

letter to our stockholders



Wow! What can you say about a year that was so full of success and promise for the future? 1999 was, very simply, the best year in MGM Grand Inc.'s history. Business improved company wide. We launched some new endeavors, and we posted new operating records.

First let's look at our excellent results. MGM Grand's growth was largely driven by increased casino and hotel volumes, a significant contribution from Primadonna Resorts, acquired on March 1, and the success of MGM Grand Detroit following its opening in July. Operating cash flow (EBITDA) rose 93% from the prior year to a record \$421.8 million. Net income before non-recurring expenses gained \$72.7 million to a new high of \$141.6 million or \$1.18 per share. Net income after non-recurring expenses increased 24.8% to a record \$86.1 million or \$.72 per share. Reflecting our solid financial position and enhanced earnings prospects in November, Moody's raised its rating on your Company's corporate debt to Baa3 from Ba1.

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These results are very satisfying because they indicate that our strategies for winning in a competitive environment are working, and we are on the right track for the future. Our main goal of realizing greater value for shareholders was bolstered by the continued control of expenses and maintenance of a strong balance sheet, as well as by the disciplined allocation of capital. We

invested substantial sums in high octane, high return investments such as the flagship "MGM Grand - The City of Entertainment," the development of MGM Grand Detroit, and the acquisition of Primadonna Resorts, which brought us three fine casino resorts, two championship golf courses and the remaining 50% share of our treasured New York-New York Hotel & Casino.

A big believer in our future, we also invested in ourselves when we repurchased six million MGM Grand shares in August under a tender offer, using free cash flow and low cost borrowings. At the same time, your Board authorized a program to repurchase five million additional shares on the open market over the subsequent year. Buying back our stock at attractive prices adds to earnings per share and improves our investment returns. Shareholders also benefited from the December declaration of a two-for-one stock split to improve liquidity and an initial \$.10 per share quarterly cash dividend on the post-split shares.

The progress and excitement which characterized the year was felt throughout the entire Company. We completed several major elements of our master plan for the MGM Grand, Las Vegas in 1999. June marked the opening of the 29-villa Mansion, perhaps the most extraordinary luxury accommodations anywhere in the world. The Lion Habitat, which opened in July, is now a must-see attraction for the Las Vegas visitor. And our expanded parking facilities provide added convenience for our guests. Adding to the excitement, the Grand Garden was host to a year long roster of such events and names as the Tyson/Botha fight, the Rolling Stones, Cher, the Billboard Music Awards and the spectacular millennium New Year's Eve concert starring Barbra Streisand. Our Studio 54 nightclub was red hot all year. Casino, food, beverage and entertainment revenues posted significant gains in 1999.

On July 29 at 4:31 p.m., MGM Grand opened its highly anticipated casino in the heart of the Detroit's Central Business District. The first casino to open its doors in "Motown," the interim facility is conveniently located downtown, directly off a major highway that feeds the city. The casino features 75,000 square feet of gaming space and three restaurants and evokes the glamorous era of art deco Hollywood. By the end of 1999, 156 days after the casino's debut, MGM Grand Detroit reported net revenues of \$172.9 million and \$58.3 million in operating cash flow, realizing an impressive 34% profit margin. Traffic continues at high levels since the day the casino opened. These figures are all the more remarkable with operations



Daniel M. Wade and John T. Redmond, Co-Chief Executive Officers, MGM Grand, Inc.

in an interim facility; imagine what it will be like when we open our permanent hotel/casino along the banks of the Detroit River.

In another success story, high volumes and strong occupancy rates enabled the New York-New York Hotel Casino to maintain its market leadership during the year. During 1999, New York-New York generated net revenue of \$213.1 million and EBITDA of \$96.3 million, representing a 45% margin, the highest in the city.

Your Company achieved another milestone when it completed the acquisition of Primadonna Resorts on March 1, which had held a 50% interest in New York-New York. Following this acquisition, Primadonna Resorts delivered handsomely on its promise as an attractive and popular hotel/casino destination. Its three facilities, Whiskey Pete's, Buffalo Bill's and Primm Valley Resort, complemented by two Tom Fazio-designed championship golf courses, generated solid year-to-year gains and contributed significantly to your Company's results. Net revenue for 1999 was \$199.2 million while EBITDA was \$61.5 million, representing a 31% operating margin. The refinancing of Primadonna's and New York-New York's bank debt at the close of the first quarter produced substantial 1999 and future cost savings.



“We are in the business of making memories.”

Rounding out the global picture, excellent growth was also achieved with MGM Grand's international operations. Both South Africa and Australia provided increased contributions to overall results. South Africa saw the successful opening of the Nelspruit permanent casino in November. MGM Grand benefited from a full-year's operation of the Johannesburg casino which had opened in September, 1998, as well as from higher management and development fees. MGM Grand

Australia participated by generating outstanding profit margins during the year. In the planning stages for our growth are a resort hotel/casino in Atlantic City and the permanent facility in Detroit.

The environment of continuous and intense change, which is a hallmark of your Company and our industry, requires leadership that can face both opportunity and challenge with a continually fresh outlook. This is perhaps another way of saying we have been winning and want to ensure that we continue to win. During 1999, we created a dual Chief Executive office, naming Daniel Wade and John Redmond as Co-Chief Executive Officers. Danny had been Chief Operating Officer of the corporation, a position to which he was promoted earlier in the year, while John was previously President and Chief Operating Officer of Primadonna Resorts. Also at the senior corporate level, Chief Financial Officer James Murren was elevated to the addi-

tional office of President. George Boyer was promoted to President and Chief Executive Operating Officer of Primadonna Resorts. MGM Grand Detroit saw the naming of Scott Snow as President and Chief Operating Officer, and David Steinhardt was tapped to run MGM Grand Darwin.

On March 6, 2000, your Company agreed to acquire all of the outstanding shares of Mirage Resorts for \$21 per share with a total equity value of approximately \$4.4 billion. In addition, your Company will assume the outstanding debt of Mirage Resorts of approximately \$2.0 billion. While the transaction is subject to certain approvals, we anticipate that this merger will be completed by the end of the year.

All of this growth and expansion positions your Company as the dominant force in the gaming industry for the new millennium, yet ultimately, our success will be driven by our core values. We are committed to doing more than providing "the best" in every category. We are committed to creating experiences that transcend standard expectations. Ultimately, we are in the business of creating memories. Our guests and our shareholders will reward us for adhering to these principles.

Finally, we are extremely grateful to J. Terrence Lanni, former Chief Executive Officer, and Alex Yemenidjian, former President of MGM Grand, Inc., for their years of leadership on behalf of your Company. Terry remains as Chairman of the Board of Directors and its Executive Committee, and Alex continues to serve as a member of the Board of Directors and its Executive Committee. We are fortunate to have the continued benefit of their knowledge and guidance. Our success is a direct by-product of Alex and Terry's vision, and their impact on your Company cannot be overstated. Thank you.

We wish to extend our sincere thanks to our shareholders, our partners, our employee family, which now numbers over 17,000, and our loyal guests for their continued confidence and support.



Daniel M. Wade
Co-Chief Executive Officer



John T. Redmond
Co-Chief Executive Officer

March 10, 2000

One of
the things
that has
shaped
this
company
is
Grand
Class service.