

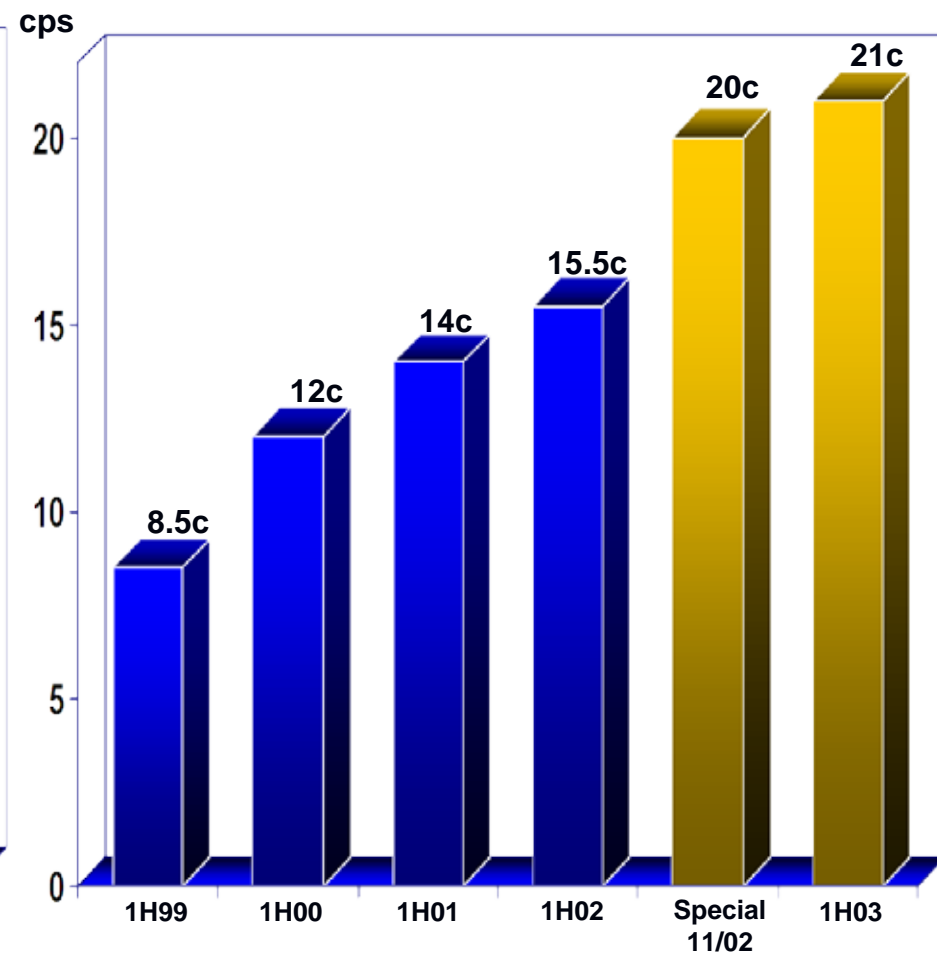
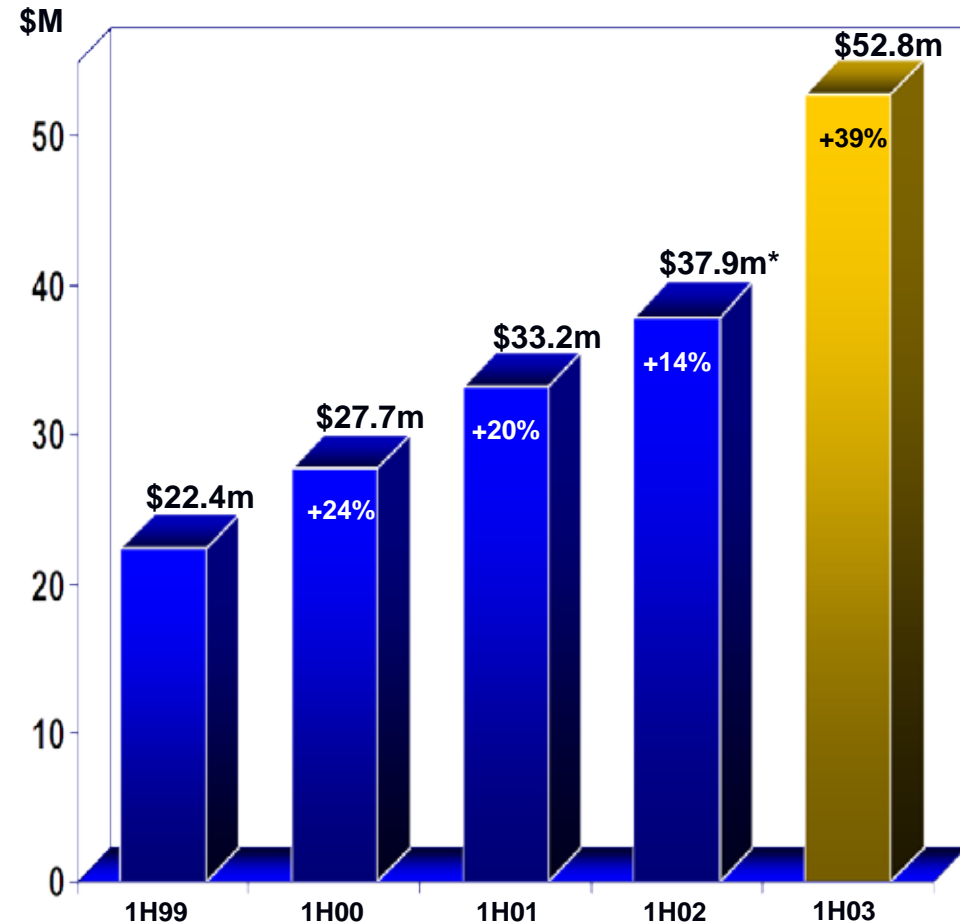
# **SKY CITY ENTERTAINMENT GROUP LIMITED**

