LAS VEGAS SANDS CORP
Form 10-Q
November 09, 2006

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UNITED STATES SECURITIES & EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2006

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Transition period from to

Commission File Number 001-32373

LAS VEGAS SANDS CORP.
(Exact name of registration as specified in its charter)

Nevada *(State or other jurisdiction of incorporation or organization)*	**27-0099920** *(I.R.S. Employer Identification No.)*
3355 Las Vegas Boulevard South **Las Vegas, Nevada** *(Address of principal executive offices)*	**89109** *(Zip Code)*

(702) 414-1000
(Registrant s telephone number, including area code)

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 þ No o

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. Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Indicate the number of shares outstanding of each of the Registrant s classes of common stock, as of November 1, 2006.

LAS VEGAS SANDS CORP.

Class	Outstanding at November 1, 2006
Common Stock ($0.001 par value)	354,381,030 shares

LAS VEGAS SANDS CORP.

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Item 1 ***Financial Statements***

LAS VEGAS SANDS CORP. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	September 30, 2006	December 31, 2005
	(In thousands, except share data)	
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 493,709	$ 456,846
Restricted cash	348,320	71,717
Accounts receivable, net	102,129	84,778
Inventories	11,663	9,967
Deferred income taxes	10,961	7,946
Prepaid income taxes	3,871	
Prepaid expenses and other	27,656	13,452
Total current assets	998,309	644,706
Property and equipment, net	3,921,591	2,600,468
Deferred financing costs, net	72,103	30,973
Restricted cash	946,753	571,143
Deferred income taxes		11,332
Leasehold interest in land, net	815,891	
Other assets, net	23,826	21,117
Total assets	$ 6,778,473	$ 3,879,739
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 44,080	$ 34,803
Construction payables	277,975	163,932
Accrued interest payable	5,202	7,918
Other accrued liabilities	288,091	246,390
Current maturities of long-term debt	6,413	7,325
Total current liabilities	621,761	460,368
Other long-term liabilities	10,465	9,804
Deferred income taxes	434	
Deferred gain on sale of The Grand Canal Shops mall	65,531	68,129
Deferred rent from The Grand Canal Shops mall transaction	105,080	105,999
Long-term debt	4,023,979	1,625,901

Total liabilities	4,827,250	2,270,201
Commitments and contingencies (Note 6)		
Stockholders equity:		
Common stock, $.001 par value, 1,000,000,000 shares authorized, 354,381,030 and 354,179,580 shares issued and outstanding	354	354
Capital in excess of par value	980,756	964,660
Deferred compensation		(150)
Accumulated other comprehensive income (loss)	(1,198)	1,726
Retained earnings	971,311	642,948
Total stockholders equity	1,951,223	1,609,538
Total liabilities and stockholders equity	$ 6,778,473	$ 3,879,739

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

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LAS VEGAS SANDS CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
	(In thousands, except share and per share data) (Unaudited)			
Revenues:				
Casino	$ 424,986	$ 334,400	$ 1,178,830	$ 874,994
Rooms	81,651	73,173	262,443	243,233
Food and beverage	42,394	28,796	138,233	106,983
Convention, retail and other	29,908	22,406	94,189	75,214
	578,939	458,775	1,673,695	1,300,424
Less-promotional allowances	(25,711)	(21,153)	(73,096)	(60,187)
Net revenues	553,228	437,622	1,600,599	1,240,237
Operating expenses:				
Casino	232,962	177,900	655,548	456,399
Rooms	21,638	19,876	65,386	61,218
Food and beverage	20,538	16,707	67,409	55,551
Convention, retail and other	16,159	13,780	48,281	41,879
Provision for doubtful accounts	3,693	2,863	12,003	7,031
General and administrative	58,045	49,390	170,197	143,377
Corporate expense	15,654	9,893	40,859	27,395
Rental expense	3,383	3,699	10,893	11,086
Pre-opening expense	14,584	860	21,157	1,364
Development expense	5,968	5,926	22,997	16,663
Depreciation and amortization	26,743	27,722	76,176	68,784
Loss on disposal of assets	383	522	1,920	1,527
	419,750	329,138	1,192,826	892,274
Operating income	133,478	108,484	407,773	347,963
Other income (expense):				
Interest income	21,029	8,637	46,261	23,164
Interest expense, net of amounts capitalized	(45,343)	(30,597)	(90,443)	(75,649)
Other income (expense)	(680)	145	(530)	(1,146)
Loss on early retirement of debt				(137,000)
Income before income taxes	108,484	86,669	363,061	157,332

Benefit (provision) for income taxes		(11,233)		(6,573)		(34,698)		16,305
Net income	$	97,251	$	80,096	$	328,363	$	173,637
Basic earnings per share	$	0.27	$	0.23	$	0.93	$	0.49
Diluted earnings per share	$	0.27	$	0.23	$	0.92	$	0.49
Weighted average shares outstanding:								
Basic		354,296,742		354,160,692		354,250,901		354,160,692
Diluted		355,220,167		354,445,509		355,006,634		354,543,037

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

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LAS VEGAS SANDS CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Nine Months Ended September 30, 2006	2005
	(Dollars in thousands) (Unaudited)	
Cash flows from operating activities:		
Net income	$ 328,363	$ 173,637
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	76,176	68,784
Amortization of deferred financing costs and original issue discount	8,489	7,101
Amortization of deferred gain and rent	(3,517)	(3,519)
Loss on early retirement of debt		137,000
Loss on disposal of assets	1,920	1,527
Stock-based compensation	10,183	75
Provision for doubtful accounts	12,003	7,031
Tax benefit from stock option exercises	(888)	8,111
Deferred income taxes	8,751	(24,716)
Changes in operating assets and liabilities:		
Accounts receivable	(29,354)	(4,080)
Inventories	(1,696)	(977)
Prepaid income taxes	(2,983)	
Prepaid expenses and other	(16,392)	(3,370)
Leasehold interest in land	(810,813)	
Accounts payable	9,277	(4,726)
Accrued interest payable	(2,716)	3,446
Other accrued liabilities	42,362	62,873
Net cash provided by (used in) operating activities	(370,835)	428,197
Cash flows from investing activities:		
Change in restricted cash	(652,073)	(208,461)
Capital expenditures	(1,286,892)	(582,155)
Net cash used in investing activities	(1,938,965)	(790,616)
Cash flows from financing activities:		
Dividends paid to shareholders		(21,052)
Proceeds from exercise of stock options	3,863	
Tax benefit from stock option exercises	888	
Repayments on 11% mortgage notes		(843,640)

