LAS VEGAS SANDS CORP
Form 10-Q
May 10, 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 March 31, 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	**27-0099920**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3355 Las Vegas Boulevard South Las Vegas, Nevada	**89109**
(Address of principal executive offices)	(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. þ Yes 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 May 1, 2006.

LAS VEGAS SANDS CORP.

Class	Outstanding at May 1, 2006
Common Stock ($0.001 par value)	354,317,234 shares

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ITEM 1 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

	March 31, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 317,277	$ 456,846
Restricted cash and cash equivalents	113,221	71,717
Accounts receivable, net	108,450	84,778
Inventories	10,645	9,967
Deferred income taxes	10,363	7,946
Prepaid expenses and other	18,175	13,452
Total current assets	578,131	644,706
Property and equipment, net	2,887,413	2,600,468
Deferred offering costs, net	28,956	30,973
Restricted cash and cash equivalents	577,425	571,143
Deferred income taxes	2,064	11,332
Other assets, net	23,345	21,117
	$ 4,097,334	$ 3,879,739
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 44,259	$ 34,803
Construction payables	182,750	163,932
Accrued interest payable	3,277	7,918
Other accrued liabilities	249,953	246,390
Income taxes payable	8,200	
Current maturities of long-term debt	7,490	7,325
Total current liabilities	495,929	460,368
Other long-term liabilities	11,775	9,804
Deferred gain on sale of The Grand Canal Shops mall	67,263	68,129
Deferred rent from The Grand Canal Shops mall transaction	105,693	105,999
Long-term debt	1,679,846	1,625,901

	2,360,506	2,270,201
Commitments and contingencies (Note 6)		
Stockholders equity:		
Common stock, $.001 par value, 1,000,000,000 shares authorized, 354,317,234 and 354,179,580 shares issued and outstanding	354	354
Capital in excess of par value	970,305	964,660
Deferred compensation		(150)
Accumulated other comprehensive income	1,438	1,726
Retained earnings	764,731	642,948
	1,736,828	1,609,538
Total liabilities and stockholders equity	$ 4,097,334	$ 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
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31,	
	2006	**2005**
Revenues:		
Casino	$ 375,382	$ 265,786
Rooms	91,138	86,077
Food and beverage	51,816	43,489
Convention, retail and other	35,005	28,454
	553,341	423,806
Less-promotional allowances	(22,977)	(20,012)
Net revenues	530,364	403,794
Operating expenses:		
Casino	205,344	131,953
Rooms	21,753	21,115
Food and beverage	24,057	20,965
Convention, retail and other	16,395	14,376
Provision for doubtful accounts	4,989	3,386
General and administrative	54,812	45,773
Corporate expense	12,954	10,882
Rental expense	3,707	3,705
Pre-opening expense	2,219	
Development expense	9,168	5,175
Depreciation and amortization	25,005	19,965
Loss on disposal of assets	1,081	1,163
	381,484	278,458
Operating income	148,880	125,336
Other income (expense):		
Interest income	10,214	7,394
Interest expense, net of amounts capitalized	(21,415)	(27,083)
Other income	164	
Loss on early retirement of debt		(132,834)
Income (loss) before income taxes	137,843	(27,187)

Benefit (provision) for income taxes	(16,060)	34,299
Net income	$ 121,783	$ 7,112
Basic earnings per share	$ 0.34	$ 0.02
Diluted earnings per share	$ 0.34	$ 0.02
Weighted average shares outstanding:		
Basic	354,199,253	354,160,692
Diluted	354,592,597	355,029,968

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
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2006	**2005**
Cash flows from operating activities:		
Net income	$ 121,783	$ 7,112
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,005	19,965
Amortization of debt offering costs and original issue discount	2,074	2,723
Amortization of deferred revenue	(1,172)	(1,173)
Loss on early retirement of debt		132,834
Loss on disposal of assets	1,081	1,163
Stock-based compensation	2,862	
Provision for doubtful accounts	4,989	3,386
Tax benefit from stock option exercises	(632)	7,424
Changes in operating assets and liabilities:		
Accounts receivable	(28,661)	(22,563)
Inventories	(678)	(324)
Prepaid expenses and other	(6,857)	(4,361)
Deferred income taxes	6,851	(41,723)
Accounts payable	9,456	(5,856)
Accrued interest payable	(4,641)	(4,695)
Other accrued liabilities	5,534	(14,789)
Income taxes payable	8,832	
Net cash provided by operating activities	145,826	79,123
Cash flows from investing activities:		
Change in restricted cash and cash equivalents	(47,786)	(4,481)
Capital expenditures	(294,233)	(152,164)
Net cash used in investing activities	(342,019)	(156,645)
Cash flows from financing activities:		
Dividends paid to shareholders		(21,052)
Proceeds from exercise of stock options	1,864	
Tax benefit from stock option exercises	632	
Repayments on 11% mortgage notes		(843,640)
Proceeds from 6.375% senior notes, net of discount		247,754
Proceeds from senior secured credit facility-term B		305,000
Proceeds from senior secured credit facility-revolver	92,129	
Proceeds from Phase II mall construction loan	14,000	
Proceeds from other long-term debt	75	

Repayments on Venetian Intermediate credit facility	(50,000)	
Repayments on FF&E credit facility	(1,200)	
Repayments on Interface mortgage note payable	(951)	(1,334)
Repurchase premiums incurred in connection with refinancing transactions		(93,289)
Transaction costs, initial public offering		(487)
Payments of debt offering costs		(10,717)
Net cash provided by (used in) financing activities	56,549	(417,765)
Effect of exchange rate on cash	75	
Decrease in cash and cash equivalents	(139,569)	(495,287)
Cash and cash equivalents at beginning of period	456,846	1,294,898
Cash and cash equivalents at end of period	$ 317,277	$ 799,611
Supplemental disclosure of cash flow information:		
Cash payments for interest	$ 31,905	$ 33,139
Non-cash investing and financing activities:		
Property and equipment asset acquisitions included in construction payables	$ 182,750	$ 89,501
Property and equipment acquisitions included in accounts payable	$	$ 1,000

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.

Las Vegas Properties

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 is located across from The Mirage and the Treasure Island Hotel and Casino and next to the Wynn Las Vegas Resort. 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 has commenced construction work on the site of 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 and next to the Wynn Las Vegas Resort. 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, which the Company has contracted to sell to a third party.

Macao Projects

The Company also owns and operates The Sands Macao, a Las Vegas-style casino in Macao, China, which was opened on May 18, 2004. In addition to The Sands Macao, the Company is also constructing The Venetian Macao Resort Hotel Casino (The Venetian Macao), an approximately 3,000 all-suites hotel, casino, and convention center complex, with a Venetian-style theme similar to that of its Las Vegas property. Under its gaming subconcession in Macao, the Company was obligated to develop and open The Venetian Macao by June 2006 and a convention center by December 2006, and invest, or cause to be invested, at least 4.4 billion patacas (approximately $550.2 million at exchange rates in effect on March 31, 2006) in various development projects in Macao by June 2009. The Company has spent more than the required minimum amount. In March 2006, the Company received an extension of the June and December 2006 construction deadlines for The Venetian Macao and the convention center to December 2007. The Company currently expects to open The Venetian Macao in mid-2007. If it fails to meet the December 2007 deadline, 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 construction of The Venetian Macao could be lost.

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company commenced construction of The Venetian Macao prior to obtaining a land concession from the Macao government which holds title to the land. The Company has applied to the Macao government for a land concession for a portion of the west side of the Cotai Strip™, including the site of The Venetian Macao. The land concession will require the Company to pay certain premiums and rent. The Company is in negotiation with the Macao government over the cost of the land concession. The Company believes it will be successful in obtaining the land concession. However, in the event the Company is unable to successfully conclude its negotiations with the Macao government with regard to the land underlying The Venetian Macao, the Company could lose all or a substantial part of its investment in the creation of the land and in constructing The Venetian Macao.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Standards (SFAS) No. 123(R), 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. The provisions of this statement are effective as of the first annual reporting period that begins after January 1, 2006. This statement requires public entities 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 will be 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 will expense the cost of stock-based compensation awards issued after January 1, 2006 based on their fair values. Additionally, the Company will recognize 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 months ended March 31, 2006, the Company recorded $2.9 million of stock-based compensation expense. Previous periods have not been restated. See Note 5 Stock-Based Employee Compensation for additional information.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3, which changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle, as well as to changes required by an accounting pronouncement if the pronouncement does not include specific transition provisions. This statement requires retrospective application to prior periods financial statements of changes in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption on January 1, 2006 of SFAS No. 154 did not have a material effect on the Company s consolidated financial position, results of operations or cash flows.