**Interim Result  
Half Year Ended 31 December 2002**

# Financial Year 2003 – First Half Result

Net Profit (NSAT): \$52.8m

Interim Dividend FY03  
21cps 4/4/03 (21/3/03)



\* Before non-recurring items

# Interim Dividend FY03

- 21 cents per share (15.5 cps 2002)
- Entitlement date 21 March
- Payment date 4 April
- Fully imputed
- 2002/03 year to date dividends
  - FY03 final dividend (October 2002) 22.5cps
  - Special dividend (November 2002) 20.0cps
  - Interim dividend (April 2003) 21.0cps
  - 63.5cps
- Total dividends to shareholders since Sky City opening in Feb '96: \$402m

# Sky City Entertainment Group

## Revenues and Cost and Margin Management

- \$31m of additional revenue converted into \$19m of additional net (before tax) profit, as per below:

Revenues		\$31m
Direct Expenses		\$ 7m
Indirect Expenses (incl. depreciation & amortisation)		\$ 5m
Net Surplus before tax <sup>(1)</sup>		\$19m
Net Surplus after tax <sup>(1)</sup>		from 15% to 18%

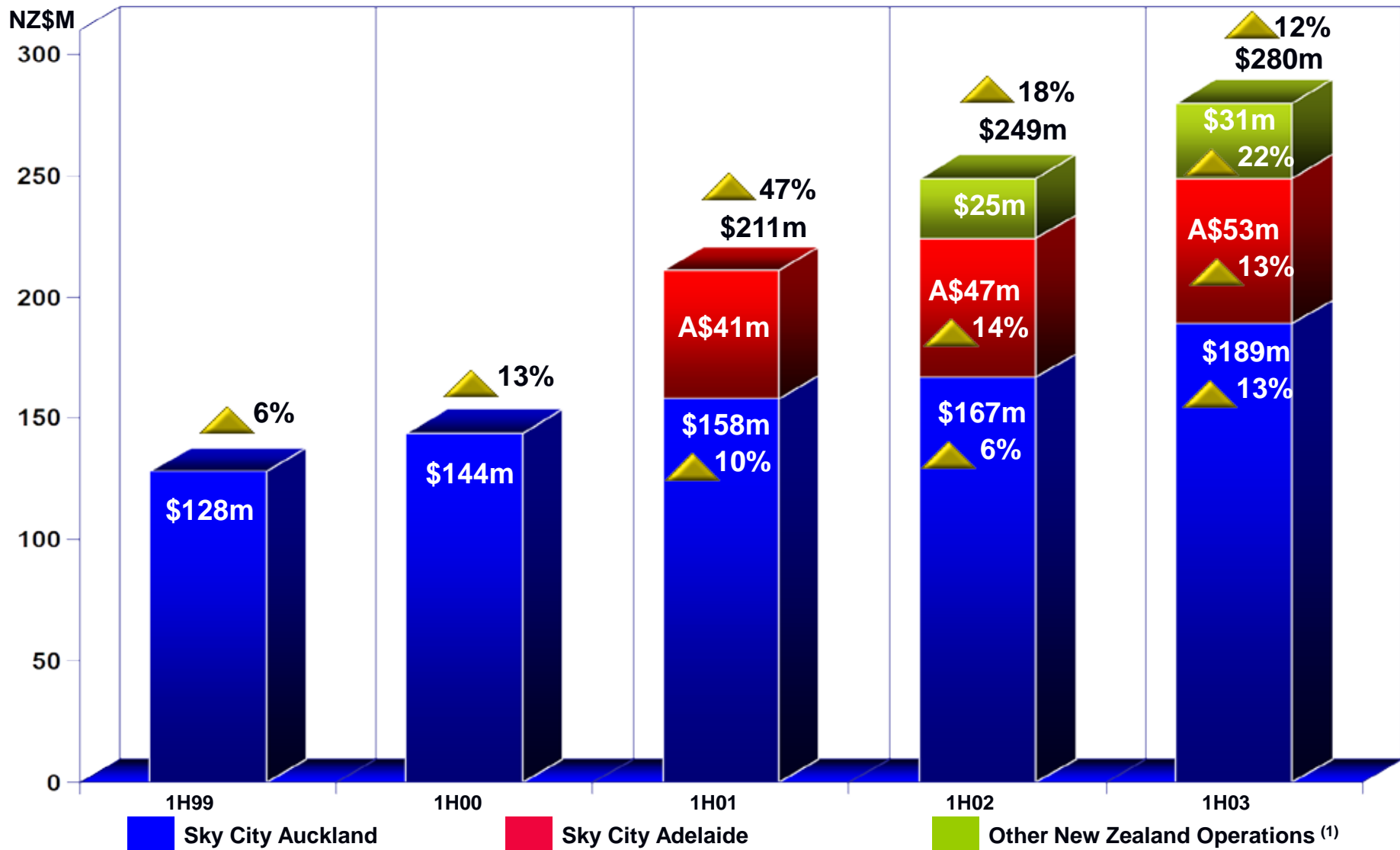
<sup>(1)</sup> before IRD use of money interest receipt: non-recurring item

# Key Features of the Group Financial Result

- Revenues increased at Auckland, Adelaide, Queenstown, Canbet
- New revenue stream, Sky Riverside (Hamilton)
- Cinema revenues steady at Sky City Leisure
- Sky City Auckland - growth continues
- Sky City Adelaide - growth, turnaround evident in 2H02 continued into 1H03
- Margin gains in Auckland, Adelaide, Queenstown
- Strong initial period margin performance at Sky Riverside (Hamilton)
- Queenstown close to EBIT breakeven
- Canbet profitable
- Sky Riverside project completed within capital cost budget. Successful initial operating period
- Contract termination fee (re Harrah's, 1997) confirmed as deductible. Contingent liability extinguished. Use of money interest (\$1.6m) to be received for prepaid tax

