

MGM MIRAGE
Form 10-Q
August 09, 2007

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**UNITED STATES
SECURITIES & EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

**Commission File No. 0-16760
MGM MIRAGE**

(Exact name of registrant as specified in its charter)

Delaware

88-0215232

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

3600 Las Vegas Boulevard South, Las Vegas, Nevada 89109

(Address of principal executive offices Zip Code)

(702) 693-7120

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class
Common Stock, \$.01 par value

Outstanding at August 6, 2007
284,344,805 shares

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Table of Contents**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements****MGM MIRAGE AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS***(In thousands, except share data)**(Unaudited)*

	June 30, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 294,609	\$ 452,944
Accounts receivable, net	333,295	362,921
Inventories	125,485	118,459
Income tax receivable		18,619
Deferred income taxes	69,909	68,046
Prepaid expenses and other	103,564	124,414
Assets held for sale	55,068	369,348
Total current assets	981,930	1,514,751
Real estate under development	344,994	188,433
Property and equipment, net	18,755,673	17,241,860
Other assets		
Investments in unconsolidated affiliates	1,124,836	1,092,257
Goodwill	1,269,591	1,300,747
Other intangible assets, net	361,811	367,200
Deposits and other assets, net	659,336	440,990
Total other assets	3,415,574	3,201,194
	\$ 23,498,171	\$ 22,146,238

LIABILITIES AND STOCKHOLDERS EQUITY

Current liabilities		
Accounts payable	\$ 149,868	\$ 182,154
Construction payable	357,263	234,486
Income taxes payable	104,976	
Accrued interest on long-term debt	250,212	232,957
Other accrued liabilities	960,037	958,244
Liabilities related to assets held for sale	3,456	40,259
Total current liabilities	1,825,812	1,648,100

Deferred income taxes	3,359,077	3,441,157
Long-term debt	13,560,785	12,994,869
Other long-term obligations	421,403	212,563

Commitments and contingencies (Note 5)**Stockholders equity**

Common stock, \$.01 par value: authorized 600,000,000 shares; issued 365,720,069 and 362,886,027 shares; outstanding 284,243,042 and 283,909,000 shares	3,657	3,629
Capital in excess of par value	2,933,892	2,806,636
Treasury stock, at cost: 81,477,027 and 78,997,027 shares	(1,771,707)	(1,597,120)
Retained earnings	3,164,334	2,635,989
Accumulated other comprehensive income	918	415
Total stockholders equity	4,331,094	3,849,549
	\$ 23,498,171	\$ 22,146,238

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

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MGM MIRAGE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Revenues				
Casino	\$ 773,931	\$ 734,694	\$ 1,585,870	\$ 1,514,952
Rooms	555,107	510,861	1,104,111	1,019,259
Food and beverage	424,717	369,734	842,166	738,778
Entertainment	143,237	104,853	277,485	203,833
Retail	79,072	70,022	147,322	134,508
Other	134,760	111,091	256,830	216,886
	2,110,824	1,901,255	4,213,784	3,828,216
Less: Promotional allowances	(174,408)	(140,747)	(347,933)	(293,340)
	1,936,416	1,760,508	3,865,851	3,534,876
Expenses				
Casino	410,168	381,509	828,276	792,541
Rooms	143,980	135,214	285,754	267,914
Food and beverage	249,699	222,248	494,081	438,619
Entertainment	104,249	76,104	202,394	148,996
Retail	49,499	45,696	93,890	89,582
Other	76,521	58,373	148,766	113,395
General and administrative	302,187	256,688	587,292	506,799
Corporate expense	43,668	38,579	77,623	75,231
Preopening and start-up expenses	14,148	15,044	28,424	21,225
Restructuring costs		231		1,035
Property transactions, net	2,407	12,688	7,426	36,173
Depreciation and amortization	167,509	157,793	335,786	305,226
	1,564,035	1,400,167	3,089,712	2,796,736
Income from unconsolidated affiliates	96,592	57,081	137,967	92,635
Operating income	468,973	417,422	914,106	830,775
Non-operating income (expense)				
Interest income	5,509	3,027	8,166	5,772
Interest expense, net	(183,429)	(190,776)	(367,440)	(383,625)
Non-operating items from unconsolidated affiliates	(4,714)	(3,341)	(9,820)	(6,936)

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Other, net	(804)	(2,174)	(3,532)	(5,218)
	(183,438)	(193,264)	(372,626)	(390,007)
Income from continuing operations before income taxes	285,535	224,158	541,480	440,768
Provision for income taxes	(102,637)	(80,817)	(195,572)	(157,665)
Income from continuing operations	182,898	143,341	345,908	283,103
Discontinued operations				
Income from discontinued operations	2,615	4,589	10,461	11,071
Gain on disposal of discontinued operations	263,881		263,881	
Provision for income taxes	(89,222)	(1,536)	(91,905)	(3,743)
	177,274	3,053	182,437	7,328
Net income	\$ 360,172	\$ 146,394	\$ 528,345	\$ 290,431
Basic earnings per share of common stock				
Income from continuing operations	\$ 0.64	\$ 0.50	\$ 1.22	\$ 1.00
Discontinued operations	0.63	0.01	0.64	0.02
Net income per share	\$ 1.27	\$ 0.51	\$ 1.86	\$ 1.02
Diluted earnings per share of common stock				
Income from continuing operations	\$ 0.62	\$ 0.49	\$ 1.17	\$ 0.97
Discontinued operations	0.60	0.01	0.62	0.02
Net income per share	\$ 1.22	\$ 0.50	\$ 1.79	\$ 0.99

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

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MGM MIRAGE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	June 30,	
	2007	2006
Cash flows from operating activities		
Net income	\$ 528,345	\$ 290,431
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	335,786	320,257
Amortization of debt discounts, premiums and issuance costs	(3,688)	(1,138)
Provision for doubtful accounts	19,004	30,357
Stock-based compensation	23,775	40,818
Property transactions, net	7,426	36,044
Gain on disposal of discontinued operations	(263,881)	
Income from unconsolidated affiliates	(121,274)	(80,556)
Distributions from unconsolidated affiliates	90,487	62,584
Deferred income taxes	(36,911)	(32,752)
Change in current assets and liabilities:		
Accounts receivable	10,265	5,318
Inventories	(7,605)	(6,920)
Income taxes receivable and payable	129,464	(112,830)
Prepaid expenses and other	20,802	(4,284)
Accounts payable and accrued liabilities	(22,883)	(59,257)
Increase in real estate under development	(172,995)	(17,179)
Residential sales deposits, net	121,748	
Hurricane Katrina insurance recoveries	19,751	2,893
Change in Hurricane Katrina insurance receivable	(3,231)	(34,261)
Other	3,663	(21,474)
Net cash provided by operating activities	678,048	418,051
Cash flows from investing activities		
Capital expenditures, net	(1,790,709)	(696,848)
Dispositions of property and equipment	15,184	5,814
Proceeds from disposal of discontinued operations, net	578,873	
Purchase of The M Resort LLC convertible note	(160,000)	
Investments in unconsolidated affiliates		(62,655)
Hurricane Katrina insurance recoveries	55,249	113,947
Other	(27,595)	(8,409)
Net cash used in investing activities	(1,328,998)	(648,151)
Cash flows from financing activities		

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Net repayments under bank credit facilities – maturities of 90 days or less	(460,200)	(90,300)
Borrowings under bank credit facilities – maturities longer than 90 days	2,750,000	3,500,000
Repayments under bank credit facilities – maturities longer than 90 days	(1,750,000)	(3,700,000)
Issuance of senior notes	750,000	750,000
Retirement of senior notes	(710,000)	(200,000)
Debt issuance costs	(6,187)	(5,828)
Issuance of common stock	52,898	28,066
Purchases of common stock	(174,586)	(141,038)
Excess tax benefits from stock-based compensation	44,450	18,361
Other	(725)	(12,102)
 Net cash provided by financing activities	 495,650	 147,159
 Cash and cash equivalents		
Net decrease for the period	(155,300)	(82,941)
Cash related to assets held for sale	(3,035)	
Balance, beginning of period	452,944	377,933
 Balance, end of period	 \$ 294,609	 \$ 294,992
 Supplemental cash flow disclosures		
Interest paid, net of amounts capitalized	\$ 359,718	\$ 386,848
Federal, state and foreign income taxes paid, net of refunds	146,594	286,786
 Non-cash investing and financing activities		
Increase in construction payable	122,777	98,100

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

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Organization. MGM MIRAGE (the Company) is a Delaware corporation, incorporated on January 29, 1986. As of June 30, 2007, approximately 56% of the outstanding shares of the Company's common stock were owned by Tracinda Corporation, a Nevada corporation which is wholly owned by Kirk Kerkorian. MGM MIRAGE acts largely as a holding company and, through wholly-owned subsidiaries, owns and/or operates casino resorts.

The Company owns and operates the following casino resorts in Las Vegas, Nevada: Bellagio, MGM Grand Las Vegas, Mandalay Bay, Mirage, Luxor, Treasure Island (TI), New York-New York, Excalibur, Monte Carlo, Circus Circus Las Vegas and Slots-A-Fun. Other Nevada operations include Circus Circus Reno, Gold Strike in Jean, and Railroad Pass in Henderson. The Company has a 50% investment in Silver Legacy in Reno, which is adjacent to Circus Circus Reno. In addition, the Company owns 50% interests in the entities that developed The Signature at MGM Grand, which is adjacent to MGM Grand Las Vegas. The Signature is a condominium-hotel development, with three towers; all three towers are complete, and closings continue for units in Tower 3. The Company also owns Shadow Creek, an exclusive world-class golf course located approximately ten miles north of its Las Vegas Strip resorts, and Primm Valley Golf Club at the California/Nevada state line.

