

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

revenue enhancements from this process. We expect to realize efficiencies in operations and economies of scale in purchasing, as well as more effectively market to a broader base of customers. Our operating cash flow will increase substantially, as will our interest and tax charges.

Summary Financial Results

The following table summarizes our results of operations:

(In thousands, except per share data)

Year Ended December 31	2004	% Change	2003	% Change	2002
Net revenues	\$ 4,238,104	10%	\$ 3,862,743	3%	\$ 3,756,928
Operating income	950,860	36%	699,729	(6%)	746,538
Income from					
continuing operations . . .	349,856	52%	230,273	(20%)	289,476
Diluted income from continuing					
operations per share . . .	\$ 2.42	59%	\$ 1.52	(16%)	\$ 1.81

Income from continuing operations increased in 2004 due to our strong top-line growth and the fact that revenue growth was driven largely by increased prices of our rooms and strong casino revenue. Operating margins correspondingly increased to 22% in 2004 from 18% in 2003 and 20% in 2002. Results on a per share basis were positively impacted by a lower weighted average number of shares outstanding as the result of share repurchases throughout 2003 and 2004.

Operating Results

The following table includes key information about our operating results:

(In thousands)

Year Ended December 31	2004	% Change	2003	% Change	2002
Net revenues	\$ 4,238,104	10%	\$ 3,862,743	3%	\$ 3,756,928
Operating expenses:					
Casino and hotel operations	2,289,266	6%	2,153,798	5%	2,044,369
General and administrative	612,615	5%	583,599	4%	560,909
Corporate expense	77,910	27%	61,541	40%	43,856
Preopening, restructuring and					
property transactions, net	24,566	45%	16,922	43%	11,832
Depreciation and					
amortization	402,545	1%	400,766	5%	381,785
	3,406,902	6%	3,216,626	6%	3,042,751
Income from					
unconsolidated affiliates . .	119,658	123%	53,612	66%	32,361
Operating income	\$ 950,860	36%	\$ 699,729	(6%)	\$ 746,538

On a consolidated basis, the most important factors and trends contributing to our operating performance over the last three years have been:

- The war with Iraq and the outbreak of SARS in Asia, both of which negatively impacted leisure travel and our high-end gaming business in late 2002 and early 2003;
- The new labor contract covering our Las Vegas Strip employees since mid-2002, which calls for significant annual wage and benefits increases through 2007;
- The current economic recovery in the United States, which began to impact our operations in the latter half of 2003 and continued to positively affect our results in 2004.