

SKYCITY Entertainment Group Limited

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26 July 2017

Client Market Services
NZX Limited
Level 1, NZX Centre
11 Cable Street
WELLINGTON

Copy to:

ASX Market Announcements
Australian Stock Exchange
Exchange Centre
Level 6
20 Bridge Street
Sydney NSW 2000
AUSTRALIA

Dear Sir/Madam

**RE: SKYCITY ENTERTAINMENT GROUP LIMITED (SKC)
PROPOSED IMPAIRMENT OF SKYCITY DARWIN'S GOODWILL**

Please find **attached** a market release concerning the proposed impairment of SKYCITY Darwin's goodwill.

Yours faithfully



Jo Wong
Company Secretary

MARKET RELEASE

26 July 2017

PROPOSED IMPAIRMENT OF SKYCITY DARWIN'S GOODWILL

Pursuant to accounting standards in New Zealand, SKYCITY is required to annually test the book value of all of its properties for impairment of goodwill and other intangible assets not amortised.

Following completion of this annual review, SKYCITY proposes to recognise an impairment of SKYCITY Darwin's goodwill of A\$95 million. This amount corresponds to the full value of the goodwill recognised when SKYCITY acquired the Darwin property in 2004, and will reduce the book value of the Darwin property to A\$195 million as at 30 June 2017.

The proposal to write-off Darwin's goodwill is primarily attributable to increased competitive pressures in the gaming machine business. This stems from the unforeseen policy decision in December 2014 by the previous Northern Territory Government to remove the cap on gaming machines in the Territory. Since the implementation of that policy in July 2015 there has been a 75% increase in the number of gaming machines in Darwin (outside of the casino). This significant increase in competing gaming machines in the catchment area of the casino has consequently had an increasingly adverse impact on revenue and earnings at SKYCITY Darwin since the beginning of 2016.

It is proposed that this non-cash impairment be recognised in SKYCITY's statutory accounts for the 12 months to 30 June 2017 (FY17) to be released on 9 August 2017. However, this remains subject to review by SKYCITY's auditor, PricewaterhouseCoopers.

In accordance with Non-GAAP Financial Information Policy, SKYCITY will adjust for (i.e. exclude) the impairment when presenting its normalised financial results for FY17.

The proposed non-cash impairment will not impact the determination of SKYCITY's final dividend for FY17 and is not expected to have any impact on its investment grade BBB- credit rating from Standard & Poor's.

A review is underway to identify strategic opportunities to maximise value from the Darwin property.

For more information contact:

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