SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

OR

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

Commission File No. 1-10410

HARRAH'S ENTERTAINMENT, INC.
(Exact name of registrant as specified in its charter)

Delaware	I.R.S. No. 62-1411755
(State of Incorporation)	(I.R.S. Employer Identification No.)

1023 Cherry Road,
Memphis, Tennessee 38117
(Address of principal executive offices)
(901) 762-8600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

At September 30, 1997, there were outstanding 100,951,352 shares of the Company's Common Stock.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited Consolidated Condensed Financial Statements of Harrah's Entertainment, Inc. ("Harrah's" or the "Company"), a Delaware corporation, have been prepared in accordance with the instructions to Form 10-Q, and therefore do not include all information and notes necessary for complete financial statements in conformity with generally accepted accounting principles. The results for the periods indicated are unaudited, but reflect all adjustments (consisting only of normal recurring adjustments) which management considers necessary for a fair presentation of operating results. Results of operations for interim periods are not necessarily indicative of a full year of operations. These Consolidated Condensed Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's 1996 Annual Report to Stockholders.

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)
(In thousands, except share amounts)

	Sept. 30, 1997	Dec. 31, 1996
ASSETS		
Current assets		
Cash and cash equivalents	$ 99,782	$ 105,594
Receivables, less allowance for doubtful accounts of $11,394 and $14,064	35,082	41,203
Deferred income tax benefits	23,174	25,551
Prepayments and other	24,473	18,401
Inventories	12,486	10,838
Total current assets	194,997	201,587
Land, buildings, riverboats and equipment	2,158,358	1,977,960
Less: accumulated depreciation	(655,612)	(588,066)
	1,502,746	1,389,894
Investments in and advances to nonconsolidated affiliates	175,181	215,539
Deferred costs and other	160,507	167,053
	$2,033,431	$1,974,073
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 46,267	$ 44,934
Construction payables	8,784	17,975
Accrued expenses	172,990	139,892
Current portion of long-term debt	1,894	1,841
Total current liabilities	229,935	204,642
Long-term debt	918,064	889,538
Deferred credits and other	97,807	97,740
Deferred income taxes	33,630	45,443
	1,279,436	1,237,363
Minority interests	16,618	16,964
Commitments and contingencies (Notes 3, 5, 6 and 7)		
Stockholders' equity		
Common stock, $0.10 par value, authorized 360,000,000 shares, outstanding 100,951,352 and 102,969,699 shares (net of 3,083,056 and 771,571 shares held in treasury)	10,095	10,297
Capital surplus	387,411	385,941
Retained earnings	337,311	290,797
Unrealized gains on marketable equity securities	17,976	51,394
Deferred compensation related to restricted stock	(15,416)	(18,683)
	737,377	719,746
	$2,033,431	$1,974,073

See accompanying Notes to Consolidated Condensed Financial Statements.

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

(In thousands, except per share amounts)	Third Quarter Ended Sept. 30, 1997	Sept. 30, 1996	Nine Months Ended Sept. 30, 1997	Sept. 30, 1996
Revenues				
Casino	$361,369	$358,331	$1,012,118	$1,015,008
Food and beverage	53,461	52,609	147,903	143,444
Rooms	36,371	32,778	95,126	89,076
Management fees	4,483	3,937	17,348	12,047
Other	22,469	20,183	58,738	57,837
Less: casino promotional allowances	(39,905)	(39,112)	(109,993)	(104,737)
Total revenues	438,248	428,726	1,221,240	1,212,675
Operating expenses				
Direct				
Casino	176,966	176,837	514,142	504,938
Food and beverage	27,968	26,206	76,090	71,819
Rooms	10,579	9,367	29,336	26,770
Depreciation of buildings, riverboats and equipment	26,141	23,366	76,802	67,009
Development costs	2,720	3,172	7,409	8,611
Preopening costs	962	68	8,977	5,084
Other	114,287	89,873	298,151	263,236
Total operating expenses	359,623	328,889	1,010,907	947,467
Operating profit	78,625	99,837	210,333	265,208
Corporate expense	(6,563)	(7,661)	(22,240)	(23,374)
Equity in income (losses) of nonconsolidated affiliates	(2,899)	404	(8,270)	638
Project reorganization costs	(1,414)	(2,690)	(5,584)	(11,190)
Income for operations	67,749	89,890	174,239	231,282
Interest expense, net of interest capitalized	(19,757)	(18,173)	(57,901)	(51,768)
Realized gain from sale of marketable equity securities	37,388	-	37,388	-
Other income, including interest income	2,133	962	8,360	2,322
Income before income taxes and minority interests	87,513	72,679	162,086	181,836
Provision for income taxes	(32,654)	(28,829)	(60,978)	(70,612)
Minority interests	(1,970)	(1,500)	(5,735)	(7,487)
Income before extraordinary loss	52,889	42,350	95,373	103,737
Extraordinary loss on early extinguishment of debt, net of income tax benefit of $4,477	-	-	(8,134)	-
Net income	$ 52,889	$ 42,350	$ 87,239	$ 103,737
Earnings per share before extraordinary loss	$ 0.52	$ 0.41	$ 0.94	$ 1.00
Extraordinary loss, net	-	-	(0.08)	-
Earnings per share	$ 0.52	$ 0.41	$ 0.86	$ 1.00
Average common shares outstanding	100,835	103,324	101,367	103,