Proceeds from 6.375% senior notes, net of discount		247,722
Proceeds from senior secured credit facility-term B		305,000
Proceeds from senior secured credit facility-term B delayed		200,000
Proceeds from Macao credit facility	1,350,000	
Proceeds from Singapore credit facility	866,203	
Proceeds from senior secured credit facility-revolver	254,129	
Proceeds from phase II mall construction loan	51,000	19,500
Repayments on Venetian Intermediate credit facility	(50,000)	
Repayments on Macao credit facility	(50,000)	
Repayment on senior secured credit facility-revolver	(25,000)	
Repayments on The Sands Expo Center mortgage loan	(3,650)	(3,232)
Repayments on FF&E credit facility and other long-term debt	(2,333)	(1,800)
Repayments on Venetian Macao senior secured notes tranche A		(75,000)
Repayments on Venetian Macao senior secured notes tranche B		(45,000)
Repurchase premiums incurred in connection with refinancing transactions		(113,311)
Transaction costs, initial public offering		(487)
Payments of deferred financing costs	(49,389)	(11,276)
Net cash provided by (used in) financing activities	2,345,711	(342,576)
Effect of exchange rate on cash	952	
Increase (decrease) in cash and cash equivalents	36,863	(704,995)
Cash and cash equivalents at beginning of period	456,846	1,294,898
Cash and cash equivalents at end of period	$ 493,709	$ 589,903
Supplemental disclosure of cash flow information:		
Cash payments for interest	$ 141,614	$ 80,635
Cash payments for taxes	$ 28,000	$
Non-cash investing and financing activities:		
Property and equipment acquisitions included in construction payables	$ 277,975	$ 157,179

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

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND BUSINESS OF COMPANY

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K of Las Vegas Sands Corp. and its subsidiaries (collectively the Company) for the year ended December 31, 2005. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America. In addition, certain amounts in the 2005 financial statements have been reclassified to conform to the 2006 presentation. In the opinion of management, all adjustments and normal recurring accruals considered necessary for a fair statement of the results for the interim period have been included. The interim results reflected in the unaudited condensed consolidated financial statements are not necessarily indicative of expected results for the full year.

Las Vegas Sands Corp. (LVSC) was incorporated in Nevada during August 2004 and completed an initial public offering of its common stock in December 2004. Immediately prior to the initial public offering LVSC acquired 100% of the capital stock of Las Vegas Sands, Inc., which was converted into a Nevada limited liability company, Las Vegas Sands, LLC (LVSLLC), in July 2005. The acquisition of LVSLLC by LVSC has been accounted for as a reorganization of entities under common control, in a manner similar to pooling-of-interests. LVSC is traded on the New York Stock Exchange under the symbol LVS.

Operations

The Company owns and operates The Venetian Resort Hotel Casino (The Venetian), a Renaissance Venice-themed resort situated on the Las Vegas Strip (the Strip). The Venetian includes the first all-suites hotel on the Strip with 4,027 suites; a gaming facility of approximately 116,000 square feet; an enclosed retail, dining and entertainment complex of approximately 440,000 net leasable square feet (the Grand Canal Shops or the Mall), which was sold to a third party in 2004; a meeting and conference facility of approximately 1.1 million square feet; and an expo and convention center of approximately 1.2 million square feet (The Sands Expo Center).

The Company also owns and operates The Sands Macao Casino (The Sands Macao), a Las Vegas-style casino in Macao, China, which opened on May 18, 2004. The Sands Macao now offers over 229,000 square feet of gaming facilities after its expansion, which was completed in August 2006, as well as several restaurants, VIP facilities and other high-end amenities. In addition, the Company continues to progress according to plan on the expansion of the hotel tower, which is expected to be completed during the summer of 2007.

United States Development Projects

The Company is currently constructing The Palazzo Resort Hotel Casino (The Palazzo), a second resort similar in size to The Venetian, which is situated on a 14-acre site next to The Venetian and The Sands Expo Center. The Palazzo is expected to consist of an all-suites, 50-floor luxury hotel tower with approximately 3,025 suites, a gaming facility of approximately 105,000 square feet and an enclosed shopping, dining and entertainment complex of approximately 450,000 square feet (the Phase II mall), which the Company has contracted to sell to a third party. The Palazzo is expected to open in the fall of 2007. In connection with the sale of The Grand Canal Shops mall, the Company entered into an agreement with General Growth Partners (GGP), the purchaser of The Grand Canal Shops mall, to sell GGP the Phase II mall upon completion of construction. The purchase price that GGP has agreed to pay for the Phase II mall is the greater of (i) $250.0 million and (ii) the Phase II mall s net operating income for months 19 through 30 of its operations divided by a capitalization rate. The capitalization rate is 6.0% on the first $38.0 million of net operating income and 8.0% on the net operating income above $38.0 million.

On December 3, 2004, following the enactment of legislation legalizing slot machine gaming in Pennsylvania, the Company entered into a contribution agreement with Bethworks Now, LLC, the owner of an approximately 124-acre site located in Bethlehem, Pennsylvania. The Company submitted a proposal to obtain one of two at large gaming licenses currently available in Pennsylvania. There are several competing proposals for these

LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

licenses. If the Company s proposal is accepted and a slot machine license under the new legislation is granted for the site, the Company intends to jointly own and develop the property for use as a casino complex including a hotel with meeting rooms and retail, restaurant, and other commercial spaces. The Bethlehem development is subject to a number of conditions, including obtaining the gaming license.

Macao Development Projects

The Company is building The Venetian Macao Resort Hotel Casino (The Venetian Macao) in Macao, China, an approximately 3,000 all-suites hotel, casino and convention center complex with a Venetian-style theme similar to that of The Venetian in Las Vegas. Under its gaming subconcession in Macao, the Company is obligated to develop and open The Venetian Macao and a convention center by December 2007. The Company currently expects to open The Venetian Macao in mid-2007. If the Company fails to meet the December 2007 deadline and that deadline is not extended, the Company could lose its right to continue to operate The Sands Macao or any other facilities developed under its Macao gaming subconcession, and its investment to date in The Venetian Macao could be lost.

In addition, the Company is constructing The Venetian Macao on land for which the Company has not yet been granted a concession. The land concession will require the Company to pay certain premiums and rent. The Company is currently in negotiations with the Macao government over the cost of the land concession for a portion of the west side of the Cotai Strip™ (parcels 1, 2, and 3), including the site of The Venetian Macao, and believes they will be successful in obtaining the land concession. The Company expects to complete the negotiations and obtain the land concession during the fourth quarter of 2006, at which time the Company s obligation to make the land concession payments will begin. The land premium will be amortized over an extended period of time. The initial term of the lease will be 25 years with renewals allowed in accordance with the applicable legislation terms. The Company expects to use borrowings under the Macao credit facility (described in Note 4 Long Term Debt) to make the portion of the land concession payments that will be due upon receipt of the land concession and will finance the remaining portion with borrowings under the Macao credit facility and with excess cash flow from The Sands Macao. Under the Macao credit facility, the Company is required to obtain the land concession in order to fully draw against the facility. If the Company is unable to complete the negotiations within a specified period of time, the Company will not be able to draw any further funds from the Macao credit facility in order to fund construction activities and will have to seek additional financing. In the event the Company is unable to successfully conclude negotiations with the Macao government with regard to the land concession, the Company could lose all or a substantial part of its investment in the development of the land and in constructing The Venetian Macao and would not be able to open and operate the facility as planned.

