

SKYCITY Entertainment Group Limited

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26 July 2017

Client Market Services
NZX Limited
Level 1, NZX Centre
11 Cable Street
WELLINGTON

Copy to:

ASX Market Announcements
Australian Stock Exchange
Exchange Centre
Level 6
20 Bridge Street
Sydney NSW 2000
AUSTRALIA

Dear Sir/Madam

**RE: SKYCITY ENTERTAINMENT GROUP LIMITED (SKC)
ADELAIDE EXPANSION – PROJECT UPDATE**

Please find **attached** an update regarding SKYCITY's commitment to proceed with the Adelaide Casino expansion following signing of a Development Agreement with the South Australian Government.

For more information, please contact:

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Yours faithfully



Jo Wong
Company Secretary

SKYCITY Entertainment Group Limited

Project Update Adelaide Expansion

26 July 2017



- All information included in this presentation is provided as at 26 July 2017
- This presentation includes a number of forward-looking statements. Forward-looking statements, by their nature, involve inherent risks and uncertainties. Many of those risks and uncertainties are matters which are beyond SKYCITY's control and could cause actual results to differ from those predicted. Variations could either be materially positive or materially negative
- This presentation has not taken into account any particular investors investment objectives or other circumstances. Investors are encouraged to make an independent assessment of SKYCITY

- SKYCITY committed to proceeding with the expansion project in Adelaide following signing a Development Agreement with the SA Government
- Design for the expansion finalised which includes additional hotel rooms, new function spaces, a rooftop bar & restaurant, and works to integrate the expansion with the existing property and operations
- Total project costs increased to ~A\$330m (including appropriate contingency)
 - Due to additional hotel floor, works to integrate with existing building, and new function space and rooftop bar
 - Final design changes support investment thesis, improve returns and de-risk project
- Main works to commence in Q1 2018, following completion of early works by the SA Government, with completion expected in Q3 2020
- Remain confident in the investment thesis for Adelaide, supported by regulatory concessions agreed with the SA Government
- Our project represents a significant investment in the future of Adelaide and the revitalisation of the Riverbank precinct

Investment Rationale

- Vision to transform the Adelaide Casino into a world-class casino and entertainment complex
- Significant opportunity to grow market share and to turnaround an underperforming casino
- Improved regulatory environment and new integrated facilities will address historic disadvantages experienced by the property

Key Value Drivers

- Key value driver of the project is the significant expected increase in gaming activity, especially from growth in market share
- IB to remain an important part of the offering, but less of a focus given greater exposure to external factors
- New hotel, F&B, car park and broader precinct (Festival Plaza, Adelaide Oval, Adelaide Convention Centre, Adelaide Festival Centre) to be significant demand drivers and complement core activities
- Positive domestic and international tourism outlook for SA

Value Proposition

- Regulatory environment sufficient to support the investment case
- Project expected to deliver reasonable returns above our cost of capital
- Riverbank precinct to be the centre of entertainment for Adelaide

Casino

- Significant expanded gaming and entertainment facilities
- New casino podium to accommodate a ~30% increase in gaming product post expansion, but with flexibility to increase over time if required
- Dedicated IB offering (4 salons)

Non-gaming

- Boutique all-suite hotel (123 rooms), including dedicated IB accommodation
- Additional signature restaurants and bars / cafes (including rooftop bar)
- Function spaces (to accommodate up to 750 pax) and meeting rooms
- 1,500 space car park adjacent to casino, of which 750 spaces to be exclusively leased to SKYCITY
- Improved back of house facilities

