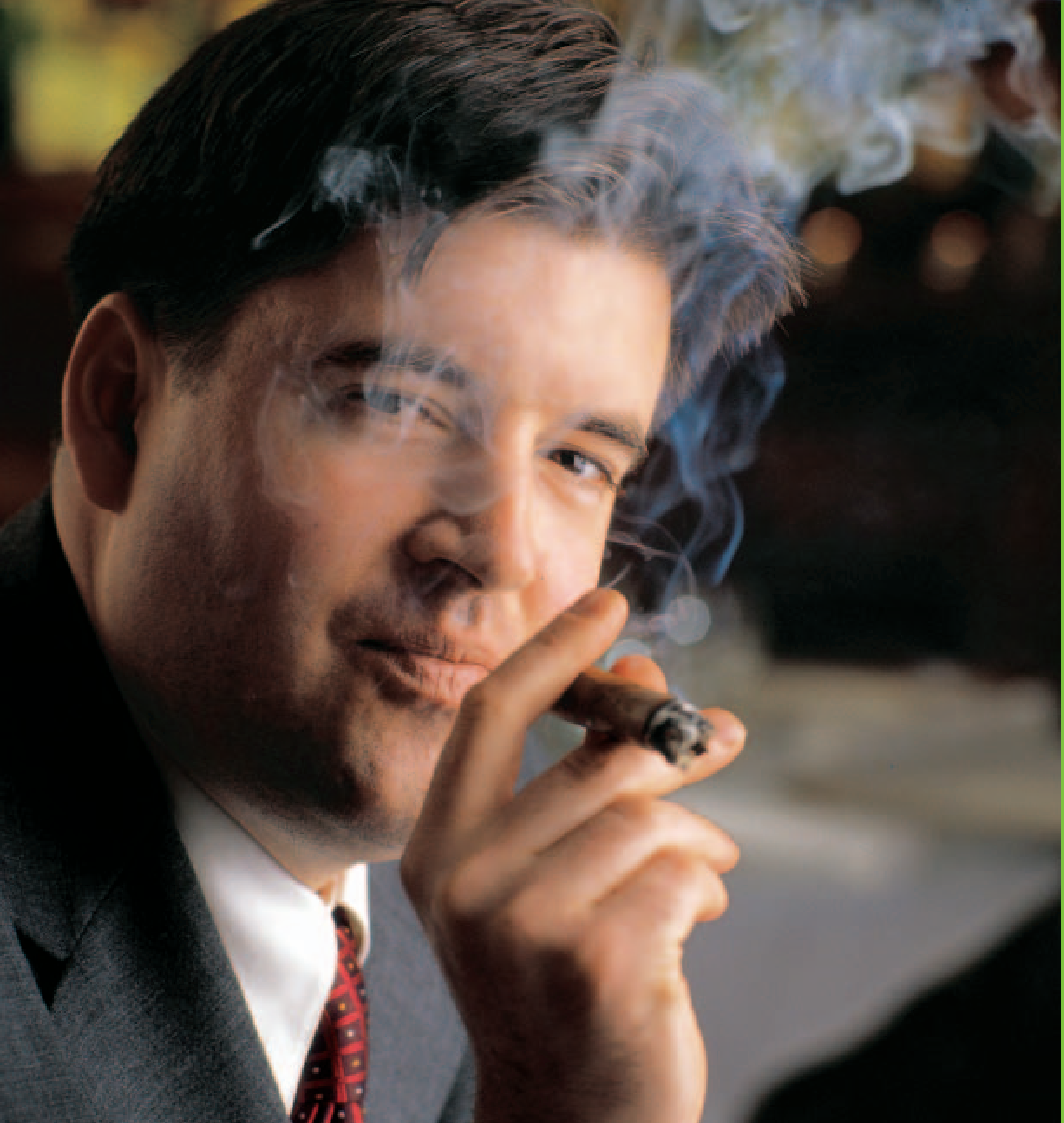
We know what our customers like.

Harrah's Entertainment, Inc. 2000 Annual Report

Tom likes NASCAR, Clint Holmes, Thick Steaks and

Joyce & Ted like Oceanfront Views, Barbershop Quartets, Elvis Slots and

Marge likes Meeting New Friends, Millionaire Maker, Coke and



Pete likes Fine Cigars, Hotel Suites, Rolex Watches and

We know what our customers like.

TO OUR SHAREHOLDERS:

The past year was both the best of times and the most frustrating of times for Harrah's Entertainment, Inc. By almost any measure, the Harrah's brand properties turned in an excellent year in 2000. In an industry many characterize as mature, Harrah's brand same-store sales increased an outstanding 12 percent and EBITDA (earnings before interest, taxes, depreciation and amortization) rose 21 percent. Company-wide revenues grew 15 percent as well, to $3.5 billion, aided by the Players International, Inc. acquisition completed in March 2000.

On the other hand, our well-chronicled challenges with JCC Holding Company, National Airlines, Inc. and the Rio in Las Vegas offset the great performance by the Harrah's brand and resulted in a loss of 10 cents per share for 2000. We recorded reserves in excess of $250 million due to the bankruptcy proceedings of JCC Holding Company, which is about 40 percent owned by Harrah's, and of National Airlines, in which we own a 48 percent stake. The performance of the Rio also clouded our results. We will discuss these matters in more detail on the pages that follow. However, we have taken decisive steps to address the challenges and to minimize their potential impact on future earnings.

BUILDING RELATIONSHIPS THROUGH TOTAL REWARDS

First, let us tell you how pleased we are with the results of our operating strategy. It focuses on building enduring customer relationships by using our innovative technology, marketing expertise and financial strength to provide our guests with superior service and high-quality amenities. We have long maintained that "must-see" mega-properties usually perform best in their first or second year of operation. In our opinion, building such facilities is not the most efficient method of sustaining revenue and earnings growth or return on investment because new casinos alone do not translate into long-term customer satisfaction.

Instead, we've built a marketing infrastructure focused on reaping a larger share of our customers' gaming budget for our existing properties. Our customers spend an average of 40 percent of their annual gaming budgets at our properties, and improving that percentage incrementally can translate into growth in same-store revenues and net income. Based on our same-store sales performance, our strategy is clearly working. The cornerstone of our success is the Total Rewards customer-loyalty program, launched in April 2000 as the follow-up to our original Total Gold program. With Gold, Platinum and Diamond levels, Total Rewards tracks our customers' play and offers them powerful incentives to consolidate their gaming activities with us.

Philip G. Satre

Below are a few examples of Total Rewards' accomplishments in 2000:

The three-tiered rewards system helped generate an increase of more than $165 million in revenue from guests who played at Platinum or Diamond Card levels;

Similarly, the number of Platinum-level customers rose 124 percent, while Diamond-level customer growth reached 118 percent;

Customers visiting a Harrah's, Rio or Showboat casino other than the property where their cards were issued generated approximately 23 percent of total tracked play at our casinos.

We were able to achieve these results at properties that are up to 60 years old, clearly indicating the advantage of building and maintaining lasting customer relationships, rather than costly mega-resorts. Furthermore, we've deployed the information gathered through the Total Rewards program to build one of the most sophisticated customer databases in this or any other industry. Integral to our marketing efforts, the database helps us understand our customers' preferences so that we can send them offers they are likely to find compelling. The results discussed above clearly indicate that such incentives encourage customers to consolidate their play at our casinos.

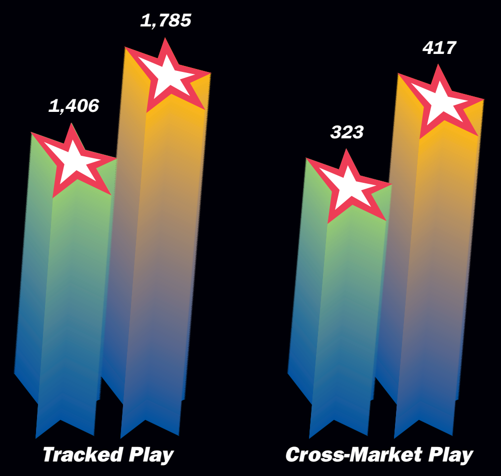
A STRATEGY THAT'S HARD TO DUPLICATE

Given the results of Total Rewards, you may be wondering just how long it will take before our competitors try to emulate its success. Not surprisingly, such efforts are already under way. However, we have several reasons to believe that it will be difficult for any other gaming company to duplicate what we have already accomplished. For starters, no one in our industry offers our level of geographic distribution. Half the U.S. population lives within a three-hour drive of a Harrah's owned or managed property. With 21 casinos spread across 17 markets in 10 states, Harrah's provides more locations at which customers can enter the Total Rewards system. At the same time, we can give them more options than any other gaming company for consolidating their play and redeeming their reward credits.

Our corporate culture gives Harrah's a distinct edge as well. We are first and foremost a marketing-driven company, and our centralized structure uniquely positions us to administer and leverage a nationwide customer-loyalty program. Our competitors, on the other hand, tend to be highly decentralized organizations that make most of their marketing decisions at the individual property level. Moreover, their real strengths tend to lie in property development.

Those characteristics don't support swift development of a far-reaching, national customer-loyalty program.

Colin V. Reed



Growth in Cross-Market Revenue *(In millions of dollars)*

'99 '00

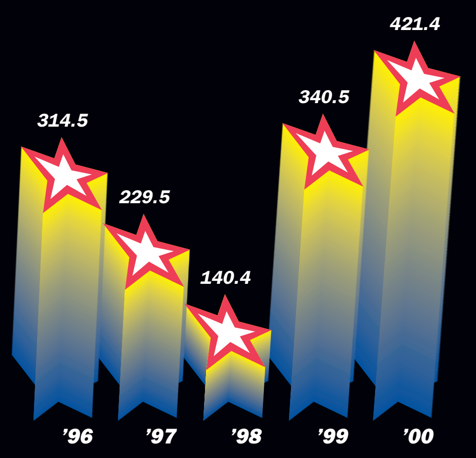
Perhaps most importantly, Harrah's is years ahead of its competitors in deployment of technology. We launched our Total Gold program—the predecessor to Total Rewards—in September 1997, and have used sophisticated database analysis concepts and marketing approaches for more than three years. Many of the systems we developed are patent-protected. Indeed, Harrah's has received an unprecedented level of recognition in the technology arena. In December 2000, *InformationWeek* and Cap Gemini Ernst & Young ranked us No. 1 among the top 100 U.S. companies that use information technology to build customer relationships. In January 2001, *CIO* magazine named Harrah's one of only three recipients of its 2000 Enterprise Value Award for our groundbreaking operational and strategic use of information technology.

Gary W. Loveman

EMPLOYEE RETENTION, PLAYERS INTEGRATION AMONG HIGHLIGHTS OF 2000

Looking back at the events of the past year, we can point to a number of accomplishments with pride. We've been very pleased with the results of the Players acquisition, which was completed in March 2000. All three properties we acquired have shown impressive revenue growth or have benefited from the cost structure improvements we implemented. We have successfully converted two of the three properties—Players St. Louis and Players Lake Charles—to the Harrah's brand. Results proved particularly strong at Harrah's Lake Charles in December, when our marketing programs went on-line and we raised the Harrah's banner over the facility. Players Metropolis is scheduled to assume the Harrah's name in the third quarter of 2001.

We also made great strides toward reducing staff turnover. By increasing management accountability and improving our selection and supervision processes, we lowered company-wide property turnover an average of 11 points, to 34 percent. In addition, we continued to attract and retain high-caliber management talent from both inside and outside the gaming industry. The ability to retain executive talent has been one of this company's greatest strengths over the past two decades. In the 1980s, for example, we launched an MBA recruitment initiative called the President's Associates program. Today, many of the original President's Associates are division presidents, general managers or similar high-level executives within the company.



Investment in Land, Buildings, Riverboats and Equipment Additions *(In millions of dollars)*

FORGING SUCCESSFUL ALLIANCES

In 2000, we continued to reap the benefits of our strategic alliances with personalities, organizations and event promoters. By seeking marketing partners with whom our existing and targeted customer bases have an affinity, we delivered promotions and programs that enhance brand awareness and our efforts at building customer loyalty.

In motor sports, Harrah's sponsorship of A.J. Foyt's racing team allows us to, among other things, reward top customers with pit access on race day and a chance to meet the four-time Indy 500 winner. We've forged a similar relationship with A.J.'s son Larry Foyt on the NASCAR racing circuit. In April 2001, our company will also sponsor the Harrah's 500, the nation's third-largest auto-racing event. The race should attract 250,000 fans to the Texas Motor Speedway, with another 4 million watching on television.

Similarly, we extended our contract with premier golf instructor Butch Harmon—whose students include Tiger Woods and Davis Love III—to continue his golf school at the Rio Secco Golf Course in Las Vegas. The Harmon school has proven to be a major attraction for golf enthusiasts from around the world.

RESOLVING OUR CHALLENGES AT THE RIO, HARRAH'S NEW ORLEANS AND NATIONAL AIRLINES

We encountered problems in 2000 with the Rio, JCC Holding Company and National Airlines. The Rio experienced an unprecedented string of bad luck at its table games. As a result, the property recorded an unusually low table-games hold percentage. The Rio's earnings were further hampered by unsatisfactory entertainment results.

We've taken steps calculated to permit the Rio to fare much better in 2001. In the casino, we've addressed volatility by reducing betting and credit limits and refining the customer base the hotel will pursue in the future. On the entertainment side, we've reduced our costs and created a sound plan for the property. Finally, a nearly all-new management team completed implementation of Total Rewards at the Rio in the fourth quarter.

At Harrah's New Orleans, both we and JCC Holding Company, the casino's owner, clearly missed the mark on overall revenue forecasts. Our revenue projections for local, VIP and cross-market players proved accurate, but use of the same forecasting techniques resulted in over-estimates of the revenue potential of the tourist and convention segment. Attendance levels at the casino have been very high, averaging about 19,000 guests per day in 2000, and our goal is to encourage them to spend more of their time and gaming-entertainment budgets at Harrah's New Orleans.

We believe the reorganization plan JCC Holding Company has submitted offers a realistic appraisal of the revenue potential and competitive position of the property. JCC has renegotiated its lease with the City of New Orleans. Moreover, on March 20, 2001, the Louisiana Legislature voted to approve a reduction of the minimum annual payment to the state, a key component of the reorganization plan. The Legislature also approved modifications to operating restrictions. The federal Bankruptcy Court also approved the plan, another major step toward completion of a successful reorganization of JCC Holding Company.

National Airlines, now struggling to emerge from Chapter 11, turned out to be a great idea that was crippled by bad timing. A popular airline with a conservative cost structure, National nonetheless fell victim to the unanticipated escalation in fuel prices. The airline faces a challenging reorganization and could cease operations in 2001 unless new capital can be raised.

A BRIGHT OUTLOOK

Looking ahead, we have many reasons to feel optimistic about 2001. In terms of industry supply, no major new casinos will open in Las Vegas for the first time in a decade. In fact, we are likely three years away from such an event. Supply in our riverboat markets, where we saw a rash of openings in the mid- to late-1990s, will stabilize as well. In Atlantic City, a competing casino adjacent to our property is in the works, but it is not scheduled to open until at least mid-2003. However, Harrah's Atlantic City should benefit from the scheduled July 2001 opening of a new highway that leads directly to our property.

In addition to the tight supply outlook, demand for gaming entertainment has never been higher. Since 1990, consumer spending on casino gaming has more than tripled. With their children now grown, an increasing number of baby boomers find themselves with more time and money to spend on entertainment each year.

Our capital structure is one of the strongest in the gaming industry. Credit-rating agencies recently reaffirmed our investment-grade credit ratings when we issued $500 million of new senior notes in January 2001. We have some of the best credit statistics in our industry as measured by debt leverage and interest coverage. Our geographic diversification helps insulate the company from regional economic problems. Our strong balance sheet and ready access to capital provide us with the financial flexibility to move quickly to take advantage of future growth opportunities.

On the property level, we expect to invest between $300 million and $350 million on non-maintenance capital spending in 2001. The spending is earmarked for hotel expansions and other capital projects that will enhance the guest experience in our casinos, restaurants and entertainment venues.

Through our technological strengths, we've launched a number of initiatives that should also drive revenue growth and lower costs. We are particularly excited about our yield-management system, which has the potential to be another driver of same-store sales growth. Yield management gives us the tools to predict room demand from each customer segment more accurately, and it also links each customer's hotel and gaming revenues. We believe we can optimize revenues by ensuring that our best customers always have access to our best hotel rooms. We began testing yield management, which is tied into our Total Rewards system, at the Rio in October and later at our Harrah's properties in Las Vegas and Atlantic City. We expect to roll out the system across all our properties in 2001.

If you've visited our Web site (www.harrahs.com) recently, you have seen that we've been busy executing our e-commerce strategy as well. Our revamped site includes everything you might expect to find, including information on our properties, job openings and the latest corporate news. However, we've gone far beyond the basics and are using the Web to enhance our relationships with our customers. For example, gamers can visit our site to learn about last-minute offers and to make reservations. Total Rewards members can access their accounts online. In the next few months, we will also begin fulfilling promotional offers through our Web site, a step that should improve our promotional cost structure and benefit our customers.

The Internet also plays into our strategy for lowering purchasing costs. We've established a goal of cutting 5 percent from the $800 million we spend annually on goods and services by centralizing and leveraging our purchasing power. To do so, we've created systems that will allow our procurement staff to make purchases using the Net and, where appropriate, enable vendors to bid online for our business.

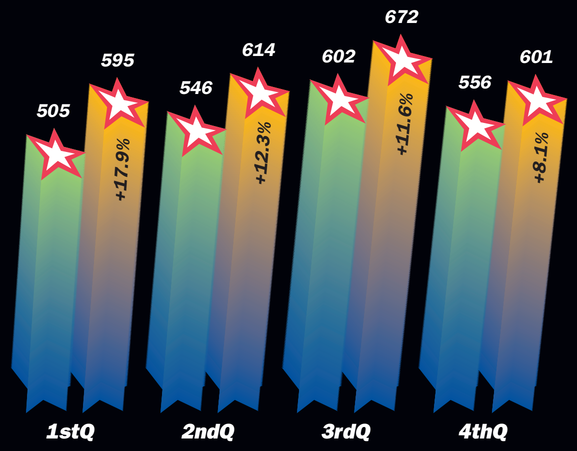
Clearly, we believe that the Harrah's Entertainment story is compelling. Yes, there have been bumps in the road, but they are behind us now. We've assembled superior assets and capabilities that should drive continued gains in revenues and earnings. The success of Total Rewards and our same-store sales growth, our lead in technology and geographic distribution, and the promise of yield management and other new initiatives all translate into a bright growth outlook for the coming year and beyond.

