

Results for Announcement to the Market		
Name of issuer	SkyCity Entertainment Group Limited	
Reporting period	6 months to 31 December 2019	
Previous reporting period	6 months to 31 December 2018	
Currency	New Zealand dollars	
Reported	Amount (million)	Percentage change
Reported revenue from continuing operations <sup>1,2</sup>	\$721.7	75%
Total reported revenue <sup>1</sup>	\$721.7	53%
Reported profit (loss) from continuing operations <sup>2</sup>	\$327.8	376%
Reported total net profit (loss)	\$328.0	296%
Normalised <sup>2</sup>	Amount (million)	Percentage change
Normalised revenue including gaming GST	\$490.9	-7.9%
Normalised total net profit (loss)	\$75.0	-16.4%
A brief explanation of any of the figures above necessary to enable the figures to be understood	<p>SkyCity's results have been significantly impacted by two factors in the current period:</p> <ul style="list-style-type: none"> <li>the fire at the New Zealand International Convention Centre starting on 22 October 2019; and</li> <li>the Auckland car park concession transaction</li> </ul> <p>Further details on these items and SkyCity's 1H20 performance are set out in the company's Investor Presentation which is attached to this announcement</p> <p>The Investor Presentation provides detail and explanatory comment on the operating and financial performance for each business unit and the SkyCity Group as a whole and various other relevant aspects of the financial performance for the six months ended 31 December 2019. The Investor Presentation will be available on the company's website from 13 February 2020</p>	

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

<sup>1</sup> On the Income Statement this is the total of Revenue, Auckland Car Park Concession gain, Other income, Share of losses from associates and NZICC fire related income

<sup>2</sup> Excludes Darwin operations treated as discontinued operations (sold April 2019)

<b>Interim Dividend</b>		
Amount per Quoted Equity Security	\$ 0.1000	
Imputed amount per Quoted Equity Security	\$0.0389	
Record Date	28 February 2020	
Dividend Payment Date	13 March 2020	
	<b>Current period</b>	<b>Prior comparable period</b>
Net tangible assets per Quoted Equity Security	\$0.9126	\$0.5689
<b>Authority for this announcement</b>		
Name of person authorised to make this announcement	Jo Wong	
Contact person for this announcement	Jo Wong	
Contact phone number	09 363 6143	
Contact email address	<a href="mailto:jo.wong@skycity.co.nz">jo.wong@skycity.co.nz</a>	
Date of release through MAP	13 February 2020	

Unaudited financial statements accompany this announcement.

### Reconciliation between Reported and Normalised Financial Information

- 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 – the intention is to provide information which:
  - Is representative of SkyCity's underlying performance (as a potential indicator of future performance);
  - Can be compared across years; and
  - Can assist with comparison between publicly listed casino companies in NZ and Australia
- This objective is achieved by:
  - Eliminating inherent volatility or “luck” factor from IB which has variable turnover and actual win % period to period;
  - Eliminating structural differences in the business between periods; and
  - Eliminating known different treatments with other NZ and Australian publicly listed casino companies
- Non-GAAP information is prepared in accordance with a Board-approved “Non-GAAP Financial Information Policy” and is reviewed by the Board at each reporting period
- Application of SkyCity's non-GAAP financial information policy is consistent with the approach adopted in FY19

	1H20				1H19			
	Revenue	EBITDA	EBIT	NPAT	Revenue	EBITDA	EBIT	NPAT
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Reported</b>	<b>721.7</b>	<b>407.5</b>	<b>366.0</b>	<b>328.0</b>	<b>411.4</b>	<b>148.3</b>	<b>107.7</b>	<b>82.8</b>
IB revenue adjustment	32.0				44.7			
Gaming GST	48.0				48.8			
IB at theoretical win rate	(3.7)	0.1	0.1	0.1	28.0	23.4	23.4	16.8
Gain on sale – Auckland car park	(66.5)	(66.5)	(66.5)	(66.5)				
Significant tax events (ATO)								3.9
NZICC fire impacts	(240.6)	(187.7)	(187.7)	(186.3)				
Sale of Darwin				(0.2)				(14.0)
<b>Normalised</b>	<b>490.9</b>	<b>153.3</b>	<b>111.8</b>	<b>75.0</b>	<b>532.9</b>	<b>171.7</b>	<b>131.1</b>	<b>89.7</b>