See accompanying Notes to Consolidated Condensed Financial Statements.

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)	Nine Months Ended Sept. 30, 1997	Nine Months Ended Sept. 30, 1996
Cash flows from operating activities		
Net income	$ 87,239	$ 103,737
Adjustments to reconcile net income to cash flows from operating activities		
Extraordinary loss, before income taxes	12,611	-
Depreciation and amortization	89,659	76,620
Other noncash items	21,195	22,874
Minority interests' share of income	5,735	7,487
Equity in losses (income) of nonconsolidated affiliates	3,983	(638)
Realized gain from sale of marketable equity securities	(37,388)	-
Net gains from asset sales	(943)	-
Net change in long-term accounts	2,736	1,539
Net change in working capital accounts	34,216	(2,172)
Cash flows provided by operating activities	219,043	209,447
Cash flows from investing activities		
Land, buildings, riverboats and equipment additions	(192,734)	(211,760)
(Decrease) increase in construction payables	(9,191)	5,577
Proceeds from sale of marketable equity securities	53,755	-
Proceeds from asset sales	2,997	1,159
Investments in and advances to nonconsolidated affiliates	(45,444)	(46,655)
Other	(5,800)	(3,320)
Cash flows used in investing activities	(196,417)	(254,999)
Cash flows from financing activities		
Net borrowings under Revolving Credit Facility	229,958	46,500
Early extinguishment of 10 7/8% Notes	(200,000)	-
Scheduled debt retirements	(1,793)	(2,171)
Premium paid on early extinguishment of debt	(9,666)	-
Purchases of treasury stock	(40,947)	-
Minority interests' distributions, net of contributions	(5,990)	(9,168)
Cash flows (used in) provided by financing activities	(28,438)	35,161
Net decrease in cash and cash equivalents	(5,812)	(10,391)
Cash and cash equivalents, beginning of period	105,594	96,345
Cash and cash equivalents, end of period	$ 99,782	$ 85,954

See accompanying Notes to Consolidated Condensed Financial Statements.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 1997
(UNAUDITED)

Note 1 - Basis of Presentation and Organization

Harrah's Entertainment, Inc. ("Harrah's" or the "Company" and including its subsidiaries where the context requires), a Delaware corporation, is one of America's leading casino companies. Harrah's casino entertainment facilities include casino hotels in all five major Nevada and New Jersey gaming markets: Reno, Lake Tahoe, Las Vegas and Laughlin, Nevada; and Atlantic City, New Jersey. Harrah's riverboat and dockside casinos are in Joliet, Illinois; Shreveport, Louisiana; Tunica and Vicksburg, Mississippi; and North Kansas City and St. Louis, Missouri. Harrah's manages casinos on Indian lands near Phoenix, Arizona and Seattle, Washington. During third quarter 1997, the Company sold its minority interest in a casino in Auckland, New Zealand and will terminate the management contract for that property on June 30, 1998 (see Note 7). Harrah's discontinued managing two limited stakes casinos in Colorado at the end of first quarter 1997.

The Consolidated Condensed Financial Statements include the accounts of Harrah's and its majority-owned subsidiaries after elimination of all significant intercompany accounts and transactions. Investments in 20% to 50% owned companies and joint ventures are accounted for using the equity method. Harrah's reflects its share of net income of these nonconsolidated affiliates in Equity in income (losses) of nonconsolidated affiliates (see Note 7).

Certain amounts for the prior year third quarter and first nine months have been reclassified to conform with the current year presentation.

