



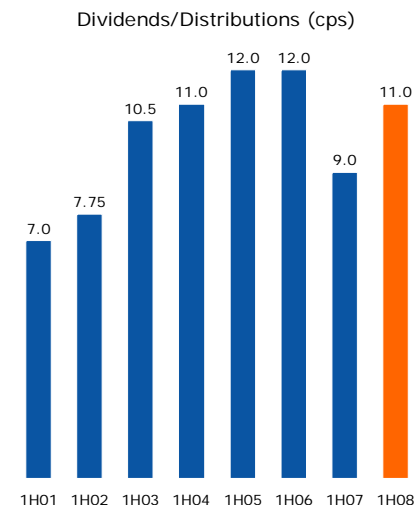
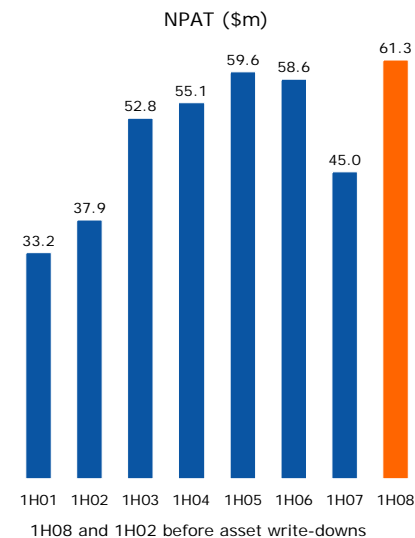
# SKYCITY ENTERTAINMENT GROUP LIMITED

FY08 Interim Result  
Half year ended 31 December 2007

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# FY08 Interim Result Overview

- ⚡ A platform for restoring growth
- ⚡ Key features of the Group result
  - NPAT (before Cinemas write-down) up 36% to \$61.3m
  - Operating earnings up 9% to \$161.4m
  - Revenue stable at 1% growth to \$424.2m
  - Funding costs down \$4m to \$43m
  - Cinemas write-down \$60m reduces bottom line NPAT result to \$1.3m
  - Interim distribution up 2 cents per share to 11 cents per share
- ⚡ Main factors in operating performance
  - Focus on managing operating margins
  - Strong results in Darwin and international VIP play
  - Auckland steady through refurbishment
  - Improving Adelaide performance
  - Weak Cinemas result.



# 1H08 Group Result

	1H08 \$m	1H07 \$m	Movement \$m	Movement %
Revenue	\$424.2	\$420.0	+\$4.2	▲ 1.0%
Operating earnings (EBITDA)	\$161.4	\$148.0	+\$13.4	▲ 9.1%
EBIT	\$125.6	\$111.1	+\$14.5	▲ 13.1%
NPAT (before Cinemas write-down)	\$61.3	\$45.0	+\$16.3	▲ 36.2%
Cinemas write-down	\$60.0	-		
NPAT	\$1.3	\$45.0		

EBITDA = Earnings before interest, tax, depreciation and amortisation

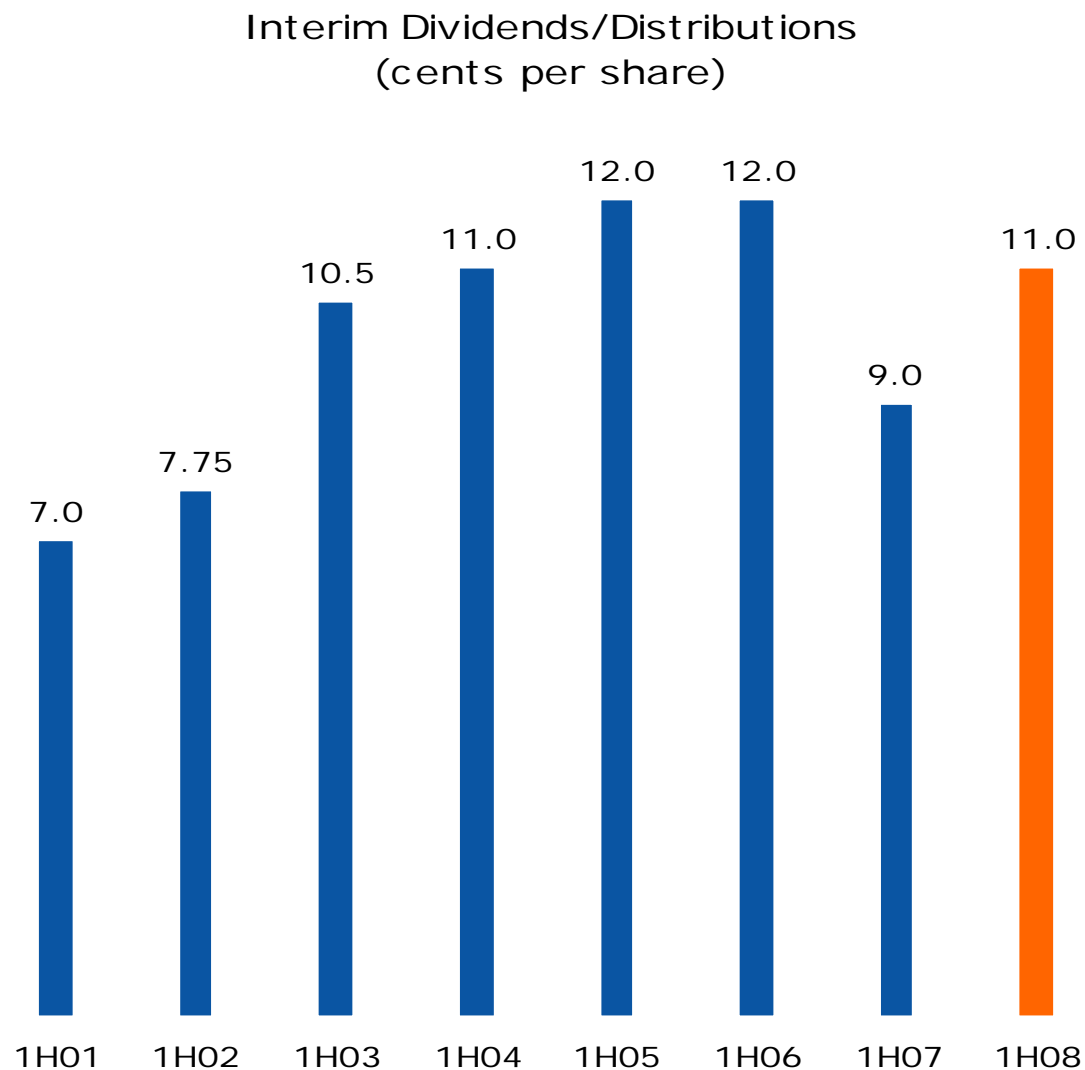
EBIT = Earnings before interest and tax

NPAT = Net profit after tax

Comparative figures on this and the following pages have been restated from the 1H07 presentation due to International Business being separated from site operations and Group/Unallocated costs being separated from SKYCITY Auckland operations.