NOTE 2 STOCKHOLDERS EQUITY AND EARNINGS PER SHARE

Changes in stockholders equity for the three months ended March 31, 2006 were as follows (in thousands):

Balance at December 31, 2005	$ 1,609,538
Net income	121,783
Stock-based compensation	3,299
Proceeds from exercise of stock options	1,864
Tax benefit from exercise of stock options	632
Change in accumulated other comprehensive income	(288)

Balance at March 31, 2006	$ 1,736,828

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 March 31,	
	2006	**2005**
Weighted-average common shares outstanding (used in the calculation of basic earnings per share)	354,199,253	354,160,692
Potential dilution from stock options and restricted stock	393,344	869,276
Weighted-average common and common equivalent shares (used in the calculations of diluted earnings per share)	354,592,597	355,029,968

For the three months ended March 31, 2006, outstanding options to purchase 2,223,714 shares of common stock were not included in the calculation of diluted earnings per share because their effect was antidilutive.

NOTE 3 PROPERTY AND EQUIPMENT

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

	March 31, 2006	**December 31, 2005**
Land and land improvements	$ 201,841	$ 202,285
Building and improvements	1,475,533	1,454,462
Equipment, furniture, fixtures and leasehold improvements	357,560	351,219
Construction in progress	1,242,459	957,752
	3,277,393	2,965,718
Less: accumulated depreciation and amortization	(389,980)	(365,250)
	$ 2,887,413	$ 2,600,468

During the three months ended March 31, 2006 and 2005, the Company capitalized interest expense of $8.3 million and $4.1 million, respectively.

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 LONG-TERM DEBT

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

		March 31, 2006	December 31, 2005
Indebtedness of the Company and its Subsidiaries other than the Macao Subsidiaries:			
Senior Secured Credit Facility	Term B	$ 970,000	$ 970,000
Senior Secured Credit Facility	Term B delayed	200,000	200,000
Senior Secured Credit Facility	Revolving Facility	123,129	31,000
6.375% Senior Notes		247,982	247,925
Interface Mortgage Loan		94,650	95,601
Phase II Mall Construction Loan		42,500	28,500
FF&E Credit Facility and other		9,075	10,200
Indebtedness of the Macao Subsidiaries:			
Venetian Intermediate Credit Facility			50,000
		1,687,336	1,633,226
Less: current maturities		(7,490)	(7,325)
Total long-term debt		$ 1,679,846	$ 1,625,901

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, Accounting for Stock Issued to Employees, and related interpretations. The Company also followed the disclosure requirements of SFAS No. 123, Accounting for Stock-Based Compensation , as amended by SFAS 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 March 31, 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 three months ended March 31, 2006. The second plan is described below. The compensation cost that has been charged against income for the plans was $2.9 million for the three months ended March 31, 2006, which is comprised of $2.6 million from stock options and $0.3 million from restricted stock. The total income tax benefit recognized in the condensed consolidated statement of operations for stock-based compensation arrangements was $0.7 million. Compensation cost capitalized as part of property and equipment was $0.4 million for the three months ended March 31, 2006.

Las Vegas Sands Corp. 2004 Equity Award Plan

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

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

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 subsidiaries or 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 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 March 31, 2006, there were 22,035,097 shares available for grant under the 2004 Plan.

Stock option awards are granted with an exercise price equal to the market price of the Company s stock at the date of grant. The stock options generally vest based on four years of continuous service and have 10-year contractual terms. Restricted stock awards generally vest over 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 months ended March 31, 2006 and 2005.

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 March 31, 2006	Three Months Ended March 31, 2005
Weighted average volatility	31.61%	35.29%
Expected term (in years)	6.0	6.0
Risk-free rate	4.40%	3.86%
Expected dividends		

The weighted average grant date fair value of 2,184,361 options granted during the three months ended March 31, 2006 was $17.36 per share and the weighted average grant date fair value of 22,820 options granted during the three months ended March 31, 2005 was $19.49 per share. The total intrinsic value of options exercised during the three months ended March 31, 2006 was $1.6 million. No options were exercised during the three months ended March 31, 2005.

The Company did not recognize compensation expense for employee share-based awards for the three months ended March 31, 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 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 March 31, 2005
Net income, as reported	$ 7,112
Less: Stock-based employee compensation expense determined under the Black Scholes option-pricing model, net of tax	(806)
Pro forma net income	$ 6,306
Basic earnings per share, as reported	$ 0.02
Basic earnings per share, pro-forma	$ 0.02
Diluted earnings per share, as reported	$ 0.02
Diluted earnings per share, pro-forma	$ 0.02

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

A summary of the status of the Company s stock option plan 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	2,184,294	43.72		
Exercised	(64,284)	29.00		
Forfeited	(65,609)	29.70		
Outstanding at March 31, 2006	4,152,361	37.15	9.3	81,012,563
Exercisable at March 31, 2006	248,813	29.38	8.7	6,787,619

A summary of the status of the Company s nonvested restricted shares for the three months ended March 31, 2006:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2006	8,088	$ 37.09
Granted	73,370	42.59
Vested		
Forfeited		
Nonvested at March 31, 2006	81,458	$ 42.04

As of March 31, 2006, there was $44.9 million of unrecognized compensation cost, net of estimated forfeitures of 8.0%, related to nonvested stock options and there was $2.9 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 3.7 years and 2.7 years, respectively.

For the three months ended March 31, 2006, cash received from stock option exercises was $1.9 million and the tax benefit realized for the tax deductions from those exercises totaled $0.6 million. There were no stock option exercises for the three months ended March 31, 2005.

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Palazzo Construction Litigation

Lido Casino Resort, LLC, a wholly-owned subsidiary of the Company (Lido), and its construction manager, Taylor International Corp. (Taylor), filed suit on March 14, 2006 in the United States District Court for the District of Nevada 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 on March 23, 2006 in the amount of approximately $19.0 million (the Lien). On April 11, 2006, as amended on April 26, 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 as including claims for disruption and delay, which Lido and Taylor claim are not lienable under Nevada law. Malcolm responded on April 26, 2006 by filing a complaint against Lido and Taylor in District Court in Clark County, Nevada seeking to foreclose on the Lien against Taylor, claiming breach of contract, a cardinal change in the underlying contract, and unjust enrichment against Lido and Taylor and claiming bad faith and fraud against Taylor (the State Court Case). Also on April 26, 2006, Malcolm filed a motion in the District Court case, seeking

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LAS VEGAS SANDS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

to dismiss the District Court Case on abstention grounds. This matter is in the preliminary stages. Lido intends to defend against the State Court Case and to prosecute the District Court Case vigorously.

Litigation Relating to Macao Casino

The following disclosure summarizes our previous disclosure regarding this matter and discusses recent developments since the filing of our Annual Report on Form 10-K for the year ended December 31, 2005.

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 our 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 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 March 16, 2006 Order, 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 our legal counsel has advised that based on proceedings to date, the probability of recovery by the plaintiffs is remote. We intend 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 concession 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 our answer, there is currently no pending activity in the matter. This action is in a preliminary stage and our legal counsel has advised that based on proceedings to date, the probability of recovery by the plaintiffs is remote. We intend to defend this matter vigorously.

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.

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LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 SEGMENT INFORMATION

The Company reviews the results of operations based on the following distinct segments, which are The Venetian on the Strip, The Sands Expo Center in Las Vegas, and The Sands Macao in Macao. The Company s segments are based on geographic locations (Las Vegas and Macao) or on the type of business (casino resort operations or convention operations). The Company s segment information is as follows for the three months ended March 31, 2006 and 2005 (in thousands):

	Three Months Ended March 31,	
	2006	**2005**
Net Revenues		
The Venetian	$ 226,640	$ 209,905
The Sands Macao	281,637	175,056
The Sands Expo Center	22,087	18,833
Total net revenues	$ 530,364	$ 403,794
Adjusted EBITDA[(1)]		
The Venetian	$ 87,704	$ 87,206
The Sands Macao	102,686	67,602
The Sands Expo Center	8,917	7,713
Total segment adjusted EBITDA	199,307	162,521
Other Operating Costs and Expenses		
Corporate expense	(12,954)	(10,882)
Depreciation and amortization	(25,005)	(19,965)
Loss on disposal of assets	(1,081)	(1,163)
Pre-opening expense	(2,219)	
Development expense	(9,168)	(5,175)
Operating income	148,880	125,336
Other Non-Operating Costs and Expenses		
Interest income	10,214	7,394
Interest expense, net of amounts capitalized	(21,415)	(27,083)
Other income	164	
Loss on early retirement of debt		(132,834)
Benefit (provision) for income taxes	(16,060)	34,299
Net income	$ 121,783	$ 7,112

(1) Adjusted EBITDA is earnings before interest, income taxes, depreciation and amortization, pre-opening expense, development expense, other income, loss on disposal of assets, loss on early retirement of debt, and corporate expense. Adjusted EBITDA is used by management as the primary measure of operating performance of the Company s properties and to compare the operating performance of the Company s properties with those of its competitors.

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LAS VEGAS SANDS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Three Months Ended March 31,	
	2006	**2005**
Capital Expenditures		
The Venetian	$ 22,394	$ 25,890
Macao Projects	196,034	48,614
The Palazzo	75,453	77,495
The Sands Expo Center	352	165
Total capital expenditures	$ 294,233	$ 152,164

	March 31, 2006	**December 31, 2005**
Total Assets		
Las Vegas Sands Corp	$ 158,904	$ 307,679
The Venetian	2,051,958	2,004,427
Macao Projects	1,114,170	885,809
The Palazzo	690,841	605,320
The Sands Expo Center	81,461	76,504
Total consolidated assets	$ 4,097,334	$ 3,879,739

NOTE 8 CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In accordance with Rule 3-10 of Regulation S-X of the Securities and Exchange Commission, condensed consolidating financial information of the Company, the Guarantor Subsidiaries (as defined below) and the non-guarantor subsidiaries on a combined basis as of March 31, 2006 and December 31, 2005, and for the three months ended March 31, 2006 and 2005, is as follows (in thousands).

