

Skyline Enterprises Ltd
O'Connells Pavilion
PO Box 17, Queenstown 9348
New Zealand

tel: (64) 3 441 0377
fax: (64) 3 441 0394
email: info@skyline.co.nz
web: www.skyline.co.nz

SKYLINE ENTERPRISES LIMITED

SIX-MONTHLY REVIEW TO SHAREHOLDERS TO SEPTEMBER 2009

Skyline has enjoyed favourable trading over the first six months of the year, which is slightly at variance to international arrival numbers that have declined by some 2% over the same period. Domestic activity overall has remained quite strong.

Net earnings have shown an improvement assisted by the continuing good performance from the Sentosa Luge activities, a strong winter period in Queenstown, and a reduction in operating costs, especially interest.

Skyline Gondola Restaurant and Luge

Following the site closure in May/June (due to the cableway upgrade and Wakatipu Room refurbishment) our turnover levels have been restored to the extent that they are now consistent with the previous year.

A good control over operating costs and margins has resulted in a bottom line improvement for the period.

Skyline Skyrides - Rotorua

A strong management focus has resulted in enhanced earnings for this property. Principal activities (gondola and luge) have been slightly ahead of the same period in 2008 and although dining numbers and associated revenue have been impacted, the net returns from such have in fact improved due mainly to management's efforts.

Accommodation Properties

Both Blue Peaks Lodge and the Mercure Leisure Lodge have achieved occupancy levels similar to previous years with the Queenstown winter period making up for the relatively soft first quarter.

North Sky Luge - Mont Tremblant

Somewhat surprisingly given global trends, luge rides at Mont Tremblant improved by over 4% for the 2009 season and revenues further enhanced by a small increase in pricing levels.

Sentosa Luge

Ride numbers continue to show an improvement over the interim period although we expect that the effect of the 7 month upgrade to the Sentosa cableway link from the mainland, and the opening of the integrated resorts complex on the island timed for December 09, will certainly have an effect on this property's activity levels.

The establishment of an extension to the luge track has commenced and was scheduled for completion in late November. Technical difficulties have occurred with the construction methods employed and the opening will now be postponed until late January. Whilst disappointing from a marketing perspective especially, these works will not impact on the existing infrastructure and the property's ability to maintain its normal trading activity.

Commercial Properties

Our "24 Rees" property is scheduled for completion by the end of this month and some lessees have already commenced their fit outs. The majority of the ground space has been let although there is only minimal uptake of the first floor level at this time. The site positioning is such that we have confidence these areas will become occupied in due course.

Other vacancies are minimal throughout the portfolio and rental growth largely non-existent.

Casinos

Trading activity at both Christchurch and Dunedin Casinos is at similar levels to the past year. Enhancements to the parking areas have commenced in Dunedin and in Christchurch the gaming floor has undergone a complete refurbishment.

The Balance of the Year

Over the past 12 months our management teams have shown an ability to adapt quite quickly to changing market conditions. Results to date have recorded an improvement over last year although we must remember it is the summer period that really counts since sustaining visitation levels is critical to overall earnings.

At this point though we would cautiously predict an improvement in our year end results. There has been some small recovery in international arrivals and importantly growth out of Australia continues. It is also pleasing to see an increase in overseas promotional expenditure initiated by the Government.

Chairman

At this year's Annual General meeting, Mr Barry Thomas advised shareholders of his intention to stand down as Chairman at the ensuing meeting of Directors. That meeting has been held and the writer appointed as Chairman.

My first acknowledgement is to Barry for his outstanding leadership and direction over many years, a sentiment that will be shared by all shareholders, and my second is to the Directors for their support of my appointment.

Barry will remain as a Director of Skyline and will continue to represent shareholder interests at the respective Casino Companies.

Directors anticipate that an acknowledgement of Barry's services to the Company will be made at next year's annual general meeting where shareholders will be invited to participate in the formalities.

Ken Matthews
Chairman
24th November 2009