

9 February 2018

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Copy to:
ASX Market Announcements
Australian Stock Exchange
Exchange Centre
Level 6
20 Bridge Street
Sydney NSW 2000
AUSTRALIA

Dear Sir/Madam

**RE : SKYCITY ENTERTAINMENT GROUP LIMITED (SKC)
1H18 INTERIM RESULT (FOR THE SIX MONTHS ENDED 31 DECEMBER 2017)**

Please find attached the following information relating to SKYCITY Entertainment Group Limited's interim result for the six months ended 31 December 2017:

1. NZX Appendix 1 (as required by NZX Listing Rule 10.3.2) detailing the preliminary announcement;
2. 1H18 Result - Investor Presentation;
3. NZX Appendix 7 (as required by NZX Listing Rule 7.12.2) detailing the interim dividend of NZ 10.0 cents per ordinary share to be paid on 16 March 2018 to those shareholders on the company's share register as at 5pm (NZ time) on 2 March 2018. The company's Dividend Reinvestment Plan will be activated in respect of the interim dividend, with a 2% discount being offered;
4. Interim Report, including the financial statements and notes; and
5. Market Release.

SKYCITY is hosting a conference call for equity analysts, institutional investors and fund managers at 12pm noon (NZ time) today where Graeme Stephens, CEO, and Rob Hamilton, CFO, will present the key information of the result and provide an overview of the status of SKYCITY's major growth projects in Auckland and Adelaide. Details for this call were released on the NZX and ASX on 15 January 2018.

Yours faithfully



Rob Hamilton
Chief Financial Officer

MARKET RELEASE

9 February 2018

SKYCITY Entertainment Group Limited

Interim results for the six months to 31 December 2017

SKYCITY Entertainment Group Limited (NZX/ASX:SKC) today announced its interim results for the six months to 31 December 2017. On the interim result, SKYCITY's Chief Executive Officer Graeme Stephens commented:

"SKYCITY's FY18 interim results deliver growth on the prior year and are largely in-line with our expectations and previous market guidance. We continue to make progress on our current strategic initiatives and the significant developments underway in Auckland and Adelaide position the company for earnings growth and creation of shareholder value over the medium-term. Despite ongoing disruption from capital works in Auckland and Adelaide and a slightly less favourable New Zealand economic environment, we remain confident we can continue to deliver growth from our existing assets as well as the new projects in the pipeline", he says.

Key Features Of Interim Result

- The key drivers of our performance over the interim period were growth from our combined New Zealand properties, a recovery in our International Business, stable performance from our combined Australian properties, a lower net interest expense due to increased capitalised interest from our major growth projects and a stronger A\$ vs the NZ\$.
- Normalised NPAT was \$90.3 million up 7.9% on the previous corresponding period, normalised EBITDA up 4.1% to \$175.8 million and normalised revenue up 3.6% to \$545.0 million.
- Reported NPAT was up 11.6% to \$93.5 million on the previous corresponding period due to a favourable win rate on International Business (1.55%) relative to the theoretical win rate (1.35%). Reported EBITDA was up 6.8% to \$180.6 million and reported revenue up 4.0% to \$554.7 million.
- Normalised earnings per share was up 6.3% to 13.5 cents per share with growth in net earnings offset by increased shares on issue during the period due to participation in the company's Dividend Reinvestment Plan. Reported earnings per share was up 9.4% to 13.9 cents per share.
- A fully imputed interim dividend of 10 cents per share has been declared by the Board, which is consistent with our existing dividend policy.

Property Results In Summary

SKYCITY Auckland achieved modest earnings growth relative to a record previous corresponding period, in-line with previous guidance. Revenue (excluding International Business) was up 2.1% to \$289.9 million and EBITDA (excluding International Business)

up 3.6% to \$131.0 million on the previous corresponding period. 2.3% growth in local gaming revenue was achieved despite reduced premium gaming activity during 2Q18 and a reduction in (and other modifications to) our smoking areas implemented from late FY17. Non-gaming revenue was up 4.0% on a like-for-like basis over the period, with our hotels continuing to trade strongly and achieving ~10% growth in RevPAR (revenue per available room).

SKYCITY Hamilton delivered a solid performance, although growth rates have moderated following consecutive years of record performances. Revenue (excluding International Business) was up 3.3% to \$30.6 million and EBITDA (excluding International Business) up 4.6% to \$13.7 million. The positive result was primarily due to increased non-gaming activity (particularly from Bowl and Social, our tenpin bowling entertainment zone) and a focus on cost efficiencies.

Our combined Queenstown properties returned to growth during the period, but remain relatively immaterial to the Group's results.

