

February 23 2009



## **SKYCITY HALF YEAR RESULT**

### **Underlying Net Profit after Tax of \$55.6 million**

- **Relatively resilient performance from New Zealand operations in spite of challenging economic environment**
- **Solid performance from Australian casinos**
- **Focus on prudent capital and debt management**
- **9.0 cents per share first half distribution**
- **Future distribution payout ratio to be eased back to 60%-70% to retain capital for debt retirement**

SKYCITY Entertainment Group today announced an underlying net profit after tax of \$55.6 million for the half year ended 31 December 2008, compared to \$55.9 million for the first half last year. Reported net profit of \$54.8 million for the half year ended was well ahead of reported net profit for the previous half year of \$1.3 million which was impacted by the Cinemas write-off.

Chief Executive Officer Nigel Morrison said: "Overall we view this as a satisfactory result.

"However, like others we're cautious in our outlook in relation to the economies of both New Zealand and Australia, and our future performance will be influenced by how these economies unfold.

While underlying revenues were up 3% on prior year to \$422 million, underlying EBITDA was down 1.5% from \$152 million to \$150 million, partially reflecting the increasing costs of operation and generating revenues in a more challenging economic environment.

#### **New Zealand**

"There is no doubt that the economic environment in New Zealand is challenging. Focusing on revenue growth, we're satisfied with the results achieved in Auckland particularly in the second quarter.

Both hotels in Auckland have to date maintained strong occupancy and conventions and events strategies have been successful in delivering sustained revenue flows.

"One of the major challenges facing the Auckland casino has been to improve the performance of the gaming machines business. Second quarter revenues from gaming machines improved following a significant re-layout and re-design of product, and focus on enhanced customer services.

"The cost of growing revenue whilst still providing value has seen margins soften somewhat, but, on balance, we're satisfied with the performance of our Auckland property in the current environment.

The earnings from our other New Zealand interests (Hamilton, Christchurch and Queenstown) were steady with last year.

### **Australia**

"We're pleased with the performance of our Australian businesses and the revenue growth achieved in both Adelaide and Darwin.

"Our Adelaide property has been a solid performer, delivering a 3% revenue growth and an 18% growth in EBITDA, in spite of the introduction of full smoking bans in November 2007.

"Darwin results are also encouraging with reasonable revenue growth achieved despite the extensive disruption from the stage 1 expansion, which concluded last week with the opening of the new Platinum VIP room and 'Sandbar' destination bar, following the earlier opening of our now acclaimed Italian restaurant 'il Piatto.' We look forward to a successful forthcoming dry season in Darwin with these exciting new additions."

### **Cinemas**

"The Cinemas result has been pleasing with first half revenues up 15% and EBITDA up 25%. Our new management team is working hard to grow revenue, seen recently with the introduction of both Bollywood and Asian cinema movies into the Auckland market. New Auckland cinemas (10 screen complexes at Albany and Manukau) consolidate SKYCITY's dominant exhibition position in Auckland (market share increase to over 65%)."

### **International Business**

Our International Business turnover levels have softened by 16% to \$640 million, with our win rates substantially less at 1.3% (being at theoretical) compared to 3.2% last year. As a result of the very high win rate last year, gaming revenues from our International Business were down from \$21.9 million last year to \$7.6 million this year.

"The higher than theoretical win rate in 1H08 distorts the actual reported comparison to 1H09 which was in line with theoretical, but is adjusted for in determining underlying earnings."

## Capital Management

Whilst SKYCITY has a sound balance sheet and debt position and is well placed to deal with the challenging environment which will confront businesses during the economic downturn, we have increased our focus on cautious and conservative capital management. To this end we are tightly controlling capital expenditure and have reviewed our future shareholder distribution policy.

In addition to the long-term debt facilities in place, SKYCITY has a \$500 million unused but committed facility available from its senior banking syndicate.

## Interim FY09 Distribution

Consistent with our focus on prudent capital management, SKYCITY has declared an interim tax-effective profit distribution of 9.0 cents per share, payable on 27 March (record date 4 March). The 9.0cps distribution will be made via shares issued under the company's Profit Distribution Plan (PDP) with cash buyback option. In addition, a 2.5% discount on the distribution shares will be provided to shareholders. This current distribution of 9.0cps represents an effective annualised pretax yield of approximately 9.5% at current share price levels.

## Future Distributions

Going forward, SKYCITY plans to reduce its distribution payout ratio to between 60%-70% of net profit after tax to retain additional capital for debt retirement.

## Outlook

"We are cautious about the balance of the 2009 financial year and our future performance will be influenced by how the New Zealand and Australian economies unfold. However our core operations objective for 2009 remains unchanged, that being to maximise the potential of our existing assets. Success for us lies in generating even more reasons to visit and our central focus for the six months ahead and beyond will be to ensure that we're the entertainment destinations of choice in the cities in which we operate" said Mr Morrison.

**ENDS**

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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) and the SKYCITY Cinemas and Rialto cinema chains in New Zealand and Fiji.
- SKYCITY Entertainment Group employs more than 7,000 people throughout Australia and New Zealand.