MEDIA RELEASE

16 February 2011

SKYCITY HALF YEAR RESULTS

Six month period ended 31 December 2010

Highlights

- *Normalised net profit after tax, $67.4m, up 2.1%*
  - *Revenues $447.1m, up 3.4%*
  - *Expenses (excluding International) up 3.1%*
  - *Earnings per share 11.7cps, up from 11.5cps*
  - *Includes additional cost of $2.7m as a result of the GST increase in NZ from 1 October 2010*
- *Reported NPAT of $67.1m is down 2.2% vs. pcp (excluding Cinemas)*
- *Dividend of 8.0cps, in line with interim FY10*
- *Strong balance sheet with Net Debt:EBITDA of 2.1 times*
- *Debt profile enhanced following negotiation of new and extended flexible funding facilities on attractive terms*
  - *$175m USPP funding split into 7 and 10 year tenors*
  - *$400m-$450m Syndicated Bank facility split into 3 and 5 year tenors*

Outlook and Guidance

- *Solid YTD result in the context of challenging economic conditions in New Zealand and a softening retail environment in Australia.*
- *Positive signs of momentum from key business segments heading into 2H11 and leading into Rugby World Cup in 1H12.*
- *Group Normalised Revenues for first 6 weeks of 2H11 up 9%.*
- *Exciting capital projects in Auckland to be completed for the Rugby World Cup.*
- *Consistent with the guidance provided at the Annual Meeting in October 2010, we re-confirm that we would be disappointed if we did not achieve normalised NPAT of $127.4m for the 2011 financial year.*

Group Performance Overview

SKYCITY Entertainment Group Limited today announced a normalised net profit after tax of $67.4m for the half year ended 31 December 2011 (1H11), up 2.1% over 1H10 and 12.3% over the immediately preceding half year ended 30 June 2010 (2H10), adjusting for discontinued Cinemas – divested February 2010.

Earnings per share increased by 1.5% to 11.7cps versus the prior corresponding period (excluding Cinemas).

Reported net profit after tax was $67.1m after adjusting for non-recurring items and the difference between the actual win rate and theoretical win rate on our International business.

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Normalised revenues (before deducting gaming GST) were up 3.4% at $447.1m. Strong revenue growth was achieved in International during the half, with turnover increasing by 96% versus 1H10 to almost $1.5billion. The majority of which was into the Auckland property, underpinning SKYCITY's decision to invest in increased capacity and 'world class' quality facilities for our Auckland International customers. As of 8th February our Group International turnover had exceeded the total for all of the 2010 financial year. Revenue growth was also achieved for Adelaide and Hamilton, whilst Auckland revenues were overall flat (with an improved second quarter offsetting a slightly softer first quarter). Darwin revenues were lower being impacted by the smoking ban introduced on 2 January 2010.

Expenses were held well across the Group with increased marketing spend in Auckland towards the end of the half delivering improving revenue trends and creating momentum into 2H11, particularly in gaming machines, hotels and food and beverage. While International expenses were higher, this reflected the variable costs of commissions and taxes associated with the significant increase in turnover volumes.

Normalised EBITDA was down marginally (-0.2%) after absorbing the additional cost of $2.7m due to the GST increase in NZ from 12.5% to 15% as of 1 October. Backing out this GST increase would have resulted in an increase in normalised EBITDA of 1.6%.

SKYCITY CEO Nigel Morrison described the 1H11 result as "A solid result in the context of continuing challenging economic conditions in New Zealand and a softening retail environment in Australia and one which was largely in line with expectations".

"Darwin's comparison to last year was always going to be difficult given the introduction of smoking bans, while the GST increase in New Zealand from 1 October 2010 has resulted in an additional cost of nearly $3 million to our New Zealand businesses".

"Despite this, our normalised NPAT has increased and we are very pleased to see positive signs of momentum in some of our key business segments heading into the second half and leading into Rugby World Cup in New Zealand later this year. Second half revenues across the Group continue to trend well and are up over 9% for the first six weeks of the second half, compared to the same period last year".