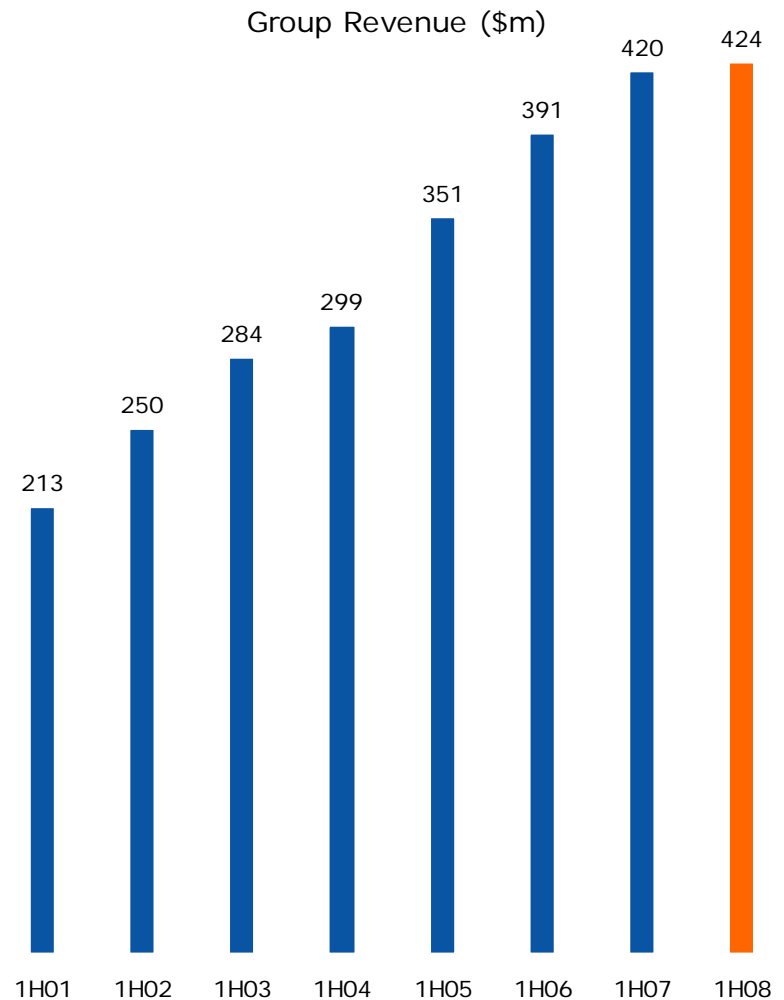
# Interim Distribution: 11cps

- ⚡ Interim distribution of 11.0 cents per share (9.0cps 1H07)
- ⚡ Entitlement/record date 12 March. Bonus share issue/payment date 11 April
- ⚡ FY08 interim distribution continues at 90% of Net Profit after adding back Adelaide casino licence amortisation and excluding Cinemas write-down
- ⚡ Distribution weighting for interim:final maintained at 45:55
- ⚡ Distribution by way of non-taxable bonus shares with fully-imputed cash buyback alternative continued for 1H08
- ⚡ Strike price for the bonus share issue for the 1H08 distribution will be the weighted average SKC price on the NZSX during the 5 day period 13-19 March
- ⚡ Advice of the number of bonus shares to be issued in respect of the 1H08 distribution to shareholders on 26 March
- ⚡ Shareholder elections (to elect the cash/buyback option) are due to the share registry (Computershare) by 9 April.



# 1H08 Revenue Summary

- Group revenues up 1% to \$424.2m and Gaming/Attractions revenues (excluding Cinemas) up by 2.5%
- Darwin and International Business contributing most to improved revenues
- Auckland stable at 0.8% increase, noting main gaming floor refurbishment commenced September 2006
- Adelaide down 2.2%. The impact of smoke-free on the November/December revenues has been -8%
- Cinemas revenue down 1.5%, with lower admissions partially offset by price rises
- One-off capital restructuring gain in 1H07 not repeated 1H08
- Group/Unallocated revenue increase relates to interest received.





# 1H08 Revenue Summary

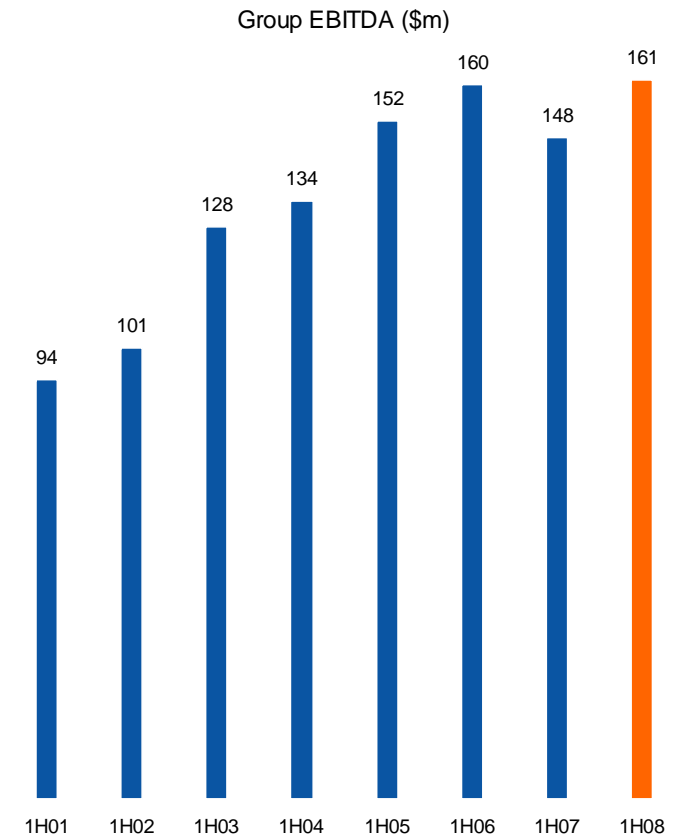
	1H08 \$m	1H07 \$m	Movement \$m	Movement %
<b>Revenues</b>				
Auckland	\$205.3	\$203.7	+\$1.6	▲ 0.8%
Hamilton	\$20.0	\$19.5	+\$0.5	▲ 2.6%
Adelaide	A\$62.5	A\$63.9	-A\$1.4	▼ 2.2%
Darwin	A\$54.9	A\$49.5	+A\$5.4	▲ 10.9%
Queenstown	\$3.6	\$3.0	+\$0.6	▲ 20.0%
Christchurch	\$2.7	\$2.5	+\$0.2	▲ 8.0%
International Business	\$21.9	\$18.0	+\$3.9	▲ 21.7%
<b>Gaming/Attractions Revenues</b>	<b>\$388.8</b>	<b>\$379.3</b>	<b>+\$9.5</b>	<b>▲ 2.5%</b>
Cinemas <sup>(1)</sup>	\$32.5	\$35.0	-\$2.5	▼ 7.1%
Other New Zealand Operations	\$0.2	\$4.9 <sup>(2)</sup>	-\$4.7	
Group/Unallocated	\$2.7	\$0.8	+\$1.9	
<b>Group Revenues</b>	<b>\$424.2</b>	<b>\$420.0</b>	<b>+\$4.2</b>	<b>▲ 1.0%</b>