LVSC is the obligor of the 6.375% Senior Notes. LVSLLC, Venetian Casino Resort, LLC, Mall Intermediate Holding Company, LLC, Venetian Venture Development, LLC, Venetian Transport, LLC, Venetian Marketing, Inc., Venetian Operating Company, LLC, 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.

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LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
Note 8 Condensed Consolidating Financial Information (continued)

CONDENSED CONSOLIDATING BALANCE SHEETS
March 31, 2006

	Las Vegas Sands Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Entries	Total
Cash and cash equivalents	$ 72,053	$ 86,556	$ 158,668	$	$ 317,277
Restricted cash and cash equivalents	50,521		62,700		113,221
Intercompany receivable	86,030	62,947	3,305	(152,282)	
Accounts receivable, net	138	103,465	4,847		108,450
Notes receivable	188,219			(188,219)	
Inventories		8,895	1,750		10,645
Deferred income taxes	57	10,392		(86)	10,363
Prepaid expenses	1,799	7,324	9,052		18,175
Total current assets	398,817	279,579	240,322	(340,587)	578,131
Property and equipment, net	37,990	1,814,384	1,035,039		2,887,413
Investment in subsidiaries	1,567,849	577,602		(2,145,451)	
Deferred offering costs, net	1,285	25,166	2,505		28,956
Restricted cash and cash equivalents		577,425			577,425
Deferred income taxes		4,248	2,834	(5,018)	2,064
Other assets, net	79	14,849	8,417		23,345
Total assets	$2,006,020	$3,293,253	$1,289,117	$ (2,491,056)	$4,097,334
Accounts payable	$ 38	$ 22,722	$ 21,499	$	$ 44,259
Construction payables		59,480	123,270		182,750
Intercompany payables	496	45,742	106,044	(152,282)	
Accrued interest payable	1,992	711	574		3,277
Other accrued liabilities	3,463	116,164	130,326		249,953
Income taxes payable	8,200				8,200
Deferred income taxes			86	(86)	
Notes payable			188,219	(188,219)	
Current maturities of long-term debt		2,400	5,090		7,490
Total current liabilities	14,189	247,219	575,108	(340,587)	495,929

Other long-term liabilities	2,003	178,456	4,272		184,731
Deferred income taxes	5,018			(5,018)	
Long-term debt	247,982	1,299,729	132,135		1,679,846
	269,192	1,725,404	711,515	(345,605)	2,360,506
Stockholders equity	1,736,828	1,567,849	577,602	(2,145,451)	1,736,828
Total liabilities and stockholders equity	$2,006,020	$3,293,253	$1,289,117	$ (2,491,056)	$4,097,334

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LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
Note 8 Condensed Consolidating Financial Information (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 and cash equivalents	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
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	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 offering costs, net	1,322	26,442	3,209		30,973
Restricted cash and cash equivalents		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
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
	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. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
Note 8 Condensed Consolidating Financial Information (continued)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the three months ended March 31, 2006

	Las Vegas Sands Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Entries	Total
Revenues:					
Casino	$	$ 97,136	$ 278,246	$	$375,382
Rooms		89,569	1,569		91,138
Food and beverage		41,946	11,088	(1,218)	51,816
Convention, retail and other	6,597	12,347	23,061	(7,000)	35,005
Total revenues	6,597	240,998	313,964	(8,218)	553,341
Less-promotional allowances	(190)	(15,278)	(7,509)		(22,977)
Net revenues	6,407	225,720	306,455	(8,218)	530,364
Operating expenses:					
Casino		46,053	159,291		205,344
Rooms		21,715	38		21,753
Food and beverage		18,176	5,946	(65)	24,057
Convention, retail and other		7,756	10,195	(1,556)	16,395
Provision for doubtful accounts		4,739	250		4,989
General and administrative		41,981	19,428	(6,597)	54,812
Corporate expense	12,825		129		12,954
Rental expense		3,316	391		3,707
Pre-opening expense		256	1,963		2,219
Development expense	340		8,828		9,168
Depreciation and amortization	516	15,942	8,547		25,005
Loss on disposal of assets		12	1,069		1,081
	13,681	159,946	216,075	(8,218)	381,484
Operating income (loss)	(7,274)	65,774	90,380		148,880
Other income (expense):					
Interest income	3,696	7,084	985	(1,551)	10,214
Interest expense, net of amounts capitalized	(445)	(16,695)	(5,826)	1,551	(21,415)
Other income		156	8		164
Income from equity investment in subsidiaries	120,852	84,574		(205,426)	

Income before income taxes	116,829	140,893	85,547	(205,426)	137,843
Benefit (provision) for income taxes	4,954	(20,041)	(973)		(16,060)
Net income	$121,783	$ 120,852	$ 84,574	$ (205,426)	$121,783

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LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
Note 8 Condensed Consolidating Financial Information (continued)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the three months ended March 31, 2005

	Las Vegas Sands Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Entries	Total
Revenues:					
Casino	$	$ 94,748	$ 171,038	$	$ 265,786
Rooms		85,429	648		86,077
Food and beverage		36,201	8,237	(949)	43,489
Convention, retail and other	3,087	5,374	21,071	(1,078)	28,454
Total revenues	3,087	221,752	200,994	(2,027)	423,806
Less-promotional allowances	(224)	(13,799)	(5,989)		(20,012)
Net revenues	2,863	207,953	195,005	(2,027)	403,794
Operating expenses:					
Casino		40,909	91,044		131,953
Rooms		21,069	46		21,115
Food and beverage		17,156	3,850	(41)	20,965
Convention, retail and other		6,617	9,145	(1,386)	14,376
Provision for doubtful accounts		3,386			3,386
General and administrative		31,265	15,108	(600)	45,773
Corporate expense	10,792		90		10,882
Rental expense		3,299	406		3,705
Pre-opening expense					
Development expense		1,807	3,368		5,175
Depreciation and amortization		12,940	7,025		19,965
Loss on disposal of assets		1,163			1,163
	10,792	139,611	130,082	(2,027)	278,458
Operating income (loss)	(7,929)	68,342	64,923		125,336
Other income (expense):					
Interest income	2,823	4,363	1,769	(1,561)	7,394
Interest expense, net of amounts capitalized	(2,212)	(20,215)	(6,217)	1,561	(27,083)
Loss on early retirement of debt		(132,834)			(132,834)
Income from equity investment in subsidiaries	4,260	58,973		(63,233)	

Income (loss) before income taxes	(3,058)	(21,371)	60,475	(63,233)	(27,187)
Benefit (provision) for income taxes	10,170	25,631	(1,502)		34,299
Net income	$ 7,112	$ 4,260	$ 58,973	$ (63,233)	$ 7,112

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LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
Note 8 Condensed Consolidating Financial Information (continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2006

	Las Vegas Sands Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Entries	Total
Net cash provided by (used in) operating activities	$ (19,426)	$ 55,386	$ 109,866	$	$ 145,826
Cash flows from investing activities:					
Change in restricted cash and cash equivalents	(469)	(6,279)	(41,038)		(47,786)
Capital expenditures	(35)	(84,818)	(209,380)		(294,233)
Notes receivable to subsidiaries	(66,435)			66,435	
Intercompany receivables to subsidiaries	(39,818)	(56,460)		96,278	
Capital contributions to subsidiaries	(6,456)	(8,649)		15,105	
Net cash used in investing activities	(113,213)	(156,206)	(250,418)	177,818	(342,019)
Cash flows from financing activities:					
Proceeds from exercise of stock options	1,864				1,864
Tax benefit from stock option exercises	632				632
Capital contributions received		6,456	8,649	(15,105)	
Borrowings from Las Vegas Sands Corp.			66,435	(66,435)	
Proceeds from senior secured credit facility-revolver		92,129			92,129
Proceeds from Phase II mall construction loan			14,000		14,000
Proceeds from other long-term debt			75		75
Repayments on Venetian Intermediate credit facility			(50,000)		(50,000)
Repayments on FF&E credit facility		(1,200)			(1,200)

Repayments on Interface mortgage note payable			(951)		(951)
Increase in intercompany payables		2,818	93,460	(96,278)	
Net cash provided by (used in) financing activities	2,496	100,203	131,668	(177,818)	56,549
Effect of foreign exchange rate on cash			75		75
Decrease in cash and cash equivalents	(130,143)	(617)	(8,809)		(139,569)
Cash and cash equivalents at beginning of period	202,196	87,173	167,477		456,846
Cash and cash equivalents at end of period	$ 72,053	$ 86,556	$ 158,668	$	$ 317,277

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LAS VEGAS SANDS CORP. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)
Note 8 Condensed Consolidating Financial Information (continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2005

