

9 February 2017

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**WELLINGTON**

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Copy to:  
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Australian Stock Exchange  
Exchange Centre  
Level 6  
20 Bridge Street  
Sydney NSW 2000  
**AUSTRALIA**

Dear Sir/Madam

**RE : SKYCITY ENTERTAINMENT GROUP LIMITED – SKC  
INTERIM RESULT (FOR THE SIX MONTHS ENDED 31 DECEMBER 2016)**

Please find attached the following information relating to SKYCITY Entertainment Group Limited's interim result for the six months ended 31 December 2016:

1. NZX Appendix 1 (as required by NZX Listing Rule 10.3.2) detailing the preliminary announcement;
2. 1H17 Result Presentation;
3. NZX Appendix 7 (as required by NZX Listing Rule 7.12.2) detailing the interim dividend of NZ 10.0 cents per ordinary share to be paid on 17 March 2017 to those shareholders on the company's share register as at 5pm (NZ time) on 3 March 2017. The company's Dividend Reinvestment Plan (DRP) will be activated in respect of the interim dividend, with a 2% discount being offered;
4. Interim Report, including the financial statements and notes; and
5. Market Release.

Yours faithfully



Rob Hamilton  
Chief Financial Officer

SKYCITY Entertainment Group Limited	
<b>Results for announcement to the market</b>	
Reporting Period	1 July 2016 to 31 December 2016
Previous Reporting Period	1 July 2015 to 31 December 2015

<b>Reported</b>	<b>Amount (millions)</b>	<b>Percentage change</b>
Reported revenue including gaming GST from ordinary activities	NZ\$533.1	-5.8%
Reported revenue from ordinary activities <sup>1</sup>	NZ\$484.2	-5.7%
Reported profit (loss) from ordinary activities after tax attributable to security holder	NZ\$83.8	18.0%
Reported net profit (loss) attributable to security holders	NZ\$83.8	18.0%

<b>Normalised</b>	<b>Amount (millions)</b>	<b>Percentage change</b>
Normalised revenue including gaming GST from ordinary activities	NZ\$525.8	-6.4%
Normalised revenue from ordinary activities	NZ\$477.9	-6.4%
Normalised profit (loss) from ordinary activities after tax attributable to security holder	NZ\$83.7	-2.0%
Normalised net profit (loss) attributable to security holders	NZ\$83.7	-2.0%

Notes:

- 'Reported' information is per the audited financial statements
- 'Normalised' results sets International Business win to 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 document
- 'EBITDA' = Earnings before interest, tax, depreciation and amortisation
- 'EBIT' = Earnings before interest and tax
- 'NPAT' = Net profit after tax
- Certain totals, subtotals and percentages may not agree due to rounding

<sup>1</sup> On the Income Statement this is the total of Revenue and Other Income

Interim Dividend	Amount per security	Imputed amount per security
	NZ\$ 0.10	-

Record Date	3 March 2017
Payment Date	17 March 2017

Comments:	<p>SKYCITY's FY17 interim performance is set out in the Company's Result Presentation which is attached to this announcement. It provides detail and explanatory comment on operating and financial performance for each business unit and the Group as a whole and various other relevant aspects of the financial performance for the six months ended 31 December 2016.</p> <p>The Result Presentation will be available on the Company's website from 9 February 2017.</p>
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#### NTA Backing

	2016	2015
Net tangible asset backing per ordinary share	\$0.354	-\$0.164
Net tangible asset backing per ordinary share – excluding Adelaide redevelopment and NZICC accounting	\$1.191	\$0.775

Net tangible asset backing per ordinary share is impacted by the increase in the carrying values of the Adelaide casino licence and Auckland casino licence (intangible assets which are excluded from the calculation) and the associated deferred licence values (liabilities which are not excluded from the calculation). If the deferred licence values are also excluded the net tangible asset backing per ordinary share would be \$1.191 per share as at 31 December 2016.

The increase in net tangible asset backing per ordinary share from 31 December 2015 primarily relates to the issue of additional equity of \$263m in May and June 2016.

## **Auditors**

This report is based on accounts that have been the subject of a review by the company's auditor. Their review report is provided with this preliminary final report.

## **Earnings per share**

	Amount (cents per share)	Percentage change
Reported	12.7	5.8%
Normalised	12.7	-12.4%

Reported earnings per share for the six months to 31 December 2016 were 12.7 cents per share (31 December 2015: 12.0 cents per share). Normalised earnings per share for the six months to 31 December 2016 were 12.7 cents per share (31 December 2015: 14.5 cents per share). "Normalised" eliminates certain revenue and expense items and adjusts International VIP commission business win rate to theoretical.

## **Dividends**

There are no imputation or franking credits attached to the 1H17 dividend.

The company's Dividend Reinvestment Plan will be activated in respect of the interim dividend, with a 2% discount being offered.

Elections to participate in the company's Dividend Reinvestment Plan for the interim dividend close at 5pm (NZ time) on Friday 3 March 2017.

## Reconciliation between Reported and Normalised Financial Information

	1H17				1H16			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
Normalised	525.8	168.9	121.6	83.7	562.0	178.2	132.3	85.4
IBat theoretical	7.3	0.1	0.1	0.1	4.1	(6.6)	(6.6)	(4.6)
IB adjustments	7.3	0.5	0.5	0.4	4.1	(6.6)	(6.6)	(4.6)
Asset write-offs	-	-	-	-	-	-	(10.4)	(9.8)
Total other adjustments	0.0	0.0	0.0	0.0	0.0	0.0	(10.4)	(9.8)
Reported	533.1	169.1	121.7	83.8	566.1	171.6	115.3	71.0

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.

Total revenues are gaming win plus non-gaming revenues.

Application of the group's non-GAAP financial information policy is consistent with the approach adopted in FY16.

### 1H17 Adjustments

- Actual win rate on International Business of 1.52% vs. the theoretical win rate of 1.35%

### 1H16 Adjustments

- Actual win rate on International Business of 1.41% vs. the theoretical win rate of 1.35%
- Write-off of the Hamilton hotel project costs (\$2.8m of capitalised costs incurred over 2011 to 2014)
- Write-off of 101 Hobson St and the Nelson St car park to make way for the NZICC (\$7.6m book value)



- All information included in this presentation is provided as at 9 February 2017
- This presentation includes a number of forward-looking statements. Forward-looking statements, by their nature, involve inherent risks and uncertainties. Many of those risks and uncertainties are matters which are beyond SKYCITY's control and could cause actual results to differ from those predicted. Variations could either be materially positive or materially negative
- This presentation has not taken into account any particular investors investment objectives or other circumstances. Investors are encouraged to make an independent assessment of SKYCITY

- Average NZD/AUD cross-rate for 1H17 = 0.9492 and 1H16 = 0.9130
- Weighted average number of shares for 1H17 = 659,565,210 and 1H16 = 590,191,246
- Revenue (incl Gaming GST), calculated as gaming win (incl GST) plus non gaming revenue (excl GST), is shown to facilitate Australasian comparisons
- Normalised revenue is adjusted for IB at the theoretical win rate of 1.35% versus an actual win rate of 1.52% in 1H17 (1H16: 1.41%)
- EBITDA margin is calculated as a % of revenue (incl Gaming GST) to facilitate Australasian comparisons
- Normalised EBITDA is adjusted for IB at the theoretical win rate of 1.35% and certain other items (see page 37 for more details)
- Certain totals, subtotals and percentages may not agree due to rounding

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# Results Overview



# Results Overview

	1H17	1H16	Movement	
	\$m	\$m	\$m	%
Normalised Revenue (incl Gaming GST)	525.8	562.0	(36.1)	(6.4%)
Normalised EBITDA	168.9	178.2	(9.3)	(5.2%)
Normalised NPAT	83.7	85.4	(1.7)	(2.0%)
Normalised EPS	12.7cps	14.5cps	(1.8cps)	(12.4%)

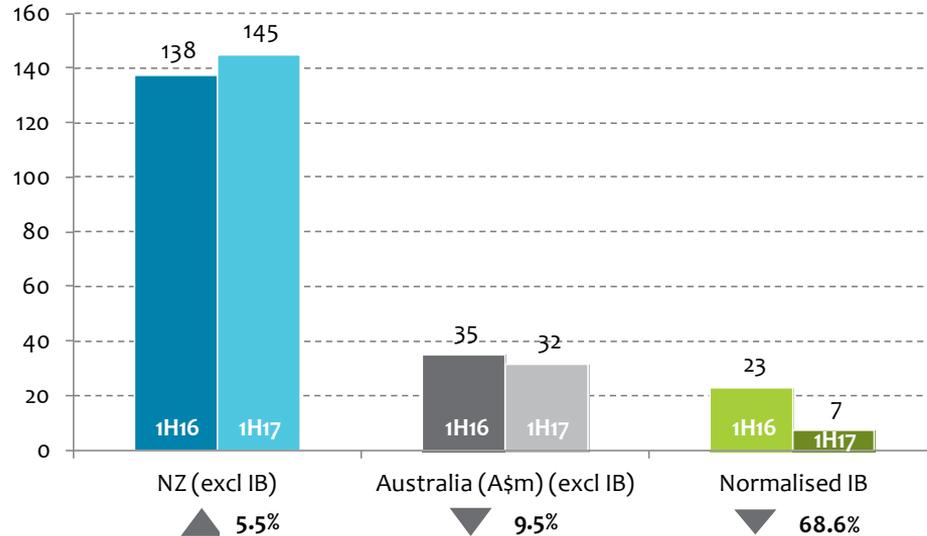
	1H17	1H16	Movement	
	\$m	\$m	\$m	%
Reported Revenue (incl Gaming GST)	533.1	566.1	(33.0)	(5.8%)
Reported EBITDA	169.1	171.6	(2.5)	(1.5%)
Reported NPAT	83.8	71.0	12.8	18.0%
Reported EPS	12.7cps	12.0cps	0.7cps	5.8%

Final Dividend NZ\$cps	10.0cps	10.5cps	(0.5cps)	(4.8%)
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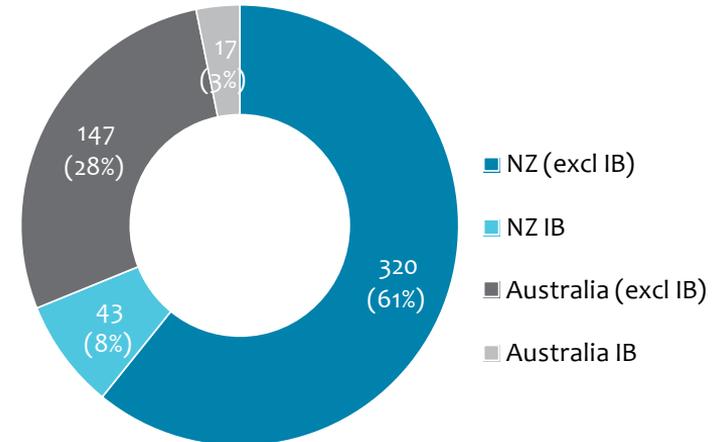
# Geographic Performance

- 1H17 EBITDA (excl IB) in NZ increased 5.5% on the pcp, but decreased 9.5% in Australia
- SKYCITY Auckland represented 80% of 1H17 group normalised EBITDA
- Group-wide IB represented 5% of 1H17 group normalised EBITDA (10% for FY16)

1H17 EBITDA (pre corporate costs) (NZ\$m unless stated otherwise)



1H17 Normalised Revenue (incl Gaming GST) (NZ\$m) (% of total)



## Group

- Key drivers of the result were solid growth in combined NZ properties, with Auckland improving significantly in 2Q17, offset by reduced IB turnover, challenging trading conditions in Darwin and a weaker Australian dollar
- Excluding IB and adjusting for a constant currency, group EBITDA was up 5.0% on the pcip