<sup>(1)</sup> Cinemas 1H07 includes revenue of \$2.0m from SKYCITY Metro which was sold in June 2007. Adjusted, Cinemas revenue is down 1.5% on 1H07

<sup>(2)</sup> One-off gains in 1H07 of \$4.6m re capital restructuring and sale of property

# 1H08 Operating Earnings Summary

- Group EBITDA up 9% to \$161.4m and Gaming/Attractions EBITDA up 13.6%
- All casino operations achieved EBITDA growth with Darwin and International Business being the main contributors
- Auckland still not satisfactory, with a small decline in overall operating margin
- New food and beverage margin and overall cost management strategies at Adelaide have more than offset the revenue decline - achieving overall EBITDA growth
- Darwin has seen strong revenue growth accompanied by cost control to improve operating margins
- International Business result influenced by different turnover, win and commission combinations
- Cinema earnings down by almost 30% as a result of reduced attendances and increased costs
- Group/Unallocated EBITDA flat after absorbing \$4.8m of one-off costs related to takeover due diligence, the Cinemas sale process, and restructuring.



1H08 before Cinemas write-down

# 1H08 EBITDA Summary

	1H08 \$m	1H07 \$m	Movement \$m	Movement %
<b>EBITDA</b>				
Auckland	\$107.7	\$107.3	+\$0.4	▲ 0.4%
Hamilton	\$10.0	\$9.8	+\$0.2	▲ 2.0%
Adelaide	A\$12.0	A\$11.2	+A\$0.8	▲ 7.1%
Darwin	A\$23.5	A\$18.7	+A\$4.8	▲ 25.7%
Queenstown	\$0.2	(\$0.1)	+\$0.3	▲
Christchurch	\$2.7	\$2.5	+\$0.2	▲ 8.0%
International Business	\$12.6	(\$1.2)	+\$13.8	▲
Gaming/Attractions EBITDA	\$174.1	\$153.3	+\$20.8	▲ 13.6%
Cinemas <sup>(1)</sup>	\$2.0	\$4.6	-\$2.6	▼ 56.5%
Other New Zealand Operations	(\$0.1)	\$4.7	-\$4.8	
Group/Unallocated Expenses	(\$14.6)	(\$14.6)	-	
Group EBITDA	\$161.4	\$148.0	+\$13.4	▲ 9.1%

<sup>(1)</sup> Cinemas 1H07 includes \$1.8m contribution from SKYCITY Metro which was sold in June 2007. Adjusted Cinemas EBITDA is down 29% on 1H07

- ⚡ Reported results include several elements that need to be separately identified to enable a like with like comparison of 1H08 core asset performance against 1H07
- ⚡ Excluding these items shows underlying operating earnings growth at 3% and NPAT growth at 15%
- ⚡ Key elements adjusted for are:
  - International VIP play above theoretical win rate
  - Cinemas
  - Indirect expenses of \$4.8m to cover one-off restructuring costs, due diligence costs involved in the takeover activity which has now ceased, and the Cinemas sale process
  - One-off capital restructuring and sale of property gains in 1H07 not repeated in 1H08
  - Tax at the company's normalised rate of 28.5%.

# Underlying NPAT

	1H08 \$m	1H07 \$m	Movement %
EBITDA	\$161.4	\$148.0	▲ 9.1%
Adjustments			
International Business at theoretical	-\$11.5	+\$9.4	
Excluding Cinemas	-\$2.0	-\$4.6	
Restructuring costs	+\$1.7	-	
Transactional costs (takeover approach/Cinemas)	+\$3.1	-	
Gain on capital restructuring	-	-\$3.9	
Gain on sale of property	-	-\$0.7	
Underlying EBITDA	\$152.7	\$148.2	▲ 3.0%
Depreciation and amortisation (excluding Cinemas)	\$32.5	\$34.0	
Funding	\$43.0	\$47.0	
Underlying Net Profit Before Tax	\$77.2	\$67.2	▲ 14.9%
Tax at normalised rate (28.5%)*	\$22.0	\$19.2	
Underlying NPAT (excluding Cinemas write-down)	\$55.2	\$48.0	▲ 15.0%

\* Actual tax rate for 1H08 26.6%

- ⚡ During 1H08 SKYCITY invited bids from parties interested in acquiring the Group's cinema assets
- ⚡ Based on disappointing operating figures for 1H08 and negotiations with potential buyers, a \$60m write-down in the carrying value of the Cinemas assets (market announcement 12/2/08) has been made in the FY08 interim financial statements
- ⚡ The write-down includes all goodwill relating to Cinemas and a provision against non-performing cinema assets and potential sale or restructuring costs
- ⚡ Negotiation with potential buyers continues. If a satisfactory price and sale structure is not able to be achieved the company will evaluate restructuring and revenue regeneration options
- ⚡ Further information will be provided once negotiations are concluded and the final position determined.

# Funding and Capital Management

# Funding and Capital Management

- Control of capital expenditure and earnings retained under the profit distribution plan have reduced debt and lowered funding costs, down \$4m (9%)
- SKYCITY's funding is not affected by the worldwide 'credit crunch' with long-term debt in place and no current refinancing requirements
- 1H08 average interest-bearing debt and average interest rate are \$1.09 billion and 7.7% respectively

	31/12/07	30/6/07
Senior bank facility and US Private Placement long-term facilities	\$704m	\$753m
Subordinated Debt: NZ\$ capital notes and A\$ SKYCITY ACES notes	\$291m	\$285m
Total Group Debt	NZ\$995m	NZ\$1,038m

- Decrease in senior debt reflects a repayment of \$51m and exchange rate movements
- Movement in subordinated debt reflects exchange rate impact.



# Other Announcements/Updates

## **Adelaide**

- ⚡ The Company advises that the Adelaide casino will be retained as a core gaming asset
  - performance in the half year has been encouraging
  - cost control improved operating margins
  - key focus remains on increasing market share in the competitive gaming machine market

## **Takeover Activity**

- ⚡ All discussions with interested parties have now ceased
  - directors and management remain focused on generating value for shareholders through improved performance
  - due diligence costs (advisors, other) are provided for in the half year results

## **CEO Appointment**

- ⚡ New SKYCITY CEO Nigel Morrison commences on 3 March.

