MARKET RELEASE

9 August 2017

SKYCITY Entertainment Group Limited

Full-year results for the twelve months to 30 June 2017

SKYCITY Entertainment Group Limited (NZX/ASX:SKC) today announced its full-year results for the twelve months to 30 June 2017.

On the full-year result, SKYCITY's Chief Executive Officer Graeme Stephens commented:

"A number of factors contributed to our financial performance for the year including the modest growth at our New Zealand properties and lower net interest expense. This was offset by reduced turnover in our International Business, and ongoing weak trading conditions in our Australian properties. Performance improved across the financial year, with normalised EBITDA up slightly in the second half of the year on the previous corresponding period, and normalised NPAT up 5.3 percent over the same period", he says.

Result Highlights

- Normalised NPAT was $154.6 million, up 1.3% on the previous corresponding period. Normalised EBITDA was down 2.6% to $321.5 million and normalised revenue (including Gaming GST) down 4.9% to $1.03 billion.

- Reported NPAT was down 69.2% to $44.9 million, primarily due to a A$95 million impairment of Darwin goodwill following an annual impairment review. Reported EBITDA was down 8.1% to $307.0 million and reported revenue down 7.2% to $1.02 billion.

- Normalised earnings per share (EPS) fell 8.6% to 23.3 cents per share, largely due to increased shares on issue during the period compared to the prior period, partially offset by reduced net interest expense following the equity capital raising completed in June 2016 and increased capitalised interest on major growth projects. Reported EPS was down 72.0% to 6.8 cents per share having been impacted by the impairment of Darwin goodwill.

- A final dividend of 10.0 cents per share has been declared by the SKYCITY Board, resulting in total dividends for FY17 of 20.0 cents per share, consistent with SKYCITY's existing dividend payout policy.

- Excluding International Business and adjusting for a constant currency, Group EBITDA was up 2.3% on the previous corresponding period, highlighting the resilience of the local businesses, especially in New Zealand.

Property Results in Summary

SKYCITY Auckland achieved modest revenue and earnings growth on a like-for-like basis relative to a record prior period. Record local gaming revenue was achieved for a full-year period despite various capital works programmes across the city impacting access to the precinct and lower premium gaming activity due to required regulatory changes to smoking decks. Revenue (excluding International Business) was up 1.6% to $566.7 million (with revenue up 3.5% on a like-for-like basis adjusting for discontinued operations and an extra trading day during FY16) and EBITDA (excluding International Business) was up 3.5% to $259.8 million.

SKYCITY Hamilton continued to trade strongly during the period, underpinned by increased gaming activity, investment in a new tenpin bowling alley and robust local macroeconomic conditions. Revenue (excluding International Business) was up 10.2% to $59.4 million and EBITDA (excluding International Business) was up 15.3% to $26.4 million.

SKYCITY's combined Queenstown operations remain relatively modest in the context of the Group results, but represent an opportunity for future development.

Adelaide Casino's performance declined primarily due to reduced visitation and disruption from the early works programme for the Riverbank Precinct impacting revenue, and increased marketing and promotional costs. Revenue (excluding International Business) was down 2.5% to A$148.0 million and EBITDA (excluding International Business) was down 16.8% to A$21.3 million. Luke Walker commenced as General Manager, Adelaide Casino, in February 2017. Luke is introducing new strategic initiatives to improve the operating performance of the property.

SKYCITY Darwin continued to face increased competition from pubs and clubs and a difficult economic environment in the Northern Territory. Regulatory changes have seen the permitted number of gaming machines in Darwin (at other properties within the catchment area of the casino) increase by 75% since 1 July 2015. Following the impairment of A$95 million of Darwin goodwill a review has commenced to identify strategic options to maximise value from the property. Revenue (excluding International Business) was down 3.4% to A$112.2 million and EBITDA (excluding International Business) was down 20.1% to A$27.1 million.

