MEDIA RELEASE
14 August 2013

SKYCITY well positioned for future growth
Significant progress made during FY13 on major projects to develop key New Zealand and Australia properties

Highlights of the 12 months ended 30 June 2013

- Strong growth in International Business continues, following investment in the Horizon brand
- Strong performance in Darwin, following the new Lagoon resort and Horizon suites openings, particularly in second half
- Agreement with the New Zealand Government to ensure the long-term certainty of the key Auckland casino licence
- Agreement with the South Australian Government on the transformation, extension of casino licence exclusivity, regulatory reform, tax certainty and more competitive tax rates for Adelaide Casino
- Extended debt maturities to ensure balance sheet strength to fund growth projects
- Senior Executive management team strengthened with three new appointments
- Final dividend for FY13 up 25% to 10 cents per share

SKYCITY Entertainment Group Limited (NZX: SKC) today announced Normalised Net Profit After Tax (NPAT) of $136.3 million, broadly in-line with analyst consensus, and Reported NPAT of $127.3m for the year ended 30 June 2013.

SKYCITY Chief Executive Nigel Morrison says FY13 was an acceptable result when compared to the record year in FY12. There are a number of key factors impacting the relative performance in FY13, which need to be considered:

- The Rugby World Cup 2011 ("RWC") in NZ, as previously stated, contributed $4.7m to last years NPAT;
- In December 2012, the Group sold its 50% interest in the Christchurch Casino for $80m. Accordingly, the second half results this year do not include the $3.1m NPAT from Christchurch included in the second half last year;
- Strong IB win rate of 1.64% in 2H13 with actual win of $45.9m. In Auckland, with 1.90% and actual IB win of $36.9m, this was more than double that of the second half last year of $18.3m. This high win rate suppressed Turnover that is the basis for calculating Normalised IB Revenues;
- Darwin's Normalised Revenues and EBITDA up by 13.1% and 13.7% respectively in the second half. Growth was across all segments of the business, but particularly in our new Horizon gaming suites and salons, with strong growth in IB and the success of the new Lagoon Resort; and
- However, the appreciation of the NZD against the AUD over the second half by approximately 5% (average rates of 2H13: 0.817 from 2H12: 0.779), eliminated the majority of this good performance when converted back to NZD. This reduced our second half Australian EBITDA growth to 1.2%.

On a full year basis, adjusting for the 2011 RWC, the Christchurch Casino disposal and constant currency, Normalised NPAT for FY13 would be $137.1m, which would compare to $133.6m in FY12, an increase of 2.6%.

Reported NPAT of $127.3m was down $11.2m compared to FY12 and was negatively impacted by:

- A $5.1m one-off release of a deferred tax balance in Australia, which increased reported NPAT in FY12;
- A $1.7m provision for bad debts ($2.4m of gross receivables) due to a group that visited Auckland in 1H13, lost quickly (low turnover) and dishonored their debts;
- International Business cost adjustments as a result of the high win rate in 2H13 (in 2H13 in Auckland, the IB win rate was 1.90%, well in excess of the theoretical win rate of 1.35%); and
- Additional interest costs in FY13 related to borrowings for acquiring the New Zealand International Convention Centre land bank (impact $1.6m).

Highlights in FY13 include:

- Good Revenue and EBITDA growth in Darwin following the opening of the new Lagoon Resort and Horizon Villas, with IB Revenues growing from A$0.3m in FY12 to A$7.5m in FY13;
- Continued growth in International Business in Auckland and commencement of IB in Darwin and Queenstown, delivering IB turnover growth of 29.5% for the year to $5.7 billion;
- A strong IB win rate of 1.64% in the second half (with actual win of $45.9m) resulting in overall win rate for the year back at theoretical (1.35%); and
- A particularly high win rate in IB in Auckland in the second half of 1.90%
  - this resulted in Auckland's second half Actual IB win of $36.9 million, being some $10m in excess of the theoretical win, and more than double that of last year second half ($18.6m);
  - the high win rate in the second half, suppressed the level of turnover that would normally be expected from such play (ie. front money turnover was down against long-term average). Accordingly, our normalised International Business revenues (being $26.2m calculated at 1.35% on turnover of $1.95bn) were negatively impacted by this high win rate; and
  - in Auckland, IB gaming revenues now represent around 15% of total gaming revenues, compared to 5% in FY10.

