

SKYCITY signs Heads of Agreement with Government on New Zealand International Convention Centre

SKYCITY Entertainment Group (SKYCITY) announced today it has signed a Heads of Agreement with the New Zealand Government to design, build and operate the New Zealand International Convention Centre (NZICC).

This agreement details the key terms which will see SKYCITY commit \$315 million to build and fit-out the NZICC, in addition to contributing the 14,000 square metres Auckland CBD site, bounded by Nelson, Hobson and Wellesley streets, which is valued at \$87 million.

In return for this, the Government will extend the Auckland Casino Venue Licence for 35 years to 2048 and has agreed to a package of regulatory reforms.

The \$315m development includes public convention and exhibition space capable of accommodating 3,500 convention delegates at one time, at least 780 car park spaces and a link-way bridge over Hobson Street. Based on current anticipated timelines, and subject to the passing of enabling legislation and a three-year construction period, the NZICC is expected to open in mid/late 2017.

“We are pleased that we have now reached agreement with the Government on the key terms of SKYCITY developing and operating the NZICC,” SKYCITY Chief Executive, Nigel Morrison says.

“This agreement delivers a major piece of tourism infrastructure for New Zealand that will boost jobs and tourism and drive long term economic growth, without requiring funding from taxpayers or Auckland ratepayers. It will deliver growth for Auckland International Airport, Air New Zealand and other airlines flying to New Zealand, taxi drivers, restaurant and bar operators, hoteliers, Waiheke Island, Queenstown and everybody else who in some way, shape or form provides a service to international visitors,” Mr Morrison said.

The total completed cost of the NZICC development, including land, build, fit out, and financing costs will be in excess of \$400 million, which will be funded from SKYCITY’s operational cash flows and committed existing and future debt facilities.

Mr Morrison says SKYCITY, one of New Zealand’s largest listed companies, is satisfied that this substantial investment will deliver a reasonable return for the company’s shareholders, 95% of whom reside in New Zealand.

“Most importantly, the extension of SKYCITY Auckland’s casino licence for 35 years to 2048 provides the certainty needed to secure continued long term financing, underpinning our core investments in NZ,” Mr Morrison says.

“This project will require around 1,000 jobs during construction and will see SKYCITY employing an additional 800 New Zealanders once the NZICC is fully operational. This is good news for the more than 130,000 jobseekers registered on www.skycitycareers.co.nz seeking a job at SKYCITY. Further, it will rejuvenate and facilitate other private sector investment in this important part of Auckland’s CBD, the ‘Victoria Quarter’,” Mr Morrison says.

The Government last month, as part of its \$158 million tourism funding package, announced \$34 million would be spent over the next four years to attract international business events, including conferences, conventions and exhibitions to New Zealand.

“For the first time, the NZICC will provide a venue of the size and scale required to allow New Zealand to finally compete with other countries for our fair share of major international conferences. It will be a core piece of New Zealand tourism infrastructure that will be a step change for the industry”, Mr Morrison says.

In return for SKYCITY’s significant investment, and in addition to an extension of the Auckland Casino Venue Licence to 30 June 2048, the Heads of Agreement provides regulatory reform for SKYCITY’s Auckland property, comprising:

- An additional 230 gaming machines and 40 gaming tables
- 12 gaming tables that can each be substituted for 20 automated table game player stations
- The introduction of Ticket In Ticket Out (TITO) and card-based cashless gaming
- Up to 17% of gaming machines and electronic table games being permitted to accept bank notes with a denomination of greater than \$20, but only in restricted areas
- An amendment to the Casino Venue description in the Auckland Casino Licence to encompass all SKYCITY properties in Federal Street.

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

Given that SKYCITY is committing to such a significant capital investment and needs certainty to complete and finance the development and earn satisfactory returns over the longer term, the Crown has agreed to compensation which will be payable to SKYCITY if:

- Any of the reforms are changed during the extended licence period
- There is an increase in casino duty (or other tax which applies only to casinos) prior to four years after the completion of the NZICC development.

Included in the agreement will be additional harm minimisation and host responsibility measures that add to SKYCITY’s already comprehensive programme. These will include:

- Doubling the number of full-time Host Responsibility staff in Auckland, providing dedicated Host Responsibility staff onsite at all times, 24/7
- Introducing predictive modelling technology which analyses player data to help identify customers most at risk from gambling harm
- Continuing to roll out SKYCITY’s Voluntary Pre-commitment Programme allowing customers to set the time and the amount they wish to spend over a given period.

“We are well aware that while the vast majority of people gamble responsibly and treat it as a fun, recreational and leisure activity, there are some who are at risk of developing a gambling problem. We take this issue very seriously. This is why SKYCITY has many systems in place to identify problem gamblers and offer the support they need. Our programmes are recognised as world-leading and the most comprehensive in New Zealand.

“SKYCITY is the first commercial casino in the world to introduce predictive modelling technology and is the first New Zealand casino to implement a voluntary pre-commitment programme. We started introducing these world-leading technologies last year when it became clear during our negotiations with the Government that we needed to further increase our Host Responsibility measures,” Mr Morrison says.

The Heads of Agreement states that SKYCITY and Government have until 14 June 2013 to formalise the agreement and if this date is not achieved, neither party will have any obligation to the other and this Agreement will terminate.

Attached is the Heads of Agreement dated 12 May 2013.

For further information please contact:

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