# FY08 Guidance

- ⚡ SKYCITY reaffirms its FY08 NPAT guidance as previously provided, namely in the range of \$108m to \$110m (excluding Cinemas write-down)
- ⚡ Based on the half year result the company expects to be at the upper end of this range
- ⚡ Factors to consider in the guidance include:
  - International business performance for 2H08 budgeted at theoretical win levels
  - customer reaction to the full opening of the Auckland main gaming floor
  - ongoing effect of no smoking on Adelaide performance
  - continued management focus on operating margins
  - excludes Cinemas write-down.

# Conclusion

- ⚡ Looking past the disappointing Cinemas outcome, 1H08 has delivered more acceptable results given:
  - the disruptions of management change, takeover approaches, and asset sale reviews
  - work on the Auckland main gaming floor.
  
- ⚡ Looking forward, the company anticipates continuing positive trends in performance, based on the:
  - appointment of Nigel Morrison
  - completion of the Auckland renovation
  - Adelaide opportunity and expansion in Darwin
  - ongoing focus on the core gaming business.

# Appendix 1

## 1H08 Financial Reviews by Business Unit

## Auckland Result: 1H08



# SKYCITY Auckland

## 1H08 Result Summary



	1H08 \$m	1H07 \$m	Movement \$m	Movement %
Revenue	\$205.3	\$203.7	+\$1.6	▲ 0.8%
EBITDA	\$107.7	\$107.3	+\$0.4	▲ 0.4%
<i>EBITDA margin</i>	<i>52.5%</i>	<i>52.7%</i>		
EBIT	\$91.2	\$89.8	+\$1.4	▲ 1.6%

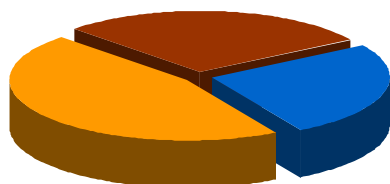
- ⚡ Gaming revenues flat with a 4% decline in gaming machines, as a result of the main gaming floor refurbishment, offset by table games growth of 7%
- ⚡ All non-gaming activities achieved modest revenue gains on 1H07
- ⚡ Cost management held direct/indirect expenses to 1% increase, effectively absorbing inflationary wage and cost increases
- ⚡ Increased EBIT due to lower depreciation cost.

# SKYCITY Auckland

## 1H08 Revenue Summary

	1H08 \$m	1H07 \$m	Movement \$	Movement %
Revenues				
Machines	\$94.3	\$98.3	-\$4.0	▼ 4.1%
Tables	\$59.1	\$55.3	+\$3.8	▲ 6.9%
Gaming Revenues	\$153.4	\$153.6	-\$0.2	▼ 0.1%
Food and beverage	\$20.5	\$19.4	+\$1.1	▲ 5.7%
Hotels	\$15.6	\$15.4	+\$0.2	▲ 1.3%
Conventions	\$9.1	\$8.7	+\$0.4	▲ 4.6%
Sky Tower, parking, other	\$12.8	\$12.4	+\$0.4	▲ 3.2%
Complimentaries	(\$6.1)	(\$5.8)	(+\$0.3)	(▲ 5.2%)
Attractions Revenues	\$51.9	\$50.1	+\$1.8	▲ 3.6%
Total Revenues	\$205.3	\$203.7	+\$1.6	▲ 0.8%

Gaming/Non-Gaming Revenues



	1H08	1H07
Gaming machines	46%	48%
Table games	29%	27%
Non-Gaming	25%	25%

# SKYCITY Auckland

## 1H08 Result: Key Features



- ⚡ Strong revenue growth in local table games and attractions
- ⚡ The new baccarat area, one of the early stages of the main gaming floor refurbishment, contributed to the improved local table games performance
- ⚡ Gaming machine revenues impacted by disruption caused by main gaming floor refurbishment, down 4% on 1H07
- ⚡ Attractions performed well with all divisions achieving increased revenues over 1H07
- ⚡ The main gaming floor refurbishment includes the redesigned Aces Bar and Deli, each achieving revenue growth of more than 60% over 1H07 and the new Baccarat Bar has also performed well
- ⚡ SKYCITY Grand Hotel occupancy up from 44% to 50% for the half year
- ⚡ Conventions revenue up 4.6% with number of events and delegates up 4% and 3% respectively over 1H07.

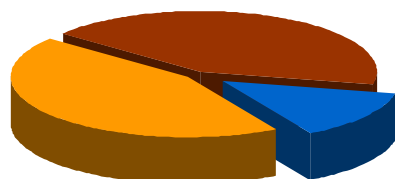
## Adelaide Result: 1H08

# SKYCITY Adelaide

## 1H08 Result Summary

	1H08 A\$m	1H07 A\$m	Movement A\$m	Movement %
Revenues				
Machines	\$27.7	\$28.7	-\$1.0	▼ 3.5%
Tables	\$26.5	\$26.4	+\$0.1	▲ 0.4%
Gaming Revenues	\$54.2	\$55.1	-\$0.9	▼ 1.6%
Food and beverage, other	\$10.8	\$11.7	-\$0.9	▼ 7.7%
Complimentaries	(\$2.5)	(\$2.9)	(-\$0.4)	(▼ 13.8%)
Total Revenues	\$62.5	\$63.9	-\$1.4	▼ 2.2%
EBITDA	\$12.0	\$11.2	+\$0.8	▲ 7.1%
<i>EBITDA margin</i>	<i>19.2%</i>	<i>17.5%</i>		
EBIT	\$7.4	\$6.2	+\$1.2	▲ 19.4%

Gaming/Non-Gaming Revenues



	1H08	1H07
Gaming machines	44%	45%
Table games	43%	41%
Non-Gaming	13%	14%

# SKYCITY Adelaide

## 1H08 Result: Key Features



- ⚡ SKYCITY board has confirmed retention of the Adelaide casino as a core gaming asset
- ⚡ Three year business plan built on clear and measurable objectives including improvement of ROIC. Significant capital expenditure under review to ensure appropriate returns are achieved with the car park project currently on hold
- ⚡ Positive economic outlook for South Australia set to support business success
- ⚡ Smoke-free regulations introduced in South Australia from 1 November 2007. November/December 2007 revenues were down 8% on November/December 2006. Table games revenues were favourable by 1% but gaming machine revenues were unfavourable by 13%
- ⚡ Smoke-free impact reduced in January 2008 with gaming machine revenue down 8% compared to January 2007
- ⚡ Table games not significantly impacted as smoking restrictions within one metre of gaming tables have applied since December 2004
- ⚡ Overall 1H08 revenue down 2% on 1H07 impacted by November/December trading
- ⚡ Effective cost management with direct/indirect costs down 4%
- ⚡ EBITDA/EBIT contribution and margins moving in the right direction with work still to be done.