Sincerely,

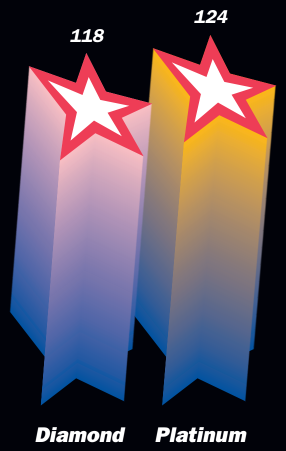
Philip G. Satre
Chairman, Chief Executive Officer and Office of the President

Colin V. Reed
Chief Financial Officer and Office of the President

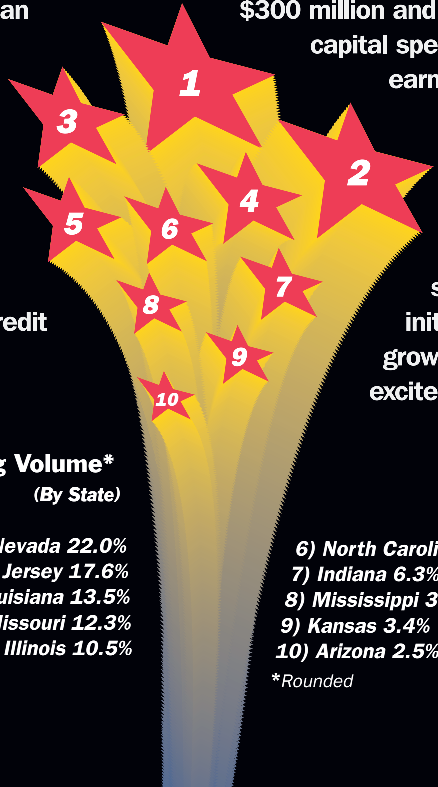
Gary W. Loveman
Chief Operating Officer and Office of the President



Harrah's Brand Same-Store Sales Growth 2000 vs. 1999 *(In millions of dollars)* '99 '00



2000 Growth in Platinum and Diamond Cardholders *(In percent)*



2000 Gaming Volume* *(By State)*

1) Nevada 22.0%
2) New Jersey 17.6%
3) Louisiana 13.5%
4) Missouri 12.3%
5) Illinois 10.5%
6) North Carolina 8.4%
7) Indiana 6.3%
8) Mississippi 3.4%
9) Kansas 3.4%
10) Arizona 2.5%

**Rounded*

Financial and Statistical Highlights

(In millions, except common stock data and financial percentages and ratios)
(See Notes 1 and 2 to the Consolidated Financial Statements)

	2000 [a]	1999 [b]	1998 [c]	1997 [d]	1996 [e]	Compound Growth Rate
OPERATING DATA						
Revenues	$ 3,471.2	$ 3,024.4	$ 2,004.0	$ 1,619.2	$ 1,586.0	21.6%
Income from operations	282.7	481.0	287.8	213.5	236.9	4.5%
Income before income taxes and minority interest	17.8	359.6	203.3	183.6	172.1	(43.3)%
Income (loss) from continuing operations	(11.3)	219.5	121.7	107.5	98.9	N/M
Net income (loss)	(12.1)	208.5	102.0	99.4	98.9	N/M
COMMON STOCK DATA						
Earnings (loss) per share-diluted						
Continuing operations	(0.09)	1.71	1.19	1.06	0.95	N/M
Net income (loss)	(0.10)	1.62	1.00	0.98	0.95	N/M
FINANCIAL POSITION						
Total assets	5,166.1	4,766.8	3,286.3	2,005.5	1,974.1	27.2%
Long-term debt	2,835.8	2,540.3	1,999.4	924.4	889.5	33.6%
Stockholders' equity	1,269.7	1,486.3	851.4	735.5	719.7	15.3%
CASH FLOWS						
Provided by operating activities	547.6	490.1	297.9	255.1	285.7	17.7%
Property EBITDA[f]	886.5	792.9	512.6	402.9	440.2	19.1%
Investment in land, buildings, riverboats and equipment additions	421.4	340.5	140.4	229.5	314.5	
FINANCIAL PERCENTAGES AND RATIOS						
Return on revenues-continuing	(0.3)%	7.3%	6.1%	6.6%	6.2%	
Return on average invested capital[g]	2.9%	8.1%	8.0%	8.6%	8.8%	
Return on average equity[g]	(0.8)%	15.5%	15.3%	14.9%	14.5%	
Ratio of earnings to fixed charges	2.2	2.7	2.4	2.8	2.8	

N/M = Not Meaningful

(a) 2000 includes $220.0 million in pretax reserves for receivables not expected to be recovered from JCC Holding Company and its subsidiary, Jazz Casino Company LLC, $6.1 million in pretax charges for other write-downs, reserves and recoveries and $39.4 million in pretax write-offs and reserves for our investment in, loans to and net estimated exposure under letters of credit issued on behalf of National Airlines, Inc. 2000 also includes the financial results of Players International, Inc. from its March 22, 2000, date of acquisition.

(b) 1999 includes $2.2 million in pretax charges for write-downs, reserves and recoveries and $59.8 million of gains from sales of our equity interests in nonconsolidated affiliates. 1999 also includes financial results of Rio Hotel & Casino, Inc. from its January 1, 1999, date of acquisition.

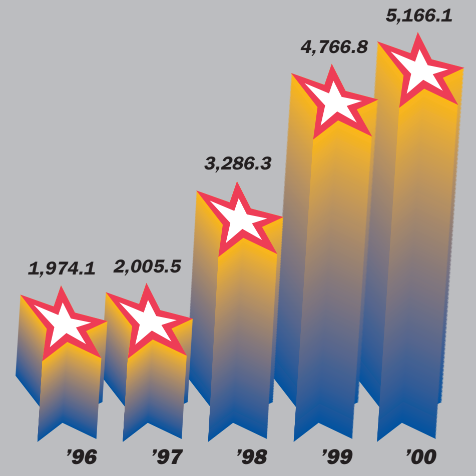
(c) 1998 includes $7.5 million in pretax charges for write-downs and reserves and a $13.2 million gain on the sale of equity interests in a nonconsolidated restaurant subsidiary. 1998 also includes the financial reports of Showboat, Inc. from its June 1, 1998, date of acquisition.

(d) 1997 includes $13.8 million in pretax charges for write-downs and reserves and a $37.4 million gain on the sale of equity in a New Zealand subsidiary.

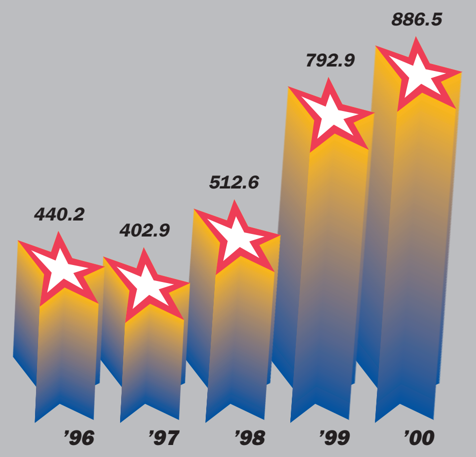
(e) 1996 includes $52.2 million in pretax charges for write-downs and reserves.

(f) EBITDA consists of earnings before interest, taxes, depreciation and amortization. Property EBITDA consists of operating profit before depreciation and amortization, write-downs, reserves and recoveries and project opening costs. See Exhibit 12 to our 2000 Form 10-K for the computation of property EBITDA. Property EBITDA is a supplemental financial measure used by management, as well as industry analysts, to evaluate our operations. However, property EBITDA should not be construed as an alternative to Income from operations (as an indicator of our operating performance) or to cash flows from operating activities (as a measure of liquidity) as determined in accordance with generally accepted accounting principles and presented in the accompanying Consolidated Financial Statements. All companies do not calculate EBITDA in the same manner. As a result, property EBITDA as presented by our Company may not be comparable to similarly titled measures presented by other companies.

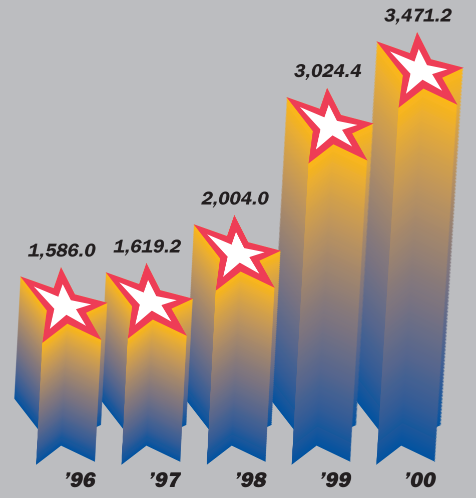
(g) Ratio computed based on Income before extraordinary items and cumulative effect of change in accounting policy.



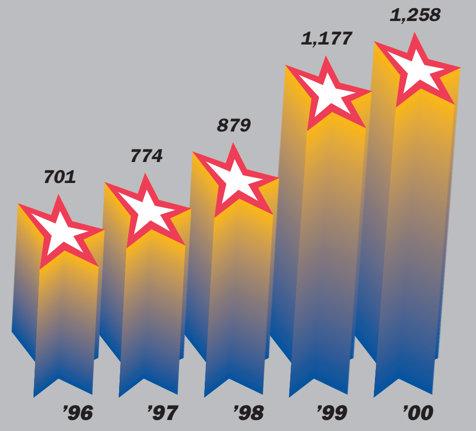
Total Assets *(In millions of dollars)*



Property EBITDA *(In millions of dollars)*

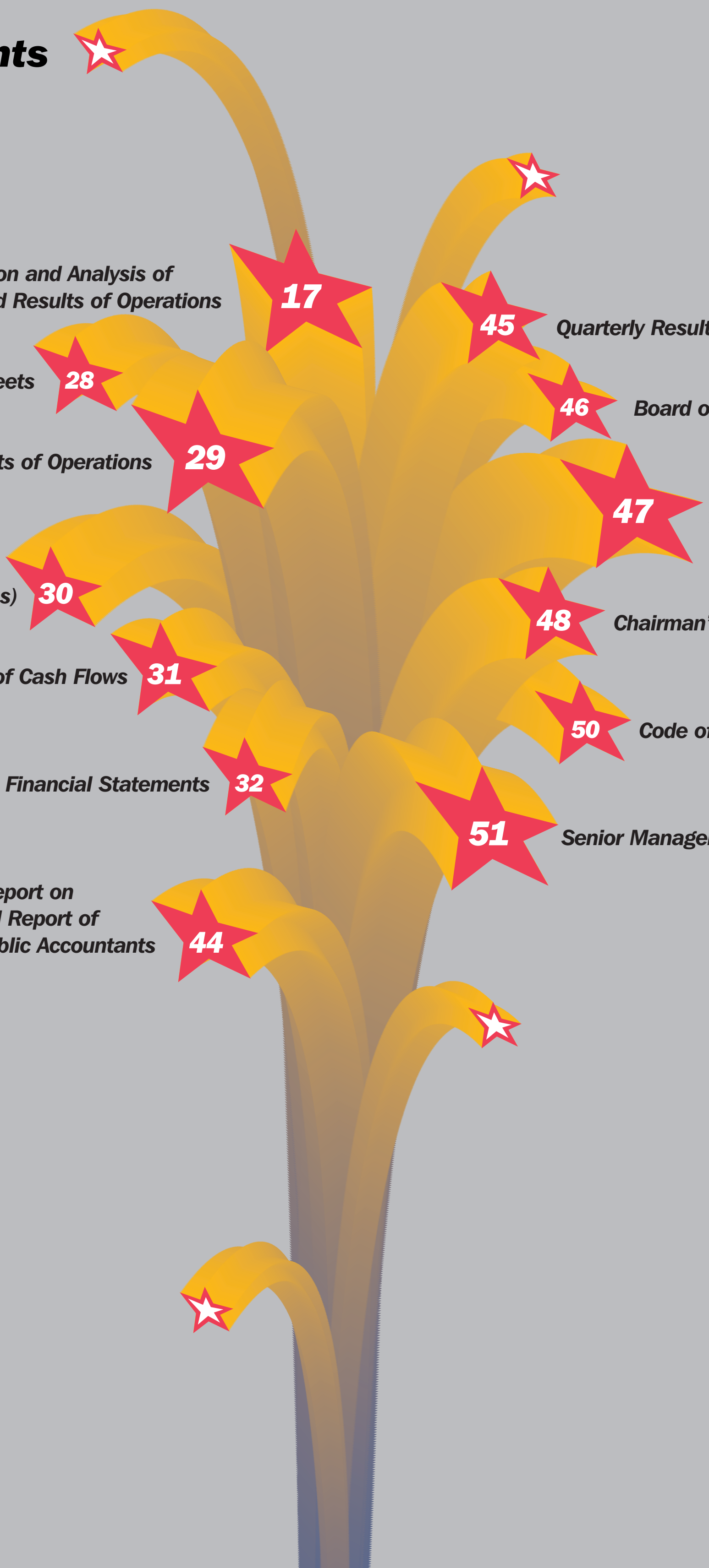


Net Revenues *(In millions of dollars)*



Harrah's Entertainment Casino Square Footage *(In thousands of square feet)*

Financial Contents



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

In this discussion, the words "Harrah's Entertainment," "Company," "we," "our," and "us" refer to Harrah's Entertainment, Inc., together with its subsidiaries where appropriate.

From an overall financial perspective, 2000 was a year of contrasts for our Company with a few significant issues overshadowing an otherwise strong performance. Disappointing results at Harrah's New Orleans and National Airlines, Inc. ("NAI") and the ultimate announcements in January 2001 and December 2000, respectively, of bankruptcy reorganizations for both companies triggered significant charges for reserves and resulted in an adverse impact to our earnings.

JCC HOLDING COMPANY

The Company has an approximate 40% beneficial ownership interest in JCC Holding Company and its subsidiary, Jazz Casino Company, LLC (collectively, "JCC"). JCC owns and operates a land-based casino in New Orleans, Louisiana (the "Casino"), which is managed by a subsidiary of the Company.

Initially, the Company guaranteed a $100 million annual payment obligation of JCC owed to the State of Louisiana gaming board ("the State Obligation") for the period from October 28, 1999 to October 28, 2000 (the "Initial State Guarantee"). In accordance with an existing agreement, the Initial State Guarantee was replaced with a new guarantee (the "Current State Guarantee"), pursuant to which the Company guaranteed the State Obligation for the period from April 1, 2000, to March 31, 2001. JCC is required to make daily payments of approximately $273,973 to satisfy the State Obligation. The Current State Guarantee obligation is reduced to the extent JCC makes such daily payments. Payments made to the State by the Company pursuant to the Initial State Guarantee and the Current State Guarantee are secured by a first priority collateral security interest in JCC's assets. Payments made to the State by the Company on behalf of JCC under the Initial State Guarantee and the Current State Guarantee during 2000 totaled $44.1 million.

Subject to the satisfaction of certain cash flow tests and other conditions each year, the Company would have been required to provide a new guarantee to the State for each of the 12-month periods ending March 31, 2002, 2003 and 2004. For the period ending March 31, 2002, the requirement to provide a new guarantee was conditioned upon, among other things, JCC producing net cash flow, as defined, of at least $15 million for the 12-month period ending November 30, 2000. JCC did not satisfy this cash flow test, and the Company notified JCC on December 28, 2000, that it would not renew the Current State Guarantee for the 12-month period ending March 31, 2002.

On January 4, 2001, JCC filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code. In connection with its reorganization, JCC proposed a plan which contemplates a substantial reduction in the minimum annual payment to the State, a reduction in costs associated with the City of New Orleans lease, modifications of Casino operating restrictions and the agreement of major creditors, including the Company, to a restructuring of JCC's debts. On March 15, 2001, the City of New Orleans City Council adopted ordinances to reduce the City's annual payments from JCC by approximately $5 million. On March 19, 2001 the reorganization plan was confirmed by the bankruptcy court. On March 21, 2001, the State enacted legislation to (i) reduce the State Obligation from $100 million to $50 million in the first year and $60 million thereafter and (ii) relax certain Casino operating restrictions by permitting the Casino to offer certain food and hotel services. Final consummation of the reorganization plan is subject to completion of legal documentation satisfactory to all parties, as well as satisfaction of all other conditions to plan consummation.

Assuming JCC's reorganization plan is consummated, we will guarantee the State Obligation of $50 million in the first year and $60 million for three subsequent years. The Company would receive a fee for providing this guarantee. In addition to the proposed changes in the State Agreements, under the reorganization plan, JCC's capital structure would be changed and the Company would own 49% of the new equity in JCC and hold approximately $51 million of the new debt of JCC. There would be a new $35 million JCC revolving credit facility at market terms, which the Company would provide. The Company has also agreed to changes in the management agreement, which would, among other things, (i) change the base management fee to an incentive management fee based on earnings of the business before interest expense, income taxes, depreciation and amortization and management fees, (ii) require the Company to provide certain administrative services to JCC as part of its management fee without any reimbursement from JCC and (iii) provide for termination of management services if minimum performance thresholds are not met.

Due to the filing of bankruptcy by JCC, in fourth quarter 2000 we recorded reserves of $220 million for receivables not expected to be recovered in JCC's reorganization plan. Failure by JCC to consummate its reorganization plan would likely result in loss of its State gaming license and could result in further financial impact to the Company of approximately $73 million, plus any additional amounts funded under the Current State Guarantee.

NAI

We have an approximate 48% ownership interest in NAI, an airline company in Las Vegas, which opened for business in May 1999. During 1999 and 2000, we provided $17.4 million in loans to NAI and letters of credit on their behalf of $24.6 million. We have an agreement with another investor of NAI whereby that investor is obligated to reimburse us for approximately 56% of any amount that we might pay in response to demands on the letters of credit. In December 2000, NAI filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code. In response to that filing, we recorded write-offs and reserves in fourth quarter 2000 totaling $39.4 million for our investment in and loans to NAI and our net exposure under the letters of credit.