SKYCITY's International Business was adversely impacted by increased restrictions on funds transfers and a reduced number of visits by larger customers during the period, particularly following the Crown arrests in 2Q17. Despite a strong Chinese New Year period, turnover for the full-year was down 30.0% to $8.7 billion and normalised EBITDA was down 41.6% to $19.6 million. Operating margins were negatively impacted by the operating leverage in the business and increased bad debt provisions in 1H17. However margins improved in 2H17 following a cost review resulting in normalised EBITDA growth of 16.4% on the previous corresponding period. SKYCITY remains committed to the International Business and is confident in the medium-term outlook for the business. A new President of International Business, Stewart Neish, commenced in May 2017.

Major Growth Projects

The New Zealand International Convention Centre (NZICC) and Hobson Street hotel projects remain on-budget and good progress has been made during the year with excavation completed and the car park and hotel basement now under construction. As previously announced, practical completion is now expected by the middle of 2019, due to changes to the construction programme proposed by Fletcher Construction. SKYCITY remains comfortable with its contractual position with Fletcher Construction and is firmly committed to delivering world-class tourism infrastructure for Auckland and New Zealand.

SKYCITY completed a range of developments at Auckland during the period, including the opening of the Grand Horizon gaming salons, the completion of a refurbishment of the Main Atrium area and the recent opening of a new Chinese restaurant, Huami, in July. Huami has been well received by customers to date and is expected to complement the world-class Federal Street dining precinct and drive further visitation to the Auckland property.

As previously announced, SKYCITY has formally committed to proceed with the Adelaide Casino expansion, following the signing of a Development Agreement with the South Australian Government in July 2017. The conditions required by the SKYCITY Board for proceeding with the expansion have been satisfied, including improved access for premium gaming customers and certainty that Walker Corporation's car park development (adjacent to our property) will proceed.

Following a final design review, SKYCITY has decided to increase the size of the hotel (increasing capacity to 123 rooms) for the expansion reflecting the strong outlook for hotel demand in Adelaide, in addition to creating additional function and meeting room spaces. Further, SKYCITY has reduced reliance of the project on the International Business and has enhanced the interface of the expansion with the existing heritage building, ensuring that the combined property will appeal to a broad range of customers. Total costs for the project have increased to A$330 million (from A$300 million previously), including appropriate contingencies. SKYCITY considers that the final design changes support the overall investment thesis, improve expected returns and de-risk the project.

The early works for the Riverbank Precinct are progressing well and expected to be completed by late 2017. SKYCITY expects to undertake a tender process for its main construction works over the next few months and, following the procurement of a construction partner, commence its main works in Q1 2018 with completion during Q3 2020.

In addition to the two major growth projects currently underway, as part of a broader review of SKYCITY's medium-term Group strategy, future development options leveraging the existing portfolio are being considered, particularly in the case of the New Zealand properties. Further, and reflecting the rapid changes in technology being experienced globally across the casino and gaming industry, SKYCITY continues to invest in innovation strategies to ensure that the company is well-placed to engage with customers via social and digital platforms.

Final Dividend

The SKYCITY Board has declared a fully imputed final dividend of 10.0 cents per share payable on 15 September 2017. The Dividend Reinvestment Plan will be available for this dividend, with a 2% discount applying, in-line with prior periods. Elections to participate in the company's Dividend Reinvestment Plan for the final dividend close at 5.00pm (NZ time) on 1 September 2017.

SKYCITY has declared total dividends for FY17 of 20.0 cents per share, which is consistent with its existing dividend payout policy of distributing at least 80% of normalised NPAT to shareholders each year subject to a minimum of 20 cents per share per annum.

The SKYCITY Board reaffirms that the payout calculation for future dividends from FY18 will be adjusted to reflect the post-tax accounting impact of capitalised interest incurred on the major growth projects. This change will not impact other elements of the existing dividend payout policy, but is considered prudent given the increasing amount of capitalised interest expected out to FY20. Further, this change is unlikely to have a material impact on actual dividends paid over this period.

SKYCITY continues to believe that its dividend policy offers shareholders an attractive yield.

Funding

Following the equity capital raising completed in June 2016, SKYCITY remains well positioned to fund its major growth projects out to FY20 and retain its investment grade BBB- credit rating with Standard & Poor's. Consistent with previous market guidance, SKYCITY expects total debt to peak during FY20 at around $1.0 billion.