In addition to the development of The Venetian Macao, the Company is developing multiple other properties on the Cotai Strip. The Company submitted development plans to the Macao government for six casino-resort developments in addition to The Venetian Macao on an area of approximately 200 acres located on the Cotai Strip (parcels 1, 2, 3, 5, 6, 7 and 8). The developments are expected to include hotels, exhibition and conference facilities, casinos, showrooms, shopping malls, spas, world-class restaurants and entertainment facilities and other attractions and amenities, as well as common public areas. The Company has commenced construction on all seven parcels of the Cotai Strip. The Company plans to own and operate all of the casinos in these developments under its Macao gaming subconcession.

The Company intends to develop its other Cotai Strip properties as follows:

Parcel 2 is intended to be a Four Seasons hotel and casino, which will be adjacent to The Venetian Macao and is expected to be a boutique hotel with approximately 400 luxury hotel rooms, approximately 800,000 square feet of Four Seasons-serviced luxury vacation suites, distinctive dining experiences, a full service spa and other amenities, an approximately 45,000 square foot casino and an approximately 190,000 square foot mall with upscale retail offerings. The Company will own the entire development and has entered into an exclusive non-binding letter of intent and is currently negotiating definitive agreements under which Four Seasons Hotels Inc. will manage the hotel and serviced luxury vacation suites.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Parcel 5 is intended to include a two hotel complex with approximately 3,000 luxury and mid-sized hotel rooms, serviced luxury vacation suites, a casino and a retail shopping mall. The Company will own the entire development and has entered into a management agreement with Shangri-La Hotels and Resorts to manage hotels and serviced luxury vacation suites under its Shangri-La and Traders brands.

Parcel 6 is intended to include a two-hotel complex with approximately 3,000 luxury and mid-sized hotel rooms, serviced luxury vacation suites, a casino and a retail shopping mall physically connected to the mall in the Shangri-La/Traders hotel podium. The Company will own the entire development and is negotiating with Starwood Hotel & Resorts Worldwide to manage hotels and serviced luxury vacation suites under its Sheraton and St. Regis brands.

Parcels 7 and 8 are intended to each include a two-hotel complex with approximately 3,000 luxury and mid-sized hotel rooms, serviced luxury vacation suites, a casino and retail shopping malls that are physically connected. The Company will own the entire development and has entered into non-binding agreements with Hilton Hotels to manage Hilton and Conrad brand hotels and serviced luxury vacation suites on parcel 7 and Fairmont Raffles to manage Fairmont and Raffles brand hotel complexes and serviced luxury vacation suites on parcel 8.

For parcel 3, the Company has signed a non-binding memorandum of agreement with an independent developer for another Cotai Strip development. The Company is currently negotiating the definitive agreement pursuant to which it will partner with this developer to build a multi-hotel complex, which may include a Cosmopolitan hotel. In addition, the Company has signed a letter of intent with Intercontinental Hotels Group to manage hotels under the Intercontinental and Holiday Inn International brands, and serviced luxury vacation suites under the Intercontinental brand, on the site. In total, the multi-hotel complex is intended to include approximately 3,000 hotel rooms, serviced luxury vacation suites, a casino and a retail shopping mall.

The Company does not have all the necessary Macao government approvals that are needed in order to develop the Cotai Strip developments.

The Company has entered into a non-binding agreement with the Zhuhai Municipal People s Government of the People s Republic of China to work with it to create a master plan for, and develop, a leisure and convention destination resort on Hengqin Island, located approximately one mile from the Cotai Strip. The Company is actively preparing design concepts for the destination resort. This development is subject to a number of conditions, including receiving further governmental approvals.

Singapore Development Project

In August 2006, the Company s wholly-owned subsidiary Marina Bay Sands Pte. Ltd. (MBS) entered into a development agreement (the Development Agreement) with the Singapore Tourism Board (STB) to build and operate an integrated resort called the Marina Bay Sands in Singapore. The Marina Bay Sands will be a large integrated resort, including a casino, hotel, food and beverage outlets, retail areas, meeting, convention and exhibition facilities, entertainment venues and public areas. Under the Development Agreement, the Company was required to pay $1.20 billion Singapore dollars (SGD) (approximately US$756.5 million at exchange rates in effect on September 30,

2006) in premium payments for the lease of the land on which the resort will be built plus an additional SGD$105.6 million (approximately US$66.6 million at exchange rates in effect on September 30, 2006) for various taxes and other fees. Of this combined amount, US$817.0 has been capitalized on the balance sheet as a leasehold interest in land with $1.1 million amortized as of September 30, 2006. The Company will amortize this asset over 60 years, which is the length of the lease agreement. The remaining $6.1 million has been capitalized on the balance sheet as construction in progress. In addition to the fees above, the Company was required to provide a deposit of SGD$192.6 million (approximately US$121.4 million at exchange rates in effect on September 30, 2006) as a security deposit for the construction of the integrated resort, which is currently being

LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

satisfied by bank guarantees. Also in August 2006, MBS entered into a two-year SGD$2.21 billion (approximately US$1.39 billion at exchange rates in effect on September 30, 2006) bridge facility to finance the above payments and to provide for near-term development expenditures.

Other Development Projects

The Company is currently exploring the possibility of operating casino resorts in additional Asian jurisdictions, the United States and Europe.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payment , which supersedes Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees . This statement requires compensation costs related to stock-based payment transactions to be recognized in financial statements based on estimated fair values. This statement also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow. This statement requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). This cost is being recognized over the period during which an employee is required to provide service in exchange for the award. This statement also addresses the accounting for the tax effects of stock-based compensation awards. The Company adopted this standard as of January 1, 2006 using the modified prospective application transition method. Under the modified prospective application transition method, the Company is expensing the cost of stock-based compensation awards issued after January 1, 2006 based on their fair values. Additionally, the Company is recognizing compensation cost for the portion of awards outstanding on January 1, 2006, based on their previously calculated fair values, for which the requisite service has not been rendered as the requisite service is to be rendered on or after January 1, 2006. During the three and nine months ended September 30, 2006, the Company recorded stock-based compensation expense of $4.5 million and $10.2 million, respectively. No such expense was recorded in 2005. See Note 5 Stock-Based Employee Compensation for additional information.

In July 2006, the FASB issued Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes , which provides guidance for the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, Accounting for Income Taxes . FIN No. 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. FIN No. 48 will require entities to assess the likelihood that uncertain tax positions will be accepted by the applicable taxing authority and then measure the amount of benefit to be recognized for these purposes which are considered greater than 50% likely to be sustained. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of FIN No. 48 on the consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements , which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurement. SFAS No. 157 does not require any new fair value measurements and the Company does not expect the application of this standard to change its current practices. The provisions of SFAS No. 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years.

LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2 STOCKHOLDERS EQUITY AND EARNINGS PER SHARE

Changes in stockholders equity for the nine months ended September 30, 2006 were as follows (in thousands):

Balance at December 31, 2005	$ 1,609,538
Net income	328,363
Stock-based compensation	11,495
Proceeds from exercise of stock options	3,863
Tax benefit from exercise of stock options	888
Change in accumulated other comprehensive income	(2,924)
Balance at September 30, 2006	$ 1,951,223

At September 30, 2006, the accumulated other comprehensive income balance consisted solely of foreign currency translation adjustments. For the three and nine months ended September 30, 2006, comprehensive income amounted to $95.2 million and $325.4 million, respectively.