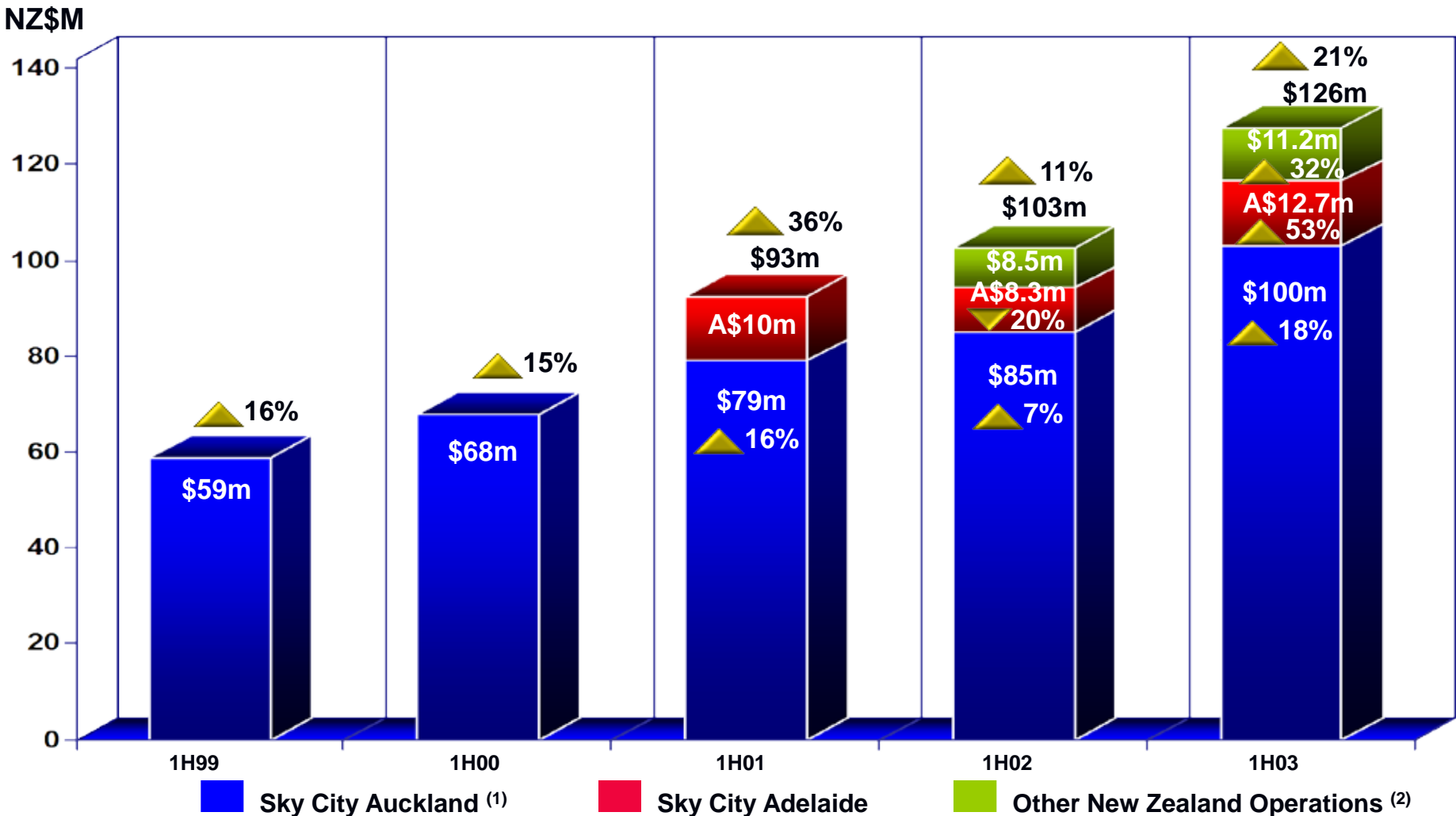
# FY03 First Half Result: Operating Revenue

Revenues are stated net of complimentarys. All figures are stated in \$NZ unless otherwise indicated



(1) Other New Zealand Operations includes Sky Riverside (Hamilton), Sky Alpine Queenstown and Sky City Leisure. Sky Riverside opened in September 2002

# FY03 First Half Result: EBITDA



(1) Includes Group/Corporate Expenses

(2) Other New Zealand Operations includes Sky Riverside (Hamilton), Sky Alpine Queenstown and Sky City Leisure. Sky Riverside opened in September 2002