## NZ – Revenue (excl IB) ▲ 3.7%; EBITDA (excl IB) ▲ 5.5%

- SKYCITY Auckland returned to growth in 2Q17 (with revenue (excl IB) up 8.2%) across all business segments, underpinned by strategic initiatives that increased both visitation and customer spend per visit
- Further strong growth achieved at SKYCITY Hamilton

## Australia – A\$ Revenue (excl IB) ▼ 2.8%; A\$ EBITDA (excl IB) ▼ 9.5%

- Stable gaming machines performance at Adelaide Casino and an increased market share, offset by lower table games hold and a reduced F&B contribution
- Darwin continues to be adversely impacted by challenging trading conditions and increased competition from pubs & clubs

## IB – Normalised Revenue ▼ 38.7%; Normalised EBITDA ▼ 68.6%

- IB turnover down 38.7% to \$4.4bn due to fewer visits from larger customers and recent developments in China
- EBITDA margin down to 12.0% (from 23.6%) due to fixed costs required to support the business and increased bad debt provisions

## Major Growth Projects

- NZICC and Hobson St hotel projects remain on-budget and on-target for completion in Q1 2019
- Early works programme for Adelaide's Riverbank Precinct has commenced

## Funding

- Operating cash flows up 20.9% on the pcip, reflecting a higher win rate in IB and working capital improvements
- Net hedged debt / normalised EBITDA of 1.1x as at December 2016
- Remain confident of retaining S&P credit rating during peak capex periods in FY19 / 20

## Dividend – DPS 10.0cps ▼ 4.8%

- Interim dividend of 10.0cps, in-line with stated dividend policy
- Dividend Reinvestment Plan available with 2% discount
- Minor change to dividend policy proposed to reflect post-tax accounting impact of capitalised interest from major growth projects

## Interim dividend per share

10.0cps

▼ 4.8%

## Key dividend dates

Record date: 3 March 2017

Payment date: 17 March 2017

- Interim dividend of 10.0cps, in-line with existing payout policy
  - Represents a payout ratio of 79% of normalised 1H17 NPAT
  - Represents a cash dividend yield of 5.4%, based on a share price of NZ\$3.74
- Dividend Reinvestment Plan available for the interim dividend, with a 2% discount
- Payout calculation for future dividends to be adjusted for post-tax accounting impact of capitalised interest on major growth projects
- This change will not impact other elements of our existing dividend policy, including 80% payout ratio and a minimum of 20.0cps per annum

# Property Updates



	1H17 \$m	1H16 \$m	Movement %
<b>Revenue</b>			
Gaming Machines	124.4	116.7	6.6%
Tables	77.7	76.6	1.5%
Gaming Revenue (incl GST)	202.1	193.2	4.6%
Non-Gaming Revenue	81.8	80.7	1.4%
<b>Total Revenue (incl gaming GST) (excl IB)</b>	<b>283.9</b>	<b>273.9</b>	<b>3.7%</b>
Gaming GST	(26.0)	(24.9)	(4.6%)
<b>Total Revenue (excl gaming GST) (excl IB)</b>	<b>257.9</b>	<b>249.0</b>	<b>3.6%</b>
Expenses	(127.3)	(124.8)	(2.0%)
<b>EBITDA (excl IB)</b>	<b>130.6</b>	<b>124.3</b>	<b>5.1%</b>
EBITDA Margin (excl IB)	46.0%	45.4%	
Depreciation & Amortisation <sup>(1)</sup>	(25.5)	(31.0)	17.7%
<b>EBIT (excl IB)</b>	<b>105.1</b>	<b>93.3</b>	<b>12.7%</b>
<b>Normalised EBITDA (incl IB)</b>	<b>135.3</b>	<b>135.4</b>	<b>(0.1%)</b>
Normalised EBITDA Margin (incl IB)	41.9%	41.7%	

- SKYCITY Auckland returned to growth in 2Q17
- Auckland continues to benefit from positive external factors despite increased CBD disruption caused by various capital works programmes
- 2Q17 revenue (excl IB) up 8.2% on the pcp with strategic initiatives successful in increasing visitation and customer spend per visit
- Strong growth achieved in gaming machines, particularly in 2Q17 with 11% revenue growth on the pcp and market share gains
- Satisfactory table games performance, with increased premium gaming activity in 2Q17, and hold rates normalising
- Cessation of Air NZ Koru catering contract during the period adversely impacted non-gaming revenue
- SKYCITY Hotel and the Grand Hotel continue to trade strongly with RevPar growth of 9% on the pcp

(1) Includes \$7.6m write-off of 101 Hobson St and Nelson St car park in 1H16

	1H17 \$m	1H16 \$m	Movement %
<b>Revenue</b>			
Gaming Machines	20.9	17.8	17.4%
Tables	4.9	5.7	(14.7%)
Gaming Revenue (incl GST)	25.8	23.5	9.6%
Non-Gaming Revenue	3.9	4.1	(5.7%)
<b>Total Revenue (incl gaming GST) (excl IB)</b>	<b>29.6</b>	<b>27.6</b>	<b>7.3%</b>
Gaming GST	(3.4)	(3.1)	(9.6%)
<b>Total Revenue (excl gaming GST) (excl IB)</b>	<b>26.3</b>	<b>24.6</b>	<b>7.0%</b>
Expenses	(12.9)	(12.9)	0.2%
<b>EBITDA (excl IB)</b>	<b>13.4</b>	<b>11.6</b>	<b>15.1%</b>
<i>EBITDA margin (excl IB)</i>	45.1%	42.1%	
Depreciation & Amortisation <sup>(1)</sup>	(2.2)	(5.0)	55.4%
<b>EBIT (excl IB)</b>	<b>11.1</b>	<b>6.6</b>	<b>68.6%</b>
<b>Normalised EBITDA (incl IB)</b>	<b>13.4</b>	<b>11.6</b>	<b>15.2%</b>
<i>Normalised EBITDA margin (incl IB)</i>	45.1%	42.1%	

- SKYCITY Hamilton delivered another positive performance during 1H17, driven by:
  - Strong growth in gaming machines, offset by lower hold on table games
  - Favourable local macroeconomic conditions
  - Operating leverage delivering margin expansion
  
- The ‘City Co-Op’ dining precinct and the refurbished ‘Bowl & Social’ have broadened the entertainment offering and increased visitation

(1) Includes \$2.8m write-off of Hamilton hotel project costs in 1H16

	1H17 \$m	1H16 \$m	Movement %
<b>Revenue</b>			
Gaming Machines	2.8	3.1	(9.5%)
Tables	2.6	2.8	(6.0%)
Gaming Revenue (incl GST)	5.4	5.9	(7.8%)
Non Gaming Revenue	0.7	0.7	0.0%
<b>Total Revenue (incl gaming GST) (excl IB)</b>	<b>6.1</b>	<b>6.6</b>	<b>(7.3%)</b>
Gaming GST	(0.7)	(0.8)	8.5%
<b>Total Revenue (excl gaming GST) (excl IB)</b>	<b>5.4</b>	<b>5.8</b>	<b>(7.2%)</b>
Expenses	(4.4)	(4.3)	(3.3%)
<b>EBITDA (excl IB)</b>	<b>1.0</b>	<b>1.6</b>	<b>(36.0%)</b>
<i>EBITDA margin (excl IB)</i>	<i>16.3%</i>	<i>23.6%</i>	
Depreciation & Amortisation	(0.5)	(0.5)	(0.0%)
<b>EBIT (excl IB)</b>	<b>0.5</b>	<b>1.0</b>	<b>(55.0%)</b>
<b>Normalised EBITDA (incl IB)</b>	<b>1.4</b>	<b>2.6</b>	<b>(45.6%)</b>
<i>Normalised EBITDA margin (incl IB)</i>	<i>15.6%</i>	<i>19.0%</i>	

■ Combined Queenstown operations 1H17 result was driven by:

- Lower local visitation, and reduced IB and premium activity
- Reduction in operating margins due to fixed costs required to support the business

	1H17 A\$m	1H16 A\$m	Movement %
<b>Revenue</b>			
Gaming Machines	27.0	27.2	(0.6%)
Tables	38.5	39.1	(1.5%)
Gaming Revenue (incl GST)	65.5	66.2	(1.1%)
Non Gaming Revenue	11.6	12.2	(4.7%)
<b>Total Revenue (incl gaming GST) (excl IB)</b>	<b>77.1</b>	<b>78.4</b>	<b>(1.7%)</b>
Gaming GST	(5.9)	(6.0)	0.9%
<b>Total Revenue (excl gaming GST) (excl IB)</b>	<b>71.2</b>	<b>72.4</b>	<b>(1.7%)</b>
Expenses <sup>(1)</sup>	(57.7)	(58.5)	1.3%
<b>EBITDA (excl IB) <sup>(1)</sup></b>	<b>13.5</b>	<b>14.0</b>	<b>(3.6%)</b>
EBITDA margin (excl IB)	17.5%	17.8%	
Depreciation & Amortisation	(8.2)	(8.5)	3.6%
<b>EBIT (excl IB)</b>	<b>5.3</b>	<b>5.5</b>	<b>(3.6%)</b>
<b>Normalised EBITDA (incl IB) <sup>(1)</sup></b>	<b>14.8</b>	<b>21.4</b>	<b>(31.1%)</b>
Normalised EBITDA margin (incl IB)	16.5%	20.7%	

- Adelaide Casino's 1H17 result was driven by:
  - Lower hold on tables games
  - Stable activity in gaming machines (which included modest gains in market share)
  - Reduced F&B contribution
  - Stable operating margins (excl IB)
- A\$5 maximum bets on main floor gaming machines and in SA pubs & clubs became effective from 1 January 2017 – no bet limit in premium rooms at Adelaide Casino
- Luke Walker now starting as GM on 16 February 2017 (currently Executive GM – Gaming Machines at Crown Melbourne)

(1) Excludes \$1.4m of restructure costs in 1H16

	1H17 A\$m	1H16 A\$m	Movement %
<b>Revenue</b>			
Gaming Machines	29.0	32.1	(9.6%)
Tables	10.0	9.7	2.8%
Keno	8.3	8.3	(0.6%)
Gaming Revenue (incl GST)	47.2	50.1	(5.7%)
Non-Gaming Revenue	15.1	14.9	1.1%
<b>Total Revenue (incl gaming GST) (excl IB)</b>	<b>62.3</b>	<b>65.0</b>	<b>(4.1%)</b>
Gaming GST	(4.3)	(4.5)	5.9%
<b>Total Revenue (excl gaming GST) (excl IB)</b>	<b>58.0</b>	<b>60.5</b>	<b>(4.0%)</b>
Expenses	(40.0)	(39.7)	(0.9%)
<b>EBITDA (excl IB)</b>	<b>18.0</b>	<b>20.8</b>	<b>(13.5%)</b>
<i>EBITDA Margin (excl IB)</i>	28.9%	32.0%	
Depreciation & Amortisation	(6.6)	(6.6)	0.0%
<b>EBIT (excl IB)</b>	<b>11.4</b>	<b>14.2</b>	<b>(19.7%)</b>
<b>Normalised EBITDA (incl IB)</b>	<b>18.6</b>	<b>23.1</b>	<b>(19.2%)</b>
<i>Normalised EBITDA margin (incl IB)</i>	28.3%	30.8%	

- Darwin's 1H17 result was driven by:
  - Weaker local gaming activity
  - Increased competition from pubs & clubs (with the permitted number of gaming machines increasing 60% since July 2015)
  - Reduction in operating margins
  - Stable non-gaming revenue, underpinned by increased F&B covers
- NT economic conditions remain challenging, with further increases in gaming machines (outside of the casino) expected under the new regulatory cap
- Applied for extension of casino licence (for a further five years out to 2036)