In April 2007, the Company completed the sale of Buffalo Bills, Primm Valley, and Whiskey Pete's casino resorts (the Primm Valley Resorts), not including the Primm Valley Golf Club, with net proceeds to the Company of approximately \$398 million. In June 2007, the Company completed the sale of the Colorado Belle and Edgewater in Laughlin (the Laughlin Properties), with net proceeds to the Company of approximately \$199 million. In February 2007, the Company entered into an agreement to contribute Gold Strike, Nevada Landing (which closed in March 2007) and surrounding land (the Jean Properties) to a joint venture. The joint venture's purpose is to develop a mixed-use community on the site. See Note 2 for further discussion of these transactions.

The Company and its local partners own MGM Grand Detroit, LLC, which operates a casino in an interim facility located in downtown Detroit, Michigan. MGM Grand Detroit, LLC is currently constructing a permanent casino facility, expected to open in October 2007 at a construction cost of approximately \$725 million, excluding preopening, land, and license costs. Preopening costs are estimated to be \$30 million. The permanent casino is located on a 25-acre site with a carrying value of approximately \$50 million. In addition, the Company recorded license rights with a carrying value of \$100 million as a result of MGM Grand Detroit's obligations to the City of Detroit in connection with the permanent casino development agreement. The interim facility will close immediately prior to the opening of the permanent casino.

The Company also owns and operates two resorts in Mississippi—Beau Rivage in Biloxi and Gold Strike Tunica. Beau Rivage reopened in August 2006, after having been closed due to damage sustained as a result of Hurricane Katrina in August 2005.

The Company has 50% interests in two resorts outside of Nevada—Borgata and Grand Victoria. Borgata is a casino resort located on Renaissance Pointe in the Marina area of Atlantic City, New Jersey. Boyd Gaming Corporation owns the other 50% of Borgata and also operates the resort. The Company owns additional land adjacent to Borgata, a portion of which consists of common roads, landscaping and master plan improvements, a portion of which is being utilized for an expansion of Borgata, and a portion of which is available for future development. Grand Victoria is a riverboat in Elgin, Illinois—an affiliate of Hyatt Gaming owns the other 50% of Grand Victoria and also operates the resort.

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The Company owns 50% of MGM Grand Paradise Limited, a joint venture with Pansy Ho Chiu-king that is constructing and will operate a hotel-casino resort, MGM Grand Macau, in Macau S.A.R. Construction of MGM Grand Macau is estimated to cost approximately \$775 million, excluding preopening, land rights and license costs. Preopening costs are estimated to be \$75 million. The land rights are estimated to cost approximately \$60 million. The subconcession agreement, which allows MGM Grand Paradise Limited to operate casinos in Macau, cost \$200 million. The resort is anticipated to open in late 2007.

The Company is developing CityCenter on the Las Vegas Strip, between Bellagio and Monte Carlo. CityCenter will feature a 4,000-room casino resort designed by world-famous architect Cesar Pelli; two 400-room non-gaming boutique hotels, one of which will be managed by luxury hotelier Mandarin Oriental; approximately 470,000 square feet of retail shops, dining and entertainment venues; and approximately 2.3 million square feet of residential space in approximately 2,700 luxury condominium and condominium-hotel units in multiple towers. The overall construction cost of CityCenter is estimated at approximately \$7.4 billion, excluding preopening and land costs. Preopening costs are estimated to be \$200 million. CityCenter is located on a 67-acre site with a carrying value of approximately \$1 billion. After estimated net proceeds of \$2.7 billion from the sale of residential units, net construction cost is estimated at approximately \$4.7 billion. CityCenter is expected to open in late 2009.

Certain risks and uncertainties – labor subject to collective bargaining agreements. As of June 30, 2007, approximately 30,000 of the Company's 64,000 employees were covered by collective bargaining agreements. Approximately 21,000 of the Company's Las Vegas Strip employees are subject to a collective bargaining agreement that expired as of May 31, 2007 but which has been extended indefinitely subject to a right of termination by either party on seven days' notice. Negotiations for a new collective bargaining agreement are ongoing. This does not include the collective bargaining agreement covering employees at MGM Grand Las Vegas, which expires in 2008.

Financial statement impact of Hurricane Katrina. The Company maintained insurance covering both property damage and business interruption as a result of wind and flood damage sustained at Beau Rivage. Business interruption coverage covered lost profits and other costs incurred during the construction period and up to six months following the re-opening of the facility.

Non-refundable insurance recoveries received in excess of the net book value of damaged assets, clean-up and demolition costs, and post-storm costs have been recognized as income in the period received based on the Company's estimate of the total claim for property damage and business interruption compared to the recoveries received at that time.

As of June 30, 2007, the Company had received insurance recoveries of \$430 million. This amount exceeds the \$262 million total of net book value of damaged assets, clean-up and demolition costs, and post-storm operating costs by \$168 million; therefore, no write-down or demolition expense was recorded and post storm operating costs were offset by expected recoveries within General and administrative expenses. Depreciation of non-damaged assets was classified as Depreciation and amortization. Of the \$168 million excess, \$86 million was received on a non-refundable basis and has been reported as income. The remaining \$82 million has been deferred because the related payments were submitted to the Company under reservation of rights on behalf of the insurance carriers; such amounts are included in Other accrued liabilities in the accompanying consolidated balance sheet as of June 30, 2007. The \$86 million cumulatively recognized in income was recorded within Property transactions, net in the fourth quarter of 2006.

Insurance recoveries are classified in the statement of cash flows based on the coverage to which they relate. Recoveries related to business interruption are classified as operating cash flows and recoveries related to property damage are classified as investing cash flows. However, the Company's insurance policy includes undifferentiated coverage for both property damage and business interruption. Therefore, the Company classified insurance recoveries as being related to property damage until the full \$160 million of damaged assets and demolition costs were recovered and classified additional recoveries up to the amount of the post-storm costs incurred as being related to business interruption. Insurance recoveries beyond that amount have been classified as operating or financing based on the total proceeds received to date compared to the total expected recoveries to be received upon final settlement of our insurance claims. During the six months ended June 30, 2007 and 2006, insurance recoveries of \$20 million and \$3 million, respectively, have been classified as operating cash flows. During the six months ended June 30, 2007 and

2006, insurance recoveries of \$55 million and \$114 million, respectively, have been classified as investing activities.

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Investment in The M Resort LLC convertible note. In June 2007, the Company purchased a \$160 million convertible note issued by The M Resort LLC, which is developing a casino resort on Las Vegas Boulevard, 10 miles south of Bellagio. The convertible note matures in June 2015, contains certain optional and mandatory redemption provisions, and is convertible into a 50% equity interest in The M Resort LLC beginning in December 2008. The convertible note earns interest at 6% which may be paid in cash or accrued in kind for the first five years; thereafter interest must be paid in cash. There are no scheduled principal payments before maturity.

The convertible note is accounted for as a hybrid financial instrument consisting of a host debt instrument and an embedded call option on The M Resort LLC's equity. The debt component is accounted for separately as an available-for-sale marketable security, with changes in value recorded in other comprehensive income. The call option is treated as a derivative with changes in value recorded in earnings. The initial value of the call option was \$0 and the initial value of the debt was \$155 million, with the discount accreted to earnings over the term of the note. The entire carrying value of the convertible note is included in Deposits and other assets, net in the accompanying consolidated balance sheets, as the security is not marketable.

Adoption of FIN 48. Effective January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 (FIN 48). FIN 48 requires that tax positions be assessed using a two-step process. A tax position is recognized if it meets a more likely than not threshold, and is measured at the largest amount of benefit that is greater than 50 percent likely of being realized. Uncertain tax positions must be reviewed at each balance sheet date. Liabilities recorded as a result of this analysis must generally be recorded separately from any current or deferred income tax accounts, and are classified as current (Other accrued liabilities) or long-term (Other long-term liabilities) based on the time until expected payment. A cumulative effect adjustment to retained earnings was not required as a result of the implementation of FIN 48.

As of January 1, 2007, the Company had a total of \$97 million of unrecognized tax benefits. The total amount of these unrecognized tax benefits that, if recognized, would affect the effective tax rate is \$20 million.

As of June 30, 2007, the Company had a total of \$69 million of unrecognized tax benefits. The total amount of these unrecognized tax benefits that, if recognized, would affect the effective tax rate is \$24 million. The net decrease in the amount of unrecognized tax benefits from the date of adoption resulted primarily from the closure during the first quarter of 2007 of an Internal Revenue Service (IRS) examination of federal income tax returns for the years ended December 31, 2001 and 2002. The Company agreed to an additional assessment of taxes and associated interest of \$2 million and is protesting at IRS Appeals certain issues that remained un-agreed at the closure of the examination. The Company reduced unrecognized tax benefits in the amount of \$33 million and recorded corresponding reductions in goodwill related to the acquisition of Mirage Resorts, Incorporated and income tax expense of \$29 million and \$4 million, respectively. We do not expect a significant increase or decrease in unrecognized tax benefits over the next twelve months.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. This policy did not change as a result of the adoption of FIN 48. The Company had \$3 million in interest, net of federal benefit, related to unrecognized tax benefits accrued as of January 1, 2007 and no amounts were accrued for penalties as of such date.

