

Results for Announcement to the Market		
Name of issuer	SkyCity Entertainment Group Limited (SkyCity)	
Reporting period	6 months to 31 December 2020	
Previous reporting period	6 months to 31 December 2019	
Currency	New Zealand dollars	
Reported	Amount (million)	Percentage change
Reported revenue from continuing operations ¹	\$449.9	-37.7%
Total reported revenue ¹	\$449.9	-37.7%
Reported profit (loss) from continuing operations	\$78.4	-76.1%
Reported total net profit (loss)	\$78.4	-76.1%
Normalised	Amount (million)	Percentage change
Normalised revenue including gaming GST	\$386.9	-21.2%
Normalised total net profit (loss)	\$43.7	-41.7%

SkyCity's results have been significantly impacted by the following factors:

- the fire at the New Zealand International Convention Centre starting on 22 October 2019;
- the Auckland car park concession transaction that completed on 19 August 2019;
- COVID-19; and
- a settlement agreement entered into with The Fletcher Construction Company Limited in November 2020.

Further details on these items are provided in the company's Investor Presentation which is attached to this announcement.

Notes:

- 'Reported' information is per the financial statements.
- 'Normalised' results sets International Business win to a 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 announcement.
- 'EBITDA' means earnings before interest, tax, depreciation and amortisation.
- 'EBIT' means earnings before interest and tax.
- 'NPAT' means 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, NZICC fire related income, other income and share of losses from associates.

Interim Dividend		
Amount per Quoted Equity Security	\$ nil	
Imputed amount per Quoted Equity Security	\$ nil	
Record Date	n/a	
Dividend Payment Date	n/a	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$1.2086	\$0.9126
A brief explanation of any of the figures above necessary to enable the figures to be understood	<p>SkyCity's 1H21 performance is set out in the company's Investor Presentation which is attached to this announcement. It provides detail and explanatory comment on:</p> <ul style="list-style-type: none"> - 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 2020. <p>The Investor Presentation will be available on the company's website from 18 February 2021.</p>	
Authority for this announcement		
Name of person authorised to make this announcement	Jo Wong	
Contact person for this announcement	Jo Wong	
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Date of release through MAP	18 February 2021	

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 % from 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
- SkyCity believes that by making these adjustments the users of the financial information are able to understand the underlying performance of the Group and form a view on future performance
- For internal purposes, including budgeting and determination of staff incentives, normalised results are used
- 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 FY20

	1H21				1H20			
	Revenue	EBITDA	EBIT	NPAT	Revenue	EBITDA	EBIT	NPAT
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Reported	449.9	152.6	110.2	78.4	721.7	407.5	366.0	328.0
IB revenue adjustment	3.4	-	-	-	32.0	-	-	-
Gaming GST	35.3	-	-	-	48.0	-	-	-
IB at theoretical win rate	4.5	3.6	3.6	2.5	(3.7)	0.1	0.1	0.1
Gain on sale – Auckland car parks	-	-	-	-	(66.5)	(66.5)	(66.5)	(66.5)
Liquidated damages	(39.5)	(39.5)	(39.5)	(39.5)	-	-	-	-
NZICC fire impacts	(66.8)	3.2	3.2	2.3	(240.6)	(187.7)	(187.7)	(186.3)
Sale of Darwin	-	-	-	-	-	-	-	(0.2)
Normalised	386.9	119.9	77.5	43.7	490.9	153.3	111.8	75.0

Adjustment	Discussion
Treat IB commissions as an expense rather than reduction in revenue which reduces both reported revenue and operating expenses within IB (by \$3.4m in 1H21 and \$32.0m in 1H20)	<ul style="list-style-type: none"> This adjustment adds back IB commissions (treated as a reduction from revenue in the reported results) and increases both revenue and expenses. This adjustment does not impact EBITDA, EBIT or NPAT. This adjustment has been made to maintain the relationship between turnover and the theoretical win rate of 1.35% when determining normalised revenue
Add gaming GST to reported revenue (by \$35.3m in 1H21 and \$48.0m in 1H20)	<ul style="list-style-type: none"> Reported revenue included within the financial statements of the Group excludes GST This adjustment adds back GST associated with gaming so that normalised revenue equals the amount bet by gaming customers 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 However, SkyCity does include gaming GST within its normalised revenue. This adjustment does not impact EBITDA, EBIT or NPAT
Apply theoretical win rate of 1.35% for IB vs. actual win rate of 0.61% (1H21) and 1.43% (1H20)	<ul style="list-style-type: none"> 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" 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 In order to understand the long-term results within IB there is the need to eliminate the inherent volatility or "luck" factor
Reverse net loss (\$2.3m post-tax) arising from impacts of NZICC fire	<ul style="list-style-type: none"> On 22 October 2019, there was a significant fire at the construction site of the New Zealand International Convention Centre ("NZICC") in Auckland. This fire has caused extensive damage to the NZICC and damage to the Horizon Hotel which is being constructed on the adjacent site. 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 The fire has significant implications for the financial statements for the Group which were recognised in FY20 – these impacts are explained further on pages 184-188 and in SkyCity's FY20 financial statements which have been released to the NZX and ASX The FY20 financial statements included a number of significant judgements and estimates to determine the appropriate accounting. These judgements and estimates have continued to be reviewed as new information has become available – following a revised damage assessment for the NZICC/Horizon Hotel, the expected insurance recovery relating to the asset has increased and is required to be recognised as income as SkyCity is principal in the insurance relationship. This income has been offset by an increase in costs relating to demolition and deconstruction of the site post fire that are required to be expensed as incurred The NZICC fire (and associated accounting impact) is a significant, one-off event that has impacted the comparability of the 1H21 result with the prior year

Adjustment	Discussion
Eliminate benefit (\$39.5m) arising from liquidated damages on NZICC/Horizon Hotel project withheld in lieu of late practical completion	<ul style="list-style-type: none"> ▪ SkyCity entered into Building Works Contracts on the NZICC/Horizon Hotel projects in November 2015 ▪ Under the Building Works Contracts, liquidated damages apply for late delivery of separable portions related to contractual completion dates ▪ Given the significant delays to completion of the NZICC/Horizon Hotel, SkyCity is entitled to claim the liquidated damages under the building works contracts up to the agreed cap (\$39.5m in total) ▪ Following several pre-fire claims being settled with Fletcher Construction during 1H21, recovery of the liquidated damages has been deemed virtually certain and hence the full amount is required to be accounted for as income in SkyCity's interim financial statements ▪ The liquidated damages are a significant, one-off event – making this adjustment which eliminates the one-off gain will enhance the reader's understanding as this item does not impact the underlying operations of the Group
Eliminate Darwin operations from normalised results (1H20 only)	<ul style="list-style-type: none"> ▪ During FY19, SkyCity sold its Darwin operations ▪ Darwin has been fully excluded from normalised results to enable appropriate comparisons with 1H21