Total committed facilities (at hedged exchange rates) as at 30 June 2017 were $965 million of which $361 million is currently drawn. SKYCITY recently extended the maturity of A$280 million of senior bank facilities out to March 2022, beyond the completion of major growth projects. SKYCITY is also considering further debt issues during FY18, including a second New Zealand bond issue and another United States Private Placement issue to refinance a US$75 million maturity in March 2018.

Outlook for FY18

Overall, SKYCITY's Group EBITDA for FY18 is expected to grow modestly on the previous corresponding period. Key drivers of FY18 performance are expected to be growth from the combined New Zealand businesses and a recovery in the International Business, offset by further weakness in Darwin. Corporate costs are expected to increase on a like-for-like basis as necessary investment is made in IT systems and innovation initiatives.

SKYCITY Auckland, which accounts for approximately 80% of Group EBITDA, is expected to deliver modest earnings growth during FY18 on the previous corresponding period, driven by ongoing initiatives to increase visitation. Disruption arising from various capital works programmes across the city is being proactively managed, but will continue to impact the property.

SKYCITY Hamilton is expected to continue to deliver further earnings growth during FY18, underpinned by increased visitation and strong macroeconomic conditions in the region.

Adelaide Casino is expected to return to modest earnings growth in FY18 on the previous corresponding period, underpinned by improved premium gaming access, new marketing campaigns and margin improvements. Disruption from the early works and the commencement of the main construction works is expected to impact the property.

SKYCITY Darwin's performance is expected to be slightly weaker in FY18 on the previous corresponding period due to ongoing competitive pressures in the gaming machine business and a challenging local economy.

An uncertain near-term outlook for the International Business remains but activity is expected to improve from recent levels due to increased visits from larger customers and initiatives to attract new customers. Operating margins are expected to improve with increased activity levels and further initiatives to drive cost efficiencies.

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For more information please contact:

Media	**Investors**
Kelly Armitage Group Communications Manager DDI: +64 9 363 6368 Mobile:+64 27 213 5625 E-mail: kelly.armitage@skycity.co.nz	**Ben Kay** Investor Relations & Corporate Development Manager DDI: +64 9 363 6067 E-mail: ben.kay@skycity.co.nz

Notes to editors:

- Not all numbers in this release are audited. Further information on adjustments between normalised and reported information is available in SKYCITY's investor presentation at: http://www.skycityentertainmentgroup.com.

Normalised vs. Reported Results

	FY17				FY16			
	Revenue $m	EBITDA $m	EBIT $m	NPAT $m	Revenue $m	EBITDA $m	EBIT $m	NPAT $m
Normalised	**1,030.6**	**321.5**	**226.5**	**154.6**	**1,084.1**	**330.1**	**236.4**	**152.7**
IB at theoretical	(8.6)	(14.5)	(14.5)	(10.2)	17.1	3.9	3.9	2.8
Asset write-offs	-	-	(99.5)	(99.5)	-	-	(10.4)	(9.8)
Total adjustments	**(8.6)**	**(14.5)**	**(114.0)**	**(109.7)**	**17.1**	**3.9**	**(6.5)**	**(7.0)**
Reported	**1,022.0**	**307.0**	**112.5**	**44.9**	**1,101.2**	**333.9**	**229.9**	**145.7**

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.

Application of the Group's non-GAAP financial information policy is consistent with the approach adopted in FY16.

FY17 adjustments

- A$94.6 million (NZ$99.5 million) write-off of goodwill at Darwin following annual impairment review.
- Actual win rate on International Business of 1.25% vs the theoretical win rate of 1.35%.

FY16 adjustments

- Actual win rate on International Business of 1.49% vs the theoretical win rate of 1.35%.
- Write-off of the Hamilton hotel project costs ($2.8m of capitalised costs incurred over 2011 to 2014).
- Write-off of 101 Hobson St and the Nelson St car park to make way for the NZICC ($7.6m book value).