



# **GALAXY ENTERTAINMENT GROUP**

## **RECORD 2013 ANNUAL RESULTS**

**GROUP ADJUSTED EBITDA UP 28% TO \$12.6 BILLION**

**NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS  
INCREASED BY 36% TO \$10.1 BILLION AND 41% ON AN ADJUSTED  
BASIS TO \$10.4 BILLION**

**STRONG BALANCE SHEET AFTER REDUCING DEBT BY 96%,  
VIRTUALLY DEBT FREE**

**GALAXY MACAU™ PHASE 2 REMAINS ON SCHEDULE AND BUDGET  
TO COMPLETE AS MACAU'S NEXT MAJOR PROJECT**

Hong Kong, 19 March 2014 – Galaxy Entertainment Group Limited (“GEG” or “the Group”) (HKEx stock code: 27) today reported results for the three month and twelve month periods ended 31 December 2013.

### **FULL YEAR & Q4 2013 HIGHLIGHTS**

#### **GEG: Record Highs in Revenue, Adjusted EBITDA and Net Profit Attributable to Shareholders**

- Full year Group revenue increased by 16% to \$66 billion
- Full year Group Adjusted EBITDA of \$12.6 billion, an increase of 28%
- Net profit attributable to shareholders grew 36% to \$10.1 billion and 41% on an adjusted basis to \$10.4 billion
- Fourth quarter Group Adjusted EBITDA increased 41% year-on-year to \$3.5 billion

#### **Galaxy Macau™: 10<sup>th</sup> Consecutive Quarter of Adjusted EBITDA Growth**

- Full year revenue increased by 21% to \$40 billion and Adjusted EBITDA grew by 36% to \$8.8 billion
- Fourth quarter Adjusted EBITDA grew 35% year-on-year to \$2.5 billion

#### **StarWorld Macau: Best Ever Year and Quarter**

- Full year Adjusted EBITDA of \$3.7 billion, an increase of almost 14%
- Fourth quarter Adjusted EBITDA of \$1 billion, up 60%

#### **Cotai and Hengqin Island: Exciting Medium and Long Term Development Plans**

- Galaxy Macau™ Phase 2 – Remains on budget and on schedule to complete by mid-2015
- Cotai Phases 3 & 4 – Finalising plans for a \$50 - \$60 billion resort focused on non-gaming with construction expected to begin as early as late 2014
- Grand Waldo Complex – Refitting already commenced with expected unveiling of plans in mid-2014
- Hengqin Island – Recently entered into a framework agreement with the Hengqin authority to move forward on the proposed RMB10 billion plan to develop a world class destination resort on a 2.7 sq km land parcel

#### **Balance Sheet: Exceptionally Strong and Liquid; Virtually Debt Free**

- Cash on hand at 31 December 2013 of \$10.3 billion
- Net cash position of \$9.9 billion, with gearing at zero
- Borrowings reduced by 96% year-on-year from \$11 billion to \$450 million

#### **Dividend: Announce Special Dividend**

- Declared special dividend of \$0.70 per share to be paid on or about 31 July 2014



**Dr. Lui Che-woo, Chairman of GEG said:**

*“2013 was a success for the Group on every metric. Historic highs were achieved in revenue and earnings as all parts of the business performed ahead of last year. We strengthened our liquid balance sheet by reducing borrowings considerably, completed the strategic acquisition of the Grand Waldo Complex, and pressed on with our Cotai development plans that will provide guests with the widest available choice of entertainment, cultural and MICE facilities in Macau.*

*In 2013, revenue and earnings grew 16% and 36%, respectively. Galaxy Macau™’s results continued to improve while growth initiatives implemented at StarWorld Macau led to a strong resurgence.*

*We have achieved a great deal since being awarded a gaming concession in 2002. The Galaxy brand has become synonymous with ‘World Class, Asian Heart’ service and products standards. We have built and operated some of the largest and most innovative leisure and entertainment properties in the world. And finally, our phenomenal growth was recognised in June as we became a constituent of Hong Kong’s benchmark Hang Seng Index, a remarkable achievement for such a young company.*

*I am pleased to announce that GEG will pay a special dividend. We continually evaluate our capital management strategy as we consider our robust development plans. We have recently reinvested in the Group by repaying our debt as well as generate significant cash flow from our operations and continue to invest in our development pipeline. Further, we have confidence in the future of Macau and believe that we have the capacity to also pay this special dividend.*