The Company files income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions, and foreign jurisdictions, although the taxes paid in foreign jurisdictions are not material. As of January 1, 2007, the Company was no longer subject to examination of its U.S. federal income tax returns filed for years ended prior to 2001. While the IRS examination of the 2001 and 2002 tax years closed during the first quarter of 2007, the statute of limitations for assessing tax for such years has been extended in order for the Company to complete the appeals process for issues that were not agreed upon at the closure of the examination. The IRS is currently examining the Company's federal income tax returns for the 2003 and 2004 tax years. The tax returns for subsequent years are also subject to examination.

As of January 1, 2007, with few exceptions, the Company was no longer subject to examination of its various state and local tax returns filed for years ended prior to 2003. During the first quarter of 2007, the City of Detroit initiated an examination of a Mandalay Resort Group subsidiary return for the pre-acquisition year ended April 25, 2005. No

other state or local income tax returns are under examination.

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Basis of presentation. As permitted by the rules and regulations of the Securities and Exchange Commission, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the Company's 2006 annual consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments which include only normal recurring adjustments necessary to present fairly the Company's financial position as of June 30, 2007, the results of its operations for the three and six month periods ended June 30, 2007 and 2006, and its cash flows for the six month periods ended June 30, 2007 and 2006. The results of operations for such periods are not necessarily indicative of the results to be expected for the full year. Certain reclassifications, which have no effect on previously reported net income, have been made to the 2006 financial statements to conform to the 2007 presentation.

NOTE 2 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The sale of the Primm Valley Resorts in April 2007 resulted in a pre-tax gain of \$201 million. The sale of the Laughlin Properties in June 2007 resulted in a pre-tax gain of \$63 million. The Company expects to recognize a gain on the contribution of the Jean Properties to a joint venture.

The assets and liabilities of the Jean Properties have not been contributed to the planned joint venture and therefore are classified as held for sale at June 30, 2007. The assets and liabilities of Primm Valley Resorts and the Laughlin Properties were classified as held for sale at December 31, 2006 in the accompanying consolidated balance sheets. Nevada Landing closed in March 2007 and the carrying value of its building assets were written-off. These amounts are included in Property transactions, net in the accompanying consolidated statement of income for the six month period ended June 30, 2007 see note 10 for further discussion.

The following table summarizes the assets held for sale and liabilities related to assets held for sale in the accompanying consolidated balance sheets:

	June 30, 2007	December 31, 2006
	<i>(In thousands)</i>	
Cash	\$ 3,035	\$ 24,538
Accounts receivable, net	612	3,203
Inventories	549	3,196
Prepaid expenses and other	1,053	8,141
Total current assets	5,249	39,078
Property and equipment, net	47,441	316,332
Goodwill		5,000
Other assets, net	2,378	8,938
Total assets	55,068	369,348
Accounts payable	748	6,622
Other current liabilities	2,708	29,142
Total current liabilities	3,456	35,764
Other long-term obligations		4,495
Total liabilities	3,456	40,259

Net assets	\$ 51,612	\$ 329,089
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The results of the Laughlin Properties and Primm Valley Resorts are classified as discontinued operations in the accompanying consolidated statements of income for all periods presented. Due to our continuing involvement in the Jean Properties, the results of these operations have not been classified as discontinued operations in the accompanying consolidated statements of income. The cash flows of discontinued operations are included with the cash flows of continuing operations in the accompanying consolidated statements of cash flows.

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Other information related to discontinued operations is as follows:

For the periods ended June 30,	Three Months		Six Months	
	2007	2006	2007	2006
	<i>(In thousands)</i>			
Net revenues of discontinued operations	\$ 31,970	\$ 106,675	\$ 128,619	\$ 210,840
Interest allocated to discontinued operations (based on the ratio of net assets of discontinued operations to total consolidated net assets and debt)	1,420	4,569	5,844	9,106

NOTE 3 INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Investments in unconsolidated affiliates consisted of the following:

	June 30,	December
	2007	31, 2006
	<i>(In thousands)</i>	
Marina District Development Company Borgata (50%)	\$ 453,620	\$ 454,354
Elgin Riverboat Resort Riverboat Casino Grand Victoria (50%)	299,305	300,151
MGM Grand Paradise Limited MGM Grand Macau (50%)	288,313	285,038
Circus and Eldorado Joint Venture Silver Legacy (50%)	34,497	31,258
Turnberry/MGM Grand Towers The Signature at MGM Grand (50%)	39,082	11,661
Other	10,019	9,795
	\$ 1,124,836	\$ 1,092,257

The Company's investment in MGM Grand Paradise Limited consists of equity and subordinated debt. The Company is committed to lending the venture up to an additional \$6 million, which will be treated as an additional investment in the venture.

The Company recognized the following related to its share of profit from The Signature at MGM Grand, based on when sales were closed:

For the periods ended June 30,	Three Months		Six Months	
	2007	2006	2007	2006
	<i>(In thousands)</i>			
Income from joint venture	\$ 57,370	\$ 22,800	\$ 64,757	\$ 22,338
Gain on land previously deferred	5,547	3,999	6,445	3,999
Other income (loss)	575	(145)	598	(145)
	\$ 63,492	\$ 26,654	\$ 71,800	\$ 26,192

As of June 30, 2007, the Company had deferred income related to its land contributions related to Tower 3 of \$2 million, which is classified as Other long-term obligations in the accompanying consolidated balance sheets.

The Company recorded its share of the results of operations of unconsolidated affiliates as follows:

For the periods ended June 30,	Three Months		Six Months	
	2007	2006	2007	2006
	<i>(In thousands)</i>			
Income from unconsolidated affiliates	\$ 96,592	\$ 57,081	\$ 137,967	\$ 92,635

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Preopening and start-up expenses	(3,641)	(2,425)	(6,873)	(5,143)
Non-operating items from unconsolidated affiliates	(4,714)	(3,341)	(9,820)	(6,936)
	\$ 88,237	\$ 51,315	\$121,274	\$ 80,556

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Long-term debt consisted of the following:

	June 30, 2007	December 31, 2006
	<i>(In thousands)</i>	
Senior credit facility	\$ 4,921,650	\$ 4,381,850
\$710 million 9.75% senior subordinated notes, due 2007, net		709,477
\$200 million 6.75% senior notes, due 2007, net	199,608	197,279
\$492.2 million 10.25% senior subordinated notes, due 2007, net	494,165	505,704
\$180.4 million 6.75% senior notes, due 2008, net	177,963	175,951
\$196.2 million 9.5% senior notes, due 2008, net	203,516	206,733
\$226.3 million 6.5% senior notes, due 2009, net	227,660	227,955
\$1.05 billion 6% senior notes, due 2009, net	1,053,269	1,053,942
\$297.6 million 9.375% senior subordinated notes, due 2010, net	316,095	319,277
\$825 million 8.5% senior notes, due 2010, net	823,443	823,197
\$400 million 8.375% senior subordinated notes, due 2011	400,000	400,000
\$132.4 million 6.375% senior notes, due 2011, net	133,426	133,529
\$550 million 6.75% senior notes, due 2012	550,000	550,000
\$150 million 7.625% senior subordinated debentures, due 2013, net	155,020	155,351
\$500 million 6.75% senior notes, due 2013	500,000	500,000
\$525 million 5.875% senior notes, due 2014, net	522,962	522,839
\$875 million 6.625% senior notes, due 2015, net	879,386	879,592
\$250 million 6.875% senior notes, due 2016	250,000	250,000
\$750 million 7.5% senior notes, due 2016	750,000	
\$100 million 7.25% senior debentures, due 2017, net	84,016	83,556
\$750 million 7.625% senior notes due 2017	750,000	750,000
Floating rate convertible senior debentures due 2033	8,472	8,472
\$150 million 7% debentures due 2036, net	155,869	155,900
\$4.3 million 6.7% debentures, due 2096	4,265	4,265
	\$ 13,560,785	\$ 12,994,869

Amounts due within one year of the balance sheet date are classified as long-term in the accompanying consolidated balance sheets because the Company has both the intent and ability to repay these amounts with available borrowings under the senior credit facility.

Interest expense, net consisted of the following:

For the periods ended June 30,	Three Months		Six Months	
	2007	2006	2007	2006
	<i>(In thousands)</i>			
Total interest incurred	\$ 237,808	\$ 223,704	\$ 471,060	\$ 438,368
Interest capitalized	(52,959)	(28,359)	(97,776)	(45,637)
Interest allocated to discontinued operations	(1,420)	(4,569)	(5,844)	(9,106)
	\$ 183,429	\$ 190,776	\$ 367,440	\$ 383,625

The senior credit facility has a total capacity of \$7 billion, which matures in 2011. The Company has the ability to solicit additional lender commitments to increase the capacity to \$8 billion. The components of the senior credit

facility include a term loan facility of \$2.5 billion and a revolving credit facility of \$4.5 billion. At June 30, 2007, the Company had approximately \$2.0 billion of available borrowing capacity under the senior credit facility.

In May 2007, the Company issued \$750 million of 7.5% senior notes due 2016. In June 2007, the Company repaid the \$710 million of 9.75% senior subordinated notes at maturity. In August 2007, the Company repaid the \$200 million of 6.75% senior notes and the \$492.2 million of 10.25% senior subordinated notes at maturity using borrowings under the senior credit facility.

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The Company's long-term debt obligations contain customary covenants requiring the Company to maintain certain financial ratios. At June 30, 2007, the Company was required to maintain a maximum leverage ratio (debt to EBITDA, as defined) of 6.5:1 and a minimum coverage ratio (EBITDA to interest charges, as defined) of 2.0:1. At June 30, 2007, the Company's leverage and interest coverage ratios were 5.1:1 and 2.8:1, respectively.