# FY03 First Half Result: Revenues

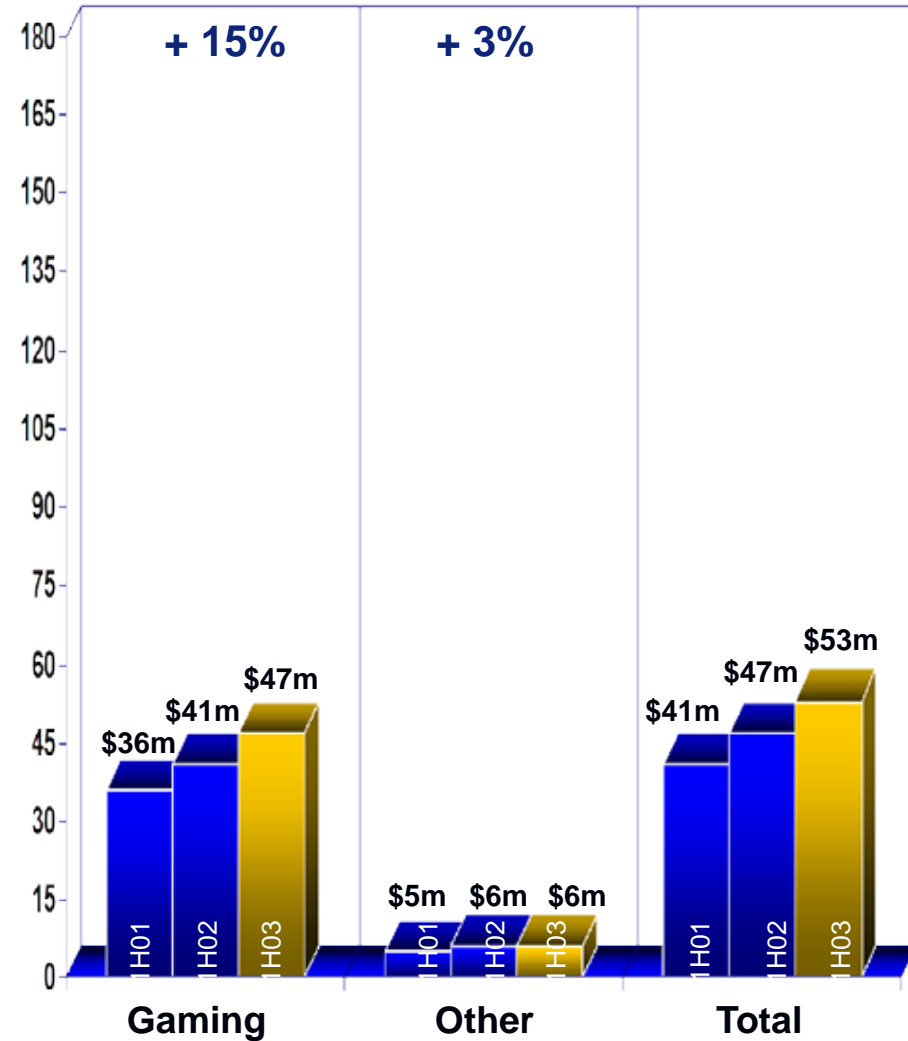