Note 2 - Stockholders' Equity

In addition to its common stock, Harrah's has the following classes of stock authorized but unissued:

Preferred stock, $100 par value, 150,000 shares authorized
Special stock, 2,000,000 shares authorized -
  Series A, $1.125 par value

In October 1996, Harrah's Board of Directors approved a plan which authorized the purchase in open market and other transactions of up to 10% of Harrah's outstanding shares of

Note 2 - Stockholders' Equity (Continued)

common stock. As of September 30, 1997, 2,989,700 shares had been purchased at an average price of $18.05 per share. The repurchased shares are being held in treasury and are reflected in the Consolidated Condensed Balance Sheets as if they were retired.

Note 3 - Long-Term Debt

Early Extinguishment of 10 7/8% Notes

On May 27, 1997, Harrah's principal operating subsidiary, Harrah's Operating Company, Inc. ("HOC"), redeemed its $200 million in 10 7/8% Senior Subordinated Notes due 2002 (the "Notes"), using proceeds from its revolving bank credit facility. As a result of the early extinguishment of this debt, the Company recorded an $8.1 million extraordinary loss, net of tax, which includes a premium paid to holders of the Notes and the write-off of related deferred finance charges.

Interest Rate Agreements

To manage the relative mix of its debt between fixed and variable rate instruments, Harrah's enters into interest rate swap agreements to modify the interest characteristics of its outstanding debt without an exchange of the underlying principal amount. At September 30, 1997, Harrah's was a party to the following interest rate swap agreements pursuant to which it pays a variable interest rate in exchange for receiving a fixed interest rate. The average variable rate paid by Harrah's was 6.0% at September 30, 1997, and the average fixed interest rate received was 5.4%. The impact of these interest rate swap agreements on the effective interest rates of the associated debt was as follows:

Associated Debt	Swap Rate (LIBOR+)	Effective Rate at Sept. 30, 1997	Next Semi-Annual Rate Adjustment Date	Swap Maturity
8 3/4% Notes				
$50 million	3.42%	9.64%	November 17	May 1998
$50 million	3.22%	9.19%	January 15	July 1998

Note 3 - Long-Term Debt (Continued)

Harrah's also maintains seven additional interest rate swap agreements to effectively convert a total of $350 million in variable rate debt to a fixed rate. Pursuant to the terms of these swaps, all of which reset quarterly, Harrah's receives variable payments tied to LIBOR in exchange for its payments at a fixed interest rate. The fixed rates to be paid by Harrah's and variable rates to be received by Harrah's are summarized in the following table:

Notional Amount	Swap Rate Paid (Fixed)	Swap Rate Received (Variable) at Sept. 30, 1997	Swap Maturity
$50 million	7.910%	5.719%	January 1998
$50 million	6.985%	5.719%	March 2000
$50 million	6.951%	5.719%	March 2000
$50 million	6.945%	5.719%	March 2000
$50 million	6.651%	5.719%	May 2000
$50 million	5.788%	5.719%	June 2000
$50 million	5.785%	5.719%	June 2000

In accordance with the terms of the swap which matures in January 1998, the variable interest rate was adjusted on October 27, 1997 to 5.813%.

The differences to be paid or received under the terms of the interest rate swap agreements are accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received by Harrah's pursuant to the terms of its interest rate agreements will have a corresponding effect on its future cash flows. These agreements contain a credit risk that the counterparties may be unable to meet the terms of the agreements. Harrah's minimizes that risk by evaluating the creditworthiness of its counterparties, which are limited to major banks and financial institutions, and does not anticipate nonperformance by the counterparties.

Note 4 - Supplemental Disclosure of Cash Paid for Interest and Taxes

The following table reconciles Harrah's interest expense, net of interest capitalized, per the Consolidated Condensed Statements of Income, to cash paid for interest:

	Nine Months Ended	
(In thousands)	Sept. 30, 1997	Sept. 30, 1996
Interest expense, net of amount capitalized	$57,901	$51,768
Adjustments to reconcile to cash paid for interest:		
Net change in accruals	(1,136)	(8,270)
Amortization of deferred finance changes	(2,194)	(2,361)
Net amortization of discounts and premiums	(9)	(16)
Cash paid for interest, net of amount capitalized	$54,562	$41,121
Cash payments of income taxes, net of refunds	$15,696	$32,829

Note 5 - Commitments and Contingent Liabilities

Contractual Commitments

Harrah's is pursuing additional casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, guarantees by Harrah's of third party debt and development completion guarantees. As of September 30, 1997, Harrah's had guaranteed third party loans and leases of $133 million, which are secured by certain assets, and had commitments of $41 million, primarily construction-related.