"Over the last six months we have further strengthened our financial position and enhanced our funding profile by repaying the ACES facility and successfully negotiating new, extended and flexible funding facilities on attractive terms. This provides SKYCITY with flexibility to ensure that we have funding capacity in place for our new and exciting project opportunities as they arise. We are well advanced in respect of some of these projects, a number of which will be completed in time for the expected influx of 85,000 plus visitors for the Rugby World Cup. This will be a great event for New Zealand and a great event for Auckland" said Mr Morrison.

Auckland

- Auckland revenues (inclusive of GST on gaming) were flat (down by 0.2%) vs. pcp.
- While Auckland gaming machine revenues in this half were in line with the corresponding half last year, they were well ahead of the immediately preceding half year (2H10), up over 6%. Growth was particularly evident in the second quarter of this first half, up 5.0% on the first quarter. This trend has continued into January and February.
- While table games were softer, consistent with the trend observed in recent reporting periods and largely influenced by the challenging discretionary retail environment in Auckland, there are signs of growth from the 2H10 lows with revenues in the first half of this financial year up 3% over 2H10.

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- Non-gaming revenues from our market leading hospitality businesses (hotels, conventions, bars, and restaurants) were up almost 7% on last year.
- Attributing International play in Auckland to the Auckland business (currently reported as part of International Business) would add $4.1m to the Auckland EBITDA result and further adjusting for the additional costs associated with the GST increase, would result in EBITDA growth of 1.8% against the comparable prior period for the Auckland operations.
- The commencement of flights into Auckland by Southern China Airlines, the world's fifth largest airline, will provide direct access to New Zealand from the Chinese mainland delivering further high value visitation to our Auckland property. CEO Nigel Morrison said "We were pleased to work together with Auckland Airport to contribute in our small way to Southern China Airlines' decision to fly direct to Auckland from Guangzhou 3 times a week from April. We are very excited about the opportunity this presents for tourism in New Zealand, Auckland and for SKYCITY".
- We have continued to strengthen our management team. Mr. Stuart Wing (currently Managing Director of Jupiters on the Gold Coast) has been appointed as the new 'Chief Operating Officer, Auckland' and together with other recent senior appointments, adds new strength and sector experience to our management group.
- A number of significant regulatory approvals have been granted recently, which will allow us to expand our gaming floor space at the Auckland property and create new zones and destinations while alleviating congestion on the main gaming floor. We have also received approval to implement the new Bally Gaming System which offers additional and improved functionality for both customers and operators alike.
- New facilities that will be operating for RWC include our new 100sqm Villas and International Gaming Salons, new Pacific Room on levels 5/6 of the SKYCITY Hotel, new premium gaming facilities (Platinum and Diamond Rooms), new Presidential Suites and Club Lounge in the Grand Hotel, and a repositioning and enhancement of our existing restaurants and bars
- Additionally, three exciting new 'signature' restaurants and bars featuring acclaimed operators are being created as part of the first stage of our redevelopment of the Federal Street entertainment precinct and will be operating before the RWC. Top Wellington chef, Al Brown (co-owner of Logan Brown) will operate 'Depot'; award winning Australian chef and restaurateur, Sean Connolly will operate 'The Grill'; and successful bar owner and restaurateur, Luke Dallow (owner of Auckland's Sale St Bar and Chapel) will operate 'The Red Hummingbird'.
- Our National Convention Centre proposal remains under consideration by the Government and we are optimistic that an outcome may be known within the next six months. We believe that we have presented the best proposal for all stakeholders, including our shareholders.

Adelaide

- Adelaide Casino delivered another solid performance with costs being well held against flat revenues, resulting in an increase in EBITDA of approximately 6%. We expect the softer retail environment apparent in the latter part of the first half, to continue through the second half.
- Discussions with the South Australian government on the proposed Adelaide Casino redevelopment and casino regulatory reforms are continuing. We continue to stress the importance of a level playing field in respect of casino regulation and believe in the potential of the Adelaide market to deliver strong growth should some of the current challenges be adequately addressed.