	1H17	1H16	Movement
<b>Turnover</b>	<b>\$bn</b>	<b>\$bn</b>	<b>%</b>
Auckland	2.9	3.8	(22.8%)
Other NZ	0.2	0.5	(55.5%)
Adelaide (A\$)	0.9	1.9	(51.1%)
Darwin (A\$)	0.3	0.7	(64.1%)
<b>Total Turnover</b>	<b>4.4</b>	<b>7.2</b>	<b>(38.7%)</b>
<b>Total Normalised Revenue</b>	<b>59.2</b>	<b>96.6</b>	<b>(38.7%)</b>

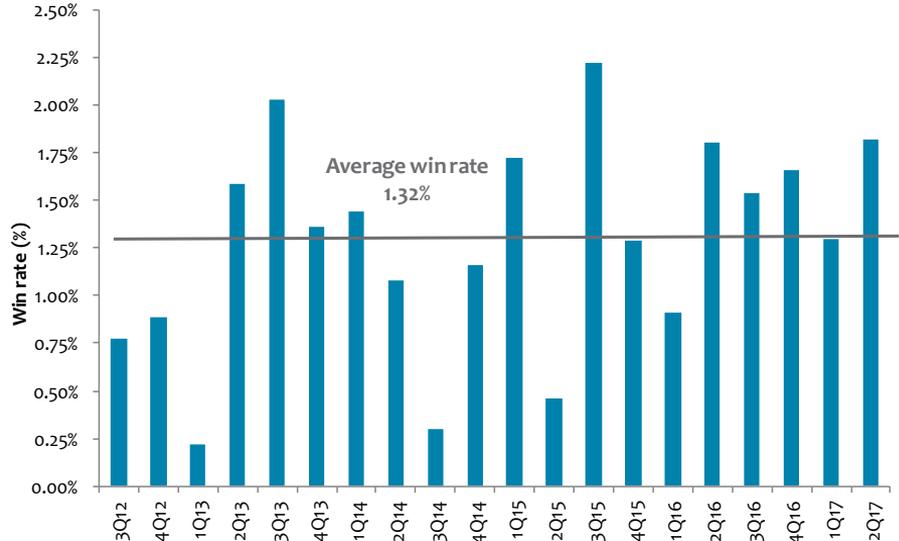
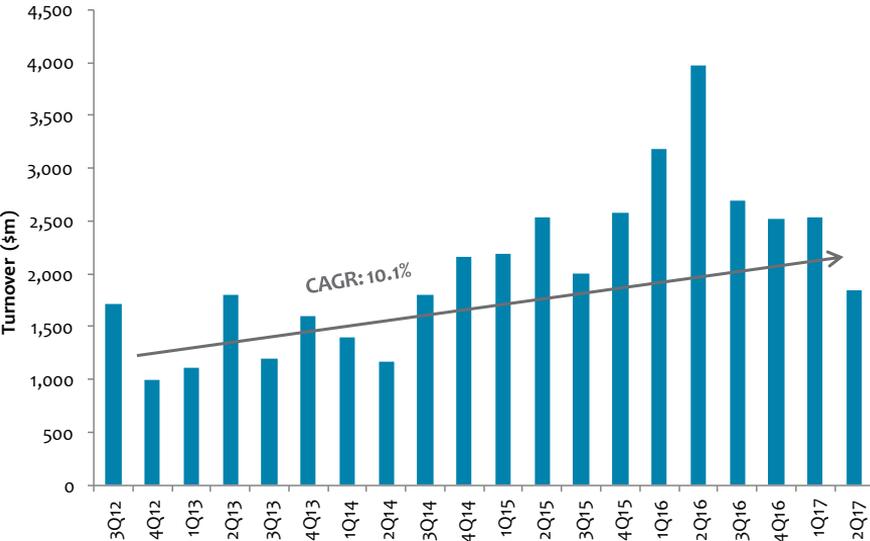
1H17	1H16
<b>Actual Win %</b>	
1.69%	1.58%
1.39%	1.33%
0.69%	0.85%
3.39%	1.08%
<b>1.52%</b>	<b>1.41%</b>

	1H17	1H16	Movement
<b>Normalised EBITDA</b>	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Auckland	4.7	11.1	(57.8%)
Other NZ	0.5	1.0	(52.1%)
Adelaide (A\$)	1.2	7.4	(83.7%)
Darwin (A\$)	0.6	2.3	(74.9%)
<b>Total Normalised EBITDA</b>	<b>7.1</b>	<b>22.8</b>	<b>(68.6%)</b>
<b>Total Reported EBITDA</b>	<b>7.2</b>	<b>16.2</b>	<b>(55.0%)</b>

1H17	1H16
<b>Margin %</b>	
11.9%	21.8%
14.5%	14.1%
9.8%	29.4%
16.0%	22.0%
<b>12.0%</b>	<b>23.6%</b>

- Significant reduction in IB activity during the period, driven by:
  - Reduced number of visits from larger customers
  - Increased restrictions on fund transfers
- Operating margins negatively impacted due to the fixed cost base required to support the business and increased bad debt provisions
- Cost structures being reviewed to offset recent decline in IB activity
- Continue to comply with all relevant laws in China and take a conservative approach to credit

■ Average actual win rate of 1.32% since January 2012, in-line with the theoretical win rate of 1.35%



# Other Financial Information



# Corporate costs, D&A, interest and tax expense

**Corporate costs: \$15.5m; ▼ 21.5%**

- Corporate costs were lower during the period primarily due to reversal of LTI accruals and reduced corporate bonus provision
- Expect corporate costs in 2H17 to be higher than 1H17, reflecting increases in innovation and IT costs

**Normalised D&A: \$47.3m; ▲ 3.1%**

- Normalised D&A up on the pcp due recent capex in Auckland (Atrium refurbishment and 'Grand Horizon' IB salons) and increased amortisation of group IT systems
- Expect normalised D&A in 2H17 to be slightly higher than 1H17

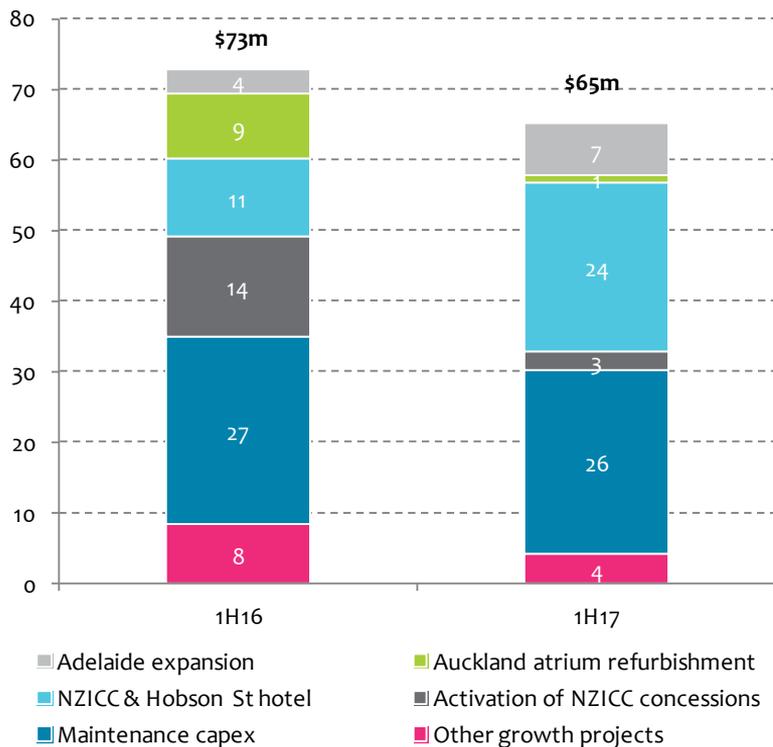
**Normalised tax expense: \$29.8m; ▲ 0.8%**

- Normalised tax expense flat on the pcp despite lower profitability, reflecting a slightly higher effective tax rate of 26.3% (1H16: 25.7%)
- Expect effective tax rate in 2H17 to be broadly similar to that in 1H17

**Net interest expense: \$8.1m; ▼ 53.0%**

- Net interest expense down significantly reflecting lower average debt, increased capitalised interest (\$6m) and forex gains
- Expect net interest expense in 2H17 to be slightly higher than 1H17

Capital expenditure (NZ\$m)



## 1H17 Capex

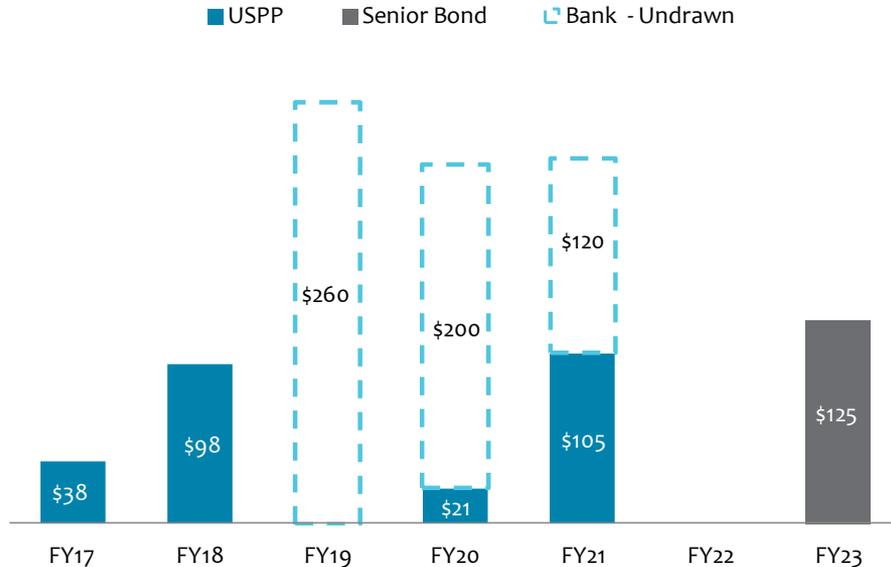
- Maintenance capex of \$26m
- Growth project capex of \$40m primarily related to NZICC and Hobson St hotel projects, Adelaide Casino expansion and activation of Auckland gaming concessions

## Future Capex

- FY17 maintenance capex to be approximately \$65m
- Key growth project capex items for 2H17 relate to:
  - NZICC & Hobson St hotel construction (\$66m)
  - Adelaide expansion (A\$9m)
  - Atrium refurbishment and Cantonese restaurant in Auckland (\$10m)
- Previous market guidance regarding quantum of capex on major growth projects is reaffirmed
- Timing of major growth capex delayed slightly

# Debt Maturity Profile

## Hedged debt maturity profile (as at December 2016) (NZ\$m)



- Committed debt facilities (at hedged exchange rates) of \$970m as at December 2016, with \$387m currently drawn
  - Average interest rate on existing debt is 7.0% (currently all fixed rate debt)
  - Net hedged debt / normalised EBITDA of 1.1x as at 31 December 2016
- Operating cash flows of \$195m for 1H17, up 20.9% on the pcp
- Cash at bank of \$48m as at December 2016
- Remain confident in retaining S&P credit rating during peak capex periods of FY19 / 20
- Considering a further NZ bond issue and extending senior bank facilities before end of 2017

# Major Growth Projects



# NZICC and Hobson St Hotel

- NZICC and Hobson St hotel projects progressing on-budget and remain on-target for Q1 2019 completion
  - Excavation commenced in June 2016 and now 80% completed
- Total expected project costs remain in-line with previous market guidance



# NZICC and Hobson St Hotel – Progress On Site



*NZICC and Hobson St hotel site as at end of January 2017*

# Adelaide Casino Expansion

- Early works programme for the Riverbank Precinct has commenced
- Expectation is that the early works will be completed by late 2017
- Proposed expansion of Adelaide Casino remains under consideration by the Board