	Las Vegas Sands Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Entries	Total
Net cash provided by (used in) operating activities	$ (6,366)	$ 16,903	$ 68,586	$	$ 79,123
Cash flows from investing activities:					
Change in restricted cash and cash equivalents		(2,241)	(2,240)		(4,481)
Capital expenditures		(92,112)	(60,052)		(152,164)
Capital contributions to subsidiaries	(558,570)	(8,281)		566,851	
Intercompany payment for airplane transfer	(40,000)	40,000			
Net cash used in investing activities	(598,570)	(62,634)	(62,292)	566,851	(156,645)
Cash flows from financing activities:					
Transaction cost, initial public offering	(487)				(487)
Dividends paid to shareholders		(21,052)			(21,052)
Capital contribution from Las Vegas Sands Corp.		558,570		(558,570)	
Capital contribution from Venetian Casino Resort LLC			8,281	(8,281)	
Repayments on 11% mortgage notes		(843,640)			(843,640)
Proceeds from 6.375% senior note, net of discount	247,754				247,754
Proceeds from senior secured credit facility-term B		305,000			305,000
Repayments on Interface mortgage note payable			(1,334)		(1,334)
Repurchase premiums incurred in connection with refinancing transactions		(93,289)			(93,289)
Payments of debt offering costs	(1,158)	(9,559)			(10,717)
Net change in intercompany accounts	(5,577)	8,291	(2,714)		
Net cash provided by (used in) financing activities	240,532	(95,679)	4,233	(566,851)	(417,765)

Increase (decrease) in cash and cash equivalents	(364,404)	(141,410)	10,527		(495,287)
Cash and cash equivalents at beginning of period	744,927	388,338	161,633		1,294,898
Cash and cash equivalents at end of period	$ 380,523	$ 246,928	$ 172,160	$	$ 799,611

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LAS VEGAS SANDS CORP.

ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by, the condensed consolidated financial statements, and the notes thereto and other financial information included in this Form 10-Q. Certain statements in this Management s Discussion and Analysis of Financial Condition and Results of Operations are forward-looking statements. See Special Note Regarding Forward Looking Statements.

General

We own and operate The Venetian Resort Hotel Casino (The Venetian) and The Sands Expo and Convention Center (The Sands Expo Center) in Las Vegas, Nevada and The Sands Macao Casino (The Sands Macao) in Macao, China. We are also developing two other casino resorts: The Palazzo Resort Hotel Casino (The Palazzo), which will be next to and connected with The Venetian, and The Venetian Macao Resort Hotel Casino (The Venetian Macao) in Macao, China.

We currently offer hotel, gaming, dining, entertainment, retail, and spa and other amenities at The Venetian, convention and trade show space at The Sands Expo Center and gaming, dining and VIP suites at The Sands Macao. Approximately 40.1% of our gross revenues at The Venetian for the first three months of 2006 was derived from gaming and 37.0% was derived from hotel rooms. The percentage of gaming revenue for The Venetian reflects the resort s emphasis on the group convention and trade show business and the resulting higher occupancy and room rates during mid-week periods. Approximately 96.2% of The Sands Macao s gross revenue for the first three months of 2006 was derived from gaming activities with the remainder primarily derived from food and beverage services.

Las Vegas Projects

The Palazzo is currently under construction and is expected to open during the summer of 2007. The cost of The Palazzo could reach as high as $1.8 billion (exclusive of land), of which the mall (the Phase II mall) is expected to cost approximately $280.0 million (exclusive of certain incentive payments to executives made in July 2004). In addition, we expect tenants will make significant additional capital expenditures to build out stores and restaurants in The Palazzo. In connection with the sale of The Grand Canal Shops mall, we entered into an agreement with General Growth Partners (GGP), the purchaser of The Grand Canal Shops mall, to construct and sell the Phase II mall. 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% up to $38.0 million of net operating income and 8.0% above $38.0 million.

Macao Projects

We are building The Venetian Macao, an approximately 3,000 all-suites hotel, casino and convention center complex, with a Venetian-style theme similar to that of our Las Vegas property. Under our gaming subconcession in Macao, we are obligated to develop and open The Venetian Macao and a convention center by December 2007. We are also obligated to invest at least 4.4 billion patacas (approximately $550.2 million at exchange rates in effect on March 31, 2006) in various development projects in Macao by June 2009. As of March 31, 2006, we had spent more than the required minimum amount. We currently expect to open The Venetian Macao in mid-2007. If we fail to meet the December 2007 deadline we could lose our right to continue to operate The Sands Macao or any other facilities development under our Macao gaming subconcession and our investment to date in The Venetian Macao could be lost. In addition, we are constructing The Venetian Macao on land for which we have not yet been granted a concession. If we do not obtain a land concession, we could forfeit all or a part of our investment in the site and construction of The Venetian Macao and would not be able to open and operate that facility as planned.

In addition, we broke ground in October 2005 on an expansion of The Sands Macao that will enhance the size and scope of the property and increase gaming capacity by more than 65.0%. Construction of The Venetian Macao and the expansion of The Sands Macao are progressing according to plan. In connection with the development of The Venetian Macao, we are sponsoring a master plan for the development of multiple properties on the Cotai Strip.

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LAS VEGAS SANDS CORP.

ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

We have 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 on the Cotai Strip. 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, as well as common public areas. We plan to own and operate all of the casinos in these developments under our Macao gaming subconcession.

We intend to develop the other Cotai Strip developments as follows:

One of them 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 400 luxury hotel rooms, up to 600 Four Seasons-serviced vacation suites, distinctive dining experiences, full service spas and other amenities, a 25,000 square foot casino and a 190,000 square foot mall with upscale retail offerings. We will own the hotel and vacation suites. We have entered into an exclusive nonbinding letter of intent and are currently negotiating definitive agreements under which Four Seasons Hotels Inc. will manage the hotel and vacation suites. The completion of The Venetian Macao and the Four Seasons is not dependent upon the Macao government s overall approval of our Cotai Strip master development plan.

One of them is intended to include a two hotel complex with 1,500 luxury and mid-sized hotel rooms, luxury vacation suites, a casino and a retail shopping mall. We will own the entire development, and we have entered into a management agreement with Shangri-La Hotels and Resorts to manage the hotels and vacation suites under its Shangri-La and Traders brands.

One of them is intended to include a two-hotel complex with luxury and mid-sized hotel rooms, luxury vacation suites, a casino and a retail shopping mall physically connected to the mall in the Shangri-La/Traders hotel podium. We will own the entire development, and we are negotiating with Starwood Hotel and Resorts to manage the hotels and vacation suites under its brands.

We expect to develop and own two other Cotai Strip developments, each of which is intended to include a two-hotel complex with luxury and mid-sized hotel rooms, luxury vacation suites, a casino and a retail shopping mall. We will own the entire development. We have entered into a non-binding agreement with Hilton Hotels to manage one of the hotel complexes and are in discussions with experienced and well-known hotel management companies to manage the hotel portions of the other resort for us under their brands.

We have signed a non-binding memorandum of agreement with an independent developer for another Cotai Strip Development. We are currently negotiating definitive agreements pursuant to which we plan to partner with this developer to build a multi-hotel complex under several hotel brands.

We do not yet have all the Macao government approvals that we will need in order to develop the Cotai Strip developments.

We expect to make land premium payments relating to The Venetian Macao and other Macao properties under development in amounts to be determined. We currently estimate that the cost for The Venetian Macao will be approximately $2.3 billion (exclusive of land) and the cost for The Sands Macao expansion will be approximately $99.0 million. Venetian Macau Limited and its subsidiaries (VML) are finalizing commitments for a $2.5 billion senior secured credit facility to partially fund The Sands Macao expansion and the design, development, construction and pre-opening costs for The Venetian Macao, the Four Seasons Hotel and some of our other development projects on the Cotai Strip, and to pay related fees and expenses. We have not yet finalized our estimate of the cost of our other Cotai Strip developments; however, we will need to arrange additional debt financing to finance those costs as well.

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Other Development Projects

Following the Singapore government s adoption of gaming legislation in 2005, we submitted a proposal to the Singapore government for a license to develop a large integrated resort, including a casino, in Singapore. There are currently three competing proposals for this resort/casino license. The Singapore government is expected to award this license in mid-2006.

We have 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. We are actively preparing preliminary design concepts for presentation to the government. This development is subject to a number of conditions, including receiving further governmental approvals.

On December 3, 2004, following the enactment of legislation legalizing slot machine gaming in Pennsylvania, we entered into a contribution agreement with Bethworks Now, LLC, the owner of an approximately 124 acre site located in Bethlehem, Pennsylvania. We have submitted a proposal to obtain one of two at large gaming licenses available in Pennsylvania. There are several competing proposals for these licenses. If a slot machine license under the new legislation is granted for the site, we intend to jointly own and develop the property for use as a casino complex including a hotel with meeting rooms and retail, restaurant, movie theater, office and other commercial spaces. The Bethlehem development is subject to a number of conditions, including obtaining the gaming license.