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**
Weighted-average common shares outstanding (used in the calculation of basic earnings per share)	354,296,742	354,160,692	354,250,901	354,160,692
Potential dilution from stock options and restricted stock	923,425	284,817	755,733	382,345
Weighted-average common and common equivalent shares (used in the calculations of diluted earnings per share)	355,220,167	354,445,509	355,006,634	354,543,037
Antidilutive shares excluded from calculation of diluted earnings per share	441,449	147,820	520,949	22,820

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	September 30, 2006	December 31, 2005
Land and land improvements	$ 202,017	$ 202,285
Building and improvements	1,603,050	1,454,462
Equipment, furniture, fixtures and leasehold improvements	436,767	351,219
Construction in progress	2,119,502	957,752
	4,361,336	2,965,718
Less: accumulated depreciation and amortization	(439,745)	(365,250)
	$ 3,921,591	$ 2,600,468

LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the three and nine months ended September 30, 2006 and the three and nine months ended September 30, 2005, the Company capitalized interest expense of $28.4 million, $57.7 million, $6.4 million and $15.5 million, respectively.

NOTE 4 LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	September 30, 2006	December 31, 2005
Senior Secured Credit Facility Term B and Term B Delayed Draw	$ 1,170,000	$ 1,170,000
Senior Secured Credit Facility Revolving Facility	260,129	31,000
6.375% Senior Notes	248,096	247,925
The Sands Expo Center Mortgage Loan	91,951	95,601
Phase II Mall Construction Loan	79,500	28,500
FF&E Credit Facility and other	7,867	10,200
Macao Credit Facility Term B	1,200,000	
Macao Credit Facility Local Term	100,000	
Venetian Intermediate Credit Facility		50,000
Singapore Credit Facility Term Loan	375,716	
Singapore Credit Facility Floating Rate Notes	497,133	
	4,030,392	1,633,226
Less: current maturities	(6,413)	(7,325)
Total long-term debt	$ 4,023,979	$ 1,625,901

Singapore Credit Facility

On August 18, 2006, MBS entered into agreements (together, the Singapore Credit Facility) providing for a SGD$1.10 billion (approximately US$696.0 million at exchange rates in effect on September 30, 2006) floating rate notes facility (the Singapore Floating Rate Notes) and a SGD$1.10 billion (approximately US$696.0 million at exchange rates in effect on September 30, 2006) term loan facility (the Singapore Term Loan). The Singapore Floating Rate Notes consist of a funded SGD$788.6 million (approximately US$497.1 million at exchange rates in effect on September 30, 2006) facility and a SGD$315.4 million (approximately US$198.9 million at exchange rates in effect on September 30, 2006) delayed draw facility. The Singapore Term Loan consists of a funded SGD$596.0 million (approximately US$375.7 million at exchange rates in effect on September 30, 2006) facility, a SGD$315.4 million (approximately US$198.9 million at exchange rates in effect on September 30, 2006) delayed draw facility, and a SGD$192.6 million (approximately US$121.4 million at exchange rates in effect on September 30, 2006) facility to provide bank guarantees for a security deposit required to be delivered to the STB under the Development Agreement. As of September 30, 2006, SGD$788.6 million (approximately US$497.1 million at exchange rates in effect on September 30, 2006) has been drawn on the Singapore Floating Rate Notes, SGD$596.0 million (approximately US$375.7 million at exchange rates in effect on September 30, 2006) has been drawn on the Singapore Term Loan, and SGD$192.6 million (approximately US$121.4 million at exchange rates in effect on September 30, 2006) under the Singapore Term Loan has been committed to provide a guarantee for a security deposit required to be delivered to the STB under the Development Agreement.

The indebtedness under the Singapore Floating Rate Notes is guaranteed by LVSC on an unsecured basis and the indebtedness under the Singapore Term Loan is secured by a first-priority security interest in substantially all of MBS assets, other than capital stock and certain other assets.

LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Borrowings under both the Singapore Floating Rate Notes and the Singapore Term Loan bear interest at the Singapore SWAP Offer Rate plus a spread of 1.35% per annum during the first twelve months that amounts are outstanding and a spread of 1.60% per annum during the second twelve months that amounts are outstanding (4.93% at September 30, 2006). MBS will also pay a standby fee of 0.375% per annum on the undrawn amounts under the Singapore Credit Facility. The Singapore Credit Facility has a two year maturity and the aggregate amount outstanding matures in full on August 22, 2008. MBS is permitted, at its option, to redeem or prepay all or a portion of the outstanding Singapore Credit Facility, at par, without premium or penalty, under certain circumstances.

The Singapore Credit Facility contains affirmative and negative covenants customary for such financings, including, but not limited to, limitations on liens, indebtedness, investments, acquisitions and asset sales, restricted payments, affiliate transactions and use of proceeds from the facility, as well as requirements to comply with applicable law and maintain adequate insurance.

Macao Credit Facility

On May 25, 2006, two subsidiaries of the Company, VML US Finance LLC (the Borrower) and Venetian Macau Limited, as guarantor, entered into a credit agreement (the Macao Credit Facility). The Macao Credit Facility consists of a $1.20 billion funded term B loan (the Macao Term B Facility), a $700.0 million delayed draw term B loan (the Macao Term B Delayed Draw Facility), a $100.0 million funded local currency term loan (the Macao Local Term Facility) and a $500.0 million revolving credit facility (the Macao Revolving Facility). As of September 30, 2006, no amounts are outstanding under the Macao Revolving Facility and no amounts have been drawn under the Macao Term B Delayed Draw Facility.

The indebtedness under the Macao Credit Facility is guaranteed by Venetian Macau Limited, Venetian Cotai Limited and certain of the Company s foreign subsidiaries (the Macao Guarantors). The obligations under the Macao Credit Facility and the guarantees of the Macao Guarantors are secured by a first-priority security interest in substantially all of the Borrower s and the Macao Guarantors assets, other than (1) capital stock of the Borrower and the Macao Guarantors, (2) assets that will secure permitted furniture, fixtures and equipment financings, (3) Venetian Macau Limited s gaming subconcession contract and (4) certain other assets.

Borrowings under the Macao Credit Facility bear interest, at the Company s option, at either an adjusted Eurodollar rate (or, in the case of the Macao Local Term Facility, adjusted HIBOR) or at an alternative base rate, plus a spread of 2.75% or 1.75%, respectively (6.96% for the Macao Local Term Facility and 8.12% for the Macao Term B Facility at September 30, 2006). These spreads will be decreased by 0.25% from the beginning of the first interest period following the substantial completion of The Venetian Macao.

The Macao Revolving Facility and the Macao Local Term Facility have a five year maturity. The Macao Term B Delayed Draw Facility and the Macao Term B Facility mature in six and seven years, respectively. The Macao Term B Delayed Draw Facility and the Macao Term B Facility are subject to nominal amortization for the first five and six years, respectively, with the remainder of the loans payable in four equal installments in the last year immediately preceding their respective maturity dates. Following the substantial completion of The Venetian Macao, the Macao Local Term Facility is subject to annual amortization in an amount of approximately $6.3 million per annum, with the remainder of the loan payable in four equal installments in the last year immediately preceding the maturity date.

