing growth in Auckland's EBITDA and an improving margin. Auckland has continued to trade well into the FY15 year (through to 10 August 2014) with 9% revenue growth” Mr Morrison says.

FY14 EGM revenue was up 2.3% on FY13, while 2H14 was up 3.5% on 2H13.

Both the SKYCITY Grand Hotel and SKYCITY Hotel continued to perform well with record occupancy and increased average daily rates – with SKYCITY Grand Hotel enjoying 85 percent occupancy and SKYCITY Hotel enjoying around 93 percent occupancy for the year.

Federal Street

Federal Street has now re-opened with building works completed in July this year. The general amenity of Federal Street is much improved, with an open, boulevard feel. Internationally-acclaimed chef, Nic Watt, opened Masu on 16 October 2013, in the Grand Hotel. Masu has been highly acclaimed since opening, voted the 2014 Best New Restaurant of the Year by Cuisine magazine. Sean Connolly, celebrity chef, opened our Italian restaurant Gusto at the Grand in February this year.

The New Zealand International Convention Centre

SKYCITY and the Crown have agreed the NZICC Concept Design in accordance with the NZICC Agreement and SKYCITY is on track to apply for Resource Consent in the fourth quarter of 2014. Subject to a favourable outcome of the resource consent process we would expect the construction contract to be executed towards the end of this 2015 Financial Year. At that time the NZICC concessions will become operative.

The NZICC will enhance the rejuvenation of the western edge of the CBD and will provide a catalyst for further visitor and entertainment development in Victoria Quarter and SKYCITY's Federal Street. Auckland businesses of all sizes will benefit from increased high-value visitation. It will reinforce Auckland's reputation as a leading, vibrant, international city.

SKYCITY Chief Executive Nigel Morrison says the project is entering an exciting phase.

"These key concepts are the first steps in establishing what the NZICC is going to look like, not only in terms of the physical scale and appearance, but also the breadth and complexity of what the building can offer," says Mr Morrison.

Simon Jamieson, General Manager NZICC Development and Tourism, and his team have been leading our discussions with the Crown and other stakeholders for the NZICC.

New SKYCITY Hotel and Laneway

The SKYCITY Board has approved the expanded NZICC Master Plan which now includes a new 300 room five star hotel.

"We are excited to announce that to complement the NZICC a new 5 star 300 room SKYCITY hotel will be added to the plan with a contemporary pedestrian laneway which will extend the SKYCITY Entertainment Precinct over three blocks in the heart of Auckland's inner city." SKYCITY Chief Executive Nigel Morrison says.

"This lane will be home to bars, cafes and restaurants similar to the popular Federal Street precinct with the addition of boutique shopping."

International Business

Despite a softer 1H14, International Business had a record year with turnover up 14% to \$6.5b. Normalised EBITDA was up 11% however reported EBITDA was down as a result of a below theoretical win rate of 0.97% (compared to an industry average and FY13 rate of 1.35%). Turnover for 2H14 was up by 41.3.

As we focused on growing our International Business and becoming more competitive in the region, we increased our maximum table differential from \$200,000 to \$250,000 in December 2013 which has, over this period increased volatility as we build up volume. We are now seeing more players playing at these higher levels and are confident the business will return to theoretical win rates in the medium term.

The FY15 year has started well with IB turnover to 10 August 2014 of \$1.2b, and a win rate of 1.3%.

Rest of New Zealand

Hamilton normalised revenue of \$48m was down 6.9% on FY13, which benefited from strong table games performance. While still facing a tough environment, some positive signs have emerged in the second half.

Queenstown saw positive normalised revenue growth of over 50% on the back of improving International Business and the acquisition of The Wharf in July 2013.

Total rest of New Zealand had normalised revenue growth of 2%, unfortunately this did not translate to normalised EBITDA growth, which was down 16% on FY13.

Adelaide

Trading

FY14 was significantly impacted by the sheer scale of changes made to the Adelaide Casino. Every inch of the main gaming floor and up to 80 percent of the rest of the facility has been affected in some way, which has led to significant disruption for our customers. At any one time, up to 40 percent of the floor and/or 40 percent of our product have been unavailable. We expect the A\$40m refurbishment of Adelaide Casino to be substantially completed by the end of the 2014 calendar year.

As a result, Adelaide's local normalised EBITDA was down 18.2%. However, this was partially offset by the significant growth in our Adelaide International Business with normalised EBITDA up 85%, highlighting the significant potential of Adelaide as an IB destination.

Adelaide Casino Transformation

Between December 2013 and June 2014, we completed an extensive staged programme of works significantly transforming the Adelaide Casino, currently housed within the existing Heritage listed Adelaide Railway Station. These, together with the new taxation and regulatory framework will now enable the Adelaide Casino to compete nationally and internationally for the first time.