We have also entered into agreements to develop and lease gaming and entertainment facilities with two prominent football clubs in the United Kingdom and are in discussions with several others to build entertainment and gaming facilities in major cities in the United Kingdom. There are several competing proposals for the single regional casino license currently authorized by statute. Our agreements to develop and lease gaming and entertainment facilities are subject to a number of conditions, including obtaining a gaming license.

We are currently exploring the possibility of operating casino resorts in additional Asian jurisdictions, the United States and Europe.

Critical Accounting Policies and Estimates

The preparation of our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates those estimates, including those related to allowance for doubtful accounts and discounts, accruals for slot marketing points, self-insurance and litigation, asset impairment, stock-based compensation, and income taxes. We state these accounting policies in the notes to the consolidated financial statements and in relevant sections in this discussion and analysis. These estimates are based on historical information, information that is currently available to us and on various other assumptions that management believes to be reasonable under the circumstances. Actual results could vary from those estimates and we may change our estimates and assumptions in future evaluations. Changes in these estimates and assumptions may have a material effect on our results of operations and financial condition. We believe that the critical accounting policies discussed below affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Allowance for Doubtful Accounts and Discounts

We maintain an allowance, or reserve, for doubtful accounts and discounts at our operating casino resorts, The Venetian and The Sands Macao. The provision for doubtful accounts, an operating expense, increases the allowance for doubtful accounts and discounts, while specific write-offs decrease the allowance for doubtful accounts and discounts. We regularly evaluate the allowance for doubtful accounts and discounts. At The Venetian, where credit or marker play is significant, we apply standard reserve percentages to aged account balances under a specified dollar amount and specifically analyze the collectibility of each account with a balance over the specified dollar amount, based upon the age of the account, the customer s financial condition, collection history and any other known

information. We also

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monitor regional and global economic conditions and forecasts to determine if reserve levels are adequate. At The Sands Macao, where credit or marker play is not significant, we apply a standard reserve percentage to aged account balances. The mix of credit play as a percentage of total casino play has decreased significantly since 2004 because The Sands Macao table games play is primarily cash play, while The Venetian credit table games play represents approximately 66.9% of total table games play. Our allowance for doubtful accounts and discounts was $53.8 million and $49.0 million or 33.2% and 36.6% of gross accounts receivable as of March 31, 2006 and December 31, 2005, respectively.

Self-Insurance and Slot Club Point Accruals

We maintain accruals for health and workers compensation self-insurance and slot club point redemption, which are classified in other accrued liabilities in the condensed consolidated balance sheets. We determine the adequacy of these accruals by periodically evaluating the historical experience and projected trends related to these accruals and in consultation with outside actuarial experts for the self-insurance accruals. If such information indicates that the accruals are overstated or understated, or if business conditions indicate we should adjust the assumptions utilized, we will reduce or provide for additional accruals as appropriate.

Litigation Accrual

We are subject to various claims and legal actions. We estimate the accruals for these claims and legal actions in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, Accounting for Contingencies, and include such accruals in the other accrued liability category in our condensed consolidated balance sheets.

Property and Equipment

At March 31, 2006, we had net property and equipment of $2.89 billion, representing 70.5% of our total assets. We depreciate property and equipment on a straight-line basis over their estimated useful lives. The estimated useful lives are based on the nature of the assets as well as current operating strategy and legal considerations such as contractual life. Future events, such as property expansions, property developments, new competition, or new regulations, could result in a change in the manner in which we use certain assets requiring a change in the estimated useful lives of such assets. In assessing the recoverability of the carrying value of property and equipment if events and circumstance warrant such an assessment, we must make assumptions regarding estimated future cash flows and other factors. If these estimates or the related assumptions change, we may be required to record an impairment loss for these assets. Such an impairment loss would be recognized as a non-cash component of operating income.

Stock-Based Compensation

SFAS No. 123R, Share-Based Payment requires the recognition of compensation expense in the condensed consolidated statements of operations related to the fair value of employee stock-based compensation. Determining the fair value of stock-based awards at the grant date requires judgment, including estimating the expected term that stock options will be outstanding prior to exercise, the associated volatility and the expected dividends. Expected volatilities are based on the historical volatilities from a selection of companies from our peer group due to our lack of historical information. We used the simplified method for estimating expected option life, as the options qualify as plain-vanilla options. We believe that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of our stock options granted. Judgment is also required in estimating the amount of stock-based awards expected to be forfeited prior to vesting. If actual forfeitures differ significantly from these estimates, stock-based compensation expense could be materially impacted. Prior to adopting SFAS No. 123R, we applied Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees , and related Interpretations, in accounting for its stock-based compensation plans. All employee stock options were granted at or above the grant date market price. Accordingly, no compensation cost was recognized for fixed stock option grants in prior periods.

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Income Taxes

We are subject to income taxes in the United States, and in several states and foreign jurisdictions in which we operate. We account for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. Under SFAS No. 109, deferred tax assets and liabilities are recognized based on differences between financial statement and tax basis of assets and liabilities using enacted tax rates. SFAS No. 109 requires the recognition of deferred tax assets, net of any applicable valuation allowances, related to net operating loss carryforwards, tax credits and other 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.

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. The IRS is currently examining our federal income tax returns for the years ended December 31, 1998, 1999, and 2000.

We assess potential unfavorable outcomes based on the criteria of SFAS No. 5. We establish a tax reserve if an unfavorable outcome is probable and the amount of the unfavorable outcome can be reasonably estimated. We assess the potential outcomes of tax uncertainties on a quarterly basis. In determining whether the probable criterion of SFAS No. 5 is met, we presume that the taxing authority will focus on the exposure and we assess the probable outcome of a particular issue based upon the relevant legal and technical merits. We also apply our judgment regarding the potential actions by the tax authorities and resolution through the settlement process.

We maintain required tax reserves until such time as the underlying issue is resolved. When actual results differ from reserve estimates, we will adjust the income tax provision and our tax reserves in the period resolved. For tax years that are examined by taxing authorities, we will adjust tax reserves in the year the tax examinations are settled. For tax years that are not examined by taxing authorities, we will adjust tax reserves in the year that the statute of limitations expires. Our estimate of the potential outcome for any uncertain tax issue is highly judgmental, and we believe we have adequately provided for any reasonable and foreseeable outcomes related to uncertain tax matters.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123R, which supersedes APB Opinion No. 25. This statement requires compensation costs related to stock-based transactions to be recognized in financial statements. 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. The provisions of this statement are effective as of the first annual reporting period that begins after January 1, 2006. This statement requires public entities 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 will be 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. We adopted this standard as of January 1, 2006 using the modified prospective application; accordingly, prior periods have not been restated. Under the modified prospective application we will expense the cost of stock-based compensation awards issued after January 1, 2006. Additionally, we will recognize compensation cost for the portion of awards outstanding on January 1, 2006 for which the requisite service has not been rendered as the requisite service is to be rendered on or after January 1, 2006. We have chosen to continue to use the Black-Scholes option-pricing model to calculate the fair value of its stock option grants. During the three months ended March 31, 2006, we recorded $2.9 million of stock-based compensation expense. No amounts for stock-based compensation were recorded for the three months ended March 31, 2006. As of March 31, 2006, there was $44.9 million of unrecognized compensation cost, net of estimated forfeitures of 8.0%, related to nonvested stock options and there was $2.9 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 3.7 years and 2.7 years, respectively.

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In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3, which changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle, as well as to changes required by an accounting pronouncement if the pronouncement does not include specific transition provisions. This statement requires retrospective application to prior periods financial statements of changes in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption on January 1, 2006 of SFAS No. 154 did not have a material effect on our consolidated financial position, results of operations, or cash flows.

Summary Financial Results

The following table summarizes our results of operations:

	Three Months Ended March 31, (in thousands, except for percentages)		
	2006	2005	Percent Change
Net revenues	$530,364	$403,794	31.3%
Operating expenses	381,484	278,458	37.0%
Operating income	148,880	125,336	18.8%
Income (loss) before income taxes	137,843	(27,187)	607.0%
Net income	121,783	7,112	1,612.4%

	Three Months Ended March 31, Percent of Net Revenues	
	2006	2005
Operating expenses	71.9%	69.0%
Operating income	28.0%	31.0%
Income (loss) before income taxes	26.0%	-6.7%
Net income	23.0%	1.8%

Operating Results

Key operating revenue measurements

The Venetian s operating revenue is dependent upon the volume of customers who stay at the hotel, which affects the price that can be charged for hotel rooms and the volume of table games and slot machine play. The Sands Macao is almost wholly dependent on casino customers that visit the casino on a daily basis. Hotel revenues are not expected to be material for The Sands Macao. Visitors to The Sands Macao arrive by ferry, automobile, airplane or helicopter from Hong Kong, cities in China, and other Southeast Asian cities in close proximity to Macao.

The following are the key measurements we use to evaluate operating revenue:

Hotel revenue measurements include hotel occupancy rate, which is the average percentage of available hotel rooms occupied during a period, and average daily room rate, which is the average price of occupied rooms per day. Revenue per available room represents a summary of hotel average daily room rates and occupancy. Because not all available rooms are occupied, average daily room rates are higher than revenue per available room.