Integration with existing building

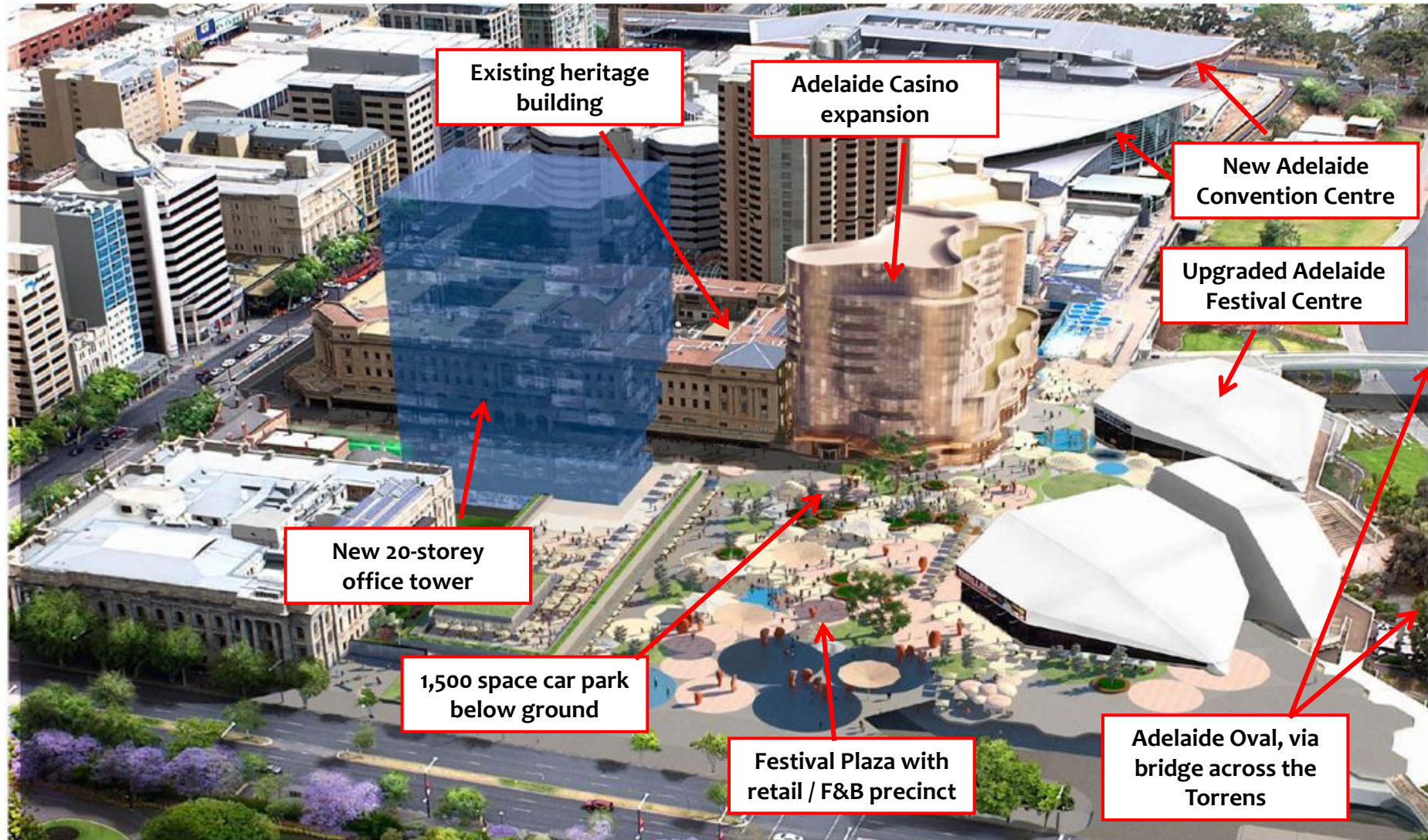
- Revitalisation of existing gaming spaces that appeal to local market
- Refurbishment, expansion and relocation of restaurants & bars
- Effective connection and circulation between the expansion and the existing building
- Enhanced facade emphasising heritage aspects of the building



Adelaide expansion from the Festival Plaza – final design

Licence	■ Casino licence term to 2085 ■ Exclusivity in SA to 2035
Gaming taxes (including GST)	■ EGMs: Main floor – 50.0%, Premium – 20.0% ■ Tables: Main floor – 12.5%, Premium – 10.0%, IB – 10.0% ■ Gaming tax rate certainty to 2035
Gaming entitlements	■ Up to 1,500 EGMs, of which ~1,100 to be available post expansion ■ Up to 200 tables, of which ~140 (including 30 tables for IB) to be available post expansion ■ Up to 300 ATGs (interchangeable with tables at a ratio of 20:1), of which ~100 to be available post expansion
Premium gaming	■ TITO on premium EGMs (cashless gaming across casino) ■ Unlimited max bet and jackpots ■ Improved access – discretion to invite up to 1,000 prospective customers to qualify in premium rooms, threshold to qualify lowered and now calculated on both actual and theoretical win, and increased number of guest passes for premium customers
Other	■ Review of regulatory environment to commence by 30 June 2018 (and completed by early 2019), with the aim of ensuring consistency with other states in Australia
Timing to complete expansion	■ 4½ year period from completion of early works programme

Riverbank Precinct



SKYCITY is located at the heart of Adelaide's entertainment precinct, surrounded by multiple major demand drivers

Indicative Total Project Costs

	A\$m
Total project costs (previous)	300
Additional hotel floor	13
Works on existing building	10
Function space / Rooftop bar	8
Indicative project costs (current)	330

- Total project costs for the expansion of ~A\$330m, including appropriate contingency
- Total costs include a A\$12m lease prepayment to the SA Government, new gaming product, gaming machine entitlements, internal costs and contributions to the early works programme
- Final design changes support investment thesis, improve returns and de-risk project
- Final costs and profile of capex subject to construction contract tender process
- Expect to commence tender process by October 2017 – seeking a lump-sum, fixed price contract

Indicative Future Capex Profile

A\$m	Spend to date	FY18	FY19	FY20	FY21+	Total
Adelaide expansion costs	28	41	124	124	13	330

Project Timetable

