



Six Monthly Review to Shareholders to September 2015

To date Skyline Enterprises has achieved the targets set by Directors and Management with strong activity across the group. This reflects the current buoyant period tourism is experiencing, particularly in New Zealand.

However, with this said, Skyline is facing the same challenges as all modern businesses. This includes demands on capital for upgrades, new developments, improved systems and technology. Additionally, disruptive technology is resulting in more competitive margins on sales and increased consenting and compliance costs gives reason not to be overly confident. Tourism is cyclical and dramatic world events can easily impact performance.

Comments on our respective businesses;

Skyline Queenstown

Skyline has worked hard to ensure consistency of the Skyline experience at both Queenstown and Rotorua with the Market kitchen and Stratosfare restaurant concepts, luge, Jelly Belly stores, retail and star gazing. Growth in visitor demand across all products at Skyline Queenstown has focused Directors and Management on future expansion requirements of the business. Planning for the replacement gondola system, extended bottom terminal and Skyline complex are well advanced.

Skyline Rotorua

Investment and changes at Skyline Rotorua along with a great team effort has resulted in increased visitation and improved financial performance. Winning the Supreme Award at the Rotorua Business Excellence Awards and Supreme New Zealand Tourism Industry Award is just recognition of the team's hard work.

Mercure Leisure Lodge

Increased general occupancy at Leisure Lodge continues however this may be impacted by upcoming new supply of accommodation in Dunedin. Common area upgrades are under investigation to maintain standards.

Blue Peaks Lodge and Apartments

Queenstown visitor numbers have remained strong assisted by increased direct flights, particularly from the east coast of Australia this past winter. Occupancy is expected to remain solid this summer with the demand curve now ahead of capacity over the busy summer months.

Skyline Properties

Demand for premises in downtown Queenstown remains strong and our portfolio is close to fully tenanted. Our new build on Marine Parade is well underway with high quality anchor tenants secured. Planning for upgrading O'Connell's Pavilion in 2018 is underway as is the review of our portfolio in terms of standards and appearance.

Skyline Luge Mont Tremblant

Last season's ride numbers have been maintained for this Northern summer with profitability ahead of budget.

Skyline Luge Calgary

With the site fully operational for the second season ride numbers and profitability improved again on past seasons. Achieving ride numbers originally forecast is taking longer than planned. Upgrades at the highway interchange to Winsport Olympic Park, home of the luge, has been disruptive however when complete, access will be improved.

Skyline Luge Sentosa

Visitation has remained strong although smoke haze resulting from agriculture fires in Indonesia has caused some disruptions over past months. Capacity pressures at busy times and increasing demand has motivated planning for the installation of a second chairlift and extensions to the luge tracks. Evaluation and planning is now moving to approvals and tendering.

Skyline International Luge

All consents for the Skyline Luge Tongyeong project in South Korea are now secured and the construction tender let. An expected completion date is planned for late 2016.

This is a significant investment for Skyline and fits with our vision to grow the luge business internationally. We continue to investigate new luge opportunities worldwide and currently have a number of potential offshore sites under investigation.

Christchurch Casino

Visitation to both the Casino proper and Mashina when compared to the same period last year was flat. We saw further increases in hospitality venues opening in the city with 54 opened in the first 9 months of this year and 72 last year competing in a market that remains static in size.

While this has impacted on food and beverage we have seen growth in our gaming revenues over the same period last year.

The new Baccarat gaming lounge aimed at the Asian market is performing well and with regular flights planned from China further growth is expected in this space. The introduction of the Chi Kitchen; supported by positive comments has led to increased patronage. Accommodation capacity in the City continues to constrain business. Progress with the convention centre and other key projects in the city will be welcomed.

Totally Tourism

In line with our other tourism operations TTL has benefited from the growth in tourism numbers experiencing activities while visiting New Zealand. Helicopter operations have traded solidly and HMM Heli-ski season was a significant improvement on last year. Queenstown Combos, Challenge Rafting and Milford Sound business levels remained steady. During this reporting period TTL moved to 100% ownership of Milford Sound Flights. Continuing the fleet upgrade, MSF added a Cessna Caravan increasing capacity.

TTL related legal, compliance and regulatory matters have absorbed significant management time and resulted in unbudgeted costs. Despite these costs financial results are in line with last year.

Other Matters

(1) Legal dispute – Heli Holdings and The Helicopter Line.

The Helicopter Line Ltd and Heli Holdings Ltd dispute regarding provision of maintenance of helicopters by Airwork and other matters was heard in the High Court earlier in 2015.

The court decision is pending.

(2) The Skyline Transformation Project covers the groups enterprise systems. This project is a major undertaking to lift group system capabilities requiring significant investment and human resource.

The Balance of the Year

We expect strong trading to continue over the next 6 months and we see no reason why our trading targets for the full year will not be met outside unexpected events.

On behalf of the Directors may I extend to shareholders our best wishes for the Festive Season and a prosperous New Year.

Mark Quickfall
Chairman
November 2015