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Casino revenue measurements for Las Vegas: Table games drop and slot handle are volume measurements. Win or hold percentage represents the percentage of drop or handle that is won by the casino and recorded as casino revenue. Table games drop represents the sum of markers issued (credit instruments) less markers paid at the table, plus cash deposited in the table drop box. Slot handle is the gross amount wagered or coin placed into slot machines in aggregate for the period cited. Drop and handle are abbreviations for table games drop and slot handle. Based upon our mix of table games, our table games produce a statistical average table win percentage (calculated before discounts) as measured as a percentage of table game drop of 20.0% to 22.0% and slot machines produce a statistical average slot machine win percentage (calculated before slot club cash incentives) as measured as a percentage of slot machine handle generally between 6.0% and 7.0%.

Casino revenue measurements for Macao: We view Macao table games as being segregated into two groups, consistent with the Macao market s convention: Rolling Chip play (all VIP play) and Non-Rolling Chip play (mostly non-VIP players). The volume measurement for Rolling Chip play is non-negotiable gaming chips wagered. The volume measurement for Non-Rolling Chip is table games drop as described above. Rolling Chip volume and Non-Rolling Chip volume are not equivalent because, since Rolling Chip volume is a measure of amounts wagered versus dropped, Rolling Chip volume is substantially higher than drop. Slot handle at The Sands Macao is the gross amount wagered or coins placed into slot machines in aggregate for the period cited.

We view Rolling Chip table games win as a percentage of Rolling Chip volume and we view Non-Rolling Chip table games win as a percentage of drop. Win or hold percentage represents the percentage of Rolling Chip volume, Non-Rolling Chip drop or slot handle that is won by the casino and recorded as casino revenue. Based upon our mix of table games in Macao, our Rolling Chip table games win percentage (calculated before discounts and commissions) as measured as a percentage of Rolling Chip volume is expected to be 2.5% to 2.8% and our Non-Rolling Chip play table games are expected to produce a statistical average table win percentage as measured as a percentage of table game drop (before discounts and commissions) of 17.0% to 19.0%. Like in Las Vegas, our Macao slot machines produce a statistical average slot machine win percentage as measured as a percentage of slot machine handle of generally between 6.0% and 7.0%.

Actual win may vary from the statistical average. Generally, slot machine play at The Venetian and The Sands Macao is conducted on a cash basis, The Venetian s table games revenue is approximately 66.9% from credit based guests wagering and The Sands Macao s table game play is conducted primarily on a cash basis.

Three Months Ended March 31, 2006 compared to the Three Months Ended March 31, 2005

Operating Revenues

Our net revenues consisted of the following:

	Three Months Ended March 31, (in thousands, except for percentages)		
	2006	2005	Percent Change
Net Revenues			
Casino	$ 375,382	$ 265,786	41.2%
Rooms	91,138	86,077	5.9%
Food and beverage	51,816	43,489	19.1%
Convention, retail and other	35,005	28,454	23.0%
	553,341	423,806	30.6%
Less promotional allowances	(22,977)	(20,012)	-14.8%

Total net revenues	$ 530,364	$ 403,794	31.3%

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Consolidated net revenues were $530.4 million for the three months ended March 31, 2006, an increase of $126.6 million compared to $403.8 million for the three months ended March 31, 2005. The increase in net revenues was due primarily to an increase in casino revenue of $109.6 million. This increase is primarily attributable to the growth of our casino operations at The Sands Macao and the formal introduction of our Rolling Chip program in March 2005.

Casino revenues were $375.4 million for the three months ended March 31, 2006, an increase of $109.6 million as compared to $265.8 million for the three months ended March 31, 2005. Of the increase, $107.2 million was attributable to the growth of our casino operations at The Sands Macao and the formal introduction of our Rolling Chip program in March 2005. For the three months ended March 31, 2006, table games drop (the Non-Rolling chip segment) at The Sands Macao increased $203.6 million and the related win percentage increased 1.4 percentage points to 18.6% as compared to the three months ended March 31, 2005. In addition, the Rolling Chip volume increased $2.84 billion and the related win percentage increased from 2.1% to 2.5% as compared to the three months ended March 31, 2005. In our experience, average win percentages remain steady when measured over extended periods of time, but can vary considerably within shorter time periods as a result of the statistical variances that are associated with games of chance in which large amounts are wagered.

Room revenues for the three months ended March 31, 2006 were $91.1 million, an increase of $5.0 million as compared to $86.1 million for the three months ended March 31, 2005. The increase was attributable to the increase in average daily room rate from $243 for the three months ended March 31, 2005 to $249 for the three months ended March 31, 2006 as well as an increase in occupancy rate from 97.8% for the three months ended March 31, 2005 to 99.9% for the three months ended March 31, 2006 at The Venetian. The Venetian generated revenue per available room of $248 for the three months ended March 31, 2006 as compared to $237 for the three months ended March 31, 2005.

Food and beverage revenues were $51.8 million for the three months ended March 31, 2006, an increase of $8.3 million as compared to $43.5 million for the three months ended March 31, 2005. The increase was primarily attributable to food and beverage revenues at The Venetian, which increased $8.1 million due to increased hotel occupancy and banquet business at the property.

Convention, retail and other revenues were $35.0 million for the three months ended March 31, 2006, an increase of $6.5 million as compared to $28.5 million for the three months ended March 31, 2005. The increase is primarily attributable to $3.3 million of additional revenues from The Sands Expo Center due to a strong quarter for conventions and $2.1 million in revenues associated with the Blue Man Group performances, which began during the fourth quarter of 2005.

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Operating Expenses

The breakdown of operating expenses is as follows:

	Three Months Ended March 31, (in thousands, except for percentages)		
	2006	2005	Percent Change
Operating Expenses			
Casino	$ 205,344	$ 131,953	55.6%
Rooms	21,753	21,115	3.0%
Food and beverage	24,057	20,965	14.7%
Convention, retail and other	16,395	14,376	14.0%
Provision for doubtful accounts	4,989	3,386	47.3%
General and administrative	54,812	45,773	19.7%
Corporate expense	12,954	10,882	19.0%
Rental expense	3,707	3,705	0.1%
Pre-opening expense	2,219		
Development expense	9,168	5,175	77.2%
Depreciation and amortization	25,005	19,965	25.2%
Loss on disposal of assets	1,081	1,163	-7.1%
Total operating expenses	$ 381,484	$ 278,458	37.0%

Operating expenses were $381.5 million for the three months ended March 31, 2006, an increase of $103.0 million as compared to $278.5 million for the three months ended March 31, 2005. The increase in operating expenses was primarily attributable to the higher operating revenues and growth of our operating businesses in Las Vegas and Macao.

Casino department expenses were $205.3 million for the three months ended March 31, 2006, an increase of $73.3 million as compared to $132.0 million for the three months ended March 31, 2005. The increase was primarily attributable to the additional casino expenses related to the growth of our operations at The Sands Macao and increased slot machine and table games volume at The Venetian. Of the $73.3 million increase in casino expenses, $51.9 million was due to the 39.0% gross win tax on casino revenues in Macao. Despite the higher gross win tax, casino operating margins at The Sands Macao are similar to those at The Venetian primarily because of lower labor, marketing and sales expenses in Macao. Food and beverage expense increased $3.1 million, primarily related to the increased food and beverage revenue noted above.

The provision for doubtful accounts was $5.0 million for the three months ended March 31, 2006, compared to $3.4 million for the three months ended March 31, 2005. The amount of this provision can vary over short periods of time because of factors specific to the customers who owe us money from gaming activities at any given time. We believe that the amount of our provision for doubtful accounts in the future will depend upon the state of the economy, our credit standards, our risk assessments and the judgment of our employees responsible for granting credit.

General and administrative expenses were $54.8 million for the three months ended March 31, 2006, an increase of $9.0 million as compared to $45.8 million for the three months ended March 31, 2005. The increase was attributable to the growth of our operating businesses in Las Vegas and Macao.

Corporate expense for the three months ended March 31, 2006 was $13.0 million, an increase of $2.1 million as compared to $10.9 million for the three months ended March 31, 2005. The increase was primarily attributable to $4.4 million of corporate general and administrative costs as we build our corporate infrastructure, $1.3 million related to stock offering costs associated with a sale by certain trusts established for the benefit of our principal stockholder and his family in a secondary public offering of stock in March 2006 and $1.1 million related to stock-based compensation recorded in connection

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with the adoption of SFAS No. 123R, partially offset by a $5.0 million charitable contribution that was made in the first quarter of 2005 that did not recur in 2006.

Pre-opening and development expenses were $2.2 million and $9.2 million, respectively, for the three months ended March 31, 2006, compared to $0.0 million and $5.2 million, respectively, for the three months ended March 31, 2005. Pre-opening expenses for the three months ended March 31, 2006 were primarily related to The Venetian Macao project and the opening of the poker room at The Venetian. We expect that pre-opening expense will increase as The Venetian Macao and The Palazzo projects approach their 2007 opening dates. The increase in development expenses was primarily related to our activities in Singapore, Macao and Pennsylvania.