*I am deeply excited by the journey ahead. We have an excellent development pipeline including: completion of Phase 2 by mid-2015, commencement of Phases 3 & 4 as early as late 2014, the reintroduction of the Grand Waldo Complex and the proposed future development of our Hengqin Island world class destination resort to complement our projects in Macau. We are also exploring new opportunities to expand our brand beyond Macau into overseas markets.*

*Macau’s prospects for the years to come are excellent. Major infrastructure and transport projects will increase visitation and we are confident that the Government’s prudent stewardship of the economy will ensure long term sustainability. Our well defined roadmap for growth also gives us confidence that we can fulfill our ultimate goal to be ‘globally recognised as Asia’s leading gaming and entertainment corporation’ and create substantial value for shareholders for many years to come.”*



## **Market Overview**

Macau continues to reinforce its reputation as one of the world's most dynamic and vibrant tourism and leisure destinations. Total visitation climbed 4% to 29.3 million, with Mainland visits growing at a faster rate of 10% to 18.6 million. Visitors from the Mainland now account for 64% of the total.

Total gaming revenues increased by almost 19% to \$350 billion, with the higher margin mass segment growing 35% and VIP experiencing a very encouraging 13% increase in revenue.

The evolution in the market to the mass segment reflects Chinese middle class' increased desire for travel. Major infrastructure and transport improvement projects in the region are well underway including the Guangzhou-Zhuhai Super Highway ending at Hengqin Island, the Hong Kong-Zhuhai-Macau Bridge and the Light Rail Transit connecting Macau, Taipa and Cotai. These works will significantly improve Macau's access from the Mainland and boost visitation. We strongly believe that Hengqin Island will also play a key role in supporting Macau's development as a world centre of tourism and leisure.

## **Group Financial Results**

Revenue, Adjusted EBITDA and net profit attributable to shareholders reached all-time record highs. At \$66 billion, total statutory revenue was up 16% year-on-year, generating \$12.6 billion of Adjusted EBITDA, an increase of 28% on last year. Net profit attributable to shareholders grew 36% to \$10.1 billion and 41% on an adjusted basis to \$10.4 billion after accounting for approximately \$0.3 billion of costs associated with prepaying our bank loan. The excellent results were largely due to Galaxy Macau™ maintaining its track record of growing every quarter since it opened and growth initiatives implemented at StarWorld Macau proving to be successful. City Clubs and the Construction Materials Division made solid Adjusted EBITDA contributions of \$181 million and \$488 million, respectively.

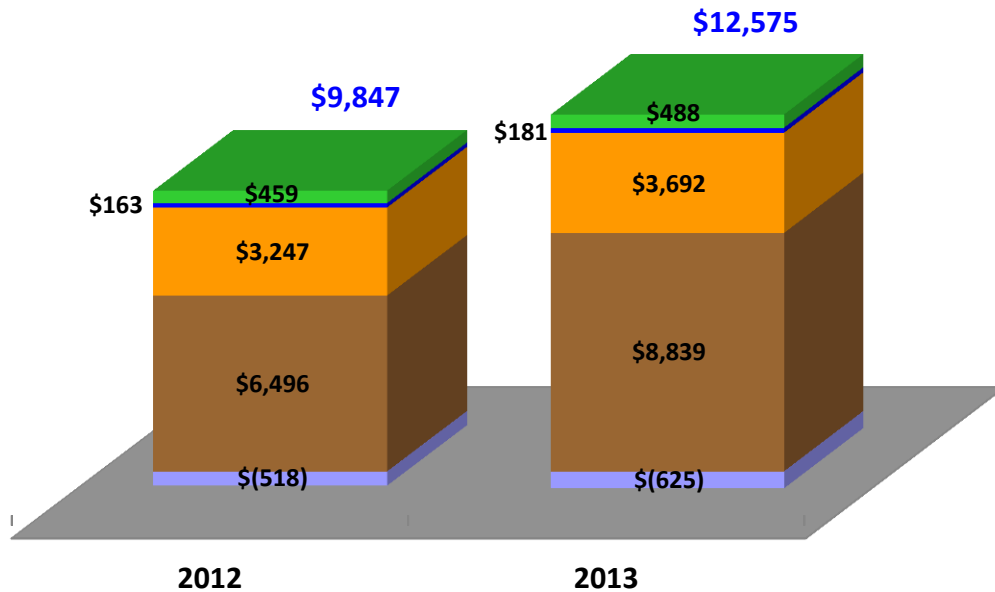
Group Adjusted EBITDA in the fourth quarter was \$3.5 billion, up 41% year-on-year, and up 10% sequentially.