"While on the face of it, the headline Normalised NPAT may be perceived as somewhat disappointing, I think when you take into account the growth in our international business, the high win rate in the second half, the success of Darwin, the strengthening NZ dollar and given we are comparing to the RWC year, on balance it is an acceptable result," Mr Morrison says.

"The 2013 year was a significant year for SKYCITY as we concluded agreements with governments in New Zealand and South Australia that will underpin the foundations of our long term future growth. The progress we have made in Auckland and Adelaide means that SKYCITY is well positioned for the future with secure long-term gaming licences and additional and more competitive gaming product secured in our largest businesses," Mr Morrison says.

Dividend

The final dividend of 10 cents per share is 2 cents (25.0%) per share higher than the final FY12 dividend.

Total dividends for FY13 of 20 cents per share are in accordance with the previously announced dividend policy and are 3 cents per share higher (17.6%) than FY12.

The final dividend will be fully imputed for New Zealand shareholders, with no franking for Australia.

The dividend reinvestment plan will apply to the final dividend, at nil discount.

Major growth projects update

Adelaide Casino Transformation

On 25 July 2013, the South Australian Parliament passed legislation to enable the South Australian Government to execute a new Approved Licensing Agreement (ALA) and Casino Duty Agreement (CDA) with SKYCITY on the terms previously announced on 19 December 2012.

The passing of enabling legislation will allow SKYCITY's A$300m+ transformation of the Adelaide Casino into a world-class integrated entertainment complex. This will include Adelaide's first 6 star boutique hotel, celebrity and signature restaurants, world-class VIP gaming experiences with 'Horizon' international suites with adjoining private gaming salons, all as part of the new entertainment precinct on the banks of the River Torrens.

Further details of the Adelaide development are included in Appendix 1.

The New Zealand International Convention Centre (NZICC)

On 5 July 2013, SKYCITY signed the final agreement with the New Zealand Government to fund, develop, operate and own the NZICC. The enabling legislation is expected to pass into law by the end of this calendar year. The agreement is subject to a number of conditions, including the passing of the legislation giving effect to the regulatory concessions in the agreement.

In return for SKYCITY's NZ$402 million capital investment in the design, build and operation of the NZICC, it has agreed a package of regulatory reforms including a 35-year extension of the Auckland Casino Venue Licence, to 30 June 2048. Further details are included in Appendix 1.

These regulatory reforms will become fully operative once SKYCITY enters into a binding building works contract for the NZICC, which is currently hoped to be in the second half of calendar year 2014.

The NZICC will deliver significant economic growth, jobs and high value international tourism without requiring funding from taxpayers or Auckland ratepayers. The estimated three-year construction period will require 1,000 construction jobs and will result in SKYCITY employing an additional 800 New Zealanders when the NZICC is fully operational, over and above the more than 3,500 people we currently employ in Auckland.

Other Key Auckland Projects

SKYCITY is continuing to invest in key projects in Auckland to build on the progress already made in enhancing the Auckland property.

Peter Gordon's iconic new restaurant, *The Sugar Club*, opened on 2 August 2013 at Level 53 of the Sky Tower, to immediate acclaim. Following the success of his award-winning restaurant, *Depot*, Al Brown is to open *Federal Street Delicatessen* in 1H14, based on a New York themed deli and all day dining concept. The internationally-recognised chef, Nic Watt, formerly from Roka, Zuma and Nobu, will open the long-awaited *Masu* in 1H14, in the Grand Hotel.

The $10m redevelopment of Federal Street into a pedestrian-friendly zone will begin in 1H14, with Auckland Council contributing $4.5m to the costs.