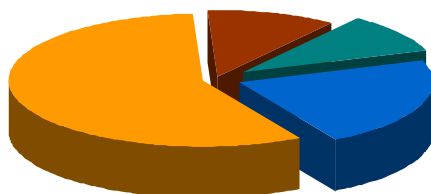
## Darwin Result: 1H08

# SKYCITY Darwin

## 1H08 Result Summary

	1H08 A\$m	1H07 A\$m	Movement A\$m	Movement %
Revenues				
Machines	\$31.5	\$27.6	+\$3.9	▲ 14.1%
Tables	\$6.0	\$5.9	+\$0.1	▲ 1.7%
Keno	\$5.4	\$5.5	-\$0.1	▼ 1.8%
Gaming Revenues	\$42.9	\$39.0	+\$3.9	▲ 10.0%
Hotel	\$3.8	\$3.4	+\$0.4	▲ 11.8%
Food and beverage, conventions, other	\$11.0	\$10.0	+\$1.0	▲ 10.0%
Complimentaries	(\$2.8)	(\$2.9)	(-\$0.1)	(▼ 3.4%)
Total Revenues	\$54.9	\$49.5	+\$5.4	▲ 10.9%
EBITDA	\$23.5	\$18.7	+\$4.8	▲ 25.7%
<i>EBITDA margin</i>	<i>42.8%</i>	<i>37.8%</i>		
EBIT	\$20.0	\$15.4	+\$4.6	▲ 29.9%

Gaming/Non-Gaming Revenues



	1H08	1H07
Gaming machines	57%	56%
Table games	11%	12%
Keno	10%	11%
Non-Gaming	22%	21%



# SKYCITY Darwin

## 1H08 Result: Key Features



- ⚡ Strong growth momentum continues with significant EBITDA/EBIT growth and improved margins
- ⚡ Good overall performance with growth from gaming machines, food and beverage and hotel
- ⚡ Gaming machines up 14% on 1H07 and 24% up on 2H07 due to increased visitation from lower to mid-range players
- ⚡ Food and beverage revenue up 11% and convention revenue up 5%
- ⚡ Strong hotel performance with occupancy of 88% (1H07 85%) and average room rate up 10% to A\$189. Hotel was joint winner of 2007 AHA National Awards for Excellence "Best Superior Accommodation"
- ⚡ Increased revenue and cost management lifted EBITDA margin from 38% to 43%
- ⚡ A\$30m stage 1 expansion of the Darwin property commenced October 2007. Includes the expansion of the gaming floor, an indoor/outdoor restaurant, destination bar and balconies with sea views, improvement of back of house support facilities and additional car parking. Completion estimated December 2008
- ⚡ 2H08 growth not anticipated to continue at same rate with some disruption expected from the gaming floor expansion through peak season.

## Hamilton Result: 1H08

# SKYCITY Hamilton

## 1H08 Result Summary



	1H08 \$m	1H07 \$m	Movement \$m	Movement %
Revenues				
Machines	\$12.2	\$11.4	+\$0.8	▲ 7.0%
Tables	\$4.4	\$4.7	-\$0.3	▼ 6.4%
Gaming Revenues	\$16.6	\$16.1	+\$0.5	▲ 3.1%
Food and beverage, other	\$3.6	\$3.6	-	-
Complimentaries	(\$0.2)	(\$0.2)	-	-
Total Revenues	\$20.0	\$19.5	+\$0.5	▲ 2.6%
EBITDA	\$10.0	\$9.8	+\$0.2	▲ 2.0%
<i>EBITDA margin</i>	<i>50.0%</i>	<i>50.3%</i>		
EBIT	\$7.7	\$7.4	+\$0.3	▲ 4.1%

- ⚡ Gaming revenues up with growth flowing through to EBIT
- ⚡ New gaming machine product, plus the opening of the new Vue Bar in December 2007, has improved gaming floor visitation and average spend
- ⚡ The food and beverage offering which now includes Vue Bar, Rebo Café and Zone Bar is having a positive impact on gaming floor visitation with growth expected in 2H08.

# International Business Result: 1H08

# International Business 1H08 Result Summary

1H08	Auckland NZ\$m	Adelaide A\$m	Darwin A\$m	Queenstown NZ\$m	SKYCITY Group NZ\$m
Revenue	\$7.8	A\$6.7	A\$5.5	\$0.1	\$21.9
Less commission, comps & taxes	\$2.4	A\$2.6	A\$0.9	-	\$6.3
Net win	\$5.4	A\$4.1	A\$4.6	\$0.1	\$15.6
<i>Net win above/(below) theoretical</i>	<i>\$3.3</i>	<i>A\$2.9</i>	<i>A\$4.2</i>	<i>-</i>	<i>\$11.5</i>
Other direct expenses	\$1.5	A\$0.9	A\$0.4	-	\$3.0
International Business EBIT	\$3.9	A\$3.2	A\$4.2	\$0.1	\$12.6

## 1H07

Revenue	\$9.4	A\$6.7	(A\$0.1)	\$0.8	\$18.0
Less commission, comps & taxes	\$12.3*	A\$2.3	A\$0.2	\$0.2	\$15.3
Net win	(\$2.9)	A\$4.4	(A\$0.3)	\$0.6	\$2.7
<i>Net win above/(below) theoretical</i>	<i>(\$12.9)</i>	<i>A\$2.9</i>	<i>(A\$0.5)</i>	<i>\$0.5</i>	<i>(\$9.4)</i>
Other direct expenses	\$2.1	A\$1.2	A\$0.2	-	\$3.9
International Business EBIT	(\$5.0)	A\$3.2	(A\$0.5)	\$0.6	(\$1.2)

\* Auckland 1H07 saw significant commission programme play turnover, resulting in higher commission costs.

# International Business

## 1H08 Result: Key Features

- ⚡ The International Business model has been reviewed with improved/increased marketing bringing in a greater range of players across all programmes
- ⚡ Significant individual and group play can produce volatility in International Business performance. The intent of marketing initiatives is to diversify and spread this risk across a broader customer base
- ⚡ 1H08 experienced growth in visitation from key Asian markets which has continued into 2H08 with group visits into Auckland and Darwin over Chinese New Year
- ⚡ Win was \$11.5m above theoretical compared to \$9.4m below theoretical in 1H07.

