

11 February 2004

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BY EMAIL

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Dear Sir/Madam

**RE: SKYCITY ENTERTAINMENT GROUP LIMITED
ACQUISITION OF DARWIN CASINO**

SKYCITY Entertainment Group Limited advises that it has entered into a contract to acquire the Darwin Casino from MGM Mirage Inc. at a purchase price of A\$195 million (NZ\$220 million).

The acquisition will be fully-funded by an additional debt facility to be provided by SKYCITY's existing lending syndicate. Post the acquisition, the SKYCITY debt:enterprise value ratio is estimated to be in the order of 30%. Post acquisition, the interest cover ratio is calculated at approximately 4.4 times.

Settlement and operational ownership of Darwin Casino is subject to regulatory and Australian Foreign Investment Review Board approvals. These processes are expected to take between two and three months to complete.

The MGM Grand Darwin is a well-presented and efficiently operated facility with A\$18 million of capital expenditure committed to the property during the last two years. Apart from minor capital expenditure, much of which will be associated with naming and branding changeover, SKYCITY does not anticipate any significant immediate post-acquisition capital requirement for the business.

Acquisition of the Darwin Casino and hotel property fits within SKYCITY's core business and will add significant scale to the group's operations overall and to the company's Australian operations in particular. The Darwin purchase will, when regulatory and other consents have been achieved, mean that SKYCITY Entertainment Group will operate three gaming and entertainment properties in New Zealand, two gaming and entertainment properties in Australia (Adelaide and Darwin) and cinema entertainment venues in New Zealand through its majority shareholding in SKYCITY Leisure Limited.

Post Darwin approvals the SKYCITY Entertainment Group revenue profile is expected to show SKYCITY Auckland comprising approximately 59% of group total, SKYCITY Adelaide 17%, Darwin 12%, SKYCITY Leisure 6%, SKYCITY Hamilton 5% and SKYCITY Queenstown 1%. Acquisition of Darwin Casino will increase SKYCITY's Australian revenues from approximately 17% to 29%.

The acquisition is earnings per share positive for the SKYCITY group on a pre-amortisation basis. EBITDA is anticipated to increase by approximately 12% and earnings per share (pre-amortisation) by approximately 9%.

The purchase price is calculated at an EV/EBITDA multiple of 7.3 times. This calculation includes the community gaming machine allowance rebate which will be discontinued and replaced by a lower gaming machine tax rate in June 2005. A calculation excluding the community machine allowance rebate would indicate a proforma acquisition multiple of 8.9 times. This latter calculation is prior to any potential synergies which SKYCITY can achieve at the Darwin property.

The casino licence in the Northern Territory provides exclusivity until 2015 but there is no certainty as to licensing arrangements after that date.

MGM Darwin attracts approximately 3,000 visitors on average per day and generated revenues for the FY03 year of A\$74 million, producing operating earnings (EBITDA) of A\$27 million.

The MGM Grand Darwin has 3 gaming rooms incorporating 2,200m² of gaming space, 26 gaming tables and 450 gaming machines, and receives revenue from 50 Northern Territory Keno venues. The property has hotel and conference facilities incorporating 107 hotel rooms, 4 restaurants and 5 bars. Approximately 80% of total revenues are from gaming.

The economic indicators for Darwin and the Northern Territory are generally favourable and the MGM Darwin is the only licensed casino in the northern part of the Northern Territory.

This notice sets out the key features of the acquisition. Further information on the acquisition will be available shortly on the company's website.

A copy of the company's media release covering the Darwin acquisition is attached.

Yours faithfully



Alistair Ryan
General Manager Corporate



MEDIA RELEASE
11 February 2004

**SKYCITY COMPLETES DUE DILIGENCE AT MGM GRAND DARWIN
AND CONFIRMS ACQUISITION PLANS CONTINUE**

New-Zealand based gaming and entertainment company SKYCITY Entertainment Group (SKC) today confirmed that, further to its recent announcement regarding its interest in the MGM Grand Darwin in Australia's Northern Territory, it has now completed due diligence and this morning signed a sale and purchase agreement with American owners MGM MIRAGE Inc.