A new high-end VIP EGMs Room will be constructed in Auckland during 1H14, for opening by early 2H14, while the SKYCITY Grand Hotel will undergo a bedroom refurbishment on 5 floors in FY14.

Queenstown

As part of the strategy to focus on our key markets, SKYCITY divested its 50% share in Christchurch Casino in December 2012 for $80m, and acquired the remaining 40% stake in Queenstown Casino for $5m. In addition, the Wharf Casino in Queenstown was purchased for $5m from Lasseters in July 2013.

These moves allow SKYCITY to further develop its VIP offering in this iconic tourism region. Work is underway to upgrade the VIP offering at SKYCITY Queenstown and to integrate Wharf Casino into SKYCITY's operations.

New Zealand Trading

Auckland

Auckland's Normalised EBITDA fell by 1% to $210m, after adjusting for the $6m impact of the RWC in FY12.

"As I said in the 1H13 results, it was always going to be challenging to outperform Auckland's FY12 result. The FY13 result reflects unpredictable consumer spending, particularly in 3Q13 during Auckland's long summer. Overall, this was a more challenging period in Auckland," Mr Morrison says.

FY13 EGM revenue was down 6.1%, due to the change in revenue accounting for the Bally gaming system (with a compensating impact in the expenses line). 3Q13 revenue was soft, but improved in 4Q13.

International Business revenue grew 10.9% and local table games revenue increased 3.4% following the success of Eight and the new Baccarat Room.

Auckland experienced good growth in restaurant and bar revenue in FY13 (up 5% excl. RWC impact) on the back of the success of the Federal Street dining precinct.

Auckland's 2H13 Normalised EBITDA of $102.2m was 1.3% lower than 2H12, largely due to lower turnover and Normalised Revenue in IB. Hotels and Conventions business in Auckland performed well, with revenue growth of 10.7% in 2H13.

Hamilton

Hamilton Normalised Revenue of $52.0m was flat on FY12, which given the transition to Bally and RWC impact (Revenue $0.8m, EBITDA $0.5m) was a satisfactory outcome. 2H13 was more challenging than 1H13, in large part due to the prolonged period of dry weather, causing the local Waikato farmers challenges and additional costs. EGM revenue of $32.6m was down $1.1m on FY12, Local table games revenue grew 12.5% to $10.8m, while non-gaming revenues were flat at $8.5m.

The planned Hamilton Hotel project is currently on hold, pending further work on its feasibility.

Queenstown

Queenstown Casino was fully-owned during 2H13 and accordingly International Business players have started to visit the casino as part of their NZ experience – resulting in an additional $1m of normalised revenue in FY13. Queenstown FY13 revenue was flat, due to a lower 2H13 drop and hold rate in local table games. Normalised EBITDA of NZ$1.4m was flat on FY12.

Australian Trading

Darwin

Darwin had a strong FY13, reflecting the positive impact of the new 32-room lagoon resort, two Horizon international gaming villas, plus the refurbished VIP gaming facilities (from 3Q13).

Normalised Revenue of A$133.5m was up A$15.6m (13.2%) on FY12, with additional EBITDA of A$3.3m (9.5%). Non-gaming revenue increased 18.7% to A$31.1m, from A$26.2m in FY12, due to the newly opened hotel rooms and refurbished food and beverage amenities.

Darwin's normalised revenues and EBITDA grew by 13.1% and 13.7% respectively in 2H13. Darwin's growth was across all parts of the business, most significantly the new Lagoon Resort and Horizon gaming suites and salons which attracted increased IB customers from Asia.

Despite cost pressures in the local economy, the overall sentiment remains positive in Darwin. The large infrastructure projects such as INPEX, along with an increased focus on tourism and more direct flights from Asia, should continue to underpin positive growth for SKYCITY in Darwin.