OPERATING RESULTS AND DEVELOPMENT PLANS

Overall

(In millions, except earnings per share)	2000	1999	1998	Percentage Increase/(Decrease) 00 vs 99	99 vs 98
Casino revenues	$2,852.0	$2,424.2	$1,660.3	17.6%	46.0%
Net revenues	3,471.2	3,024.4	2,004.0	14.8%	50.9%
Operating profit	416.1	594.8	354.2	(30.0)%	67.9%
Income from operations	282.7	481.0	287.8	(41.2)%	67.1%
Income (loss) before extraordinary items	(11.3)	219.5	121.7	N/M	80.4%
Net income (loss)	(12.1)	208.5	102.0	N/M	104.4%
Earnings (loss) per share–diluted					
Before extraordinary items	(0.09)	1.71	1.19	N/M	43.7%
Net income (loss)	(0.10)	1.62	1.00	N/M	62.0%
Operating margin	8.1%	15.9%	14.4%	(7.8)pts	1.5pts

N/M = Not meaningful

2000 revenues grew 14.8% over 1999 as a result of the acquisition of Players International, Inc. ("Players") in March 2000 and revenue growth at most of our properties. This continues the trends we reported for 1999 and 1998 and confirms the success of our strategy of growing same store sales through customer loyalty. Significant contributors to our revenue growth over the three years presented above were the strategic acquisitions of Players, Rio Hotel & Casino, Inc. ("Rio") and Showboat, Inc. ("Showboat"). However, even without the impact of these acquisitions, we achieved significant "same store" revenue growth in 2000. The following table reflects the gaming revenues for the 12 Company-owned casinos open throughout the three-year period and for casinos acquired in the acquisitions of Players in March 2000, Rio in January 1999 and Showboat in June 1998.

(In millions)	2000	1999	1998	Percentage Increase/(Decrease) 00 vs 99	99 vs 98
Casino revenues					
Harrah's	$1,800.8	$1,626.5	$1,458.9	10.7%	11.5%
Showboat acquisition	590.6	556.0	201.4	6.2%	N/M
Rio acquisition	184.6	241.7	–	(23.6)%	N/M
Players acquisition	276.0	–	–	N/M	–
Total	$2,852.0	$2,424.2	$1,660.3	17.6%	46.0%

N/M = Not meaningful

Contradicting the revenue growth is the decline in operating profit, net income (loss) and diluted earnings per share in 2000 as compared to 1999, driven primarily by fourth quarter charges for Harrah's New Orleans and NAI and lower results at the Rio. Comparison of our year-over-year results is complicated by these unusual charges in 2000. The table below presents a pro forma comparison of our operating results, which have been adjusted to exclude 2000 charges for New Orleans and NAI, 1999 and 1998 gains from sales of equity interests in subsidiaries, 1998 venture restructuring costs and the estimated tax effects of those charges in each year.

(In millions, except earnings per share)	2000	1999	1998	Percentage Increase/(Decrease) 00 vs 99	99 vs 98
Total revenues	$3,471.2	$3,024.4	$2,004.0	14.8%	50.9%
Operating profit	636.1	594.8	354.2	6.9%	67.9%
Income from operations	502.7	481.0	293.9	4.5%	63.7%
Income before extraordinary items	164.0	181.8	117.3	(9.8)%	55.0%
Net income	163.3	170.8	97.6	(4.4)%	75.0%
Earnings per share–diluted					
Before extraordinary items	1.38	1.41	1.16	(2.1)%	21.6%
Net income	1.37	1.33	0.96	3.0%	38.5%
Operating margin	14.5%	15.9%	14.7%	(1.4)pts	1.2pts

Strategic Acquisitions

One facet of our growth strategy has been the pursuit of acquisitions to further enhance our distribution, strengthen our access to target customers and leverage our technological and centralized services infrastructure. The following provides a brief review of our acquisition activities.

Showboat, Inc. We acquired Showboat on June 1, 1998, for $30.75 per share in an all cash transaction and assumption of approximately $635.0 million of Showboat's outstanding debt. Our acquisition of Showboat gives us a stronger presence in the two key growth and feeder markets of Atlantic City and Chicago. In Atlantic City, Showboat provides us with a strong additional brand in a strategic Boardwalk location that complements our Harrah's brand location in the Marina district. In the Chicago market, the combination of Showboat's riverboat casino complex southeast of Chicago in neighboring Indiana, which has been re-branded as a Harrah's casino, and Harrah's in Joliet, Illinois, southwest of Chicago, makes it possible for us to seek the loyalty of a broader share of visitors from the Chicago area. Our acquisition of Showboat was accounted for as a purchase.

Also included in the Showboat acquisition was a 24.6% equity ownership interest in the Star City casino in Sydney, Australia and an agreement to manage that casino. In fourth quarter 1999, we sold our ownership interest in the Star City casino, and in first quarter 2000, we completed the sale of our management interests in that property. We received net proceeds of approximately $200 million from these sales. (See Other Factors Affecting Net Income (Loss).)

During first quarter 2000, we completed the sale for cash of the Showboat Las Vegas property, which was acquired in our purchase of Showboat, Inc. At the time of the Showboat acquisition, the Showboat Las Vegas property was determined to be a nonstrategic asset for us and was reported as an asset-held-for-sale in our financial statements. No gain or loss resulted from the sale of this asset.

Rio Hotel & Casino, Inc. We completed our merger with Rio on January 1, 1999, issuing approximately 25 million shares of our common stock to acquire all of Rio's outstanding shares in a one-for-one transaction and assuming Rio's outstanding debt of approximately $432 million. The addition of the Rio to the family of Harrah's Entertainment properties provides our customers who frequent Las Vegas a choice between two distinct, high-quality experiences, a high-quality Las Vegas strip destination and a high-quality resort experience. In addition to the Rio property, our acquisition also included Rio Secco, an 18-hole championship golf course, and approximately 35 acres adjacent to the Rio, which is available for further development. We accounted for our merger with Rio as a purchase.

Players International, Inc. In March 2000, we completed our acquisition of Players, paying $8.50 in cash for each outstanding share and assuming $150 million of Players outstanding debt. Players operated a dockside riverboat casino on the Ohio River in Metropolis, Illinois; two cruising riverboat casinos in Lake Charles, Louisiana; two dockside riverboat casinos in Maryland Heights, Missouri; and a horse racetrack in Paducah, Kentucky. Players and Harrah's Entertainment jointly operated a landside hotel and entertainment facility at the Maryland Heights property, a suburb of St. Louis. The operations of the Players facility in Maryland Heights were consolidated with the adjacent Harrah's operation in second quarter 2000, and the Lake Charles facility was converted to the Harrah's brand in fourth quarter 2000. The Metropolis facility is expected to be converted to the Harrah's brand name after integration of our systems and technology, including Total Rewards, which we anticipate will occur in the second half of 2001.

Western Region				Percentage Increase/(Decrease)	
(In millions)	2000	1999	1998	00 vs 99	99 vs 98
Casino revenues	$ 726.8	$ 730.1	$457.6	(0.5)%	59.5%
Total revenues	1,141.7	1,147.9	642.6	(0.5)%	78.6%
Operating profit	127.9	182.4	94.3	(29.9)%	93.4%
Operating margin	11.2%	15.9%	14.7%	(4.7)pts	1.2pts

Southern Nevada. Revenue and operating profit decreases in Southern Nevada in 2000 were due to Rio's table games hold percentage, which ran well below historical average throughout much of the year. In addition to the revenue shortfalls, Rio's operating margin was impacted by increased entertainment costs. Our other Southern Nevada properties posted record revenues in 2000, a 10.1% increase over 1999 revenues for those properties. Harrah's Las Vegas set record revenues for the third consecutive year and Harrah's Laughlin set record revenues for the second consecutive year. Operating profits for Southern Nevada properties, excluding Rio, were up 24.3% over 1999. These increases were driven by growth in cross-market play, more effective marketing programs and improved margins.

The increase in revenues and operating profit in 1999 over 1998 was due primarily to the acquisition of Rio, which contributed $463.7 million in revenues in the Western region that year. However, even without the addition of Rio, Southern Nevada posted record revenues for 1999, an increase of 6.8% over 1998 revenues. 1999 operating profit for Southern Nevada, excluding the impact of Rio, increased 30.5% over 1998.

In second quarter 2000, Rio opened its new $32 million showroom complex, which includes a 1,500 seat, state-of-the-art theater with balcony; a three-level lobby with hospitality center; and a theater promenade with approximately 10,000 square feet of retail space. The showroom complex is located adjacent to the Pavilion, Rio's 110,000 square foot entertainment/convention complex that opened in March 1999. The new theater at Rio has not yet generated a significant increase in entertainment revenues.

Northern Nevada. Northern Nevada posted record revenues in 2000, up 7.0% from 1999 revenues, and operating profit increased 14.3% over 1999. We believe that these increases were due to property enhancements in Reno and Lake Tahoe and to execution of our consumer marketing strategy.

The increase in 2000 continues the trend seen in 1999 and 1998 in Northern Nevada when 1999 revenues increased 6.1% over 1998, and operating profit was 14.6% higher than in 1998.

Central Region				Percentage Increase/(Decrease)	
(In millions)	2000	1999	1998	00 vs 99	99 vs 98
Casino revenues	$1,381.6	$ 970.9	$661.9	42.3%	46.7%
Total revenues	1,453.9	1,020.1	702.7	42.5%	45.2%
Operating profit	304.8	201.8	121.0	51.0%	66.8%
Operating margin	21.0%	19.8%	17.2%	1.2pts	2.6pts

The revenue and operating profit increases reported by the Central Region for 2000 versus 1999 were due to the acquisition of Players in late March and to record performances at several of our properties in the region. Excluding the impact of the Players acquisition, Central Region gaming revenues increased 13.9% in 2000 over the prior year and drove correlating increases in net revenues and operating profit. Increases in 1999 over 1998 are due primarily to the consolidation in 1999 of the East Chicago property, the conversion of Harrah's Joliet from a cruising to a dockside operation and continued improvements at our St. Louis property. Excluding the impact of the consolidation of the East Chicago property, Central Region revenues increased 14.7% over 1998 and operating profit increased 36.7% for the same period.

Chicagoland/Illinois. Record revenues and operating income were recorded for our Chicagoland properties for 2000, up 25.2% and 36.3%, respectively, from 1999. Harrah's Joliet has benefited from the mid-1999 elimination of cruise scheduling and ticketing and the fourth quarter 1999 opening of the new hotel at that property. Subject to regulatory approvals, we plan to convert the casino in Joliet from riverboats to barges. It is anticipated that the two riverboats will be removed from service in fourth quarter 2001; therefore, depreciation has been accelerated by $2.4 million per quarter, beginning in third quarter 2000, to reflect the revised estimates of the riverboats' useful lives. Excluding this accelerated depreciation, Harrah's Joliet's operating profit increased 43.5% in 2000. Harrah's East Chicago's revenue increased 19.7% and operating profit increased 37.9% over 1999. We believe that these results were driven by the March 1999 re-branding of this property to the Harrah's brand and the successful execution of the Company's loyalty strategy in East Chicago. We have begun construction on a 292-room hotel at the East Chicago property. This project is expected to cost approximately $47.0 million and is estimated to be completed near year-end 2001.

In 1999, our operating results in the Chicagoland market benefited from both the consolidation and re-branding in first quarter 1999 of the East Chicago property and rule changes governing the operations of Harrah's Joliet. After our acquisition of Showboat, we owned a 55% noncontrolling interest in Showboat Marina Casino Partnership ("SMCP"), the partnership that owned the East Chicago Showboat property. During 1998, our share of income from the East Chicago casino was included in Equity in losses of nonconsolidated affiliates in the Consolidated Statements of Operations. In first quarter 1999, we consummated an agreement with our partners owning the other 45% interest in SMCP to increase our ownership interest to 99.55%, and partnership agreements were amended to give us greater flexibility in operating this property. Consequently, we began consolidating this partnership with the financial results of our other businesses in first quarter 1999.

Revenues increased 32.9% at Harrah's Joliet in 1999 compared to the prior year, and operating profit increased 61.0%. In late June 1999, cruise scheduling and ticketing were eliminated at Harrah's Joliet, and business levels increased significantly subsequent to going dockside. During fourth quarter 1999, we completed construction of a 204-suite hotel at Harrah's Joliet. This follows the completion in first quarter 1998 of a climate-controlled walkway, joining Harrah's Joliet's self-parking garage to its pavilion, and a new VIP lounge.

Players Metropolis contributed $87.5 million in revenues and $27.2 million in operating income for the period subsequent to its acquisition in 2000. The Metropolis property is expected to be converted to the Harrah's brand in the second half of 2001.

Louisiana. Harrah's Shreveport's 2000 revenues declined 1.5% and operating profit declined 16.4%. These declines were the result of an ongoing construction program and costs of promotions mounted to sustain business during construction activities. Construction began in May 1999 on a 514-room hotel with almost 18,000 square feet of convention center space. The new hotel and amenity expansion is expected to cost $146.6 million, of which $138.7 million had been spent through December 31, 2000. Weather-related delays have pushed the expected completion of this expansion to first quarter 2001. 1999 revenues for this property declined 3.8% and operating profit declined 11.0% compared to 1998 due to substantial new additional hotel and entertainment amenities added by our competitors in 1998.

The Lake Charles property, which was acquired in the Players acquisition in March 2000 and was re-branded to the Harrah's brand in fourth quarter 2000, contributed $125.2 million in revenues and $21.2 million in operating profit. We are currently investing approximately $41 million to upgrade the slot product and infrastructure of the Lake Charles property. This capital expenditure includes the cost of replacing one of the existing boats with a riverboat that we purchased in 1998 and are renovating.

Mississippi. Combined revenues from our Mississippi operations increased 1.5% in 2000 from 1999. This follows a 6.1% increase in 1999 from 1998 levels. Our Mississippi properties' combined operating profit in 2000 was down 13.5% from 1999 when operating profit was $5.2 million, compared to a combined loss for 1998 due to disrupted operations at Harrah's Tunica for much of the year in connection with our testing of service initiatives at that property.

In March 1999, we consummated the sale of our original Tunica property to another casino company. Our gain from this disposition is reported in Write-downs, reserves and recoveries in the Consolidated Statements of Operations.

Missouri. Harrah's North Kansas City posted record revenues and operating profit in 2000, up 6.0% and 31.7%, respectively. 1999 revenues increased 8.8% over 1998 and operating profit was up 9.3% for the same period.

Revenues at Harrah's St. Louis were 74.9% higher than in 1999 and operating profit was up 54.6% due principally to the integration of Players St. Louis and the Harrah's/Players jointly-owned shore-side facilities into our operations. Harrah's St. Louis reported record revenues and operating income for 1999, up 31.5% and 86.6%, respectively, over 1998 levels.

The St. Louis shore-side facilities were owned jointly with Players prior to our March 22, 2000, acquisition of that company. Our pro-rata share of operating losses of the joint venture in 2000 up to the date of the Players acquisition was $2.4 million. Our pro-rata share of the operating losses of the shore-side facilities was $10.4 million for 1999 and $10.8 million for 1998. These operating losses are included in Equity in losses of nonconsolidated affiliates in the Consolidated Statements of Operations (see Other Factors Affecting Net Income (Loss)). Subsequent to the Players acquisition, results of the shore-side facilities, as well as for Players St. Louis operations, are combined with Harrah's St. Louis' operating results.

During 1998, we incurred $5.0 million of nonrecurring costs in connection with a successful campaign for a referendum in Missouri seeking approval of games of chance on riverboats in artificial basins. In November 1998, the people of Missouri voted to amend that State's Constitution to deem all floating casino facilities in compliance with state law.

In third quarter 1998, we acquired the assets of a riverboat casino in Kansas City formerly operated by a third party, including a 28,000 square foot casino riverboat, shore-side facilities, parking garage, certain land, all gaming equipment and computerized customer databases. We plan to replace one of the boats at Harrah's Lake Charles with this acquired riverboat, and the acquired land and shore-side facilities are currently being marketed for sale.

Eastern Region

(In millions)	2000	1999	1998	Percentage Increase/(Decrease) 00 vs 99	99 vs 98
Casino revenues	$743.3	$723.3	$540.8	2.8%	33.7%
Total revenues	791.8	775.6	590.8	2.1%	31.3%
Operating profit	182.3	173.8	129.2	4.9%	34.5%
Operating margin	23.0%	22.4%	21.9%	0.6pts	0.5pts

Our Eastern Region is comprised of the operating results of Harrah's Atlantic City and the Atlantic City Showboat property. Harrah's Atlantic City achieved record revenues for the fourth consecutive year in 2000, and operating profit, which was also a record, increased 16.6% compared to 1999. Showboat Atlantic City's revenues were down 1.7% from 1999 levels and operating profit was down 9.8% for the same period.

The Eastern Region's 1998 results include only seven months of operations from the Atlantic City Showboat.

We began construction in 2000 of a 450-room expansion at Harrah's Atlantic City. The expansion is expected to cost approximately $113 million, $7.3 million of which had been spent as of December 31, 2000. The expansion is scheduled to be completed in first quarter 2002.

Managed Casinos and Other

(In millions)	2000	1999	1998	Percentage Increase/(Decrease) 00 vs 99	99 vs 98
Revenues	$78.5	$77.9	$65.6	0.8%	18.8%
Operating profit	40.4	43.3	25.3	(6.7)%	71.1%

Our Managed Casinos and Other results for 2000 reflect a full year of management fees from Harrah's New Orleans, which opened in fourth quarter 1999 and which essentially offset lower management fee percentages as a result of recent renewal and extension agreements for two of the Indian-owned facilities that we manage. The uncollected balance of the New Orleans management fee revenues was included in the reserves recorded in 2000 (see Other Factors Affecting Net Income (Loss)). 1999 results were led by increased management fees from the tribal-owned casinos we manage.

In third quarter 2000, the Eastern Band of Cherokee Indians ("Cherokee") broke ground on a new $63 million hotel and conference center at Harrah's Cherokee Smoky Mountains Casino in Cherokee, North Carolina. Construction of the 252-room hotel and 30,000 square foot conference center is slated for completion in first quarter 2002. In fourth quarter 1999, we announced an agreement with the Cherokee for a two-year extension of our management contract. Our agreement will now expire in November 2004.