Adelaide Casino achieved some growth during the period, in-line with previous guidance. Revenue (excluding International Business) was up 1.3% to A\$78.1 million and EBITDA (excluding International Business) up 2.0% to A\$13.0 million. New premium gaming concessions implemented during the period and cost efficiencies have helped to offset the impact of construction disruption from the early works programme. The premium gaming business continues to build with more visitors to the premium gaming rooms during the period and those rooms being expanded recently to accommodate increased demand during peak trading periods.

SKYCITY Darwin achieved a stable performance on the previous corresponding period on a like-for-like basis. Revenue (excluding International Business) was roughly flat at A\$62.0 million and EBITDA (excluding International Business) down 5.4% to A\$16.7 million, largely due to the ~A\$1.0 million Keno 10-spot being won during the period. Overall, increased non-gaming revenue and visitation from broadening on-site entertainment helped to offset weaker gaming activity. Adjusting for the Keno 10-spot win, EBITDA would have been flat relative to the previous corresponding period.

Our International Business has recovered after a challenging FY17 and achieved growth during the period, with turnover up 9.4% to \$4.8 billion and normalised EBITDA up 87.1% to \$14.0 million. This performance was underpinned by an increased focus on key customers and a significant improvement in operating margins following an operational review during 2H17. We continue to believe in the long-term prospects for our International Business and our management team, now led by Stewart Neish, has been making a positive impact on the business.

Major Growth Projects

We have seen a positive change in construction on-site for the New Zealand International Convention Centre (NZICC) and Hobson Street hotel projects over the last six months. The overall programme is well advanced with the core of the Hobson Street hotel now up to the eighth floor (of thirteen) and the slab for the final floor in the NZICC nearing completion. Fletcher Construction continues to target completion of the projects around the middle of 2019, which is a six month delay from the contracted dates. We remain comfortable with our contractual arrangements, which provide for liquidated damages that should mitigate our losses through delay, but legal challenges from

Fletcher Construction are possible. Overall, we expect our investment in the projects to be in-line with our original budget. We continue to escalate our sales and marketing efforts to confirm the pipeline of convention bookings and, pleasingly, we have secured six major international conferences for 2020.

Our expansion of the Adelaide Casino precinct continues to progress well following the signing of our Development Agreement with the South Australian Government in late July 2017. The process for selecting a construction firm, via a competitive tender, is well advanced and the total budget expected for the project remains around A\$330 million. The early works programme being delivered by Lend Lease on behalf of the Government is nearing completion. We expect to commence our main works before the end of FY18, with completion and operationalisation of the new facilities expected in early FY21. Walker Corporation's development of Festival Plaza remains on-track with its 1,500 car parks (of which we have agreement to lease 750 spaces for exclusive use) expected to be completed contemporaneously with our expansion. We remain excited by the medium-term potential for our Adelaide property and its prime location adjacent to key leisure, tourism and entertainment infrastructure throughout the broader Riverbank Precinct.

Other Initiatives

As indicated at the time of our FY17 full-year results, in addition to our major growth projects, we can see the potential to further leverage our existing assets and strong market positions underpinned by long-term exclusive casino licences. To this end, we have commenced master planning work for both our Auckland and Hamilton properties – we believe both properties present future opportunities for development which will create value for shareholders. We also continue to evaluate strategic options in Queenstown with a view to better leveraging the potential of our two casino licences and improving our offering to appeal to a broader customer base.

Another area of focus for the company continues to be ensuring that SKYCITY is well positioned to respond to changes in technological and digital platforms and the preferences of existing and new customer groups. We continue to invest in our IT infrastructure to ensure the customer experience at SKYCITY becomes best-in-class and that we can engage via digital and social media. Our recent investment in Let's Play Live Media, which has seen the establishment of New Zealand's first e-gaming studio in the Sky Tower in Auckland, provides an exposure to one of the fastest growing forms of entertainment globally with strong appeal for both millennial and Asian audiences. Similarly, we look forward to working with New Zealand Rugby and Ngāi Tahu Tourism to deliver the All Blacks Experience at SKYCITY Auckland from 2019. Having the All Blacks Experience at SKYCITY aligns us with an iconic global brand and will enhance the family and tourism entertainment experience on the precinct.

We are continuing to evaluate a range of options for our Darwin property as part of a strategic review which commenced in July 2017 following the impairment of the book value for the property. A full (or partial) sale of our interest in the property remains a possibility at the right price, but there is no urgent time pressure given that the property is profitable and cash generative – particularly with the recent stabilisation and slightly improved performance. Pleasingly, we have recently secured a five-year extension of our exclusive casino licence in Darwin out to 2036.

