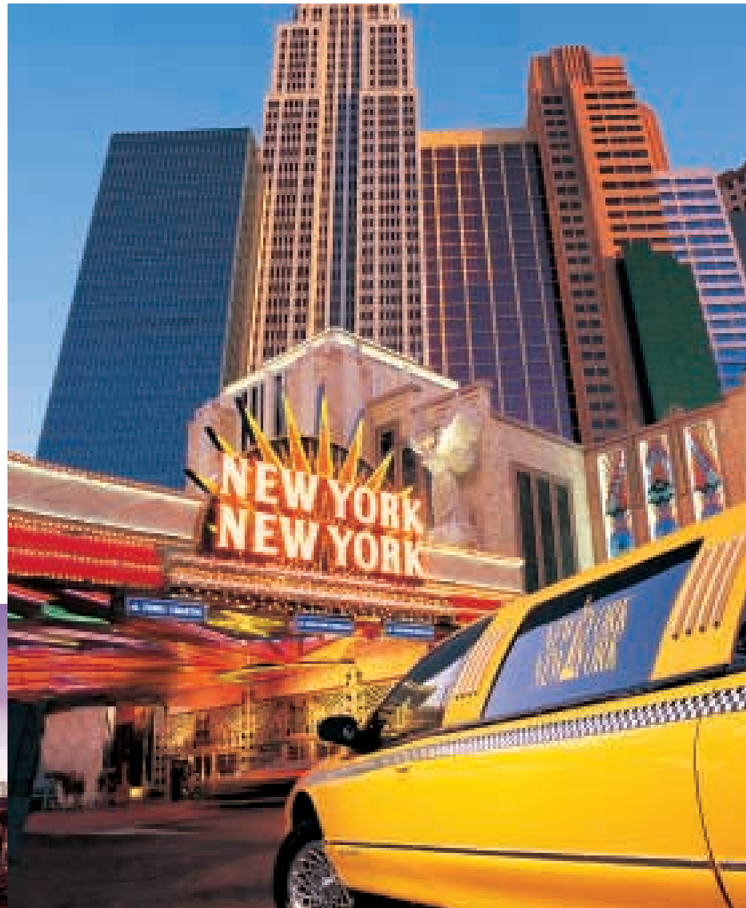
MGM MIRAGE
ANNUAL REPORT 2000

M^2

RAISED TO A NEW POWER

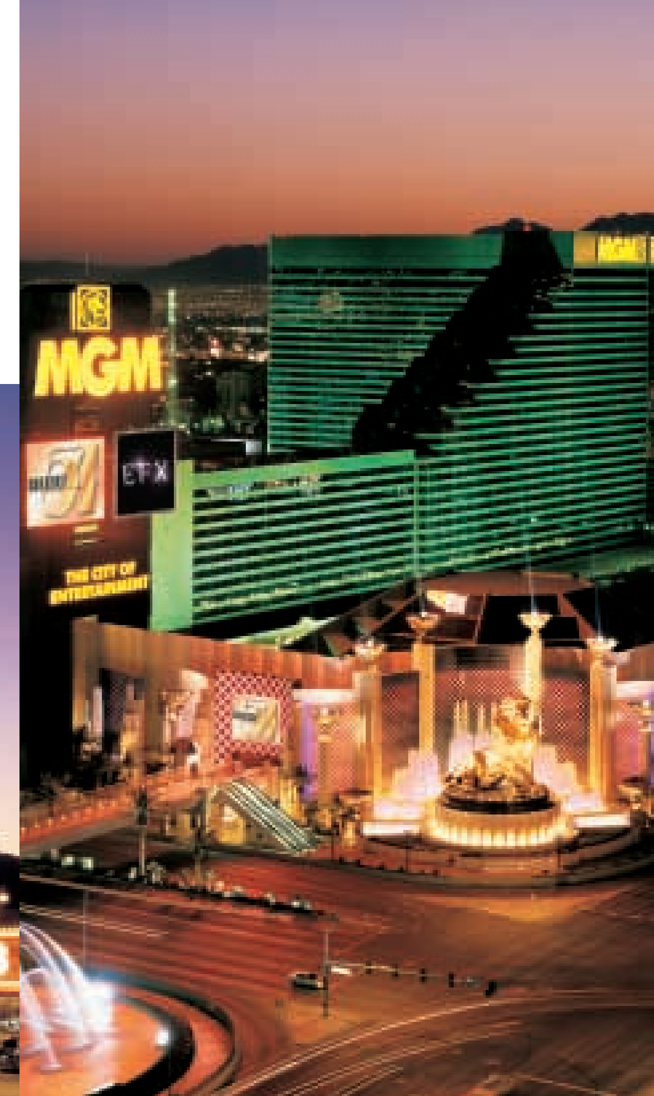
MGM MIRAGE ANNUAL REPORT 2000
RAISED TO A NEW POWER

▲ Primm Valley Resort [Primm]

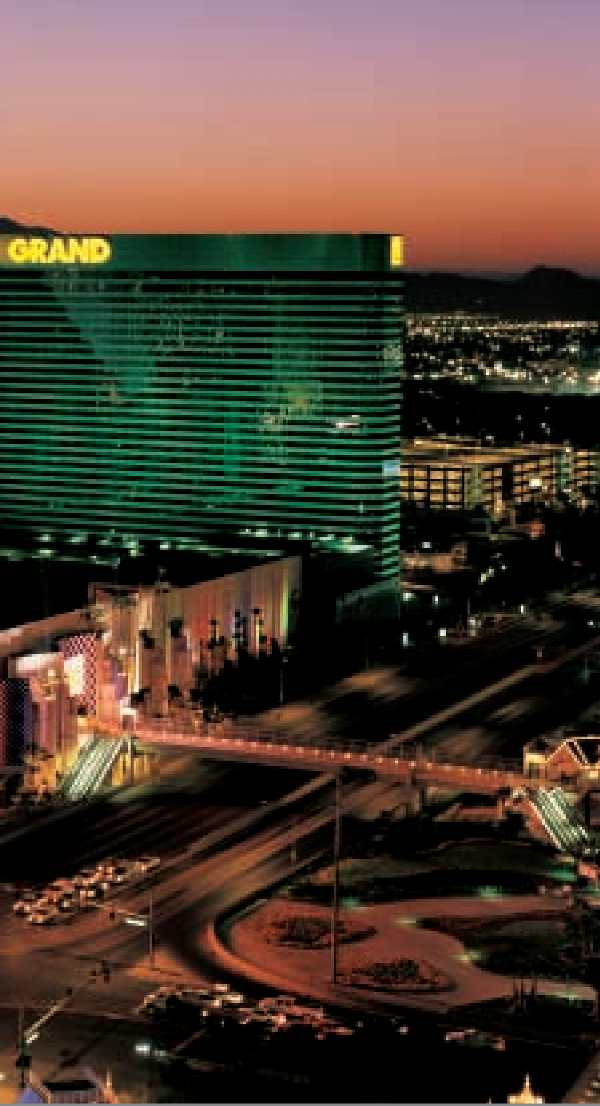


▲ New York-New York [Las Vegas]

▲ Whiskey Pete's [Primm]



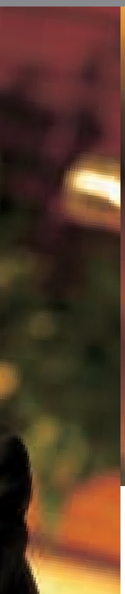
▲ MGM Grand [Las Vegas]



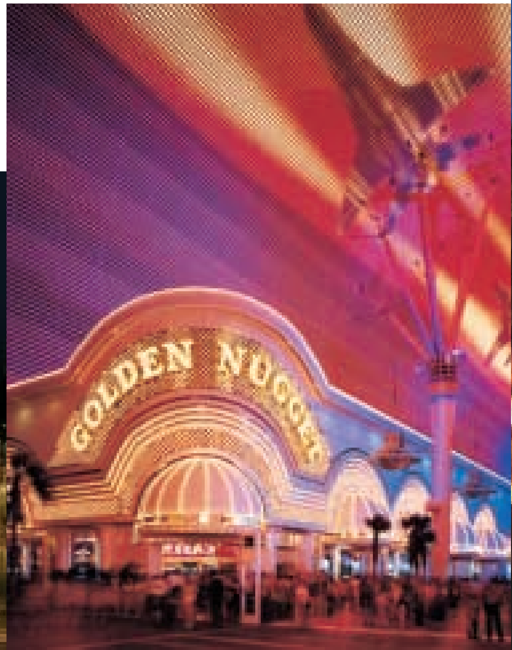
▲ Monte Carlo [Las Vegas]

▲ Golden Nugget [Laughlin]

▲ Beau Rivage [Biloxi]



Detroit]



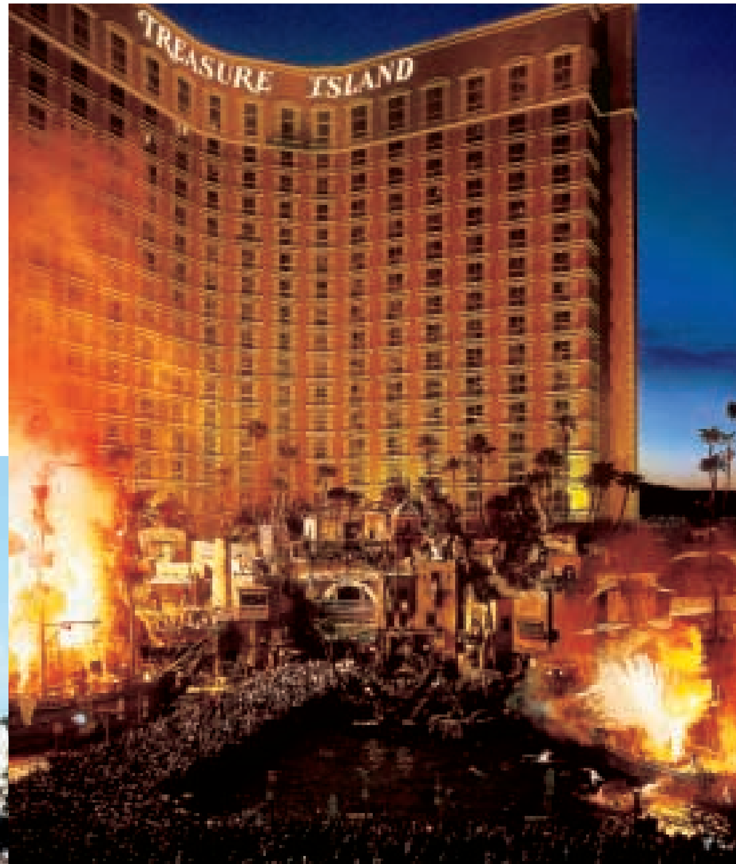
▲ Golden Nugget [Las Vegas]

▲ The Mirage [Las Vegas]

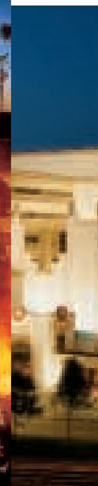
▲ Buffalo Bill’s [Primm]

▲ Bellagio [Las Vegas]

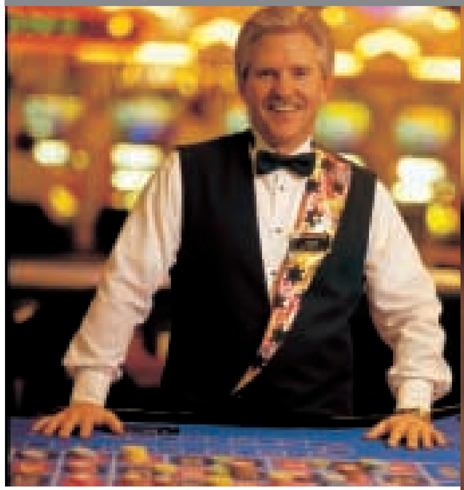
▲ MGM Grand [Australia]



▲ Treasure Island [Las Vegas]



▲ MGM



Monun

IMAGINE...Babe Ruth and Mark McGwire hitting in the same batting order, Michael Jordan and Wilt Chamberlain playing on the same team. Imagine if Beethoven and Mozart collaborated, if Einstein and Newton compared notes, if Michelangelo and Picasso shared a studio. The result would be MONUMENTAL. Two giants coming together and raising their game, their science, their art to a new power.

The alliance of MGM Grand and Mirage Resorts is more than simply the formation of a new company. It is the creation of a powerful synergy between two giants in gaming, entertainment and hospitality. Together, the value of our people and our properties, the strength of our operations and opportunities, the promise of our performance and growth, are exponential.

nental^2

Financial Highlights

(in thousands, except share and per share data)

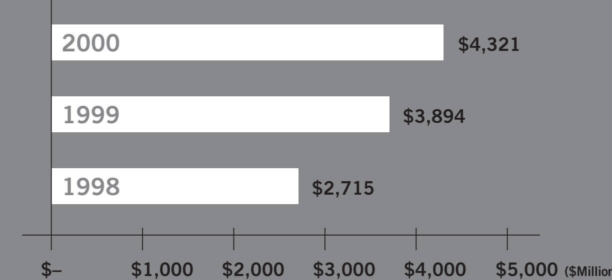
For the Years Ended December 31	2000	1999	1998	1997	1996
Net revenues	$ 3,232,590	$ 1,392,231	$ 773,126	$ 827,597	$ 800,189
EBITDA (1)	996,205	421,659	218,117	287,064	258,781
Operating profit	571,655	223,553	141,835	194,254	139,189
Operating income	537,716	209,868	131,574	190,970	129,294
Income before extraordinary item and cumulative effect of change in accounting principle	166,160	95,124	68,948	115,256	74,517
Net income	160,744	86,058	68,948	111,018	43,706
Basic earnings per share					
Income before extraordinary item and cumulative effect of change in accounting principle	$ 1.15	$ 0.82	$ 0.62	$ 1.01	$ 0.70
Extraordinary item—loss on early retirements of debt, net of income tax benefit	(0.04)	(0.01)	—	(0.04)	(0.29)
Cumulative effect of change in accounting principle—preopening costs, net of income tax benefit	—	(0.07)	—	—	—
Net income per share	$ 1.11	$ 0.74	$ 0.62	$ 0.97	$ 0.41
Weighted average number of shares	145,300,000	116,580,000	111,356,000	114,950,000	105,518,000
Diluted earning per share					
Income before extraordinary item and cumulative effect of change in accounting principle	$ 1.13	$ 0.80	$ 0.61	$ 0.98	$ 0.68
Extraordinary item—loss on early retirements of debt, net of income tax benefit	(0.04)	(0.01)	—	(0.04)	(0.28)
Cumulative effect of change in accounting principle—preopening costs, net of income tax benefit	—	(0.07)	—	—	—
Net income per share	$ 1.09	$ 0.72	$ 0.61	$ 0.94	$ 0.40
Weighted average number of shares	147,901,000	120,086,000	112,684,000	117,670,000	108,514,000
Cash dividends per share (2)	$ 0.10	$ —	$ —	$ —	$ —
At year-end					
Total assets	$10,734,601	$ 2,743,454	$ 1,745,030	$ 1,377,102	$ 1,279,180
Total debt, including capital leases	5,880,819	1,330,206	545,049	68,365	94,022
Stockholders' equity	2,382,445	1,023,201	948,231	1,088,908	977,441
Stockholders' equity per share	$ 14.97	$ 8.98	$ 9.11	$ 9.39	$ 8.44
Number of shares outstanding	159,130,000	113,880,000	104,066,000	115,970,000	115,768,000

The selected financial data above includes information for MGM Grand Las Vegas, which commenced operations on December 18, 1993, New York-New York, which commenced operations on January 3, 1997 and was 50% owned until March 1, 1999 when the Company acquired the remaining 50%, the Primm Properties, which were acquired on March 1, 1999, MGM Grand Australia, which was acquired on September 7, 1995, MGM Grand South Africa, which began managing casinos in the Republic of South Africa in October 1997, MGM Grand Detroit, which commenced operations on July 29, 1999 and The Mirage Properties, which were acquired on May 31, 2000.

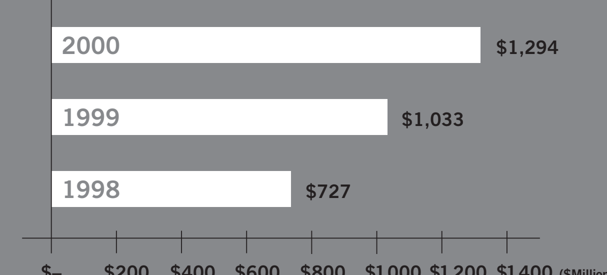
(1) EBITDA consists of operating income plus depreciation and amortization, one-time charges (which consist of master plan asset disposition, preopening and other, restructuring costs and write-downs and impairments) and corporate expense. EBITDA should not be construed as an alternative to operating income, as an indicator of the Company's operating performance, or as an alternative to cash flows generated by operating, investing or financing activities as an indicator of cash flows, or a measure of liquidity, or as any other measure of performance determined in accordance with generally accepted accounting principles.

