

MEDIA RELEASE

12 February 2014

**SKYCITY Entertainment Group Limited Announces FY14 Interim Results -
in line with previous earnings guidance**

HIGHLIGHTS

- Normalised Net Profit After Tax for 1H14 of \$66.4 million, in line with previously announced guidance "*in the range of \$65 million to \$68 million*"
- Flagship Auckland property showing EBITDA growth with good cost control and a return to growth in EGMs revenue
- The transformation of SKYCITY Adelaide is underway – on time and on budget. New gaming regulations to take effect from 14 February
- South Australian Government announced yesterday the development of a 1,400 space car park for Adelaide Festival Plaza, of which SKYCITY will exclusively lease 1,000 spaces
- Discussions are progressing with the New Zealand Government and other stakeholders on the concept design of the NZICC lodged on 13 January 2014
- January current trading is encouraging, with momentum and growth across all businesses. Normalised Revenue growth of 5.4% in January at actual currency
- Interim dividend of 10 cents per share – consistent with 1H13

SKYCITY Entertainment Group Limited (SKC) today released interim results for the six months to 31 December 2013 (1H14) in line with guidance issued in December 2013.

Normalised Net Profit After Tax (NPAT) for 1H14 was \$66.4 million compared with \$72.1 million in 1H13. Normalised revenue (including Gaming GST) was \$467 million – down \$26.4 million from \$493.4 million for the corresponding period in FY13.

The NPAT result was adversely impacted by \$2.4 million due to the strong NZD that reduced the company's Australian results by 12.5% when converted back into NZD (the average rate in 1H14 was 0.882 compared to 0.784 in 1H13).

Other significant factors that negatively impacted the 1H14 NPAT result included lower turnover during 2Q14 in International Business due to the timing of visits of a number of large players from Asia (\$2.0 million), a softer 1H14 performance in Hamilton (\$1.6 million), disruption to Adelaide's main casino due to refurbishment (\$0.7 million), and flat performance in Darwin's core gaming business (\$0.7 million).

1H14 Reported NPAT of \$61.1 million is \$5.2 million lower than 1H13. This is largely due to the currency impact and the loss of \$2.3 million earnings following the disposal of SKYCITY's 50% share in Christchurch Casino for \$80 million in December 2012.

SKYCITY Chief Executive Nigel Morrison said that while 1H14 had been a challenging period due to the high NZD and continued soft consumer spending on both sides of the Tasman, solid progress had been made in establishing the platform for growth and the outlook for 2H14 is encouraging.

"1H14 has seen SKYCITY make significant progress in securing future growth and certainty with the conclusion of agreements with the New Zealand and South Australian governments on regulatory and taxation concessions. We are now actively working to gain the benefit of these concessions as soon as possible.

"We also entered the ASX 200 for the first time in December 2013," Mr Morrison says.

Trading Update and Outlook

Trading in January 2014 was pleasing, with revenues above prior year in all businesses. Normalised revenue (constant currency) in January 2014 was 11.9% above prior year and even including the impact of the strong NZ\$, actual normalised revenue is up 5.4% on January 2013.

International Business performed well in January, with Last Twelve Months (LTM) Turnover reaching \$5.7 billion (up from \$5.4 billion at December 2013).

Auckland had a relatively soft month in the prior year, however benefitted from good table games growth and conventions revenues in January 2014, albeit slots was flat.

Adelaide experienced ongoing disruption in the local gaming business, as works on the gaming enhancements continued. IB was the primary driver of January's revenue growth. The new Baccarat Pavilion has performed well since opening on 31 January.

Queenstown benefitted from additional IB visitation in January, whilst Darwin and Hamilton were relatively flat.

February 2014 has also started well, compared to prior year. In particular, Asian visitation was strong over Chinese New Year and IB LTM Turnover reached \$6.0 billion (although CNY is two weeks earlier this year).

Whilst the macro economic environment in Australia remains challenging, there are positive factors that management believe will deliver growth in Adelaide and Darwin in 2H14. The New Zealand macro environment is more buoyant with good momentum. As such, earnings growth is forecast across all SKYCITY businesses in 2H14.

Further guidance in relation to the FY14 result will be provided later in 2H14.