# Outlook



NZ

- Auckland expected to continue to deliver modest growth in 2H17 on the pcp, driven by favourable macroeconomic drivers, new major events and ongoing initiatives to drive visitation
- Disruption from capital works programmes across the Auckland CBD – this is being proactively managed, but is expected to continue to impact the property
- Hamilton expected to continue to deliver growth in 2H17 on the pcp, underpinned by higher visitation and increased local gaming revenue

Australia

- Difficult trading conditions and competitive pressures expected to persist in Darwin during 2H17
- Adelaide Casino expected to remain stable in 2H17 on the pcp
- Risk of some disruption to Adelaide Casino from early works programme

IB

- IB activity expected to be weaker in 2H17 on the pcp given reduced visits from larger customers and recent developments in China (although Chinese NY has been favourable to-date)

# Key Focus Areas For Remainder Of FY17

Continue to optimise operating performance of all business segments, particularly Auckland and IB

Welcome Graeme Stephens (CEO) and Luke Walker (GM Adelaide Casino)

Progress NZICC and Hobson St hotel projects on-time and on-budget

Complete Darwin licence extension approval process

# Appendices



# 1H17 Results Overview – Normalised Results

	1H17	1H16	Movement	
	\$m	\$m	\$m	%
Normalised Revenue (including Gaming GST)	525.8	562.0	(36.1)	(6.4%)
Gaming GST	(47.9)	(51.4)	3.5	6.7%
<b>Normalised Revenue</b>	<b>477.9</b>	<b>510.6</b>	<b>(32.7)</b>	<b>(6.4%)</b>
Expenses	(309.0)	(332.4)	23.4	7.0%
<b>Normalised EBITDA</b>	<b>168.9</b>	<b>178.2</b>	<b>(9.3)</b>	<b>(5.2%)</b>
Depreciation and Amortisation	(47.3)	(45.9)	(1.4)	(3.1%)
<b>Normalised EBIT</b>	<b>121.6</b>	<b>132.3</b>	<b>(10.7)</b>	<b>(8.1%)</b>
Net Interest	(8.1)	(17.3)	9.2	53.0%
<b>Normalised NPBT</b>	<b>113.5</b>	<b>115.0</b>	<b>(1.5)</b>	<b>(1.3%)</b>
Tax	(29.8)	(29.6)	(0.2)	(0.8%)
<b>Normalised NPAT</b>	<b>83.7</b>	<b>85.4</b>	<b>(1.7)</b>	<b>(2.0%)</b>
<b>Normalised EPS</b>	<b>12.7cps</b>	<b>14.5cps</b>	<b>(1.8cps)</b>	<b>(12.4%)</b>

# 1H17 Results Overview – Reported Results

	1H17	1H16	Movement	
	\$m	\$m	\$m	%
Reported Revenue (including Gaming GST)	533.1	566.1	(33.0)	(5.8%)
Gaming GST	(48.9)	(52.4)	3.5	6.7%
<b>Reported Revenue</b>	<b>484.2</b>	<b>513.7</b>	<b>(29.5)</b>	<b>(5.7%)</b>
Expenses	(315.1)	(342.1)	27.0	7.9%
<b>Reported EBITDA</b>	<b>169.1</b>	<b>171.6</b>	<b>(2.5)</b>	<b>(1.5%)</b>
Depreciation and Amortisation	(47.3)	(56.3)	9.0	15.9%
<b>Reported EBIT</b>	<b>121.7</b>	<b>115.3</b>	<b>6.4</b>	<b>5.6%</b>
Net Interest	(8.1)	(17.3)	9.2	53.0%
<b>Reported NPBT</b>	<b>113.6</b>	<b>98.0</b>	<b>15.6</b>	<b>16.0%</b>
Tax	(29.8)	(26.9)	(2.9)	(10.7%)
<b>Reported NPAT</b>	<b>83.8</b>	<b>71.0</b>	<b>12.8</b>	<b>18.0%</b>
<b>Reported EPS</b>	<b>12.7cps</b>	<b>12.0cps</b>	<b>0.7cps</b>	<b>5.8%</b>
<b>Final Dividend NZ\$ cps</b>	<b>10.0cps</b>	<b>10.5cps</b>	<b>(0.5cps)</b>	<b>(4.8%)</b>

# 1H17 Revenue Summary by Business (incl Gaming GST)

	1H17 \$m	1H16 \$m	Movement %
<b>New Zealand Casinos (excl IB)</b>			
▪ Auckland	283.9	273.9	3.7%
▪ Hamilton	29.6	27.6	7.3%
▪ Queenstown, Other	6.1	6.6	(7.3%)
<b>Total New Zealand Revenue</b>	<b>319.6</b>	<b>308.1</b>	<b>3.7%</b>
<b>Australian Casinos (excl IB)</b>			
▪ Adelaide (A\$)	77.1	78.4	(1.7%)
▪ Darwin (A\$)	62.3	65.0	(4.1%)
Total Australia (A\$)	139.4	143.4	(2.8%)
<b>Total Australia Revenue at 1H16 exchange rate (NZ\$)</b>	<b>152.7</b>	<b>157.2</b>	<b>(2.8%)</b>
<b>Normalised IB Revenue at 1H16 exchange rate (for A\$ revenue)</b>	<b>60.0</b>	<b>96.6</b>	<b>(37.9%)</b>
<b>Normalised Revenue at constant currency</b>	<b>532.3</b>	<b>562.0</b>	<b>(5.3%)</b>
Exchange rate impact at 1H16 exchange rate	(6.5)		
<b>Normalised Revenue at actual currency</b>	<b>525.8</b>	<b>562.0</b>	<b>(6.4%)</b>
Adjust International Business to actual win rate	7.3	4.1	
<b>Reported Revenue at actual currency</b>	<b>533.1</b>	<b>566.1</b>	<b>(5.8%)</b>

# 2Q17 Revenue Summary by Business (incl Gaming GST)

		2Q17 \$m	2Q16 \$m	Movement %
<b>New Zealand Casinos (excl IB)</b>				
▪ Auckland		149.9	138.5	8.2%
▪ Hamilton		14.7	14.1	3.7%
▪ Queenstown, Other		3.0	3.0	(0.2%)
<b>Total New Zealand Revenue</b>		<b>167.6</b>	<b>155.7</b>	<b>7.6%</b>
<b>Australian Casinos (excl IB)</b>				
▪ Adelaide	(A\$)	38.0	39.4	(3.4%)
▪ Darwin	(A\$)	29.7	30.0	(1.1%)
Total Australia	(A\$)	67.7	69.4	(2.4%)
<b>Total Australia Revenue</b>	(NZ\$)	<b>71.2</b>	<b>74.7</b>	<b>(4.7%)</b>
<b>Normalised IB Revenue</b>		<b>24.9</b>	<b>53.6</b>	<b>(53.5%)</b>
<b>Normalised Revenue</b>		<b>263.7</b>	<b>284.0</b>	<b>(7.2%)</b>
Adjust International Business to actual win rate		8.7	18.0	
<b>Reported Revenue</b>		<b>272.5</b>	<b>302.1</b>	<b>(9.8%)</b>

# 1H17 EBITDA Summary by Business

		1H17 \$m	1H16 \$m	Movement %
<b>New Zealand Casinos (excl IB)</b>				
▪ Auckland		130.6	124.3	5.1%
▪ Hamilton		13.4	11.6	15.1%
▪ Queenstown, Other		1.0	1.6	(36.0%)
<b>Total New Zealand EBITDA</b>		<b>145.0</b>	<b>137.5</b>	<b>5.5%</b>
<b>Australian Casinos (excl IB)</b>				
▪ Adelaide	(A\$)	13.5	14.0	(3.6%)
▪ Darwin	(A\$)	18.0	20.8	(13.5%)
Total Australia	(A\$)	31.5	34.8	(9.5%)
<b>Total Australia EBITDA at 1H16 exchange rate</b>	(NZ\$)	<b>34.5</b>	<b>38.1</b>	<b>(9.5%)</b>
<b>Normalised IB EBITDA at 1H16 exchange rate (for A\$ revenue)</b>		<b>7.2</b>	<b>22.8</b>	<b>(68.4%)</b>
Corporate Costs		(15.5)	(19.7)	21.5%
NZICC operating costs		(0.9)	(0.5)	(95.0%)
Exchange rate impact at 1H16 exchange rate		(1.4)		
<b>Normalised EBITDA at actual currency</b>		<b>168.9</b>	<b>178.2</b>	<b>(5.2%)</b>
International Business adjustments		0.1	(6.6)	
<b>Reported EBITDA at actual currency</b>		<b>169.1</b>	<b>171.6</b>	<b>(1.5%)</b>

# Reported and Normalised Earnings

- 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
- Application of the group's non-GAAP financial information policy is consistent with the approach adopted in FY16
- **1H17 adjustments**
  - Actual win rate on IB of 1.52% vs. the theoretical win rate of 1.35%
- **1H16 adjustments**
  - Actual win rate on IB of 1.41% vs. the theoretical win rate of 1.35%
  - Write-off of the Hamilton hotel project costs (\$2.8m of capitalised costs incurred over 2011 to 2014)
  - Write-off of 101 Hobson St and the Nelson St car park to make way for the NZICC (\$7.6m book value)

# 1H17 Reported and Normalised Earnings

	1H17				1H16			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
<b>Normalised</b>	525.8	168.9	121.6	83.7	562.0	178.2	132.3	85.4
IB at theoretical	7.3	0.1	0.1	0.1	4.1	(6.6)	(6.6)	(4.6)
<b>IB adjustments</b>	<b>7.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>4.1</b>	<b>(6.6)</b>	<b>(6.6)</b>	<b>(4.6)</b>
Asset write-offs	-	-	-	-	-	-	(10.4)	(9.8)
<b>Total other adjustments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(10.4)</b>	<b>(9.8)</b>
<b>Reported</b>	<b>533.1</b>	<b>169.1</b>	<b>121.7</b>	<b>83.8</b>	<b>566.1</b>	<b>171.6</b>	<b>115.3</b>	<b>71.0</b>

- Intention to reallocate certain intra-group costs from FY18
- These costs primarily relate to IT and sponsorships, currently included within Corporate
- This reallocation is intended to more appropriately allocate costs to the businesses receiving the benefits and associated revenue impact
- 1H17 corporate costs and property-by-property operating expenses have been restated on the following page to reflect this reallocation and to enable comparability in FY18

# 1H17 Corporate Costs / Operating Expenses (Restated) (page 2 of 2)



		1H17 \$m	1H17 Restated \$m	Movement \$m
<b>New Zealand Casino Expenses (excl IB)</b>				
▪ Auckland		(127.3)	(131.5)	(4.2)
▪ Hamilton		(12.9)	(13.3)	(0.4)
▪ Queenstown, Other <sup>(1)</sup>		(5.3)	(5.4)	(0.1)
<b>Total New Zealand Expenses</b>		<b>(145.5)</b>	<b>(150.2)</b>	<b>(4.8)</b>
<b>Australian Casinos Expenses (excl IB)</b>				
▪ Adelaide	(A\$)	(57.7)	(58.4)	(0.7)
▪ Darwin	(A\$)	(40.0)	(40.3)	(0.3)
Total Australia	(A\$)	(97.7)	(98.7)	(1.0)
<b>Total Australia Expenses</b>	<b>(NZ\$)</b>	<b>(102.9)</b>	<b>(104.0)</b>	<b>(1.1)</b>
<b>Normalised IB Expenses</b>		<b>(44.8)</b>	<b>(44.4)</b>	<b>0.4</b>
<b>Group Corporate Costs</b>		<b>(15.5)</b>	<b>(10.1)</b>	<b>5.4</b>
<b>Total Group Expenses (including Corporate Costs)</b>		<b>(309.0)</b>	<b>(309.0)</b>	<b>0.0</b>