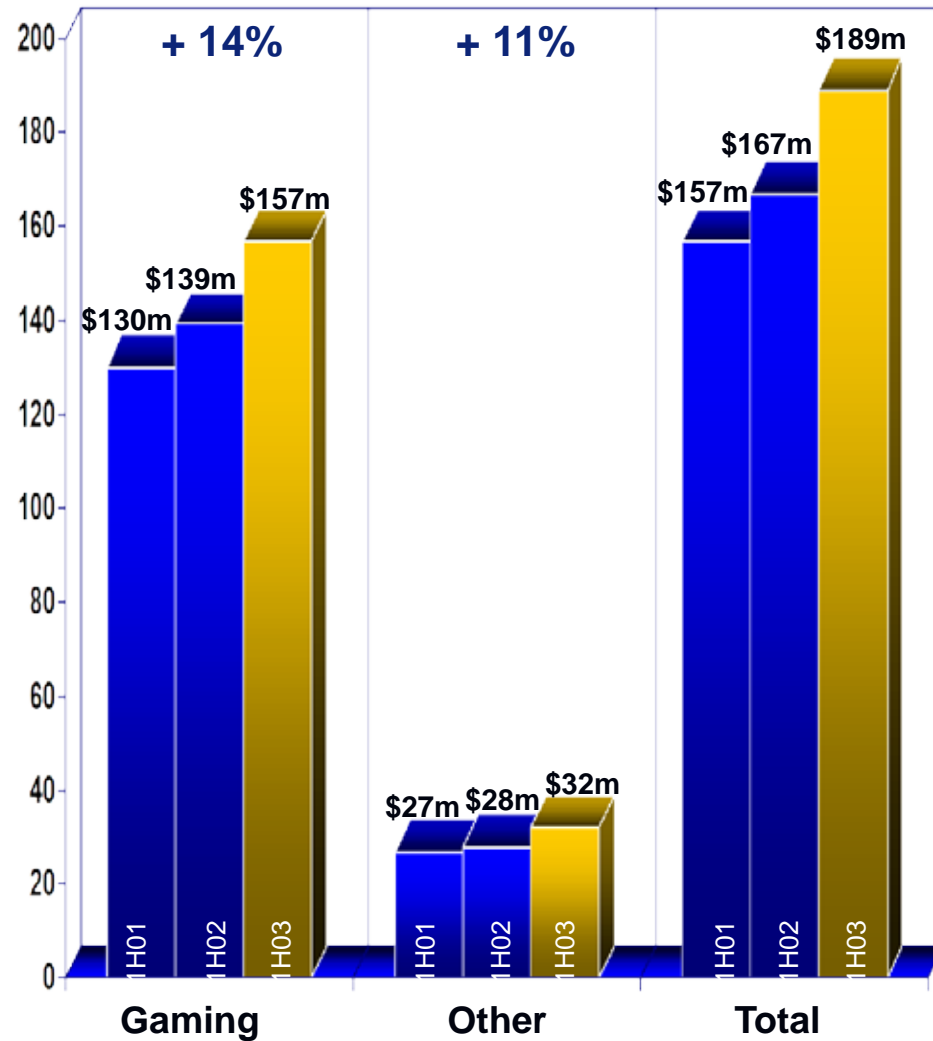
Revenues are stated net of complimentary

