



Presentation to The Pennsylvania Gaming Control Board



Regarding the Acquisition of Harrah's Entertainment

Harrah's

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HORSESHOE

BALLY'S

Flamingo

GRAND CASINO

HARVESS

Flamingo

Flamingo

Flamingo

Flamingo

Flamingo



Agenda

I. Management Vision

II. Transaction

III. Investors

IV. Appendix

Management Vision for Harrah's Remains Unchanged

- ◆ Gary Loveman and his senior team will continue to operate and manage the company following the acquisition
 - Highly enthusiastic about working with new owners who share our vision
- ◆ Strategy will remain the same – to be the leading gaming operator with a geographically diversified portfolio
 - Continue to focus on all of our current markets – maintain the national platform
- ◆ New owners and business plan assume we continue along a growth trajectory
 - Sponsors have put in place a flexible capital structure that can fund the company's growth plans and also withstand unexpected contingencies
- ◆ We understand the need to maintain our leading position in each market and plan to undertake material investments to enhance the Harrah's entertainment experience



Transaction represents a change in ownership, not a change in direction

Harrah's Code of Commitment



Commitment to Guests

- ◆ To promote responsible gaming
- ◆ Great guest experience every visit
- ◆ Continuous innovation in gaming experience

Commitment to Employees

- ◆ Respect and opportunities to build satisfying careers
- ◆ Environment where people can do their best
 - Training and development
 - Open door policy
 - Team bonuses based on guest service
- ◆ Value and embrace a diverse and inclusive workforce

Commitment to Community

- ◆ Help make them healthy and vibrant places to live and work
- ◆ Average \$1.5 Million per week reinvested
- ◆ Procure products, goods, and services from diverse vendor pool

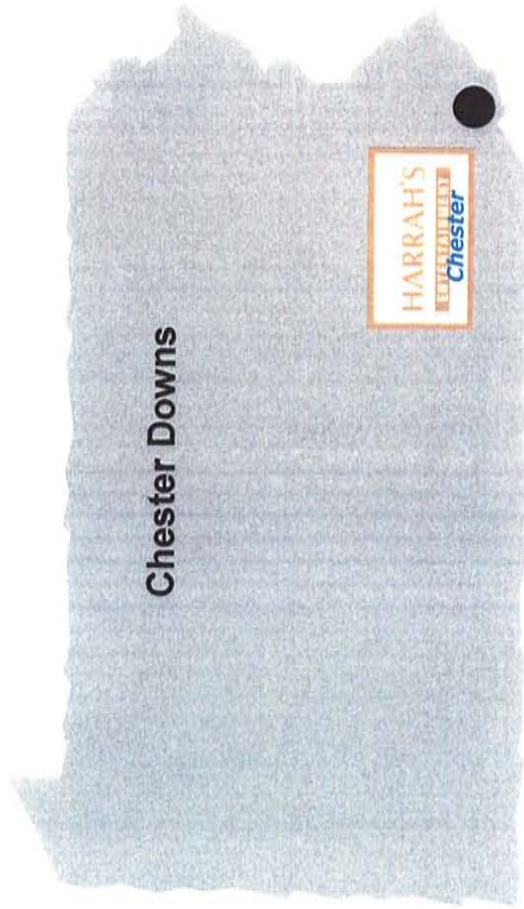


We will remain committed to our guiding principles

Harrah's Commitment to Pennsylvania

Pennsylvania is important to Harrah's

Harrah's is important to Pennsylvania



◆ **Significant investment in Pennsylvania**

- Invested \$430M to develop Chester Downs into a premiere racing and gaming facility
- Expect to set the new standard in the market

◆ **Major contributor to local economy**

- \$300M+ in annual contributions to local economy
- \$200M+ in annual tax revenue
- Sizeable employer

Harrah's Partnership with Investors



- ◆ The financial strength and controlling partners of Apollo and TPG bring substantial value and resources to Harrah's
 - Long history of investing in and growing franchise businesses
 - Track record for being patient, long-term value-add investors
 - Extensive experience in highly regulated industries
 - Committed to helping us execute on our growth strategy
 - Significant financial expertise and well established global networks