During first quarter 2000, we signed a definitive agreement with the Rincon San Luiseno Band of Mission Indians ("Rincon") to act as developer and manager for the Tribe's $125 million casino and hotel on Rincon tribal land less than 50 miles north of San Diego, California. This location provides convenient access to metropolitan San Diego, La Jolla, Del Mar, Escondido and Orange County, California. The Rincon opened a temporary casino facility in January 2001. We are providing the Rincon technical services related to the development and operation of the temporary casino, but we will not manage the temporary facility. We are providing $29.2 million to finance the temporary casino, part of which will be transferable to the permanent facility, which is expected to open in the first half of 2002. The remaining cost of the permanent facility is expected to be funded by a third-party loan that we expect to guarantee. We expect to manage the permanent facility for a fee. The operation of the permanent casino project is subject to various approvals, including approvals of the National Indian Gaming Commission ("NIGC").

In third quarter 1999, we signed a contract with the Ak-Chin Indian Community ("Ak-Chin") to continue management of its casino for another five years. The five-year agreement contemplates an extension of the Ak-Chin's compact with the State of Arizona, which currently expires in 2003, and is subject to final approval by the NIGC, which, in the interim, has approved a temporary extension (on new financial terms) of the original agreement. An expansion to the casino will open in first quarter 2001 and includes a new 146-room hotel, an additional restaurant, meeting and banquet room facilities, a resort pool and a landscaped courtyard.

See Debt and Liquidity for further discussion of our guarantees of debt related to Indian projects.

We ceased management of the Star City casino in Sydney, Australia, in January 2000 upon the completion of the buy-out of our management contract by another company. Their acquisition of the management contract followed their buy-out of our equity ownership in the casino in fourth quarter 1999. (See Other Factors Affecting Net Income (Loss).)

In November 1998, we ceased management of the casino owned by the Upper Skagit Tribe ("Upper Skagit") located on Indian lands near Seattle, Washington. We had guaranteed Upper Skagit's development financing, and during second quarter 1999 we performed under our guarantee and purchased Upper Skagit's outstanding development debt from the lender for $11.4 million. Upper Skagit secured new financing and paid the debt owed to us in third quarter 2000.

On June 30, 1998, we ceased management of the Sky City casino complex in Auckland, New Zealand. Our management contract was bought out by the owner, Sky City Limited, and a $10.3 million termination fee was received.

Also included in Managed Casinos and Other are our brand marketing costs. In 1998, we launched the first national brand advertising campaign by a casino company. A portion of the 1998 cost of the brand advertising campaign was funded by the displacement of advertising and marketing dollars spent in the past by the individual properties. The cost for the campaign in excess of the amounts contributed to this effort by the properties totaled approximately $9.3 million in 1998. In 1999 and 2000, the cost of the brand advertising campaign was fully funded by contributions from the individual properties.

Other Factors Affecting Net Income (Loss)

(Income)/Expense (In millions)	2000	1999	1998	Percentage Increase/(Decrease) 00 vs 99	99 vs 98
Development costs	$ 6.4	$ 6.5	$ 9.0	(1.5)%	(27.8)%
Write-downs, reserves and recoveries:					
Reserves for New Orleans casino	220.0	–	–	N/M	N/M
Other	6.1	2.2	7.5	N/M	N/M
Project opening costs	8.3	2.3	8.1	N/M	(71.6)%
Corporate expense	50.5	42.7	37.9	18.3%	12.7%
Headquarters relocation and reorganization costs	3.0	10.3	–	(70.9)%	N/M
Equity in losses of nonconsolidated affiliates	57.9	43.5	15.0	33.1%	N/M
Venture restructuring costs	0.4	(0.3)	6.0	N/M	N/M
Amortization of goodwill and trademarks	21.5	17.6	7.5	22.2%	N/M
Interest expense, net	227.1	193.4	117.3	17.4%	64.9%
Loss/(gain) on interests in nonconsolidated affiliates	41.6	(59.8)	(13.2)	N/M	N/M
Other income	(3.9)	(12.1)	(19.6)	(67.8)%	(38.3)%
Effective tax rate	86.4%	35.9%	36.7%	N/M	(0.8)pts
Minority interests	$ 13.8	$ 11.2	$ 7.0	23.2%	60.0%
Extraordinary losses, net of income taxes	0.7	11.0	19.7	(93.6)%	N/M

N/M = Not meaningful

Development costs have decreased over the years presented due to the decrease in new casino development opportunities.

Write-downs, reserves and recoveries for 2000 included $220 million in reserves for receivables from JCC in connection with their bankruptcy reorganization. Also included in Write-downs, reserves and recoveries is the write-down to estimated realizable value of assets held for sale, the write-off of abandoned assets and the write-off of a weather-related casualty loss at a hotel under construction, partially offset by recovery of receivables previously reserved and gains on assets previously written down. 1999 included a further write-down to estimated realizable value of an idle riverboat, write-offs of obsolete assets, Year 2000 costs and recoveries of costs previously written-off. In 1998, Write-downs and reserves included write-offs of obsolete assets, the write-down to estimated realizable value of an idle riverboat, a reserve for termination of a development agreement with an Indian tribe and certain Year 2000 costs. (See Note 7 to the Consolidated Financial Statements.)

Project opening costs for 2000 included costs incurred in connection with the integration of the Players properties into the Harrah's systems and technology and costs incurred in connection with expansions at various casinos. 1999 Project opening costs included a fee paid in connection with the renewal of a management contract and costs related to expansions at various properties. In 1998, Project opening costs were incurred in connection with an initiative to develop and implement strategies and employee training programs designed to better focus our employees on serving our targeted customers.

Corporate expense increased 18.3% over 1999 but represented only 1.5% of revenues in 2000, basically level with the 1.4% of revenues reported in 1999 and down from 1.9% in 1998.

During 1999, we relocated our corporate headquarters and moved our senior corporate executives and their support staffs to Las Vegas, Nevada. The Company's national services headquarters remains in Memphis, Tennessee. $10.3 million of costs related to the relocation of the Company's headquarters were expensed in 1999. The final phase of the relocation was completed in 2000, and an additional $3.0 million was expensed for that activity.

Equity in losses of nonconsolidated affiliates for 2000 reflected our share of operating losses from NAI ($9.3 million) and JCC ($46.0 million). NAI and JCC filed voluntary petitions for reorganization relief plans in December 2000 and January 2001, respectively, triggering write-offs of our remaining investments and reserves for receivables and contingent liabilities. Since the acquisition of Players in March 2000, the St. Louis shore-side facilities are included in our St. Louis operations; therefore, Equity in losses of nonconsolidated affiliates includes our pro-rata share of these facilities' losses only up to the date of the Players acquisition. 1999 increased over 1998 primarily as a result of losses from our investments in JCC and NAI. Our share of 1999 losses from JCC was $23.2 million, including $14.9 million of project opening costs. Our share of NAI's 1999 losses was $8.8 million, including $2.7 million of their project opening costs. With the acquisition of Rio, our ownership interest in NAI increased from 23.9% to 47.8%. During 1999, we accounted for Rio's investment in the airline as an asset-held-for-sale. Although the Rio ownership interest was still for sale during 2000, our equity pick-up percentage increased to reflect our full ownership interest. 1999 losses from the joint venture portion of the St. Louis development were 4.2% less than our share of 1998 losses.

Venture restructuring costs represent our costs, including legal fees, associated with the development of reorganization plans for the New Orleans casino.

Amortization of goodwill and trademarks increased in 1999 with the acquisition of Rio and again in 2000 with the acquisition of Players.

Interest expense increased in 2000 over 1999 and again in 1999 over 1998 due to debt assumed and incurred in connection with our acquisitions and stock repurchase activities.

The 2000 Gains (losses) on interests in nonconsolidated affiliates reflects the charges for reserves related to NAI and the loss on an investment. In 1999, we sold our shares of Star City casino and recorded a pretax gain of $43.5 million. We also sold our interest in Sodak Gaming, Inc. to a gaming equipment manufacturing company and recorded a pretax gain of $16.3 million. In 1998, we sold our interest in a restaurant affiliate and recorded a pretax gain of $13.2 million.

The decrease in Other income in 2000 was primarily due to lower interest income on the cash-surrender-value of life insurance policies. 1998 included the gain from the sale of land in the Atlantic City area.

The effective tax rate for 2000, as well as for 1999 and 1998, is higher than the federal statutory rate due to state income taxes and that portion of our goodwill amortization that is not deductible for tax purposes.

Minority interests reflect joint venture partners' shares of income at joint venture riverboat casinos.

Extraordinary losses reported in all three years are due primarily to early extinguishments of debt and include the premium paid to holders of the debt retired and the write-off of related unamortized deferred finance charges. (See Debt and Liquidity–Early Extinguishments of Debt.)

CAPITAL SPENDING AND DEVELOPMENT

Total Capital Spending and Development

In addition to the specific development and expansion projects discussed in Operating Results and Development Plans, we perform ongoing refurbishment and maintenance at our casino entertainment facilities in order to maintain our quality standards. We also continue to pursue development and acquisition opportunities for additional casino entertainment facilities that meet our strategic and return on investment criteria. Prior to the receipt of necessary regulatory approvals, the costs of pursuing development projects are expensed as incurred. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset. Project opening costs are expensed as incurred.

Our planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. Cash needed to finance projects currently under development as well as additional projects being pursued is expected to be made available from operating cash flows, the Bank Facility (see Debt and Liquidity), joint venture partners, specific project financing, guarantees of third-party debt and, if necessary, additional debt and/or equity offerings. Our capital spending for 2000 totaled approximately $568.3 million, excluding the costs of our acquisition of Players and the purchase of JCC's debt. Total capital expenditures for 2001 are expected to be between $450 million and $525 million.

DEBT AND LIQUIDITY

Bank Facility

The Company has revolving credit and letter of credit facilities (the "Bank Facility"), which were amended in second quarter 2000 to expand our borrowing capacity to $1.9 billion. This Bank Facility consists of a five-year $1.525 billion revolving credit and letter of credit facility maturing in 2004 and a separate $375 million revolving credit facility, which is renewable annually at the borrower's and lenders' options. Currently, the Bank Facility bears interest based upon 80 basis points over LIBOR for current borrowings under the five-year facility and 85 basis points over LIBOR for the 364-day facility. In addition, there is a facility fee for borrowed and unborrowed amounts, which is currently 20 basis points on the five-year facility and 15 basis points on the 364-day facility. The interest rate and facility fee are based on our current debt ratings and leverage ratio and may change as our debt ratings and leverage ratio change. There is an option on each facility to borrow at the prime rate. As of December 31, 2000, $1.6 billion in borrowings were outstanding under the Bank Facility, with an additional $35.9 million committed to back letters of credit and $40.3 million committed to back Commercial Paper borrowings. After consideration of these borrowings, $249.2 million of additional borrowing capacity was available to the Company as of December 31, 2000.

Issuance of New Debt

In addition to our Bank Facility, we have issued debt and entered into credit agreements in order to provide for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, to provide the Company with cost-effective borrowing flexibility and to replace short-term, floating-rate debt with long-term, fixed-rate debt. The table below summarizes new debt obligations that we have entered into in the last three years.

(In thousands)

Debt	Issued	Matures	Outstanding at December 31, 2000
Senior Subordinated Notes	December 1998	2005	$750,000
Senior Notes	January 1999	2009	500,000
Credit Agreement	June 2000	2001	150,000
Commercial Paper	2000	2001	40,269
Uncommitted Line of Credit Agreements	2000	2001	65,000

Extinguishments of Debt

Funds from the new debt discussed above, as well as proceeds from our Bank Facility, were used to retire certain of our outstanding debt, in particular those debt obligations assumed in our acquisition transactions, to reduce our effective interest rate and/or lengthen maturities. The following table summarizes the debt obligations that we have retired over the last three years.

(In thousands)

Issuer	Date Retired	Debt Extinguished	Face Value Retired
Players	June 2000	10⅞% Senior Notes due 2005	$150,000
Showboat	June 2000	9¼% First Mortgage Bonds due 2008	56,445
SMCP	March 1999	13½% First Mortgage Notes due 2003	140,000
Rio	May 1999	10⅝% Senior Subordinated Notes due 2005	100,000
Rio	May 1999	9½% Senior Subordinated Notes due 2007	125,000
SMCP	July 1999	Capital lease obligations	9,210
Showboat	June 1998	9¼% First Mortgage Bonds due 2008	218,555
Showboat	June 1998	13% Senior Subordinated Notes due 2009	117,900
HOC	May 1998	8¾% Senior Subordinated Notes due 2000	200,000

Subsequent Issue of Debt

In January 2001, Harrah's Operating Company, Inc., ("HOC"), a wholly-owned subsidiary of the Company, completed a private placement of $500.0 million principal amount 8% Senior Notes due 2011 (the "8% Notes"). The 8% Notes are unsecured and contain certain covenants that limit our ability to enter into certain sale and lease-back transactions, incur liens on our assets to secure debt, merge or consolidate with another company and transfer or sell substantially all of our assets. Proceeds from the 8% Notes were used to pay off our $150 million credit agreement and to reduce indebtedness under our Bank Facility.

Short-term Debt

In June 2000, we entered into a 364-day credit agreement (the "Credit Agreement") with a lender whereby we borrowed $150 million to redeem the Players Notes. Interest rates, facility fees and covenants in the Credit Agreement were identical to those provisions contained in our Bank Facility. The Credit Agreement was paid off in January 2001, using funds from the 8% Notes.

In a program designed for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, we have entered into uncommitted line of credit agreements with two lenders whereby we can borrow up to $65 million for periods of ninety days or less. At December 31, 2000, we had borrowed $65 million under these agreements. Borrowings bear interest at current market rates. Interest rates on amounts borrowed under these agreements during 2000 ranged from 6.1% to 8.1%. These agreements have no impact on and do not decrease our borrowing capacity under our Bank Facility.

Equity Repurchase Program

Pursuant to plans authorized by our Board of Directors in July 1999 and April 2000, we repurchased 12.4 million shares of the Company's stock in the open market in 2000. Spending for these repurchases has totaled approximately $277.6 million for the year. The repurchases were funded through available operating cash flows and borrowings from our Bank Facility. Shares purchased during second quarter 2000 completed the plan approved by our Board of Directors in July 1999 for the repurchase of 10 million shares. Another 4.5 million shares may be purchased under the April 2000 plan, which will expire December 31, 2001.

Guarantees of Third-Party Debt and Other Commitments

In addition to guarantees and commitments related to JCC and NAI discussed earlier, the agreements pursuant to which we manage casinos on Indian lands contain provisions required by law that provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. Our aggregate monthly commitment pursuant to the contracts for the three managed Indian-owned facilities now open, which extend for periods of up to 48 months from December 31, 2000, is $1.1 million.

We may guarantee all or part of the debt incurred by Indian tribes with which we have entered a management contract to fund development of casinos on the Indian lands. For all existing guarantees of Indian debt, we have obtained a first lien on certain personal property (tangible and intangible) of the casino enterprise. There can be no assurance, however, that the value of such property would satisfy our obligations in the event these guarantees were enforced. Additionally, we have received limited waivers from the Indian tribes of their sovereign immunity to allow us to pursue our rights under the contracts between the parties and to enforce collection efforts as to any assets in which a security interest is taken. The aggregate outstanding balance of such debt as of December 31, 2000, was $52.5 million.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

Competitive Pressures

Due to the limited number of new markets opening for development, most casino operators are reinvesting in existing markets in an effort to attract new customers, thereby increasing competition in those markets. Our properties in the long-established gaming markets of Nevada and New Jersey have generally been less affected by the changing competitive conditions. With the exception of the additional supply added in recent years in Las Vegas, the amount of supply change within these markets has represented a smaller percentage change than that experienced in some newer markets. In newer markets, the additions to supply had a more noticeable impact, due to the fact that competition was limited in the early stages of many of these markets. As companies have completed expansion projects, supply has typically grown at a faster pace than demand in some markets and competition has increased significantly. Furthermore, several operators, including Harrah's Entertainment, have announced plans for additional developments or expansions in some markets. In the Las Vegas market five new "mega" facilities have opened since October 1998. The impact that the additional supply will have on our operations cannot be determined at this time.

Although the short-term effect of such competitive developments on our Company has typically been negative, we are not able to determine the long-term impact, whether favorable or unfavorable, that these trends and events will have on current or future markets. We believe that the geographic diversity of our operations; our focus on multi-market customer relationships; our service training, measurements and rewards programs; and our continuing efforts to establish our brands as premier brands upon which we have built strong customer loyalty have well-positioned us to face the challenges present within our industry. We utilize the unique capabilities of WINet, a sophisticated nationwide customer database, and our Total Rewards, a nationwide reward and recognition program that provides our customers with a simpler understanding of exactly how to earn the cash, comps and other benefits they want, to reward customers for choosing Harrah's Entertainment casinos. We believe both of these marketing tools provide us with competitive advantages, particularly with players who visit more than one market. All of our properties are integrated into both WINet and Total Rewards, with the exception of Players Metropolis, which is expected to be integrated into the programs during 2001.

Industry Consolidation

As evidenced by the number of recent public announcements by casino entertainment companies of plans to acquire or be acquired by other companies, including our acquisitions of Showboat and Players and our merger with Rio, consolidation in the gaming industry is now underway. We believe we are well-positioned to, and may from time to time, pursue additional strategic acquisitions.

Political Uncertainties

The casino entertainment industry is subject to political and regulatory uncertainty. In 1996, the U.S. government formed a federal commission to study gambling in the United States, including the casino gaming industry. The commission issued its report in June 1999. In September 1999, the State of California and approximately 60 Indian tribes executed Class III Gaming Compacts, which other California tribes can join. The Compacts allow each tribe to operate, on tribal trust lands, two casinos with up to 2,000 slot machines per tribe and unlimited house-banked card games. At this time, the ultimate impacts that the National Gaming Impact Study Commission report and the California Compacts may have on the industry or on our Company are uncertain. From time to time, individual jurisdictions have also considered legislation or referendums which could adversely impact our operations, and the likelihood or outcome of similar legislation and referendums in the future is difficult to predict.

The casino entertainment industry represents a significant source of tax revenues to the various jurisdictions in which casinos operate. From time to time, various state and federal legislators and officials have proposed changes in tax laws, or in the administration of such laws, which would affect the industry. It is not possible to determine with certainty the scope or likelihood of possible future changes in tax laws or in the administration of such laws. If adopted, such changes could have a material adverse effect on our financial results.