NOTE 5 COMMITMENTS AND CONTINGENCIES

The Signature at MGM Grand. The Company provided guarantees for the debt financing on Towers 1, 2 and 3 of The Signature at MGM Grand. The loan amounts for all towers have been completely repaid, relieving the Company's guaranty obligations related to The Signature at MGM Grand.

New York Racing Association. In 2005, the Company entered into a definitive agreement with the New York Racing Association (NYRA) to manage video lottery terminals (VLTs) at NYRA's Aqueduct horseracing facility in metropolitan New York which was subject to receipt of requisite New York State approvals. The Company was to provide project financing up to \$190 million. Subsequently, the Company was not able to come to an agreement with NYRA and the state of New York and announced in April 2007 that it decided not pursue this project further.

Mashantucket Pequot Tribal Nation. The Company entered into a series of agreements to implement a strategic alliance with the Mashantucket Pequot Tribal Nation (MPTN), which owns and operates Foxwoods Casino Resort in Ledyard, Connecticut. The Company and MPTN have formed a jointly owned company Unity Gaming, LLC to acquire or develop future gaming and non-gaming enterprises. The Company will provide a loan of up to \$200 million to finance a portion of MPTN's investment in joint projects.

Kerzner Joint Venture. In June 2007, the Company signed a letter of intent with Kerzner International to form a 50/50 joint venture to develop a multi-billion dollar integrated resort to be located on the corner of Las Vegas Boulevard and Sahara Avenue. The Company will provide 40 acres of land, which is being valued at \$20 million per acre, and Kerzner International and one of its financial partners will contribute cash equity.

NOTE 6 INCOME PER SHARE OF COMMON STOCK

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

For the periods ended June 30,	Three Months		Six Months	
	2007	2006	2007	2006
	<i>(In thousands)</i>			
Weighted-average common shares outstanding (used in the calculation of basic earnings per share)	283,849	284,285	283,933	284,239
Potential dilution from stock options, stock appreciation rights and restricted stock	11,383	8,677	11,469	8,629
Weighted-average common and common equivalent shares (used in the calculation of diluted earnings per share)	295,232	292,962	295,402	292,868

NOTE 7 COMPREHENSIVE INCOME

Comprehensive income consisted of the following:

For the periods ended June 30,	Three Months		Six Months	
	2007	2006	2007	2006
	<i>(In thousands)</i>			
Net income	\$ 360,172	\$ 146,394	\$ 528,345	\$ 290,431
Currency translation adjustment	485	388	503	485
Derivative income from unconsolidated affiliate, net of tax				3

\$ 360,657 \$ 146,782 \$ 528,848 \$ 290,919

Table of Contents**NOTE 8 STOCKHOLDERS EQUITY**

Stock repurchases. In the six months ended June 30, 2007, the Company repurchased 2.5 million shares of common stock at a total cost of \$175 million, leaving 5.5 million shares available for repurchase under a July 2004 authorization. In the six months ended June 30, 2006, the Company repurchased 3.5 million shares of common stock at a total cost of \$141 million.

NOTE 9 STOCK-BASED COMPENSATION

The Company adopted an omnibus incentive plan in 2005 which allows it to grant stock options, stock appreciation rights, restricted stock, and other stock-based awards to eligible directors, officers and employees. The plan is administered by the Compensation Committee (the Committee) of the Board of Directors. Salaried officers, directors and other key employees of the Company and its subsidiaries are eligible to receive awards. The Committee has discretion under the omnibus plan regarding which type of awards to grant, the vesting and service requirements, exercise price and other conditions, in all cases subject to certain limits, including:

The omnibus plan allowed for the issuance of up to 20 million shares or share-based awards;

For stock options and stock appreciation rights, the exercise price of the award must equal the fair market value of the stock on the date of grant and the maximum term of such an award is ten years.

To date, the Committee has only awarded stock options and stock appreciation rights under the omnibus plan. The Company's practice has been to issue new shares upon the exercise of stock options. Under the Company's previous plans, the Committee had issued stock options and restricted stock. Stock options and stock appreciation rights granted under all plans generally have either 7-year or 10-year terms, and in most cases are exercisable in either four or five equal annual installments. Restrictions on restricted shares granted under a previous plan lapsed 50% on the third anniversary date after the grant and 50% on the fourth anniversary date after the grant.

As of June 30, 2007, the aggregate number of share-based awards available for grant under the omnibus plan was 4.3 million. A summary of activity under the Company's share-based payment plans for the six months ended June 30, 2007 is presented below:

Stock options and stock appreciation rights

	Shares (000 s)	Weighted Average Exercise Price
Outstanding at January 1, 2007	30,532	\$ 25.37
Granted	1,295	69.41
Exercised	(2,855)	18.99
Forfeited or expired	(714)	32.88
Outstanding at June 30, 2007	28,258	27.86
Exercisable at June 30, 2007	13,663	20.83

Other information about share-based compensation is as follows:

The total intrinsic value of stock options and stock appreciation rights exercised during the six month periods ended June 30, 2007 and 2006 was \$151 million and \$54 million, respectively. The total income tax benefit from stock option exercises during the six month periods ended June 30, 2007 and 2006 was \$50 million and \$19 million, respectively. As of June 30, 2007, there was a total of \$97 million of unamortized compensation related to stock options and stock appreciation rights, which is expected to be recognized over a weighted-average period of 2.3 years.

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The Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS 123(R)) on January 1, 2006 using the modified prospective method. The Company recognizes the fair value of awards granted under the Company's omnibus plan in the income statement based on the fair value of these awards measured at the date of grant using the Black-Scholes model. For awards granted prior to adoption, the unamortized expense is being recognized on an accelerated basis, since this was the method used for disclosure purposes prior to the adoption of SFAS 123(R). For awards granted after adoption, such expense is being recognized on a straight-line basis over the vesting period of the awards. Forfeitures are estimated at the time of grant, with such estimate updated periodically and with actual forfeitures recognized currently to the extent they differ from the estimate.

The following table shows information about compensation cost recognized (including discontinued operations):

For the periods ended June 30,	Three Months		Six Months	
	2007	2006	2007	2006
	<i>(In thousands)</i>			
Compensation cost:				
Stock options and stock appreciation rights	\$ 10,197	\$ 16,510	\$ 24,330	\$ 38,422
Restricted stock		1,178		3,012
Total compensation cost	10,197	17,688	24,330	41,434
Less: Compensation cost capitalized	(249)	(275)	(555)	(616)
Compensation cost recognized as expense	9,948	17,413	23,775	40,818
Less: Related tax benefit	(3,435)	(5,779)	(8,232)	(13,616)
Compensation expense, net of tax benefit	\$ 6,513	\$ 11,634	\$ 15,543	\$ 27,202

Compensation cost for stock options and stock appreciation rights was based on the fair value of each award, measured by applying the Black-Scholes model on the date of grant, using the following weighted-average assumptions:

For the periods ended June 30,	Three Months		Six Months	
	2007	2006	2007	2006
Expected volatility	29%	33%	29%	33%
Expected term	4.1 years	4.1 years	4.1 years	4.1 years
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	5.0%	4.9%	4.7%	4.9%
Forfeiture rate	4.6%	4.6%	4.6%	4.6%
Weighted-average fair value of options granted	\$23.66	\$14.89	\$21.67	\$14.65

NOTE 10 PROPERTY TRANSACTIONS, NET

Net property transactions consisted of the following:

For the periods ended June 30,	Three Months		Six Months	
	2007	2006	2007	2006
	<i>(In thousands)</i>			
Write downs and impairments	\$ 2,716	\$ 10,179	\$ 7,813	\$ 33,645
Demolition costs		184		198
Net (gains) losses on sale or disposal of fixed assets	(309)	2,325	(387)	2,330

\$ 2,407 \$ 12,688 \$ 7,426 \$ 36,173

Write-downs and impairments in 2007 primarily related to the write-off of the carrying value of the building assets of Nevada Landing which closed in March 2007.

Write-downs and impairments in 2006 included \$22 million related to the write-off of the tram connecting Bellagio and Monte Carlo, including the stations at both resorts, in preparation for construction of CityCenter. CityCenter will feature a state-of-the-art people mover system that will reconnect Bellagio with Monte Carlo, with the stations at each resort completely redesigned as well.