## Other New Zealand Operations: 1H08

# Other New Zealand Operations

## 1H08 Result Summary

### Queenstown

	1H08 \$m	1H07 \$m	Movement \$m
Revenue	\$3.6	\$3.0	+\$0.6
EBITDA	\$0.2	(\$0.1)	+\$0.3
EBIT	(\$0.1)	(\$0.4)	+\$0.3

### Christchurch

Revenue	\$2.7	\$2.5	+\$0.2
EBITDA	\$2.7	\$2.5	+\$0.2
EBIT	\$2.7	\$2.5	+\$0.2

### Other

Revenue	\$0.2	\$4.9	-\$4.7
EBITDA	(\$0.1)	\$4.7	-\$4.8
EBIT	(\$0.2)	\$4.5	-\$4.7

### Total

Revenue	\$6.5	\$10.4	-\$3.9
EBITDA	\$2.8	\$7.1	-\$4.3
EBIT	\$2.4	\$6.6	-\$4.2



# Other New Zealand Operations

## 1H08 Result: Key Features



### **SKYCITY Queenstown Casino** (60% shareholding)

- ⚡ Revenue growth of 20% over 1H07 with gains from gaming machines (+12%), table games (+22%) and food and beverage (+18%)
- ⚡ Additional marketing activity has driven visitation and revenue with positive improvement to EBITDA and EBIT
- ⚡ Strong January/February Queenstown tourist activity has seen a positive start to 2H08.

### **Christchurch Casino** (41% shareholding)

- ⚡ Earnings from Christchurch Casino (and Christchurch Crowne Plaza Hotel) up slightly on 1H07
- ⚡ New CEO Brett Anderson commenced July 2007.

### **Other**

- ⚡ 1H07 Other Revenue included a gain on capital restructuring of \$3.9m and profit on sale of Christchurch property of \$0.7m.

**Group/Unallocated: 1H08**

# Group/Unallocated 1H08 Result Summary

	1H08 \$m	1H07 \$m	Movement \$m
Revenue	\$2.7	\$0.8	+\$1.9
Indirect expenses	\$17.3	\$15.4	+\$1.9

- Revenue relates mainly to interest received
- Indirect expenses include \$3.1m of costs relating to takeover activity and the process to sell Cinemas, and \$1.7m of restructuring costs
- After allowing for non-recurring costs, indirect expenses are down \$2.9m, 19%.

## Cinemas Result: 1H08

# SKYCITY Cinemas

## 1H08 Result Summary



<b>Cinema Operations</b>	1H08 \$m	1H07 \$m	Movement \$m
Revenue	\$32.5	\$33.0	-\$0.5
EBITDA	\$2.0	\$2.8	-\$0.8
<i>EBITDA margin</i>	<i>6.2%</i>	<i>8.5%</i>	
EBIT	(\$1.3)	-	-\$1.3

### **SKYCITY Metro** (sold June 2007 for \$55m)

Revenue	-	\$2.0	-\$2.0
EBITDA	-	\$1.8	-\$1.8
EBIT	-	\$1.7	-\$1.7

### **SKYCITY Cinemas**

Revenue	\$32.5	\$35.0	-\$2.5
EBITDA	\$2.0	\$4.6	-\$2.6
EBIT	(\$1.3)	\$1.7	-\$3.0

# SKYCITY Cinemas

## 1H08 Result: Key features

- ⚡ Cinemas revenues continued to disappoint being flat against 1H07 with no uplift being achieved from a full six months operation from Chartwell, Hamilton (opened May 2007)
- ⚡ Flat revenue compounded by increased costs and depreciation has led to a decline in profit and margin
- ⚡ Poor performance during 1H08 has affected value which has led to the decision to write-down the cinema assets by \$60m.

# Capital Expenditure

- ⚡ 1H08 capital expenditure was at reduced levels as business plans and major projects underwent review
- ⚡ Material projects during 1H08 have been the Auckland main gaming floor refurbishment, Hamilton entertainment bar, commencement of Darwin Stage 1 expansion and new cinema developments
- ⚡ Guidance provided with the FY07 result included the SKYCITY Adelaide redevelopment and car park project which is on hold pending a review of the Adelaide business plan
- ⚡ Plans for the proposed SKYCITY resort and the associated Little Mindil site reclamation are yet to be finalised
- ⚡ Main items of capital expenditure expected during 2H08 are completion of the Auckland main gaming floor refurbishment, Darwin Stage 1 expansion and purchase of the Little Mindil land
- ⚡ Group (excluding Cinemas) maintenance capex for FY08 expected to be below or at the lower end of previous guidance of \$37m-\$45m
- ⚡ FY08 depreciation and amortisation guidance (excluding Cinemas) is reduced from \$72m to \$68m.



# Capital Expenditure

/// A summary of material capital expenditure during 1H08 is set out below

	1H08 Spend \$m
SKYCITY Auckland	
Main Gaming Floor refurbishment (completed February 2008)	\$15.0
Sky Walk (opened December 2007)	\$0.9
Maintenance capex (including gaming machines)	\$3.6
SKYCITY Hamilton	
Entertainment Bar (opened December 2007)	\$3.1
Maintenance capex (including gaming machines)	\$0.6
SKYCITY Adelaide	
External decks	A\$1.0
Maintenance capex (including gaming machines)	A\$1.7
SKYCITY Darwin	
Stage 1 expansion	A\$3.2
Maintenance capex (including gaming machines)	A\$3.1
SKYCITY Cinemas	
New cinema developments (Chartwell, Albany, Manukau)	\$4.9
Maintenance capex	\$0.6

# Appendix 2

## Summary Financial Results

# Summary Financial Results

**Half Year Ended 31 December 2007**

The financial results as set out on the following pages summarise the key features of the operating performance achieved by the SKYCITY Group during the half year ended 31 December 2007. They are not the financial statements of SKYCITY Entertainment Group Limited and therefore do not contain all the detail and disclosures which are included in the company's 2008 interim financial statements.