A key contributing factor in the Group's earnings growth was the strong performance in both the VIP and the mass segment. The Group's total gaming revenue on a management basis grew 16% year-on-year to \$65.4 billion in 2013 as total mass revenue increased 42% year-on-year to \$16.8 billion and total VIP revenue grew 9% year-on-year to \$46.8 billion.



## Group Adjusted EBITDA (HK\$'m)

■ Galaxy Macau™ ■ StarWorld ■ City Clubs ■ Construction Materials ■ Net Corporate Costs



GEG's highly cash generative business model resulted in cash on hand reaching \$10.3 billion as of 31 December 2013, including restricted cash of \$0.4 billion. The Group has a net cash position of \$9.9 billion and is virtually debt free after reducing borrowings by 96% from \$11 billion to \$450 million during the year, primarily through the repayment of the \$6.9 billion club loan, a \$1.7 billion maturing RMB bond and a \$1.6 billion back-to-back loan. The Group has an excellent financial foundation to capitalise on future growth opportunities.

### Galaxy Macau™

Galaxy Macau™ performed exceptionally well in its second full year of operation and concluded 2013 with its 10<sup>th</sup> consecutive quarter of earnings growth. In a relatively short timeframe it has established itself as the must visit resort in Macau.

Full year revenue amounted to \$40 billion and Adjusted EBITDA \$8.8 billion, increases of 21% and 36% respectively on the prior year. Adjusted EBITDA margin under HK GAAP improved from 20% to 22%, and from 28% to 31% under US GAAP, due to continuously improving mass revenues and increased efficiencies. Fourth quarter Adjusted EBITDA reached \$2.5 billion, an increase of 35% year-on-year and 9% on the preceding quarter. The latest twelve months ROI<sup>1</sup> was 51%.

<sup>1</sup> ROI calculated based on the total Adjusted EBITDA for the latest twelve months divided by gross book value through 31 December 2013 including allocated land cost.



### *VIP Gaming Performance*

Total VIP rolling chip volume for the year was \$774 billion, generating revenue of \$26.5 billion (2012: \$23.1 billion), an increase of 15%. The property closed out the year with a strong fourth quarter with VIP net win up 37% year-on-year at \$8.1 billion.

<b>VIP Gaming</b>							
<b>HK\$'m</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>2012</b>	<b>2013</b>	<b>YoY%</b>
Turnover	168,014	178,196	191,140	236,793	698,720	774,143	11%
Net Win	5,910	5,965	6,473	8,143	23,083	26,491	15%
Win %	3.5%	3.3%	3.4%	3.4%	3.3%	3.4%	n/a

### *Mass Gaming Performance*

Revenue in the mass segment increased by 44% to \$10.5 billion. Fourth quarter revenue increased by 40% year-on-year to \$2.9 billion.

<b>Mass Gaming</b>							
<b>HK\$'m</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>2012</b>	<b>2013</b>	<b>YoY%</b>
Table Drop	6,694	6,845	7,012	7,345	24,706	27,896	13%
Net Win	2,261	2,538	2,730	2,932	7,291	10,461	44%
Hold %	33.8%	37.1%	38.9%	39.9%	29.5%	37.5%	n/a

### *Electronic Gaming Performance*

Electronic gaming revenue was \$1.5 billion, up 25% year-on-year.

<b>Electronic Gaming</b>							
<b>HK\$'m</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>2012</b>	<b>2013</b>	<b>YoY%</b>
Slots Handle	6,187	7,781	8,375	7,708	19,560	30,051	54%
Net Win	359	383	402	371	1,210	1,515	25%
Hold %	5.8%	4.9%	4.8%	4.8%	6.2%	5.0%	n/a

### *Non-Gaming Performance*

Non-gaming revenues were \$1.5 billion for the year. Its award winning restaurants, shops, hotels and spas and pools, continue to attract affluent and sophisticated visitors seeking a more holistic family holiday experience. Hotel occupancy on a combined basis at the resort's three luxury hotels stood at 98% for the year.



## **Developing our Cotai landbank**

### *Phases 2, 3 & 4*

Building on the success of Phase 1, GEG is progressing well with its construction of Phase 2 of Galaxy Macau™. Set to almost double the footprint of the existing property, and due to complete by mid-2015 as Macau's next major project, the Group is excited by its potential to capture a large amount of new visitors to Macau.