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Investments in unconsolidated affiliates					
Other non-current assets	94,188	1,911,362	103,387		2,108,937
	\$ 16,753,466	\$ 21,554,810	\$ 894,673	\$(17,056,711)	\$ 22,146,238
Current liabilities	\$ 227,743	\$ 1,364,472	\$ 55,885	\$	\$ 1,648,100
Intercompany accounts	(1,478,207)	1,281,499	196,708		
Deferred income taxes	3,441,157				3,441,157
Long-term debt	10,712,047	2,173,972	108,850		12,994,869
Other non-current liabilities	1,177	161,458	49,928		212,563
Stockholders' equity	3,849,549	16,573,409	483,302	(17,056,711)	3,849,549
	\$ 16,753,466	\$ 21,554,810	\$ 894,673	\$(17,056,711)	\$ 22,146,238

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION**

	For the Three Months Ended June 30, 2007				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
			<i>(In thousands)</i>		
Net revenues	\$	\$1,825,946	\$ 110,470	\$	\$1,936,416
Equity in subsidiaries earnings	620,781	18,239		(639,020)	
Expenses:					
Casino and hotel operations	3,357	967,337	63,422		1,034,116
General and administrative	2,248	284,210	15,729		302,187
Corporate expense	6,304	37,364			43,668
Preopening and start-up expenses	172	7,669	6,307		14,148
Restructuring costs					
Property transactions, net	(472)	2,880	(1)		2,407
Depreciation and amortization	449	161,148	5,912		167,509
	12,058	1,460,608	91,369		1,564,035
Income from unconsolidated affiliates		96,592			96,592
Operating income	608,723	480,169	19,101	(639,020)	468,973
Interest income (expense), net	(153,993)	(24,062)	135		(177,920)
Other, net	257	(5,775)			(5,518)
Income from continuing operations before income taxes	454,987	450,332	19,236	(639,020)	285,535
Provision for income taxes	(93,892)	(7,748)	(997)		(102,637)
Income from continuing operations	361,095	442,584	18,239	(639,020)	182,898
Discontinued operations	(923)	178,197			177,274
Net income	\$ 360,172	\$ 620,781	\$ 18,239	\$(639,020)	\$ 360,172

	For the Three Months Ended June 30, 2006				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
			<i>(In thousands)</i>		
Net revenues	\$	\$1,646,601	\$ 113,907	\$	\$1,760,508
Equity in subsidiaries earnings	418,542	33,770		(452,312)	
Expenses:					
Casino and hotel operations	4,902	852,316	61,926		919,144

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General and administrative	4,777	239,115	12,796		256,688
Corporate expense	11,678	26,901			38,579
Preopening and start-up expenses	119	13,724	1,201		15,044
Restructuring costs		231			231
Property transactions, net	3,394	9,291	3		12,688
Depreciation and amortization	684	153,872	3,237		157,793
	25,554	1,295,450	79,163		1,400,167
Income from unconsolidated affiliates		57,081			57,081
Operating income	392,988	442,002	34,744	(452,312)	417,422
Interest income (expense), net	(163,175)	(24,607)	33		(187,749)
Other, net	890	(6,413)	8		(5,515)
Income from continuing operations before income taxes	230,703	410,982	34,785	(452,312)	224,158
Provision for income taxes	(81,338)	1,536	(1,015)		(80,817)
Income from continuing operations	149,365	412,518	33,770	(452,312)	143,341
Discontinued operations	(2,971)	6,024			3,053
Net income	\$ 146,394	\$ 418,542	\$ 33,770	\$(452,312)	\$ 146,394

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION****For the Six Months Ended June 30, 2007**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Elimination	Consolidated
Net revenues	\$	\$3,639,247	\$ 226,604	\$	\$3,865,851
Equity in subsidiaries earnings	1,052,131	43,161		(1,095,292)	
Expenses:					
Casino and hotel operations	7,107	1,918,060	127,994		2,053,161
General and administrative	6,294	550,913	30,085		587,292
Corporate expense	12,038	65,585			77,623
Preopening and start-up expenses	364	16,612	11,448		28,424
Restructuring costs					
Property transactions, net		7,426			7,426
Depreciation and amortization	898	323,014	11,874		335,786
	26,701	2,881,610	181,401		3,089,712
Income from unconsolidated affiliates		137,967			137,967
Operating income	1,025,430	938,765	45,203	(1,095,292)	914,106
Interest income (expense), net	(311,356)	(47,936)	18		(359,274)
Other, net	722	(14,065)	(9)		(13,352)
Income from continuing operations before income taxes	714,796	876,764	45,212	(1,095,292)	541,480
Provision for income taxes	(182,652)	(10,869)	(2,051)		(195,572)
Income from continuing operations	532,144	865,895	43,161	(1,095,292)	345,908
Discontinued operations	(3,799)	186,236			182,437
Net income	\$ 528,345	\$1,052,131	\$ 43,161	\$(1,095,292)	\$ 528,345

For the Six Months Ended June 30, 2006

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Elimination	Consolidated
Net revenues	\$	\$3,305,876	\$ 229,000	\$	\$3,534,876

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Equity in subsidiaries earnings	833,386	65,472		(898,858)	
Expenses:					
Casino and hotel operations	10,705	1,715,393	124,949		1,851,047
General and administrative	11,413	468,211	27,175		506,799
Corporate expense	23,443	51,788			75,231
Preopening and start-up expenses	277	17,598	3,350		21,225
Restructuring costs		1,035			1,035
Property transactions, net	3,394	32,778	1		36,173
Depreciation and amortization	1,499	297,573	6,154		305,226
	50,731	2,584,376	161,629		2,796,736
Income from unconsolidated affiliates		92,635			92,635
Operating income	782,655	879,607	67,371	(898,858)	830,775
Interest income (expense), net	(327,797)	(50,192)	136		(377,853)
Other, net	842	(13,020)	24		(12,154)
Income from continuing operations before income taxes	455,700	816,395	67,531	(898,858)	440,768
Provision for income taxes	(159,349)	3,743	(2,059)		(157,665)
Income from continuing operations	296,351	820,138	65,472	(898,858)	283,103
Discontinued operations	(5,920)	13,248			7,328
Net income	\$ 290,431	\$ 833,386	\$ 65,472	\$ (898,858)	\$ 290,431

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION

	For the Six Months Ended June 30, 2007				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
			<i>(In thousands)</i>		
Net cash provided by (used in) operating activities	\$ (488,641)	\$ 1,113,618	\$ 53,071	\$	\$ 678,048
Net cash used in investing activities		(1,153,149)	(173,412)	(2,437)	(1,328,998)
Net cash provided by (used in) financing activities	492,027	(97,791)	98,977	2,437	495,650
	For the Six Months Ended June 30, 2006				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
			<i>(In thousands)</i>		
	\$ (536,483)	\$ 894,100	\$ 60,434	\$	\$ 418,051

Net cash provided by (used in) operating activities					
Net cash provided by (used in) investing activities	5,300	(462,785)	(188,382)	(2,284)	(648,151)
Net cash provided by (used in) financing activities	525,529	(497,019)	116,365	2,284	147,159
		15			

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**
Results of Operations*Overview*

At June 30, 2007, our primary operations consisted of 17 wholly-owned casino resorts and 50% investments in three other casino resorts, including:

- Las Vegas, Nevada: Bellagio, MGM Grand Las Vegas, Mandalay Bay, Mirage, Luxor, TI, New York-New York, Excalibur, Monte Carlo, Circus Circus Las Vegas and Slots-A-Fun.
- Other domestic: Circus Circus Reno and Silver Legacy (50% owned) in Reno, Nevada; Gold Strike in Jean, Nevada; Railroad Pass in Henderson, Nevada; MGM Grand Detroit; Beau Rivage in Biloxi, Mississippi and Gold Strike Tunica in Tunica, Mississippi; Borgata (50% owned) in Atlantic City, New Jersey; and Grand Victoria (50% owned) in Elgin, Illinois.

Other operations include the Shadow Creek golf course in North Las Vegas; two golf courses south of Primm, Nevada at the California state line; Fallen Oak golf course in Saucier, Mississippi; a 50% investment in The Signature at MGM Grand, a condominium-hotel development adjacent to MGM Grand Las Vegas; and a 50% investment in MGM Grand Paradise Limited, which is constructing a casino resort in Macau.

In April 2007, we closed the sale of the Primm Valley Resorts (Whiskey Pete's, Buffalo Bill's and Primm Valley Resort in Primm, Nevada), not including the two golf courses. In June 2007, we closed the sale of the Laughlin Properties (Colorado Belle and Edgewater). See Results of Operations Discontinued Operations. In February 2007, we entered into an agreement to contribute Gold Strike and Nevada Landing (the Jean Properties) and surrounding land to a joint venture, and we closed Nevada Landing in March 2007. See Liquidity and Capital Resources Other Factors Affecting Liquidity.

We operate primarily in one segment, the operation of casino resorts, which includes offering gaming, hotel, dining, entertainment, retail and other resort amenities. Over half of our net revenue is derived from non-gaming activities, a higher percentage than many of our competitors, as our operating philosophy is to provide a complete resort experience for our guests, including non-gaming amenities which command a premium price based on their quality. We believe that we own several of the premier casino resorts in the world, and a main focus of our strategy is to continually reinvest in these resorts to maintain that competitive advantage.

As a resort-based company, our operating results are highly dependent on the volume of customers at our resorts, which in turn impacts the price we can charge for our hotel rooms and other amenities. We also generate a significant portion of our operating income from high-end gaming customers, which can cause variability in our results. Key performance indicators related to revenue are:

Gaming revenue indicators table games drop and slots handle (volume indicators); win or hold percentage, which is not fully controllable by us. Our normal table games win percentage is in the range of 18% to 22% of table games drop and our normal slots win percentage is in the range of 6.5% to 7.5% of slots handle;

Hotel revenue indicators hotel occupancy (volume indicator); average daily rate (ADR, price indicator); revenue per available room (REVPAR), a summary measure of hotel results combining ADR and occupancy rate.

Most of our revenue is essentially cash-based, through customers wagering with cash or paying for non-gaming services with cash or credit cards. Our resorts generate significant operating cash flow. Our industry is capital intensive and we rely heavily on the ability of our resorts to generate operating cash flow to repay debt financing, fund maintenance capital expenditures and provide excess cash for future development.

We generate a majority of our net revenues and operating income from our resorts in Las Vegas, Nevada, which exposes us to certain risks outside of our control, such as competition from other recently opened or expanded Las Vegas resorts, and the impact from expansion of gaming in California. We are also exposed to risks related to tourism and the general economy, including national and global economic conditions and terrorist attacks or other global events.