Funding

Total committed facilities as at 31 December 2017 were \$1.20 billion (at hedged exchange rates), of which \$475 million has been drawn. We reached agreement on US\$150 million of USPP debt in November 2017 and plan to drawdown this new debt in March 2018 to coincide with the maturity of existing USPP debt of US\$75 million.

As previously flagged, we continue to evaluate opportunities to release capital from our existing assets to repay bank debt and/or fund strategic opportunities as they arise. To this end, we have recently appointed Colliers to manage the sale of our Federal Street car park in Auckland, which is considered non-core following the opening of the NZICC car parks. We are also evaluating options to monetise our main site car parks in Auckland.

We continue to believe that SKYCITY is well positioned to fund its major growth projects and retain its investment grade credit rating with Standard & Poor's during peak gearing periods. Consistent with previous guidance, we expect total debt to peak during FY20 at around \$1.0 billion.

Interim Dividend

The SKYCITY Board has declared a fully imputed interim dividend of 10 cents per share payable on 16 March 2018. The SKYCITY 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 interim dividend close at 5pm (NZ time) on 2 March 2018. The interim dividend is consistent with our existing policy which we believe continues to offer shareholders an attractive yield.

Outlook For Remainder Of FY18

Based on the financial performance during the interim period, we remain on-track to achieve modest growth in Group EBITDA for FY18 on the previous corresponding period, in-line with previous guidance.

Key contributors to this outlook during 2H18 are expected to be growth from our combined New Zealand properties, improved performance from our combined Australian properties and an on-going recovery in our International Business, offset by higher corporate costs as the company continues to invest in technology and returns to a more normal period of executive remuneration and incentive payments.

We expect Auckland to deliver growth in 2H18 on the previous corresponding period and note there will be a strong focus on new initiatives to improve the operating performance of the business and to deliver efficiencies. SKYCITY Hamilton is expected to deliver modest earnings growth in 2H18 on the previous corresponding period.

Adelaide Casino is expected to deliver earnings growth in 2H18 on the previous corresponding period due to increased premium gaming activity, margin improvements and the property cycling a weaker comparative period. Disruption from the early works programme followed by our main construction works is expected to continue to impact the property.

Darwin is expected to deliver improved performance in 2H18 on the previous corresponding period due to the property cycling a weaker comparative period.

Whilst inherently difficult to predict, turnover in our International Business is expected to improve in 2H18 on the previous corresponding period with positive forward bookings secured for the Chinese New Year period during February. We continue to target \$10 billion in International Business turnover for FY18 for the Group. Operating margins in 2H18 are expected to be broadly consistent with 1H18.

ENDS

For more information please contact:

Media	Investors & analysts
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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>.

Reported vs. Normalised Results

	1H18				1H17			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
Normalised	545.0	175.8	128.7	90.3	525.8	168.9	121.6	83.7
IB at theoretical	9.7	4.7	4.7	3.2	7.3	0.1	0.1	0.1
Reported	554.7	180.6	133.5	93.5	533.1	169.1	121.7	83.8

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 FY17.

1H18 adjustments

- Actual win rate on IB of 1.55% vs. the theoretical win rate of 1.35%.

1H17 adjustments

- Actual win rate on IB of 1.52% vs. the theoretical win rate of 1.35%.

SKYCITY Entertainment Group Limited	
Results for announcement to the market	
Reporting Period	1 July 2017 to 31 December 2017
Previous Reporting Period	1 July 2016 to 31 December 2016

Reported	Amount (millions)	Percentage change
Reported revenue including gaming GST from ordinary activities	NZ\$554.7	4.0%
Reported revenue from ordinary activities ¹	NZ\$504.6	4.2%
Reported profit (loss) from ordinary activities after tax attributable to security holders	NZ\$93.5	11.6%
Reported net profit (loss) attributable to security holders	NZ\$93.5	11.6%

Normalised	Amount (millions)	Percentage change
Normalised revenue including gaming GST from ordinary activities	NZ\$545.0	3.6%
Normalised revenue from ordinary activities	NZ\$495.5	3.7%
Normalised profit (loss) from ordinary activities after tax attributable to security holders	NZ\$90.3	7.9%
Normalised net profit (loss) attributable to security holders	NZ\$90.3	7.9%

Notes:

- 'Reported' information is per the financial statements
- 'Normalised' results sets International Business win to theoretical win rate of 1.35% and adjusts for certain revenue and expense items. Reconciliation between reported and normalised financial information is provided at the end of this document
- 'EBITDA' = Earnings before interest, tax, depreciation and amortisation
- 'EBIT' = Earnings before interest and tax
- 'NPAT' = Net profit after tax
- Certain totals, subtotals and percentages may not agree due to rounding

¹ On the Income Statement this is the total of Revenue, Other income and Share of net loss of associate