(2) On December 13, 1999, the Board of Directors approved an initial quarterly cash dividend of $0.10 per share to stockholders of record on February 10, 2000. The dividend was paid on March 1, 2000. As a result of the acquisition of Mirage Resorts, Incorporated, the Company announced on April 19, 2000 that the quarterly dividend policy was discontinued.

Pro Forma Revenue Trends

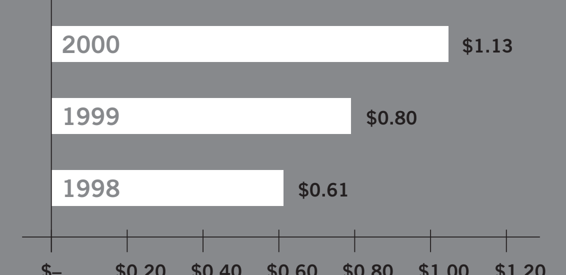


Pro Forma EBITDA (1) Growth



Pro forma amounts include the results of operations of Primadonna Resorts, Inc. and Mirage Resorts, Incorporated as if each acquisition had occurred at the beginning of each period.

DILUTED E.P.S.(3)



(3) Diluted E.P.S. represents E.P.S. before extraordinary items and cumulative change in accounting principle.

2 Our Stockholders

▼ J. Terrence Lanni [Chairman and Chief Executive Officer]

2000 WAS A MOMENTOUS YEAR FOR YOUR COMPANY

While we all learn early in our education that 1 plus 1 equals 2, this simple fact doesn't stop any of us as businesspeople or investors from searching out the illusive opportunity to better the equation.

With apologies to Miss Porter, my second grade teacher, I can honestly say that I can now prove that 1 plus 1 can equal far more than 2.

The MGM Grand, Inc. acquisition of Mirage Resorts, Incorporated was nothing short of momentous.

Early in 2000, your management team was discussing its growth strategy in the coming years. When considering possible acquisitions, we consistently centered on Mirage Resorts. We knew that combining MGM Grand and Mirage Resorts would create the undisputed leader in the gaming industry.

Without the strength and dedication of MGM Grand, Inc.'s employees, we could not have achieved the outstanding operating performance which enabled us to acquire Mirage Resorts, a larger company than MGM Grand.

We found many compelling reasons to acquire Mirage Resorts. The company had some of the best properties in the business. They were almost all brand new or expertly renovated, beautifully maintained and featured extraordinary amenities.

Mirage Resorts' properties also enjoyed worldwide brand recognition with a reputation for overall excellence and remarkable attention to detail.

"FOR THE YEAR, EARNINGS PER SHARE ROSE 51% AND EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS, INCREASED 44%."

▲ Bellagio [Las Vegas]

▼ MGM Grand [Las Vegas]

▲ The Mirage [Las Vegas]

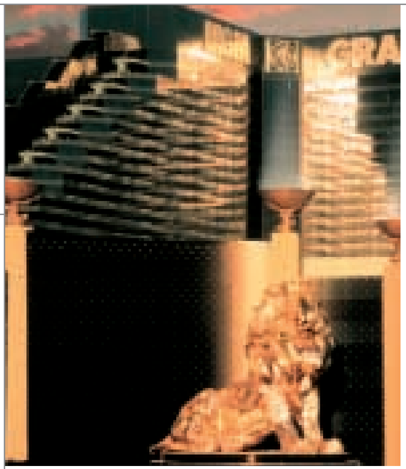
"WITH LEADERSHIP COMES RESPONSIBILITY, AND AT MGM MIRAGE WE TAKE OUR RESPONSIBILITIES VERY SERIOUSLY."

Finally, and of greatest significance, the people of Mirage Resorts were the secret asset that made experiences come to life for guests from around the world.

The combined assets of MGM Grand and Mirage Resorts would result in an unmatched portfolio of properties. To manage these assets we have pulled together an equally unrivaled team of professionals. Gary Jacobs joined your company as Executive Vice President and General Counsel. Bobby Baldwin was made CEO of the Mirage Resorts properties and John Redmond took control of the MGM Grand properties.

Our challenge was to leverage these resorts to achieve the type of returns that would drive shareholder value. The results, even after only a few months, show that our strategy was correct.

- *For the year, your company's net revenue soared 132% to $3.2 billion.*
- *EBITDA grew to $996 million from $422 million, an impressive 136% increase.*
- *For the year, earnings per share rose 51% and earnings per share excluding non-recurring items, increased 44%.*



This financial performance was the result of a tremendous effort on the part of the 45,000 men and women in MGM MIRAGE who come to work each day and create wonderful memories for our guests.

The merger of two companies this size brings with it understandable anxiety and concerns about the future. Our employees pulled together and, in what may be the most remarkable aspect of the entire experience, have blended the cultures and personalities of two of the most recognized leaders in the gaming and entertainment industry into one.

With leadership comes responsibility, and at MGM MIRAGE we take our responsibilities very seriously. During the year, we initiated a company-wide diversity initiative that we believe to be historic. It represents the first such effort in our industry and covers all aspects of our business including employment, purchasing and contracting. We are fully committed to making opportunities available to people of all races, ethnicities and backgrounds.

The leadership role in any industry can certainly be determined by size alone. To be recognized for your company's character is far more satisfying. Just as we were preparing this report, *Fortune Magazine* announced that MGM MIRAGE had been selected as the "Most Admired Company" in the gaming industry in a survey of our

▼MGM MIRAGE Management Committee (L-R) Gary N. Jacobs, J. Terrence Lanni, Daniel M. Wade, John T. Redmond, James J. Murren and Robert H. Baldwin

▲ New York-New York [Las Vegas]

In Las Vegas, we own the most strategically important piece of undeveloped land in the marketplace. Our 55 acres sit geographically at the center of our major holdings creating an unparalleled opportunity for future growth.

I'm not yet certain which mathematical principles we'll challenge in 2001, but I know that we're on the way to providing monumental opportunities for our employees, our business partners and our shareholders.

▲ J. Terrence Lanni [Chairman and Chief Executive Officer]
MGM MIRAGE, 3/10/2001

peers. It is a fitting tribute to the efforts of every one of our employees that they would receive such recognition.

As we look ahead, the future has never seemed more exciting.

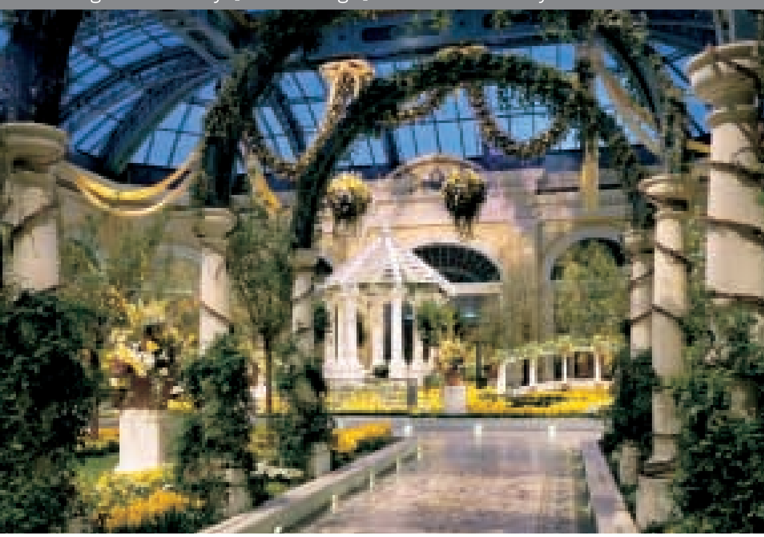
We are positioned to take full advantage of our wonderful collection of branded properties and deliver to our guests entertainment and travel experiences second to none. We are underway with a joint-venture project in Atlantic City, and have announced a second resort project to be wholly owned, that will establish Atlantic City as a center for tourism and entertainment on the East Coast.

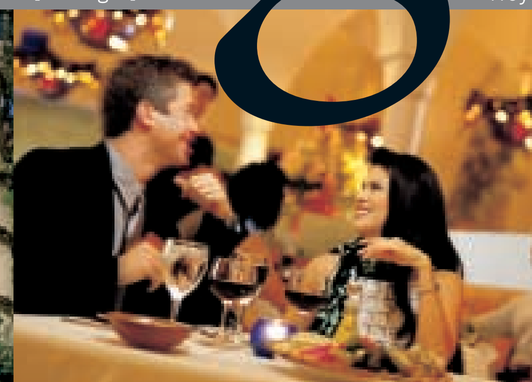
MGM MIRAGE DIVERSITY INITIATIVE STATEMENT:

At MGM MIRAGE, we are committed to the economic empowerment of all people including our shareholders, employees and business partners. As such, we embrace our corporate responsibility to provide opportunities in purchasing, contracting and employment to ethnic minorities and women. We believe this commitment strengthens our company and the communities in which we do business.

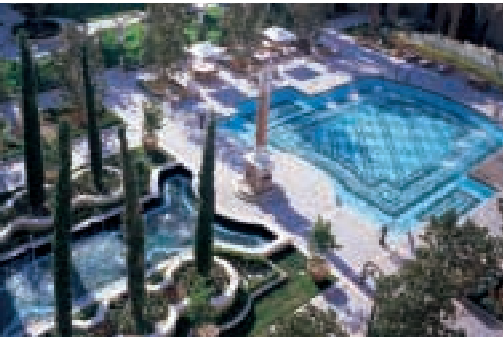
=Magical²

◄ Siegfried & Roy [The Mirage] ▼ Conservatory & Botanical Gardens [Bellagio] ▼ Neyla [MGM Grand] ▼ Roller Coaster [New York-New York] ▼ Pirate Show [Treasure Island]





THE STAR POWER OF MGM MIRAGE IS NO ILLUSION. "All the world's a stage," William Shakespeare wrote, and the world of MGM MIRAGE is a stage for unforgettable entertainment experiences. Beyond spectacular shows, headline events and world-renowned performers, the extraordinary array of activities, amenities and attractions unique to MGM MIRAGE redefines the concept of entertainment, creating moments that are truly memorable...simply magical.



▼ Shopping [Bellagio] ▲ The Mansion at MGM Grand ▼ Siegfried & Roy [The Mirage] ▲ Mystére [Treasure Island] ▲ Tina Turner [MGM Grand] ▲ Siegfried and Roy's Secret Garden [The Mirage]

Individually, each stellar property in the MGM MIRAGE galaxy has its own unique appeal and its own powerful brand associations by virtue of the distinctive features and attractions found only there. Together, the unrivaled combination of properties is truly overwhelming in its allure, offering a virtually limitless range of entertainment choices and options designed to engage and enchant every guest—from the vacationer seeking a weekend getaway to those looking for the most lavish and uncommon destination resort experiences in the world.

At MGM MIRAGE, entertainment is also about world-class shopping opportunities with some of the most fabulous names in retail, such as Giorgio Armani, Prada and Tiffany & Co. It's five-star dining at restaurants like Renoir and Picasso. It's the enjoyment of incredible hotel experiences, exemplified by the Mansion at the MGM Grand. From the volcano at The Mirage, the pirate battle at Treasure Island, and the skyscape of New York-New York, to the fountains and botanical gardens at Bellagio, that's entertainment. That's MGM MIRAGE.




▲ Danny Gans [The Mirage] ▼ “O” [Bellagio] ▲ Lion Habitat [MGM Grand] ▲ Championship Golf [Shadow Creek] ▼ Rick Springfield, EFX Alive [MGM Grand] ▼ Fountains [Bellagio] ▲ Renoir [The Mirage]



PEOPLE POWER. Bellagio and New York-New York...Treasure Island and Beau Rivage...the Golden Nugget and, of course, MGM Grand and The Mirage... Some of the most recognized and valued names in hospitality, entertainment and gaming. But the most important names are Mark and Yoshi, Kimberly and Tomás, Anders and Trisha... The people of MGM MIRAGE. The nearly 45,000 men and women who meet—and exceed—the highest standards of service and professionalism in all aspects of our operations. More than excellent training and great benefits programs, we take special care of our employees by offering unique advantages and opportunities, such as our GED [Graduate Equivalency Diploma] program. The result: highly motivated employees, which translates into high employee satisfaction and, in turn, high employee loyalty—essential to the continued strength of the company. Because our people are not simply names and faces. They are the heart and soul of MGM MIRAGE.

= Motivation^2

▲ The people behind MGM MIRAGE

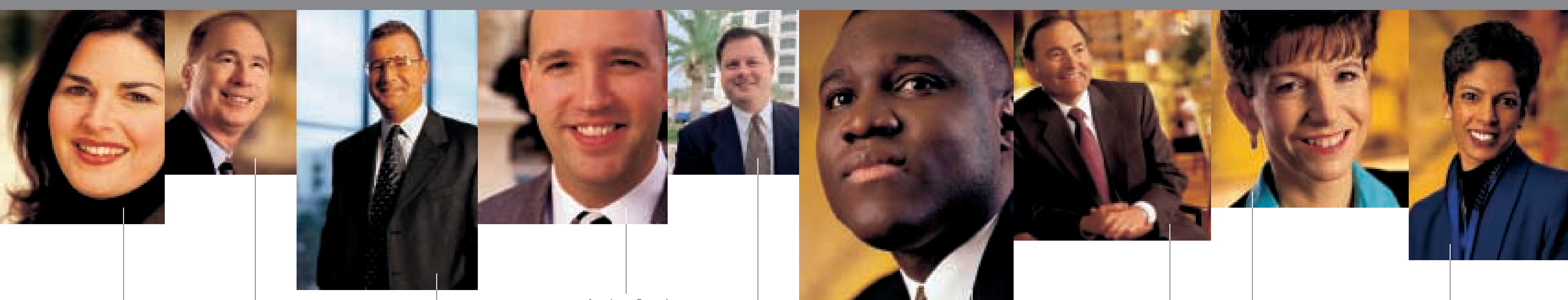
Robert H. Baldwin
[President]
Bellagio

William J. Hornbuckle
[President]
MGM Grand Las Vegas

William McBeath
[President]
The Mirage

Richard A. Sturm
[President]
MGM MIRAGE
Sports and Entertainment

= M



Elizabeth Blau
[Sr. VP F&B Development]
MGM MIRAGE

George R. Boyer III
[President]
Primadonna Resorts

Joe Brunini
[President]
MGM MIRAGE
National Marketing

Andre Carrier
[Chief Operating Officer]
Golden Nugget
Laughlin

Jeff Dahl
[President]
Beau Rivage

Anthony Gladney
[VP Corporate Diversity]
MGM MIRAGE

Robert V. Moon
[Chairman]
MGM MIRAGE
Marketing

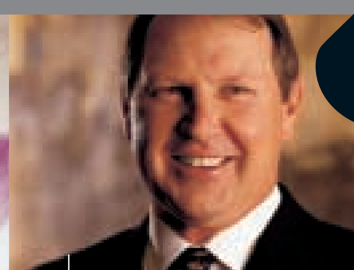
Cynthia Kiser Murphey
[Sr. VP Human Resources]
MGM MIRAGE

Punam Mathur
[VP Community Affairs]
MGM MIRAGE

A SUPERSTAR TEAM. A SUPERPOWER COMPANY. In the sports world, they call it a Dream Team. In the movies, an All-Star cast. In music, a Super Group. Collections of exceptionally talented individuals, coming together to present an outstanding performance. The merger of MGM Grand and Mirage Resorts brought together some of the very best people in the business, each with exceptional experience and all sharing a common vision for the company. In describing such an incomparably strong management team, some would use words like powerhouse, blockbuster…dynasty.

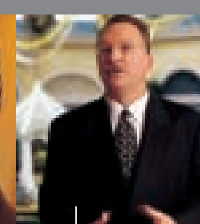
anagement^2

Felix D. Rappaport
[President]
New York-New York



Kenneth Rosevear
[President]
MGM MIRAGE
Development

Scott Sibella
[President]
Treasure Island

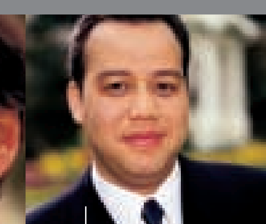


William Smith
[President]
MGM MIRAGE
Design Group

Scott B. Snow
[President]
MGM Grand Detroit

Dave A. Steinhardt
[General Manager]
MGM Grand Darwin

Frank Visconti
[President]
MGM MIRAGE
Retail



Maurice Wooden
[President]
Golden Nugget
Las Vegas

▲Educational Program at Siegfried and Roy's Secret Garden and Dolphin Habitat [The Mirage]

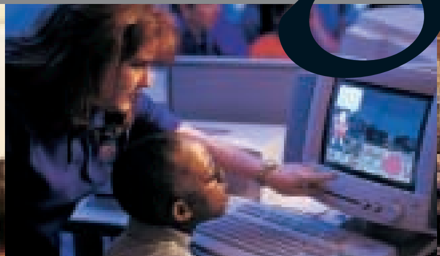
THE WILLPOWER TO MAKE A DIFFERENCE. The brightness of the stars in the sky is measured in terms of magnitude. At MGM MIRAGE, we measure our magnitude by the brightness we bring to the communities in which we operate. With an ongoing commitment to community relations, both as a company and as individuals, the people of MGM MIRAGE reach out through participation in a variety of programs, activities and initiatives—from childhood development to senior involvement, from our dedication to diversity in business partnerships to a variety of volunteer efforts through our VOICE program. As part of our commitment to public education, our Family Scholarship Program provides assistance to our employees' children for continued schooling. And as a leader in community development, MGM MIRAGE is the largest supporter of the United Way in the State of Nevada and in the entire gaming industry. Through these and other programs, we help build strong communities for the benefit of all of us. Simply put, it's a matter of doing well by doing good. Making a difference every day, in everything we do. By working to enhance the quality of life in our community, MGM MIRAGE aims to be its shining star.