## Auckland

## Adelaide

NZ\$M

A\$M














## **SKY CITY AUCKLAND**

- **Strong revenue growth across all sectors**
- **EBITDA margin up 2% points to 53%**
- **Gaming expansion to relieve capacity constraints. Project will commence April 2003. Completion early December '03**
- **Convention Centre project well advanced**
- **New 320 room hotel project (\$75m) announced**

# First Half Result FY03: Sky City Auckland

- Strong result, growth continues, costs managed, margins maintained
- Revenues  13% (+\$22.0m)
  - Gaming  14% (+\$19.0m)
  - F&B  18% (+\$2.4m)
  - Hotel & Conference  9% (+\$0.8m)
  - Sky Tower  11% (+\$0.4m)
  - Carparking  at \$4.7m
- Gross Margin %  1% point at 64%
- EBITDA  2% points at 53% (+\$15.3m)
- EBIT  3% points (+\$14.7m)

# Sky City Auckland: FY03 Half Year Result

## Gaming +14%

- Revenue Growth



Tables		20%
--------	---	-----

Gaming Machines		10%
-----------------	---	-----

- Aristocrat hyperlink jackpot (Cash Express) introduced in December
- New product introduced: Aristocrat 'Excite' and Konami 'Endeavour'
- 60 cars won, 834 jackpots paid out
- Third >\$1m Sky High jackpot paid in August. Since introduction in 1999, 18 Sky High jackpots totalling >\$11m have been won
- Gaming expansion (15% increase in capacity) will commence April. Scheduled for completion early December

