18 March 2020

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

RE: SKYCITY ENTERTAINMENT GROUP LIMITED (SKC)
IMPACTS OF COVID-19 AND UPDATED FY20 FORECASTS

Please find attached a market release concerning the impacts of COVID-19 on, and updated FY20 forecasts for, SkyCity Entertainment Group Limited.

Authorised by:

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Company Secretary

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MARKET RELEASE

18 March 2020

Impacts of COVID-19 and Updated FY20 Forecasts

SkyCity Entertainment Group Limited (SKC.NZX/SKC.AX) ("SkyCity") advises that, in common with all members of the tourism and leisure industry, it has been negatively impacted by the global response to COVID-19, particularly since 28 February 2020 when the first case was confirmed in New Zealand. These impacts are expected to be exacerbated by the new border controls, social distancing requirements and restrictions on mass gatherings recently imposed in New Zealand and Australia.

SkyCity CEO Graeme Stephens said that the current market conditions being experienced as a result of COVID-19 were unprecedented for all businesses in New Zealand and Australia. Mr Stephens said “We fully understand and support the priority to slow the spread of COVID-19 in order to save lives. SkyCity always seeks to be a responsible leader in our communities, and we will play our part in working with governments to help and protect our customers, staff and other stakeholders.”

The main impacts experienced by SkyCity during the March month to date have been (with all comparisons relative to internal budgets and expectations):

**Auckland**
- Visitation to the precinct down around 15%
- Electronic gaming machine revenue down 14%
- Domestic table and automated table game revenue down 43%
- Hotel revenue down 19% with average occupancy of 79%
- Food, beverage and conventions revenue down 32%
- Sky Tower revenue down 35%

**Hamilton**
- No impact on gaming revenue
- Non-gaming revenue down 12%

**Queenstown**
- Combined revenue down 37%

**Adelaide**
- Gaming revenue down 7%
- Non-gaming revenue down 14%

**International Business**
- Substantial decline in activity with Asian customers not able to travel to New Zealand and Australia
The recently announced enhanced border controls, social distancing requirements and restrictions on mass gatherings now imposed in New Zealand and Australia will have further negative impacts – in particular on the tourism-related aspects of the business, including the SkyCity Grand Hotel, SkyCity Hotel and Sky Tower. Whilst there have been no instances of transmission within communities in New Zealand to date, it is reasonable to assume that this will occur which will have an impact on visitation to our precincts.

Mr Stephens said “We anticipate further restrictions on mass gatherings in Australia and New Zealand. We will need to understand these restrictions in more detail as they evolve to ascertain whether they will apply to our properties. Casinos are similar to shopping centres in that they have multiple smaller areas within a larger precinct, and these areas can be used in flexible ways to comply with enhanced mass gathering restrictions. It’s also helpful that our customers are already segregated into different tiers and spaces through our loyalty programs”. Additionally, it is possible that a full lock down is implemented in New Zealand and/or Australia, which would lead to the temporary closure of the SkyCity properties.

Based on the experience of the past few weeks and an estimate of the further impact of the recently introduced restrictions, SkyCity currently estimates an EBITDA impact of around $55m in relation to previous guidance for the full year. As a result of these impacts, SkyCity now expects normalised EBITDA for FY20 to be in the range $230-250 million and normalised NPAT for FY20 to be in the range $85-100 million. These ranges are based on the best information currently available and reflect the continued uncertainty regarding the impacts of COVID-19 through to the end of FY20. The updated guidance also assumes that all SkyCity properties remain open for business.

In response to the impacts of COVID-19, SkyCity has undertaken the following actions to mitigate the consequences for its businesses:

- A range of social distancing measures have been implemented across all properties
- Additional and frequent cleaning of all facilities and provision of hand sanitiser throughout all properties
- Rescheduling labour rosters at all properties in response to reduced customer visitation
- Encouraging all employees to take voluntary leave over the next few months
- Suspending all international travel by staff and limiting domestic business travel
- Suspending marketing activity that would drive spikes in visitation
- Reviewing all non-essential capital expenditure and corporate overheads for the next 12 months

SkyCity has over 5,000 employees currently and will be seeking to employ significantly more people in Adelaide and Auckland following the completion of its two major projects (Adelaide expansion opening expected in October 2020). “SkyCity is looking beyond the current challenges presented by COVID-19 and will seek to preserve existing jobs in New Zealand and Australia,” said Mr Stephens.

On a positive note, SkyCity has also this week reopened “Eight”, its premium domestic tables salon in Auckland, following a major refurbishment and expansion. The new facilities were completed on-time and on-budget and have been well received by customers. At
least part of the recent weaker performance in tables can be attributed to the disruption caused by the refurbishment over the past few months.

Mr Stephens noted that while SkyCity has experienced a decline in visitation at its properties, it has also observed a continued increase in sign-ups to, and activity on, SkyCity's offshore online casino which is available for New Zealand customers. “Perhaps this reflects that our New Zealand customers are choosing to gamble online in response to the social distancing requirements and restrictions on mass gatherings,” said Mr Stephens.

SkyCity has a strong balance sheet and is conservatively geared, in particular after receiving the proceeds from the strategic disposal of non-core assets during 2019. It is therefore well placed to withstand the adverse impacts of COVID-19. SkyCity owns property assets with an estimated market valuation of around $2.0 billion and, following the payment of its interim dividend last week and the repayment of $21 million of US private placement notes earlier this week, SkyCity currently has undrawn bank facilities of $337 million.

SkyCity also expects to receive a further insurance payment of $85 million over the next month to fund initial repair works arising from the fire at the New Zealand International Convention Centre (NZICC). As previously advised, SkyCity will always be “in funds” during the repair works on the NZICC and Horizon Hotel, with payments to Fletcher Construction for these works only being made if SkyCity has received the funds from the insurers.

The Adelaide expansion remains on-track to open later in 2020 and is fully funded and on-budget.

Based on the updated earnings guidance, SkyCity expects that its debt level will peak during FY22 at around $850 million (excluding lease-related liabilities) following the completion of the Adelaide expansion and as the NZICC and Horizon Hotel project nears completion. SkyCity remains committed to retaining its BBB- credit rating and expects that its gearing (debt/EBITDA ratio) will remain within debt covenants during FY21 and FY22.

SkyCity will provide further updates to the market as new material information becomes available. “The focus for now is on reacting rapidly to the situation, which is evolving daily, and on ensuring that we can continue to trade in a way that is responsible and protects the thousands of people that work at SkyCity and our customers, largely domestic, who continue to choose to visit us,” said Mr Stephens.

ENDS

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