= Magnitude^2

REACH OUT ▾

Information Systems computer training program ▾

▾ Boys & Girls Club Book Drive



= Mom

▼ Construction at Borgata [Atlantic City]

▼ Montecasino [South Africa]

▼ H-Tract [Atlantic City]

PRIMED FOR HIGH-POWER GROWTH. Think of James Bond shifting into high gear behind the wheel of his Aston-Martin, or Tina Turner kicking into overdrive in an encore of "Proud Mary." That's momentum. The kind of momentum that is powering MGM MIRAGE. We possess the finest undeveloped gaming real estate in the world. As such, more than any other company in our industry, MGM MIRAGE is perfectly positioned to make strategic, sound growth decisions based on favorable market conditions. MGM MIRAGE is the proud owner of the largest parcel of undeveloped land in Atlantic City, and the finest assemblage of undeveloped real estate on the Las Vegas Strip. We also have the opportunity to expand our enterprise in Detroit, with plans to develop a world class hotel-casino to replace our current facility. At the same time, your company is constantly looking at new gaming jurisdictions, as well as the opportunities presented at our existing properties to enhance and improve their appeal. For example, our plans for expansion projects and new entertainment venues include the opening of an ESPNZone at New York-New York, the Mirage Events Center, an exciting new night club at Bellagio and a new, state-of-the-art theater at MGM Grand. On top of this, we eagerly anticipate our 50% owned venture with Boyd Gaming to build and operate a $1 billion hotel-casino resort in Atlantic City. Scheduled to open in 2003, the Borgata will be the first new resort in Atlantic City in more than a decade and the largest hotel in the market. At MGM MIRAGE, the momentum is building.

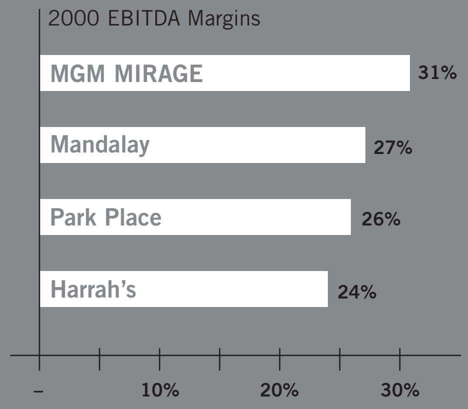
entum²

▼ Detroit Skyline

▼ Borgata [Atlantic City]

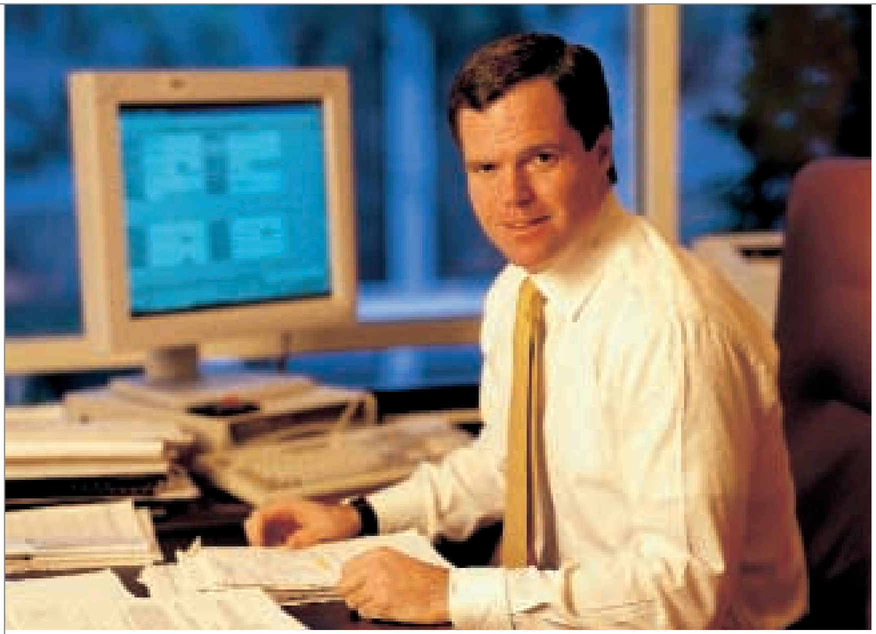
= Monetary²

THE FINANCIAL FIREPOWER OF MGM MIRAGE. Synergy... It's the power of one plus one equaling much more than two. One company merging with another to create not just a new entity, but a new energy. A force of change, altering the landscape. At MGM MIRAGE, our power is reflected in our financial strength—the greatest earnings growth, the highest margins and the best stock performance of any company in our peer group. At MGM MIRAGE, there is power in our numbers.



Financial Overview

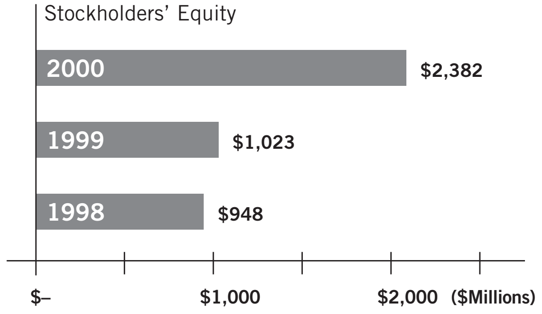
▼ James J. Murren [President and Chief Financial Officer, MGM MIRAGE]



Last year was the most financially rewarding year in your company's history. Not only did earnings surge and margins expand, but a milestone acquisition was successfully integrated, and we raised very attractively priced capital. We accomplished all of this while simultaneously planting the seeds for future growth. We formed a new company, arising from the same core values that have served us so well in the past. Not many people, outside the men and women of MGM MIRAGE, expected that kind of blockbuster year in 2000.

As the year began in 2000, investors had difficulty believing that 1999's new supply had been fully absorbed in Las Vegas. Visitation surged 10.5% in 1999, so little growth was forecasted for 2000. Again, Las Vegas confounded the critics as visitor volume rose 6% in 2000 while Strip gaming revenues increased 7%. And, as is always the case in Las Vegas, the best properties delivered the best results. Accordingly, your company's resorts exhibited exceptional growth.

Ironically, this year, anxiety has shifted from over-capacity concerns to worries over the absence of new construction. With no new resort stimuli in 2001, and against a backdrop of reduced consumer confidence, a struggling U.S. economy, and pockets of weakness overseas, Wall Street is again concerned. At this early stage no one knows how the year will treat Las Vegas. What we do know is that the highest quality resorts with the best amenities, best employees, best themes, in the best locations will continue to catch the customers' imagination and the lion's share of the business. Your company owns most of these properties.



Financial Overview

We don't agree with the theory that there is a growth void left by a lack of new expansion. In our view, visitation doesn't grow because of a single new property opening. Rather increased visitation is the cumulative effect of billions of dollars of capital invested in excitement, millions of dollars invested in advertising, and the power of "word of mouth" marketing created by tourists, travel agencies and convention planners.

As time goes on, more and more people will come to Las Vegas and forward looking civic planners will ensure that they are able to move about the town more freely. McCarran Airport continues to stay ahead of the demand for gates while Clark County's Department of Aviation is preparing to develop a second international airport to make sure everyone can get here. A monorail system is under construction that will transport millions of visitors throughout the city. Meanwhile, the major artery carrying our Southern California guests is being widened as we speak.

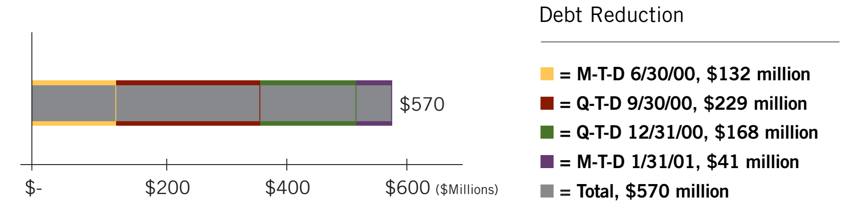
With its world famous restaurants, big time entertainment, great shopping, top accommodations and massive convention facilities, Las Vegas has broadened its market reach and arrived as a leading destination of travelers around the world. Your company has the properties of preference for these guests.

In the short term, there are signs that Las Vegas is feeling the impact of a global economic slowdown. Logic would argue that Las Vegas prefers economic prosperity, yet it is the tough times that create opportunities for well-managed, financially and operationally strong businesses to grow.

We would point out that gaming is an amazingly resilient industry and has historically held up well in past recessions. Perhaps it is because of the demographic of our customers, or the value proposition Las Vegas represents compared with more expensive vacations.

If industry revenue growth does in fact decelerate, investors will likely increase focus on returns on invested capital. As individual returns become more visible, operators with the quality assets and superior returns should receive the premium valuations. We have the industry's best assets, and work hard to control expenses and find incremental revenue opportunities to boost margins and returns.

In addition, future supply will be curtailed in Las Vegas for the next several years. This should mean that continued increases in demand will translate into improving returns. Our upcoming investments in



Financial Overview

Glenn Bonner [VP, Chief Information Officer, MGM MIRAGE], Alan Feldman [VP Public Affairs, MGM MIRAGE], Scott Langsner [Sr. VP, Secretary/Treasurer, MGM MIRAGE] ▼

Las Vegas will largely be additions and improvements to existing resorts, and these tend to be relatively profitable.

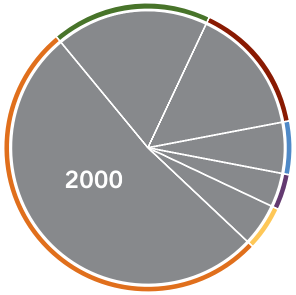
The competitive landscape has dramatically changed. Consolidation is rapidly underway, a trend that has already led to more rational markets and shifting corporate priorities. The current focus for many is on integrating mergers, maximizing cash flow, redeploying capital away from new construction and improving margins. The result should be widespread increases in excess cash flow in an industry that is notably a consumer of capital.

We have always felt that management should be judged on how assets are operated and capital is allocated. We are proud of our industry-leading margins, but believe there is opportunity to improve. We stand by our record of capital reinvestment where necessary, acquiring companies attractively, and repurchasing stock and reducing debt aggressively when it makes sense. Our job is to select those capital allocation alternatives that increase shareholder value the most. If we can't find ways to profitably invest, we should, and do, return the money to you, our shareholders. More often than not in the corporate world, capital is used to increase asset size and revenue. However, we find no correlation between company size and value creation. That is why we never set out to be the biggest company in our industry, although we are just about there, rather the best as measured by asset quality, profitability and growth.

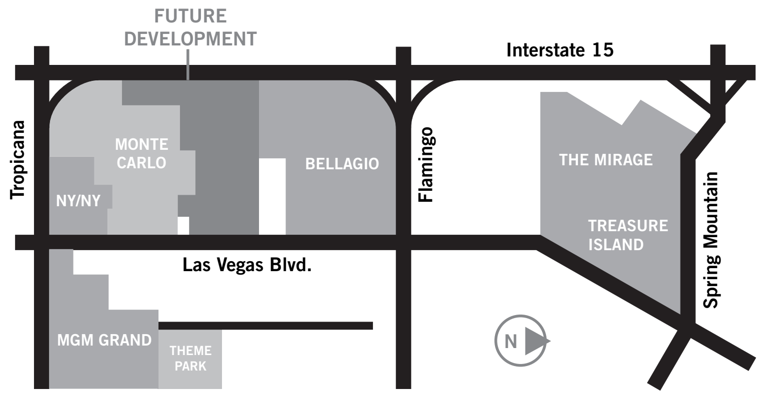
Acquisitions have played an important role in the evolution of your company and the industry at large. Over $38 billion of gaming acquisitions have occurred since 1994. In retrospect, some deals have been better than others. Your company's transactions have been among the best.

Pro Forma Revenue Segments

52% Casino =
18% Hotel =
15% Food & Beverage =
6% Entertainment =
4% Retail =
5% Other =



Financial Overview

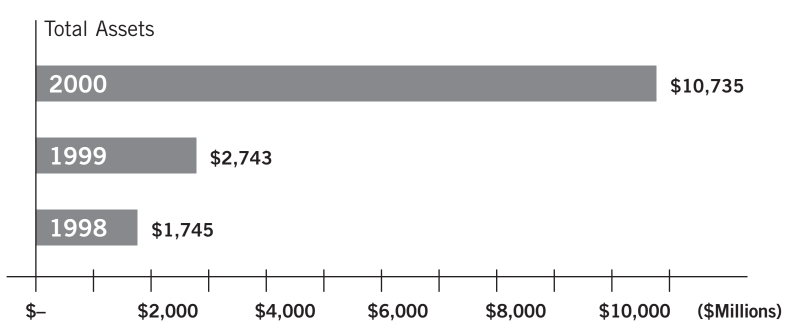


The March 1999 acquisition of Primadonna Resorts delivered the company the remaining 50% interest in the spectacular New York-New York Hotel & Casino, three profitable assets on the California/Nevada state line and two world-class golf courses. Your company paid less than six times the existing level of cash flow for Primadonna. After eighteen months of hard work, cash flow in the state line resorts increased 50%, assumed indebtness declined 25%, and MGM MIRAGE created over $300 million of value for our shareholders.

Our successful integration of Primadonna and outstanding financial performance was accomplished through the tireless efforts of the extraordinarily talented men and women of MGM Grand, our predecessor company. Our strong operating track record and financial depth positioned us perfectly to again expand through acquisition.

This brings us to the landmark transaction of 2000, the acquisition of Mirage Resorts.

We knew last year, that if completed and integrated correctly, the merger of MGM Grand and Mirage would result in the dream combination of assets and people. We believed that the acquisition price of $6.4 billion fairly reflected the franchise value of the Mirage assets and extraordinary people that created that franchise. We are proud of the significant banking commitments we received and the enthusiastic support and approval of our shareholders as we put the companies together. The largest acquisition in the gaming industry was also closed in record time – just 87 days after the deal was announced in March.



Financial Overview

From the beginning, the people of MGM Grand and Mirage pulled together to begin to realize the potential of this premier, investment grade company.

We put the capital structure in place to acquire Mirage by raising $4.3 billion in bank facilities, placing $1.23 billion of equity, and issuing $710 million of public debt.

We aggressively reduced costs, and now merger savings exceed $100 million on an annualized basis.

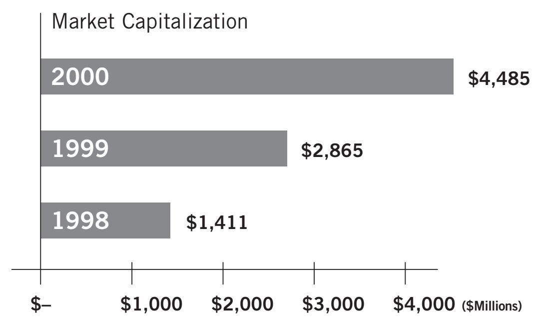
We sold underperforming assets, including art and real estate, totaling $229 million in 2000 to help reduce debt.

We streamlined operations by combining marketing, technology, design and development and legal departments to name a few.

Meanwhile, we kept a keen eye on operations and produced strong results across the brand portfolio.

Henry Ford once said, "Coming together is the beginning, keeping together is progress, working together is success". We have only scratched the surface of opportunity at MGM MIRAGE. We will continue to invest judiciously to expand our competitive advantages by keeping our properties exciting and exploiting our technology to improve operating efficiency and customer yield.

In days long past, casino competitors used deals and billboards to attract customers. Today the competitive weapons are the facilities themselves. Your company owns the industry's most powerful arsenal and our fortress of resorts create a high barrier of entry.



Fueling our growth is free cash flow. Even after investing over $200 million this year to deepen our competitive advantage, we expect to generate excess cash. We will use the cash to reduce debt, grow our business and perhaps repurchase shares or make more acquisitions. As always, all our decisions will be disciplined and aimed at improving the wealth of our stockholders.