Depreciation and amortization expense for the three months ended March 31, 2006 was $25.0 million, an increase of $5.0 million as compared to $20.0 million for the three months ended March 31, 2005. The increase was primarily the result of placing into service various assets at The Venetian since the first quarter of 2005, including the Blue Man Group Theater, new meeting rooms and the renovation of the pool deck.

Interest Expense

The following table summarizes information related to interest expense on long-term debt:

	Three Months Ended March 31, (in thousands, except for percentages)	
	2006	**2005**
Interest cost	$ 29,728	$ 31,188
Less: Capitalized interest	(8,313)	(4,105)
Interest expense, net	$ 21,415	$ 27,083
Cash paid for interest, net of amounts capitalized	$ 31,905	$ 33,139
Average total debt balance	$ 1,652,519	$ 1,625,309
Weighted average interest rate	7.1%	7.7%

Interest expense, net of amounts capitalized was $21.4 million for the three months ended March 31, 2006, a decrease of $5.7 million as compared to $27.1 million for the three months ended March 31, 2005. This decrease is primarily attributable to the redemption of our subsidiaries 11% mortgage notes, which were replaced during the quarter ended March 31, 2005 with a combination of senior notes bearing interest at a rate of 6.375% and lower cost bank debt, and the redemption of Venetian Macau Limited s $120.0 million floating rate notes during the second quarter of 2005. The decrease was also due to the capitalization of $8.3 million of interest during the first quarter of 2006 compared to $4.1 million of capitalized interest in the first quarter of 2005. We expect that the capitalized interest amount will continue to increase as The Venetian Macao and The Palazzo projects approach their 2007 opening dates.

Other Factors Effecting Earnings

Interest income for the three months ended March 31, 2006 was $10.2 million, an increase of $2.8 million as compared to $7.4 million for the three months ended March 31, 2005. The increase was primarily attributable to the increase in interest rates that the Company s cash and cash equivalent balances were earning as compared to the first quarter of 2005.

The loss on early retirement of debt of $132.8 million for the three months ended March 31, 2005 was the result of the redemption and repurchase of our subsidiaries 11% mortgage notes.

Our effective income tax rate for the three months ended March 31, 2006 was 11.7%. The effective tax rate for the 2006 period was significantly lower than the United States federal statutory rate due primarily

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to a zero effective tax rate on our Macao net income as a result of an income tax holiday in Macao on gaming operations, which is to expire at the end of 2008. The effective tax rate was -126.2% for the three months ended March 31, 2005 primarily due to the tax benefit associated with the loss on early retirement of debt in the 2005 period as well as the application of the aforementioned Macao income tax holiday.

Liquidity and Capital Resources

Cash Flows Summary

Our cash flows consisted of the following:

	Three Months Ended March 31, (in thousands)	
	2006	**2005**
Net cash provided by operations	$ 145,826	$ 79,123
Investing cash flows:		
Capital expenditures	(294,233)	(152,164)
Change in restricted cash	(47,786)	(4,481)
Net cash used in investing activities	(342,019)	(156,645)
Financing cash flows:		
Dividends to shareholders		(21,052)
Repayments of long-term debt	(52,151)	(844,974)
Proceeds of long term-debt	106,204	552,754
Other	2,496	(104,493)
Net cash provided by (used in) financing activities	56,549	(417,765)
Effect of exchange rate on cash	75	
Net decrease in cash and cash equivalents	$ (139,569)	$ (495,287)

Cash Flows Operating Activities

The Venetian s slot machine and retail hotel rooms businesses are generally conducted on a cash basis, its table games and group hotel businesses are conducted on a cash and credit basis and its banquet business is conducted primarily on a credit basis resulting in operating cash flows being generally affected by changes in operating income and accounts receivables. The Sands Macao table games and slot machine play is currently conducted primarily on a cash basis. As of March 31, 2006 and December 31, 2005, we held unrestricted cash and cash equivalents of $317.2 million and $456.8 million, respectively. Net cash provided by operating activities for the three months ended March 31, 2006 was

$145.8 million, an increase of $66.7 million as compared with $79.1 million for the three months ended March 31, 2005. Factors contributing to the increase in cash flow provided by operating activities were primarily an increase in the operating results at The Sands Macao and certain positive changes in our working capital assets and liabilities.

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ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Cash Flows Investing Activities

Capital expenditures for the three months ended March 31, 2006 totaled $294.2 million, including $22.7 million on expansions, improvements and maintenance capital expenditures at The Venetian and The Sands Expo Center in Las Vegas; $196.0 million for construction and development activities in Macao (including The Sands Macao and The Venetian Macao on the Cotai Strip); and $75.5 million for The Palazzo.

Restricted cash increased $47.8 million primarily as a result of depositing $37.0 million in a restricted account as part of the Company s application for a gaming license in Singapore.

Cash Flows Financing Activities

For the three months ended March 31, 2006, net cash flows provided from financing activities were $56.5 million. The net increase was primarily attributable to the borrowing of $92.1 million from the revolving facility and $14.0 million from the Phase II Mall Construction Loan, offset by the repayment of the $50.0 million Venetian Intermediate credit facility.

Capital and Liquidity

We expect to fund our operations, capital expenditures (other than The Sands Macao expansion construction, The Palazzo, the Phase II mall, The Venetian Macao, our other Cotai Strip developments and related Cotai Strip infrastructure development and construction costs) and debt service requirements from existing cash balances, operating cash flow and borrowings under our Las Vegas revolving credit facility. We have a $450.0 million revolving credit facility for working capital needs, of which $326.9 million was available, as of March 31, 2006.

We have commenced construction of The Palazzo and plan to continue work on The Palazzo during 2006. We currently estimate that construction will be completed in the fall of 2007 and that our cost to develop and construct The Palazzo could reach as high as approximately $1.8 billion (exclusive of land), of which the Phase II mall is expected to cost approximately $280.0 million (exclusive of certain incentive payments to executives made in July 2004). In addition, we expect tenants will make significant additional capital expenditures to build out stores and restaurants in The Palazzo. As of March 31, 2006, we had paid $581.5 million in design, development and construction costs for The Palazzo. We intend to use $361.8 million (plus the interest earnings) of the proceeds from the $970.0 million Term B Facility and $200.0 million from the Term B Delayed Draw Facility from the Senior Secured Credit Facility, $221.5 million of proceeds from the Phase II Mall Construction Loan, cash on hand, borrowings under the Revolving Facility under the Senior Secured Credit Facility and operating cash flow to fund the development and construction costs for The Palazzo (including the Phase II mall) and to pay related fees and expenses.

We currently estimate that the cost for The Venetian Macao will be approximately $2.3 billion (exclusive of land) and that we will need to arrange additional debt financing to finance these costs. We have not yet finalized our estimate of the cost of our other Cotai Strip developments. We are in the process of obtaining a new $2.5 billion senior secured credit facility for the partial funding of The Sands Macao expansion, the construction of The Venetian Macao and some of our other Cotai Strip developments. The documentation for the new facility is being finalized and the potential lenders are not yet legally committed to lend the funds. The credit facility is expected to close in May 2006. In addition, all of The Sands Macao s cash flows are expected to be used to finance the construction of The Venetian Macao and certain other Macao developments. Therefore, we may need to incur additional debt to finance The Venetian Macao and other Macao developments if The Sands Macao s cash flows are not sufficient. We also expect that our other Cotai Strip developments will be financed in large part by additional debt.

Off-Balance Sheet Arrangements

We have not entered into any transactions with special purpose entities, nor have we engaged in any derivative transactions other than straightforward interest rate caps. During 1997, we entered into off-balance sheet arrangements with the HVAC provider. Under the terms of these energy service agreements, we will purchase HVAC energy and services over initial terms expiring in 2009 with an

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LAS VEGAS SANDS CORP.

ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

option to collectively extend the terms of these agreements for two consecutive five-year periods. We have fixed payment obligations due during the next twelve months of $6.8 million under the energy services agreements with the HVAC provider. The total remaining payment obligations under these arrangements was $22.2 million as of March 31, 2006, payable in equal monthly installments through July 1, 2009. We have the right to terminate the agreement based upon the failure of the HVAC provider to provide HVAC services. Upon the sale of The Grand Canal Shops mall on May 17, 2004, GGP assumed the responsibility for $1.6 million of annual payments to the HVAC provider. We have no other off-balance sheet arrangements.

Restrictions on Distributions

We are a parent company with limited business operations. Our main asset is the stock and membership interests of our subsidiaries. The debt instruments of Las Vegas Sands, LLC contain significant restrictions on the payment of dividends and distributions to us by Las Vegas Sands, LLC. In particular, the Senior Secured Credit Facility prohibits Las Vegas Sands, LLC from paying dividends or making distributions to us, or investing in us, with limited exceptions. Las Vegas Sands, LLC may distribute to us up to $25.0 million or $50.0 million in dividend payments in a twelve-month period after the substantial completion of The Palazzo, depending on whether certain financial tests are met.

In addition, the debt instrument of our subsidiary, Phase II Mall Subsidiary, LLC (the Phase II Mall Subsidiary), also restricts the payment of dividends and distributions to us. Subject to limited exceptions, the Phase II Mall Construction Loan prohibits the Phase II Mall Subsidiary from paying dividends or making distributions to us, or making investments in us, other than tax distributions and a limited basket amount.

