



Six Monthly Review to Shareholders to September 2014

Shareholders were advised in the Annual Report and at the AGM that Skyline Directors and CEOs had reaffirmed the overarching strategy with our key focus and targets recorded for this year. With the first 6 months of the financial year behind us it is pleasing to report that overall we are on track with our strategy and targets.

Comments on our respective businesses;

Skyline Queenstown

Increases in gondola, luge and dining patronage continue resulting in a very positive first 6 months trading at Skyline Queenstown. Of particular note is the major upgrade of the restaurant buffet area and the launch of our new restaurant identity "Stratosfare". The "Stratosfare" concept has been launched at the same time at Skyline Rotorua. The aim is to redefine what people expect from a buffet-style restaurant in New Zealand, with a real focus on the interaction between our guests, chefs and food.

Skyline Rotorua

At Skyline Rotorua the management team has maintained the pace of change with a complete remodelling and upgrade of the restaurant, the installation of a Zip line and introduction of Mountain biking with 8.5km of trails. The famous Crankworx mountain bike festival will be hosted at Skyline Rotorua in March 2015. The recently refurbished restaurant was also launched under the "Stratosfare" concept. With the completion of the new restaurant, the whole complex has been vastly improved. This, together with the expanded range of products positions Skyline Rotorua for a new growth phase. This past period has seen solid growth in domestic visitation.

Mercure Leisure Lodge.

Rationalisation of properties under the Mercure brand (Accor Hotels) in Dunedin has resulted in increased occupancy at our Dunedin Mercure property. This coupled with increased general occupancy has resulted in an improved six months to this financial year.

Blue Peaks Lodge and Apartments

Trading has seen a lift with continued growth in Queenstown visitor numbers. Occupancy and yield has in turn improved in comparison to last year. Increased promotion of the property through online and other developing channels to market is a current focus.

Skyline Properties

The commercial property portfolio is nearly fully tenanted and demand is strong. Planning for the construction of our new building on the corner of Marine Parade and Church Street is well advanced with site works due to commence in the next few months.

Skyline Luge Mont Tremblant

The trading improvement recorded last year has been maintained with Luge rides improving by 10% for this Northern summer.

Skyline Luge Calgary

With the site now fully operational after installing an improved luge cart handling system we have had a much improved season over last year. Luge rides more than doubled from the first year of operation. The luge product is proving popular which bodes well for future growth.

Skyline Luge Sentosa

The upgrade at Sentosa has transformed the facility. Since the official re-opening in May visitation has increased substantially and resulted in much improved trading. This modern upgraded facility has been very well received by our guests and is in fact under capacity pressure at busy times. Directors and management are investigating further changes to accommodate demand.

Skyline International Luge

With consenting and associated assessment delays for the Tongyeong Luge project in South Korea an expected completion date is now planned for late 2015.

We are committed to investigate new opportunities mindful of the challenges in establishing offshore luge operations. Standardising our operating systems is a current focus as is investigating a licensing model. The licensing model may fit those locations where the difficulty of managing complex projects requires more direct local input.

Christchurch Casino

Visitation year to date for the Casino has increased, when taking into account the new Mashina Lounge which is approaching its first full year of operation. It will take time however to recover to pre earthquake levels but the trend continues to be positive. With the establishment of new restaurants in the immediate area we can anticipate further pedestrian activity; this will support our "Christchurch's premier entertainment destination" positioning. Our Food & Beverage operations face some challenges with the number of new venues coming on line and some changes are planned.

Our electronic machine gaming and main gaming area are performing well while we have seen some volatility in our VIP gaming space. The high level play activity at the casino will always provide fluctuations in results and this will be a determining factor for our full year result.

The Helicopter Line and Glacier Helicopters

The first six months of the year is less active than the busy summer scenic season however the addition of heli-skiing support maintains helicopter utilisation. This period has seen an improvement on the corresponding period but not without its challenges. The tragic helicopter accident on our Heliski operation was a very sad event and certainly tested all involved. Regulatory investigations into the accident continue while our internal review has been constructive.

Harris Mountains Heli-Ski

2014 was one of the most challenging seasons in the company's long history. The weather and snow conditions impacted on heli-ski numbers however this is not an unexpected outcome in this weather related operation.

Mitre Peak Cruises

Milford Sound continues to be over competitive with heavy discounting by other operators. Our view remains unchanged and we continue to avoid under selling this iconic destination. We will continue to maintain our position as a niche operator of small vessels.

Milford Sound Flightseeing

Improvements in the fleet configuration and utilisation continue with the replacement of the fixed wing aircraft operated by the joint venture Company. Our flightseeing activity is under review in line with our overall Milford strategy. It is important to record our long term commitment to Milford Sound remains.

Challenge Rafting and Queenstown Combos

Challenge Rafting has seen an improvement in sales and Queenstown Combos continues to enjoy improved trading with many of the combos utilising our helicopters, rafts, luge, and gondola.

Other Matters

Legal dispute – Heli Holdings and The Helicopter Line.

As previously advised The Helicopter Line Ltd and Heli Holdings Ltd are in dispute regarding the provision of maintenance of helicopters by Airwork and other serious matters. The matter is scheduled to be heard in the High Court in May 2015.

Investment in lifting group capabilities in terms of IT, social media, sales and marketing and other support functions continues.

The Balance of the Year

It is pleasing to note our source markets overall are forecast to see positive growth in their respective real GDP, this should support continued travel levels from these markets.

With satisfactory trading to date and outside unforeseen circumstance we see no reason why our targets for the full year will not be met.

On behalf of Directors may I extend to shareholders our best wishes for the festive season and a prosperous 2015.

Mark Quickfall
Chairman
December 2014