▲ James J. Murren [President and Chief Financial Officer]
MGM MIRAGE, 3/10/2001

Financial Table of Contents

RESULTS OF OPERATIONS

Two major acquisitions had a significant impact on our operating results for 1999 and 2000. The March 1, 1999 acquisition of Primadonna Resorts, Inc. added the three Primm Properties located at the California/Nevada state line, as well as New York-New York on the Las Vegas Strip. Prior to the acquisition, we had owned 50% of New York-New York through a joint venture with Primadonna. The May 31, 2000 acquisition of Mirage Resorts, Incorporated added four wholly owned and one joint venture resort on the Las Vegas Strip, as well as resorts in downtown Las Vegas and Laughlin, Nevada and Biloxi, Mississippi. Additionally, the July 29, 1999 opening of MGM Grand Detroit contributed significantly to our growth over the last two years.

2000 Compared with 1999

Net revenues for the year ended December 31, 2000 were $3.23 billion, representing an increase of $1.84 billion, or 132%, over the $1.39 billion recorded in 1999. The Mirage properties generated $1.50 billion of this increase and the Primm Properties and New York-New York provided an additional net increase of $75 million. MGM Grand Detroit generated $403 million during 2000 versus $173 million for its approximately five months of operation in 1999. The increases at the Primm Properties, New York-New York and MGM Grand Detroit were generally proportionate to the increase in the length of time each property was included in the consolidated results. MGM Grand Las Vegas achieved record net revenue of $831 million, representing a 5% increase over the $790 million reported in 1999.

Consolidated casino revenues for the year ended December 31, 2000 were $1.91 billion, representing an increase of $1.04 billion, or 119%, over the $874 million achieved in 1999. The Mirage properties accounted for $753 million of the increase. The Primm Properties and New York-New York accounted for an additional $47 million of casino revenues, generating $276 million in 2000 versus the $229 million recorded in the 10 months these properties were owned during 1999. MGM Grand Detroit recorded casino revenues of $388 million in 2000, an increase of $222 million from the $166 million achieved in its approximately five months of operation in 1999. The remaining $18 million increase in casino revenues was achieved at MGM Grand Las Vegas, where casino revenues increased from $447 million in 1999 to a record $465 million in 2000. This increase was concentrated in the table games area, and was primarily attributable to higher table games volume.

Consolidated room revenues for 2000 were $621 million, representing an increase of $354 million, or 133%, versus 1999. The Mirage properties generated $329 million of this increase, while the Primm Properties and New York-New York accounted for another $18 million. The balance of the increase related to MGM Grand Las Vegas, where room revenues increased from $191 million to $199 million, despite a 3% reduction in available room nights due to a room remodeling project which was completed in August 2000. Average daily room rate and revenue per available room at MGM Grand Las Vegas each increased by 7% versus the 1999 period, to $110 and $106, respectively.

Consolidated food and beverage revenues more than tripled, from $162 million in 1999 to $491 million in 2000. The Mirage properties contributed $287 million of the $329 million increase. Food and beverage revenues at MGM Grand Las Vegas rose by 18%, from $112 million in 1999 to a record $132 million in 2000. This increase was attributable primarily to increased food and beverage sales at the MGM Grand Conference Center as well as increased beverage sales at the Studio 54 nightclub. The balance of the consolidated increase was attributable to MGM Grand Detroit, the Primm Properties and New York-New York.

Consolidated entertainment, retail and other revenues for 2000 were $472 million, an increase of $275 million, or 140%, over the $197 million reported in 1999. This increase was also primarily attributable to the Mirage properties, which contributed $264 million of the increase.

Income from unconsolidated affiliate of $22 million for 2000 represented our 50% share of the operating results of Monte Carlo since the joint venture interest was acquired as part of the Mirage acquisition. The $6 million recorded in 1999 represented our 50% share of the operating results of New York-New York for the first two months of 1999, after which New York-New York became a wholly owned subsidiary.

Consolidated operating expenses (before preopening expenses, restructuring costs, write-downs and impairments and corporate expense) were $2.53 billion in 2000, representing an increase of $1.43 billion, or 131%, over the $1.10 billion recorded in 1999. The Mirage properties generated $1.20 billion of this increase and the Primm Properties and New York-New York had an additional net increase of $57 million. MGM Grand Detroit reported $279 million during 2000 versus $127 million for its approximately five months of operation in 1999. Operating margins were generally consistent between the years with the exception of MGM Grand Detroit, which showed strong improvement resulting from cost containment measures and improved operating efficiencies achieved following commencement of operations at this new facility.

During the year ended December 31, 2000, management implemented comprehensive restructuring plans designed to reduce costs and improve efficiencies within the Company. The implementation of these plans resulted in a charge against earnings totaling $24 million ($15 million, net of tax), primarily related to consolidation of certain general and administrative functions at New York-New York and MGM Grand Las Vegas, various contract terminations and staffing reductions, the buyout of various leases and other related items. Approximately 195 people were affected by the reductions, primarily at our operating properties (excluding the Mirage properties) relating to duplicative functions within marketing, entertainment, retail, information systems and human resources.

During June 2000, we recognized a charge against earnings of $102 million ($66 million, net of tax) related to certain projects previously under development which management has determined not to pursue, the divesting of certain non-strategic assets and the re-evaluation of certain other assets, all as a result of the Mirage acquisition.

Corporate expense increased to $34 million in 2000 versus $14 million in 1999. This increase was primarily attributable to the Mirage acquisition, reflecting higher corporate operating expenses related to a larger corporate structure and higher airplane costs due to the operation of two corporate airplanes in the current year compared to only one in the prior year.

Interest income increased from $2 million in 1999 to $13 million in 2000. This increase was largely the result of interest earned on cash temporarily invested prior to its use in the Mirage acquisition, as well as a somewhat higher level of invested cash balances associated with the significant increase in the size of our operations.

Interest expense, net for 2000 was $273 million, versus $60 million in the prior year. This increase was a function of substantial increases both in interest cost and interest capitalized, each as a result of the Mirage acquisition. Interest cost was $364 million in 2000 versus $76 million in 1999, as our total debt increased from $1.31 billion at December 31, 1999 to $5.87 billion at December 31, 2000. This increase is reflective of the debt issued and assumed in connection with the Mirage acquisition. Interest capitalized increased to $91 million from the $16 million recorded in the prior year. A substantial majority of the interest capitalized in 2000 related to development projects on the Las Vegas Strip and in the Marina area of Atlantic City, on development sites acquired in the Mirage acquisition. In January 2001, we announced that our near-term development focus would be on the Atlantic City market. As a result, we have suspended the capitalization of interest on the Las Vegas Strip project until the development process for that project is further advanced.

Extraordinary loss of $5 million in 2000, net of income tax benefit, reflects the write-off of unamortized debt costs from our previous $1.25 billion revolving credit facility and from the portion of the $1.3 billion term loan extinguished during the year. Extraordinary loss of $1 million in 1999, net of income tax benefit, reflects the write-off of unamortized debt costs from the New York-New York bank facility, which was extinguished on March 31, 1999.

1999 Compared with 1998

Net revenues for the year ended December 31, 1999 were $1.39 billion, representing an increase of $619 million, or 80%, versus the $773 million recorded in the prior year. The increase in net revenues was due to growth in every revenue segment at existing properties, as well as the addition of the Primm Properties and the remaining 50% share of New York-New York on March 1, 1999 and the opening of MGM Grand Detroit on July 29, 1999.

Consolidated casino revenues for 1999 were $874 million, representing an increase of $463 million, or 113%, over the $411 million achieved in 1999. The acquisition of the Primm Properties and New York-New York accounted for $229 million of the increase, while MGM Grand Detroit contributed $166 million following its opening. The remaining $68 million increase in casino revenues was achieved principally at MGM Grand Las Vegas, where casino revenues increased from $383 million in 1998 to $447 million in 1999. This increase was primarily the result of higher table games volume (excluding baccarat), a more normalized table games win percentage and increased slot volume.

Consolidated room revenues for 1999 were $266 million, representing an increase of $84 million, or 46%, when compared with $182 million during 1998. MGM Grand Las Vegas room revenues increased by $11 million, or 6%, to $191 million. The increase was due to a two percentage point increase in occupancy and a 4% increase in average daily rate. The remainder of the increase was due to the $73 million of room revenues contributed by the Primm Properties and New York-New York.

Consolidated food and beverage revenues increased by $55 million, or 51%, to $162 million in 1999. The increase was due primarily to the addition of the new properties, as the Primm Properties and New York-New York generated $34 million while MGM Grand Detroit contributed $10 million. The remainder of the increase was at MGM Grand Las Vegas, where food and beverage revenues increased by $11 million, to $112 million. These increases resulted from additional food and beverage sales at the MGM Grand Conference Center, which opened on April 16, 1998, as well as increases at the Studio 54 nightclub and the Grand Buffet, which had been closed for remodeling during part of 1998, offset in part by decreased revenue from the Studio Cafe due to its closure for remodeling during part of 1999.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Consolidated entertainment, retail and other revenues were $197 million during 1999, representing an increase of $95 million, or 94%, from the $102 million recorded in 1998. MGM Grand Las Vegas contributed a strong $24 million, or 24%, increase to $123 million in 1999. This increase included revenues from two heavyweight boxing matches, as well as increased tenant rental and spa revenues and the addition of the wedding chapel and other amenities in 1999. The remainder of the increase was due primarily to the addition of the Primm Properties and New York-New York, which generated $65 million of entertainment, retail and other revenues in 1999.

Income from unconsolidated affiliate, representing our 50% share of New York-New York's operating results, was $6 million in 1999 versus $38 million in 1998. This decline was the result of our acquisition of the remaining 50% interest in New York-New York on March 1, 1999, and the resulting inclusion of New York-New York in our consolidated results from that date forward.

Consolidated operating expenses (before preopening expenses, restructuring costs, write-downs and impairments and corporate expense) were $1.10 billion in 1999, representing an increase of $466 million, or 74%, over the $631 million recorded in 1998. The addition of the Primm Properties and New York-New York accounted for $272 million of this increase and the opening of MGM Grand Detroit added another $127 million. The remainder of the increase was substantially all at MGM Grand Las Vegas, where operating expenses increased by $61 million, or 10%, from $607 million in 1998 to $668 million in 1999. The increase in operating expenses generally followed the increase in related revenues.

Preopening expense and other of $71 million for 1999 principally represented costs associated with the opening of MGM Grand Detroit, expansion activities at MGM Grand Las Vegas and certain tender offer costs.

Corporate expense for 1999 was $14 million, representing a $4 million increase over the $10 million in 1998. The increase was largely due to non-cash amortization expense in 1999 associated with the issuance of stock options to non-employees.

Interest income was $2 million for 1999, representing an $11 million decrease from the $13 million earned in 1998. The decrease was attributable to lower invested cash balances compared with the earlier year.

Interest expense, net for the year ended December 31, 1999 of $60 million increased by $35 million when compared with the $25 million recorded in 1998, reflecting increased outstanding loan balances related to construction of MGM Grand Detroit, as well as debt assumed in the Primadonna acquisition. Also, we incurred additional interest expense during 1999 due to debt incurred to fund the repurchase of 12 million of our common shares in July 1999. Interest expense from unconsolidated affiliate declined from $8 million in 1998 to $1 million in 1999, reflecting New York-New York becoming a wholly owned subsidiary on March 1, 1999.

Cumulative effect of change in accounting principle of $8 million in 1999, net of income tax benefit, reflects our adoption of Statement of Position 98-5, which requires that costs associated with start-up activities be expensed as incurred.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2000 and December 31, 1999, we held cash and cash equivalents of $228 million and $122 million, respectively. Cash provided by operating activities for 2000 was $818 million, compared with $290 million for 1999 and $172 million for 1998.

On May 31, 2000, we completed the Mirage acquisition whereby Mirage shareholders received $21 per share in cash. Funds needed to complete the acquisition were approximately $6.2 billion. These funds were used for payments to Mirage shareholders and holders of Mirage stock options, refinancing of certain indebtedness of Mirage and MGM Grand, payment of fees and expenses in connection with the Mirage acquisition and general corporate purposes. In order to fund the Mirage acquisition, we borrowed $4.21 billion under our new senior credit facilities, completed the private placement of 46.5 million shares of our common stock for a total purchase price of approximately $1.23 billion, issued $710 million of senior subordinated notes and used cash on hand to fund the remaining balance.

During 2000, $118 million was drawn down on the $1.25 billion revolving credit facility and $730 million was repaid, including a final balance of $700 million that was refinanced via borrowings under the new senior facilities. During 2000, $4.21 billion was drawn down and $1.30 billion was repaid on the new senior facilities and $2.91 billion remained outstanding at the end of the year. Also during 2000, $26 million was drawn down and $130 million was repaid on the Detroit credit facility and $65 million remained outstanding at the end of the year.

On May 5, 2000, our shelf registration statement, which allows us to issue up to a total of $2.75 billion of debt and equity securities from time to time in public offerings, was declared effective by the Securities and Exchange Commission. After giving effect to the issuance of $710 million of senior subordinated notes to partially fund the Mirage acquisition and the issuance of $850 million of senior notes, the proceeds of which were used to partially repay the $1.3 billion term loan component of the new senior facilities, the shelf registration statement had $1.19 billion in remaining capacity at December 31, 2000 for the issuance of future debt or equity securities. On January 23, 2001, we issued an additional $400 million of senior subordinated notes (also used to repay a portion of the term loan) under the shelf registration statement, leaving remaining capacity of $790 million. Any future public offering of securities under the shelf registration statement will only be made by means of a prospectus supplement.

We intend to refinance the remaining balance of the $1.3 billion term loan and the $1 billion revolving credit facility (another element of the new senior facilities) prior to or upon their April 6, 2001 maturities through the amendment and renewal of those facilities or through other financing alternatives.

During the years ended December 31, 2000, 1999 and 1998, our capital expenditures were $336 million, $375 million and $362 million, respectively. The 2000 capital expenditures related to general property improvements at our resorts, including the recently completed room refurbishment program at MGM Grand Las Vegas, the acquisition of land by MGM Grand Detroit and other land acquisitions and pre-construction activities associated with ongoing development projects, including capitalized interest. During 1999, $83 million was expended on MGM Grand Las Vegas master plan improvements, which were completed in early 2000, and $162 million was expended on the development of the MGM Grand Detroit interim casino. During 1998, $305 million was spent on MGM Grand Las Vegas master plan improvements.

In November 1997, MGM Grand Detroit, LLC (in which we hold a controlling interest) was selected to be the developer of one of three permanent hotel-casino complexes to be located in the City of Detroit. The MGM Grand Detroit permanent facility is expected to include a 100,000 square foot casino, an 800-room hotel with ballroom, convention and meeting rooms, restaurants, bars, entertainment and retail facilities. The total project cost could exceed $800 million and development could take up to four years. Development of the permanent facility will not proceed until after acquisition by MGM Grand Detroit, LLC of the permanent development site from the City of Detroit, which is attempting to acquire land parcels for the site from a number of independent land owners. The design, budget and schedule for development of the permanent facility are at a preliminary stage, will be subject to the risks attendant to large-scale projects and may be subject to additional costs and delays beyond preliminary estimates. No assurance can be given that we will develop a permanent hotel-casino in Detroit, or if we do, as to its ultimate size, configuration or cost.

In January 1998, the City of Atlantic City deeded to Mirage approximately 180 acres (120 acres of which are developable) in the Marina area of Atlantic City. In exchange, Mirage agreed to develop a hotel-casino on the site and perform certain other obligations. Mirage also entered into an agreement with two New Jersey State agencies for the construction and joint funding of road improvements necessary to improve access to the Marina area. As called for by the agreement, in October 1997, Mirage funded its $110 million portion and one of the State agencies funded its $125 million portion of the $330 million estimated total cost of the road improvements. Each party deposited its funds into escrow accounts and the funds are restricted for construction of the road improvement projects. The other State agency provided the remaining $95 million estimated cost of the project. There is a fixed-price design/build contract for the road improvement project. Groundbreaking on the project took place in November 1998, and the project is scheduled to open to the public in July 2001.

In November 2000, a limited liability company owned 50-50 with Boyd Gaming Corporation, began construction of the Borgata, a 2,000-guestroom hotel-casino resort, on a 27-acre portion of the Marina site. Boyd is overseeing the construction and will operate the resort upon completion. Construction is expected to be completed in the summer of 2003 at a total project cost, including land, of approximately $1.04 billion. In December 2000, we contributed the 27 acres of land and Boyd contributed $90 million in cash to the venture, and the venture obtained a $630 million secured bank credit facility, which is non-recourse to MGM MIRAGE, to fund the project costs. We and Boyd are each required to contribute up to an additional $117 million in cash to the venture and Boyd is required to contribute any additional cash necessary to fund project costs in excess of the agreed project budget. As of December 31, 2000, each partner had made $17 million of such additional cash contributions to the venture.

As required by our agreement with Boyd, we have designed and are developing the common roads, landscaping and other master plan improvement for the entire Marina site. As part of the agreement with the City, we are required to remediate environmental contamination at the Marina site, which was a municipal landfill for many years. A substantial portion of the remediation work has been completed.