**SKYCITY Entertainment Group**  
**Result Summary**  
**For the 6 months ended 31 December 2007**

New Zealand operations expressed in NZ\$m Australian operations expressed in A\$m	1H08										1H07									
	Auckland	Hamilton	Adelaide	Darwin	International Business	Other NZ Operations (1)	Group / Unallocated	Sub-Total	Cinemas (2)	SKYCITY Group	Auckland (3)	Hamilton	Adelaide	Darwin	International Business	Other NZ Operations (1)	Group / Unallocated (3)	Sub-Total	Cinemas (2)	SKYCITY Group
	NZ\$m	NZ\$m	A\$m	A\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	A\$m	A\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
<b>Gaming</b>																				
Revenue	153.4	16.6	54.2	42.9	21.9	3.0	-	306.9	-	306.9	153.6	16.1	55.1	39.0	18.0	2.6	-	300.4	-	300.4
Direct Expenses	50.6	6.0	36.0	17.6	9.3	2.1	-	129.9	-	129.9	51.0	6.0	37.5	17.3	19.2	2.0	-	142.3	-	142.3
Gross Margin	102.8 67.0%	10.6 63.9%	18.2 33.6%	25.3 59.0%	12.6 57.5%	0.9 30.0%	-	177.0 57.7%	-	177.0 57.7%	102.6 66.8%	10.1 62.7%	17.6 31.9%	21.7 55.6%	(1.2) -6.7%	0.6 23.1%	-	158.1 52.6%	-	158.1 52.6%
<b>Other</b>																				
Revenue	51.9	3.4	8.3	12.0	-	3.5	2.7	84.8	32.5	117.3	50.1	3.4	8.8	10.5	-	7.8	0.8	84.6	35.0	119.6
Direct Expenses	29.2	2.1	6.3	7.9	-	0.8	-	48.2	24.2	72.4	27.1	1.9	6.6	7.3	-	0.6	-	45.8	25.5	71.3
Gross Margin	22.7 43.7%	1.3 38.2%	2.0 24.1%	4.1 34.2%	-	2.7 77.1%	2.7	36.6 43.2%	8.3 25.5%	44.9 38.3%	23.0 45.9%	1.5 44.1%	2.2 25.0%	3.2 30.5%	-	7.2 92.3%	0.8	38.8 45.9%	9.5 27.1%	48.3 40.4%
<b>Total</b>																				
Revenue	205.3	20.0	62.5	54.9	21.9	6.5	2.7	391.7	32.5	424.2	203.7	19.5	63.9	49.5	18.0	10.4	0.8	385.0	35.0	420.0
Direct Expenses	79.8	8.1	42.3	25.5	9.3	2.9	-	178.1	24.2	202.3	78.1	7.9	44.1	24.6	19.2	2.6	-	188.1	25.5	213.6
Gross Margin	125.5 61.1%	11.9 59.5%	20.2 32.3%	29.4 53.6%	12.6 57.5%	3.6 55.4%	2.7	213.6 54.5%	8.3 25.5%	221.9 52.3%	125.6 61.7%	11.6 59.5%	19.8 31.0%	24.9 50.3%	(1.2) -6.7%	7.8 75.0%	0.8	196.9 51.1%	9.5 27.1%	206.4 49.1%
<b>Indirect Expenses</b>	17.8 8.7%	1.9 9.5%	8.2 13.1%	5.9 10.7%	-	0.8 12.3%	17.3	54.2 13.8%	6.3 19.4%	60.5 14.3%	18.3 9.0%	1.8 9.2%	8.6 13.5%	6.2 12.5%	-	0.7 6.7%	15.4	53.5 13.9%	4.9 14.0%	58.4 13.9%
<b>EBITDA</b>	<b>107.7</b> 52.5%	<b>10.0</b> 50.0%	<b>12.0</b> 19.2%	<b>23.5</b> 42.8%	<b>12.6</b> 57.5%	<b>2.8</b> 43.1%	<b>(14.6)</b>	<b>159.4</b> 40.7%	<b>2.0</b> 6.2%	<b>161.4</b> 38.0%	<b>107.3</b> 52.7%	<b>9.8</b> 50.3%	<b>11.2</b> 17.5%	<b>18.7</b> 37.8%	<b>(1.2)</b> -6.7%	<b>7.1</b> 68.3%	<b>(14.6)</b>	<b>143.4</b> 37.2%	<b>4.6</b> 13.1%	<b>148.0</b> 35.2%
Depreciation Amortisation	16.5 -	2.3 -	3.5 1.1	3.4 0.1	- -	0.4 -	1.2 2.7	28.4 4.1	3.3 -	31.7 4.1	17.5 -	2.4 -	3.8 1.2	3.2 0.1	- -	0.5 -	1.3 2.7	29.8 4.2	2.9 -	32.7 4.2
<b>EBIT</b>	<b>91.2</b> 44.4%	<b>7.7</b> 38.5%	<b>7.4</b> 11.8%	<b>20.0</b> 36.4%	<b>12.6</b> 57.5%	<b>2.4</b> 36.9%	<b>(18.5)</b>	<b>126.9</b> 32.4%	<b>(1.3)</b> -4.0%	<b>125.6</b> 29.6%	<b>89.8</b> 44.1%	<b>7.4</b> 37.9%	<b>6.2</b> 9.7%	<b>15.4</b> 31.1%	<b>(1.2)</b> -6.7%	<b>6.6</b> 63.5%	<b>(18.6)</b>	<b>109.4</b> 28.4%	<b>1.7</b> 4.9%	<b>111.1</b> 26.5%
<b>Funding</b>																				
<b>Net Profit before tax</b>																				
Tax Minority Interests																				
<b>Net Profit after tax (before Cinemas write-down)</b>																				
Cinemas write-down																				
<b>Net Profit after tax &amp; Cinemas write-down</b>																				

(1) Other NZ Operations includes SKYCITY Queenstown and Christchurch Casinos (associate). Minority Interests relate to SKYCITY Queenstown.

(2) 1H07 Cinemas includes SKYCITY Metro and Symonds Street building which contributed \$1.8m EBITDA and \$1.7m EBIT and have subsequently been sold in June 2007.

(3) To reflect 1H08 treatment, 1H07 Auckland depreciation \$1.2m and amortisation \$2.7m relating to Group IS functions is now included in Corporate/Unallocated.

# SKYCITY Entertainment Group Limited

## Result Summary

For the half year ended 31 December 2007

All figures in NZ\$m unless otherwise indicated	1H08	1H07
<b>Revenue</b>	<b>\$424m</b>	<b>\$420m</b>
- New Zealand Operations +\$0.1m	+\$4m	
- International Business +\$3.9m		
- Adelaide -A\$1.4m (-\$2.6m)		
- Darwin +A\$5.4m (+\$5.3m)		
- Cinemas -\$2.5m		
<b>Gross Margin</b>	<b>\$222m</b>	<b>\$206m</b>
- New Zealand Operations -\$2.1m	+\$16m	
- International Business +\$13.8m		
- Adelaide +A\$0.4m (+\$0.5m)		
- Darwin +A\$4.5m (+\$4.9m)		
- Cinemas -\$1.2m		
<b>Indirect Expenses</b> (including depreciation and amortisation)	<b>\$96m</b>	<b>\$95m</b>
	+\$1m	
<b>EBIT</b>	<b>\$126m</b>	<b>\$111m</b>
- New Zealand Operations -\$2.4m	+\$15m	
- International Business +\$13.8m		
- Adelaide +A\$1.2m (+\$1.2m)		
- Darwin +A\$4.6m (+\$4.9m)		
- Cinemas -\$3.0m		
<b>Funding</b>	<b>\$43m</b>	<b>\$47m</b>
	-\$4m	
<b>Net Profit after Tax (before Cinemas write-down)</b>	<b>\$61.3m</b>	<b>\$45.0m</b>
	+\$16.3m	
Cinemas write-down	\$60.0m	-
<b>Net Profit after Tax and Cinemas write-down</b>	<b>\$1.3m</b>	<b>\$45.0m</b>
	-\$43.7m	
<b>Underlying/Normalised NPAT (excluding Cinemas)</b>	<b>\$55.2m</b>	<b>\$48.0m</b>
	+\$7.2m	