The Macao Credit Facility contains affirmative and negative covenants customary for such financings, including, but not limited to, limitations on incurring additional liens, incurring additional indebtedness, making certain investments, paying dividends and other restricted payments, and acquiring and selling assets. The Macao Credit Facility also requires the Borrower and the Macao Guarantors to comply with financial covenants, including, but not limited to, minimum EBITDA for a period of time and, thereafter, ratios of EBITDA to interest expense and total indebtedness to EBITDA, as well as maximum capital expenditures. The Macao Credit Facility also contains events of default customary for such financings.

LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 STOCK-BASED EMPLOYEE COMPENSATION

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123R, which establishes accounting for equity instruments exchanged for employee services. Under the provisions of SFAS No. 123R, stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized over the employee s requisite service period (generally the vesting period of the equity grant). Prior to January 1, 2006, the Company accounted for stock-based compensation to employees in accordance with APB No. 25 and related interpretations. The Company also followed the disclosure requirements of SFAS No. 123, Accounting for Stock-Based Compensation , as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure . The Company elected to adopt the modified prospective application transition method as provided by SFAS No. 123R and, accordingly, financial statement amounts for the prior periods presented in this Form 10-Q have not been restated to reflect the fair value method of recording stock-based compensation.

As of September 30, 2006, the Company has two stock-based compensation plans. The Board of Directors has agreed not to grant any additional stock options under one of these plans and there were no options outstanding under it during the nine months ended September 30, 2006. The second plan is described below. The compensation expense for the three months ended September 30, 2006 was $4.5 million, which is comprised of $4.2 million from stock options and $0.3 million from restricted stock. The compensation expense for the nine months ended September 30, 2006 was $10.2 million, which is comprised of $9.2 million from stock options and $1.0 million from restricted stock. The total income tax benefit recognized in the condensed consolidated statement of operations for the three and nine months ended September 30, 2006 for stock-based compensation arrangements was $1.3 million and $2.7 million, respectively. Compensation cost associated with individuals responsible for construction activities was capitalized as part of property and equipment in the amount of $0.4 million and $1.3 million for the three and nine months ended September 30, 2006, respectively. For the three and nine months ended September 30, 2006, basic and diluted earnings per share were $0.01 and $0.02 lower, respectively, than if the Company had continued to account for stock-based compensation under APB No. 25.

Las Vegas Sands Corp. 2004 Equity Award Plan

The purpose of the Company s 2004 Equity Award Plan (the 2004 Plan) is to give the Company a competitive edge in attracting, retaining, and motivating employees, directors, officers and consultants and to provide the Company with a stock plan providing incentives directly related to increases in the value of its common stock.

Administration. The Company s Compensation Committee administers the 2004 Plan. Except in the case of awards to non-employee directors which are administered by the Company s Board of Directors, the Compensation Committee has the authority to determine the terms and conditions of any agreements evidencing any awards granted under the 2004 Plan, and to adopt, alter and repeal rules, guidelines and practices relating to the 2004 Plan. The Compensation Committee has full discretion to administer and interpret the 2004 Plan, to adopt such rules, regulations, and procedures as it deems necessary or advisable and to determine, among other things, the time or times at which the awards may be exercised and whether and under what circumstances an award may be exercised. The Compensation Committee has formed a sub-committee to administer those portions of the 2004 Plan that require administration by directors meeting certain independence standards.

Eligibility. Any of the Company s, its subsidiaries and its affiliates employees, directors, officers or consultants are eligible for awards under the 2004 Plan. The Compensation Committee has the sole and complete authority to determine who will be granted an award under the 2004 Plan (except in the case of awards to non-employee directors, which are made by the Board of Directors).

Number of Shares Authorized. The 2004 Plan provides for an aggregate of 26,344,000 shares of the Company s common stock to be available for awards. No participant may be granted awards of options, restricted

LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

stock and stock appreciation rights with respect to more than 3,000,000 shares of common stock in any one year. If any award is forfeited, or if any option terminates, expires, or lapses without being exercised, shares of the Company s common stock subject to such award will again be available for future grant. If there is any change in the Company s corporate capitalization, the Compensation Committee, in its sole discretion, may make substitutions or adjustments to the number of shares reserved for issuance under the 2004 Plan, the number of shares covered by awards then outstanding under the 2004 Plan, the limitations on awards under the 2004 Plan, the exercise price of outstanding options and such other equitable substitution or adjustments as it may determine appropriate.

The 2004 Plan has a term of ten years and no further awards may be granted after the expiration of the term.

Awards Available for Grant. The Compensation Committee may grant awards of nonqualified stock options, incentive (qualified) stock options, stock appreciation rights, restricted stock awards, restricted stock units, stock bonus awards, performance compensation awards or any combination of the foregoing. As of September 30, 2006, there were 21,801,721 shares available for grant under the 2004 Plan.

Stock option awards are granted with an exercise price equal to the fair market value (as defined in the 2004 Plan) of the Company s stock on the date of grant. The outstanding stock options generally vest over four years and have 10-year contractual terms. Outstanding restricted stock awards generally vest over one or three years. Compensation cost for all stock option grants, which all have graded vesting, is net of estimated forfeitures and is recognized on a straight-line basis over the awards respective requisite service periods. The Company estimates the fair value of stock options using the Black-Scholes option-pricing model. Expected volatilities are based on the historical volatilities from a selection of companies from the Company s peer group due to the Company s lack of historical information. The Company used the simplified method for estimating expected option life, as the options qualify as plain-vanilla options. The risk-free interest rate for periods equal to the expected term of the stock option is based on the U.S. Treasury yield curve in effect at the time of grant. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the Company s stock options granted during the three and nine months ended September 30, 2006 and 2005.

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

	Three Months Ended September 30, 2006	**Three Months Ended September 30, 2005**	**Nine Months Ended September 30, 2006**	**Nine Months Ended September 30, 2005**
Weighted average volatility	30.44%	32.40%	31.39%	32.40%
Expected term (in years)	6.0	6.0	6.0	6.0
Risk-free rate	4.76%	3.95%	4.53%	3.95%
Expected dividends				

The weighted average grant date fair value of 88,449 options and 2,705,243 options granted during the three and nine months ended September 30, 2006 was $24.36 and $19.11 per share, respectively, and the weighted average grant date fair value of 125,000 options and 147,820 options granted during the three and nine months ended September 30, 2005 was $14.48 and $15.25 per share, respectively. The total intrinsic value of options exercised during the three and nine months ended September 30, 2006 and the three and nine months ended September 30, 2005 was $0.7 million, $4.0 million, $2.0 million and $38.2 million, respectively.

In accordance with APB No. 25, the Company did not recognize compensation expense for employee stock option awards for the three and nine months ended September 30, 2005, when the exercise price of the Company s employee stock awards equaled the market price of the underlying stock on the date of grant.