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Our results of operations do not tend to be seasonal in nature, though a variety of factors may affect the results of any interim period, including the timing of major Las Vegas conventions, the amount and timing of marketing and special events for our high-end customers, and the level of play during major holidays, including New Year and Chinese New Year. We market to different customer segments to manage our hotel occupancy, such as targeting large conventions to ensure mid-week occupancy. Our results do not depend on key individual customers, though our success in marketing to customer groups, such as convention customers, or the financial health of customer segments, such as business travelers or high-end gaming customers from a particular country or region, can impact our results.

A significant portion of our labor force is covered by collective bargaining agreements. As of June 30, 2007, approximately 21,000 of our Las Vegas Strip employees are subject to a collective bargaining agreement that expired as of May 31, 2007 but which has been extended indefinitely subject to a right of termination by either party on seven days' notice. Negotiations for a new collective bargaining agreement are ongoing. This does not include the collective bargaining agreement covering employees at MGM Grand Las Vegas, which expires in 2008. A prolonged dispute with the covered employees could have an adverse impact on our operations, the significance of which we are currently unable to predict. In addition, we expect some level of wage and or benefit increases to be included in the new contract. Such wage and benefit increases will be retroactive to May 31, 2007 and will impact our operating results over the new term of the contract.

In July 2007, Michigan enacted into law a new Michigan Business Tax that will replace the Michigan Single Business Tax effective January 1, 2008. As a result of this new law, we expect to record a one-time tax provision charge in the third quarter of approximately \$20 million, net of federal benefit. Under the new law, Michigan will tax an apportioned amount of income from our combined operations, whereas under the existing law only income generated by entities operating in Michigan is subject to tax in the state. Consequently, we will record an increase in our deferred tax liabilities to reflect the fact that an apportioned amount of such deferred tax will be subject to taxation in Michigan when recognized. Although the new law does not go into effect until 2008, we are required to record the impact in the period of enactment.

Financial Results

The following discussion is based on our consolidated financial statements for the three and six months ended June 30, 2007 and 2006. On a consolidated basis, the most important factors and trends contributing to our operating performance for the periods were:

Continued year-over-year increases in room pricing and strong occupancy at our resorts, leading to increases in hotel revenues.

Ongoing investments in new restaurants, lounges, entertainment venues and other resort amenities, leading to strong non-gaming revenues and higher operating profit at our resorts.

The closure of Beau Rivage in August 2005 as a result of Hurricane Katrina and the reopening of the property in August 2006. For the three and six months ended June 30, 2007, Beau Rivage earned operating income of \$11 million and \$27 million, respectively.

Recognition of our share of profits from the sale of units of The Signature at MGM Grand. The venture records revenue and cost of sales as units close. Profits related to Tower 1 and Tower 2 were recognized as the buildings were completed and the sale of the units closed beginning with the completion of Tower 1 in May 2006. Sales of units in Tower 3 began to close in the second quarter of this year. For the three and six months ended June 30, 2007, we recognized income of \$63 million and \$71 million, respectively related to units closed and the recognition of deferred profit on land contributed to the venture. For the three and six months ended June 30, 2006, we recognized income of \$27 million and \$26 million, respectively. Such income is classified in Income from unconsolidated affiliates in the accompanying consolidated statements of income.

Our net revenue increased 10% in the second quarter over the prior year period. Excluding Beau Rivage, net revenue increased 4%. Year-to-date net revenues increased 9%, and 4% excluding Beau Rivage. In addition to revenues from Beau Rivage, revenues were positively impacted by strong room pricing and increased revenues from

new restaurants, nightclubs, and shows at several of our resorts. Recent and continuing upgrades at Mandalay Bay, Luxor, Monte Carlo and other resorts are expected to further enhance top line performance and profitability. Strong non-gaming results were offset in part by a lower table games hold percentage and lower baccarat volume, against a difficult prior year comparison.

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Operating income increased 12% for the quarter to \$469 million as a result of the positive operating trends described above and the profit recognition on sales of units of Tower 3 of The Signature at MGM Grand. Excluding the profits from The Signature at MGM Grand, operating margins were consistent with the prior year period. Also, as discussed further below in Operating Results - Details of Certain Charges, during the second quarter of 2007 we had lower property transactions. Income from continuing operations increased 28% over the 2006 quarter primarily as a result of the above factors. On a year-to-date basis, operating income increased 10% to \$914 million and was generally affected by similar trends as those noted above.

Operating Results Detailed Revenue Information

The following table presents details of our net revenues:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	Percentage Change	2006	2007	Percentage Change	2006
			<i>(Dollars in thousands)</i>			
Casino revenue, net:						
Table games	\$ 279,175	(6)%	\$ 296,814	\$ 604,103	(4)%	\$ 632,278
Slots	467,280	13%	413,737	924,713	12%	828,473
Other	27,476	14%	24,143	57,054	5%	54,201
Casino revenue, net	773,931	5%	734,694	1,585,870	5%	1,514,952
Non-casino revenue:						
Rooms	555,107	9%	510,861	1,104,111	8%	1,019,259
Food and beverage	424,717	15%	369,734	842,166	14%	738,778
Entertainment, retail and other	357,069	25%	285,966	681,637	23%	555,227
Non-casino revenue	1,336,893	15%	1,166,561	2,627,914	14%	2,313,264
	2,110,824	11%	1,901,255	4,213,784	10%	3,828,216
Less: Promotional allowances	(174,408)	24%	(140,747)	(347,933)	19%	(293,340)
	\$1,936,416	10%	\$1,760,508	\$3,865,851	9%	\$3,534,876

Table games revenue decreased 6% from the prior year quarter, 13% excluding Beau Rivage, primarily due to a decrease in hold percentage, down about 300 basis points compared to the prior year second quarter at our Las Vegas Strip resorts. Table games hold percentage was within our normal range in both periods, but was near the low end of the range in the current quarter versus the high end of the range in the prior year quarter.

Slots revenue increased 13% in the quarter, 1% excluding Beau Rivage. Slots revenue increased 4% at our Las Vegas Strip resorts with double-digit increases at Bellagio and MGM Grand Las Vegas. MGM Grand Detroit experienced a 4% decrease in slots revenues in the quarter, as one of our competitors opened their expanded permanent casino facility. Our new MGM Grand Detroit resort is expected to open in October 2007 see Liquidity and Capital Resources Other Factors Affecting Liquidity.

For the six-month period, casino revenues increased 5%, but decreased 5% excluding Beau Rivage. For the year-to-date periods, overall table games hold percentage was within our normal range, although down approximately 150 basis points in the current year-to-date period. Table games volume, including baccarat, was down 3% in the six month period excluding Beau Rivage.

Non-casino revenue increased in 2007 primarily due to an increase in room rates and new amenities, primarily new restaurants and nightclubs, at several resorts. Entertainment revenues benefited from the addition of *Love*, the newest Cirque du Soleil show located at The Mirage, which opened in July 2006. Room revenues increased 5% in the second quarter on a same-store basis despite having 60,000 less available room nights in the current year due to remodel projects at Mandalay Bay and the closing of Nevada Landing in March 2007. Average rates increased 5% for the quarter at our Las Vegas Strip resorts; Las Vegas Strip REVPAR increased 7% these results continue trends experienced in the first quarter.

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For the six month periods, REVPAR and average room rates were up 7%. The following table shows key hotel statistics for our Las Vegas Strip resorts:

For the periods ended June 30,	Three Months		Six Months	
	2007	2006	2007	2006
Occupancy	\$ 98%	\$ 97%	\$ 97%	\$ 96%
Average Daily Rate (ADR)	162	154	166	155
Revenue per Available Room (REVPAR)	159	148	160	149

Operating Results Details of Certain Charges

Preopening and start-up expenses were \$14 million and \$28 million, respectively, in the 2007 quarter and six months versus \$15 million and \$21 million, respectively, in 2006. In both years, preopening and start-up expenses largely consisted of amounts related to CityCenter, MGM Grand Macau, the permanent facility at MGM Grand Detroit and The Signature at MGM Grand.

Property transactions, net consisted of the following:

For the periods ended June 30,	Three Months		Six Months	
	2007	2006	2007	2006
	<i>(In thousands)</i>			
Write-downs and impairments	\$ 2,716	\$ 10,179	\$ 7,813	\$ 33,645
Demolition costs		184		198
Net (gains) losses on sale or disposal of fixed assets	(309)	2,325	(387)	2,330
	\$ 2,407	\$ 12,688	\$ 7,426	\$ 36,173

Write-downs and impairments in 2007 primarily related to the write-off of the carrying value of the Nevada Landing building assets due to its closure in March 2007.

Write-downs and impairments in 2006 included \$22 million related to the write-off of the tram connecting Bellagio and Monte Carlo, including the stations at both resorts, in preparation for construction of CityCenter. CityCenter will feature a state-of-the-art people mover system that will reconnect Bellagio with Monte Carlo, with the stations at each resort completely redesigned as well.

Non-operating Results

Net interest expense decreased to \$183 million in the 2007 second quarter from \$191 million in the 2006 period. For the six months, net interest expense decreased to \$367 million from \$384 million. Gross interest was higher due to larger average balances outstanding and higher rates, but was offset by increased capitalized interest due to construction of CityCenter and the MGM Grand Detroit permanent casino.

Discontinued Operations

We completed the sale of Primm Valley Resorts in April 2007, and the sale of the Laughlin Properties in June 2007. Our combined pre-tax gain on disposal of these resorts was \$264 million.