As noted above, we have recently decided to proceed with the design and development of a new wholly owned hotel-casino resort on the Marina site next to the Borgata. The project is in the preliminary design phase and no construction budget or schedule has been developed.

We must apply for and receive numerous governmental permits and satisfy other conditions before construction of a new resort on the Marina site can begin. We cannot be certain of the ultimate construction schedule or cost of construction of the Borgata or any other project on the Marina site.

On August 5, 1999, we announced a 12-month stock repurchase program for up to 10 million shares of our common stock. We purchased a total of 3.1 million shares for an approximate cost of $66 million through February 2000. The repurchase program was suspended as a result of the Mirage acquisition and has now expired.

On December 13, 1999, our Board of Directors approved a two-for-one split of our common stock and declared an initial quarterly cash dividend of $0.10 per share, after giving effect to the stock split. The additional shares were distributed on February 25, 2000 to stockholders of record on February 10, 2000. The cash dividend totaling approximately $11 million was paid on March 1, 2000 to stockholders of record on February 10, 2000. All references to share and per share data herein have been adjusted retroactively to give effect to the stock split. Concurrently, the Board of Directors increased the number of authorized shares of our common stock from 75 million shares to 300 million shares. As a result of the Mirage acquisition, we announced on April 19, 2000 that the previously declared quarterly dividend policy was discontinued.

Our debt has increased substantially as a result of the Mirage acquisition. We intend to focus on utilizing available free cash flow to reduce indebtedness, as well as to finance our ongoing operations. We expect to finance operations, capital expenditures and existing debt obligations through cash flow from operations, cash on hand, bank credit facilities and, depending on market conditions, public offerings of securities under the shelf registration statement.

MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our long-term debt. To date, we have not invested in derivative or foreign currency based financial instruments. We attempt to limit our exposure to interest rate risk by managing the mix of our long-term fixed-rate borrowings and short-term borrowings under our bank credit facilities.

RECENTLY ISSUED ACCOUNTING STANDARDS

We will adopt Emerging Issues Task Force ("EITF") Issue 00-14, "Accounting for Certain Sales Incentives," in the first quarter of 2001. EITF 00-14 requires that sales incentives be recorded as a reduction of revenue. The adoption of EITF 00-14 will have no effect on our operating income or our accounting for rooms, food and beverage and other non-casino revenues. We currently classify incentives to induce casino play as operating expenses. We will reclassify such incentives, which totaled approximately $85 million for the year ended December 31, 2000, beginning in the first quarter of 2001, and will also reclassify prior period amounts.

Consolidated Statements of Income

For the years ended December 31 (in thousands, except per share amounts)	2000	1999	1998
REVENUES			
Casino	**$ 1,913,733**	$ 873,781	$ 410,605
Rooms	**620,626**	266,490	181,912
Food and beverage	**490,981**	161,856	106,961
Entertainment, retail and other	**471,525**	196,626	101,504
Income from unconsolidated affiliate	**22,068**	6,084	38,362
	3,518,933	1,504,837	839,344
Less – promotional allowances	**286,343**	112,606	66,218
	3,232,590	1,392,231	773,126
EXPENSES			
Casino	**933,621**	434,241	223,238
Rooms	**188,080**	84,135	61,165
Food and beverage	**293,380**	102,102	67,084
Entertainment, retail and other	**291,711**	112,046	66,772
Provision for doubtful accounts and discounts	**106,938**	47,114	40,463
General and administrative	**422,655**	190,934	96,287
Preopening expenses and other	**5,624**	71,496	—
Restructuring costs	**23,520**	—	—
Write-downs and impairments	**102,225**	—	—
Depreciation and amortization	**293,181**	126,610	76,282
	2,660,935	1,168,678	631,291
OPERATING PROFIT	**571,655**	223,553	141,835
CORPORATE EXPENSE	**33,939**	13,685	10,261
OPERATING INCOME	**537,716**	209,868	131,574
NON-OPERATING INCOME (EXPENSE)			
Interest income	**12,964**	2,142	12,997
Interest expense, net	**(272,856)**	(59,853)	(24,613)
Interest expense from unconsolidated affiliate	**(2,043)**	(1,058)	(8,376)
Other, net	**(741)**	(946)	(2,054)
	(262,676)	(59,715)	(22,046)
Income before income taxes, extraordinary item and cumulative effect of change in accounting principle	**275,040**	150,153	109,528
Provision for income taxes	**(108,880)**	(55,029)	(40,580)
Income before extraordinary item and cumulative effect of change in accounting principle	**166,160**	95,124	68,948
EXTRAORDINARY ITEM			
Loss on early retirements of debt, net of income tax benefits of $2,983 and $484	**(5,416)**	(898)	—
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE			
Preopening costs, net of income tax benefit of $4,399	—	(8,168)	—
NET INCOME	**$ 160,744**	$ 86,058	$ 68,948
BASIC INCOME PER SHARE OF COMMON STOCK			
Income before extraordinary item and cumulative effect of change in accounting principle	**$ 1.15**	$ 0.82	$ 0.62
Extraordinary item – loss on early retirements of debt, net	**(0.04)**	(0.01)	—
Cumulative effect of change in accounting principle – preopening costs, net	—	(0.07)	—
Net income per share	**$ 1.11**	$ 0.74	$ 0.62
DILUTED INCOME PER SHARE OF COMMON STOCK			
Income before extraordinary item and cumulative effect of change in accounting principle	**$ 1.13**	$ 0.80	$ 0.61
Extraordinary item – loss on early retirements of debt, net	**(0.04)**	(0.01)	—
Cumulative effect of change in accounting principle – preopening costs, net	—	(0.07)	—
Net income per share	**$ 1.09**	$ 0.72	$ 0.61

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

As of December 31 (in thousands, except share amounts)	2000	1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 227,968	$ 121,522
Accounts receivable, net	236,650	83,101
Inventories	86,279	15,240
Income tax receivable	11,264	—
Deferred income taxes	162,934	17,452
Prepaid expenses and other	70,549	32,598
Total current assets	795,644	269,913
PROPERTY AND EQUIPMENT, NET	9,064,233	2,384,772
OTHER ASSETS		
Investment in unconsolidated affiliates	522,422	12,485
Excess of purchase price over fair market value of net assets acquired, net	54,281	31,683
Deposits and other assets, net	298,021	44,601
Total other assets	874,724	88,769
	$ 10,734,601	$ 2,743,454
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 65,317	$ 45,914
Income taxes payable	—	3,296
Dividend payable	—	11,388
Current obligation, capital leases	4,099	5,145
Current portion of long-term debt	521,308	7,852
Accrued interest on long-term debt	77,738	18,915
Other accrued liabilities	564,743	197,580
Total current liabilities	1,233,205	290,090
DEFERRED INCOME TAXES	1,730,158	108,713
LONG-TERM OBLIGATIONS, CAPITAL LEASES	7,092	12,864
LONG-TERM DEBT	5,348,320	1,304,345
OTHER LONG-TERM OBLIGATIONS	33,381	4,241
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value: authorized 300,000,000 shares, issued 163,189,205 and 138,445,048 shares; outstanding 159,130,205 and 113,879,848 shares	1,632	1,384
Capital in excess of par value	2,041,820	1,261,625
Treasury stock, at cost (4,059,000 and 24,565,200 shares)	(83,683)	(505,824)
Retained earnings	427,956	267,165
Other comprehensive loss	(5,280)	(1,149)
Total stockholders' equity	2,382,445	1,023,201
	$ 10,734,601	$ 2,743,454

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 (in thousands)	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 160,744**	$ 86,058	$ 68,948
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**293,181**	126,610	76,282
Amortization of debt discount and issuance costs	**31,257**	1,958	1,849
Provision for doubtful accounts and discounts	**106,938**	47,114	40,463
Loss on early retirements of debt	**8,399**	1,382	—
Cumulative effect of change in accounting principle	—	12,567	—
Restructuring costs	**23,520**	—	—
Write-downs and impairments	**102,225**	—	—
Income from unconsolidated affiliate	**(20,025)**	(5,026)	(29,986)
Distributions from unconsolidated affiliate	**24,000**	—	4,120
Deferred income taxes	**35,595**	27,489	14,530
Changes in assets and liabilities:			
Accounts receivable	**(122,203)**	(41,401)	(30,594)
Inventories	**4,293**	(4,067)	4,314
Income taxes receivable and payable	**71,754**	(5,966)	2,457
Prepaid expenses	**(2,731)**	(9,332)	(1,377)
Accounts payable, accrued liabilities and other	**100,611**	52,491	20,674
Net cash provided by operating activities	**817,558**	289,877	171,680
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	**(336,499)**	(375,260)	(361,942)
Acquisition of Primadonna Resorts, Inc., net of cash acquired	—	(13,346)	—
Acquisition of Mirage Resorts, Incorporated, net of cash acquired	**(5,315,466)**	—	—
Dispositions of property and equipment	**150,172**	6,487	599
Change in construction payable	**(14,361)**	(9,507)	(15,973)
Other	**(40,538)**	4,933	(18,168)
Net cash used in other investing activities	**(5,556,692)**	(386,693)	(395,484)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings under bank facilities	**4,354,000**	963,000	31,000
Issuance of long-term debt	**1,547,052**	—	491,183
Retirements of debt	—	(374,500)	—
Debt issuance costs	**(75,099)**	—	(1,432)
Repayments to banks and others	**(2,171,614)**	(206,955)	(40,720)
Purchases of treasury stock	**(52,579)**	(295,235)	(210,589)
Sale of treasury stock	**474,720**	—	—
Cash dividend paid	**(11,341)**	—	—
Issuance of common stock	**780,441**	50,072	1,712
Net cash provided by financing activities	**4,845,580**	136,382	271,154
CASH AND CASH EQUIVALENTS			
Net increase for the year	**106,446**	39,566	47,350
Balance, beginning of year	**121,522**	81,956	34,606
Balance, end of year	**$ 227,968**	$ 121,522	$ 81,956
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Interest paid, net of amounts capitalized	**$ 200,716**	$ 56,035	$ 23,680
State and federal income taxes paid	**30,537**	26,068	15,900

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Stockholders' Equity

For the years ended December 31, 2000, 1999 and 1998 (in thousands, except share amounts)

	Common Stock		Capital in Excess	Treasury	Retained	Other Comprehensive	Total Stockholders'
	Shares Outstanding	Par Value	of Par Value	Stock	Earnings	Income (Loss)	Equity
BALANCES, DECEMBER 31, 1997	115,969,746	$ 1,160	$ 966,487	$ —	$ 123,659	$ (2,398)	$ 1,088,908
Net income	—	—	—	—	68,948	—	68,948
Currency translation adjustment	—	—	—	—	—	(748)	(748)
Total comprehensive income	—	—	—	—	—	—	68,200
Issuance of common stock pursuant to stock option grants	96,442	1	1,315	—	(1)	—	1,315
Purchases of treasury stock	(12,000,000)	—	—	(210,589)	—	—	(210,589)
Tax benefit from stock option exercises	—	—	397	—	—	—	397
BALANCES, DECEMBER 31, 1998	104,066,188	1,161	968,199	(210,589)	192,606	(3,146)	948,231
Net income	—	—	—	—	86,058	—	86,058
Currency translation adjustment	—	—	—	—	—	1,997	1,997
Total comprehensive income	—	—	—	—	—	—	88,055
Issuance of common stock pursuant to stock option grants	3,358,254	33	43,096	—	(16)	—	43,113
Issuance of common stock for Primadonna merger	19,020,606	190	243,371	—	(95)	—	243,466
Purchases of treasury stock	(12,565,200)	—	—	(295,235)	—	—	(295,235)
Tax benefit from stock option exercises	—	—	6,959	—	—	—	6,959
Dividend payable	—	—	—	—	(11,388)	—	(11,388)
BALANCES, DECEMBER 31, 1999	113,879,848	1,384	1,261,625	(505,824)	267,165	(1,149)	1,023,201
Net income	—	—	—	—	160,744	—	160,744
Currency translation adjustment	—	—	—	—	—	(4,131)	(4,131)
Total comprehensive income	—	—	—	—	—	—	156,613
Issuance of common stock pursuant to stock option grants	1,244,157	13	16,880	—	—	—	16,893
Issuance of common stock in private placement	46,500,000	235	756,368	474,720	—	—	1,231,323
Purchases of treasury stock	(2,493,800)	—	—	(52,579)	—	—	(52,579)
Tax benefit from stock option exercises	—	—	6,947	—	—	—	6,947
Dividend payment adjustment	—	—	—	—	47	—	47
BALANCES, DECEMBER 31, 2000	159,130,205	$ 1,632	$ 2,041,820	$ (83,683)	$ 427,956	$ (5,280)	$ 2,382,445

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

NOTE 1 — ORGANIZATION

MGM MIRAGE (the "Company"), formerly known as MGM Grand, Inc., is a Delaware corporation, incorporated on January 29, 1986. As of December 31, 2000, approximately 59.7% of the outstanding shares of the Company's common stock were owned by Kirk Kerkorian or Tracinda Corporation ("Tracinda"), a Nevada corporation wholly owned by Kirk Kerkorian.

On May 31, 2000, the Company completed the acquisition (the "Mirage Acquisition") of Mirage Resorts, Incorporated ("Mirage") (see Note 3). Mirage, through wholly owned subsidiaries, owns and operates the following hotel, casino and entertainment resorts: Bellagio, a European-style luxury resort; The Mirage, a tropically-themed destination resort; Treasure Island at The Mirage, a pirate-themed hotel and casino resort; and the Holiday Inn® Casino Boardwalk, all of which are located on the Las Vegas Strip. Mirage also owns a 50% interest in the joint venture that owns and operates the Monte Carlo Resort & Casino, a palatial-style hotel and casino also located on the Las Vegas Strip. Mirage also owns and operates the Golden Nugget, a hotel and casino in downtown Las Vegas, the Golden Nugget-Laughlin, located in Laughlin, Nevada, and Beau Rivage, a beachfront resort located in Biloxi, Mississippi. The Company is developing the Borgata, a hotel and casino resort on 27 acres in the Marina area of Atlantic City, New Jersey, in a limited liability company owned 50-50 with Boyd Gaming Corporation. The Company also owns approximately 95 acres adjacent to the Borgata site available for future development. The aforementioned properties are collectively referred to herein as the "Mirage Properties."

Prior to March 1, 1999, the Company and Primadonna Resorts, Inc. ("Primadonna") each owned 50% of New York-New York Hotel & Casino, LLC ("NYNY LLC"). On March 1, 1999, the Company completed its acquisition (the "Primadonna Acquisition") of Primadonna, and as part of the Primadonna Acquisition, acquired Primadonna's 50% ownership interest in NYNY LLC, which owns and operates the New York-New York Hotel and Casino on the Las Vegas Strip (see Note 3). Consequently, as of March 1, 1999, Primadonna and NYNY LLC became wholly owned subsidiaries of the Company. The Primadonna Acquisition also gave the Company ownership of three resorts located in Primm, Nevada at the California/Nevada state line: Whiskey Pete's, Buffalo Bill's and the Primm Valley Resort (the "Primm Properties"), as well as two championship golf courses located near the Primm Properties.

Through its wholly owned subsidiary, MGM Grand Hotel, LLC, the Company owns and operates the MGM Grand Hotel and Casino ("MGM Grand Las Vegas"), a hotel, casino and entertainment complex located on the Las Vegas Strip.

The Company, through its wholly owned subsidiary, MGM Grand Detroit, Inc., and its local partners in Detroit, Michigan formed MGM Grand Detroit, LLC, to develop a hotel, casino and entertainment complex ("MGM Grand Detroit"). The plans for MGM Grand Detroit call for an 800-room hotel, a 100,000 square-foot casino, signature restaurants and retail outlets, a showroom and other entertainment venues. On July 28, 1999, the Michigan Gaming Control Board issued a casino license to MGM Grand Detroit, LLC to conduct gaming operations in its interim facility ("MGM Grand Detroit Casino"), which commenced operations on July 29, 1999. The MGM Grand Detroit Casino is located directly off of the John C. Lodge Expressway in downtown Detroit.

Through its wholly owned subsidiary, MGM Grand Australia Pty Ltd., the Company owns and operates the MGM Grand Hotel and Casino in Darwin, Australia ("MGM Grand Australia"), which is located on 18 acres of beachfront property on the north central coast of Australia.