EFFECTS OF INFLATION

Inflation has had little effect on our historical operations. Generally, we have not experienced any significant negative impact on gaming volume or on wagering propensity of our customers as a result of inflationary pressures. Further, we have been successful in increasing the amount of wagers and playing time of our casino customers through effective marketing programs. We have also, from time to time, adjusted our required minimum bets at table games and changed the relative mix of slot machines in favor of machines with higher denominations. These strategies, supplemented by effective cost management programs, have offset the impact of inflation on our operations. Inflation tends to increase the value of our casino entertainment properties.

INTERCOMPANY DIVIDEND RESTRICTION

Certain of our debt guarantees require us to abide by covenants which, among other things, limit the ability of our principal operating subsidiary, HOC, to pay dividends and make other restricted payments, as defined, to Harrah's Entertainment. The amount of HOC's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments, was approximately $1.3 billion at December 31, 2000. Harrah's Entertainment's principal asset is the stock of HOC, a wholly-owned subsidiary which holds, directly and through subsidiaries, the principal assets of our businesses. Given this ownership structure, these restrictions should not impair our ability to conduct our business through our subsidiaries or to pursue our development plans.

RECENTLY ISSUED AND PROPOSED ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("FASB") has issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative financial instruments. The provisions of SFAS No. 133 require that a company recognizes all derivatives as either assets or liabilities on its balance sheet and that the instruments be valued at their fair value. The Statement also defines the criteria and conditions which govern the recognition of subsequent changes in the fair value of the instrument as being either balance sheet or income statement events. The provisions of SFAS No. 133 are effective for years beginning after June 15, 2000. We do not expect the adoption of SFAS No. 133 to materially impact our results of operations or financial position.

The FASB has issued a proposed SFAS that will impact the accounting for business combinations and intangible assets, including goodwill. If adopted as currently proposed, the new SFAS will require all acquisitions to be accounted for under the purchase method and the amortization of goodwill will cease. Goodwill will be subject to reviews for impairment upon the occurrence of certain events, and, if impaired, a write-down would be recorded. The new SFAS is expected to be issued during 2001 and its provisions are expected to be effective for the first fiscal quarter after issuance. Early adoption or retroactive application of the new Standard is not expected to be permitted, although pro forma disclosures of the impact of its provisions on periods prior to the date of adoption are expected to be required. We recorded goodwill amortization of $19 million, $15 million and $6 million in 2000, 1999 and 1998, respectively.

PRIVATE SECURITIES LITIGATION REFORM ACT

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information included in our Annual Report on Form 10-K and other materials filed or to be filed by the Company with the Securities and Exchange Commission ("SEC") (as well as information included in oral statements or other written statements made or to be made by the Company) contains statements that are forward-looking. These forward-looking statements generally can be identified by phrases such as the Company "believes," "expects," "anticipates," "foresees," "estimates," "intends," "plans," "seeks," or other words or phrases of similar import. These include statements relating to the following activities, among others: (A) operations and expansions of existing properties, including future performance, anticipated scope and opening dates of expansions; (B) planned development of casinos and hotels that would be owned or managed by the Company and the pursuit of strategic acquisitions; (C) planned capital expenditures for 2001 and beyond; (D) the impact of the WINet and Total Rewards Programs; and (E) any future impact of the Rincon development. Similarly, such statements herein that describe, generally or specifically, the Company's business strategy, outlook, objectives, plans, intentions or goals are also forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. These include, but are not limited to, the following factors as well as other factors described from time to time in the Company's reports filed with the SEC: construction factors, including zoning issues, environmental restrictions, soil conditions, weather and other hazards, site access matters and building permit issues; access to available and feasible financing; regulatory, licensing and other government approvals, third-party consents and approvals, and relations with partners, owners and other third parties; conditions of credit markets and other business and economic conditions, including international and national economic problems; litigation, judicial actions and political uncertainties, including gaming legislative action, referenda and taxation; abnormal gaming holds; and the effects of competition including locations of competitors and operating and marketing competition. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995, speak only as of the date made, and are qualified in their entirety by this and other cautionary statements herein and in our other filings with the SEC.

Consolidated Balance Sheets

(In thousands, except share amounts)

December 31,	*2000*	*1999*
Assets		
Current assets		
Cash and cash equivalents	$ 299,202	$ 233,581
Receivables, less allowance for doubtful accounts of $49,357 and $44,086	122,050	121,186
Deferred income taxes (Note 9)	35,126	33,208
Income tax refunds receivable	56,132	32,329
Prepayments and other	48,107	35,699
Inventories	22,816	30,666
Total current assets	583,433	486,669
Land, buildings, riverboats and equipment		
Land and land improvements	705,393	653,101
Buildings, riverboats and improvements	2,652,867	2,391,226
Furniture, fixtures and equipment	974,233	820,583
Construction in progress	248,760	118,844
	4,581,253	3,983,754
Less: accumulated depreciation	(1,084,884)	(922,524)
	3,496,369	3,061,230
Goodwill, net of amortization of $72,465 and $54,346 (Note 2)	685,393	505,217
Investments in and advances to nonconsolidated affiliates (Note 15)	86,681	168,511
Deferred costs, trademarks and other (Note 4)	314,209	545,220
	$ 5,166,085	$4,766,847
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 89,051	$ 81,200
Accrued expenses (Note 4)	343,524	287,494
Short-term debt (Note 5)	215,000	–
Current portion of long-term debt (Note 5)	130,928	2,877
Total current liabilities	778,503	371,571
Long-term debt (Note 5)	2,835,846	2,540,268
Deferred credits and other	177,654	120,827
Deferred income taxes (Note 9)	85,650	228,955
	3,877,653	3,261,621
Minority interests	18,714	18,949
Commitments and contingencies (Notes 6 and 12 through 15)		
Stockholders' equity (Notes 3, 14 and 15)		
Common stock, $0.10 par value, authorized–360,000,000 shares, outstanding–115,952,394 and 124,379,760 shares (net of 22,030,805 and 9,286,772 shares held in treasury)	11,595	12,438
Capital surplus	1,075,313	987,322
Retained earnings	224,251	512,539
Accumulated other comprehensive income (loss)	(1,036)	(493)
Deferred compensation related to restricted stock	(40,405)	(25,529)
	1,269,718	1,486,277
	$ 5,166,085	$4,766,847

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated balance sheets.

Consolidated Statements of Operations

(In thousands, except per share amounts)

Year Ended December 31,	*2000*	*1999*	*1998*
Revenues			
Casino	$2,852,048	$2,424,237	$1,660,313
Food and beverage	476,538	425,808	231,568
Rooms	270,313	253,629	153,538
Management fees	66,398	75,890	64,753
Other	146,291	131,403	78,320
Less: casino promotional allowances	(340,438)	(286,539)	(184,477)
Total revenues	3,471,150	3,024,428	2,004,015
Operating expenses			
Direct			
Casino	1,495,622	1,254,557	868,622
Food and beverage	228,002	218,580	116,641
Rooms	67,800	66,818	41,871
Depreciation and amortization	236,082	193,599	142,879
Development costs	6,387	6,538	8,989
Write-downs, reserves and recoveries (Note 7):			
Reserves for New Orleans casino	220,000	–	–
Other	6,106	2,235	7,474
Project opening costs	8,258	2,276	8,103
Other	786,825	685,004	455,248
Total operating expenses	3,055,082	2,429,607	1,649,827
Operating profit	416,068	594,821	354,188
Corporate expense	(50,472)	(42,748)	(37,890)
Headquarters relocation and reorganization costs (Note 8)	(2,983)	(10,274)	–
Equity in losses of nonconsolidated affiliates (Note 15)	(57,935)	(43,467)	(14,989)
Venture restructuring costs	(400)	322	(6,013)
Amortization of goodwill and trademarks	(21,540)	(17,617)	(7,450)
Income from operations	282,738	481,037	287,846
Interest expense, net of interest capitalized (Note 1)	(227,139)	(193,407)	(117,270)
Gains (losses) on interests in nonconsolidated affiliates (Note 15)	(41,626)	59,824	13,155
Other income, including interest income	3,866	12,129	19,575
Income before income taxes and minority interests	17,839	359,583	203,306
Provision for income taxes (Note 9)	(15,415)	(128,914)	(74,600)
Minority interests	(13,768)	(11,166)	(6,989)
Income (loss) before extraordinary losses	(11,344)	219,503	121,717
Extraordinary losses, net of tax benefit of $388, $5,990 and $10,522 (Note 10)	(716)	(11,033)	(19,693)
Net income (loss)	$ (12,060)	$ 208,470	$ 102,024
Earnings (loss) per share–basic			
Before extraordinary losses	$ (0.09)	$ 1.74	$ 1.21
Extraordinary losses, net	(0.01)	(0.09)	(0.19)
Net income	$ (0.10)	$ 1.65	$ 1.02
Earnings (loss) per share–diluted			
Before extraordinary losses	$ (0.09)	$ 1.71	$ 1.19
Extraordinary losses, net	(0.01)	(0.09)	(0.19)
Net income	$ (0.10)	$ 1.62	$ 1.00
Weighted average common shares outstanding	117,190	126,072	100,231
Diluted effect of stock compensation programs	–	2,676	1,289
Weighted average common and common equivalent shares outstanding	117,190	128,748	101,520

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) *(Notes 3, 14 and 15)*

(In thousands)

	Common Stock Shares Outstanding	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation Related to Restricted Stock	Total	Comprehensive Income (Loss)
Balance–December 31, 1997	101,036	$10,104	$ 388,925	$ 349,386	$ 2,884	$(15,796)	$ 735,503	
Net income				102,024			102,024	$102,024
Unrealized gain on available-for-sale securities, less deferred tax provision of $2,110					3,567		3,567	3,567
Foreign currency adjustment					116		116	116
Net shares issued under incentive compensation plans, including income tax benefit of $787	1,152	115	18,766			(8,684)	10,197	
1998 Comprehensive Income								$105,707
Balance–December 31, 1998	102,188	10,219	407,691	451,410	6,567	(24,480)	851,407	
Net income				208,470			208,470	$208,470
Unrealized gain on available-for-sale securities, less deferred tax provision of $2,118					3,606		3,606	3,606
Realization of gain due to sale of equity interest in nonconsolidated affiliate, net of tax provision of $6,031					(10,269)		(10,269)	(10,269)
Foreign currency adjustment					(397)		(397)	(397)
Treasury stock purchases	(6,108)	(611)		(147,341)			(147,952)	
Net shares issued in acquisition of Rio and minority interest in subsidiary	25,392	2,539	529,492				532,031	
Net shares issued under incentive compensation plans, including income tax benefit of $2,625	2,908	291	50,139			(1,049)	49,381	
1999 Comprehensive Income								$201,410
Balance–December 31, 1999	124,380	12,438	987,322	512,539	(493)	(25,529)	1,486,277	
Net loss				(12,060)			(12,060)	$ (12,060)
Unrealized loss on available-for-sale securities, less deferred tax benefit of $505					(824)		(824)	(824)
Realization of loss due to sale of equity interest in foreign subsidiary, net of tax benefit of $148					191		191	191
Foreign currency adjustment					90		90	90
Treasury stock purchases	(12,397)	(1,240)		(276,367)			(277,607)	
Net shares issued under incentive compensation plans, including income tax benefit of $15,739	3,969	397	87,991	139		(14,876)	73,651	
2000 Comprehensive Loss								$ (12,603)
Balance–December 31, 2000	115,952	$11,595	$1,075,313	$ 224,251	$ (1,036)	$(40,405)	$1,269,718	

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

Consolidated Statements of Cash Flows *(Note 11)*

(In thousands)

Year ended December 31,	*2000*	*1999*	*1998*
Cash flows from operating activities			
Net income (loss)	$ (12,060)	$ 208,470	$ 102,024
Adjustments to reconcile net income (loss) to cash flows from operating activities			
Extraordinary losses, before income taxes	1,104	17,023	29,491
Depreciation and amortization	282,110	218,299	159,183
Write-downs, reserves and recoveries	226,106	1,570	6,535
Other noncash items	15,716	86,976	28,835
Minority interests' share of net income	13,768	11,166	6,989
Equity in losses of nonconsolidated affiliates	57,935	43,467	14,989
Realized losses (gains) from interests in nonconsolidated affiliates	41,626	(59,824)	(13,155)
Net losses (gains) from asset sales	1,213	878	(6,536)
Net change in long-term accounts	(44,772)	32,213	14,798
Net change in working capital accounts	(35,178)	(70,161)	(45,244)
Cash flows provided by operating activities	547,568	490,077	297,909
Cash flows from investing activities			
Land, buildings, riverboats and equipment additions	(421,381)	(340,468)	(140,386)
Investments in and advances to nonconsolidated affiliates	(314,921)	(70,181)	(76,052)
Payment for businesses acquired, net of cash acquired	(260,185)	–	(475,334)
(Decrease) increase in construction payables	(1,703)	1,871	(6,557)
Proceeds from sales of interests in subsidiaries	131,475	172,576	17,000
Proceeds from other asset sales	86,664	26,359	12,728
Maturity (purchase) of marketable equity securities for defeasance of debt	58,091	–	(65,898)
Collection of notes receivable	14,285	13,618	–
Purchase of minority interest in subsidiary	–	(26,000)	–
Cash acquired in acquisitions	–	50,226	–
Other	(11,907)	(12,365)	(28,739)
Cash flows used in investing activities	(719,582)	(184,364)	(763,238)
Cash flows from financing activities			
Net borrowings under lending agreements, net of financing costs of $1,444 and $4,556	503,425	1,105,444	–
Net short-term borrowings, net of financing costs of $450 in 2000	193,550	21,000	–
Proceeds from exercises of stock options	45,150	24,329	2,462
Purchases of treasury stock	(277,607)	(147,952)	–
Early extinguishments of debt	(213,063)	(620,493)	–
Scheduled debt retirements	(3,472)	(5,075)	(563,522)
Premiums paid on early extinguishments of debt	(1,104)	(9,278)	(24,569)
Minority interests' distributions, net of contributions	(14,003)	(7,122)	(6,200)
Net (repayments) borrowings under retired facility, net of financing costs of $9,332 in 1998	–	(1,086,000)	362,262
Proceeds from issuance of senior notes, net of discount and issue costs of $5,980	–	494,020	–
Proceeds from issuance of senior subordinated notes, net of issue costs of $12,552	–	–	737,448
Other	4,759	–	–
Cash flows provided by (used in) financing activities	237,635	(231,127)	507,881
Net increase in cash and cash equivalents	65,621	74,586	42,552
Cash and cash equivalents, beginning of year	233,581	158,995	116,443
Cash and cash equivalents, end of year	$ 299,202	$ 233,581	$ 158,995

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

Notes to Consolidated Financial Statements

(Dollars in thousands, unless otherwise stated)

In these footnotes, the words "Company," "Harrah's Entertainment," "we," "our" and "us" refer to Harrah's Entertainment, Inc., a Delaware corporation, and its wholly-owned subsidiaries, unless otherwise stated or the context requires otherwise.

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Organization. We are one of the leading casino entertainment companies in the United States, operating in more markets than any other casino company. As of December 31, 2000, our U.S. operations included nine land-based casinos, nine riverboat or dockside casinos, and three casinos on Indian reservations.

Principles of Consolidation. Our Consolidated Financial Statements include the accounts of Harrah's Entertainment and its subsidiaries after elimination of all significant intercompany accounts and transactions. We follow the equity method of accounting for our investments in 20% to 50% owned companies and joint ventures (see Note 15).

Cash and Cash Equivalents. Cash includes the minimum cash balances required to be maintained by a state gaming commission, which totaled approximately $22.9 million and $16.6 million at December 31, 2000 and 1999, respectively. Cash equivalents are highly liquid investments with a maturity of less than three months and are stated at the lower of cost or market value.

Inventories. Inventories, which consist primarily of food, beverage and operating supplies, are stated at average cost.

Land, Buildings, Riverboats and Equipment. Land, buildings, riverboats and equipment are stated at cost. Land includes land held for future development or disposition which totaled $109.9 million and $116.0 million at December 31, 2000 and 1999, respectively. We capitalize the costs of improvements and extraordinary repairs that extend the life of the asset. We expense maintenance and repairs costs as incurred. Interest expense is capitalized on internally constructed assets at our overall weighted average borrowing rate of interest. Capitalized interest amounted to $8.0 million, $13.1 million and $2.5 million in 2000, 1999 and 1998, respectively.

We depreciate our buildings, riverboats and equipment using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term, as follows:

Buildings and Improvements	10 to 40 years
Riverboats	30 years
Furniture, fixtures and equipment	2 to 15 years

Treasury Stock. The shares of Harrah's Entertainment common stock we hold in treasury are reflected in our Consolidated Balance Sheets and our Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) as if those shares were retired.

Revenue Recognition. Casino revenues consist of net gaming wins. Food and beverage and rooms revenues include the aggregate amounts generated by those departments at all consolidated casinos and casino hotels.

Casino promotional allowances consist principally of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. The estimated costs of providing such complimentary services, which we classify as casino expenses through interdepartmental allocations, were as follows:

	2000	1999	1998
Food and beverage	$172,560	$144,841	$ 97,934
Rooms	51,927	43,773	28,473
Other	22,178	14,450	6,138
	$246,665	$203,064	$132,545

Amortization. We amortize goodwill and other intangibles, including trademarks, on a straight-line basis over periods up to 40 years. We use the interest method to amortize deferred financing charges over the term of the related debt agreement.

Earnings Per Share. In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," we compute our basic earnings (loss) per share by dividing Net income (loss) by the number of weighted average common shares outstanding during the year. Our Diluted earnings (loss) per share is computed by dividing Net income (loss) by the number of weighted average common shares and dilutive common stock equivalents outstanding during the year. Due to our net loss in 2000, Weighted average common and common equivalent shares at December 31, 2000, exclude common stock equivalents related to compensation programs because of their antidilutive effect. For each of the three years ended December 31, 2000, common stock equivalents consisted solely of net restricted shares and stock options outstanding under our employee stock benefit plans. (See Note 14.)

Reclassifications. We have reclassified certain amounts for prior years to conform with our presentation for 2000.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that we 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 amounts of revenues and expenses during the reporting period. Our actual results could differ from those estimates.