**SKYCITY Entertainment Group Limited**  
**Consolidated Balance Sheet**

	As at 31/12/07 NZ\$000	As at 30/6/07 NZ\$000
<b>Equity</b>		
Share capital	428,964	364,068
Retained profits	(22,009)	31,044
Reserves	6,580	(16,069)
Minority interests	1,828	2,491
<b>TOTAL EQUITY</b>	<b>415,363</b>	<b>381,534</b>
<b>Current Assets</b>		
Cash and bank	78,820	71,537
Receivables and prepayments	31,828	30,996
Inventories	5,749	5,523
Tax receivables	14,611	25,971
Assets held for sale	6,925	-
Other current assets	458	334
	138,391	134,361
<b>Non-Current Assets</b>		
Property, plant and equipment	945,399	940,106
Investment property	8,870	8,845
Intangible assets	385,491	433,469
Investments in associates	81,178	80,831
Deferred tax assets	17,946	15,978
Derivative financial instruments	31,641	26,865
Other non-current assets	1,022	2,514
	1,471,547	1,508,608
<b>TOTAL ASSETS</b>	<b>1,609,938</b>	<b>1,642,969</b>
<b>Current Liabilities</b>		
Payables	100,468	119,501
	<b>100,468</b>	<b>119,501</b>
<b>Non-Current Liabilities</b>		
Term borrowings	704,086	753,002
Subordinated debt	290,690	285,166
Deferred tax liabilities	64,673	52,992
Other non-current liabilities	3,864	-
Derivative financial instruments	30,794	50,774
	1,094,107	1,141,934
<b>TOTAL LIABILITIES</b>	<b>1,194,575</b>	<b>1,261,435</b>
<b>NET ASSETS</b>	<b>415,363</b>	<b>381,534</b>

**SKYCITY Entertainment Group Limited**  
**Balance Sheet Notes**  
**As at 31 December 2007**

**Equity**

- Share capital increased by \$64.9m as a result of bonus shares issued under the company's profit distribution plan in October 2007, shares issued to SKYCITY personnel under the company's incentive remuneration plan, and shares issued pursuant to the exercise of options and rights by executives.
- Retained profits decreased by \$53.1m. The transactions during the year that affected retained profits were net profit after tax and after Cinemas write-down for the half year ended 31 December 2007 of \$1.3m, less the FY07 final distribution payment of \$54.4m.
- The Reserves balance as at 31/12/07 is represented by the shares awarded but not yet issued to salaried staff under the Performance Pay Incentive Plan \$1.9m, foreign currency translation reserve balance -\$14.1m, and cash flow hedge reserve \$18.8m.

The foreign currency translation reserve reflects changes in the New Zealand dollar value of the company's net Australian assets due to movements in the NZD/AUD exchange rate.

The cash flow hedge reserve represents fair value movements in SKYCITY's interest and cross currency interest rate swaps that are part of cash flow hedging relationships.

- Minority interest of \$1.8m is Skyline Enterprises' 40% shareholding in Queenstown Casinos Limited.

**Current Assets**

- Cash and bank comprises \$42.9m of funds on interest-bearing deposit and \$35.9m of cash held in-house/on-property.
- Assets held for sale relate to the car park property in Victoria Street, Auckland, which was subsequently sold in January 2008.
- Tax receivables of \$14.6m relate to prepaid tax to ensure the Group's imputation credit account was in credit on 31/3/07. The balance is shown as a current asset as it is expected to be utilised within the next twelve months. The decrease in this balance relates to the tax liability for the six months.

**Non-Current Assets**

- The \$5.3m increase in property, plant and equipment relates primarily to the Auckland main gaming floor refurbishment, Vue Bar (Hamilton), Darwin stage 1 development, new cinema developments, and new gaming machines and conversions, offset by depreciation.
- Investment property of \$8.9m relates to the property at 99-101 Hobson Street, Auckland, acquired in June 2006. This strategically located property has been purchased for potential future car parking expansion.

## Balance Sheet Notes (continued)

- Intangible assets have decreased by \$48m which consists of the write-off of goodwill relating to Cinemas (-\$54.8m), the impact of movements in the NZD/AUD exchange rate on the Adelaide and Darwin casino licences (\$9.8m), amortisation of the Adelaide casino licence (-A\$1.1m), and software additions and software amortisation (-\$1.8m).
- Investments in associates comprise SKYCITY's direct investment in Christchurch Casinos Limited (30.7%) and other minor associates of SKYCITY Cinemas Holdings Limited.

SKYCITY's effective shareholding in Christchurch Casinos Limited is 40.5%. An effective 9.8% is held via a shareholding and repayable advance in Christchurch Hotels Limited which owns (through a subsidiary) the Christchurch Crowne Plaza Hotel.

- Deferred tax assets of \$17.9m relate to tax losses recognised from SKYCITY Cinemas Holdings Limited and other temporary differences. Refer deferred tax liability under non-current liabilities (below).
- Derivative financial instruments represent the fair value of interest and cross currency interest rate swaps. Derivative assets and derivative liabilities are not netted off under NZ IFRS. The combined derivative asset and liability position as at 31/12/07, if able to be netted off, would be a net asset of \$0.8m. It is the company's current intention that interest rate swap instruments will run through to maturity and not be realised early. However, NZ IFRS requires that all derivatives be marked to market and recorded on the balance sheet as at the company's reporting date.

## Current Liabilities

- The decrease in payables includes the payment to Village Roadshow in September 2007 of the deferred settlement portion of the acquisition price for its New Zealand and Fiji cinema exhibition interests.

## Non-Current Liabilities

- Term borrowings represent funds drawn down on the senior debt facility (\$170.0m) and US Private Placement debt (\$536.4m), less deferred funding expenses (\$2.3m). The \$48.9m reduction in term borrowings from FY07 consists of +\$1.8m as a result of exchange rate movements on the US dollar denominated USPP (FY07: US\$534.6m), a \$51m reduction in the NZ\$ syndicated bank facility, and amortisation of deferred funding expenses.
- Subordinated debt includes New Zealand capital notes (\$124m) and Australian capital notes (SKYCITY ACES) (A\$150m). The \$5.5m increase from FY07 relates to the impact of exchange rate movements on SKYCITY ACES (FY07: A\$150m) and amortisation of deferred expenses.
- Deferred tax liabilities increased by \$11.7m as a result of temporary differences associated with tax versus accounting carrying values and movements in the fair value of the Group's derivative financial instruments. Deferred tax assets and deferred tax liabilities are not netted off under NZ IFRS. The combined deferred tax asset and liability position as at 31/12/07, if able to be netted off, would be a net liability of \$46.7m (FY07: \$37.0m).
- Other non-current liabilities relate to a provision made to cover non-performing cinema assets and to cover potential sale and restructuring costs.