Adelaide

Adelaide's Normalised Revenue of A$160.4m for FY13 was flat on FY12 which, considering the economic climate in SA, was an acceptable outcome. EGM revenue of A$59.9m was impacted, as elsewhere, by the Bally gaming system implementation, as well as Adelaide railway line closures which had a negative impact on 2H13.

Local table games revenue increased to A$75.7m (3.6%) while normalised IB table revenue increased to A$9.3m (52.5%), albeit from a low base. Normalised EBITDA of A$37.9m was A$1.2m higher (3.3%) than FY12, due to an ongoing focus on cost control measures, resulting in an increased EBITDA margin to 23.6% (FY12: 22.8%).

Focus for FY14

"In FY13, important steps were taken to establish the foundations for growth in FY14 and beyond," Mr Morrison says.

"In New Zealand, we hope to see the passing of the NZICC Bill by December 2013, appoint design and project management teams, progress design works and commence gaming capex in readiness for Auckland expansion and concessions.

Under the leadership of new GM John Mortensen and together with new GM of Group Gaming Strategy, Matt Ballesty, we will focus on increasing core Auckland EBITDA through further revenue initiatives, improved cost management and more efficient marketing.

“In Adelaide, with the passing of the enabling legislation in July, we expect to conclude agreements with the SA Government over the next couple of months and commence interim capex works to activate VIP product and tax rate concessions in the second half of FY2014.

“With our new Executive VP International, Craig Ashton, we will continue to grow International Business in Auckland, further activate “Horizon” in Queenstown and drive further growth in our “Horizon” Salons in Darwin.

“Furthermore, we will continue to stay abreast of regional casino developments and opportunities that may lead to shareholder accretive transactions. This will reinforce SKYCITY’s position in its core gaming markets in New Zealand, South Australia and Northern Territory,” Mr Morrison says.

Note to editors: *Further information on adjustments between reported and normalised information is available in Appendix 2 and SKYCITY’s investor pack at www.skycity.co.nz*

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APPENDIX 1

Adelaide Development

The Statute Amendment (Gambling Reform) Act 2013 Act, which passed through Parliament in late July, amends the Casino Act 1997. It provides the legislative changes necessary for SKYCITY and the South Australian Government to execute a new Approved Licensing Agreement (ALA) and Casino Duty Agreement (CDA) on the terms previously agreed and announced on 19 December 2012.

The key terms included:

- an extension of 20 years to the South Australian casino exclusivity for Adelaide Casino to 2035;
- introduction of cashless gaming and Ticket-in Ticket-out;
- lower gaming tax rates for VIP gaming;
- an increase in the number of gaming machines to 1,500;
- an increase in the number of gaming tables to 200, where 15 such tables may be substituted for 300 automated table game terminals

The New Zealand International Convention Centre (NZICC)

In return for SKYCITY's NZ$402 million capital investment in the design, build and operation of the NZICC, the following regulatory reforms have been agreed for SKYCITY's Auckland property:

- A 35-year extension of the Auckland Casino Venue Licence, to 30 June 2048;
- an additional 230 single terminal gaming machines;
- an additional 40 gaming tables;
- a further 12 gaming tables that can each be substituted for 20 additional automated table game terminals;
- the introduction of Ticket In Ticket Out (TITO) and cashless card-based gaming;
- up to 359 gaming machines (whether single terminal gaming machines or automated table game terminals or a mix of both) being permitted to accept bank notes with a denomination up to NZ$100, but only in restricted areas; and
- an amendment to the Casino Venue description in the Auckland Casino Licence to encompass all SKYCITY properties on Federal Street.

These regulatory reforms will become fully operative once SKYCITY enters into a binding building works contract for the NZICC, which is currently hoped to be in the second half of calendar year 2014.

Recognising that SKYCITY needs certainty to complete and finance the development and earn satisfactory returns over the longer term, the Crown has agreed to compensate SKYCITY if:

- there is an increase in casino duty (or other tax which applies only to casinos, except for any problem gambling levy) from the signing date of the agreement until seven years after SKYCITY enters into a binding building works construction contract for the NZICC; or
- any of the reforms are changed or removed during the extended licence period so as to cause a reduction in the benefit of the regulatory reforms to SKYCITY, up to the value of SKYCITY's investment in the project.