Through its wholly owned subsidiary, MGM Grand South Africa, Inc., the Company manages two permanent casinos and one interim casino in two provinces of the

Republic of South Africa. The Company managed an interim facility in Nelspruit from October 15, 1997 to November 17, 1999, at which time a permanent casino began operations and the temporary operations ceased. The interim casino in Witbank began operations on March 10, 1998, and the interim casino in Johannesburg operated from September 28, 1998 through November 26, 2000, at which time the permanent facility, the Montecasino, began operations and the temporary operations ceased. The Company receives management fees from its partner, Tsogo Sun Gaming & Entertainment ("Tsogo Sun"), which is responsible for providing all project costs. Tsogo Sun has been granted additional licenses for Durban and East London, and the Company anticipates interim casinos will be opened in those locations in 2001.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Principles of consolidation. The consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in unconsolidated affiliates which are 50% or less owned are accounted for under the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

Management's use of estimates. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles. Those principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents. Cash and cash equivalents consist of investments in bank certificates of deposit and other interest bearing instruments with initial maturities of three months or less. Such investments are carried at cost which approximates market value.

Concentrations of credit risk. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of short-term investments and receivables.

The Company's short-term investments typically consist of high-grade commercial paper as well as U.S. Government-backed repurchase agreements. Such investments are made with financial institutions having a high credit quality and the Company limits the amount of its credit exposure to any one financial institution. Due to the short-term nature of the instruments, the Company does not take possession of the securities, which are instead held in a custodial account.

The Company extends credit to approved casino customers following background checks and investigations of creditworthiness. At December 31, 2000, a substantial portion of the Company's receivables was due from customers residing in foreign countries. Business or economic conditions or other significant events in these countries could affect the collectibility of such receivables.

An estimated allowance for doubtful accounts and discounts is maintained to reduce the Company's receivables to their carrying amount, which approximates fair value. Management believes that as of December 31, 2000, no significant concentrations of credit risk existed for which an allowance had not already been determined and recorded.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Property and equipment. Property and equipment are stated at cost. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in the determination of income. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	15 to 40 years
Equipment, furniture and fixtures	3 to 7 years
Land improvements	10 to 15 years
Leasehold improvement	5 to 20 years

Capital leases are depreciated over the estimated useful life of the assets or the life of the lease, whichever is shorter.

Excess of purchase price over fair market value of net assets acquired. The excess of purchase price over fair market value of net assets acquired is amortized on a straight-line basis over 40 years.

Casino revenues and promotional allowances. Casino revenue is the aggregate net difference between gaming wins and losses. The retail value of accommodations, food and beverage, and other services furnished to hotel-casino guests without charge is included in gross revenue and then deducted as promotional allowances. The estimated cost of providing such promotional allowances was primarily included in casino expenses as follows:

Year Ended December 31 (in thousands)	2000	1999	1998
Rooms	**$ 40,346**	$ 18,627	$ 11,304
Food and beverage	**124,750**	42,681	26,826
Other	**22,516**	11,701	4,011
	$ 187,612	$ 73,009	$ 42,141

In the fourth quarter of 2000, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board reached a consensus on Issue 00-14, "Accounting for Certain Sales Incentives." EITF 00-14 requires that sales incentives be recorded as a reduction of revenue. The Company's existing policy related to rooms, food and beverage and other non-casino revenues complies with EITF 00-14. In accordance with the transition rules of EITF 00-14, the Company will adopt EITF 00-14 in the first quarter of 2001 as it relates to incentives to induce casino play, which are currently classified as operating expenses. The amount of such incentives for the year ended December 31, 2000 was approximately $85 million. The adoption of EITF 00-14 will have no effect on the Company's operating income.

Currency translation. The Company accounts for currency translation in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." The Australian results of operations and the balance sheet are translated from Australian dollars to U.S. dollars. Balance sheet accounts are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments resulting from this process are charged or credited to other comprehensive income (loss).

Capitalized interest. The interest cost associated with major development and construction projects is capitalized and included in the cost of the project. When no debt is incurred specifically for a project, interest is capitalized on amounts expended on the project using the weighted-average cost of the Company's outstanding borrowings. Capitalization of interest ceases when the project is substantially complete or development activity is suspended for more than a brief period.

Corporate expense. Corporate expense represents unallocated payroll and aircraft costs, professional fees and various other expenses not directly related to the

Company's hotel-casino operations. In addition, corporate expense includes the costs associated with the Company's evaluation and pursuit of new business opportunities, which are expensed as incurred until development of a specific project has become relatively certain.

Income per share of common stock. The weighted-average number of common and common equivalent shares used in the calculation of basic and diluted earnings per share consisted of the following:

Year Ended December 31 (in thousands)	2000	1999	1998
Weighted-average common shares outstanding (used in the calculation of basic earnings per share)	**145,300**	116,580	111,356
Potential dilution from the assumed exercise of common stock options	**2,601**	3,506	1,328
Weighted-average common and common equivalent shares (used in the calculation of diluted earnings per share)	**147,901**	120,086	112,684

Reclassification. The consolidated financial statements for prior years reflect certain reclassifications to conform with the current year presentation, which have no effect on previously reported net income. In addition, the accompanying financial statements reflect certain adjustments to amounts related to other comprehensive income. The adjustments reduce previously reported comprehensive income by $3 million for 1998 and increase previously reported comprehensive income by $6 million for 1999, but have no effect on previously reported net income.

Change in accounting principle. Effective January 1, 1999, the Company adopted Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-up Activities." SOP 98-5 requires that all companies expense costs of start-up activities as those costs are incurred. The term "start-up" includes pre-opening, pre-operating and organization activities. As a result of the adoption of SOP 98-5, in 1999 the Company recognized a cumulative effect of the accounting change (net of tax) of $8 million, relating principally to its development project in Detroit.

NOTE 3 — ACQUISITIONS

On May 31, 2000, the Company completed the Mirage Acquisition whereby Mirage shareholders received $21 per share in cash. The acquisition had a total equity value of approximately $4.4 billion. In addition, the Company assumed approximately $2.0 billion of Mirage's outstanding debt, of which approximately $1.0 billion was refinanced and $950 million remains outstanding. The transaction was accounted for as a purchase and, accordingly, the purchase price was preliminarily allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of the acquisition. The estimated fair value of assets acquired and liabilities assumed (net of the debt refinanced at the time of the acquisition) were $8.1 billion and $2.7 billion, respectively. The operating results for Mirage are included in the Consolidated Statements of Income from the date of acquisition.

On March 1, 1999, the Company completed the Primadonna Acquisition for approximately 19 million shares of the Company's common stock valued at approximately $244 million plus the assumption of debt totaling $315 million. Primadonna shareholders received .66 share of the Company's common stock for every Primadonna share held. The transaction was accounted for as a purchase and, accordingly, the purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of the Primadonna

Acquisition. The estimated fair value of assets acquired and liabilities assumed were $742 million and $498 million, respectively. The operating results for Primadonna are included in the Consolidated Statements of Income from the date of acquisition.

The following unaudited pro forma consolidated financial information for the Company has been prepared assuming both the Primadonna Acquisition and Mirage Acquisition had occurred on January 1, 1999:

(in thousands, except per share amounts)		
Year Ended December 31	**2000**	**1999**
Net Revenues	**$ 4,321,376**	$ 3,893,531
Operating Income	**$ 711,710**	$ 539,357
Income before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	**$ 192,369**	$ 114,441
Net Income	**$ 186,953**	$ 74,797
Basic Earnings per Share		
Income before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	**$ 1.21**	$ 0.69
Net Income	**$ 1.18**	$ 0.45
Weighted Average Basic Shares Outstanding	**158,932**	165,590
Diluted Earnings per Share		
Income before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	**$ 1.19**	$ 0.67
Net Income	**$ 1.16**	$ 0.44
Weighted Average Diluted Shares Outstanding	**161,533**	169,769

This unaudited pro forma consolidated financial information is not necessarily indicative of what the Company's actual results would have been had the acquisitions been completed on January 1, 1999, or of future results.

NOTE 4 — ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following:

At December 31 (in thousands)	2000	1999
Casino	**$ 261,263**	$ 81,418
Hotel	**57,102**	13,390
Other	**23,556**	11,065
	341,921	105,873
Less: Allowance for doubtful accounts and discounts	**(105,271)**	(22,772)
	$ 236,650	$ 83,101

NOTE 5 — PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

At December 31 (in thousands)	2000	1999
Land	**$ 4,208,653**	$ 331,532
Buildings and improvements	**3,628,126**	1,730,432
Equipment, furniture, fixtures and leasehold improvements	**1,654,154**	556,559
Equipment under capital lease	**26,256**	26,256
Construction in progress	**191,443**	130,848
	9,708,632	2,775,627
Less accumulated depreciation and amortization	**(644,399)**	(390,855)
	$ 9,064,233	$ 2,384,772

NOTE 6 — OTHER ACCRUED LIABILITIES

Other accrued liabilities consisted of the following:

At December 31 (in thousands)	2000	1999
Accrued salaries and related	**$ 146,030**	$ 72,588
Casino front money	**76,706**	24,090
Casino chip liability	**56,639**	16,809
Other liabilities	**285,368**	84,093
	$ 564,743	$ 197,580

NOTE 7 — LONG-TERM DEBT

Long-term debt consisted of the following:

At December 31 (in thousands)	2000	1999
$1.25 Billion Revolving Credit Facility	**$ —**	$ 612,000
$2.0 Billion Revolving Credit Facility	**1,634,500**	—
$1.3 Billion Term Loan	**461,000**	—
$1.0 Billion Revolving Credit Facility	**810,000**	—
$300 Million 6.95% Senior Notes, due 2005, net of discount	**296,568**	295,728
$200 Million 6.875% Senior Notes, due 2008, net of discount	**197,922**	197,628
$200 Million 6.625% Senior Notes, due 2005, net of discount	**181,442**	—
$250 Million 7.25% Senior Notes, due 2006, net of discount	**225,313**	—
$200 Million 6.75% Senior Notes, due 2007, net of discount	**173,093**	—
$200 Million 6.75% Senior Notes, due 2008, net of discount	**171,446**	—
$100 Million 7.25% Senior Debentures, due 2017, net of discount	**79,450**	—
$710 Million 9.75% Senior Subordinated Notes, due 2007, net of discount	**701,949**	—
$850 Million 8.50% Senior Notes, due 2010, net of discount	**845,103**	—
MGM Grand Detroit, LLC Credit Facility, due 2003	**65,000**	169,000
Australian Bank Facility, due 2004 (U.S.$)	**25,468**	37,841
Other Notes	**1,374**	—
	5,869,628	1,312,197
Less Current Portion	**(521,308)**	(7,852)
	$ 5,348,320	$ 1,304,345

Total interest incurred during 2000, 1999 and 1998 was $364 million, $76 million and $40 million, respectively, of which $91 million, $16 million and $15 million, respectively, was capitalized.

On April 11, 2000, the Company entered into three senior credit agreements providing for bank financing totaling $4.3 billion from syndicates of banks each led by Bank of America, N.A. (collectively, the "New Senior Facilities"). The New Senior Facilities consist of (1) a $2.0 billion senior revolving credit facility which matures on May 31, 2005 (the "$2.0 billion Revolving Credit Facility") which amended, extended and increased a $1.25 billion facility; (2) a $1.0 billion senior revolving credit facility which matures on April 6, 2001 (the "$1.0 billion Revolving Credit Facility"); and (3) a $1.3 billion senior term loan which matures on April 6, 2001 (the "$1.3 billion Term Loan"). Interest on the New Senior Facilities is based on the bank reference rate or Eurodollar rate. As of December 31, 2000, the Company’s borrowing rate was approximately 7.8%. The Company’s borrowing rate under the predecessor $1.25 billion facility as of December 31, 1999 was approximately 6.8%. The New Senior Facilities contain certain covenants, including the requirement to maintain certain financial ratios. On May 31, 2000, the Company borrowed $4.21 billion under the New Senior Facilities to fund the Mirage Acquisition, refinance certain indebtedness of Mirage and the Company, pay fees and expenses in connection with the Mirage Acquisition and for general corporate purposes. On September 15, 2000, the Company used the proceeds from the issuance of senior notes to repay $839 million of the $1.3 billion Term Loan. In January 2001, an additional $395 million of the $1.3 billion Term Loan was repaid using the proceeds of a senior subordinated note offering. The Company intends to refinance the remaining balances of the $1.3 billion Term Loan and the $1.0 billion Revolving Credit Facility prior to or upon maturity through the amendment and renewal of the New Senior Facilities or through other financing alternatives. The Company had borrowing capacity at December 31, 2000 under the $2.0 billion Revolving Credit Facility that could be used to refinance a portion of the remaining balances. Stand-by letters of credit totaling $55 million were outstanding as of December 31, 2000 under the $2.0 billion Revolving Credit Facility, principally to support municipal financing used in connection with the proposed MGM Grand Detroit permanent casino.

On May 5, 2000, the Company's shelf registration statement, which allows the Company to issue a total of up to $2.75 billion of debt and equity securities from time to time in public offerings, was declared effective by the Securities and Exchange Commission. On May 31, 2000, the Company issued under the shelf registration statement $710 million of senior subordinated notes, which carry a coupon of 9.75% and are due on June 1, 2007. These senior subordinated notes contain certain basic covenants consistent with this type of indenture. Proceeds from this offering were used to repay a portion of the then outstanding borrowings under Mirage's senior credit facility. On September 15, 2000, the Company issued under the shelf registration statement $850 million of senior notes, which carry a coupon of 8.50% and are due on September 15, 2010. These senior notes contain covenants consistent with the Company's other senior notes. On January 23, 2001, the Company issued under the shelf registration statement $400 million of senior subordinated notes, which carry a coupon of 8.375% and are due on February 1, 2011. These senior subordinated notes contain covenants consistent with the Company's other senior subordinated notes. Proceeds from the September 2000 and January 2001 offerings were used to repay a portion of the $1.3 billion Term Loan as discussed above. Any future public offering of securities under the shelf registration statement will only be made by means of a prospectus supplement.

On May 31, 2000, the $300 million 6.95% Senior Notes due 2005 and the $200 million 6.875% Senior Notes due 2008 each received investment grade ratings from both Moody's and Standard & Poor's. As a result, concurrently with the Mirage Acquisition, the collateral previously securing these obligations was released. The senior notes are *pari passu* with the New Senior Facilities and contain various restrictive covenants, in general similar to the New Senior Facilities.

In connection with the Mirage Acquisition, all of the outstanding Mirage senior notes and debentures became obligations of the Company. The notes and debentures are in various tranches as follows: (1) $200 million 6.625% senior notes due February 2005; (2) $250 million 7.25% senior notes due October 2006; (3) $200 million 6.75% senior notes due August 2007; (4) $200 million 6.75% senior notes due February 2008; and (5) $100 million 7.25% senior debentures due August 2017 (collectively, the "Mirage Notes").

The Company and each of its material subsidiaries, including Mirage, but excluding MGM Detroit, LLC, are directly liable for or unconditionally guarantee the New Senior Facilities, the senior notes, the Mirage Notes and the senior subordinated notes. MGM Grand Detroit, LLC is a guarantor under the New Senior Facilities, but only to the extent that the proceeds of borrowings under such facilities are made available to MGM Grand Detroit, LLC. As of December 31, 2000, the Company was in compliance with all covenant provisions associated with the aforementioned obligations.

Maturities of the Company's long-term debt as of December 31, 2000 are as follows:

Years Ending December 31 (in thousands)	
2001	$ 1,277,884
2002	33,942
2003	44,849
2004	5,598
2005	2,134,645
Thereafter	2,510,424
	6,007,342
Less debt discount	(137,714)
	$ 5,869,628

Amounts due in 2001 which the Company has refinanced on a long-term basis or for which borrowing capacity was available under the $2.0 billion Revolving Credit Facility have been excluded from current liabilities in the accompanying consolidated balance sheet.

The estimated fair value of the Company's long-term debt at December 31, 2000 was approximately $6.01 billion, versus its book value of approximately $5.87 billion. At December 31, 1999, the estimated fair value of the Company's long-term debt was approximately $1.27 billion, versus its book value of approximately $1.31 billion. The estimated fair value of the Company's public debt securities was based on quoted market prices on or about December 31, 2000 and 1999. The estimated fair value of the Company's outstanding credit facility borrowings was assumed to approximate book value due to the short-term nature of the borrowings.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Leases. The Company leases real estate and various equipment under operating and, to a lesser extent, capital lease arrangements. Certain real estate leases provide for escalation of rent based upon a specified price index and/or based upon periodic appraisals.

At December 31, 2000, the Company was obligated under non-cancelable operating leases and capital leases to make future minimum lease payments as follows:

Years Ending December 31 (in thousands)	Operating Leases	Capital Leases
2001	$ 22,084	$ 4,282
2002	19,228	6,240
2003	15,749	991
2004	12,108	31
2005	10,293	—
Thereafter	294,979	—
Total minimum lease payment	$ 374,441	11,544
Amount representing interest		(353)
Total obligation under capital leases		11,191
Less: amount due within one year		(4,099)
Amount due after one year		$ 7,092

Rental expense for operating leases was $18 million, $9 million and $2 million for the years ending December 31, 2000, 1999 and 1998, respectively.

Litigation. The Company is a party to various legal proceedings, most of which relate to routine matters incidental to its business. Management does not believe that the outcome of such proceedings will have a material adverse effect on the Company's financial position or results of operations.