The Company had previously adopted the provisions of SFAS No. 123, as amended by SFAS No. 148, for disclosure purposes only. Had the Company accounted for the plan under the fair value method allowed by

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SFAS No. 123, the Company s net income and earnings per share would have been adjusted to the following pro forma amounts (dollars in thousands, except per share data):

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Net income, as reported	$ 80,096	$ 173,637
Less: Stock-based employee compensation expense determined under the Black Scholes option-pricing model, net of tax	(869)	(2,493)
Pro forma net income	$ 79,227	$ 171,144
Basic earnings per share, as reported	$ 0.23	$ 0.49
Basic earnings per share, pro-forma	$ 0.22	$ 0.48
Diluted earnings per share, as reported	$ 0.23	$ 0.49
Diluted earnings per share, pro-forma	$ 0.22	$ 0.48

A summary of the status of the Company s 2004 Plan for the nine months ended September 30, 2006 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2006	2,097,960	$ 29.83		
Granted	2,705,243	47.92		
Exercised	(129,490)	29.84		
Forfeited	(351,772)	35.11		
Outstanding at September 30, 2006	4,321,941	$ 40.72	8.96	$ 119,415,230
Exercisable at September 30, 2006	197,357	$ 29.50	8.23	$ 7,667,319

A summary of the status of the Company s nonvested restricted shares for the nine months ended September 30, 2006 is presented below:

	Shares		Weighted Average Grant Date Fair Value
Nonvested at January 1, 2006	8,088	$	37.09
Granted	77,829		44.00
Vested	(8,088)		37.09
Forfeited	(5,869)		42.59
Nonvested at September 30, 2006	71,960	$	44.12

As of September 30, 2006, there was $45.2 million of unrecognized compensation cost, net of estimated forfeitures of 8.0%, related to nonvested stock options and there was $2.4 million of unrecognized compensation cost related to nonvested restricted stock. The stock option and restricted stock costs are expected to be recognized over a weighted average period of 3.4 years and 2.1 years, respectively.

For the three and nine months ended September 30, 2006, cash received from stock option exercises was $0.7 million and $3.9 million, respectively, and the tax benefit realized for the tax deductions from those exercises

LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

totaled $0.3 and $0.9 million, respectively. For the three and nine months ended September 30, 2005, no cash was received from stock option exercises; however, the tax benefit realized for the tax deductions from those exercises totaled $0.7 million and $8.1 million, respectively.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Singapore Development

On August 23, 2006, the Company entered into the Development Agreement, which requires it to construct and operate the Marina Bay Sands in accordance with the Company s proposal for this integrated resort and in accordance with that agreement. Based on the proposal the Company submitted to the Singapore government, it will cost approximately $3.60 billion, inclusive of the land premium, taxes and other fees previously paid to develop and construct the Marina Bay Sands. As discussed in Note 4, the Company entered into the Singapore Credit Facility to satisfy near-term development costs and to satisfy some of its obligations under the Development Agreement. The Company intends to obtain long-term financing in an amount necessary to fund the construction of the Marina Bay Sands.

The Palazzo Construction Litigation

Lido Casino Resort, LLC (Lido), a wholly-owned subsidiary of the Company, and its construction manager, Taylor International Corp. (Taylor), filed suit in March 2006 in the United States District Court for the District of Nevada (the District Court) against Malcolm Drilling Company, Inc. (Malcolm), the contractor on The Palazzo project responsible for completing certain foundation work (the District Court Case). Lido and Taylor claim in the District Court Case that Malcolm was in default of its contract for performing defective work, failing to correct defective work, failing to complete its work and causing delay to the project. Malcolm responded by filing a Notice of a Lien with the Clerk of Clark County, Nevada in March 2006 in the amount of approximately $19.0 million (the Lien). In April 2006, Lido and Taylor moved in the District Court Case to strike or, in the alternative, to reduce the amount of, the Lien, claiming, among other things, that the Lien was excessive for including claims for disruption and delay, which Lido and Taylor claim are not lienable under Nevada law (the Lien Motion). Malcolm responded in April 2006 by filing a complaint against Lido and Taylor in District Court of Clark County, Nevada seeking to foreclose on the Lien against Taylor, claiming breach of contract, a cardinal change in the underlying contract, unjust enrichment against Lido and Taylor and bad faith and fraud against Taylor (the State Court Case), and simultaneously filed a motion in the District Court Case, seeking to dismiss the District Court Case on abstention grounds (the Abstention Motion). In response, in June 2006, Lido filed a motion to dismiss the State Court Case based on the principle of the prior pending District Court Case (the Motion to Dismiss). In June 2006, the Abstention Motion was granted in part by the United States District Court, the District Court Case was stayed pending the outcome of the Motion to Dismiss in the State Court Case and the Lien Motion was denied without prejudice. Lido and Malcolm then entered into a stipulation under which Lido withdrew the Motion to Dismiss, and in July 2006 filed a replacement lien motion in the State Court Case. The lien motion in the State Court Case was denied in August 2006 and Lido and Taylor filed a permitted interlocutory notice of appeal to the Supreme Court of Nevada in September 2006. This matter is in the preliminary stages and based on proceedings to date, management is currently not able to determine the probability of the outcome of this matter. Lido intends to defend itself against the claims pending in the State Court Case.

Litigation Relating to Macao Casino

On October 15, 2004, Richard Suen and Round Square Company Limited filed an action against Las Vegas Sands Corp., Las Vegas Sands Inc., Sheldon G. Adelson and William P. Weidner in the District Court of Clark County, Nevada, asserting a breach of an alleged agreement to pay a success fee of $5.0 million and 2.0% of the net profit from the Company s Macao resort operations to the plaintiffs as well as other related claims. In March 2005, Las Vegas Sands Corp. was dismissed as a party without prejudice based on a stipulation to do so between the

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

parties. On May 17, 2005, the plaintiffs filed their first amended complaint. On February 2, 2006, defendants filed a motion for partial summary judgment with respect to plaintiffs fraud claims against all the defendants. On March 16, 2006, an order was filed by the court granting defendants motion for partial summary judgment. Pursuant to the order filed March 16, 2006, plaintiffs fraud claims set forth in the first amended complaint were dismissed with prejudice as against all defendants. The order also dismissed with prejudice the first amended complaint against defendants Sheldon G. Adelson and William P. Weidner. This action is in a preliminary stage and based upon the advice of legal counsel, management has determined that based on proceedings to date, the probability of recovery by the plaintiffs is remote. The Company intends to defend this matter vigorously.

On January 26, 2006, Clive Basset Jones, Darryl Steven Turok (a/k/a Dax Turok) and Cheong Jose Vai Chi (a/k/a Cliff Cheong), filed an action against Las Vegas Sands Corp., Las Vegas Sands, LLC, Venetian Venture Development, LLC and various unspecified individuals and companies in the District Court of Clark County, Nevada. The plaintiffs assert breach of an agreement to pay a success fee in an amount equal to 5% of the ownership interest in the entity that owns and operates the Macau SAR gaming subconcession as well as other related claims. In April 2006, Las Vegas Sands Corp. was dismissed as a party without prejudice based on a stipulation to do so between the parties. Other than the complaint which has been filed, and the Company s answer, there is currently no pending activity in the matter. This action is in a preliminary stage and discovery has begun. Based upon the advice of legal counsel, management has determined that based on proceedings to date, the probability of recovery by the plaintiffs is remote. The Company intends to defend this matter vigorously.