The extensive works that were completed over this period include:

- New Baccarat Pavilion and Table Gaming area
- New Platinum EGM room
- Upgraded Grange Table Games room
- Refurbishment of main gaming floor F&B outlets including Chandelier Bar and Cafe Junction
- New cashiers facilities, loyalty reception areas and gaming support facilities
- New Barossa Room; and
- VIP customer Bar and Lounge

Further redevelopment works will be completed throughout the balance of calendar 2014 year, including:

- **Sean's Kitchen** – a new and fully re-developed restaurant, bar and function concept to be operated by celebrity chef Sean Connolly and scheduled to open late September 2014
- A new contemporary offering, "**Madame Hanoi**" will feature modern French-Vietnamese inspired cuisine by award winning chef Nic Watt. This is scheduled to open late December 2014
- The Black Room - a new Premium Gaming area for top-tier Black level VIP EGM customers, offering an even more exclusive gaming experience, featuring private gaming salons
- Refurbishment and upgrade of North Terrace entrance to the property

Expansion Development

SKYCITY continues to develop detailed plans for the expansion of Adelaide Casino which includes the construction of a new contemporary iconic building housing SKYCITY's new 6 star Hotel, additional gaming capacity, Horizon Gaming suites and villas and additional signature restaurants and bars transforming the Adelaide Casino into a truly integrated tourism and entertainment complex.

Darwin

Darwin continues to show resilience with local revenues up marginally, but offset by cost pressures in the local economy.

The luxury Lagoon Resort in Darwin has continued to operate at close to full occupancy, attracting both local and international players alike with its five restaurants, eight bars and two Horizon international gaming villas and salons. This year, we completed the redevelopment of the Sky Room for local VIPs and increased automated table gaming. We have also introduced TITO gaming in the Sky Room and Diamond Room and on the main gaming floor. This gives us a clear competitive advantage locally and means we are now able to compete with other casinos.

We remain confident that large infrastructure projects, along with an increased focus on tourism and more flights to and from Asia should underpin long-term growth in Darwin.

Dividend

The final dividend of 10 cents per share is consistent with the prior year and in accordance with SKYCITY's dividend policy. Total dividends for FY14 are 20 cents per share.

The final dividend will be fully imputed for New Zealand shareholders, with no franking for Australia.

The dividend reinvestment plan will apply to the final dividend, at a 2% discount.

Note to editors: Further information on adjustments between reported and normalised information is available in Appendix 1 and SKYCITY's investor pack at www.skycity.co.nz

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APPENDIX 1

Reconciliation of Reported results to Normalised results

	FY14				FY13			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
Reported	902.5	256.5	175.7	98.5	947.8	293.9	217.1	127.3
Adelaide transformation costs		4.3	4.3	3.0				
NZICC		0.3	0.3	2.8				2.0
Strategic project and development costs		1.4	1.4	1.0		1.6	1.6	1.4
Restructuring costs		2.3	2.3	1.7		1.6	1.6	1.1
Profit from sale of Christchurch				(0.9)				(0.1)
Auckland transformation costs		0.9	2.1	1.5			0.8	0.6
Total Adjustments		9.2	10.4	9.1		3.2	4.0	5.0
Adjusted	902.5	265.7	186.1	107.6	947.8	297.1	221.1	132.3
Provision for IB Debtors		0.2	0.2	0.2		2.4	2.4	1.7
International Business at Theoretical	24.8	21.7	21.7	15.4	0.2	3.3	3.3	2.3
Normalised incl Chch	927.3	287.6	208.0	123.2	948.0	302.8	226.8	136.3
Results from Christchurch Casino	-	-	-	-	2.3	2.3	2.3	2.3
Normalised	927.3	287.6	208.0	123.2	945.7	300.5	224.5	134.0

- SKYCITY's objective of producing normalised financial information is to provide data that is useful to the investment community in understanding the underlying operations of the Group
- Gaming Revenue figures reflect gaming win (inclusive of gaming GST). This facilitates Australasian comparisons and is consistent with the treatment adopted by major Australian casinos
- Non-gaming Revenues are net of GST
- Total Revenues are gaming win plus Non-gaming Revenues
- Key Adjustments are:
 - Adelaide transformation costs – business transformation and launch costs for Adelaide
 - NZICC – Interest on purchase of New Zealand International Convention Centre (NZICC) land bank calculated using the Group's average cost of debt of 6.92% on an average balance of \$52m and other costs specific to this project
 - Strategic project and development costs - The Wharf acquisition, Brisbane, Gold Coast, Philippines and other miscellaneous items
 - Restructuring costs – costs associated with changing the staffing structures designed to create future efficiencies
 - Profit from sale of Christchurch – insurance recoveries from 2011 earthquake damage
 - Auckland transformation costs – business transformation and launch costs related to Auckland facilities
- IB win rate at 0.97% for FY14 (FY13: 1.35%).

Normalisation adjustments have been calculated in a consistent manner in FY14 and FY13

Note to editors: All numbers in this media release are unaudited