(1) "Other" includes \$0.9m of NZICC operating costs



**Notice of event affecting securities**

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10. For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one  
(Please provide any other relevant details on additional pages)

Full name of issuer: **SKYCITY Entertainment Group Limited**

Name of officer authorised to make this notice: **Jo Wong** Authority for event, e.g. Directors' resolution: **Directors' resolution**

Contact phone number: **(09) 363 6000** Contact fax number: **(09)363 6140** Date: **9 / 2 / 2017**

**Nature of event**  
Tick as appropriate

Bonus Issue  If ticked, state whether: Taxable  / Non Taxable  Conversion  Interest  Rights Issue Renounceable

Rights Issue non-renounceable  Capital change  Call  Dividend  If ticked, state whether: Interim  Full Year  Special  DRP Applies

**EXISTING securities affected by this** *If more than one security is affected by the event, use a separate form.*

Description of the class of securities: **Ordinary Shares** ISIN: **NZSKCE0001S2**  
*If unknown, contact NZX*

**Details of securities issued pursuant to this event** *If more than one class of security is to be issued, use a separate form for each class.*

Description of the class of securities:  ISIN:   
*If unknown, contact NZX*

Number of Securities to be issued following event:  Minimum Entitlement:  Ratio, e.g. ① for ②  for

Conversion, Maturity, Call Payable or Exercise Date:  Treatment of Fractions:

Strike price per security for any issue in lieu or date Strike Price available:  Tick if *pari passu*  OR provide an explanation of the ranking:

**Monies Associated with Event** *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

*In dollars and cents*

Amount per security (does not include any excluded income): **\$0.1000** Source of Payment: **Profit**

Excluded income per security (only applicable to listed PIEs):

Currency: **NZ Dollars** Supplementary dividend details - NZSX Listing Rule 7.12.7: Amount per security in dollars and cents: **\$0.000000**

Total monies: **\$66,146,256** Date Payable:

**Taxation** *Amount per Security in Dollars and cents to six decimal places*

In the case of a taxable bonus issue state strike price: \$  Resident Withholding Tax: **\$0.033000** Imputation Credits (Give details): **\$0.000000**

Foreign Withholding Tax: \$  FWP Credits (Give details):

**Timing** (Refer Appendix 8 in the NZSX Listing Rules)

**Record Date 5pm** For calculation of entitlements - **3 March, 2017**

**Application Date** Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week. **17 March, 2017**

**Notice Date** Entitlement letters, call notices, conversion notices mailed:

**Allotment Date** For the issue of new securities. Must be within 5 business days of application closing date.

**OFFICE USE ONLY**  
Ex Date:  
Commence Quoting Rights:  
Cease Quoting Rights 5pm:  
Commence Quoting New Securities:  
Cease Quoting Old Security 5pm:

Security Code:  
Security Code:





SKYCITY

ENTERTAINMENT GROUP

# INTERIM REPORT

FOR THE SIX-MONTH PERIOD  
ENDED 31 DECEMBER 2016

# 2017



AUCKLAND

HAMILTON

DARWIN

ADELAIDE

QUEENSTOWN

RAILWAY STATION



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This interim report is dated 9 February 2017 and is signed on behalf of the board of directors of SKYCITY Entertainment Group Limited by:



Chris Moller  
Chairman



Bruce Carter  
Chairman of the Audit and  
Financial Risk Committee

Unless otherwise stated, all dollar amounts in this interim report are expressed in New Zealand dollars. An electronic copy of the interim report and the FY17 interim result presentation are available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com).

# Chairman and Interim Chief Executive Officer's review

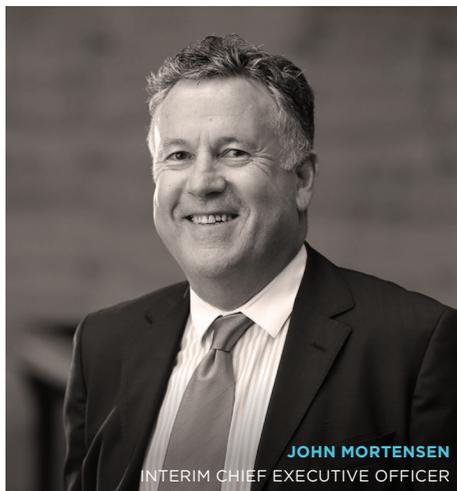
## KEY FEATURES OF INTERIM RESULT

- Reported NPAT was up 18.0% to \$83.8 million, reflecting a higher win rate for International Business for the period and one-off asset write-offs in the previous corresponding period. Reported EBITDA was down 1.5% to \$169.1 million and reported revenue down 5.8% to \$533.1 million.
- Normalised NPAT was \$83.7 million, down 2.0% on the previous corresponding period. Normalised EBITDA was down 5.2% to \$168.9 million and normalised revenue down 6.4% to \$525.8 million.
- Reported earnings per share was up 5.8% to 12.7 cents per share. Normalised earnings per share fell 12.4% to 12.7 cents per share, largely due to increased shares on issue during the period compared to the prior period.
- An interim dividend of 10.0 cents per share has been declared, consistent with our existing dividend policy.
- The main drivers of the 1H17 performance were solid growth in our combined New Zealand properties, with Auckland trading improving significantly in 2Q17, offset by reduced turnover in our International Business, continued competitive and economic pressures in Darwin and a weaker Australian dollar.
- Excluding our International Business and adjusting for a constant currency, group EBITDA was up 5.0% on the previous corresponding period, highlighting the robust

overall performance of our local businesses, especially in New Zealand.

## PROPERTY RESULTS IN SUMMARY

SKYCITY Auckland returned to growth in 2Q17 across all business segments. Local gaming revenue in 2Q17 was up 11.6% on the prior period and was underpinned by strategic initiatives that were successful in increasing both visitation across the property and customer spend per visit. This result was achieved despite various capital works programmes across the city impacting traffic flows and access to our precinct. Revenue (excluding International Business) was up 3.7% to \$283.9 million and EBITDA (excluding International Business) up 5.1% to \$130.6 million.



SKYCITY Hamilton continued to trade strongly during the period underpinned by increased gaming activity and robust local macroeconomic conditions. Revenue (excluding International Business) was up 7.3% to \$29.6 million and EBITDA (excluding International Business) up 15.1% to \$13.4 million.

Adelaide Casino achieved a stable gaming machines performance and an increased market share. However, this was offset by a lower table games hold percentage and a reduced food and beverage contribution. Revenue (excluding International Business) was down 1.7% to A\$77.1 million and EBITDA (excluding International Business) down 3.6% to A\$13.5 million.

SKYCITY Darwin continues to face increased competition from pubs and clubs and a difficult economic environment in the Northern Territory. Regulatory changes have seen the permitted number of gaming machines in Darwin (outside the casino) increase by 60% since 1 July 2015. Revenue (excluding International Business) was down 4.1% to A\$62.3 million and EBITDA (excluding International Business) down 13.5% to A\$18.0 million.

Our International Business was adversely impacted by increased restrictions on funds transfers and reduced visits by larger customers. Turnover was down 38.7% to \$4.4 billion and normalised EBITDA was down 68.6% to \$7.1 million. Operating margins in our International Business were negatively impacted by the fixed cost base required to support the business and increased bad debt provisions. Costs in this business are being reviewed by management to offset the recent decline in activity. SKYCITY continues to comply with all relevant laws in China and take a conservative approach to issuing credit to VIP customers.

## MAJOR GROWTH PROJECTS

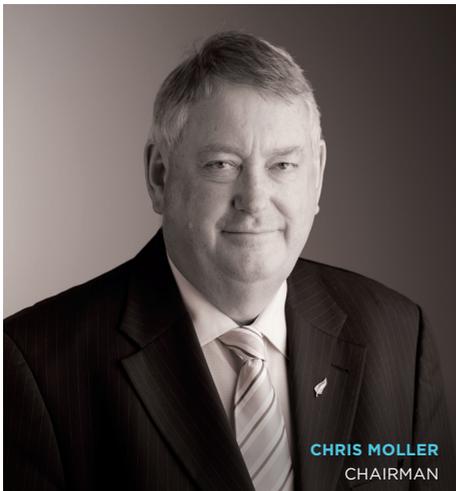
The New Zealand International Convention Centre and Hobson Street hotel projects remain on-budget and on-target for completion in the first quarter of 2019. Excavation commenced in June 2016 and is now over 80% completed.

We also completed a range of developments at SKYCITY Auckland during the period, including the opening of the 'Grand Horizon' gaming salons, which have been well received by VIP customers, and the completion of a major refurbishment of the main atrium area. Development of a new Cantonese restaurant on the ground floor of the atrium is progressing well and expected to open in June 2017. The new restaurant will complement the world-class Federal Street dining precinct and underpin further visitation to the property.

In Adelaide, the early works programme for the Riverbank Precinct redevelopment has commenced and our current expectation is that these works will be completed by late 2017. The proposed expansion of Adelaide Casino remains under consideration by the Board.

## NON-EXECUTIVE DIRECTOR AND MANAGEMENT APPOINTMENTS

SKYCITY made a number of key director and management appointments during the first half of the financial year.



**CHRIS MOLLER**  
CHAIRMAN

Jennifer Owen and Murray Jordan were appointed as non-executive directors on 5 December 2016 following receipt of the required regulatory approvals. Jennifer has significant experience in the equity capital markets where she focused on the casino and gaming industry. She has consulted independently to gaming and wagering companies and industry bodies extensively since 2012. Murray has held top level executive roles in New Zealand and is a director of Chorus Limited, an NZX-listed telecommunications company, and Metcash Limited, an ASX-listed wholesale distributor.

Graeme Stephens was appointed as Chief Executive Officer. Graeme is currently Chief Executive Officer of Sun International, a casino, resorts and entertainment company listed on the Johannesburg Stock Exchange with interests in South Africa and Latin America. His extensive experience in the gaming, hospitality and leisure industries was the reason he was appointed by the Board to lead SKYCITY as we progress our major growth projects. We look forward to Graeme joining us by 1 May 2017.

Luke Walker was appointed General Manager Adelaide Casino. Luke is currently Executive General Manager – Gaming Machines at Crown Melbourne and has extensive experience in the casino and gaming industries across both single and multi-site venues. Luke commences with us on 16 February 2017, which is earlier than we had initially anticipated.

Our current Interim Chief Executive Officer, John Mortensen will step into the newly created role of Group Chief Operating Officer (upon Graeme Stephens' commencement) with oversight across all six New Zealand and Australian properties. The impact that John had on the Auckland property performance when he was originally appointed and subsequently on Hamilton and Queenstown gives the Board confidence that he

will have a positive impact on the performance of the Adelaide and Darwin properties in his new role.

## INTERIM DIVIDEND

The Board has declared an interim dividend of 10.0 cents per share, payable on 17 March 2017. The Dividend Reinvestment Plan will be available for this dividend, with a 2% discount applying, in-line with prior periods. Elections to participate in the company's Dividend Reinvestment Plan for the interim dividend close at 5pm (NZ time) on 3 March 2017.

The interim dividend is in-line with our stated dividend policy of distributing at least 80% of normalised NPAT to shareholders each year subject to a minimum of 20.0 cents per share per annum.

The Board advises that the payout calculation for future dividends from FY18 onwards will be adjusted to reflect the post-tax accounting impact of capitalised interest incurred on our major growth projects. This change will not impact other elements of our existing dividend policy and is considered prudent given the increasing amount of capitalised interest expected out to FY20. Further, this change is unlikely to have a material impact on actual dividends paid over this period.