Adjustment	Explanation	Rationale
Treat IB commissions as an expense rather than reduction in revenue which reduces both reported revenue and operating expenses within IB (by \$32.0m in 1H20 and \$44.7m in 1H19)	<ul style="list-style-type: none"> <li>In FY19, SkyCity adopted NZ IFRS 15 (Revenue from Contracts with Customers) ("NZIFRS 15") for the first time</li> <li>The main impact of adopting NZIFRS 15 was to reduce both revenue and expenses by the amount of IB junket commissions. This does not impact EBITDA, EBIT or NPAT</li> <li>This adjustment adds back IB commissions and increases both revenue and expenses. This adjustment does not impact EBITDA, EBIT or NPAT</li> </ul>	<ul style="list-style-type: none"> <li>This adjustment has been made to maintain the relationship between turnover and the theoretical win rate of 1.35% when determining normalised revenue</li> <li>This adjustment is consistent with how all NZ and Australian publicly listed casino companies present revenue for IB</li> <li>By making this adjustment, SkyCity is enabling the user of its financial information to more easily compare results to other casino companies. SkyCity believes this enhances the user's understanding of comparative results and enables the user to better understand normalised IB results</li> </ul>
Add gaming GST to reported revenue (by \$48.0m in 1H20 and \$48.8m in 1H19)	<ul style="list-style-type: none"> <li>Reported revenue included within the financial statements of the Group excludes GST</li> <li>This adjustment adds back GST associated with gaming so that normalised revenue equals the amount bet by gaming customers</li> </ul>	<ul style="list-style-type: none"> <li>All publicly listed NZ and Australian casino companies include GST associated with gaming within their revenue results. Including gaming GST within reported revenue is not consistent with GAAP and SkyCity therefore does not do so</li> <li>However, SkyCity does include gaming GST within its normalised revenue. By making this adjustment SkyCity is enabling the user of financial information to more easily compare results to other casino companies</li> <li>This adjustment does not impact EBITDA, EBIT or NPAT</li> </ul>
Apply theoretical win rate of 1.35% for IB vs. actual win rate of 1.43% (1H20) and 0.98% (1H19)	<ul style="list-style-type: none"> <li>This adjustment recalculates gaming win from IB to the theoretical win rate. The vast majority of IB play is baccarat. Statistically, over the long-term the casino expects to win 1.35% of all bets taken on baccarat. However, in any particular reporting period the actual results of play will vary depending on "luck"</li> <li>The 1.35% win rate is used by all publicly listed NZ and Australian casino companies in addition to casino companies in Asia and the United States. For 1H20 the actual win rate was 1.43% and in 1H19 the win rate was 0.98%. SkyCity's average win rate over the last 10 years is 1.28% (or 1.33%, excluding FY19)</li> </ul>	<ul style="list-style-type: none"> <li>In order to understand the long-term results within IB there is the need to eliminate the inherent volatility or "luck" factor. By adjusting win to the theoretical win rate, the users of the financial information are able to understand the underlying performance of IB and form a view on the future performance of the business</li> <li>For internal purposes, including budgeting and determination of staff incentives, the theoretical win rate of 1.35% is used</li> </ul>