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Darwin

- Overall Darwin revenues were down 5% against the pre-smoking ban period for the first half, with machine revenues down 12% in line with the impact of smoking bans seen in other Australasian jurisdictions, but with other revenues helping to mitigate this impact. As a result, despite expenses being held flat, EBITDA was down 13.4%. From now on Darwin prior period comparisons will be made on a like-for-like basis post smoking bans and we expect to return to reporting positive growth.
- Comparing 1H11 v 2H10 (sequential comparison of smoking ban periods) suggests revenue growth of 6% on a seasonally-adjusted basis, while the first six weeks of second half FY11 show machine revenues up 4% compared to the same period last year.
- Brad Morgan (former COO Lasseters International) commenced as General Manager Darwin during the period, and brings strong leadership and gaming experience to the Darwin management team.
- The Little Mindil events plaza and car parking were completed during the period, on time and on budget. The Lagoon Resort development is proceeding well and is anticipated to open mid 2012 as planned.

Hamilton

- Hamilton delivered a good result with revenues up over 5%, resulting in an increase in EBITDA of almost 3%. Hamilton's continuing growth in revenues and earnings reflects the impact of various business initiatives being undertaken, together with the stronger rural-based economy of the Waikato region.
- Growth in gaming machines revenue has been a particular highlight – this result represented the fourth consecutive quarter of sequential growth.

Christchurch and Queenstown

- Christchurch Casino has been affected by a combination of general economic conditions and the negative impact on consumer behaviour following the September 4th earthquake and ongoing aftershocks. Revenues have been impacted but are expected to recover slowly as economic conditions and consumer confidence improves and the effects of the earthquake and its aftermath start to dissipate.
- During the period we increased our shareholding in Christchurch Casino from 47% to 50% with the third shareholder being bought out from excess cash reserves retained within Christchurch Casino.
- During the period, SKYCITY made a renewed formal cash offer to Skyline Enterprises for its interests in both the Christchurch and Queenstown Casinos. Although this offer was fully priced in the context of current trading performance and outlook, the Skyline board has now formally rejected SKYCITY's offer.

International Business

- The continued solid growth in International business turnover is pleasing and supports our decision to invest further capital to expand and enhance our Auckland VIP gaming facilities.
- Turnover during the half was almost $1.5bn, approximately double that of the prior corresponding period, while the actual win rate was 1.39% for the half.
- Turnover growth is currently being achieved with limited VIP room capacity, which will be addressed when we open four new VIP gaming Salons from July (representing a fourfold increase in capacity), and through sound risk management practices around table limits and tight credit control.

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Balance Sheet and Funding

- During the last 6 months we have secured additional and replacement long-term funding facilities on favourable and flexible terms.
    - $175m USPP funding split into 7 and 10 year tenors
    - $400m-$450m Syndicated Bank facility split into 3 and 5 year tenors
- These funding arrangements further enhance the company's debt profile, providing SKYCITY with flexibility and ensuring that we have funding capacity in place for our new project opportunities as they arise.
- Gearing (net debt: EBITDA) remains strongly investment grade at 2.1 times.

Interim Dividend

- An interim dividend has been declared at 8.0cps, in line with last year's interim dividend. The company's dividend policy is to distribute between 60%-70% of NPAT to shareholders. The FY11 interim dividend payout ratio is at the upper end of the policy range, at 69%.

- Payment date for the dividend will be 1 April 2011, to shareholders registered on 18 March 2011. Whilst this dividend will be fully imputed, we advise that going forward, the level of imputation will reduce to not less than 60% for future dividends, including the final dividend in September.

- Repayment of the ACES notes means that franking credits can now be applied to dividends which will benefit our Australian shareholders. Franking at 60% will be applied to this and future dividends.

- We are introducing a dividend reinvestment plan for those shareholders who would prefer to receive their dividends in shares rather than cash. The DRP will apply to this dividend.

Outlook and Guidance

- We continue to note the discretionary retail environment as remaining challenging both in New Zealand and Australia. Nevertheless, as noted, there are positive trends within our core business operations which will provide momentum going into the second half and through into the Rugby World Cup.

- Consistent with the guidance provided at the annual meeting in October 2010, we re-confirm that we would be disappointed if we did not achieve normalised NPAT of $127.4m for the 2011 financial year.

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About SKYCITY Entertainment Group

- SKYCITY Entertainment Group includes six casino and hotel complexes across New Zealand and Australia (Auckland, Hamilton, Christchurch, Queenstown, Adelaide, Darwin).
- SKYCITY Entertainment Group employs more than 7,000 people throughout Australia and New Zealand.