We are excited to partner with investors who share our vision

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- II. Transaction**
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Transaction Review

- ◆ We have agreed to acquire Harrah's for a price of \$90.00 per share
 - Total equity value of \$17.7 billion and total enterprise value of \$31.3 billion¹
 - Merger agreement signed December 19, 2006
- ◆ \$6+ billion of new equity capital to be invested in Harrah's
 - One of the largest private equity investments to date
 - Amongst the largest investments ever made by Apollo and TPG
- ◆ Debt financing commitment letters provided by such leading financial institutions as Bank of America, Citigroup, Credit Suisse, Deutsche Bank, JP Morgan, Merrill Lynch, Bear Stearns, Goldman Sachs and Morgan Stanley
 - \$2.0 billion revolving credit facility provides significant liquidity
 - \$7.0 billion secured term loan facility
 - \$6.0 billion of new unsecured notes
 - \$7.25 billion of new secured real estate facility
- ◆ \$4.5 billion of existing debt of Harrah's will remain outstanding following the closing of this transaction



Transaction has the sponsorship of leading private equity firms and financing sources

⁽¹⁾ Estimated value as of December 31, 2007 close.

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Long-term Partners – Pennsylvania

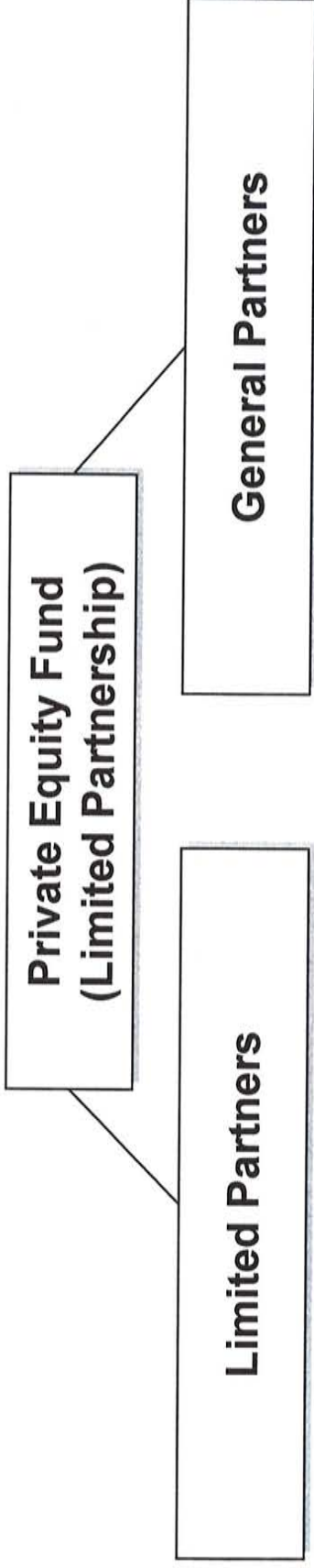


Pension funds and endowments represent the majority of our investor bases

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Introduction to Private Equity



- ◆ Includes some of the largest, most prestigious and most sophisticated investors in the world
- ◆ Typically represent public and private pension funds and endowments
- ◆ Well-known, trusted sources of capital
- ◆ Long-term, patient investors
- ◆ Fiduciaries who conduct extensive diligence on general partners
- ◆ Passive investors in the fund with a long-term lock-up on capital

- ◆ Broad discretion to make all investment decisions – fiduciaries for limited partners
- ◆ Focus on creating long-term value in each investment
- ◆ Perform reverse diligence on limited partners
- ◆ Long-term relationships with majority of limited partners
- ◆ Significant personal investment in the fund
- ◆ Do not make money until limited partner receives return of capital plus fixed return



Blue-chip providers of long-term capital partnered with established investors to create value for the ultimate beneficiaries – pensioners and universities, among others

Regulatory Approvals

Jurisdiction	Status
LA Racing	Approved
New Jersey	Approved
Mississippi	Approved
PA Harness Racing	Approved
Indiana	Approved
Illinois	Approved
Missouri	Approved