New Zealand

While **Auckland** revenues fell 2.2% to \$258.0 million in 1H14, it is pleasing to see EBITDA margins improved throughout the period following cost reduction initiatives across the business. The trend in revenues and EBITDA improved through 2Q14 and this has firmed further in 3Q14 trading.

A new high-end VIP EGMs Room, 'Black' was opened in December 2013 and has been well-received. The new Baccarat room situated in a mezzanine level looking across the main gaming floor is also proving to be popular with our Asian patrons.

SKYCITY's vibrant Federal Street dining precinct continues to go from strength to strength with new signature restaurants Masu, The Sugar Club, and the Federal Deli opening in 1H14 to wide acclaim and success. Sean Connelly's new bar and Italian restaurant, Gusto at The Grand, is scheduled to open in the Grand Hotel lobby later this month.

The \$10 million redevelopment of Federal Street into a pedestrian friendly zone began in 1H14, with Auckland Council contributing \$4.5 million towards costs. Work is due for completion in June 2014. This work, along with the continuing refurbishment of the Grand Hotel rooms, and the development of Gusto at The Grand, caused some minor disruption to Auckland's non-gaming revenues in 1H14.

SKYCITY Auckland Hotel has been named New Zealand's top accommodation in the 2014 TradeMe Travelbug awards, ranking highest in popularity and guest reviews. This follows the Grand Hotel being named New Zealand's Leading Business Hotel in the World Travel Awards in Dubai in October 2013.

Following the passing of enabling legislation for the **New Zealand International Convention Centre** Agreement in November 2013, SKYCITY is working on the designs for the New Zealand International Convention Centre (NZICC) and engaging proactively with the Government and other significant stakeholders. The Concept Design was delivered on schedule to the Government on 13 January.

A team of highly experienced architectural advisers is working with SKYCITY on the NZICC, including Warren & Mahoney, Woods Bagot and Moller Architects. This is covered in a separate press release, announced today.

Hamilton's 1H14 results are softer than 1H13, which benefited from a strong table games performance. Measures have been taken to address this for 2H14, including a number of improvements to the main gaming floor. Encouragingly, the 3Q14 revenues suggest that these improvements are starting to take effect.

The management integration of SKYCITY's second casino in **Queenstown** (the Wharf) is now complete, with both casinos being refurbished in 1H14. International Business growth has improved following the opening of the first Horizon IB Salon.

Australia

Adelaide showed resilience in 1H14, performing relatively well despite challenging local economic conditions, train line closures and significant refurbishments to the main casino which all impacted performance.

The Adelaide Riverbank precinct is undergoing a major transformation, which was positively received by the many thousands of visitors during the December Ashes Test at the redeveloped Adelaide Oval.

In line with previous guidance, the redevelopment of SKYCITY Adelaide is on time and on budget. From 14th February 2014, the new regulatory benefits will apply:

- all necessary regulatory approvals and testing will be complete / received for the proposed new gaming systems, equipment and technologies
- all remaining conditions precedent will be satisfied and the revised approved Licensing Agreement (ALA) / Casino Duty Agreement (CDA) will commence
- new Premium Gaming and Automated Table Games (ATG) tax rates commence
- new ATG product can be deployed (effectively new product for South Australia)
- voluntary pre-commitment system and automated risk monitoring introduced – further enhancing Adelaide Casino's already industry leading host responsibility practices.

Following the conclusion of the agreements with the South Australian Government, the first stages of new Casino development works are complete, with further enhancements ongoing throughout the balance of 2014. These completed works have included:

- an exciting new table games area focussing on Baccarat and featuring an iconic Asian style Pavilion as its centrepiece. This area opened on 31 January in time for Chinese New Year
- a new Platinum EGM room for premium gaming machine customers, which will open on 14 February, to coincide with the commencement of the new regulatory and taxation framework. This room will include 150 EGMs enabled with ticket-in ticket-out (TITO), unlimited maximum bet and jackpots, and will feature new gaming machine product available exclusively at Adelaide Casino, and for the first time in South Australia.

Two further stages of work are being undertaken through the course of 2014, including additional new Premium Gaming areas, upgrading MGF areas and delivering new restaurant and bar concepts.

The Premier of South Australia yesterday announced the development of a 1,400 space car park and civic plaza redevelopment on the Government-owned Adelaide Festival Plaza site, adjacent to SKYCITY Adelaide Casino premises. The Government will agree terms with SKYCITY to lease 1,000 spaces for SKYCITY's exclusive use, to support the \$350 million casino and hotel redevelopment.

