

17 August 2010



SKYCITY DELIVERS RECORD NET PROFIT OF \$141.7 MILLION UP 22.9%

Highlights:

- Record Net Profit, \$141.7m up 22.9%
- Reported underlying Net Profit of \$129.1m up 12%
- A final year dividend of 9.25 cps, fully imputed up 42%
- The successful divestment of Cinemas
- Tight control over capital expenditure
- A strong balance sheet with a low gearing ratio of 2.0 times
- Continued to grow market share in all key markets
- Strong growth in the International Business

SKYCITY Entertainment Group today announced a record Net Profit after Tax of \$141.7 million for the year ended 30 June 2010, (before the deferred tax adjustment arising from the New Zealand Government change to tax depreciation) up \$26.4m, or 22.9% on the Net Profit of \$115.3 million for the 2009 year.

While revenues were down 1% to \$837.8m from \$846.5m, expenses were down 1.2% to \$539.26m from \$546.0m, as a result Earnings before Interest, Tax and Depreciation (EBITDA) of \$298.2 million were down 0.8% from \$300.5 million for last year.

Contributing to this result was our effective capital management which together with tight control over capital expenditure saw the significant repayment of \$254m of debt over the year. This has resulted in our net interest cost reducing by \$20 million (29.7%), to \$47.4 million from \$67.4 million.

SKYCITY's balance sheet is strong with no drawn bank debt and low gearing with a Net Debt to EBITDA of 2.0 times, down from 3.3 times at June 2008. As a result SKYCITY's credit rating was revised upwards from BBB- 'Stable Outlook' to 'Positive Outlook'.

Chief Executive Officer, Nigel Morrison said given the continued challenging economic environment it was a pleasing result.

"We've built on a strong half year result to deliver a record net profit. Strong competition for discretionary spend of consumers in the retail space has resulted in flat returns for our New Zealand business, with our Australian businesses delivering modest earnings growth. However as a result of prudent and effective capital management and the successful divestment of cinemas we have been able to declare a final dividend of 9.25 cents per share, fully imputed and representing approximately 70% of our NPAT which is at the upper end of our dividend range."

New Zealand

“The economic environment in New Zealand remains challenging with continuing high unemployment, the uncertainty regarding the increasing GST (from 1 October) and the high degree of competition for the discretionary spend of consumers in the retail space.

“Whilst Auckland machine revenues were down 2.4% (the pub and club market in Auckland was down 7.6%), we continued to grow our share of the Auckland market. The current year also saw the full roll out of PIDs.

“Whilst table revenues were down 6.6%, this decline was almost exclusively within the premium play segment. The challenging environment of the past 18 months has significantly impacted small and medium business owners and operators who make up our premium play segment. We would expect our premium play market to recover strongly as the New Zealand economy recovers

“The decline in premium play revenue in Auckland is almost fully offset by the significant increase in international business, (which is not included in reported Auckland revenues), which increased \$8.1m from \$6.4m in 2009 to \$14.5m.

“SKYCITY’s two hotels in Auckland have gained significant market share during the last two years with hotel revenue up, against the market trend.

“Despite tougher trading conditions, through tight cost control and efficiencies, Auckland continues to deliver an EBITDA margin over 45%.

“Christchurch Casino experienced softening revenue and profits as a result of the challenging urban economic environment.

“The Waikato rural economy continued to show strength resulting in a pleasing EDITDA growth of over 7% at our Hamilton property.”

Australia

“We are pleased with the continued growth by our Australian businesses, particularly Adelaide which had its second consecutive record result with EBITDA up 7.1% to A\$31.5 million. Over two years this represents a compound annual growth rate of 24% per annum. Developments such as Marble Hall and the Chandelier Cocktail bar, have been well received as has the rebranding to Adelaide Casino. The gaming machine market share is up 5% and food and beverage revenues are up 17% despite the impact of ‘fiscal fade’.

"We believe the Adelaide Casino has great potential and SKYCITY is keen to work with the South Australian Government to deliver increased tourism, jobs and economic growth for the State. Our objective is to deliver a casino in Adelaide which can compete on more equal terms with other casinos in Australia.

"Darwin's result is pleasing given a softer second half as the impact of the smoking ban which was introduced on 2 January 2010 and the relatively late arrival of the dry season which saw the later arrival of tourists from the southern states. Overall Darwin revenue is down only 1% with EBITDA down 3.8%."

Cinemas

"We successfully concluded and settled the sale of the cinema assets realising proceeds of \$70m and a gain of more than \$10.3 million. This was a very pleasing result after spending the past two years turning this business around. In the eight months prior to divestment the cinemas group contributed an EBITDA of \$9.8m and a NPAT of \$3.2m."

International Business

"Our International Business turnover increased 23% to \$1.84 billion. Total revenue for the year was \$29.5m up 53% on the prior year. Actual win rate was 1.60% ahead of theoretical win rate of 1.3%. Two thirds of International Business was transacted at our flagship Auckland property, with strong growth coming from China and other regions of South East Asia."

Final Dividend 2010

"SKYCITY has declared a final dividend of 9.25 cents per share, fully imputed, up 42% from 2009's final dividend of 6.5cps. The final dividend has been set at the upper end of the policy range, 70% of NPAT. As previously advised the final dividend was not affected by the deferred tax adjustment.

"The final dividend of 9.25cps represents an annualised yield of close to 9% based on the current share price. This yield is consistent with our objective of being a top quartile New Zealand listed company with a focus on delivering shareholder value.

"The dividend is payable on 17 September 2010, (record date 10 September)."

Outlook for 2011

“SKYCITY is developing a range of exciting strategic opportunities for growth. Key projects are planned for our Auckland, Adelaide and Darwin properties that are focused on delivering strong returns.

“With a very strong balance sheet we are well positioned to take advantage of these opportunities as and when they become available.

“The economic environment in New Zealand and Australia remains uncertain and this will continue to impact on gaming markets and consequently earnings. However we expect to continue to deliver improved returns as the economy recovers.

“Darwin will continue to be impacted by the smoking bans however we are starting to see some recovery and expect to fully recover within the not too distant future.

“At our Annual Meeting in October we will update on our first quarter performance and provide further comments on outlook.”

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About SKYCITY Entertainment Group

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