We continue to believe that our dividend policy offers shareholders an attractive yield and is sustainable over the medium-term.

## OUTLOOK FOR REMAINDER OF FY17

SKYCITY Auckland, which accounted for approximately 80% of Group EBITDA in the interim period, is expected to continue to deliver modest growth during the second half of FY17 on the previous corresponding period, driven by favourable macroeconomic drivers, new major events and ongoing initiatives to drive visitation. Disruption arising from various capital works programmes across the city is being proactively



# Financial statements and notes

for the six-month period  
ended 31 December 2016







## REPORT ON THE INTERIM FINANCIAL STATEMENTS

We have reviewed the accompanying financial statements of SKYCITY Entertainment Group Limited (“the Company”), including its subsidiaries (“the Group”), on pages 10 to 23 which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated income statement, the statement of comprehensive income, the statement of cash flows and the consolidated statement of changes in equity for the period ended on that date, and a summary of significant accounting policies and selected explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible on behalf of the Company for the preparation and presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## OUR RESPONSIBILITY

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly we do not express an audit opinion on these financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of accounting assistance, tax, and other advisory services. Appropriate safeguards were applied to reduce the threats to independence from the provision of other services to an acceptable level. The provision of these other services has not impaired our independence as auditors of the Group.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Group are not prepared, in all material respects, in accordance with NZ IAS 34.

## RESTRICTION ON USE OF OUR REPORT

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.



Chartered Accountants  
Auckland  
9 February 2017

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FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2016	NOTES	CONSOLIDATED		
		UNAUDITED 6 MONTHS 31 DECEMBER 2016 \$'000	UNAUDITED 6 MONTHS 31 DECEMBER 2015 \$'000	AUDITED 12 MONTHS 30 JUNE 2016 \$'000
Total receipts including GST	4	548,461	581,092	1,131,526
Less non-gaming GST	4	(15,762)	(15,794)	(31,314)
Gaming win plus non-gaming revenue	4	532,699	565,298	1,100,212
Less gaming GST	4	(48,898)	(52,382)	(101,519)
<b>Revenue</b>	4	<b>483,801</b>	<b>512,916</b>	<b>998,693</b>
Other income		439	814	954
Employee benefits expense		(150,794)	(155,190)	(315,189)
Other expenses	5	(83,236)	(100,762)	(181,396)
Directors' fees		(558)	(586)	(1,124)
Restructuring costs		-	-	(1,553)
Gaming taxes and levies		(29,610)	(30,821)	(60,212)
Direct consumables		(35,867)	(39,539)	(76,987)
Marketing and communications		(15,114)	(15,247)	(29,259)
<b>Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)</b>		<b>169,061</b>	<b>171,585</b>	<b>333,927</b>
Depreciation and amortisation expense	5	(47,322)	(56,297)	(104,070)
<b>Earnings before interest and taxes (EBIT)</b>		<b>121,739</b>	<b>115,288</b>	<b>229,857</b>
Net finance costs	7	(8,146)	(17,335)	(32,588)
<b>Profit before income tax</b>		<b>113,593</b>	<b>97,953</b>	<b>197,269</b>
Income tax expense		(29,812)	(26,934)	(51,597)
<b>Profit for the half-year attributable to shareholders of the company</b>		<b>83,781</b>	<b>71,019</b>	<b>145,672</b>
		CENTS	CENTS	CENTS
<b>Earnings per share for profit attributable to the shareholders of the company:</b>				
Basic and diluted earnings per share		12.7	12.0	24.3

The above consolidated income statement should be read in conjunction with the accompanying notes.

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2016	NOTES	CONSOLIDATED		
		UNAUDITED 6 MONTHS 31 DECEMBER 2016 \$'000	UNAUDITED 6 MONTHS 31 DECEMBER 2015 \$'000	AUDITED 12 MONTHS 30 JUNE 2016 \$'000
Profit for the period		83,781	71,019	145,672
Other comprehensive income				
Items that may be reclassified subsequently to Profit or Loss				
Exchange differences on translation of overseas subsidiaries		(3,439)	(15,793)	(22,952)
Cash flow hedges:				
Revaluations		15,141	1,070	(16,833)
Transfer to finance costs		(9,099)	(1,913)	11,950
Income tax		(1,677)	192	1,256
Other comprehensive (expense)/income for the period, net of tax		926	(16,444)	(26,579)
Total comprehensive income for the period attributable to shareholders of the company		84,707	54,575	119,093

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



AS AT 31 DECEMBER 2016	NOTES	CONSOLIDATED		
		UNAUDITED 31 DECEMBER 2016 \$'000	UNAUDITED 31 DECEMBER 2015 \$'000	AUDITED 30 JUNE 2016 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances		100,450	68,285	90,309
Receivables and prepayments		25,302	38,058	36,538
Inventories		8,628	8,532	7,705
Tax prepayment		8,505	23,147	6,915
Derivative financial instruments		3,930	996	1,943
<b>Total current assets</b>		<b>146,815</b>	<b>139,018</b>	<b>143,410</b>
<b>Non-current assets</b>				
Property, plant and equipment		1,255,528	1,185,539	1,223,062
Intangible assets		916,258	932,113	923,257
Derivative financial instruments		69,553	73,893	65,189
<b>Total non-current assets</b>		<b>2,241,339</b>	<b>2,191,545</b>	<b>2,211,508</b>
<b>Total assets</b>		<b>2,388,154</b>	<b>2,330,563</b>	<b>2,354,918</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables		130,225	123,884	137,918
Current tax payable		5,262	-	-
Derivative financial instruments		509	404	1,471
Interest-bearing liabilities	8	38,749	-	38,028
<b>Total current liabilities</b>		<b>174,745</b>	<b>124,288</b>	<b>177,417</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	9	394,108	701,403	389,032
Provisions		2,813	2,752	4,125
Deferred tax liabilities		87,787	77,566	78,688
Derivative financial instruments		24,606	32,600	38,218
Deferred licence value		553,676	557,004	554,396
<b>Total non-current liabilities</b>		<b>1,062,990</b>	<b>1,371,325</b>	<b>1,064,459</b>
<b>Total liabilities</b>		<b>1,237,735</b>	<b>1,495,613</b>	<b>1,241,876</b>
<b>Net assets</b>		<b>1,150,419</b>	<b>834,950</b>	<b>1,113,042</b>
<b>EQUITY</b>				
Share capital	10	1,076,864	780,469	1,055,737
Reserves		(64,547)	(55,338)	(65,473)
Retained earnings		138,102	109,819	122,778
<b>Total equity</b>		<b>1,150,419</b>	<b>834,950</b>	<b>1,113,042</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2016	NOTES	SHARE CAPITAL \$'000	HEDGING RESERVES \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
<b>CONSOLIDATED</b>						
<b>Balance as at 1 July 2016</b>		<b>1,055,737</b>	<b>(14,430)</b>	<b>(51,043)</b>	<b>122,778</b>	<b>1,113,042</b>
<b>Total comprehensive income/(expense)</b>		<b>-</b>	<b>4,365</b>	<b>(3,439)</b>	<b>83,781</b>	<b>84,707</b>
Dividends provided for or paid	6	-	-	-	(68,457)	(68,457)
Shares issued under Dividend Reinvestment Plan	10	21,031	-	-	-	21,031
Share rights issued for employee service	10	288	-	-	-	288
Net purchase of treasury shares	10	(192)	-	-	-	(192)
<b>Balance as at 31 December 2016</b>		<b>1,076,864</b>	<b>(10,065)</b>	<b>(54,482)</b>	<b>138,102</b>	<b>1,150,419</b>
<b>Balance as at 1 July 2015</b>		<b>758,800</b>	<b>(10,803)</b>	<b>(28,091)</b>	<b>97,016</b>	<b>816,922</b>
<b>Total comprehensive income/(expense)</b>		<b>-</b>	<b>(651)</b>	<b>(15,793)</b>	<b>71,019</b>	<b>54,575</b>
Dividends provided for or paid	6	-	-	-	(58,216)	(58,216)
Shares issued under Dividend Reinvestment Plan	10	21,036	-	-	-	21,036
Share rights issued for employee service	10	643	-	-	-	643
Net purchase of treasury shares	10	(10)	-	-	-	(10)
<b>Balance as at 31 December 2015</b>		<b>780,469</b>	<b>(11,454)</b>	<b>(43,884)</b>	<b>109,819</b>	<b>834,950</b>
<b>Balance as at 1 July 2015</b>		<b>758,800</b>	<b>(10,803)</b>	<b>(28,091)</b>	<b>97,016</b>	<b>816,922</b>
<b>Total comprehensive income/(expense)</b>		<b>-</b>	<b>(3,627)</b>	<b>(22,952)</b>	<b>145,672</b>	<b>119,093</b>
Dividends provided for or paid	6	-	-	-	(119,910)	(119,910)
Issue of new share capital	10	256,685	-	-	-	256,685
Shares issued under Dividend Reinvestment Plan	10	39,352	-	-	-	39,352
Share rights issued for employee service	10	1,275	-	-	-	1,275
Net purchase of treasury shares	10	(375)	-	-	-	(375)
<b>Balance as at 30 June 2016</b>		<b>1,055,737</b>	<b>(14,430)</b>	<b>(51,043)</b>	<b>122,778</b>	<b>1,113,042</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.



FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2016	NOTES	CONSOLIDATED		
		UNAUDITED 6 MONTHS 31 DECEMBER 2016	UNAUDITED 6 MONTHS 31 DECEMBER 2015	AUDITED 12 MONTHS 30 JUNE 2016
		\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>				
Receipts from customers		485,715	492,052	978,683
Payments to suppliers and employees		(291,096)	(331,115)	(599,995)
		194,619	160,937	378,688
Dividends received		5	10	-
Gaming taxes paid		(29,579)	(22,274)	(60,469)
Income taxes paid		(18,582)	(7,367)	(13,062)
<b>Net cash inflow from operating activities</b>	14	146,463	131,306	305,157
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(62,271)	(69,024)	(147,955)
Payments for intangible assets		(3,182)	(4,168)	(8,562)
<b>Net cash outflow from investing activities</b>		(65,453)	(73,192)	(156,517)
<b>Cash flows from financing activities</b>				
Issue of new share capital		-	-	256,685
Cash flows associated with derivatives		(7,832)	2,992	2,839
Repayment of borrowings		-	(109,809)	(372,369)
New borrowings		-	125,000	125,000
Net issue/(purchase) of treasury shares		(192)	(10)	(375)
Dividends paid to company shareholders		(47,426)	(37,180)	(80,558)
Interest paid		(15,419)	(24,054)	(42,785)
<b>Net cash outflows from financing activities</b>		(70,869)	(43,061)	(111,563)
<b>Net movement in cash and bank balances</b>		10,141	15,053	37,077
Cash and bank balances at beginning of the period		90,309	53,232	53,232
<b>Cash and bank balances at end of the period</b>		100,450	68,285	90,309

The above cash flow statements should be read in conjunction with the accompanying notes.

## 1 GENERAL INFORMATION

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SKYCITY Entertainment Group Limited (SKYCITY or the company and its subsidiaries or the Group) operates in the gaming/entertainment, hotel and convention, hospitality, recreation and tourism sectors. The Group has operations in New Zealand and Australia.

SKYCITY is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Federal House, 86 Federal Street, Auckland. The company is dual listed on the New Zealand and Australian stock exchanges.

The interim financial statements of the Group have been prepared in accordance with the requirements of the Financial Reporting Act 2013, Companies Act 1993 and NZX Limited. SKYCITY Entertainment Group Limited is a company registered under the Companies Act 1993 and is an FMC Reporting Entity under part 7 of the Financial Markets Conduct Act 2013.