In **Darwin**, local and IB gaming revenues have been somewhat disappointing and there is some cost pressure in the Darwin market, which has resulted in softer EBITDA margin in 1H14. However, the business has shown good non-gaming revenue growth with high hotel occupancy and strong demand for the new Lagoon Resort. The redevelopment of the resort has been well received and it was awarded "Best Redeveloped Hotel Accommodation" at the Australian Hotels Association Awards for Excellence, in October 2013.

In January 2014, SKYCITY Darwin received approval to introduce ticket-in ticket-out (TITO) on all SKYCITY Darwin EGMs. This will be implemented across the property throughout 2H14 and should start to have a positive impact on results from 4Q14.

International Business

International Business experienced a good first quarter, with turnover up 30%. However, volumes softened in the second quarter and overall IB turnover for 2H14 is 8% down on a constant currency basis for 1H14 (12% down at actual currency).

This is mostly attributed to timing of visits from a small number of large players. These players are scheduled to visit in 2H14 and based on a strong start to 2H14, supported by an expanded sales team across Asia, SKYCITY remains confident that IB turnover will exceed \$6 billion for FY14 (compared to \$5.7 billion in FY13).

Continued focus on Corporate Social Responsibility

Our focus on responsible operations and our CSR programme remains at the forefront of the business. We are proud of our world-leading host responsibility programme and continue to look for ways to improve in this area. Our aim is to exceed the requirements of the regulator while also balancing our customers' personal freedom and personal responsibility.

We also continue to play a key role in the community, and we are currently in the process of allocating funding through our community trusts. Our focus for this activity is to support organisations and programmes that make a difference to family/whanau, social health and wellbeing.

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

Further information on adjustments between reported and normalised information is available in SKYCITY's investor pack at <http://www.skycityentertainmentgroup.com/>

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Reconciliation between reported and normalised financial information

	1H14				1H13			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
Reported	465.1	143.6	104.4	61.1	487.3	152.8	114.4	66.3
Restructuring costs		0.7	0.7	0.5		1.1	1.1	0.7
One-off costs for launching new business		0.5	0.5	0.4		0.4	0.4	0.3
Costs from Adelaide Redevelopment		1.4	1.4	1.0				
Interest on purchased NZICC land bank				1.1				1.0
Profit from sale of Christchurch				(1.0)				(0.1)
Other Adjustments		1.0	2.0	1.4		0.4	0.4	0.3
Total Adjustments	-	3.6	4.6	3.4		1.9	1.9	2.2
Adjusted	465.1	147.2	109.0	64.5	487.3	154.7	116.3	68.5
Provision for IB Debtors	-	-	-	-	-	0.3	0.3	0.2
International Business at Theoretical	1.9	2.6	2.6	1.9	8.4	7.7	7.7	5.7
Normalised incl Chch	467.0	149.8	111.6	66.4	495.7	162.7	124.3	74.4
Results from Christchurch Casino	-	-	-	-	(2.3)	(2.3)	(2.3)	(2.3)
Normalised	467.0	149.8	111.6	66.4	493.4	160.4	122.0	72.1

Key adjustments are:

- restructuring costs – costs associated with changing the staffing structures designed to create future efficiencies
- one-off costs for launching new business – costs associated with the opening of new Auckland restaurants and VIP Gaming Machines 'Black' room
- costs arising as a result of the Adelaide redevelopment, predominantly the launch and marketing of a new 'Premium' gaming offering
- interest on purchase of New Zealand International Convention Centre (NZICC) land bank – calculated using the Group's average cost of debt of 6.94% on an average balance of \$45m
- profit from sale of Christchurch Casino, sold in December 2012
- other adjustments includes one-off costs associated with the acquisition of The Wharf, demolition costs not able to be capitalised and other miscellaneous items

IB win rate at 1.28% for 1H14. As the actual win rate was close to the theoretical rate of 1.35%, the adjustment to revenue was minor (\$1.9m).

The adjustment to normalised expenses is largely as a result of:

- for a number of players, the IB win rate was well in excess of the theoretical 1.35% and for these players that lost significantly and therefore earned less commission, we paid a higher level of complementary expenses
- other minor items

Normalisation adjustments have been calculated in a consistent manner in 1H14 and 1H13.