NOTE 2–ACQUISITIONS

We are accounting for each of the transactions described below as a purchase. Accordingly, the purchase price is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. For each transaction, the allocation of the purchase price was, or will be, completed within one year from the date of the acquisition. To the extent that the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired, such excess is allocated to goodwill and amortized for periods of up to 40 years. For periods prior to the completion of the purchase price allocation, our Consolidated Financial Statements include estimated goodwill amortization expense.

Showboat, Inc. On June 1, 1998, we completed our acquisition of Showboat, Inc. ("Showboat") for $30.75 per share in an all-cash transaction and assumed approximately $635 million of Showboat debt. Subsequent to the closing of the Showboat acquisition, all public debt assumed in the acquisition, including the debt of the partnership owning the East Chicago property, was retired using proceeds from our Bank Facility (see Note 5). The operating results for Showboat are included in the Consolidated Financial Statements from the date of acquisition.

As a result of this transaction, we now own and operate the Showboat casino in Atlantic City, New Jersey. Also acquired in this transaction was a 55% noncontrolling interest in Showboat Marina Casino Partnership ("SMCP"), which owns and operates the East Chicago casino. In first quarter 1999, we increased our ownership interest of SMCP to 99.55% and began consolidating this partnership with the financial results of our other businesses. The East Chicago property was re-branded as a Harrah's casino during first quarter 1999.

Included in the assets we acquired in the Showboat transaction was a 24.6% equity ownership interest in the Star City casino in Sydney, Australia, and an agreement to manage that casino. In fourth quarter 1999, we sold the ownership interest and in first quarter 2000, we completed the sale of our management interests in that property. (See Note 15.) During first quarter 2000, we sold the Showboat Las Vegas property. At the time of the Showboat acquisition, this property was determined to be a nonstrategic asset for us and was reported as an asset-held-for-sale in our Consolidated Financial Statements. No gain or loss resulted from the sale of this asset.

Rio Hotel & Casino, Inc. We completed our merger with Rio Hotel & Casino, Inc. ("Rio"), on January 1, 1999, issuing approximately 25 million shares of common stock to acquire all of Rio's outstanding shares in a one-for-one transaction and assuming Rio's outstanding debt of approximately $432 million. In second quarter 1999, we retired Rio's revolving credit facility scheduled to mature in 2003 and Rio's 10⅝% Senior Subordinated Notes due 2005 and 9½% Senior Subordinated Notes due 2007 using proceeds from our Bank Facility (see Note 5).

In addition to the Rio property, our acquisition also included Rio Secco, an 18-hole championship golf course, and approximately 35 acres adjacent to the Rio, which is available for further development.

Players International, Inc. On March 22, 2000, we completed our acquisition of Players International, Inc. ("Players"), paying $8.50 in cash for each outstanding share and assuming $150 million of Players 10⅞% Senior Notes due 2005 (the "Players Notes"). Players operated a dockside riverboat casino on the Ohio River in Metropolis, Illinois; two cruising riverboat casinos in Lake Charles, Louisiana; two dockside riverboat casinos in Maryland Heights, Missouri; and a horse racetrack in Paducah, Kentucky. Players and Harrah's jointly operated a landside hotel and entertainment facility at the Maryland Heights property, a suburb of St. Louis. The operations of the Players facility in Maryland Heights were consolidated with the adjacent Harrah's operations in second quarter 2000, and the Lake Charles facility was converted to the Harrah's brand in fourth quarter 2000. The Metropolis facility is expected to be converted to the Harrah's brand name after integration of our systems and technology, including Total Rewards, which we anticipate will occur in the second half of 2001.

Approximately $2.3 million of the Players Notes were retired on April 28, 2000, in connection with a change of control offer. On June 5, 2000, we purchased approximately $13.1 million of the Players Notes in the open market for the face amount plus accrued interest and a premium. The remaining Players Notes were redeemed on June 30, 2000, for the face amount plus accrued interest and a premium. We retired the Players Notes using proceeds from our new $150 million Credit Agreement and our Bank Facility. (See Note 5.)

NOTE 3–STOCKHOLDERS' EQUITY

In addition to its common stock, Harrah's Entertainment has the following classes of stock authorized but unissued:

Preferred stock, $100 par value, 150,000 shares authorized
Special stock, $1.125 par value, 5,000,000 shares authorized–
Series A Special Stock, 2,000,000 shares designated

Harrah's Entertainment's Board of Directors has authorized that one special stock purchase right (a "Right") be attached to each outstanding share of common stock. These Rights are exercisable only if a person or group acquires 15% or more of Harrah's Entertainment common stock or announces a tender offer for 15% or more of the common stock. Each Right entitles stockholders to buy one two-hundredth of a share of Series A Special Stock of the Company at an initial price of $130 per Right. If a person acquires 15% or more of the Company's outstanding common stock, each Right entitles its holder to purchase common stock of the Company having a market value at that time of twice the Right's exercise price. Under certain conditions, each Right entitles its holder to purchase stock of an acquiring company at a discount. Rights held by the 15% holder will become void. The Rights will expire on October 5, 2006, unless earlier redeemed by the Board at one cent per Right.

(Dollars in thousands, unless otherwise stated)

In July 1999, our Board of Directors authorized the repurchase in open market and other transactions of up to 10 million shares of the Company's common stock. At December 31, 2000, we had repurchased all 10 million shares under the provisions of this plan. These repurchases were in addition to 0.5 million shares repurchased earlier in 1999 in connection with the increase of our ownership interest in the East Chicago property.

In April 2000, our Board of Directors authorized the repurchase of an additional 12.5 million shares of our common stock in open market and other transactions as market conditions warrant. This plan will expire December 31, 2001. At December 31, 2000, we had repurchased 8.0 million shares under the provisions of this plan.

Under the terms of our employee stock benefit programs, we have reserved shares of Harrah's Entertainment common stock for issuance under the Restricted Stock and Stock Option Plans. (See Note 14 for a description of the plans.) The following table summarizes the total number of shares authorized for issuance under each of these plans and the remaining unissued shares as of December 31, 2000:

	Restricted Stock Plan	Stock Option Plan
Total shares authorized for issuance or grant under the plans	8,400,000	21,592,955
Shares issued and options granted, net of cancellations	(7,601,136)	(20,151,208)
Shares held in reserve for issuance or grant under the plans as of December 31, 2000	798,864	1,441,747

NOTE 4—DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

Deferred costs, trademarks and other consisted of the following:

	2000	1999
Trademarks, net of amortization of $7,141 and $4,061	$116,059	$119,139
Cash surrender value of life insurance (Note 14)	60,122	63,303
Treasury securities	–	62,555
Deferred finance charges, net of amortization of $4,185 and $3,379	19,216	21,507
Star City management contract, net of amortization of $5,364	–	130,136
Other	118,812	148,580
	$314,209	$545,220

Accrued expenses consisted of the following:

	2000	1999
Insurance claims and reserves	$ 57,718	$ 50,985
Payroll and other compensation	105,210	83,975
Accrued interest payable	31,245	24,147
Other accruals	149,351	128,387
	$343,524	$287,494

NOTE 5—DEBT

Long-Term Debt. Long-term debt consisted of the following:

	2000	1999
Bank Facility		
7.1%–9.5% at December 31, 2000, maturities to 2004	$1,574,600	$1,110,000
Secured Debt		
7.1%, maturity 2028	97,273	98,278
9¼%, maturity 2008	–	58,137
13%, maturity 2009	2,358	2,377
6.0%–9.0%, maturities to 2029	1,903	–
Unsecured Senior Notes		
7½%, maturity 2009	498,285	498,072
Unsecured Senior Subordinated Notes		
7⅞%, maturity 2005	750,000	750,000
Other Unsecured Borrowings		
5.5%–15.2%, maturities to 2001	41,366	23,409
Capitalized Lease Obligations		
4.9%–8.9%, maturities to 2004	989	2,872
	2,966,774	2,543,145
Current portion of long-term debt	(130,928)	(2,877)
	$2,835,846	$2,540,268

As of December 31, 2000, aggregate annual principal maturities for the four years subsequent to 2001 were: 2002, $1.4 million; 2003, $1.3 million; 2004, $1.5 billion; and 2005, $751.5 million.

Revolving Credit Facilities. The Company has revolving credit and letter of credit facilities (the "Bank Facility") which were expanded in second quarter 2000 to increase our borrowing capacity to $1.9 billion. This Bank Facility consists of a five-year $1.525 billion revolving credit and letter of credit facility maturing in 2004 and a separate $375 million revolving credit facility, which is renewable annually at the borrower's and lenders' options. Currently, the Bank Facility bears interest based upon 80 basis points over LIBOR for current borrowings under the five-year facility and 85 basis points over LIBOR for the 364-day facility. In addition, there is a facility fee for borrowed and unborrowed amounts which is currently 20 basis points on the five-year facility and 15 basis points on the 364-day facility. The interest rate and facility fee are based on our current debt ratings and leverage ratio and may change as our debt ratings and leverage ratio change. There is an option on each facility to borrow at the prime rate. As of December 31, 2000, $1.6 billion in borrowings were outstanding under the Bank Facility, with an additional $35.9 million committed to back letters of credit and $40.3 million committed to back Commercial Paper borrowings. After consideration of these borrowings, $249.2 million of additional borrowing capacity was available to the Company as of December 31, 2000.

Issuance of New Debt. In addition to our Bank Facility, we have issued debt and entered into credit agreements in order to provide for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, to provide the Company with cost-effective borrowing flexibility and to replace short-term, floating-rate debt with long-term, fixed-rate debt. The table below summarizes the face value of new debt obligations that we have entered into in the last three years:

Debt	Issued	Matures	Outstanding at December 31, 2000
Senior Subordinated Notes	December 1998	2005	$750,000
Senior Notes	January 1999	2009	500,000
Credit Agreement	June 2000	2001	150,000
Commercial Paper	2000	2001	40,269
Uncommitted Line of Credit Agreements	2000	2001	65,000

Early Extinguishments of Debt. We have used the funds from the new debt discussed above, as well as proceeds from our Bank Facility, to retire certain of our outstanding debts, in particular those debt obligations assumed in our acquisition transactions, and to reduce our effective interest rate and/or lengthen maturities. The following table summarizes the debt obligations that we have retired over the last three years:

Issuer	Date Retired	Debt Extinguished	Face Value Retired
Players	June 2000	10⅞% Senior Subordinated Notes due 2005	$150,000
Showboat	June 2000	9¼% Senior Subordinated Bonds due 2008	56,445
SMCP	March 1999	13½% First Mortgage Notes due 2003	140,000
Rio	May 1999	10⅝% Senior Subordinated Notes due 2005	100,000
Rio	May 1999	9½% Senior Subordinated Notes due 2007	125,000
SMCP	July 1999	Capitalized Lease Obligations	9,210
Showboat	June 1998	9¼% First Mortgage Bonds due 2008	218,555
Showboat	June 1998	13% Senior Subordinated Notes due 2009	117,900
HOC	May 1998	8¾% Senior Subordinated Notes due 2000	200,000

The premiums paid to the holders of the debts retired and the write-off of the related unamortized deferred finance charges are reported on the Consolidated Statements of Operations as Extraordinary losses (see Note 10). We recorded the liabilities assumed in acquisition transactions at their fair value at the date of consummation of the acquisition. The premium charged to Extraordinary losses as a result of the retirement of these assumed debts equaled the difference between the consideration paid to the holders of the notes and the carrying value we assigned to the notes at the time of purchase.

Subsequent Issue of Debt. In January 2001, Harrah's Operating Company, Inc. ("HOC"), a wholly-owned subsidiary of the Company, completed a private placement of $500.0 million principal amount 8% Senior Notes due 2011 (the "8% Notes"). The 8% Notes are unsecured and contain certain covenants that limit our ability to enter into certain sale and lease-back transactions, incur liens on our assets to secure debt, merge or consolidate with another company and transfer or sell substantially all of our assets. Proceeds from the 8% Notes were used to pay off our $150 million credit agreement and to reduce indebtedness under our Bank Facility.

Short-term Debt. In June 2000, we entered into a 364-day credit agreement (the "Credit Agreement") with a lender whereby we borrowed $150 million to redeem the Players Notes. Interest rates, facility fees and covenants in the Credit Agreement were identical to those provisions contained in our Bank Facility. The Credit Agreement was paid off in January 2001, using funds from the 8% Notes.

In a program designed for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, we have entered into uncommitted line of credit agreements with two lenders whereby we can borrow up to $65 million for periods of 90 days or less. At December 31, 2000, we had borrowed $65 million under these agreements. Borrowings bear interest at current market rates. Interest rates on amounts borrowed under these agreements during 2000 ranged from 6.1% to 8.1%. These agreements have no impact on and do not decrease our borrowing capacity under our Bank Facility.

Parent Company Guarantee of Subsidiary Debt. HOC, the principal asset of Harrah's Entertainment, is the issuer of certain debt securities that have been guaranteed by Harrah's Entertainment. Due to the comparability of HOC's consolidated financial information with that of Harrah's Entertainment, complete separate financial statements and other disclosures regarding HOC have not been presented. Management has determined that such information is not material to holders of HOC's debt securities. Harrah's Entertainment has no independent assets or operations, its guarantee of HOC's debt securities is full and unconditional and its only other subsidiary is minor.

Certain of our debt guarantees require us to abide by covenants, which, among other things, place limitations on HOC's ability to pay dividends and make other restricted payments, as defined, to Harrah's Entertainment. The amount of HOC's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments, was approximately $1.3 billion at December 31, 2000.

Fair Market Value. Based on the borrowing rates currently available for debt with similar terms and maturities and market quotes of our publicly traded debt, the fair value of our long-term debt and interest rate swap agreements at December 31, 2000 and 1999, was as follows:

	2000		1999	
December 31, (In millions)	Carrying Value	Market Value	Carrying Value	Market Value
Outstanding debt	$(2,966.8)	$(2,937.4)	$(2,543.1)	$(2,484.6)
Interest rate swap agreements (used for hedging purposes)	–	–	(0.1)	(0.5)

The amounts reflected as the "Carrying Value" of the interest rate swap agreements represent the accrual balance as of the date reported. The "Market Value" of the interest rate swap agreements represents the estimated amount, considering the prevailing interest rates, that we would pay to terminate the agreements as of the date reported. Our interest rate swap agreements expired in 2000 and were not renewed.

NOTE 6–LEASES

We lease both real estate and equipment used in our operations and classify those leases as either operating or capital leases following the provisions of SFAS No. 13, "Accounting for Leases." At December 31, 2000, the remaining lives of our real estate operating leases ranged from one to 30 years, with various automatic extensions totaling up to 60 years. The average remaining term for other operating leases, which generally contain renewal options, extends approximately 10 years.

Rental expense associated with operating leases is charged to expense in the year incurred and was included in the Consolidated Statements of Operations as follows:

	2000	1999	1998
Noncancelable			
Minimum	$21,872	$16,385	$15,409
Contingent	4,867	4,666	4,029
Sublease	(571)	(385)	(258)
Other	18,678	6,859	4,168
	$44,846	$27,525	$23,348

Our future minimum rental commitments as of December 31, 2000, were as follows:

	Noncancelable Operating Leases
2001	$ 24,000
2002	20,924
2003	20,041
2004	19,796
2005	17,501
Thereafter	141,929
Total minimum lease payments	$244,191

In addition to these minimum rental commitments, certain of these operating leases provide for contingent rentals based on a percentage of revenues in excess of specified amounts.

NOTE 7–WRITE-DOWNS, RESERVES AND RECOVERIES

Our operating results include various pretax charges to record asset impairments, contingent liability reserves, project write-offs and recoveries at time of sale of previously recorded reserves for asset impairment. The components of Write-downs, reserves and recoveries were as follows:

	2000	1999	1998
Reserves for New Orleans casino	$220,000	$ –	$ –
Impairment of long-lived assets	5,813	3,367	2,740
Termination of entertainment contract	2,505	–	–
Write-off of abandoned assets and other costs	2,800	569	4,734
Recoveries from previously impaired assets	(5,012)	(1,701)	–
	$226,106	$ 2,235	$7,474

NOTE 8–HEADQUARTERS RELOCATION AND REORGANIZATION COSTS

During August 1999, we began the move of our corporate headquarters to Las Vegas, Nevada, from Memphis, Tennessee. The move was completed in 2000 and the costs of the relocation were expensed as incurred. Certain headquarters employees elected not to accept an offer to move, and the positions of other employees were eliminated as part of a staff reorganization conducted in advance of the move. The expenses for the severance payable to these employees were accrued when the employees became eligible for the severance payments.

NOTE 9–INCOME TAXES

Our federal and state income tax provision (benefit) allocable to identified statement of operations and balance sheet line items was as follows:

	2000	1999	1998
Income before income taxes and minority interests	$ 15,415	$128,914	$ 74,600
Extraordinary losses	(388)	(5,990)	(10,522)
Stockholders' equity			
Unrealized gain (loss) on available-for-sale securities	(505)	2,118	2,110
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(15,739)	(2,625)	(787)
	$ (1,217)	$122,417	$ 65,401

Income tax expense attributable to Income before income taxes and minority interests consisted of the following:

	2000	1999	1998
United States			
Current			
Federal	$ 128,643	$ 69,567	$45,084
State	4,897	7,429	6,531
Deferred	(118,125)	34,052	22,985
Other Countries			
Current	–	17,866	–
	$ 15,415	$128,914	$74,600

The differences between the statutory federal income tax rate and the effective tax rate expressed as a percentage of Income before income taxes and minority interests were as follows:

	2000	1999	1998
Statutory tax rate	35.0%	35.0%	35.0%
Increases (decreases) in tax resulting from:			
State taxes, net of federal tax benefit	10.7	1.4	2.2
Goodwill amortization	33.8	1.3	1.1
Foreign taxes	29.6	–	–
Tax credits	(11.2)	(0.6)	(2.0)
Political contributions	2.0	–	0.1
Officers' life insurance	8.0	(0.8)	(1.7)
Meals and entertainment	5.9	0.4	0.3
Federal income tax settlement	(3.3)	0.3	–
Minority interests in partnership earnings	(27.0)	(1.1)	(1.2)
Other	2.9	–	2.9
Effective tax rate	86.4%	35.9%	36.7%

(Dollars in thousands, unless otherwise stated)

The components of our net deferred tax balance included in the Consolidated Balance Sheets were as follows:

	2000	1999
Deferred tax assets		
Investments in nonconsolidated affiliates	$ 108,825	$ –
Compensation programs	44,163	41,670
Bad debt reserves	17,115	12,951
Self-insurance reserves	3,736	7,910
Deferred income	1,962	1,278
Project opening expenses	545	1,274
Debt costs	124	768
Other	1,184	3,308
	177,654	69,159
Deferred tax liabilities		
Property	(187,291)	(173,963)
Management contract	–	(45,547)
Trademarks	(40,887)	(41,697)
Investments in nonconsolidated affiliates	–	(3,699)
	(228,178)	(264,906)
Net deferred tax liability	$ (50,524)	$(195,747)

NOTE 10–EXTRAORDINARY ITEMS

The components of our net extraordinary losses were as follows:

	2000	1999	1998
Losses on early extinguishments of debt	$(1,104)	$(17,023)	$(27,824)
Harrah's Entertainment's share of nonconsolidated affiliate's extraordinary loss	–	–	(2,391)
	(1,104)	(17,023)	(30,215)
Income tax benefit	388	5,990	10,522
Extraordinary losses, net of income taxes	$ (716)	$(11,033)	$(19,693)

The extraordinary losses on early extinguishments of debt are due to the premiums paid to the holders of the debt retired and the write-off of related unamortized deferred finance charges. See Note 5 for information regarding the specific debt issues retired in each period. Our 1998 results also include our share of an extraordinary loss incurred by a nonconsolidated affiliate as a result of that entity's reorganization and refinancing of its debt.