These consolidated financial statements have been approved for issue by the SKYCITY Board on 8 February 2017.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with generally accepted accounting practice in New Zealand, International Accounting Standard 34 and NZ IAS 34 Interim Financial Reporting.

The preparation of interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments (including derivative instruments). The Group is designated as a profit-oriented entity for financial reporting purposes.

The Group has a negative working capital balance as US\$27 million of United States private placement debt matures in March 2017. The Group has significant available undrawn committed banking facilities totalling \$580 million as at 31 December 2016 (refer to note 9) and has the ability to fully pay all debts as they fall due.

The accounting policies that materially affect the measurement of the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows have been applied on a basis consistent with those used in the audited financial statements for the year ended 30 June 2016 and the unaudited financial statements for the six months ended 31 December 2015.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016.

### **Changes in accounting policies**

There have been no significant changes in accounting policies during the current period.

## **3 SEGMENT INFORMATION**

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Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer that are used to assess performance and allocate resources.

The Group is organised into the following main operating segments:

### ***SKYCITY Auckland***

SKYCITY Auckland includes casino operations, hotels and convention, food and beverage, car parking, Sky Tower and a number of other related activities, and excludes International Business customers.

### ***Rest of New Zealand***

Rest of New Zealand includes the Group's operations at SKYCITY Hamilton, SKYCITY Queenstown and SKYCITY Wharf, and excludes International Business customers.

### ***Adelaide Casino***

Adelaide Casino includes casino operations and food and beverage, and excludes International Business customers.

### ***SKYCITY Darwin***

SKYCITY Darwin includes casino operations, food and beverage and hotel, and excludes International Business customers.

### ***International Business***

The International Business segment is made up of international customers sourced mainly from Asia. Revenue is generated at SKYCITY's Auckland, Hamilton, Queenstown, Adelaide and Darwin locations. The results of the segment include commission and complimentary play.

### ***Corporate / Group***

Head office and group-wide functions including legal and regulatory, group finance, human resources, information technology, innovation, the Chief Executive Officer's office and directors. The Group's interest in the New Zealand International Convention Centre is also included here.

In the current period, certain intra-company costs such as IT and sponsorships of \$5.4 million have been reallocated from Corporate/Group to the business units. This reallocation is intended to more appropriately allocate costs to associated revenues.

	SKYCITY AUCKLAND \$'000	REST OF NEW ZEALAND \$'000	ADELAIDE CASINO \$'000	SKYCITY DARWIN \$'000	INTERNATIONAL BUSINESS \$'000	CORPORATE/ GROUP \$'000	TOTAL \$'000
<b>Six months ended 31 December 2016</b>							
Revenue from external customers and other income	257,892	31,628	75,011	61,169	58,540	-	484,240
Expenses	(131,461)	(18,670)	(61,562)	(42,516)	(50,930)	(10,040)	(315,179)
Depreciation and amortisation	(25,502)	(2,777)	(8,650)	(6,923)	-	(3,470)	(47,322)
Segment profit (EBIT)	100,929	10,181	4,799	11,730	7,610	(13,510)	121,739
Net finance costs							(8,146)
Profit before income tax							113,593
<b>Six months ended 31 December 2015</b>							
Revenue from external customers and other income	249,020	30,378	79,361	66,325	88,646	-	513,730
Expenses	(124,754)	(17,647)	(64,059)	(43,477)	(72,467)	(19,741)	(342,145)
Depreciation and amortisation	(31,000)	(5,524)	(9,329)	(7,213)	-	(3,231)	(56,297)
Segment profit (EBIT)	93,266	7,207	5,973	15,635	16,179	(22,972)	115,288
Net finance costs							(17,335)
Profit before income tax							97,953
<b>Year ended 30 June 2016</b>							
Revenue from external customers and other income	507,021	59,370	152,993	117,872	162,391	-	999,647
Expenses	(255,862)	(34,826)	(125,001)	(80,779)	(125,052)	(44,200)	(665,720)
Depreciation and amortisation	(55,961)	(8,310)	(18,603)	(14,591)	-	(6,605)	(104,070)
Segment profit (EBIT)	195,198	16,234	9,389	22,502	37,339	(50,805)	229,857
Net finance costs							(32,588)
Profit before income tax							197,269

## 4 REVENUE

	6 MONTHS 31 DECEMBER 2016 \$'000	6 MONTHS 31 DECEMBER 2015 \$'000	12 MONTHS 30 JUNE 2016 \$'000
Total receipts including GST	548,461	581,092	1,131,526
Less non-gaming GST	(15,762)	(15,794)	(31,314)
Gaming win plus non-gaming revenue	<b>532,699</b>	565,298	1,100,212
Less gaming GST	<b>(48,898)</b>	(52,382)	(101,519)
<b>Total revenue</b>	<b>483,801</b>	512,916	998,693
Gaming	<b>369,590</b>	398,393	773,074
Non-gaming	<b>114,211</b>	114,523	225,619
<b>Total revenue</b>	<b>483,801</b>	512,916	998,693

Gaming win represents the gross cash inflows associated with gaming activities. “Total receipts including GST” and “Gaming win plus non-gaming revenue” do not represent revenue as defined by NZ IAS 18 “Revenue”. The Group has decided to disclose these amounts as they give shareholders and interested parties a better appreciation for the scope of the Group’s gaming activities and is consistent with industry practice adopted by casino operations in Australia.

## 5 EXPENSES

	6 MONTHS 31 DECEMBER 2016 \$'000	6 MONTHS 31 DECEMBER 2015 \$'000	12 MONTHS 30 JUNE 2016 \$'000
<i>Other expenses includes:</i>			
Utilities, insurance and rates	11,545	11,742	24,173
Community trust donations	1,896	1,994	4,079
Property expenses	7,179	7,435	14,673
Other items (including International Business commissions)	50,993	75,974	130,507
Lease payments relating to operating leases	2,301	2,378	4,876
Provision for bad and doubtful debts	9,322	1,239	3,088
	<b>83,236</b>	100,762	181,396
<i>Depreciation and amortisation</i>			
Depreciation	41,027	50,097	91,467
Casino licence amortisation (Adelaide)	2,747	2,859	5,696
Computer software amortisation	3,548	3,341	6,907
Total depreciation and amortisation	<b>47,322</b>	56,297	104,070

## 6 DIVIDENDS

	6 MONTHS 31 DECEMBER 2016 \$'000	6 MONTHS 31 DECEMBER 2015 \$'000	12 MONTHS 30 JUNE 2016 \$'000
Prior year's final dividend	68,457	58,216	58,216
Interim dividend	-	-	61,694
Total dividends provided for or paid	68,457	58,216	119,910
<b>Cents per share</b>			
Prior year's final distribution/dividend	10.5	10.0	10.0
Interim distribution/dividend			10.5

Subsequent to balance date the SKYCITY Board has resolved to pay an interim dividend of 10 cents per share.

## 7 NET FINANCE COSTS

	6 MONTHS 31 DECEMBER 2016 \$'000	6 MONTHS 31 DECEMBER 2015 \$'000	12 MONTHS 30 JUNE 2016 \$'000
Finance costs			
Interest and finance charges	15,835	21,986	43,501
Exchange (gains)/losses	(578)	(119)	(709)
Interest income	(739)	(680)	(1,529)
Capitalised interest	(6,372)	(3,852)	(8,675)
Net finance costs	8,146	17,335	32,588

## 8 CURRENT LIABILITIES - INTEREST-BEARING LIABILITIES

	31 DECEMBER 2016 \$'000	31 DECEMBER 2015 \$'000	30 JUNE 2016 \$'000
<i>Unsecured</i>			
United States Private Placement (USPP) notes	38,749	-	38,028
Total current interest-bearing borrowings	38,749	-	38,028

Refer to note 9 for details of the USPP notes.

## 9 NON-CURRENT LIABILITIES - INTEREST-BEARING LIABILITIES

	31 DECEMBER 2016 \$'000	31 DECEMBER 2015 \$'000	30 JUNE 2016 \$'000
<i>Unsecured</i>			
USPP notes	272,275	316,104	267,606
Syndicated bank facility	-	264,285	-
NZ bond	125,000	125,000	125,000
Deferred funding expenses	(3,167)	(3,986)	(3,574)
Total unsecured non-current interest-bearing borrowings	394,108	701,403	389,032

### (a) United States Private Placement (USPP) Notes

USPP notes mature between March 2017 and March 2021.

The USPP fixed rate US dollar borrowings have been converted to New Zealand and Australian dollar floating rate borrowings by using cross-currency interest rate swaps to eliminate foreign exchange exposure to the US dollar within the Income Statement.

The movement in the USPP amount from 30 June 2016 relates to foreign exchange movements.

### (b) Syndicated Bank Facility

The syndicated banking facility is provided by ANZ (New Zealand and Australia), Commonwealth Bank of Australia, Bank of New Zealand, National Australia Bank and Westpac (New Zealand and Australia).

As at 31 December 2016, SKYCITY had in place revolving credit facilities of:

- A\$250 million maturing 30 June 2019
- NZ\$200 million maturing 30 June 2020
- NZ\$120 million maturing 15 March 2021

### (c) New Zealand Bond

\$125 million of unsubordinated, unsecured, redeemable fixed rate bonds were issued on 28 September 2015 with a maturity of seven years.

## 10 SHARE CAPITAL

	31 DECEMBER 2016	31 DECEMBER 2015	30 JUNE 2016	31 DECEMBER 2016	31 DECEMBER 2015	30 JUNE 2016
	SHARES	SHARES	SHARES	\$'000	\$'000	\$'000
Opening balance of ordinary shares issued	656,986,761	587,472,741	587,472,741	1,055,737	758,800	758,800
Issue of new share capital	-	-	59,720,271	-	-	256,685
Share rights issued for employee services	-	-	-	288	643	1,275
Employee share entitlements issued	204,689	-	979,177	-	-	-
Treasury shares issued	(204,689)	-	(979,177)	-	-	-
Net movement in treasury shares value	-	-	-	(192)	(10)	(375)
Shares issued under						
Dividend Reinvestment Plan	4,475,798	5,557,833	9,793,749	21,031	21,036	39,352
	<b>661,462,559</b>	<b>593,030,574</b>	<b>656,986,761</b>	<b>1,076,864</b>	<b>780,469</b>	<b>1,055,737</b>

Included within the number of shares are treasury shares of 5,515,841 (31 December 2015: 6,699,707 and 30 June 2016: 5,720,530) held by the company. Treasury shares may be used to issue shares under the company's employee incentive plan or upon the exercise of share rights/options.

## 11 CONTINGENCIES

There are no significant contingent liabilities or assets (31 December 2015 and 30 June 2016: none).

## 12 COMMITMENTS

### Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	31 DECEMBER 2016 \$'000	31 DECEMBER 2015 \$'000	30 JUNE 2016 \$'000
Property, plant and equipment	441,663	497,245	477,617

The majority of the capital commitments relates to the construction of the New Zealand International Convention Centre and Hobson Street hotel.

### Operating lease commitments

	31 DECEMBER 2016 \$'000	31 DECEMBER 2015 \$'000	30 JUNE 2016 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year	4,569	3,915	4,923
Later than one year but not later than five years	12,701	13,288	14,110
Later than five years	288,365	291,352	288,822
	305,635	308,555	307,855

## 13 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

### (a) Dividend

On 8 February 2017, the directors resolved to provide for an interim dividend to be paid in respect of the six months ended 31 December 2016. The unfranked, unimputed dividend of 10.0 cents per share will be paid on 17 March 2017 to all shareholders on the company's register at the close of business on 3 March 2017.

