

22 May 2007

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Dear Sir/Madam

RE: SKYCITY MARKET UPDATE

SKYCITY Entertainment Group Limited will today update analysts and institutional investors on progress being made within the company on a range of operational, marketing, cost reduction and performance initiatives.

SKYCITY's Managing Director, Evan Davies, will outline the company's actions and plans to improve bottom line performance and asset efficiency.

Key performance-related elements within the presentation include the following:

- the company is confident, after a difficult 12 months, that it is on the road to recovery
- there is opportunity to significantly rationalise the business structure and overhead leading to restored operating margins
- \$33m of costs have been identified, mainly in back of house operations and general overhead. Some of these initiatives have been introduced during the current year and the balance will be implemented during the next 12-18 months. This includes rationalisation of 230 FTEs across the Group, reduced sponsorships and lower procurement costs
- any assets or businesses not delivering or with the potential to deliver the required return on invested capital will be divested, with particular focus on the ROIC performance of the cinemas business, Christchurch Casino (SKYCITY 40.5% shareholding) and SKYCITY Adelaide
- a complete overhaul of the gaming product strategy at SKYCITY Auckland is being undertaken
- the majority (14 of 17 stages) of the Auckland main gaming floor renovation project will be complete by December 2007 with the balance (3 of 17 stages) to be completed by March 2008
- customer strategies will focus on local gaming customers and also the particular preferences of the local VIP and Asian customer groups within SKYCITY Auckland.

SKYCITY also advises re the following matters:

- a 4.5% improvement is recorded in high end machine play for the two months March/April 2007 compared to the corresponding period March/April 2006
- Auckland VIP/commission play is expected to return a normalised result for full year FY07, having reported a significant adverse variance to normalised outcome for the first half of FY07
- the South Australian Cabinet has approved the Adelaide car park project. Whilst there are a number of approvals to now be obtained, the Cabinet approval has been the major approval threshold to be achieved prior to being able to progress the planned property redevelopment programme further. The redevelopment programme will now be re-evaluated, taking into account the car park approval. SKYCITY's Adelaide property is not performing to ROIC expectations and injection of further capital expenditure will need to factor the opportunity for improved return into account
- Darwin capital expenditure of A\$30m to expand the facility is confirmed - to be spent prior to December 2009.

In addition to the above matters, SKYCITY confirms it is aware of consensus analyst expectation for FY07 net profit at \$98m and confirms, based on current performance and subject to trading during the remaining six weeks of the financial year, that it is comfortable with that consensus expectation.

SKYCITY also notes current analyst range (8 analysts) for net profit for FY08 at between \$107m and \$122m and confirms it is comfortable with that range of expectation.

The company's market briefing will be available on webcast and the presentation materials will be available on the company's website from later this morning.

Yours faithfully



Evan Davies
Managing Director