



SKYCITY Entertainment Group Limited

Federal House 86 Federal Street

PO Box 6443 Wellesley Street

Auckland New Zealand

Telephone +64 (0)9 363 6141

Facsimile +64 (0)9 363 6140

www.skycityentertainment.com

16 March 2009

Dear Shareholder

SKYCITY has weathered the financial climate relatively well over the past six months. Adjusting for non-recurring items and international business to the theoretical win rate, underlying net profit for the half year to 31 December 2008 was steady at \$55.6 million, compared to \$55.9 million last year. Reported net profit of \$54.8 million was well up on the previous half year result of \$1.3 million, which was impacted by the cinemas write down.

Overall, underlying revenues rose 3% on the previous period to \$422 million. Underlying EBITDA was flat at \$150 million compared to \$152 million.

Results reflect the different economies

The New Zealand market has been more challenging to date, with tougher trading conditions. Australia, to date, has proven more resilient with good revenue growth coming from our businesses in Adelaide and Darwin.

Auckland

Auckland's first half performance has been satisfactory. It was pleasing to see results improve in the second quarter.

The Auckland gaming machines business has improved, with our strategies now starting to deliver results. Following the significant reworking of the layout, redesign of product, and a focus on enhanced customer services, revenue in this six months increased by 3.3% over the immediately preceding six months to 30 June 2008 with improved market share. Further, we have seen year on year growth in recent months.

Both hotels in Auckland have maintained strong occupancy rates and we have continued to generate sustained revenue flows from conventions and events.

Adelaide

In Adelaide, we have repositioned our business, moving away from more of a nightclub environment to more of a casino gaming environment. The layout and presentation of the venue have been upgraded and we have worked on our customer service and offerings to make them more market-competitive. Adelaide enjoyed a solid performance, with 3% revenue growth and an 18% increase in operating earnings. We expect this improvement to be sustained. Adelaide revenues were up 20% year on year in February.

Darwin

We also achieved reasonable revenue growth in Darwin, given the on-site disruptions. The business completed the first stage of an extensive refurbishment, adding the new Sandbar destination bar and new Platinum VIP room alongside the recently opened and acclaimed Italian restaurant 'il Piatto'. With these exciting new additions completed, and the increase in product offerings, we look forward to a successful dry season commencing in May/June 2009.

Highlights

- + Normalised net profit of \$55.6 million, steady with last year's \$55.9 million
- + Reported net profit of \$54.8 million, up on last year's \$1.3 million (after Cinemas write-off)
- + Auckland gaming strategies gaining traction. Gaming machine revenues for the 3 months ended February 2009 up 4% compared to the three months ended February 2008
- + Adelaide revenues and EBITDA up
- + Darwin revenues up. Gaming floor extension and new facilities now open
- + Cinemas and Auckland hotel and convention revenues up
- + Tight control of capital expenditure
- + Strong balance sheet with sound debt profile
- + Dividend/distribution policy reviewed in light of prudent capital management

Other NZ Casinos

Earnings from our other New Zealand casino operations (Hamilton, Christchurch and Queenstown) were steady.

Cinemas

Our Cinemas business has commenced recovery well, with first half revenues up 15% and EBITDA up 25%. The recent introduction of both Bollywood and Asian cinema movies into the Auckland market has broadened our appeal and lifted revenues. We still have a lot of work to do. Our new Albany and Manukau cinemas mean we now enjoy dominant market share in Auckland.

International Business

International Business turnover softened by 16% to \$640 million during the year. This, together with lower win rates of 1.3% (in line with the theoretical rate), compared to 3.2% last year, saw gaming revenues from our International Business reduced to \$7.6 million from \$21.9 million in the corresponding prior period. We have not significantly concentrated on this segment over the last 12 months but it will be a key focus for the next 12 months.

Capital management

SKYCITY has a sound balance sheet and debt position and is well placed to deal with the challenging environment which is confronting businesses during the economic downturn. We have no significant debt repayable until 2012, and 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. Nevertheless, it is important we exercise prudent capital management.