## 14 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	6 MONTHS 31 DECEMBER 2016 \$'000	6 MONTHS 31 DECEMBER 2015 \$'000	12 MONTHS 30 JUNE 2016 \$'000
Profit for the period	83,781	71,019	145,672
Depreciation, amortisation and asset write offs	47,322	56,297	104,070
Net finance costs	8,146	17,335	32,588
Current period employee share entitlement	288	643	1,275
Gain on sale of property, plant and equipment	(434)	(804)	(944)
Change in operating assets and liabilities:			
Change in receivables and prepayments	11,236	(21,404)	(19,884)
Change in inventories	(923)	(170)	657
Change in tax payable	5,262	-	-
Change in payables and accruals	(7,693)	(6,201)	7,833
Change in deferred tax liability	9,099	(3,047)	(1,925)
Change in net tax receivable - current	(1,590)	22,859	38,312
Change in net tax receivable - term	-	-	779
Change in provisions	(1,312)	(987)	386
Capital items included in working capital movements	(6,719)	(4,234)	(3,662)
Net cash inflow from operating activities	146,463	131,306	305,157



## RECONCILIATION BETWEEN REPORTED AND NORMALISED FINANCIAL INFORMATION

	1H17				1H16			
	REVENUE \$M	EBITDA \$M	EBIT \$M	NPAT \$M	REVENUE \$M	EBITDA \$M	EBIT \$M	NPAT \$M
Normalised	<b>525.8</b>	<b>168.9</b>	<b>121.6</b>	<b>83.7</b>	<b>562.0</b>	<b>178.2</b>	<b>132.3</b>	<b>85.4</b>
International Business at Theoretical	7.3	0.1	0.1	0.1	4.1	(6.6)	(6.6)	(4.6)
International Business Adjustments	<b>7.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>4.1</b>	<b>(6.6)</b>	<b>(6.6)</b>	<b>(4.6)</b>
Asset write-offs	-	-	-	-	-	-	(10.4)	(9.8)
Total Other Adjustments	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(10.4)</b>	<b>(9.8)</b>
Reported	<b>533.1</b>	<b>169.1</b>	<b>121.7</b>	<b>83.8</b>	<b>566.1</b>	<b>171.6</b>	<b>115.3</b>	<b>71.0</b>

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.

Total revenues are gaming win plus non-gaming revenues.

Application of the group's non-GAAP financial information policy is consistent with the approach adopted in FY16.

Certain totals and subtotals may not agree due to rounding.

### 1H17 Adjustments

- Actual win rate on International Business of 1.52% vs. the theoretical win rate of 1.35%

### 1H16 Adjustments

- Actual win rate on International Business of 1.41% vs. the theoretical win rate of 1.35%
- Write-off of the Hamilton hotel project costs (\$2.8m of capitalised costs incurred over 2011 to 2014)
- Write-off of 101 Hobson Street and the Nelson Street car park to make way for the NZICC (\$7.6m book value).

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## **MARKET RELEASE**

9 February 2017

### **SKYCITY Entertainment Group Limited**

#### **Half-year results for the six months to 31 December 2016**

SKYCITY Entertainment Group Limited (NZX/ASX:SKC) today announced its interim results for the six months ended 31 December 2016.

On the interim result, SKYCITY's Interim Chief Executive Officer John Mortensen commented:

"The main drivers of the 1H17 performance were solid growth in our combined New Zealand properties, offset by reduced turnover in our International Business, continued competitive and economic pressures in Darwin and a weaker Australian dollar. Pleasingly however, trading at our flagship property at SKYCITY Auckland improved significantly in 2Q17, with strong growth across all business segments," he says.

#### **Result Highlights**

- Reported NPAT was up 18.0% to \$83.8 million, reflecting a higher win rate for International Business for the period and one-off asset write-offs in the previous corresponding period. Reported EBITDA was down 1.5% to \$169.1 million and reported revenue down 5.8% to \$533.1 million.
- Normalised NPAT was \$83.7 million, down 2.0% on the previous corresponding period. Normalised EBITDA was down 5.2% to \$168.9 million and normalised revenue down 6.4% to \$525.8 million.
- Reported earnings per share was up 5.8% to 12.7 cents per share. Normalised earnings per share fell 12.4% to 12.7 cents per share, largely due to increased shares on issue during the period compared to the prior period.
- An interim dividend of 10.0 cents per share has been declared, consistent with our existing dividend policy.
- Excluding our International Business and adjusting for a constant currency, group EBITDA was up 5.0% on the previous corresponding period, highlighting the robust overall performance of our local businesses, especially in New Zealand.

#### **Property Results in Summary**

SKYCITY Auckland returned to growth in 2Q17 across all business segments. Local gaming revenue in 2Q17 was up 11.6% on the prior period and was underpinned by strategic initiatives that were successful in increasing both visitation across the property and customer spend per visit. This result was achieved despite various capital works programmes across the city impacting traffic flows and access to our precinct. Revenue (excluding International Business) was up 3.7% to \$283.9 million and EBITDA (excluding International Business) up 5.1% to \$130.6 million.

SKYCITY Hamilton continued to trade strongly during the period underpinned by increased gaming activity and robust local macroeconomic conditions. Revenue (excluding International Business) was up 7.3% to \$29.6 million and EBITDA (excluding International Business) up 15.1% to \$13.4 million.

Adelaide Casino achieved a stable gaming machines performance and an increased market share. However, this was offset by a lower table games hold percentage and a reduced food and beverage contribution. Revenue (excluding International Business) was down 1.7% to A\$77.1 million and EBITDA (excluding International Business) down 3.6% to A\$13.5 million.

SKYCITY Darwin continues to face increased competition from pubs and clubs and a difficult economic environment in the Northern Territory. Regulatory changes have seen the permitted number of gaming machines in Darwin (outside the casino) increase by 60% since 1 July 2015. Revenue (excluding International Business) was down 4.1% to A\$62.3 million and EBITDA (excluding International Business) down 13.5% to A\$18.0 million.

Our International Business was adversely impacted by increased restrictions on funds transfers and reduced visits by larger customers. Turnover was down 38.7% to \$4.4 billion and normalised EBITDA was down 68.6% to \$7.1 million. Operating margins in our International Business were negatively impacted by the fixed cost base required to support the business and increased bad debt provisions. Costs in this business are being reviewed by management to offset the recent decline in activity. SKYCITY continues to comply with all relevant laws in China and take a conservative approach to issuing credit to VIP customers.

### **Major Growth Projects**

The New Zealand International Convention Centre and Hobson St hotel projects remain on-budget and on-target for completion in the first quarter of 2019. Excavation commenced in June 2016 and is now over 80% completed.

We also completed a range of developments at SKYCITY Auckland during the period, including the opening of the 'Grand Horizon' gaming salons, which have been well received by VIP customers, and the completion of a major refurbishment of the main atrium area. Development of a new Cantonese restaurant on the ground floor of the atrium is progressing well and expected to open in June 2017. The new restaurant will complement the world-class Federal St dining precinct and underpin further visitation to the property.

In Adelaide, the early works programme for the Riverbank Precinct redevelopment has commenced and our current expectation is that these works will be completed by late 2017. The proposed expansion of Adelaide Casino remains under consideration by the Board.

### **Non-Executive Director and Management Appointments**

SKYCITY made a number of key director and management appointments during the first half of the financial year.

Jennifer Owen and Murray Jordan were appointed as non-executive directors on 5 December 2016 following receipt of the required regulatory approvals. Jennifer has significant experience in the equity capital markets where she focused on the casino and gaming industry. She has consulted independently to gaming and wagering companies and industry bodies extensively since 2012. Murray has held top level executive roles in

New Zealand and is a director of Chorus Limited, an NZX-listed telecommunications company, and Metcash Limited, an ASX-listed wholesale distributor.

Graeme Stephens was appointed as Chief Executive Officer. Graeme is currently Chief Executive Officer of Sun International, a casino, resorts and entertainment company listed on the Johannesburg Stock Exchange with interests in South Africa and Latin America. His extensive experience in the gaming, hospitality and leisure industries was the reason he was appointed by the Board to lead SKYCITY as we progress our major growth projects. We look forward to Graeme joining us by 1 May 2017.

Luke Walker was appointed General Manager Adelaide Casino. Luke is currently Executive General Manager – Gaming Machines at Crown Melbourne and has extensive experience in the casino and gaming industries across both single and multi-site venues. Luke commences with us on 16 February 2017, which is earlier than we had initially anticipated.

Our current Interim Chief Executive Officer, John Mortensen will step into the newly created role of Group Chief Operating Officer (upon Graeme Stephens' commencement) with oversight across all six New Zealand and Australian properties. The impact that John had on the Auckland property performance when he was originally appointed and subsequently on Hamilton and Queenstown gives the Board confidence that he will have a positive impact on the performance of the Adelaide and Darwin properties in his new role.

### **Interim Dividend**

The Board has declared an interim dividend of 10.0 cents per share, payable on 17 March 2017. The Dividend Reinvestment Plan will be available for this dividend, with a 2% discount applying, in-line with prior periods. Elections to participate in the company's Dividend Reinvestment Plan for the interim dividend close at 5pm (NZ time) on 3 March 2017.

The interim dividend is in-line with our stated dividend policy of distributing at least 80% of normalised NPAT to shareholders each year, subject to a minimum of 20.0 cents per share per annum.

The Board advises that the payout calculation for future dividends from FY18 onwards will be adjusted to reflect the post-tax accounting impact of capitalised interest incurred on our major growth projects. This change will not impact other elements of our existing dividend policy and is considered prudent given the increasing amount of capitalised interest expected out to FY20. Further, this change is unlikely to have a material impact on actual dividends paid over this period.

We continue to believe that our dividend policy offers shareholders an attractive yield and is sustainable over the medium-term.

### **Outlook for Remainder of FY17**

SKYCITY Auckland, which accounted for approximately 80% of Group EBITDA in the interim period, is expected to continue to deliver modest growth during the second half of FY17 on the previous corresponding period, driven by favourable macroeconomic drivers, new major events and ongoing initiatives to drive visitation. Disruption arising from various capital works programmes across the city is being proactively managed but will continue to impact the property.

SKYCITY Hamilton is expected to continue to deliver growth during the second half of FY17 on the previous corresponding period, underpinned by higher visitation and increased local gaming revenue.

Adelaide Casino is expected to remain stable in the second half of FY17 on the previous corresponding period. There is a risk of some disruption to the property from the early works programme, which commenced in late 2016.

Challenging trading conditions are expected to persist for SKYCITY Darwin during the second half of FY17 due to a soft local economy and increased gaming machine numbers in pubs and clubs.

Activity during the second half of FY17 is also expected to be weaker in our International Business on the previous corresponding period given reduced visits expected from larger VIP customers and recent developments in China. However, we have experienced favourable activity over the Chinese New Year period to-date.

## **ENDS**

### **Notes to editors:**

- *All numbers in this release are unaudited. Further information on adjustments between normalised and reported information is available in SKYCITY's investor presentation at: <http://www.skycityentertainmentgroup.com>.*

### **For more information please contact:**

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## **Normalised vs. reported results**

	1H17				1H16			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
<b>Normalised</b>	525.8	168.9	121.6	83.7	562.0	178.2	132.3	85.4
IB at theoretical	7.3	0.1	0.1	0.1	4.1	(6.6)	(6.6)	(4.6)
<b>IB adjustments</b>	<b>7.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>4.1</b>	<b>(6.6)</b>	<b>(6.6)</b>	<b>(4.6)</b>
Asset write-offs	-	-	-	-	-	-	(10.4)	(9.8)
<b>Total other adjustments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(10.4)</b>	<b>(9.8)</b>
<b>Reported</b>	<b>533.1</b>	<b>169.1</b>	<b>121.7</b>	<b>83.8</b>	<b>566.1</b>	<b>171.6</b>	<b>115.3</b>	<b>71.0</b>

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