In statements issued to the Australian and New Zealand stock exchanges SKYCITY confirmed it will proceed with acquisition plans, which remain conditional upon Northern Territory Government consents and Foreign Investment Review Board approval. SKYCITY Managing Director Evan Davies said the company was enthusiastic about the opportunity that a second Australian acquisition presents for the SKYCITY business, which was this week acknowledged as one of New Zealand's leading wealth creating enterprises in the Stern Stewart Economic Value Added (EVA) survey.

A purchase price of A\$195m (NZ\$220m) has been agreed. Settlement will take place following provision of necessary regulatory consents, a process expected to take several months.

Mr Davies said that SKYCITY has, for some time, expressed interest in expanding its Australian operations and the Darwin casino represents an excellent opportunity for SKYCITY to consolidate its position in the Australian gaming sector.

"MGM Grand Darwin already operates gaming, hotel and food and beverage operations. That mix obviously sits well with the SKYCITY Entertainment Group business model, which encompasses the provision of multi-faceted entertainment experiences," said Mr Davies.

"The price is comfortably within our range, the operations meet our criteria and also present opportunities for future business development," he said. "The capability we have shown in translating our New Zealand-based experience into an Australian context, through our South Australian investment, assures us that a second operation within

Australia will be positive for the company. We are also confident that the entertainment experience that is synonymous with existing SKYCITY properties will be one that is embraced by both existing and new customers to the Darwin hotel and casino," he said.

Mr Davies confirmed that the transaction would be funded by additional senior debt, provided by existing lenders, and that no significant post-acquisition capital expenditure was necessary beyond branding changes. The property is likely to be renamed SKYCITY Darwin.

"The recent expenditure of \$18 million on property improvements and the fact that 90% of the property's gaming machines are less than three and a half years old means that major capital outlays need not be immediately on the agenda, " said Mr Davies. "It is already an efficiently operated business that is performing well and, should settlement be finalised as we anticipate it will be, we would envisage spending some time assessing what improvements might be made in the short term.

"We would expect to generate some synergies between this business and our existing operations in Australia and New Zealand; to enhance existing product offerings and to introduce our proven marketing approach, but suffice to say it would be 'business as usual' for the property for the foreseeable future," he said.

The MGM Grand Darwin is the only licensed casino in Darwin and the largest in the Northern Territory. Gaming operations include three gaming rooms, 26 tables, 450 gaming machines and 50 NT Keno venues. Gaming represents approximately 78% of the property's total revenue stream.

The 107-room hotel operation within the beachfront complex contributes 6% of overall revenues. Food and beverage operations comprise 16% of total revenues and include four restaurants and five bars.

Located 3km from the city centre the MGM Grand Darwin is a mid-sized gaming operation, approximately 25% larger than SKYCITY's most recently opened casino, SKYCITY Hamilton (New Zealand), in terms of gaming machines and table numbers.

"This is a prominent facility in a region with a favourable economic outlook. The casino complex is already a major entertainment venue and has the capacity for further development, which is exciting for a business like ours" said Mr Davies, who added that the company would be likely to introduce its award-winning 'Action' customer loyalty programme to Darwin customers.

Mr Davies said that SKYCITY's acquisition of a second Australian property was consistent with the company's previously stated intention of growth.

"We have been saying for some time that SKYCITY is well-positioned for expansion and Australia presents a logical opportunity, particularly from a geographical perspective. Our interest in Darwin is consistent with the company's strategic direction," he said.

"In addition to our interest in new investments we are committed to ongoing renewal of the experiences we provide through our existing businesses. Our current expansion programmes at SKYCITY Auckland and SKYCITY Adelaide are indicative of our re-investment philosophy and this strategy of growth and diversification has led to delivery of six consecutive years of profit and dividend growth to our shareholders," said Mr Davies.

Mr Davies said that MGM Grand Darwin represents a strong opportunity for SKYCITY to increase its 'footprint' within the Australian gaming and leisure industry. The company, which acquired the former Adelaide Casino in 2000 (since renamed SKYCITY Adelaide), has been dual-listed on the ASX and the NZX since July 2002 and currently has a market capitalisation of A\$1.7 billion (NZ\$1.9 billion).

Ends