Turning to the medium and longer term, our Phases 3 & 4 design plans on Cotai are in the final stages and construction is expected to begin as early as late 2014. The \$50-\$60 billion project, which will increase GEG's total footprint in Cotai to 2 million square metres, will employ the best hospitality practices and standards from both the West and the East to deliver a "World Class, Asian Heart" experience that will permeate every facet of the customer experience. Comprising thousands of additional luxury hotel rooms, a state of the art multi-purpose arena that will host world class entertainment and sporting events, and a large convention centre, among other amenities, it will set new standards for Macau and the global leisure industry.

### *Strategic Acquisition of the Grand Waldo Complex*

On 17 July 2013, GEG purchased 100% of the properties of the Grand Waldo Complex for a purchase price of \$3.25 billion. Grand Waldo Complex is strategically located adjacent to Galaxy Macau™ and will be complementary to GEG's Cotai development with a focus on family customers. Refitting works are already underway where we expect to unveil our plans in mid-2014.

## **StarWorld Macau**

Full year revenue increased by 9% to \$23.5 billion, and Adjusted EBITDA improved 14% to \$3.7 billion. Adjusted EBITDA margin under HK GAAP increased slightly from 15% in 2012 to 16% in 2013, and stood at 25% under US GAAP (2012: 25%). StarWorld Macau reported the latest twelve months ROI<sup>2</sup> of 105%. Fourth quarter Adjusted EBITDA surpassed the \$1 billion mark for the first time.

### *VIP Gaming Performance*

VIP rolling chip volume for the year was \$662 billion, which translated to revenue of \$19.1 billion. Fourth quarter VIP volume increased 24% year-on-year to \$181.5 billion and win increasing by 21% to nearly \$5 billion.

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<sup>2</sup> ROI calculated based on the total Adjusted EBITDA for the latest twelve months divided by gross book value through 31 December 2013 including allocated land cost.



<b>VIP Gaming</b>							
<b>HK\$'m</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>2012</b>	<b>2013</b>	<b>YoY%</b>
Turnover	149,440	161,913	169,121	181,548	633,067	662,022	5%
Net Win	4,805	4,807	4,500	4,964	18,383	19,076	4%
Win %	3.2%	2.9%	2.7%	2.7%	2.9%	2.9%	n/a

### *Mass Gaming Performance*

Full year revenue grew to \$3.9 billion, an increase of 59%. Fourth quarter revenue increased by 69% year-on-year to \$1.2 billion, an 18% rise sequentially.

<b>Mass Gaming</b>							
<b>HK\$'m</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>2012</b>	<b>2013</b>	<b>YoY%</b>
Table Drop	2,664	2,663	2,829	2,935	9,978	11,091	11%
Net Win	802	856	1,012	1,193	2,433	3,863	59%
Hold %	29.6%	32.2%	35.4%	40.2%	23.9%	34.4%	n/a

### *Electronic Gaming Performance*

Electronic gaming generated revenue of \$209 million, down 15% on last year as a result of slightly less volume and a lower win rate for the year.

<b>Electronic Gaming</b>							
<b>HK\$'m</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>2012</b>	<b>2013</b>	<b>YoY%</b>
Slots Handle	898	777	744	781	3,545	3,200	-10%
Net Win	64	48	44	53	247	209	-15%
Hold %	7.1%	6.1%	5.9%	6.8%	7.0%	6.5%	n/a

### *Non-Gaming Performance*

Non-gaming revenue was \$364 million (2012: \$416 million). The decline was primarily due to a change in accounting practices related to travel related revenue plus the closure of a restaurant for refurbishment. Hotel occupancy remained at near capacity throughout the year at 99%.

### **City Clubs**

City Clubs contributed \$181 million of Adjusted EBITDA to Group earnings, an increase of 11% year-on-year.



## Construction Materials Division

GEG's Construction Materials Division recorded a solid set of results in the year, achieving revenue growth of 18% to \$2.4 billion and Adjusted EBITDA growth of 6% to \$488 million.

### Selected Major Awards for 2013

During 2013 GEG won over 50 major awards including some selected awards highlighted below.