Interface Nevada Litigation

On October 17, 2003, Bear Stearns Funding, Inc. filed a lawsuit against our subsidiary, Interface Group-Nevada, Inc., the Company s subsidiary that owns The Sands Expo Center. The plaintiff is seeking damages against Interface Group-Nevada for alleged breach of contract in the amount of approximately $1.5 million, plus interest and costs. The claim asserts that the amount is due as an agreed-upon additional prepayment fee in connection with Interface Group-Nevada s prior $141.0 million mortgage loan, which was paid off in July 2004. Interface Group-Nevada has asserted six counter-claims against the plaintiff. The counterclaims against Bear Stearns allege that Bear Stearns sale of the subordinated component of the loan to a competitor constituted a breach of the loan agreement and a related agreement, that its transmission of information in connection with that sale constituted a misappropriation of Interface Group-Nevada s trade secrets, and that it intentionally misrepresented to Interface Group-Nevada certain facts regarding the purchaser of the subordinated component. The counterclaims also allege that the Bear Stearns demand that Interface Group-Nevada purchase insurance not required by the loan agreement was motivated by Bear Stearns exclusion from participating in another financing, and that this action constituted a prima facie tort under New York law, and together with the other actions alleged in the counterclaims, constituted a breach of Bear Stearns duty of good faith and fair dealing. The counterclaims sought damages in an amount to be determined at trial but not less than $1.5 million, plus punitive damages of not less than $3.0 million on the fraud and prima facie tort causes of action. Plaintiff filed a motion for summary judgment on the complaint seeking (i) judgment on the complaint in the approximate amount of $1.5 million plus interest, costs and attorneys fees and (ii) dismissal of the counterclaims other than the two breach of contract counterclaims (the Motion). By Opinion and Order dated March 21, 2005, the Motion was denied in part and granted in part. The Court denied Bear Stearns motion for summary judgment on the complaint, granted Bear Stearns motion to dismiss the counterclaims alleging misappropriation of trade secrets, prima facie tort, and fraud, and granted the request to dismiss one of the two bases of the counterclaim alleging a breach of the covenant of good faith and fair dealing. This matter is now in the discovery phase. Pretrial discovery is largely complete and both Interface Group-Nevada and Bear Stearns have filed motions for summary judgment. The briefing on the motions was filed in November 2006. Interface Group-Nevada and its legal counsel are currently not able to determine the probability of the outcome of these matters.

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Litigation

The Company is involved in other litigation arising in the normal course of business. Management has made certain estimates for potential litigation costs based upon consultation with legal counsel. Actual results could differ from these estimates; however, in the opinion of management, such litigation and claims will not have a material effect on the Company s financial position, results of operations or cash flows.

NOTE 7 SEGMENT INFORMATION

The Company reviews the results of operations based on the following geographic segments: (1) Las Vegas, which includes The Venetian, The Sands Expo Center and The Palazzo (currently under construction), and (2) Macao, which includes The Sands Macao, The Venetian Macao (currently under construction) and other development projects. In addition, Singapore, which includes Marina Bay Sands (currently in development), will be reported as a separate segment. Effective April 1, 2006, the Company changed its segments based upon changes in the information used by the chief operating decision maker to include The Sands Expo Center within the Las Vegas segment. The information for the three and nine months ended September 30, 2005 has been reclassified to conform to the current presentation. The Company s segment information is as follows for the three and nine months ended September 30, 2006 and 2005 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**
Net Revenues				
Las Vegas	$ 214,042	$ 193,087	$ 669,344	$ 615,573
Macao	339,186	244,535	931,255	624,664
Total net revenues	$ 553,228	$ 437,622	$ 1,600,599	$ 1,240,237
Adjusted EBITDAR				
Las Vegas	$ 73,336	$ 67,007	$ 235,710	$ 235,867
Macao	126,857	90,099	346,065	238,915
Total adjusted EBITDAR	200,193	157,106	581,775	474,782
Other Operating Costs and Expenses				
Corporate expense	(15,654)	(9,893)	(40,859)	(27,395)
Rental Expense	(3,383)	(3,699)	(10,893)	(11,086)
Depreciation and amortization	(26,743)	(27,722)	(76,176)	(68,784)
Loss on disposal of assets	(383)	(522)	(1,920)	(1,527)
Pre-opening expense	(14,584)	(860)	(21,157)	(1,364)
Development expense	(5,968)	(5,926)	(22,997)	(16,663)

Operating income		133,478		108,484		407,773		347,963
Other Non-Operating Costs and Expenses								
Interest income		21,029		8,637		46,261		23,164
Interest expense, net of amounts capitalized		(45,343)		(30,597)		(90,443)		(75,649)
Other income (expense)		(680)		145		(530)		(1,146)
Loss on early retirement of debt								(137,000)
Benefit (provision) for income taxes		(11,233)		(6,573)		(34,698)		16,305
Net income	$	97,251	$	80,096	$	328,363	$	173,637

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Capital Expenditures		
Las Vegas Sands Corp.	$ 41,851	$
Las Vegas:		
The Venetian	80,027	92,425
The Palazzo	345,903	258,595
Macao:		
The Sands Macao	74,983	14,158
The Venetian Macao	699,834	216,549
Other Development Projects	35,867	428
Singapore	8,427	
Total capital expenditures	$ 1,286,892	$ 582,155

	September 30, 2006	December 31, 2005
Total Assets		
Las Vegas Sands Corp.	$ 332,163	$ 307,679
Las Vegas:		
The Venetian	2,048,685	2,080,931
The Palazzo	966,084	605,320
Macao:		
The Sands Macao	507,755	425,597
The Venetian Macao	1,984,733	459,333
Other Development Projects	88,365	879
Singapore	850,688	
Total consolidated assets	$ 6,778,473	$ 3,879,739

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8 CONDENSED CONSOLIDATING FINANCIAL INFORMATION

LVSC is the obligor under the 6.375% Senior Notes due 2015 issued by LVSC on February 10, 2005. LVSLLC, Venetian Casino Resort, LLC, Mall Intermediate Holding Company, LLC, Venetian Venture Development, LLC, Venetian Transport, LLC, Venetian Marketing, Inc., Lido Intermediate Holding Company, LLC and Lido Casino Resort, LLC (collectively, the Guarantor Subsidiaries) have jointly and severally guaranteed the 6.375% Senior Notes on a full and unconditional basis.

The condensed consolidating financial information of the Company, the Guarantor Subsidiaries and the non-guarantor subsidiaries on a combined basis as of September 30, 2006 and December 31, 2005, and for the three and nine months ended September 30, 2006 and 2005, is as follows (in thousands).

