

MARKET RELEASE

SkyCity Entertainment Group Limited
(SKC.NZX/SKC.ASX)

19 August 2024

**Impairment of SkyCity Adelaide assets and
adjustment for change to New Zealand tax legislation**

Key Points

- SkyCity expects to impair its Adelaide assets by A\$86.2 (NZ\$94.3 million) to reflect updated assumptions regarding the introduction of mandatory carded play at the SkyCity Adelaide casino in 2026, and additional legal and compliance costs associated with SkyCity Adelaide's uplift programmes.
- SkyCity also expects to record a tax adjustment of NZ\$129.6m following recent changes to New Zealand tax legislation.
- The impairment and tax adjustment are both non-cash, and do not impact the SkyCity Group's underlying EBITDA or underlying NPAT for the financial year ended 30 June 2024.
- These adjustments and SkyCity's FY24 Group financial statements remain subject to external audit.

Impairment of the value of the SkyCity Adelaide assets

SkyCity Entertainment Group Limited (**SkyCity**) advises that it has completed its annual impairment review of all of its property cash generating units. Pursuant to accounting standard NZ IAS 36: Impairment of Assets, SkyCity expects to impair the carrying value of the SkyCity Adelaide assets by A\$86.2 million (NZ\$94.3 million) as at 30 June 2024. This impairment considers both the value and timing of future discounted cashflows (inclusive of sensitivities) generated by the assets as assessed at 30 June 2024.

The key drivers of the reduction in future cashflows compared to previous estimates include:

- updated assumptions regarding the introduction of mandatory carded play at the SkyCity Adelaide casino in early 2026; and
- additional legal and compliance costs associated with SkyCity Adelaide's ongoing AML/CTF and host responsibility uplift programmes and the introduction of mandatory carded play.

SkyCity is committed to implementing mandatory carded play across its casinos as this will significantly increase its visibility and control of customer play, and simplify many parts of its current AML/CTF and host responsibility operations. The primary objective over the coming years is to ensure SkyCity has strongly performing risk management systems, a culture which prioritises compliance with SkyCity's obligations and customer care, and a business which is seen as a good corporate citizen, worthy of retaining its casino licences.

SkyCity Chief Executive Officer Jason Walbridge said “The impairment is a non-cash accounting adjustment at balance date. SkyCity Adelaide continues to be a strategically important asset within the wider SkyCity Group.”

Adjustment for change to New Zealand tax legislation

On 28 March 2024, the New Zealand Government enacted a change to tax legislation which removed the ability for owners to depreciate commercial buildings with an estimated useful life of 50 years or more for tax purposes.

Under NZ IAS 12: Income Taxes, this results in an increase in the SkyCity Group’s deferred taxation liability of NZ\$129.6 million and a corresponding one-off charge to tax expense of NZ\$129.6 million as the tax base (from a depreciation perspective) of its New Zealand buildings is effectively reduced to nil.

General

The above impairment and tax adjustment will not impact the SkyCity Group’s underlying EBITDA or underlying NPAT (which are SkyCity’s preferred measures of profitability) for the financial year ended 30 June 2024.

Further details will be included in SkyCity’s FY24 Group financial statements, which will be released on 22 August 2024.

These adjustments and SkyCity’s FY24 Group financial statements remain subject to external audit and final review by the SkyCity Board.

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For more information, please contact:

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