NOTE 11–SUPPLEMENTAL CASH FLOW INFORMATION

The increase (decrease) in cash and cash equivalents due to the changes in long-term and working capital accounts was as follows:

	2000	1999	1998
Long-term accounts			
Deferred costs and other assets	$(40,504)	$ 51,717	$ (6,457)
Deferred credits and other long-term liabilities	(4,268)	(19,504)	21,255
Net change in long-term accounts	$(44,772)	$ 32,213	$ 14,798
Working capital accounts			
Receivables	$(39,072)	$(53,620)	$(21,734)
Inventories	2,524	(307)	(1,269)
Prepayments and other	(10,710)	75,986	(2,134)
Accounts payable	11,887	(1,849)	13,561
Accrued expenses	193	(90,371)	(33,668)
Net change in working capital accounts	$(35,178)	$(70,161)	$(45,244)

Supplemental Disclosure of Cash Paid for Interest and Taxes

The following table reconciles our Interest expense, net of interest capitalized, per the Consolidated Statements of Operations, to cash paid for interest:

	2000	1999	1998
Interest expense, net of amount capitalized	$227,139	$193,407	$117,270
Adjustments to reconcile to cash paid for interest			
Net change in accruals	(17,988)	(2,011)	(16,917)
Amortization of deferred finance charges	(4,185)	(4,459)	(4,982)
Net amortization of discounts and premiums	70	543	74
Cash paid for interest, net of amount capitalized	$205,036	$187,480	$ 95,445
Cash payments for income taxes, net of refunds (Note 9)	$ 90,220	$ 77,534	$ 51,785

NOTE 12–COMMITMENTS AND CONTINGENCIES

Contractual Commitments. We continue to pursue additional casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, guarantees by Harrah's Entertainment of third-party debt and development completion guarantees. Excluding guarantees and commitments for New Orleans (see Note 15), as of December 31, 2000, we had guaranteed third-party loans and leases of $111.9 million, which are secured by certain assets, and had commitments of $264.7 million, primarily construction-related.

The agreements under which we manage casinos on Indian lands contain provisions required by law which provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled payments of borrowings for development costs. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. As of December 31, 2000, the aggregate monthly commitment pursuant to these contracts, which extend for periods of up to 48 months from December 31, 2000, was $1.1 million.

Severance Agreements. As of December 31, 2000, the Company has severance agreements with 34 of its senior executives, which provide for payments to the executives in the event of their termination after a change in control, as defined. These agreements provide, among other things, for a compensation payment of 1.5 to 3.0 times the executive's average annual compensation, as defined, as well as for accelerated payment or accelerated vesting of any compensation or awards payable to the executive under any of Harrah's Entertainment's incentive plans. The estimated amount, computed as of December 31, 2000, that would be payable under the agreements to these executives based on earnings and stock options aggregated approximately $83.1 million.

Tax Sharing Agreements. In connection with the 1995 spin-off of certain hotel operations (the "PHC Spin-off") to Promus Hotel Corporation ("PHC"), Harrah's Entertainment entered into a Tax Sharing Agreement with PHC wherein each company is obligated for those taxes associated with their respective businesses. Additionally, Harrah's Entertainment is obligated for all taxes for periods prior to the PHC Spin-off date which are not specifically related to PHC operations and/or PHC hotel locations. Our obligations under this agreement are not expected to have a material adverse effect on our consolidated financial position or results of operations.

Self-Insurance. We are self-insured for various levels of general liability, workers' compensation and employee medical coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims.

NOTE 13–LITIGATION

We are involved in various inquiries, administrative proceedings and litigation relating to contracts, sales of property and other matters arising in the normal course of business. While any proceeding or litigation has an element of uncertainty, management believes that the final outcome of these matters will not have a material adverse effect on our consolidated financial position or our results of operations.

NOTE 14–EMPLOYEE BENEFIT PLANS

We have established a number of employee benefit programs for purposes of attracting, retaining and motivating our employees. The following is a description of the basic components of these programs.

Stock Option Plan. Our employees may be granted options to purchase shares of common stock under the Harrah's Entertainment Stock Option Plan ("SOP"). An SOP grant typically vests in equal installments over a four-year period and allows the option holder to purchase stock over specified periods of time, generally 10 years from the date of grant, at a fixed price equal to the market value at the date of grant. No options may be granted under the SOP after February 2008. All outstanding stock options under Rio's stock option plans at the date of our merger were fully vested and converted, at the same terms and conditions as originally granted, into options for Harrah's Entertainment common stock. No options for additional shares may be granted under the Rio plans, and any options cancelled under the Rio plans may not be reissued.

A summary of SOP activity for 1998, 1999 and 2000 is as follows:

	Weighted Avg. Exercise Price (Per Share)	Number of Common Shares Options Outstanding	Number of Common Shares Available For Grant
Balance–December 31, 1997	$17.57	7,324,572	1,319,713
Additional shares authorized	N/A	–	3,500,000
Granted	15.94	3,891,119	(3,891,119)
Exercised	10.29	(241,409)	–
Canceled	19.71	(661,128)	661,128
Balance–December 31, 1998	16.99	10,313,154	1,589,722
Additional shares authorized	N/A	–	2,500,000
Rio acquisition	14.74	3,442,955	–
Granted	23.20	3,133,783	(3,133,783)
Exercised	14.95	(2,444,747)	–
Canceled	18.17	(725,346)	725,346
Rio plans cancellations	18.24	(14,500)	–
Balance–December 31, 1999	18.14	13,705,299	1,681,285
Additional shares authorized	N/A	–	1,800,000
Granted	28.10	3,109,602	(3,109,602)
Exercised	15.27	(2,968,539)	–
Canceled	20.04	(1,070,064)	1,070,064
Rio plans cancellations	18.35	(20,500)	–
Balance–December 31, 2000	$21.08	12,755,798	1,441,747

	2000	1999	1998
Options exercisable at December 31	3,920,509	4,727,341	2,257,662
Weighted average fair value per share of options granted during year	$14.30	$11.74	$7.39

The following table summarizes additional information regarding the options outstanding at December 31, 2000:

Range of Exercise Prices	Options Outstanding Number Outstanding	Options Outstanding Weighted Average Remaining Contract Life	Options Outstanding Weighted Average Exercise Price	Options Exercisable Number Exercisable	Options Exercisable Weighted Average Exercise Price
$ 3.00–$18.94	6,166,936	6.9 years	$15.62	2,552,822	$15.34
19.37– 22.55	1,692,935	6.3 years	20.94	1,068,492	20.99
23.81– 35.59	4,895,927	9.2 years	28.01	304,195	26.92
	12,755,798			3,925,509	

As allowed under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," we apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations to account for the SOP and, accordingly, do not recognize compensation expense. Had compensation expense for the SOP been determined in accordance with SFAS No. 123, our pro forma Net income (loss) and Earnings (loss) per share for the indicated periods would have been:

	2000 As Reported	2000 Pro Forma	1999 As Reported	1999 Pro Forma	1998 As Reported	1998 Pro Forma
Net income (loss)	$(12,060)	$(27,834)	$208,470	$193,631	$102,024	$93,628
Earnings (loss) per share						
Basic	(0.10)	(0.24)	1.65	1.54	1.02	0.93
Diluted	(0.10)	(0.24)	1.62	1.50	1.00	0.92

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2000	1999	1998
Expected dividend yield	0.0%	0.0%	0.0%
Expected stock price volatility	42.0%	40.0%	47.0%
Risk-free interest rate	5.8%	5.9%	4.3%
Expected average life of options (years)	6	6	5

Restricted Stock Plan. Employees may be granted shares of common stock under the Harrah's Entertainment Restricted Stock Plan ("RSP"). Shares granted under the RSP are restricted as to transfer and subject to forfeiture during a specified period or periods prior to vesting. The shares generally vest in equal installments over a period of four years. No awards of RSP shares may be made under the current plan after February 2008. The compensation arising from an RSP grant is based upon the market price at the grant date. Such expense is deferred and amortized to expense over the vesting period.

The Company has issued time accelerated restricted stock ("TARSAP") awards to certain key executives. The initial TARSAP awards will fully vest on January 1, 2002, if the executive continues in active employment until that date. However, the vesting of some of these shares accelerated into 2000 and the vesting of some or all of the remaining shares can be accelerated into the year 2001 on the basis of our financial performance. During 2000, additional TARSAP awards were issued to certain key executives, which will vest on January 1, 2007, if the executive continues in active employment until that date. These shares are eligible for earlier annual vesting beginning in 2003 over five years based on the Company's financial performance in each of the years 2002 through 2005. The expense arising from TARSAP awards is being amortized to expense over the periods in which the restrictions lapse.

The number and weighted-average grant-date fair value of RSP shares granted, and the amortization expense recognized, during 2000, 1999 and 1998, including the TARSAP awards, were as follows:

	2000	1999	1998
Number of shares granted	1,306,398	560,085	990,893
Weighted-average grant price per share	$25.17	$23.62	$17.26
Amortization expense (in millions)	12.3	9.7	6.9
Unvested shares as of December 31	2,298,803	2,158,302	1,832,269

(Dollars in thousands, unless otherwise stated)

Savings and Retirement Plan. We maintain a defined contribution savings and retirement plan, which, among other things, allows pretax and after-tax contributions to be made by employees to the plan. Under the plan, participating employees may elect to contribute up to 16% of their eligible earnings, the first 6% of which is fully matched. Amounts contributed to the plan are invested, at the participant's direction, in a Harrah's company stock fund, a diversified stock fund, an aggressive stock fund, a long-term bond fund, an income fund and/or a treasury fund. Participants become vested in the matching contribution over five years of credited service. Our contribution expense for this plan was $25.3 million, $22.2 million and $18.1 million in 2000, 1999 and 1998, respectively.

Deferred Compensation Plans. Harrah's maintains deferred compensation plans under which certain employees may defer a portion of their compensation. Amounts deposited into these plans are unsecured liabilities of the Company and earn interest at rates approved by the Human Resources Committee of the Board of Directors. The total liability included in Deferred credits and other liabilities for these plans at December 31, 2000 and 1999 was $67.6 million and $59.3 million, respectively. In connection with the administration of one of these plans, we have purchased company-owned life insurance policies insuring the lives of certain directors, officers and key employees.

Multi-Employer Pension Plan. Approximately 4,400 of our employees are covered by union sponsored, collectively bargained multi-employer pension plans. We contributed and charged to expense $4.0 million, $4.2 million and $4.4 million in 2000, 1999 and 1998, respectively, for such plans. The plans' administrators do not provide sufficient information to enable us to determine our share, if any, of unfunded vested benefits.

NOTE 15–NONCONSOLIDATED AFFILIATES

JCC Holding Company. The Company has an approximate 40% beneficial ownership interest in JCC Holding Company and its subsidiary, Jazz Casino Company, LLC (collectively, "JCC"). JCC owns and operates a land-based casino in New Orleans, Louisiana (the "Casino"), which is managed by a subsidiary of the Company.

Initially, the Company guaranteed a $100 million annual payment obligation of JCC owed to the State of Louisiana gaming board ("the State Obligation") for the period from October 28, 1999 to October 28, 2000 (the "Initial State Guarantee"). In accordance with an existing agreement, the Initial State Guarantee was replaced with a new guarantee (the "Current State Guarantee"), pursuant to which the Company guaranteed the State Obligation for the period from April 1, 2000, to March 31, 2001. JCC is required to make daily payments of approximately $273,973 to satisfy the State Obligation. The Current State Guarantee obligation is reduced to the extent JCC makes such daily payments. Payments made to the State by the Company pursuant to the Initial State Guarantee and the Current State Guarantee are secured by a first priority collateral security interest in JCC's assets. Payments made to the State by the Company on behalf of JCC under the Initial State Guarantee and the Current State Guarantee during 2000 totaled $44.1 million.

Subject to the satisfaction of certain cash flow tests and other conditions each year, the Company would have been required to provide a new guarantee to the State for each of the 12-month periods ending March 31, 2002, 2003 and 2004. For the period ending March 31, 2002, the requirement to provide a new guarantee was conditioned upon, among other things, JCC producing net cash flow, as defined, of at least $15 million for the 12-month period ending November 30, 2000. JCC did not satisfy this cash flow test, and the Company notified JCC on December 28, 2000, that it would not renew the Current State Guarantee for the 12-month period ending March 31, 2002.

On January 4, 2001, JCC filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code. In connection with its reorganization, JCC proposed a plan which contemplates a substantial reduction in the minimum annual payment to the State, a reduction in costs associated with the City of New Orleans lease, modifications of Casino operating restrictions and the agreement of major creditors, including the Company, to a restructuring of JCC's debts. On March 15, 2001, the City of New Orleans City Council adopted ordinances to reduce the City's annual payments from JCC by approximately $5 million. On March 19, 2001 the reorganization plan was confirmed by the bankruptcy court. On March 21, 2001, the State enacted legislation to (i) reduce the State Obligation from $100 million to $50 million in the first year and $60 million thereafter and (ii) relax certain Casino operating restrictions by permitting the Casino to offer certain food and hotel services. Final consummation of the reorganization plan is subject to completion of legal documentation satisfactory to all parties, as well as satisfaction of all other conditions to plan consummation.

Assuming JCC's reorganization plan is consummated, we will guarantee the State Obligation of $50 million in the first year and $60 million for three subsequent years. The Company would receive a fee for providing this guarantee. In addition to the proposed changes in the State Agreements, under the reorganization plan, JCC's capital structure would be changed and the Company would own 49% of the new equity in JCC and hold approximately $51 million of the new debt of JCC. There would be a new $35 million JCC revolving credit facility at market terms, which the Company would provide. The Company has also agreed to changes in the management agreement, which would, among other things, (i) change the base management fee to an incentive management fee based on earnings of the business before interest expense, income taxes, depreciation and amortization and management fees, (ii) require the Company to provide certain administrative services to JCC as part of its management fee without any reimbursement from JCC and (iii) provide for termination of management services if minimum performance thresholds are not met.

Due to the filing of bankruptcy by JCC, in fourth quarter 2000 we recorded reserves of $220 million for receivables not expected to be recovered in JCC's reorganization plan. Failure by JCC to consummate its reorganization plan would likely result in loss of its State gaming license and could result in further financial impact to the Company of approximately $73 million, plus any additional amounts funded under the Current State Guarantee.

National Airlines, Inc. We have an approximate 48% ownership interest in National Airlines, Inc. ("NAI"), an airline company based in Las Vegas, Nevada, which opened for business in May 1999. During 1999 and 2000, we provided $17.4 million in loans to NAI, and letters of credit on their behalf of $24.6 million. We have an agreement with another investor of NAI whereby that investor is obligated to reimburse us for approximately 56% of any amount that we might pay in response to demands on the letters of credit. In December 2000, NAI filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code. In response to that filing, we recorded write-offs and reserves in fourth quarter 2000 totaling $39.4 million for our investment in and loans to NAI and our net exposure under the letters of credit. These write-offs and reserves are included in Gains (losses) on interests in nonconsolidated affiliates in our Consolidated Statements of Operations.

Dispositions of Equity Interests. In 1999, we sold our shares of Star City casino and recorded a pretax gain of $43.5 million. We also sold our interest in Sodak Gaming, Inc. to a gaming equipment manufacturing company and recorded a pretax gain of $16.3 million.

During 1998, we sold our remaining equity interest in a restaurant affiliate and recognized a gain on the sale of $13.2 million.

Combined Financial Information. The following summarized balance sheet and statement of operations information has been compiled from financial reports for the periods and dates indicated submitted to us by our nonconsolidated affiliates which we accounted for using the equity method:

	2000					
	JCC	NAI	Other	Total	1999	1998
Combined Summarized Balance Sheet Information						
Current assets	$ 42,092	$ 48,007	$ 3,077	$ 93,176	$ 73,560	
Land, buildings and equipment, net	333,931	35,597	34,549	404,077	570,204	
Other assets	101,334	19,860	8,520	129,714	130,889	
Total assets	477,357	103,464	46,146	626,967	774,653	
Current liabilities	110,117	105,695	6,543	222,355	100,336	
Long-term debt	396,412	11,609	18,000	426,021	399,126	
Other liabilities	61,647	2,203	813	64,663	38,630	
Total liabilities	568,176	119,507	25,356	713,039	538,092	
Net assets	$ (90,819)	$ (16,043)	$20,790	$ (86,072)	$ 236,561	
Combined Summarized Statements of Operations						
Revenues	$ 261,105	$231,319	$22,405	$ 514,829	$ 116,236	$299,292
Operating loss	$ (90,335)	$ (18,472)	$ (3,222)	$(112,029)	$ (77,595)	$ (2,774)
Net loss	$(136,589)	$ (22,107)	$ (1,943)	$(160,639)	$(108,082)	$ (33,245)

Our Investments in and advances to nonconsolidated affiliates are reflected in the accompanying Consolidated Balance Sheets as follows:

	2000	1999
Investments in and advances to nonconsolidated affiliates		
Accounted for under the equity method	$80,439	$167,828
Accounted for at historical cost	5,167	–
Available-for-sale and recorded at market value	1,075	683
	$86,681	$168,511

The December 31, 2000, balance of our investments in those affiliates accounted for under the equity method is net of the applicable reserves recorded in 2000 for JCC and NAI, which are discussed above. These impairment reserves are in addition to our share of the operating results of these companies reflected in the summarized statement of operations information presented above.