# Sky City Auckland: FY03 Half Year Result

## Food and Beverage

- Revenue  18% to \$15.9m (\$13.5m)
- Gross Margin  from 20% to 17%
- “Orbit” refurbishment/update completed September ‘02
- New “Observatory” restaurant (April ‘02) achieving good results. Additional revenues achieved - for both Orbit and Observatory
- 95,000 Orbit and Observatory restaurant covers
- Good revenue results but management focus in 2H03 will be on restoring the gross margin performance (to the 20% level)
- Continuing demand for Sky City Catering services (including Louis Vuitton Challenger Series, America’s Cup, Millennium Cup regattas)

# Sky City Auckland: FY03 Half Year Result

## Hotel and Conference

- Revenue  9% at \$10.2m
- Hotel Occupancy  from 86% to 89%
- Hotel Room Rate Steady at \$123
- Strong support from all sectors: domestic and international, leisure and corporate, conference
- Best performing hotel in Auckland
- Hotel refurbishment over 3 years. Stage 1 completed. Stage 2 in process - completion May 2003. Stage 3 during FY04
- Convention and Exhibition Centre project: subsoil, piling and foundation works completed. Structural work well-advanced. Completion scheduled for first quarter of calendar 2004
- New hotel: 320 rooms, Qualmark 5 star, December 2004

# Sky City Auckland: FY03 Half Year Result

## Sky Tower

- Revenues  11% at \$3.7m
- Vertigo, Sky Jump, 2 restaurants, telecommunications, education programmes, special promotions
- >50% of international visitors to Auckland visit Sky Tower (more than any other paid-for attraction in New Zealand)

# Sky City Auckland: FY03 Half Year Result

## Carparking, Theatre

### **Carparking**

- Revenue steady at \$4.7m

### **Sky City Theatre**

- 35,000 attended Auckland Theatre Company's record-breaking production of the Rocky Horror Show
- 20,000 attended the third Auckland International Film Festival
- 3 movie premieres screened: Men in Black II, Lilo and Stitch, Goldmember
- Media launch of Whale Rider

# Sky City Auckland: FY03 Half Year Result

## New Products and Facilities







- Convention and Exhibition Centre (\$60m): first quarter of calendar year 2004
- Gaming Expansion (\$20m, +15% capacity: 12 tables, 230 machines): mid December 2003
- 320 room deluxe standard hotel (\$75m): December 2004
- New gaming machine product introduced
- Information systems development/functionality
- In support of revenue growth objectives



## **SKY CITY ADELAIDE**



- **1H03 continued the strong trends evident in 2H02**
- **Revenues up 13%**
- **Margins up significantly**
- **Increasing profile as one of the most popular entertainment destinations in South Australia**

# Sky City Adelaide: FY03 Half Year Result

- Revenues up 13%, costs managed to +6%, margins up substantially
- Revenues  13% to A\$53m
  - Gaming  15% (+A\$6m to A\$47m)
  - Food and Beverage  7% (+A\$0.4m to A\$6.9m)
- Gross Margin  5% points to 35%
- EBITDA  6% points (+53% from A\$8.3m to A\$12.7m)
- EBIT  6% points (+100% from A\$3.8m to A\$7.6m)



# Sky City Adelaide: FY03 Half Year Result

## Gaming +15%

- Growth, new product initiatives, range of promotions
- Revenue growth
  - Tables  15%
  - Gaming Machines  15%
- Gaming Gross Margin up from 32% to 39%
- New products
  - IGT Wheel of Fortune
  - 20 additional Aristocrat hyperlink (Cash Express) machines installed. Total now 103 machines (12% of the floor total)
  - 40 new Aristocrat 'Excite' and additional 21 Aristocrat 'Cashman' machines introduced
  - IGT Jetsetter installed
  - Total gaming machines increased from 833 to 868
- Productivity focus on table games operations
- Grange Room premium player programme is performing well
- Action loyalty programme membership up a further 27% to 68,000

# Sky City Adelaide: FY03 Half Year Result

## Food and Beverage

- Food and Beverage\*  7% from A\$6.5m to A\$6.9m
- Gross Margin  from 17% to 10%
- Food and Beverage revenue increase offset by increased complimentaries and drop in gross margin. Gross Margin will be the focus of attention in 2H03