NOTE 9 — STOCKHOLDERS' EQUITY

On June 23, 1998, the Company announced a $17.50 per share cash tender offer for up to 12 million shares of Company common stock as part of a 24 million share repurchase program. The offer commenced on July 2, 1998 and expired on July 31, 1998. Based upon final results, 21.6 million shares of the Company's common stock were tendered, and accordingly, the shares were prorated. The total acquisition cost of the 12 million shares was approximately $211 million.

On March 1, 1999, the Company issued approximately 19 million shares of the Company's common stock valued at approximately $244 million in connection with the Primadonna Acquisition.

On June 10, 1999, the Company announced a $25.00 per share tender offer for up to 12 million shares of the Company's common stock. The offer commenced on June 17, 1999 and expired on July 23, 1999. Based upon the final results, 30.2 million shares of the Company's common stock were tendered, and accordingly, the shares were prorated. The total acquisition cost of the 12 million shares was approximately $282 million. The Company recognized certain non-recurring compensation costs totaling approximately $19 million related to exercisable options that were tendered. This tender offer completed the acquisition of the remaining 12 million shares in the 24 million share repurchase program announced on June 23, 1998.

On August 5, 1999, the Company announced a 12-month stock repurchase program for up to 10 million shares of the Company's common stock. The Company purchased a total of 3.1 million shares for an approximate cost of $66 million through February 2000. The repurchase program was suspended as a result of the Mirage Acquisition and has now expired.

On December 13, 1999, the Board of Directors approved a two-for-one split of the Company's common stock and declared an initial quarterly cash dividend of $0.10 per share, after giving effect to the stock split. The additional shares were distributed on February 25, 2000 to stockholders of record on February 10, 2000. All references to share and per share data herein have been adjusted retroactively to give effect to the stock split. Concurrently, the Board of Directors increased the number of authorized shares of the Company's common stock from 75 million shares to 300 million shares. As a result of the Mirage Acquisition, the Company announced on April 19, 2000 that the previously declared quarterly dividend policy was discontinued.

On April 18, 2000 the Company completed a private placement of 46.5 million shares of the Company's common stock for a total purchase price of $1.23 billion. On May 18, 2000, as required by the private placement agreement, the Company filed a shelf registration statement to register the resale of these shares. Tracinda purchased 23 million shares in the private placement.

NOTE 10 — STOCK OPTION PLANS

The Company has adopted nonqualified stock option plans and incentive stock option plans which provide for the granting of stock options to eligible directors, officers and employees. As of December 31, 2000, the aggregate number of shares subject to options available for grant under all of the plans was 2.6 million.

The plans are administered by the Compensation and Stock Option Committee of the Board of Directors. Salaried officers, directors and other key employees of the Company and its subsidiaries are eligible to receive options. The exercise price in each instance is 100% of the fair market value of the Company's common stock on the date of grant. The options have 10-year terms and in most cases are exercisable in either four or five equal annual installments.

On June 22, 1998, the Compensation and Stock Option Committee approved an offer to employees to reprice their out-of-the-money options (covering an aggregate of 3,641,900 shares). The original options had exercise prices ranging from $16.59 to $22.06, and the new options have an exercise price of $13.31. For holders who accepted the repricing, certain conditions were imposed, including: (1) commencement of a new holding period for vesting of options (whether or not the initial options had vested) and (2) a one-year extension of employment contracts, at the Company's option, where applicable. The repricing offer was not made to the Company's outside directors.

A summary of the status of the Company's nonqualified stock option and incentive stock option plans for each of the years ended December 31, 2000, 1999 and 1998 is presented on the next page.

Year Ended December 31	2000		1999		1998	
	Shares (000's)	Weighted Average Exercise Price	Shares (000's)	Weighted Average Exercise Price	Shares (000's)	Weighted Average Exercise Price
Outstanding at beginning of year	10,992	$ 16.98	9,402	$ 12.89	7,284	$ 14.41
Granted	8,738	$ 31.55	5,712	$ 21.11	6,334	$ 14.61
Exercised	(1,244)	$ 13.36	(3,358)	$ 12.00	(98)	$ 13.56
Terminated	(919)	$ 22.98	(764)	$ 19.00	(4,118)	$ 18.21
Outstanding at end of year	17,567	$ 24.22	10,992	$ 17.00	9,402	$ 12.89
Exercisable at end of year	3,536	$ 15.25	3,006	$ 14.02	2,718	$ 11.95

The following table summarizes information about stock options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding (000's)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Outstanding (000's)	Weighted Average Exercise Price
$ 4.74 - $ 9.47	76	1.7	$ 6.93	76	$ 6.93
$ 9.48 - $ 14.21	4,629	6.4	$ 13.08	2,452	$ 13.02
$ 14.22 - $ 18.94	1,179	6.8	$ 17.47	359	$ 16.89
$ 18.95 - $ 23.68	1,078	8.9	$ 20.63	60	$ 20.69
$ 23.69 - $ 28.41	2,930	8.7	$ 23.98	583	$ 23.98
$ 28.42 - $ 33.15	6,425	9.4	$ 32.45	—	$ —
$ 33.16 - $ 37.88	1,250	9.6	$ 34.27	6	$ 34.44
	17,567	8.3	$ 24.22	3,536	$ 15.25

Had the Company accounted for these plans under the fair value method allowed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

Year Ended December 31 (in thousands)	2000	1999	1998
Net income			
As reported	$ 160,744	$ 86,058	$ 68,948
Pro forma	$ 135,455	$ 77,030	$ 66,047
Basic earnings per share			
As reported	$ 1.11	$ 0.74	$ 0.62
Pro forma	$ 0.93	$ 0.66	$ 0.59
Diluted earnings per share			
As reported	$ 1.09	$ 0.72	$ 0.61
Pro forma	$ 0.92	$ 0.64	$ 0.59

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2000, 1999 and 1998, respectively: risk-free interest rates of 6% for all years; no expected dividend yields for the years presented; expected lives of 5, 8 and 6 years, respectively; and expected volatility of 38%, 36% and 36%, respectively. The estimated weighted average fair value of options granted in 2000, 1999 and 1998 was $13.25, $11.15 and $6.81, respectively.

NOTE 11 — EMPLOYEE BENEFIT PLANS

Employees of the Company who are members of various unions are covered by union-sponsored, collectively bargained, multi-employer health and welfare and defined benefit pension plans. The Company recorded an expense of $38 million in 2000, $5 million in 1999 and $1 million in 1998 under such plans. The plans' sponsors have not provided sufficient information to permit the Company to determine its share of unfunded vested benefits, if any.

The Company has various retirement savings plans under Section 401(k) of the Internal Revenue Code covering its non-union employees. The plans allow employees to defer, within prescribed limits, up to 15% of their income on a pre-tax basis through contributions to the plans. The Company matches, within prescribed limits, a portion of eligible employees' contributions. The Company recorded charges for matching contributions of $12 million in 2000, $6 million in 1999 and $4 million in 1998.

The Company maintains an employee stock purchase plan. The plan provides eligible employees the opportunity to purchase shares of the Company's common stock via payroll deductions. The price for each share of common stock is the weighted average price paid for all the shares purchased by the plan administrator on behalf of the participating employees on the last trading day of each month. The Company pays the administrative costs of the plan. The plan may be amended or terminated at any time by the Board of Directors or by a committee designated by the Board of Directors.

The Company and MGM Grand Las Vegas maintain a nonqualified deferred retirement plan for certain key employees. The plan allows participants to defer, on a pre-tax basis, a portion of their salary and bonus and accumulate tax deferred earnings, plus investment earnings on the deferred balances, as a retirement fund. All deferred amounts vest immediately. There are no employer matching contributions made under this plan.

The Company implemented a second nonqualified deferred retirement plan in December 2000 which commenced on January 1, 2001 for certain key employees. The plan allows participants to defer, on a pre-tax basis, a portion of their salary and bonus and accumulate tax deferred earnings, plus investment earnings on the deferred balances, as a retirement fund. Participants receive a Company match of up to 4% of salary, net of any Company match received under the Company's 401(k) plans. All employee deferrals vest immediately. The Company matching contributions vest ratably over a three-year period.

The Company implemented a supplemental executive retirement plan (the "SERP") in December 2000 which commenced on January 1, 2001 for certain key employees. The SERP is a nonqualified plan under which the Company makes quarterly contributions which are intended to provide a retirement benefit that is a fixed percentage of a participant's estimated final five-year average annual salary, up to a maximum of 65%. Company contributions and investment earnings on the contributions are tax-deferred and accumulate as a retirement fund. Employees do not make contributions under this plan. A portion of the Company contributions and investment earnings thereon vests after three years of SERP participation and the remaining portion vests after both five years of SERP participation and 10 years of continuous service.

NOTE 12 — INCOME TAXES

The Company accounts for income taxes according to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires the recognition of deferred tax assets, net of applicable reserves, related to net operating loss carryforwards and certain temporary differences. The standard requires recognition of a future tax benefit to the extent that realization of such benefit is more likely than not. Otherwise, a valuation allowance is applied. At December 31, 2000, the Company believes that it is more likely than not that its deferred tax assets are fully realizable because of the future reversal of existing taxable temporary differences and future projected taxable income. Accordingly, there is no valuation allowance at December 31, 2000.

The Company acquired Mirage on May 31, 2000 through a stock merger. The respective deferred tax assets and liabilities of Mirage have been consolidated with the MGM MIRAGE deferred balances, and are reflected in the December 31, 2000 deferred tax assets and liabilities below.

The provision for income taxes and income from continuing operations before extraordinary item and cumulative effect of change in accounting principle for the years ended December 31, 2000, 1999 and 1998 are as follows:

Year Ended December 31 (in thousands)	2000	1999	1998
Current—federal	$ 26,303	$ 26,035	$ 23,250
Deferred—federal	72,322	26,188	14,847
Provision for federal income taxes	98,625	52,223	38,097
Current—state	6,365	803	—
Deferred—state	421	(320)	—
Provision for city and state income taxes	6,786	483	—
Current—foreign	4,325	2,945	1,541
Deferred—foreign	(856)	(622)	942
Provision for foreign income taxes	3,469	2,323	2,483
Total	$ 108,880	$ 55,029	$ 40,580

Reconciliation of the federal income tax statutory rate and the Company's effective tax rate is as follows:

Year Ended December 31	2000	1999	1998
Federal income tax statutory rate	35.0%	35.0%	35.0%
State income tax rate	1.6%	0.2%	—
Permanent and other items	3.0%	1.4%	2.0%
Effective tax rate	39.6%	36.6%	37.0%

As of December 31, 2000 and 1999, the major tax affected components of the Company's net deferred tax liability are as follows:

(in thousands)	2000	1999
Deferred Tax Assets—Federal and State		
Bad debt reserve	$ 27,738	$ 3,844
Tax credit carryforwards	64,754	25,390
Net operating loss carryforward	40,382	—
Preopening costs	75,810	19,024
	208,684	48,258
Deferred Tax Liabilities—Federal and State		
Depreciation and amortization	(1,804,081)	(125,643)
Accruals, reserves and other	30,060	(11,783)
	(1,774,021)	(137,426)
Deferred Tax Liabilities—Foreign		
Depreciation, amortization and other	(1,887)	(2,093)
Net Deferred Tax Liability	$ (1,567,224)	$ (91,261)

For U.S. federal income tax return purposes, the Company has a net operating loss carryforward of $115 million, which will expire in 2019, an alternative minimum tax credit carryforward of $58 million, which does not expire, and a general business tax credit carryforward of $7 million, which expires in different periods through 2020.

Undistributed earnings of the Company's foreign subsidiaries amounted to $7 million at December 31, 2000. Those earnings are considered to be indefinitely reinvested in the operations of the foreign subsidiaries and, accordingly, no provision for U.S. federal or state income taxes has been provided thereon in accordance with APB Opinion 23.

NOTE 13 — COMPANY RESTRUCTURING PLANS

During the three months ended March 31, 2000, management initiated and completed a restructuring plan designed to consolidate certain general and administrative functions at New York-New York and MGM Grand Las Vegas. This restructuring resulted in a one-time charge against earnings in the first quarter of 2000 totaling $6 million ($4 million, net of income tax). Approximately 70 people were affected by the reductions, primarily at the Company's operating properties (excluding the Mirage Properties).

In connection with the Mirage Acquisition, management initiated a comprehensive restructuring plan designed to reduce costs and improve efficiencies of the combined operations of the Company. This restructuring resulted in a one-time charge against earnings in the second quarter of 2000 totaling $18 million ($12 million, net of income tax), primarily related to the accrual of costs associated with contract terminations and staffing reductions of approximately $6 million, the buyout of various leases of approximately $11 million and other related restructuring costs of $1 million. Approximately 125 people were affected by the reductions, primarily at the Company's operating properties (excluding the Mirage Properties) relating to duplicative functions within marketing, entertainment, retail, information systems and human resources.

Approximately $9 million of payments were applied against the restructuring accruals during 2000, leaving a remaining unpaid balance of $15 million as of December 31, 2000. The remaining balance relates principally to the lease buyouts discussed above.

NOTE 14 — ASSET WRITE-DOWNS AND IMPAIRMENTS

During June 2000, the Company recognized a charge against earnings of $102 million ($66 million, net of tax) related to certain projects previously under development which management has determined not to pursue ($49 million), the divesting of certain non-strategic assets ($19 million), and the re-evaluation of certain other assets ($34 million), all as a result of the Mirage acquisition.

NOTE 15 — CONSOLIDATING CONDENSED FINANCIAL INFORMATION

The Company's subsidiaries (excluding MGM Grand Detroit, LLC and certain minor subsidiaries) have fully and unconditionally guaranteed, on a joint and several basis, payment of the New Senior Facilities, the senior notes, the Mirage Notes and the senior subordinated notes. Separate condensed financial statement information for the subsidiary guarantors and non-guarantors for the years ended December 31, 2000 and 1999 is presented on the next page (information for the year ended December 31, 1998 is not presented since all non-guarantors were insignificant in 1998).

As of and for the year ended December 31 (in thousands)

2000

Balance Sheet	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
Current assets	$ 135,645	$ 680,020	$ 67,237	$ (87,258)	$ 795,644
Property and equipment, net	12,459	8,892,985	170,761	(11,972)	9,064,233
Investment in subsidiaries	6,568,338	66,355	—	(6,634,693)	—
Investment in unconsolidated affiliates	127,902	736,685	—	(342,165)	522,422
Intercompany note receivable	762,209	(762,209)	—	—	—
Other non-current assets	53,903	268,548	29,851	—	352,302
	$ 7,660,456	$ 9,882,384	$ 267,849	$ (7,076,088)	$ 10,734,601
Current liabilities	$ 747,026	$ 788,396	$ 71,181	$ (373,398)	$ 1,233,205
Deferred income taxes	98,368	1,521,304	3,949	106,537	1,730,158
Long term debt	4,432,617	831,903	83,800	—	5,348,320
Other non-current liabilities	—	39,775	698	—	40,473
Stockholders' equity	2,382,445	6,701,006	108,221	(6,809,227)	2,382,445
	$ 7,660,456	$ 9,882,384	$ 267,849	$ (7,076,088)	$ 10,734,601
Statement of Operations					
Net revenues	$ 2,844	$ 2,789,166	$ 444,462	$ (3,882)	$ 3,232,590
Equity in subsidiaries earnings	524,748	89,832	—	(614,580)	—
Expenses:					
Casino and hotel operations	—	1,492,667	214,309	(184)	1,706,792
Provision for doubtful accounts and discounts	—	105,421	1,517	—	106,938
General and administrative	—	371,298	51,357	—	422,655
Depreciation and amortization	1,046	256,328	36,164	(357)	293,181
Preopening expenses and other non-recurring expenses	—	3,258	2,366	—	5,624
Restructuring costs	159	21,516	1,845	—	23,520
Write-downs and impairments	26,444	72,059	3,722	—	102,225
Corporate expense	29,116	8,521	—	(3,698)	33,939
	56,765	2,331,068	311,280	(4,239)	2,694,874
Operating Income	470,827	547,930	133,182	(614,223)	537,716
Interest expense, net	(200,286)	(33,800)	(27,849)	—	(261,935)
Other, net	287	(1,028)	—	—	(741)
Income before income taxes, extraordinary item and cumulative effect of change in accounting principle	270,828	513,102	105,333	(614,223)	275,040
Provision for income taxes	(105,025)	(139)	(3,716)	—	(108,880)
Income before extraordinary item and cumulative effect of change in accounting principle	165,803	512,963	101,617	(614,223)	166,160
Extraordinary item	(5,416)	—	—	—	(5,416)
Cumulative effect of change in accounting principle	—	—	—	—	—
Net income (loss)	$ 160,387	$ 512,963	$ 101,617	$ (614,223)	$ 160,744
Statement of Cash Flows					
Net cash provided by (used in) operating activities	$ (119,954)	$ 682,789	$ 139,799	$ 114,924	$ 817,558
Net cash provided by (used in) investing activities	(5,004,766)	(425,502)	(27,648)	(98,776)	(5,556,692)
Net cash provided by (used in) financing activities	5,126,153	(155,178)	(109,247)	(16,148)	4,845,580