Liquidity and Capital Resources*Cash Flows Operating Activities*

Cash flow provided by operating activities was \$678 million for the six months ended June 30, 2007, an increase from \$418 million in the prior year period. This increase was primarily due to the increase in operating income and lower income tax payments. Tax payments in the prior year included a \$112 million payment for the gain on the sale of MotorCity Casino in Detroit, part of the acquisition of Mandalay Resort Group. In addition, tax payments on the gains related to the sales of Primm Valley Resorts and the Laughlin Properties were not made as of June 30, 2007. In 2007, we spent \$173 million related to construction of the CityCenter residential components compared to \$17 million in 2006; these amounts are reflected as Increase in real estate under development in the accompanying consolidated statements of cash flow. At June 30, 2007, we held cash and cash equivalents of \$295 million.

Table of Contents*Cash Flows Investing Activities*

Capital expenditures were \$1.8 billion in the six months ended June 30, 2007. Expenditures on development projects consisted of the following, excluding capitalized interest:

CityCenter \$550 million;

MGM Grand Detroit permanent casino/hotel \$147 million;

Beau Rivage rebuilding \$63 million.

Capitalized interest on these development projects totaled \$88 million, \$67 million of which related to CityCenter. Additionally, the Company purchased 34 acres of land on the corner of Las Vegas Boulevard and Sahara Avenue for \$580 million. Remaining 2007 capital expenditures consisted of approximately \$362 million on room remodel projects primarily at Excalibur and Mandalay Bay, expenditures for corporate aircraft, and routine capital expenditures at the Company's resorts.

Also in 2007, the Company purchased a \$160 million convertible note issued by The M Resort LLC, which is developing a casino resort on Las Vegas Boulevard, 10 miles south of Bellagio.

In 2006, capital expenditures were \$697 million, and included expenditures for the Mirage theatre, CityCenter, the permanent casino in Detroit, and rebuilding at Beau Rivage. Investments in unconsolidated affiliates in the 2006 period primarily represented partial funding of a required loan to MGM Grand Macau.

Cash Flows Financing Activities

In the six months ended June 30, 2007, we borrowed net debt of \$580 million. The increase in net debt was due primarily to the level of capital expenditures and share repurchases. At June 30, 2007, our senior credit facility had an outstanding balance of \$4.9 billion, with available borrowings of \$2.0 billion.

We repurchased 2.5 million shares of our common stock in the six months ended June 30, 2007 at a cost of \$175 million, leaving 5.5 million shares available under our current share repurchase authorization. We received proceeds of \$53 million from the exercise of stock options in the six months ended June 30, 2007.

Other Factors Affecting Liquidity

Long-term Debt Payable in 2007. In August 2007, we repaid \$692 million in senior notes and senior subordinated notes at maturity from available borrowings under our senior credit facility.

Distributions from The Signature at MGM Grand. Tower 1 of The Signature at MGM Grand was completed in the second quarter of 2006. We received distributions totaling \$51 million related to Tower 1. Distributions for Tower 2 began in 2006 and as of June 30, 2007, we had received \$64 million of such distributions. Distributions from Tower 3 began in the second quarter and totaled \$15 million. We expect to receive additional distributions on Tower 3 in the third and fourth quarters of 2007.

Detroit Permanent Casino. The MGM Grand Detroit permanent casino resort is expected to open in October 2007 at a cost of approximately \$725 million, excluding preopening, land and license costs, and will feature a 400-room hotel, a larger casino with 4,500 slot machines and 90 table games, numerous restaurant and entertainment amenities, and spa and convention facilities. Preopening costs are estimated to be \$30 million. The permanent casino is located on a 25-acre site with a carrying value of approximately \$50 million. In addition, we recorded license rights with a carrying value of \$100 million as a result of MGM Grand Detroit's obligations to the City of Detroit in connection with the permanent casino development agreement.

Macau. We own 50% of MGM Grand Paradise Limited, an entity which is developing, and will operate, MGM Grand Macau, a hotel-casino resort in Macau S.A.R. Pansy Ho Chiu-king owns the other 50% of MGM Grand Paradise Limited. MGM Grand Macau is located on a prime site and will feature at least 375 table games and 900 slots with room for significant expansion. Other features will include approximately 600 rooms, suites and villas, a luxurious spa, convention space, a variety of dining destinations, and other attractions. MGM Grand Macau is estimated to cost approximately \$775 million, excluding preopening, land rights and license costs. Preopening costs are estimated to be \$75 million. The land rights are estimated to cost approximately \$60 million. The subconcession agreement, which allows MGM Grand Paradise Limited to operate casinos in Macau, cost \$200 million. Construction of MGM Grand Macau began in the second quarter of 2005 and the resort is anticipated to open in late 2007. We have

invested \$266 million in the venture and are committed to lending the venture up to an additional \$6 million. The venture has obtained a \$700 million bank credit facility which, along with equity contributions and shareholder loans, is expected to be sufficient to fund the construction of MGM Grand Macau.

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MGM Grand Paradise Limited recently announced that it has been engaged in discussions with the Government of Macau S.A.R concerning the development of its second major resort project in Macau to be located in Cotai. The site, scope, and financing related to this project are still being evaluated.

CityCenter. In November 2004, we announced a plan to develop a multi-billion dollar urban metropolis, CityCenter, on the Las Vegas Strip between Bellagio and Monte Carlo. CityCenter will feature a 4,000-room casino resort designed by world-famous architect Cesar Pelli; two 400-room boutique hotels, one of which will be managed by luxury hotelier Mandarin Oriental; approximately 470,000 square feet of retail shops, dining and entertainment venues; and approximately 2.3 million square feet of residential space in approximately 2,700 luxury condominium and condominium-hotel units in multiple towers.

We believe CityCenter will cost approximately \$7.4 billion, excluding preopening and land costs. Preopening costs are estimated to be \$200 million. CityCenter is located on a 67-acre site with a carrying value of approximately \$1 billion. After estimated net proceeds of \$2.7 billion from the sale of residential units, we believe the net construction cost will be approximately \$4.7 billion. We expect the project to open in late 2009.

New York Racing Association. In 2005, we entered into a definitive agreement with the New York Racing Association (NYRA) to manage video lottery terminals (VLTs) at NYRA s Aqueduct horseracing facility in metropolitan New York which was subject to receipt of requisite New York State approvals. We were not able to come to an agreement with NYRA and the state of New York and announced in April 2007 that we have decided not to pursue this project further.

Mashantucket Pequot Tribal Nation. We have entered into a series of agreements to implement a strategic alliance with the Mashantucket Pequot Tribal Nation (MPTN), which owns and operates Foxwoods Casino Resort in Ledyard, Connecticut. Under the strategic alliance, we are consulting with MPTN in the development of a new \$700 million casino resort currently under construction adjacent to the existing Foxwoods casino resort. The new resort will utilize the MGM Grand brand name and is scheduled to open in Spring 2008. We have also formed a jointly owned company with MPTN Unity Gaming, LLC to acquire or develop future gaming and non-gaming enterprises. We will provide a loan of up to \$200 million to finance a portion of MPTN s investment in joint projects.

Jean Properties. We have entered into an operating agreement to form a 50/50 joint venture with Jeanco Realty Development, LLC. The venture will master plan and develop a mixed-use community in Jean, Nevada. We will contribute the Jean Properties and surrounding land to the joint venture. The value of this contribution per the operating agreement will be \$150 million. We expect to receive a distribution of \$55 million upon transfer of the Jean Properties and surrounding land to the venture, which is subject to the venture obtaining necessary regulatory and other approvals, and \$20 million no later than August 2008. Nevada Landing closed in March 2007.

Kerzner Joint Venture. In June 2007, we signed a letter of intent with Kerzner International to form a 50/50 joint venture to develop a multi-billion dollar integrated resort to be located on the corner of Las Vegas Boulevard and Sahara Avenue. We will provide 40 acres of land, which is being valued at \$20 million per acre, and Kerzner International and one of its financial partners will contribute cash equity.

Critical Accounting Policies

Management s discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements. To prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, we must make estimates and assumptions that affect the amounts reported in the consolidated financial statements. We regularly evaluate these estimates and assumptions, particularly in areas we consider to be critical accounting estimates, where changes in the estimates and assumptions could have a material impact on our results of operations, financial position and, generally to a lesser extent, cash flows. Senior management and the Audit Committee of the Board of Directors have reviewed the disclosures included herein about our critical accounting estimates, and have reviewed the processes to determine those estimates.

A complete description of our critical accounting policies and estimates can be found in our Annual Report on Form 10-K for the year ended December 31, 2006. We present below a discussion of our policies related to income taxes, which has been updated from the discussion included in our Annual Report.

Table of Contents*Income Taxes*

We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109). SFAS 109 requires the recognition of deferred tax assets, net of applicable reserves, related to net operating loss carryforwards and certain temporary differences. The standard requires recognition of a future tax benefit to the extent that realization of such benefit is more likely than not. Otherwise, a valuation allowance is applied. Except for certain New Jersey state net operating losses, certain other New Jersey state deferred tax assets, a foreign tax credit carryforward and certain foreign deferred tax assets, we believe that it is more likely than not that our deferred tax assets are fully realizable because of the future reversal of existing taxable temporary differences and future projected taxable income.