Changes to our distribution policy

As part of our determination to manage capital more prudently through the times ahead, we have reviewed the current distribution policy and decided to ease back the future payout ratio to 60%-70% of net profit after tax in order to retain capital for debt retirement.

The interim distribution at half year of 9.0c per share will be paid on 27 March to shareholders on the register as at 4 March. This represents an effective annualised pre-tax yield of approximately 10% at the prevailing share price. The distribution will be in the form of shares issued under the company's Profit Distribution Plan.

This year we have reintroduced a discount on the distribution shares of 2.5% to those shareholders who retain their shares to further enhance the value that shareholders enjoy from their investment in SKYCITY. Buyback of those shares will also be available to those shareholders who elect this option.

Second Half Trading Update

We are pleased that, despite the challenging economic environments in Australia and New Zealand, Group revenues continue to track well compared to last year. For January and February 2009 (the first two months of second half financial year FY09) total Group revenues are marginally ahead of the same period last year. Revenues from our Australian casino operations are up 14% in Australian dollars (and over 20% when expressed in NZ dollars) while our New Zealand operations are in line with the prior period. We note our gaming machine revenues in Auckland for the last three months (December – February 2009) are up over 4% on the prior year.

Outlook

The results achieved in the first six months of trading are satisfactory and we remain cautious in our outlook. While we continue to believe that our future performance will be influenced by how the New Zealand and Australian economies unfold, we are encouraged by our recent results to February 2009.

Strategic Approach

Our strategy for all our properties over the foreseeable future is about ensuring we are the destination of choice in the cities in which we operate, being as involved as we can be in our communities and continuing to build our relationships with regulators. These three key areas are a priority for all our properties:

1. Our "must visit" strategy

Our central focus for the six months ahead and beyond will be to ensure that we are the entertainment destinations of choice in the cities in which we operate. We will do that by delivering great entertainment, great bars, great restaurants and even more events.

Success for us over the next while lies in generating even more reasons to visit us and giving customers, tourists and visitors the quality and value entertainment that they're looking for.

2. Involving ourselves with metropolitan communities

It's also about ensuring that we involve ourselves in the events that the metropolitan communities around us feel drawn to and proud of.

In Auckland, over the past six months, we have hosted the International Festival of Poker, the Bob Geldof charity dinner, the rugby charity dinner (Richie McCaw and Dan Carter), and the cricket charity dinner (Stephen Fleming and Shane Warne).

In addition, we have featured as a sponsor of the inaugural Louis Vuitton Pacific Series, an exciting international regatta on Auckland's stunning Waitemata Harbour. We also celebrated Chinese New Year in grand style, hosted the SKYCITY Supercar Show in partnership with A1GP World Cup of Motorsport and sponsored the SKYCITY Auckland Cup. All of these events are about giving as many people as possible (locals and tourists) reasons and occasions to see us, get to know us and to come and experience what we offer.

3. Improving relationship with regulators

I'm pleased with the progress we are making in our relationships with regulators. We've worked hard to increase the dialogue and build trust between the company and authorities in all jurisdictions.

We continue to be totally committed to providing a responsible casino gaming environment for all our visitors.

A pleasing first year

Looking back to March 2008 when I started, I am satisfied with the progress made. In Auckland, we've completed significant modification to our gaming products, branding and positioning of bars and snack bars and are now able to make the most of our refurbishment investments. We have reviewed the Adelaide business model and are completing the Darwin expansion and redevelopment.

I am delighted with the quality of our new Executive Management team and we are working well together. We have made significant progress in the enhancement and rollout of our HR and IT strategies, and are now an "employer of choice" in Auckland.


Thanks

My continued thanks to my fellow directors and Chairman Rod McGeoch for the advice and support I receive from them as we transit through challenging times. My thanks also to the Executive Management team and those who have joined us to directly help them drive and build this business. Finally, my thanks to our thousands of staff who every day deliver the experiences that keep our customers coming back for more.

I appreciate that these are challenging times, however rest assured that as CEO and Managing Director I am totally committed to creating and enhancing shareholder value.

I look forward to updating you further at year end.

Yours sincerely



Nigel Morrison
Chief Executive Officer and Managing Director.