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#### GEG

**International Gaming Awards** - Casino Operator of the Year Australia/Asia

**The Hong Kong Institute of Financial Analysts and Professional Commentators Limited** - Outstanding Listed Company Award

**Asiamoney Magazine** -

Overall Best Company in Hong Kong for Corporate Governance

Best for Shareholders' Rights and Equitable Treatment in Hong Kong

Best for Disclosure and Transparency in Hong Kong

**FinanceAsia Magazine** - Best Managed Company in Hong Kong

**Forbes Magazine** - Forbes Asia's Fabulous 50 Companies

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#### GALAXY MACAU™

**China Hotel Starlight Awards** - Top 10 Resort Hotels of China

**Golden Horse Award of China Hotel** - Most Charming Resort in Asia

**International Hotel Awards** - Best Resort Hotel Macau

**Hurun Report** - Best of the Best Awards - Luxury Hotel in Macau Star Performer

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#### STARWORLD MACAU

**China Hotel Starlight Awards** - Top 10 Glamorous Hotels of China

**Golden Horse Award of China Hotel** - Best Service Hotel

**Travel Weekly Magazine and Events Magazine** - **China Travel and Meetings Industry Awards** - Best Service Hotel of the Year

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#### CONSTRUCTION MATERIALS DIVISION

**The Hong Kong Council of Social Service** - 10 Consecutive Years Plus Caring Company Logo

**Business Environmental Council** - HSBC Living Business 2013 - Long Term Achievement Award

**Labour Department / Occupational Safety & Health Council** -

12th Hong Kong Occupational Safety & Health Award – Best Safety Performance Award

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## **Additional Update**

### *Special Dividend*

GEG declared a special dividend of \$0.70 per share, payable to shareholders on or about 31 July 2014.

After careful consideration, we believe that with our significant cash generating capability, combined with our confidence in the outlook for the future of Macau that we have the ability to continue with our development pipeline, generate strong cash flow from operations, maintain a strong balance sheet and return capital to shareholders through the payment of this special dividend.

### *Development in Hengqin Island*

GEG recently entered into a framework agreement for a 2.7 square kilometre land parcel to move forward with the proposed development of a world class destination resort in Hengqin Island. The property includes approximately 2.5 kilometres of water front coastline. We plan to invest RMB10 billion in the proposed resort that will complement GEG's business in Macau, significantly differentiate us from our competitors and play a key role in supporting Macau to become a world centre of tourism and leisure.

## **Group outlook for 2014**

GEG continues to prove adept at improving its existing facilities and offers to drive strong financial and operational gains. To achieve historic highs in revenue and earnings at both of the flagship properties for the full year and on a quarterly basis, and particularly at the more mature StarWorld Macau business, demonstrates a deep understanding of the constantly evolving market and customer preferences. In parallel, prudent financial management continues to be a priority as illustrated by the decision to systematically reduce borrowings over the year, leaving the Group virtually debt free as of today. And this has been achieved despite investing in future growth projects such as the development of Cotai Phases 2, 3 and 4, the strategic acquisition of the Grand Waldo Complex, as well as the proposed expansion in Hengqin Island which will be highly complementary to our Macau properties and support Macau in developing into a world class tourism destination. We are also actively exploring new opportunities to expand our successful brand into overseas markets and create value for our stakeholders.

In the immediate future there is further scope to refine existing products, launch new offerings, sharpen marketing initiatives and adjust the layout of amenities at both of our flagship properties to maximise returns.



Further out, GEG's track record gives it confidence that it can execute its three remaining Cotai development phases on schedule, and create innovative propositions that will appeal to the middle class in China that aspire for holiday experiences that transcend what is on offer today. With widespread infrastructure and transport improvements set to transform access to Macau from Mainland China in the coming years, GEG is arguably better positioned than any other operator to attract the new wave of higher value visitors to Macau and the surrounding region.

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### **About Galaxy Entertainment Group (HKEx stock code: 27)**

Galaxy Entertainment Group Limited ("GEG") is one of Asia's leading gaming and entertainment corporations, and is a member of the Hang Seng Index.

GEG primarily develops and operates hotels, gaming and integrated resort facilities in Macau, the only legal gaming location in China and the largest gaming entertainment market in the world.

The two flagship properties of GEG include Galaxy Macau™, a world class integrated destination resort opened in May 2011 at Cotai, and StarWorld Macau, an award-winning property opened in 2006 on the Macau peninsula.

In April 2012, GEG announced the development of Galaxy Macau™ Phase 2 that will nearly double the size of the existing resort to one million square metres. Upon its targeted completion by mid-2015, Galaxy Macau™ Phase 2 will bring to Macau some of the most exciting entertainment, leisure, retail and MICE facilities. In December 2012, GEG outlined its concept plans for Phases 3 & 4 of its Cotai landbank and expects to commence construction in 2014.

Additionally, GEG operates a Construction Materials Division.

For more information, please visit [www.galaxyentertainment.com](http://www.galaxyentertainment.com).

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