CONDENSED CONSOLIDATING BALANCE SHEETS
September 30, 2006

	Las Vegas Sands Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Entries	Total
Cash and cash equivalents	$ 190,100	$ 74,388	$ 229,221	$	$ 493,709
Restricted cash	50,842	65,709	231,769		348,320
Intercompany receivable	13,805	4,859		(18,664)	
Accounts receivable, net	52	97,110	4,967		102,129
Intercompany notes receivable	72,977	51,789	384	(125,150)	
Inventories		9,742	1,921		11,663
Deferred income taxes	832	10,162		(33)	10,961
Prepaid income taxes	3,871				3,871
Prepaid expenses and other	6,461	6,534	14,661		27,656
Total current assets	338,940	320,293	482,923	(143,847)	998,309
Property and equipment, net	78,714	2,080,626	1,762,251		3,921,591
Investment in subsidiaries	1,796,105	767,077		(2,563,182)	
Deferred financing costs, net	1,213	22,661	48,229		72,103
Restricted cash		423,372	523,381		946,753
Deferred income taxes			3,291	(3,291)	
Leasehold interest in land, net			815,891		815,891
Other assets, net	79	13,348	10,399		23,826
Total assets	$ 2,215,051	$ 3,627,377	$ 3,646,365	$ (2,710,320)	$ 6,778,473
Accounts payable	$ 355	$ 24,115	$ 19,610	$	$ 44,080
Construction payables	1	65,708	212,266		277,975
Intercompany payables			18,664	(18,664)	

Accrued interest payable	1,992	289	2,921		5,202
Other accrued liabilities	7,545	126,853	153,693		288,091
Deferred income taxes			33	(33)	
Intercompany notes payable			125,150	(125,150)	
Current maturities of long-term debt		1,800	4,613		6,413
Total current liabilities	9,893	218,765	536,950	(143,847)	621,761
Other long-term liabilities	2,557	175,935	2,584		181,076
Deferred income taxes	3,282	443		(3,291)	434
Long-term debt	248,096	1,436,129	2,339,754		4,023,979
Total liabilities	263,828	1,831,272	2,879,288	(147,138)	4,827,250
Stockholders equity	1,951,223	1,796,105	767,077	(2,563,182)	1,951,223
Total liabilities and stockholders equity	$ 2,215,051	$ 3,627,377	$ 3,646,365	$ (2,710,320)	$ 6,778,473

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING BALANCE SHEETS
December 31, 2005

	Las Vegas Sands Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Entries	Total
Cash and cash equivalents	$ 202,196	$ 87,173	$ 167,477	$	$ 456,846
Restricted cash	50,052	3	21,662		71,717
Intercompany receivable	2,207	3,373	4,195	(9,775)	
Accounts receivable, net	245	81,204	3,329		84,778
Intercompany notes receivable	121,784			(121,784)	
Inventories		8,584	1,383		9,967
Deferred income taxes	11,748	(2,871)	(931)		7,946
Prepaid expenses and other	436	6,141	6,875		13,452
Total current assets	388,668	183,607	203,990	(131,559)	644,706
Property and equipment, net	38,471	1,744,352	817,645		2,600,468
Investment in subsidiaries	1,441,500	480,619		(1,922,119)	
Deferred financing costs, net	1,322	26,442	3,209		30,973
Restricted cash		571,143			571,143
Deferred income taxes	3,130	5,852	2,350		11,332
Other assets, net	79	12,485	8,553		21,117
Total assets	$ 1,873,170	$ 3,024,500	$ 1,035,747	$ (2,053,678)	$ 3,879,739
Accounts payable	$ 50	$ 20,614	$ 14,139	$	$ 34,803
Construction payables		54,234	109,698		163,932
Intercompany payables			9,775	(9,775)	
Accrued interest payable	5,977	1,157	784		7,918
Other accrued liabilities	8,053	116,029	122,308		246,390
Intercompany notes payable			121,784	(121,784)	
Current maturities of long-term debt		2,400	4,925		7,325
Total current liabilities	14,080	194,434	383,413	(131,559)	460,368
Other long-term liabilities	1,627	179,766	2,539		183,932
Long-term debt	247,925	1,208,800	169,176		1,625,901
Total liabilities	263,632	1,583,000	555,128	(131,559)	2,270,201
Stockholders equity	1,609,538	1,441,500	480,619	(1,922,119)	1,609,538

Total liabilities and stockholders equity	$ 1,873,170	$ 3,024,500	$ 1,035,747	$ (2,053,678)	$ 3,879,739

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the three months ended September 30, 2006

	Las Vegas Sands Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Entries	Total
Revenues:					
Casino	$	$ 89,343	$ 335,643	$	$ 424,986
Rooms		80,053	1,598		81,651
Food and beverage		30,192	13,155	(953)	42,394
Convention, retail and other	8,974	14,979	15,377	(9,422)	29,908
Total revenues	8,974	214,567	365,773	(10,375)	578,939
Less-promotional allowances	(156)	(16,326)	(9,229)		(25,711)
Net revenues	8,818	198,241	356,544	(10,375)	553,228
Operating expenses:					
Casino		42,306	190,717	(61)	232,962
Rooms		21,565	73		21,638
Food and beverage		14,911	5,994	(367)	20,538
Convention, retail and other		8,914	8,198	(953)	16,159
Provision for doubtful accounts		3,711	(18)		3,693
General and administrative		45,267	21,772	(8,994)	58,045
Corporate expense	15,616	(14)	52		15,654
Rental expense		2,822	561		3,383
Pre-opening expense	(249)	685	14,148		14,584
Development expense	344	(38)	5,662		5,968
Depreciation and amortization	562	15,067	11,114		26,743
Loss on disposal of assets			383		383
	16,273	155,196	258,656	(10,375)	419,750
Operating income (loss)	(7,455)	43,045	97,888		133,478
Other income (expense):					
Interest income	2,293	8,598	12,149	(2,011)	21,029
Interest expense, net of amounts capitalized	(4,367)	(17,948)	(25,039)	2,011	(45,343)
Other income (expense)	2,430	(554)	(2,556)		(680)
Income from equity investment in subsidiaries	105,275	83,413		(188,688)	

Income before income taxes		98,176		116,554		82,442		(188,688)		108,484
Benefit (provision) for income taxes		(925)		(11,279)		971				(11,233)
Net income	$	97,251	$	105,275	$	83,413	$	(188,688)	$	97,251

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the three months ended September 30, 2005

	Las Vegas Sands Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Entries	Total
Revenues:					
Casino	$	$ 94,320	$ 240,080	$	$ 334,400
Rooms		71,760	1,413		73,173
Food and beverage		21,353	7,792	(349)	28,796
Convention, retail and other	5,637	9,962	11,720	(4,913)	22,406
Total revenues	5,637	197,395	261,005	(5,262)	458,775
Less-promotional allowances	(55)	(14,396)	(6,702)		(21,153)
Net revenues	5,582	182,999	254,303	(5,262)	437,622
Operating expenses:					
Casino		41,952	135,948		177,900
Rooms		19,861	15		19,876
Food and beverage		13,188	3,678	(159)	16,707
Convention, retail and other		7,763	6,367	(350)	13,780
Provision for doubtful accounts		2,529	334		2,863