1999

Balance Sheet	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
Current assets	$ 222,712	$ 222,651	$ 57,243	$ (232,693)	$ 269,913
Property and equipment, net	11,227	2,194,044	191,522	(12,021)	2,384,772
Investment in subsidiaries	1,685,244	(23,477)	—	(1,661,767)	—
Investment in unconsolidated affiliates	127,902	214,263	12,485	(342,165)	12,485
Intercompany note receivable	288,779	(288,779)	—	—	—
Other non-current assets	3,909	37,080	35,295	—	76,284
	$ 2,339,773	$ 2,355,782	$ 296,545	$ (2,248,646)	$ 2,743,454
Current liabilities	$ 145,138	$ 490,268	$ 65,019	$ (410,335)	$ 290,090
Deferred income taxes	66,078	20,705	4,983	16,947	108,713
Long term debt	1,105,356	—	198,989	—	1,304,345
Other non-current liabilities	—	16,575	530	—	17,105
Stockholders' equity	1,023,201	1,828,234	27,024	(1,855,258)	1,023,201
	$ 2,339,773	$ 2,355,782	$ 296,545	$ (2,248,646)	$ 2,743,454
Statement of Operations					
Net revenues	$ 7,659	$ 1,167,612	$ 219,147	$ (2,187)	$ 1,392,231
Equity in subsidiaries earnings	166,246	(23,477)	—	(142,769)	—
Expenses:					
Casino and hotel operations	—	624,389	108,353	(218)	732,524
Provision for doubtful accounts and discounts	—	46,591	523	—	47,114
General and administrative	—	161,112	29,822	—	190,934
Depreciation and amortization	771	107,716	18,479	(356)	126,610
Preopening expenses and other non-recurring expenses	18,526	8,664	44,306	—	71,496
Restructuring costs	—	—	—	—	—
Write-downs and impairments	—	—	—	—	—
Corporate expense	15,655	—	—	(1,970)	13,685
	34,952	948,472	201,483	(2,544)	1,182,363
Operating Income	138,953	195,663	17,664	(142,412)	209,868
Interest expense, net	(4,028)	(39,533)	(15,208)	—	(58,769)
Other, net	—	(134)	(812)	—	(946)
Income before income taxes, extraordinary item and cumulative effect of change in accounting principle	134,925	155,996	1,644	(142,412)	150,153
Provision for income taxes	(54,107)	—	(922)	—	(55,029)
Income before extraordinary item and cumulative effect of change in accounting principle	80,818	155,996	722	(142,412)	95,124
Extraordinary item	484	(1,382)	—	—	(898)
Cumulative effect of change in accounting principle	4,399	(692)	(11,875)	—	(8,168)
Net income (loss)	$ 85,701	$ 153,922	$ (11,153)	$ (142,412)	$ 86,058
Statement of Cash Flows					
Net cash provided by (used in) operating activities	$ (104,939)	$ 311,665	$ 35,748	$ 47,403	$ 289,877
Net cash provided by (used in) investing activities	(33)	(233,551)	(145,870)	(7,239)	(386,693)
Net cash provided by (used in) financing activities	80,210	(85,819)	138,462	3,529	136,382

NOTE 16 — SELECTED QUARTERLY FINANCIAL RESULTS (UNAUDITED)

For the years ended December 31 (in thousands, except per share amounts)	QUARTER First	Second	Third	Fourth	Total
2000					
Net revenues	$ 442,932	$ 627,164	$ 1,090,671	$ 1,071,823	$ 3,232,590
Operating profit	97,929	17,890	236,804	219,032	571,655
Operating income	92,442	11,206	224,819	209,249	537,716
Income (loss) before extraordinary item	44,305	(18,261)	72,114	68,002	166,160
Net income (loss)	44,305	(18,994)	67,431	68,002	160,744
Basic income (loss) per share					
Income (loss) before extraordinary item	$ 0.39	$ (0.13)	$ 0.45	$ 0.43	$ 1.15
Net income (loss)	$ 0.39	$ (0.13)	$ 0.42	$ 0.43	$ 1.11
Diluted income (loss) per share					
Income (loss) before extraordinary item	$ 0.38	$ (0.13)	$ 0.45	$ 0.42	$ 1.13
Net income (loss)	$ 0.38	$ (0.13)	$ 0.42	$ 0.42	$ 1.09
1999					
Net revenues	$ 251,366	$ 319,382	$ 400,469	$ 421,014	$ 1,392,231
Operating profit	42,833	54,537	40,909	85,274	223,553
Operating income	37,943	50,191	38,630	83,104	209,868
Income before extraordinary item and cumulative effect of change in accounting principle	18,491	24,106	12,605	39,922	95,124
Net income	9,425	24,106	12,605	39,922	86,058
Basic income per share					
Income before extraordinary item and cumulative effect of change in accounting principle	$ 0.17	$ 0.19	$ 0.11	$ 0.35	$ 0.82
Net income	$ 0.09	$ 0.19	$ 0.11	$ 0.35	$ 0.74
Diluted income per share					
Income before extraordinary item and cumulative effect of change in accounting principle	$ 0.16	$ 0.19	$ 0.10	$ 0.34	$ 0.80
Net income	$ 0.08	$ 0.19	$ 0.10	$ 0.34	$ 0.72

Because income (loss) per share amounts are calculated using the weighted average number of common and dilutive common equivalent shares outstanding during each quarter, the sum of the per share amounts for the four quarters may not equal the total income per share amounts for the year.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of MGM MIRAGE

We have audited the accompanying consolidated balance sheets of MGM MIRAGE (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for the years ended December 31, 2000, 1999 and 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of MGM MIRAGE and subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for the years ended December 31, 2000, 1999 and 1998 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP
Las Vegas, Nevada
February 1, 2001

INVESTOR INFORMATION

The following table represents the high and low trading prices of the Company's common stock:

For the years ended December 31	2000		1999	
	High	Low	High	Low
First Quarter	$ 25.16	$ 18.44	$ 20.00	$ 13.56
Second Quarter	35.25	23.00	24.81	16.31
Third Quarter	38.81	32.13	26.19	21.16
Fourth Quarter	38.38	24.94	27.28	22.66

The Company's common stock is listed on the New York Stock Exchange. The symbol is MGG.

Forward-Looking Statements

This Annual Report contains some forward-looking statements which are subject to change. Actual results may differ materially from those described in any forward-looking statement. Additional information concerning potential factors that could affect our future results is included under the caption "Factors that May Affect Our Future Results" in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2000. This statement is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Transfer Agent and Registrar For Common Stock	Independent Public Accountants
ChaseMellon Shareholder Services, LLC Overpeck Centre 85 Challenger Road Ridgefield Park, NJ 07660 www.chasemellon.com	Arthur Andersen LLP 3773 Howard Hughes Parkway Suite 500 South Las Vegas, NV 89109

Form 10-K

A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, will be furnished without charge to any stockholder upon written request to:

Mr. Scott Langsner
Senior Vice President
Secretary/Treasurer
MGM MIRAGE
3600 Las Vegas Blvd. South
Las Vegas, NV 89109

Printed on Recycled Paper

Corporate Information

DIRECTORS

J. Terrence Lanni
Director/Officer
Chairman and Chief Executive Officer

Daniel M. Wade
Director/Officer
Vice Chairman

John T. Redmond
Director/Officer
President and Chief Executive Officer
MGM Grand Resorts

Robert H. Baldwin
Director/Officer
President and Chief Executive Officer
Mirage Resorts

James J. Murren
Director/Officer
President and Chief Financial Officer

Gary N. Jacobs
Director/Officer
Executive Vice President and General Counsel

James D. Aljian
Director
Executive, Tracinda Corporation

Fred Benninger
Director
Executive, Tracinda Corporation

Terry N. Christensen
Director
Partner, Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, LLP

Glenn A. Cramer
Director
Former Chairman, Transamerica Airlines, Retired

Willie D. Davis
Director
President and Director, All-Pro Broadcasting, Inc.

Alexander M. Haig, Jr.
Director
Chairman, Worldwide Associates, Inc.

Kirk Kerkorian
Director
President and Chief Executive Officer, Tracinda Corporation

George J. Mason
Director
Senior Managing Director, Bear Stearns & Co., Incorporated

Ronald M. Popeil
Director
Chief Executive Officer, RONCO, Incorporated

Walter M. Sharp
Director
President, Walter M. Sharp Company

Daniel B. Wayson
Director
Principal, Wayson Properties Incorporated

Melvin B. Wolzinger
Director
General Partner, W.W. Investment Co.

Alex Yemenidjian
Director
Chairman and Chief Executive Officer, Metro Goldwyn Mayer Inc.

Jerome B. York
Director
Chairman, President and Chief Executive Officer, Micro Warehouse, Inc.

OFFICERS

Scott Langsner
Officer
Senior Vice President
Secretary/Treasurer

Cynthia Kiser Murphey
Officer
Senior Vice President – Human Resources

Glenn D. Bonner
Officer
Vice President – Chief Information Officer

Daniel J. D'Arrigo
Officer
Vice President – Finance

Kyle Edwards
Officer
Vice President – Security

Alan Feldman
Officer
Vice President – Public Affairs

James H. Fox
Officer
Vice President – Internal Audit

Anthony Gladney
Officer
Vice President – Corporate Diversity

Richard Jones
Officer
Vice President – Purchasing

Punam Mathur
Officer
Vice President – Community Affairs

Robert C. Selwood
Officer
Vice President – Accounting

Peter C. Walsh
Officer
Vice President – Assistant General Counsel

Betty M. Wilson
Officer
Vice President – Tax

CORPORATE DIRECTORY

MGM MIRAGE
3600 Las Vegas Blvd South
Las Vegas, NV 89109
1-702-693-7120
www.mgmmirage.com

Bellagio
3600 Las Vegas Blvd South
Las Vegas, NV 89109
1-702-693-7111
Reservations
1-702-693-7444
1-888-987-3456
www.bellagiolasvegas.com

MGM Grand Las Vegas
3799 Las Vegas Blvd South
Las Vegas, NV 89109
1-702-891-1111
Reservations
1-702-891-7777
1-800-929-1111 (Outside Nevada)
www.mgmgrand.com

The Mirage
3400 Las Vegas Blvd South
Las Vegas, NV 89109
1-702-791-7111
Reservations
1-702-791-7444
1-800-627-6667
www.themirage.com

Treasure Island
3300 Las Vegas Blvd South
Las Vegas, NV 89109
1-702-894-7111
Reservatons
1-702-894-7444
1-800-944-7444
www.treasureisland.com

New York-New York Hotel & Casino
3790 Las Vegas Blvd South
Las Vegas, NV 89109
1-702-740-6969
Reservations
1-702-740-6900
1-800-693-6763 (Outside Nevada)
www.nynyhotelcasino.com

Primadonna Resorts
PO Box 95997
Las Vegas, NV 89183
1-702-382-1212
Reservations
1-800-FUN-STOP
1-800-386-7867
www.primadonna.com

The Golden Nugget
129 E. Fremont Street
Las Vegas, NV 89101
1-702-385-7111
Reservations
1-702-386-8121
1-800-634-3454
www.goldennugget.com

The Golden Nugget Laughlin
2300 South Casino Drive
Laughlin, NV 89029
1-702-298-7111
Reservations
1-702-298-7222
1-800-950-7700
www.gnlaughlin.com

Holiday Inn® Casino Boardwalk
3750 Las Vegas Blvd South
Las Vegas, NV 89109
1-702-735-2400
Reservations
1-800-635-4581
www.hiboardwalk.com

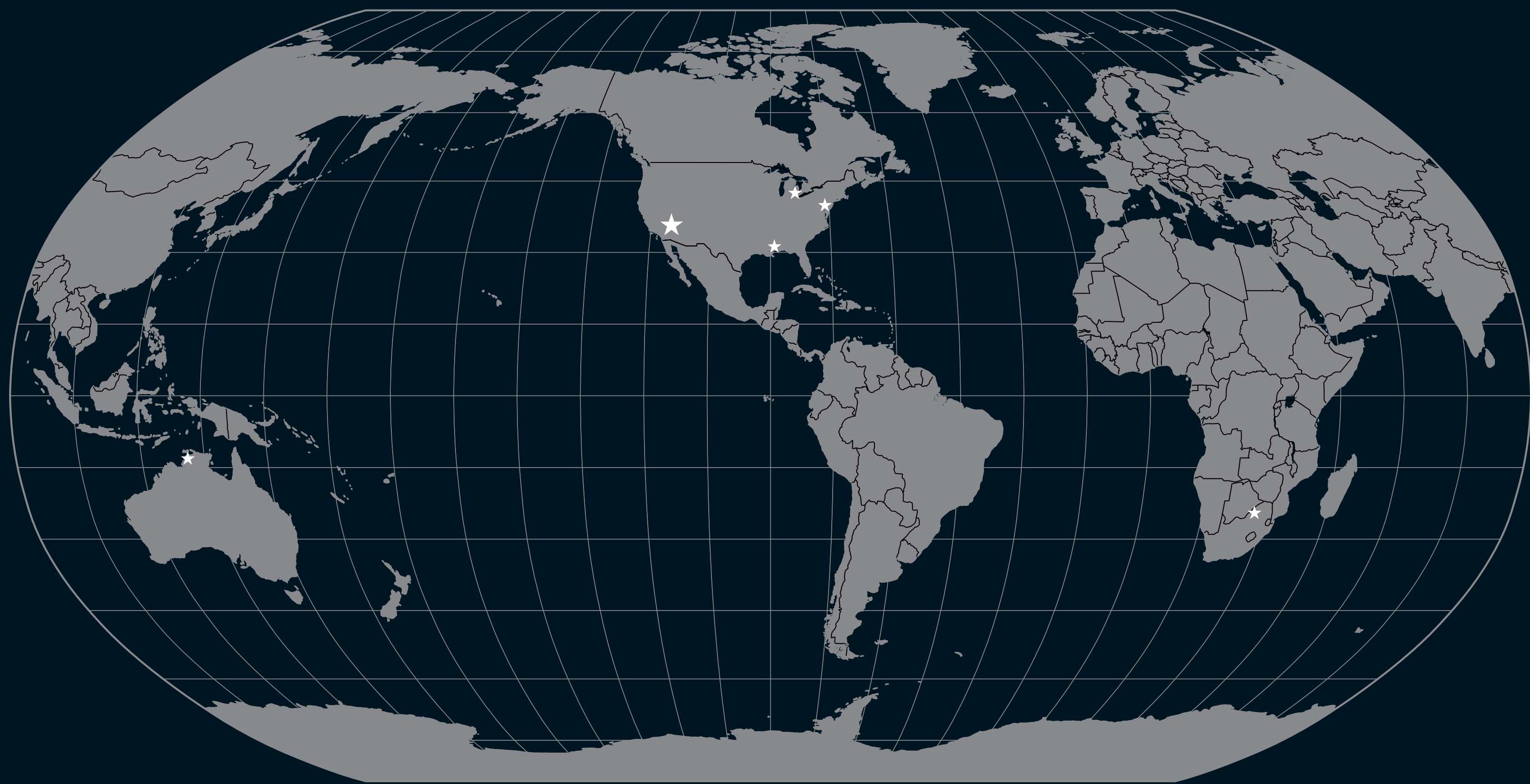
MGM Grand Detroit
1300 John C. Lodge
Detroit, MI 48226
1-313-393-7777
www.mgmgrand.com

Beau Rivage
875 Beach Blvd
Biloxi, MS 39530
1-228-386-7111
1-888-750-7111 (Outside Mississippi)
Reservations
1-888-595-2534
www.beaurivage.com

MGM Grand Australia
Gilruth Avenue
Mindil Beach
Darwin Northern Territory
0801 Australia
International Number
011-61-8-89438888

Monte Carlo
3770 Las Vegas Blvd South
Las Vegas, NV 89109
1-702-730-7777
Reservations
1-702-730-7000
1-800-311-8999
www.monte-carlo.com

MGM MIRAGE — AROUND THE GLOBE



LAS VEGAS, NEVADA		LAUGHLIN, NEVADA	PRIMM, NEVADA	BILOXI, MISSISSIPPI	DETROIT, MICHIGAN	ATLANTIC CITY, NJ	AUSTRALIA	SOUTH AFRICA
MGM Grand	Treasure Island	Golden Nugget	Primm Valley	Beau Rivage	MGM Grand	Borgata	MGM Grand	Champions
Bellagio	Golden Nugget		Buffalo Bill's					Montecasino
The Mirage	New York-New York		Whiskey Pete's					Emnotweni
	Monte Carlo							
	Holiday Inn® Casino Boardwalk							

MGM MIRAGE ANNUAL REPORT 2000

RAISED TO A NEW POWER

MGM MIRAGE™