Adjustment	Explanation	Rationale
Eliminate gain (\$66.5m) arising from Auckland car park concession sale (completed in August 2019)	<ul style="list-style-type: none"> <li>The reported results include a significant, one-off gain relating to Auckland Car Park Concession sale which settled in August 2019</li> <li>The adjustment reverses this gain</li> </ul>	<ul style="list-style-type: none"> <li>The Auckland Car Park Concession sale is a significant and one-off transaction that has impacted the comparability of the 1H20 result with the prior year</li> <li>SkyCity considers reversing this gain provides more useful information for assessing the current period's performance against prior periods</li> </ul>
Eliminate significant tax event – A\$3.9m settlement with ATO	<ul style="list-style-type: none"> <li>During 1H19, the Australian Tax Office ("ATO") undertook a "Streamlined Assurance Review" of SkyCity's Australian operations</li> <li>This was part of the ATO's plan to conduct Streamlined Assurance Reviews over the top 1,000 Australian companies</li> <li>As a result of this review, SkyCity and the ATO agreed to settle differences of opinion on the treatment of certain financing arrangements</li> <li>As a result of this settlement, SkyCity made a A\$3.5 million payment to the ATO. This payment related to historical items only and does not change SkyCity's future tax payments or tax expense</li> <li>This adjustment eliminates the net reduction (from the above items) in tax expense for the purpose of the normalised results</li> </ul>	<ul style="list-style-type: none"> <li>The payment to the ATO does not significantly change SkyCity's future tax expense</li> <li>For the purposes of the normalised results, this item has been reversed from the 1H19 tax expense in order to show SkyCity's underlying effective tax rate (when combined with other tax adjustments outlined in this reconciliation)</li> <li>SkyCity considers that this net adjustment provides more useful information for assessing potential future performance of the group</li> </ul>
Eliminate Darwin operations from normalised results	<ul style="list-style-type: none"> <li>During 1H19, SkyCity sold its Darwin operations</li> <li>In the Group's financial statements, this has resulted in Darwin being treated as a discontinued operation from 8 November 2018 (the date of signing the sale and purchase agreement). As a result of this treatment, the impact of the Darwin operations for 1H19 is reduced to a single line, net of tax, in the income statement</li> <li>In 1H19 this adjustment eliminates the impact of the Darwin operations in the normalised results</li> </ul>	<ul style="list-style-type: none"> <li>The disposal of Darwin is a significant and one-off transaction that has impacted the comparability of the 1H19 result with prior years</li> <li>The adjustments detailed are designed to eliminate, in normalised results, the Darwin operations</li> <li>SkyCity considers this provides more useful information for assessing performance going forward</li> <li>In 1H20, Darwin has been fully excluded from both 1H20 and 1H19 normalised results to enable appropriate comparisons between these years</li> </ul>

Adjustment	Explanation	Rationale
<p>Eliminate net gain (\$186.3m after tax) arising from impacts of NZICC fire</p>	<ul style="list-style-type: none"> <li>▪ On 22 October 2019, there was a significant fire at the construction site of the New Zealand International Convention Centre ("NZICC") in Auckland</li> <li>▪ This fire has caused extensive damage to the NZICC and what appears to be relatively minor damage to the Horizon Hotel which is being constructed on the adjacent site</li> <li>▪ Both buildings are insured and all significant costs associated with the fire are expected to be fully covered. Any costs not covered by insurance are expected to be sought from Fletcher Construction</li> <li>▪ The fire has significant implications for the financial statements for the Group – these are explained further on page [12] and in SkyCity's interim financial statements which have been released to the NZX and ASX</li> <li>▪ The adjustment:               <ul style="list-style-type: none"> <li>• Reverses the NZICC fire income (\$240.6m) (separate line in the income statement)</li> <li>• Reverses the NZICC fire costs (\$47.5m) (separate line in the income statement)</li> <li>• Adds back accrued Business Interruption insurance recovery (\$1.3m)</li> <li>• Adds back the recovery from Fletcher Construction which is treated as a contingent asset in the financial statements (\$4.1m)</li> <li>• Tax impacts on the above (\$1.5m)</li> </ul> </li> <li>▪ At this point in time a full assessment of the damage is not available, nor is an agreed reconstruction timeline available. As a result, the 1H20 financial statements include a number of significant judgements and estimates to determine the appropriate accounting. These judgements and estimates will continue to be reviewed as new information becomes available</li> </ul>	<ul style="list-style-type: none"> <li>▪ The NZICC fire (and associated accounting impact) is a significant, one-off event that has impacted the comparability of the 1H20 result with the prior year</li> <li>▪ SkyCity considers this provides more useful information for assessing the current period's performance against prior periods</li> </ul>