The benefits and returns to SKYCITY from investing in the NZICC are anticipated to be derived from:

- the contribution from operating the NZICC and additional car parking;
- the on-spend from the significant additional expected visitation - around 350,000 business event visitor days expected, plus additional visitation from concerts and other major events which can be held at the NZICC;
- improved accessibility to SKYCITY via additional car parking and a pedestrian link way bridge;
- incremental gaming cash flows from additional gaming product and regulatory reforms delivering greater operating efficiencies - also providing for a more contemporary gaming product offering more equivalent to regional competitors;
- an extension of the term of the Auckland Casino Licence beyond the current term.

Appendix 2

Reconciliation of Reported results to Normalised results

	FY13				FY12			
	Revenue $m	EBITDA $m	EBIT $m	NPAT $m	Revenue $m	EBITDA $m	EBIT $m	NPAT $m
Reported	**947.8**	**293.9**	**217.1**	**127.3**	**941.1**	**300.5**	**227.7**	**138.5**
Restructuring costs		1.6	1.6	1.1		2.2	2.2	1.6
One-off costs for launching new business		0.7	0.7	0.6		0.5	0.5	0.3
Interest on purchased NZICC land bank				2.0				0.4
Profit from sale of Christchurch				(0.1)				
One-Off Costs for Capital Projects			0.8	0.6			0.4	0.3
Tax Adjustments								(5.1)
Other Adjustments		0.9	0.9	0.8		1.6	1.6	1.2
Total Adjustments	**-**	**3.2**	**4.0**	**5.0**	**-**	**4.3**	**4.7**	**(1.3)**
Adjusted	**947.8**	**297.1**	**221.1**	**132.3**	**941.1**	**304.8**	**232.4**	**137.2**
Provision for IB Debtors	-	2.4	2.4	1.7	-	-	-	-
International Business at Theoretical	0.2	3.3	3.3	2.3	9.6	5.8	5.8	4.2
Normalised	**948.0**	**302.8**	**226.8**	**136.3**	**950.7**	**310.6**	**238.2**	**141.4**

- Key Adjustments are:
  - Restructuring costs – costs associated with changing the staffing structures designed to create future efficiencies
  - One-Off costs for launching new business – costs associated with the opening of the Tropical Resort, Darwin new rooms (SKYROOM - VIP Gaming room and Lotus the new premium bar) and the Adelaide redevelopment
  - Interest on purchase of New Zealand International Convention Centre (NZICC) land bank – calculated using the Group's average cost of debt of 6.97% on an average balance of $40m
  - Profit from sale of Christchurch
  - One-off costs for Capital Projects primarily relate to demolition costs not able to be capitalised and new venture launch costs
  - Tax adjustments – FY12 relates to the release of deferred tax balances in Australia no longer required
  - Other Adjustments includes one-off costs associated the introduction of the Bally gaming system, costs associated with the acquisition of The Wharf and other miscellaneous items

- IB win rate at 1.35% for FY13. As the actual win rate was almost the same as the theoretical rate the adjustment to revenue was minor

- However, there is an adjustment to normalised expenses largely as a result of:
  - a provision for doubtful debts in excess of the relevant players' normalised win (EBITDA impact $2.4m / NPAT impact $1.7m)
  - in 2H13 in Auckland, the IB win rate was 1.90%, well in excess of the theoretical 1.35% and for these players that lost significantly and therefore earned less commissions, we paid a higher level of complementary expenses (impact $2.0m)
  - start up costs incurred on attracting new players and groups to Darwin Horizon suites, $0.4m
  - other minor items totaling $0.7m

Normalisation adjustments have been calculated in a consistent manner in FY13 and FY12

***Note to editors:** All numbers in this media release are unaudited*