\* Inclusive of complimentaries

# OTHER NEW ZEALAND OPERATIONS

- **Sky Riverside Hamilton**
- **Sky Alpine Queenstown**
- **Sky City Leisure**

# Sky Riverside (Hamilton)

- Successful opening 19/20 September
- On time and on budget
- Strong initial patronage/interest
- Revenues for period 20/9/02 - 31/12/02 of \$7.8m
- Initial period performance ratios were:
  - Gross Margin 54%
  - EBITDA ratio 41%
  - EBIT ratio 22%
- High level of involvement in the Hamilton/Waikato Community
- Sky Riverside already well-positioned as a primary entertainment destination in Hamilton and for the wider Waikato/King Country/Bay of Plenty region

# Sky Alpine Queenstown

- Revenues  23% to \$3.0m
- Gross Margin  from 28% to 32%
- Gaming Revenues
  - Machines  35%
  - Tables  22%
- 10 new (IGT Spectrum) gaming machines installed. Total machine number increased from 70 to 78
- Difficult trading environment (2 casino licences)
- EBIT close to breakeven at -\$0.3m

# Sky City Leisure Limited: 50.2% of shares 77% of MCNs (fully diluted 74%)

- Cinema revenues steady at \$14.5 million but cinema gross margin up \$200k at \$3.9m
- Adverse impact from a continuing decline in Planet Hollywood revenues and earnings. Leisure board focused on minimising the impact of Planet Hollywood on the overall Sky City Leisure result
- EBITDA up 11% at \$5.6m
- NSAT turnaround, at \$1.0m compared to -\$5.5m in 1H02
- Management Services Agreement with Sky City approved by shareholders at 2002 Annual Meeting: operational, marketing and corporate services efficiencies
- New St Lukes (Auckland) 8 screen multiplex due to open April/May 2003



# **CANBET LIMITED**

- **ASX listed**
- **Profit for 1H03 of A\$399,000**

# Canbet: First Half Result FY03

- Sports wagering, internet-based, UK relocation, ASX listed
- Sky City at 33% shareholding
- Key elements of the Canbet 1H03 result
  - turnover ▲ 55% to A\$300m (1H02: A\$190m)
  - betting volumes ▲ 70%
  - bookmaking win at 1.8%
  - profit (NSAT) at A\$399k: up \$95k on FY02 profit of A\$304k
- Canbet UK operations will commence mid-April 2003

# REGULATORY AND COMMUNITY

# Regulatory, Compliance

---

- The New Zealand Gambling Bill (no new casino licences) is expected to be enacted within the next 3-4 months
- Sky City has responsible gambling and responsible host programmes in place at each of its casino operations in New Zealand and South Australia
- 1H03 was the first period of full ASX listing for Sky City Entertainment Group Limited
- Relationships with gaming regulators in New Zealand and South Australia are on good terms with no compliance issues of consequence outstanding during the period

# Community Involvement

The Sky City Entertainment Group participates in and contributes to the local communities in which it operates, in many ways, including:

- Host responsibility programmes at all four Sky City properties
- Sky City Starlight Symphony in Auckland. An estimated 250,000 people attended the 2003 event held on 1 February
- Kidz First Children's Hospital and the Starship National Children's Hospital
- Special Olympics New Zealand
- The New Zealand Breast Cancer Foundation
- Adelaide: McGuinness McDermott Foundation, South Australian Medical Research Trust, South Australian Basketball Association, and a range of community donations and sponsorships including Camp Quality and the Seven Cares Children's Foundation
- Sky City Auckland Community Trust: \$2.8m of grants/donations in 2002. Community trusts are in the process of being established at Sky Riverside and Sky Alpine
- Auckland and Waikato rugby, and the Vodafone Warriors
- Rally of New Zealand
- NBR New Zealand Opera

# CAPITAL MANAGEMENT

## SHARE BUYBACK

# Share Buyback

---

- On market share buyback of up to \$60 million will commence on 3 March 2003
- Buyback periods will be 3 March 2003 to 30 April 2003 and following the Sky City FY03 full year result release to 30 November 2003
- The on market share buyback and the special dividend of 20cps paid on 29/11/02 comprise a joint \$100 million capital initiative by the company