In accordance with the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," we adjust the carrying value of our available-for-sale equity investments to include unrealized gains or losses. A corresponding adjustment is recorded in the combination of our stockholders' equity and deferred income tax accounts.

Management's Report on Financial Statements

Harrah's Entertainment is responsible for preparing the financial statements and related information appearing in this report. Management believes that the financial statements present fairly its financial position, its results of operations and its cash flows in conformity with accounting principles generally accepted in the United States. In preparing its financial statements, Harrah's Entertainment is required to include amounts based on estimates and judgments which it believes are reasonable under the circumstances.

Harrah's Entertainment maintains accounting and other control systems designed to provide reasonable assurance that financial records are reliable for purposes of preparing financial statements and that assets are properly accounted for and safeguarded. Compliance with these systems and controls is reviewed through a program of audits by an internal auditing staff. Limitations exist in any internal control system, recognizing that the system's cost should not exceed the benefits derived.

The Board of Directors pursues its responsibility for Harrah's Entertainment's financial statements through its Audit Committee, which is composed solely of directors who are not Harrah's Entertainment officers or employees. The Audit Committee meets from time to time with the independent public accountants, management and the internal auditors. Harrah's Entertainment's internal auditors report directly to the Audit Committee pursuant to gaming regulations. The independent public accountants have direct access to the Audit Committee, with and without the presence of management representatives.

Philip G. Satre

Philip G. Satre
Chairman of the Board,
Chief Executive Officer and
Office of the President

Judy T. Wormser

Judy T. Wormser
Vice President, Controller
and Chief Accounting Officer

Report of Independent Public Accountants

To the Stockholders and Board of Directors of Harrah's Entertainment, Inc.:

We have audited the accompanying consolidated balance sheets of Harrah's Entertainment, Inc. (a Delaware corporation) and subsidiaries ("Harrah's Entertainment") as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss) and cash flows for each of the three years ended December 31, 2000. These financial statements are the responsibility of Harrah's Entertainment's management. Our responsibility is to express an opinion on these 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 financial position of Harrah's Entertainment as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Las Vegas, Nevada
March 21, 2001

Quarterly Results of Operations

(Unaudited)

(In thousands, except per share amounts)	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*	*Year*
2000[1]					
Revenues	$783,614	$879,181	$953,425	$ 854,930	$3,471,150
Income (loss) from operations	100,100	136,338	176,103	(129,803)	282,738
Net income (loss)	30,748	46,498	71,980	(161,286)	(12,060)
Earnings (loss) per share[3]					
Basic	0.25	0.39	0.63	(1.41)	(0.10)
Diluted	0.25	0.39	0.61	(1.41)	(0.10)
1999[2]					
Revenues	$711,668	$751,137	$814,054	$ 747,569	$3,024,428
Income from operations	112,483	123,504	155,921	89,129	481,037
Net income	34,097	40,548	74,634	59,191	208,470
Earnings per share[3]					
Basic	0.27	0.32	0.59	0.47	1.65
Diluted	0.27	0.31	0.58	0.45	1.62

[1] 2000 includes recognition in fourth quarter of $220.0 million in pretax reserves for receivables not expected to be recovered from JCC Holding Company and its subsidiary, Jazz Casino Company LLC, and $39.4 million in pretax write-offs and reserves for our investment in, loans to and net estimated exposure under letters of credit issued on behalf of National Airlines, Inc. 2000 also includes operating results for Players International, Inc. for periods after its March 22, 2000, date of acquisition.

[2] 1999 includes $16.3 million recognized in third quarter and $43.5 million recognized in fourth quarter in pretax gains from the sales of our equity interests in nonconsolidated affiliates.

[3] The sum of the quarterly per share amounts may not equal the annual amount reported, as per share amounts are computed independently for each quarter and for the full year.

Board of Directors

PHILIP G. SATRE[1]
Chairman of the Board,
Chief Executive Officer and
Office of the President,
Harrah's Entertainment, Inc.
Director since 1988*

JAMES B. FARLEY[1,2]
Director,
The MONY Group
Director since 1982*

JOE M. HENSON[2]
Private Investor
Director since 1991*

RALPH HORN[1,2]
Chairman, President and
Chief Executive Officer,
First Tennessee National Corporation
Director since 1995

J. KELL HOUSSELS III[3]
Principal, 6HCO
Director since 1998

GARY W. LOVEMAN[1]
Chief Operating Officer and
Office of the President,
Harrah's Entertainment, Inc.
Director since 2000

R. BRAD MARTIN[1,3]
Chairman and
Chief Executive Officer,
Saks Incorporated
Director since 1996

ROBERT G. MILLER[3]
Chairman and
Chief Executive Officer,
Rite Aid Corporation
Director since 1999

COLIN V. REED[1]
Chief Financial Officer and
Office of the President,
Harrah's Entertainment, Inc.
Director since 1998

WALTER J. SALMON[2]
Professor of Retailing Emeritus,
The Graduate School of
Business Administration,
Harvard University
Director since 1981*

BOAKE A. SELLS[1,3]
Private Investor
Director since 1985*

EDDIE N. WILLIAMS[2]
President and
Chief Executive Officer,
Joint Center for Political
and Economic Studies
Director since 1992*

[1] Executive Committee
[2] Audit Committee
[3] Human Resources Committee

**Includes service on Holiday Corporation Board prior to 1990 and/or The Promus Companies Incorporated Board prior to 1995.*

Investor and Stock Information

CORPORATE HEADQUARTERS
One Harrah's Court, Las Vegas, NV 89119

MAILING ADDRESS
Post Office Box 98905, Las Vegas, NV 89193

ANNUAL MEETING DATE
Harrah's Entertainment, Inc. will conduct its annual meeting of stockholders at 11 a.m. (PDT) May 3, 2001, in the Showroom at Harrah's Las Vegas.

FORM 10-K
A stockholder may receive without charge a copy of the Form 10-K Annual Report filed with the Securities and Exchange Commission by writing to Investor Relations at the corporate headquarters mailing address.

ANNUAL REPORTS REQUESTS
To request an Annual Report or other financial reports, or to be added to the Company's mailing list, please call 1-800-340-3626, or e-mail us at investors@harrahs.com.

TRANSFER AGENT AND REGISTRAR
For address changes, account consolidation, registration, lost stock certificates and other services, contact:
The Bank of New York, Shareholder Relations Department-11E
Church Street Station, P.O. Box 11258, New York, NY 10286-1258
1-800-524-4458 www.stockbny.com

SHAREHOLDER ACCOUNT ASSISTANCE
For additional assistance regarding your account, contact the Shareholder Services Department at the corporate headquarters office by calling 1-800-340-3626 or 702-407-6381, or e-mail us at investors@harrahs.com.

INVESTOR RELATIONS
The Company maintains an Investor Relations office to assist stockholders and potential stockholders. Inquiries are welcome by telephone or letter. Financial community information requests should be directed to Investor Relations at the corporate headquarters address, or by calling 1-800-340-3626, or e-mail us at investors@harrahs.com. Investor information is also available on the Company's web site at www.harrahs.com.

MEDIA RELATIONS AND COMMUNICATIONS
The Company maintains a Communications Department to assist media and other outside groups with information about the Company. Inquiries are welcome by telephone, letter or fax. Media and other non-investor inquiries should be directed to Corporate Communications at the corporate headquarters, or by calling 702-407-6529, faxing us at 702-407-6037, or e-mailing us at MediaInfo@harrahs.com.

HOME PAGE
Harrah's Entertainment, Inc. maintains a page on the World Wide Web for those interested in further information or recent news about the Company. Quarterly financial information, in lieu of quarterly reports to stockholders, is listed here, as are facts and figures about the Company. The page can be accessed at www.harrahs.com.

DIVIDEND INFORMATION
The Company anticipates paying no cash dividends for the foreseeable future. The Company is subject to restrictions under its debt agreements that limit the payment of dividends. Please refer to Management's Discussion and Analysis on page 27 for a description of restrictions on dividends.

RESERVATION INFORMATION
Guests wishing to make reservations at our properties may do so by calling the following toll-free numbers:
1-800-HARRAHS; 1-800-PLAY-RIO;
1-800-621-0200 (Showboat Atlantic City)

INDEPENDENT PUBLIC ACCOUNTANTS
Arthur Andersen LLP
3773 Howard Hughes Parkway, Suite 500S, Las Vegas, NV 89109

STOCK LISTINGS
Harrah's Entertainment, Inc. common stock trades on the New York Stock Exchange under the ticker symbol HET. The stock is also listed on the Chicago, Philadelphia and Pacific regional stock exchanges. Daily trading activity in the stock and the stock price may be found in the financial section of major newspapers under "Harrah's."

QUARTERLY STOCK INFORMATION
New York Stock Exchange – Common Stock

	Stock Price Per Share	
2000	*High*	*Low*
1st Quarter	26 9/16	17
2nd Quarter	23 9/16	17 1/8
3rd Quarter	30 1/16	21 1/8
4th Quarter	29 4/21	23

1999	*High*	*Low*
1st Quarter	20 1/4	14 3/8
2nd Quarter	24 9/16	18 7/16
3rd Quarter	27 3/4	19 5/8
4th Quarter	30 3/4	23 3/8

STOCKHOLDERS
As of December 31, 2000, there were 10,829 stockholders of record of Harrah's Entertainment, Inc.

Chairman's Award Recipients

The Chairman's Award is the highest honor Harrah's Entertainment bestows on its employees. Each year, the award recognizes superior performance in categories that support the Company's vision. The names listed below are the 2000 Chairman's Award winners representing each property. From this list, corporate-wide Chairman's Award winners will be selected in each of the four categories, to be recognized at the Key Management Meeting in May.

AK-CHIN
Victor Chavez, Superior Guest Service
Paul Harris, Superior Guest Service
Daniel Heller, Superior Guest Service
Valerie Warner, Superior Guest Service
Harry Flint, Superior Internal Service
Keith McGlaughlin, Superior Internal Service
Bob Walker, Leadership
Caryn Potter, Leadership
Jack Castelline, Leadership
Evelyn Gianopolous, Leadership

ATLANTIC CITY
Edward Taylor, Superior Guest Service
John Witmer, Superior Internal Service
Michael Nichols, Community Service
Michael Bowman, Leadership

CHEROKEE
Jesse Spain, Superior Guest Service
Joan Crawford, Superior Internal Service
Gene "Tunney" Crowe, Leadership
Perry Shell, Community Service

EAST CHICAGO
Jim Giese, Superior Internal Guest Service
Dawn Martin, Leadership
Shalonda Crosby, Community Service
Meng Taing, Superior Guest Service

JOLIET
Cheryl Pratl, Superior Guest Service
Elmyria Toombs, Superior Internal Service
Cheryl Jewell, Leadership
Scott Jones, Leadership
Phyllis Ramsey, Community Service

LAKE CHARLES
Joanne Pankow, Leadership
Archie Speer, Superior Guest Service
Chris Lennette, Leadership
Nancy Kelly, Community Service
Marian Keller, Superior Internal Service

LAKE TAHOE
John Babcock, Community Service
Allen Plummer, Superior Internal Service
Theresa Daggs, Leadership
Mary Wood, Superior Guest Service

LAS VEGAS
Olivia Taylor, Superior Guest Service
Robert Yeager, Superior Internal Service
Harold Johnson, Leadership
Robert Wells, Community Service

LAUGHLIN
Roslie Thibadeau, Superior Guest Service
Joe Herrera, Superior Guest Service
Eric Fox, Superior Internal Service
Salomon Reyes-Cuevas, Superior Internal Service
Dennis Sixbery, Leadership
Mark Mohrmann, Leadership
Richard Eckert, Community Service

LAS VEGAS HEADQUARTERS
Jaime Ignacek, Superior Internal Service
Marie Paule-Schwartz, Superior Internal Service
Matt Schultz, Leadership
Paul Long, Leadership
Jeff Nelson, Leadership

MEMPHIS
Shaun Burnett, Community Service
Alexis Whray, Superior Internal Service
Juanita Clower, Superior Guest Service
Debbie Maybry, Leadership

METROPOLIS
Shirley Sommer, Superior Guest Service
Danielle Carter, Superior Internal Service
Denise Schaffer, Leadership
Stacey Shelby, Community Service

N. KANSAS CITY
Dennis Hukill, Superior Guest Service
Nancy Dzurko, Superior Internal Service
James White, Leadership
William Smith, Community Service

PRAIRIE BAND
Christine Roepke, Superior Guest Service
Troy Davis, Superior Internal Service
Chris Stevenson, Leadership
Christine Caldwell, Leadership
Joni Mitchell, Leadership
Lisa Roehm, Community Service and Leadership
Sheryl Blue, Leadership

RENO
Tamara Gaurnier, Superior Guest Service
Philip Hoover, Superior Internal Service
Bonnie Wray, Leadership
Andy Donato, Community Service

RIO
Linda Tognotti, Superior Guest Service
Sue Pinney, Superior Internal Service
Karin Matthews, Leadership
Marti Williams, Community Service

SHOWBOAT
Victoria Christmas-Gonzalez, Superior Guest Service
Gerald Beaver, Superior Internal Service
Vincent Gangi, Leadership
Robert Warnett, Community Service

SHREVEPORT
Jean Conard, Superior Guest Service
Kelley Stephens, Superior Internal Service
Bettye Milton, Leadership
Lucy Marquez, Leadership

ST. LOUIS
Kay Whittley, Superior Guest Service
Cynthia Smith, Superior Internal Service
Michelle Mosier, Leadership
Lloyd Gresham, Community Service

TUNICA
Derrick Thompson, Superior Guest Service
Phyllis Carmon, Superior Internal Service
Brooks Robinson, Leadership
Elaina Pittman, Community Service

VICKSBURG
Phillemean Swartz, Superior Internal Service
Michael Clark, Superior Guest Service

Code of Commitment

The Harrah's Code of Commitment governs the conduct of our business. It's a public pledge to our guests, our employees, and our communities that we will honor the trust they have placed in us.

A COMMITMENT TO OUR GUESTS TO PROMOTE RESPONSIBLE GAMING:

- We do not cash welfare or unemployment checks.
- We have a process to honor the requests of customers who wish to be denied access to our casinos, and that their access to credit, check-cashing, and casino promotions be restricted.
- We display toll-free helpline numbers for problem gambling in our ads, brochures and signs, and we provide financial support for those helplines.
- We train our employees to understand the signs of problem gambling and empower them to provide customers with information describing how to get help.
- We emphasize to our employees that casino gaming is an appropriate activity for adults only, and require them to be vigilant in their efforts to prevent individuals under the legal age from playing at our casinos.

A COMMITMENT TO OUR EMPLOYEES TO TREAT THEM WITH RESPECT AND PROVIDE THEM OPPORTUNITIES TO BUILD SATISFYING CAREERS:

- We invest in our employees by providing excellent pay and valuable benefits, including health insurance and a retirement plan.
- We are committed to sharing our financial success through programs such as cash bonuses for frontline employees.
- We encourage professional and personal growth through tuition reimbursement, on the job training, career development and promotion from within.
- We actively seek and respond to employee opinions on all aspects of their jobs, from the quality of their supervisors to the quality of our casinos.

A COMMITMENT TO OUR COMMUNITIES TO HELP MAKE THEM VIBRANT PLACES TO LIVE AND WORK, AND TO MARKET OUR CASINOS RESPONSIBLY:

- We conduct our business with honesty and integrity, consistent with the highest moral, legal, and ethical standards, complying with all applicable laws and regulations.
- We share our financial success with our communities by donating one percent of company profits to civic and charitable causes.
- We encourage our employees to volunteer in civic and charitable causes.
- We restrict the placement and content of our advertising and marketing materials.

Trademarks

The following trademarks are used in this report to identify the services of Harrah's Entertainment, Inc., its subsidiaries and affiliates: Harrah's,® Showboat,® Rio,® Players,℠ Bill's,® Millionaire Maker,® Total Rewards,® Total Gold,® Total Platinum,℠ Total Diamond,℠ Rio Secco,℠ WINet,® harrahs.com,® 1-800-Harrahs,® 1-800-Play Rio,℠ Play Rio.®

Design: RKC! (Robinson Kurtin Communications! Inc), Narrative Photography: Bob Day, Executive Photography: Bill Hayward

Senior Management

A. PHILIP G. SATRE
Chairman,
Chief Executive Officer and
Office of the President

B. J. CARLOS TOLOSA
President,
Harrah's Western Division

C. JOHN M. BOUSHY
Senior Vice President,
Operations Products and
Services and
Chief Information Officer

D. COLIN V. REED
Chief Financial Officer and
Office of the President

E. MARILYN G. WINN
Senior Vice President,
Human Resources

F. ANTHONY M. SANFILIPPO
President,
Harrah's Central Division

G. STEPHEN H. BRAMMELL
Senior Vice President and
General Counsel

H. JANIS L. JONES
Senior Vice President,
Communications and
Government Relations

I. GARY W. LOVEMAN
Chief Operating Officer and
Office of the President

J. TIMOTHY J. WILMOTT
President,
Harrah's Eastern Division

K. JAY D. SEVIGNY
President,
Harrah's New Orleans
Management Division and
Rio Division

L. RICHARD E. MIRMAN
Senior Vice President,
Marketing

A B C D E F G H I J K L

Harrah's Entertainment, Inc.

The Premier Name in Casino Entertainment

One Harrah's Court
Las Vegas, Nevada 89119

Harrah's Entertainment, Inc. is the leading consumer-marketing company in the gaming industry. The company operates 21 casinos in 17 U.S. markets under the Harrah's, Showboat, Rio and Players brand names. Harrah's Entertainment employs 42,000 people and trades on the New York Stock Exchange under the symbol "HET."