The debt instruments of our subsidiaries also contain, and the proposed new credit facility for the construction of The Venetian Macao is expected to contain, certain restrictions that, among other things, limit the ability of our company and/or certain subsidiaries to incur additional indebtedness, issue disqualified stock or equity interests, pay dividends or make other distributions, repurchase equity interests or certain indebtedness, create certain liens, enter into certain transactions with affiliates, enter into certain mergers or consolidations or sell our assets of our company without prior approval of the lenders or noteholders. Financial covenants included in our Senior Secured Credit Facility include a minimum interest coverage ratio, a maximum leverage ratio, a minimum net worth covenant and maximum capital expenditure limitations.

Inflation

We believe that inflation and changing prices have not had a material impact on our net sales, revenues or income from continuing operations during the past year.

Special Note Regarding Forward-Looking Statements

This report contains forward-looking statements that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include the discussions of our business strategies and expectations concerning future operations, margins, profitability, liquidity, and capital resources. In addition, in certain portions included in this report, the words: anticipates, believes, estimates, seeks, expects, p intends and similar expressions, as they relate to our company or its management, are intended to identify forward-looking statements. Although we believe that these forward-looking statements are reasonable, we cannot assure you that any forward-looking statements will prove to be correct. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, among others, the risks associated with:

- general economic and business conditions which may impact levels of disposable income, consumer spending and pricing of hotel rooms;

the uncertainty of tourist behavior related to spending and vacationing at casino resorts in Las Vegas and Macao;

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LAS VEGAS SANDS CORP.

ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

disruptions or reductions in travel due to conflicts with Iraq and any future terrorist incidents;

outbreaks of infectious diseases, such as severe acute respiratory syndrome or avian flu, in our market areas;

our dependence upon three properties in two markets for all of our cash flow;

new developments, construction and ventures, including The Palazzo, The Venetian Macao and other Cotai Strip developments;

the passage of new legislation and receipt of governmental approvals for our proposed developments in Macao, Singapore, the United Kingdom and other jurisdictions where we are planning to operate;

our substantial leverage and debt service (including sensitivity to fluctuations in interest rates and other capital markets trends);

our insurance coverage, including the risk that we have not obtained sufficient coverage against acts of terrorism or will only be able to obtain additional coverage at significantly increased rates;

government regulation of the casino industry, including gaming license regulation, the legalization of gaming in certain domestic jurisdictions, including Native American reservations, and regulation of gaming on the Internet;

increased competition and additional construction in Las Vegas, including recent and upcoming increases in hotel rooms, meeting and convention space and retail space;

fluctuations in the demand for all-suites rooms, occupancy rates and average daily room rates in Las Vegas;

the popularity of Las Vegas as a convention and trade show destination;

new taxes or changes to existing tax rates;

our ability to meet certain development deadlines in Macao;

our ability to maintain our gaming subconcession in Macao;

the completion of infrastructure projects in Macao;

increased competition and other planned construction projects in Macao; and

any future litigation.

All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. Readers are cautioned not to place undue reliance on these forward-looking statements. We assume no obligation to update any forward-looking statements after the date of this report as a result of new information, future events or developments, except as required by federal securities laws.

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LAS VEGAS SANDS CORP.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our long-term debt. We attempt to manage our interest rate risk by managing the mix of our long-term fixed-rate borrowings and variable rate borrowings, and by use of interest rate cap agreements. The ability to enter into interest rate cap agreements allows us to manage our interest rate risk associated with our variable rate debt. We do not hold or issue financial instruments for trading purposes and do not enter into derivative transactions that would be considered speculative positions. Our derivative financial instruments consist exclusively of interest rate cap agreements, which do not qualify for hedge accounting. Interest differentials resulting from these agreements are recorded on an accrual basis as an adjustment to interest expense.

To manage exposure to counterparty credit risk in interest rate cap agreements, we enter into agreements with highly rated institutions that can be expected to fully perform under the terms of such agreements. Frequently, these institutions are also members of the bank group providing our credit facilities, which management believes further minimizes the risk of nonperformance.

The table below provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents notional amounts and weighted average interest rates by contractual maturity dates for the years ending March 31:

	2007	2008	2009	2010	2011	Thereafter	Total	Fair Value(1)
	(dollars in millions)							
LIABILITIES								
Short-term debt								
Variable rate	$ 7.5						$ 7.5	$ 7.5
Average interest rate (2)	8.5%						8.5%	8.5%
Long-term debt								
Fixed rate						$ 250.0	$ 250.0	$ 241.9
Average interest rate (2)						6.4%	6.4%	6.4%
Variable rate		$ 140.2	$ 15.9	$ 134.9	$ 856.3	$ 284.5	$ 1,431.8	$ 1,431.8
Average interest rate (2)		8.1%	7.1%	6.8%	6.8%	6.8%	6.9%	6.9%
Cap Agreement (3)				0.8			0.8	0.8
Average interest rate								

1. The fair values are based on the borrowing rates currently available for debt instruments with similar terms and maturities and market quotes of our publicly traded debt.

2. Based upon contractual interest rates for fixed rate indebtedness or current LIBOR rates for variable rate indebtedness.

3. As of March 31, 2006, we have three interest rate cap agreements with a fair value of $0.8 million based on a quoted market value from the institution holding the agreement.

Borrowings under the Senior Secured Credit Facility bear interest at our election at either LIBOR plus 1.75% or the base rate plus 0.75% per annum, subject to downward adjustments based upon our credit rating. Borrowings under the $250.0 million Phase II Mall Construction Loan facility bear interest at our election at either a base rate plus 0.75% per annum or at LIBOR plus 1.75% per annum. Borrowings under the Interface Mortgage Loan bear interest at an interest rate equal to LIBOR plus 3.75%.

Foreign currency transaction gains and losses were not material to our results of operations for the three months ended March 31, 2006, but may be in future periods in relation to activity associated with our Macao subsidiaries. We do not hedge our exposure to foreign currency; however, we maintain a significant amount of our operating funds in the same currencies in which we have obligations thereby reducing our exposure to currency fluctuations.

See also Liquidity and Capital Resources .

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LAS VEGAS SANDS CORP.

ITEM 4 CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. The Company s Chief Executive Officer and its Chief Financial Officer have evaluated the disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) of the Company as of March 31, 2006 and have concluded that they are effective.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Changes in Internal Control over Financial Reporting

There were no changes in the Company s internal control over financial reporting that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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LAS VEGAS SANDS CORP.
Part II
OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

The Company is party to litigation matters and claims related to its operations. For more information, see the Company s Annual Report on Form 10-K for the year ended December 31, 2005 and Part I Item 1 Notes to Condensed Consolidated Financial Statements Note 6 Commitments and Contingencies of this Quarterly Report on Form 10-Q.

ITEM 1A RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2005.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Uses of Proceeds from Registered Securities

On December 20, 2004, we issued all of the 27,380,953 shares of our common stock we registered in an initial public offering at an offering price of $29.00 per share (Reg. No. 333-118827), effective December 14, 2004. The aggregate offering price of the common stock sold (including the exercise by the managing underwriters of their over-allotment option) resulted in gross proceeds of $794.0 million and net proceeds of approximately $738.7 million to us after deducting underwriting discounts and commissions of $49.6 million and related offering expenses of $5.7 million none of which was paid to the underwriters. The managing underwriters for the offering were Goldman, Sachs & Co., Citigroup, JP Morgan, Lehman Brothers, Merrill Lynch & Co, UBS Investment Bank, and Jeffries & Company, Inc. None of the expenses we incurred in connection with the offering were direct or indirect payments to our directors, officers, general partners or their associates, to persons owning 10% or more of our equity securities or to our affiliates (collectively Related Parties).

During the first quarter of 2005, we used $327.3 million of the approximately $738.7 million in net proceeds from our initial public offering to redeem approximately $291.1 million in principal amount of the 11% mortgage notes issued by Las Vegas Sands, Inc. and Venetian Casino Resort, LLC and to pay $36.2 million in related premiums and accrued interest and expenses. During the second quarter of 2005, we used $70.0 million of the net proceeds to redeem the VML senior secured notes. None of the amounts paid to redeem the 11% mortgage notes or the VML senior secured notes were paid to Related Parties. In addition, during 2005, we used approximately $149.4 million (net of interest income) of the net proceeds for other general corporate purposes. During the first quarter of 2006, we used approximately $128.0 million of the net proceeds for other general corporate purposes, including an amount for a gaming license, which is recoverable if the license is not awarded.

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LAS VEGAS SANDS CORP.

ITEM 6 EXHIBITS

List of Exhibits

Exhibit No.	Description of Document
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer of Las Vegas Sands Corp. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer of Las Vegas Sands Corp. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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LAS VEGAS SANDS CORP.
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.

LAS VEGAS SANDS CORP.

May 10, 2006 By: /s/ Sheldon G. Adelson

Sheldon G. Adelson
Chairman of the Board and
Chief Executive Officer

May 10, 2006 By: /s/ Scott Henry

Scott Henry
Senior Vice President and
Chief Financial Officer

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