Interim Dividend	Amount per security	Imputed amount per security
	NZ\$ 0.10	\$0.038889

Record Date	2 March 2018
Payment Date	16 March 2018

Comments:	<p>SKYCITY's FY18 interim performance is set out in the Company's Result Presentation which is attached to this announcement. It provides detail and explanatory comment on operating and financial performance for each business unit and the Group as a whole and various other relevant aspects of the financial performance for the six months ended 31 December 2017.</p> <p>The Result Presentation will be available on the Company's website from 9 February 2018.</p>
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NTA Backing

	2017	2016
Net tangible asset backing per ordinary share	\$0.444	\$0.354

Auditors

This report is based on accounts that have been the subject of a review by the company's auditor. Their review report is provided with this report.

Earnings per share

	Amount (cents per share)	Percentage change
Reported	13.9	9.4%
Normalised	13.5	6.3%

Reported earnings per share for the six months to 31 December 2017 were 13.9 cents per share (31 December 2016: 12.7 cents per share). Normalised earnings per share for the six months to 31 December 2017 were 13.5 cents per share (31 December 2016: 12.7 cents per share). "Normalised" eliminates certain revenue and expense items and adjusts International VIP commission business win rate to theoretical.

Dividends

100% of the March 2018 dividend will be imputed at the company's New Zealand tax rate of 28% and not franked for Australian purposes.

The company's Dividend Reinvestment Plan will be activated in respect of the interim dividend, with a 2% discount being offered.

Elections to participate in the company's Dividend Reinvestment Plan for the interim dividend close at 5pm (NZ time) on Friday 2 March 2018.

Reconciliation between Reported and Normalised Financial Information

	1H18				1H17			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
Normalised	545.0	175.8	128.7	90.3	525.8	168.9	121.6	83.7
IB at theoretical	9.7	4.7	4.7	3.2	7.3	0.1	0.1	0.1
Reported	554.7	180.6	133.5	93.5	533.1	169.1	121.7	83.8

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.

Total revenues are gaming win plus non-gaming revenues.

Application of the group's non-GAAP financial information policy is consistent with the approach adopted in FY17.

1H18 Adjustments

- Actual win rate on International Business of 1.55% vs. the theoretical win rate of 1.35%

1H17 Adjustments

- Actual win rate on International Business of 1.52% vs. the theoretical win rate of 1.35%

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one
(Please provide any other relevant
details on additional pages)

1

Full name of Issuer **SKYCITY Entertainment Group Limited**

Name of officer authorised to make this notice **Jo Wong** Authority for event, e.g. Directors' resolution **Directors' resolution**

Contact phone number **(09) 363 6000** Contact fax number **(09)363 6140** Date **9 / 2 / 2018**

Nature of event
Tick as appropriate

Bonus Issue If ticked, state whether: Taxable / Non Taxable Conversion Interest Rights Issue Renounceable

Rights Issue non-renounceable Capital change Call Dividend If ticked, state whether: Interim Full Year Special DRP Applies

EXISTING securities affected by this *If more than one security is affected by the event, use a separate form.*

Description of the class of securities **Ordinary Shares** ISIN **NZSKCE0001S2**
If unknown, contact NZX

Details of securities issued pursuant to this event *If more than one class of security is to be issued, use a separate form for each class.*

Description of the class of securities ISIN
If unknown, contact NZX

Number of Securities to be issued following event Minimum Entitlement Ratio, e.g. ① for ② for

Conversion, Maturity, Call Payable or Exercise Date Treatment of Fractions

Strike price per security for any issue in lieu or date Strike Price available. Tick if *pari passu* OR provide an explanation of the ranking

Monies Associated with Event *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

In dollars and cents

Amount per security (does not include any excluded income)	\$0.1000	Source of Payment	Profit
Excluded income per security (only applicable to listed PIEs)	<input type="text"/>	Supplementary dividend details - NZSX Listing Rule 7.12.7	Amount per security in dollars and cents \$0.017647
Currency	NZ Dollars	Date Payable	16 March, 2018
Total monies	\$67,433,562		

Taxation *Amount per Security in Dollars and cents to six decimal places*

In the case of a taxable bonus issue state strike price	\$ <input type="text"/>	Resident Withholding Tax	\$0.006944	Imputation Credits (Give details)	\$0.038889
		Foreign Withholding Tax	\$ <input type="text"/>	FWP Credits (Give details)	<input type="text"/>

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm
For calculation of entitlements - **2 March, 2018**

Application Date
Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week. **16 March, 2018**

Notice Date
Entitlement letters, call notices, conversion notices mailed

Allotment Date
For the issue of new securities. Must be within 5 business days of application closing date.

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