Our income tax returns are subject to examination by the Internal Revenue Service (IRS) and other tax authorities. While positions taken in tax returns are sometimes subject to uncertainty in the tax laws, we do not take such positions unless we have substantial authority to do so under the Internal Revenue Code and applicable regulations. We may take positions on our tax returns based on substantial authority that are not ultimately accepted by the IRS.

Effective January 1, 2007, we adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 (FIN 48). FIN 48 requires that tax positions be assessed using a two-step process. A tax position is recognized if it meets a more likely than not threshold, and is measured at the largest amount of benefit that is greater than 50 percent likely of being realized. As required by the standard, we review uncertain tax positions at each balance sheet date. Liabilities we record as a result of this analysis are recorded separately from any current or deferred income tax accounts, and are classified as current (Other accrued liabilities) or long-term (Other long-term liabilities) based on the time until expected payment. Additionally, we recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense, a policy that did not change as a result of the adoption of FIN 48.

We file income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions, and foreign jurisdictions, although the taxes paid in foreign jurisdictions are not material. We are no longer subject to examination of our U.S. federal income tax returns filed for years ended prior to 2001. While the IRS examination of the 2001 and 2002 tax years closed during the first quarter of 2007, the statute of limitations for assessing tax for such years has been extended in order for us to complete the appeals process for issues that were not agreed upon at the closure of the examination. The IRS is currently examining the federal income tax returns for the 2003 and 2004 tax years. The tax returns for subsequent years are also subject to examination.

With few exceptions, we are no longer subject to examination of our various state and local tax returns filed for years ended prior to 2003. During the first quarter of 2007, the City of Detroit initiated an examination of a Mandalay Resort Group subsidiary return for the pre-acquisition year ended April 25, 2005. No other state or local income tax returns are under examination.

Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates. Our primary exposure to market risk is interest rate risk associated with our variable rate long-term debt. We attempt to limit our exposure to interest rate risk by managing the mix of our long-term fixed rate borrowings and short-term borrowings under our bank credit facilities.

As of June 30, 2007, long-term variable rate borrowings represented approximately 36% of our total borrowings. Assuming a 100 basis-point change in LIBOR at June 30, 2007, our annual interest cost would change by approximately \$49 million.

Table of Contents**Forward-looking Statements**

(Cautionary Statements Under the Private Securities Litigation Reform Act of 1995)

This Form 10-Q contains some forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They contain words such as anticipate, estimate, expect, project, intend, plan, may, could, might and other words or phrases of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, new projects, future performance, the outcome of contingencies such as legal proceedings, and future financial results. From time to time, we also provide oral or written forward-looking statements in our Forms 10-K, Annual Reports to Stockholders, Forms 8-K, press releases and other materials we release to the public. Any or all of our forward-looking statements in this Form 10-Q and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Many factors mentioned in this Form 10-Q for example, government regulation and the competitive environment will be important in determining our future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may differ materially.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Forms 10-K, 10-Q and 8-K reports to the Securities and Exchange Commission. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

You should also be aware that while we from time to time communicate with securities analysts, we do not disclose to them any material non-public information, internal forecasts or other confidential business information. Therefore, you should not assume that we agree with any statement or report issued by any analyst, irrespective of the content of the statement or report. To the extent that reports issued by securities analysts contain projections, forecasts or opinions, those reports are not our responsibility.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We incorporate by reference the information appearing under **Market Risk** in Part I, Item 2 of this Form 10-Q.

Item 4. Controls and Procedures

Our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) have concluded that the design and operation of our disclosure controls and procedures are effective as of June 30, 2007. This conclusion is based on an evaluation conducted under the supervision and with the participation of Company management. Disclosure controls and procedures are those controls and procedures which ensure that information required to be disclosed in this filing is accumulated and communicated to management and is recorded, processed, summarized and reported in a timely manner and in accordance with Securities and Exchange Commission rules and regulations.

During the quarter ended June 30, 2007, we had the following changes in our internal control over financial reporting that materially affected, or are reasonably likely to affect, our internal control over financial reporting:

We have been systematically implementing a new hotel management system, commonly referred to as a Property Management System (PMS), at several of our resorts. Prior to the implementation, we utilized three different PMS across our resorts. After the implementation is complete, we will utilize only two PMS. The new PMS is being installed at all of our resorts except for those acquired as part of the Mandalay acquisition. The Mandalay resorts are currently retaining their existing system. The implementation began in late 2006 and will continue through 2007. In the quarter ended June 30, 2007, we installed the new system at Bellagio. Previous installations had occurred at Beau Rivage, TI, The Mirage and The Signature at MGM Grand. Future installations will occur at New York-New York, MGM Grand Detroit and MGM Grand Las Vegas. In conjunction with the system changes, we are changing and standardizing certain accounting procedures in the hotel accounting area.

There were no other changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II. OTHER INFORMATION

Item 1. Legal Proceedings

For a complete description of the facts and circumstances surrounding material litigation we are a party to, see our Annual Report on Form 10-K for the year ended December 31, 2006. There have been no significant developments in any of the cases disclosed in our Form 10-K in the six months ended June 30, 2007 or any new cases during that time, other than the matter described below.

Fair and Accurate Credit Transaction Act Litigation

On June 22, 2007, the Company was served with a purported nationwide class action lawsuit filed in federal district court in Nevada (*Lety Ramirez v. MGM MIRAGE, Inc., et al.*) for alleged willful violations of the Fair and Accurate Credit Transactions Act (FACTA). The lawsuit asserts that the Company failed to comply timely with FACTA s directive that merchants who accept credit and/or debit cards not display more than the last 5 digits of the card number or the card expiration date on electronically-generated receipts provided to customers at the point of sale. FACTA s compliance deadline for electronic machines that were first put into service before January 1, 2005 was December 4, 2006, while electronic machines put into use on or after January 1, 2005 required immediate compliance.

Although the complaint does not assert that the plaintiff sustained any actual damage, the plaintiff seeks on behalf of herself and all similarly situated putative class members throughout the United States statutory damages of \$100 (minimum) to \$1,000 (maximum) for each transaction violation, attorneys fees, costs, punitive damages and a permanent injunction. We believe that the plaintiff s claims for class certification and other relief are unjustified, and we will vigorously defend our position in this case.

Item 1A. Risk Factors

A complete description of certain factors that may affect our future results and risk factors is set forth in our Annual Report on Form 10-K for the year ended December 31, 2006. The following is an additional risk factor noted during the six months ended June 30, 2007:

A significant portion of our labor force is covered by collective bargaining agreements. At June 30, 2007, approximately 30,000 of the Company s 64,000 employees were covered by collective bargaining agreements. Approximately 21,000 of our Las Vegas Strip employees are subject to a collective bargaining agreement that expired as of May 31, 2007 but which has been extended indefinitely subject to a right of termination by either party on seven days notice. Negotiations for a new collective bargaining agreement are ongoing. This does not include the collective bargaining agreement covering employees at MGM Grand Las Vegas, which expires in 2008. A prolonged dispute with the covered employees could have an adverse impact on our operations, the significance of which we are currently unable to predict. In addition, we expect some level of wage and or benefit increases to be included in the new contract. Such increases may be significant and could have an adverse impact on our results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Our share repurchases are only conducted under repurchase programs approved by our Board of Directors and publicly announced. We did not repurchase shares during the quarter ended June 30, 2007. The maximum number of shares still available for repurchase under our July 2004 repurchase program was 5.5 million as of June 30, 2007.

Table of Contents**Item 4. Submission of Matters to a Vote of Security Holders**

(a) The Company's 2007 Annual Meeting of Stockholders was held on May 22, 2007.

(b) At the Annual Meeting, the following individuals were elected to serve one-year terms as members of the Board of Directors:

Name	Shares Voted For	Shares Withheld
Robert H. Baldwin	246,959,226	24,207,931
Willie D. Davis	268,315,305	2,851,852
Kenny G. Guinn	269,526,756	1,640,401
Alexander M. Haig, Jr.	248,579,008	22,588,149
Alexis Herman	269,386,329	1,780,828
Roland Hernandez	267,498,308	3,668,849
Gary N. Jacobs	246,970,671	24,196,486
Kirk Kerkorian	248,863,725	22,303,432
J. Terrence Lanni	248,834,980	22,332,177
Anthony Mandekic	246,578,510	24,588,647
Rose McKinney-James	269,592,329	1,574,828
James J. Murren	246,468,509	24,698,648
Ronald M. Popeil	269,590,991	1,576,166
John T. Redmond	248,278,243	22,888,914
Daniel Taylor	247,586,235	23,580,922
Melvin B. Wolzinger	269,579,393	1,587,764

Additionally, a proposal to ratify the selection of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for the year ending December 31, 2007 was approved, by a vote of 271,087,049 shares in favor, 33,974 shares opposed and 46,134 shares abstaining.

Item 6. Exhibits

- 4.1 Indenture dated as of December 21, 2006 among MGM MIRAGE and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 21, 2006).
- 4.2 Second Supplemental Indenture dated as of May 17, 2007 among MGM MIRAGE, certain subsidiaries of MGM MIRAGE and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 17, 2007).
- 10 Amendment to the MGM MIRAGE 1997 Non-qualified Stock Option Plan (incorporated by reference to Exhibit 10 to the Company's Current Report on Form 8-K dated July 9, 2007).
- 31.1 Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
- 31.2 Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MGM MIRAGE

Date: August 9, 2007

By: /s/ J. TERRENCE LANNI
J. Terrence Lanni
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: August 9, 2007

/s/ JAMES J. MURREN
James J. Murren
President, Chief Financial Officer and
Treasurer
(Principal Financial and Accounting
Officer)