The agreements under which Harrah's manages casinos on Indian lands contain provisions required by law which provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled payments of borrowings for development costs. In the event that insufficient cash flow is generated by the operations to fund this payment, Harrah's must pay the shortfall to the tribe. Such advances, if any, would be repaid to Harrah's in future periods in which operations generate cash flow in excess of the required minimum payment. These

Note 5 - Commitments and Contingent Liabilities (Continued)

commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. As of September 30, 1997, the aggregate monthly commitment pursuant to these contracts, which extend for periods of up to 84 months from opening date, was $1.2 million, including commitments for two projects with contracts approved by the National Indian Gaming Commission that are under development but not yet open.

In addition to the amounts described above, as part of a transaction whereby Harrah's effectively secured an option to a site for a potential casino, Harrah's has extended its guarantee of a $22.9 million third party variable rate bank loan pursuant to an agreement which expires February 28, 1998.

See Note 7 for discussion of the proposed completion guarantees related to development of the New Orleans' casino.

Severance Agreements

As of September 30, 1997, Harrah's has severance agreements with 35 of its senior executives, which provide for payments to the executives in the event of their termination after a change in control, as defined. These agreements provide, among other things, for a compensation payment of 1.5 or 2.99 times the average of the three highest years of annual compensation of the last five calendar years preceding the change in control, as well as for accelerated vesting of any compensation or awards payable to the executive under any of Harrah's incentive plans. The estimated amount, computed as of September 30, 1997, that would be payable under the agreements to these executives based on earnings and stock options aggregated approximately $32.0 million.

Guarantee of Insurance Contract

Harrah's has guaranteed the value of a guaranteed investment contract with an insurance company held by Harrah's defined contribution savings plan. Harrah's has also agreed to provide non-interest-bearing loans to the plan to fund, on an interim basis, withdrawals from this contract by retired or terminated employees. Harrah's maximum exposure on this guarantee as of September 30, 1997, was $6.1 million.

Note 5 - Commitments and Contingent Liabilities (Continued)

Tax Sharing Agreements

In connection with the 1995 spin-off of certain hotel operations (the "PHC Spin-off") to Promus Hotel Corporation ("PHC"), Harrah's entered into a Tax Sharing Agreement with PHC wherein each company is obligated for those taxes associated with their respective businesses. Additionally, Harrah's is obligated for all taxes for periods prior to the PHC Spin-off date which are not specifically related to PHC operations and/or PHC hotel locations. Harrah's obligations under this agreement are not expected to have a material adverse effect on its consolidated financial position or results of operations.

Self-Insurance

Harrah's is self-insured for various levels of general liability, workers' compensation and employee medical coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims.

Note 6 - Litigation

Harrah's is involved in various inquiries, administrative proceedings and litigation relating to contracts, sales of property and other matters arising in the normal course of business. While any proceeding or litigation has an element of uncertainty, management believes that the final outcome of these matters will not have a material adverse effect upon Harrah's consolidated financial position or its results of operations.

In addition to the matters described above, Harrah's and certain of its subsidiaries have been named as defendants in a number of lawsuits arising from the suspension of development of a land-based casino, and the closing of the temporary gaming facility, in New Orleans, Louisiana, by Harrah's Jazz Company, a partnership in which the Company owns an approximate 47% interest and which has filed for protection under Chapter 11 of the U.S. Bankruptcy Code (see Note 7). The ultimate outcomes of these lawsuits cannot be predicted at this time, and no provisions for

Note 6 - Litigation (Continued)

the claims are included in the accompanying financial statements. The Company intends to defend these actions vigorously. In the event a bankruptcy reorganization plan is not consummated, the Company anticipates that such lawsuits, which are presently inactive, would become active, and additional lawsuits would be filed.

Note 7 - Nonconsolidated Affiliates

Harrah's Jazz Company

A Harrah's subsidiary owns an approximate 47% interest in Harrah's Jazz Company ("Harrah's Jazz"), a partnership formed for purposes of developing, owning and operating the exclusive land-based casino entertainment facility (the "Rivergate Casino") in New Orleans, Louisiana, on the site of the former Rivergate Convention Center. On November 22, 1995, Harrah's Jazz and its wholly-owned subsidiary, Harrah's Jazz Finance Corp., filed petitions for relief under Chapter 11 of the Bankruptcy Code. Harrah's Jazz filed a plan of reorganization with the Bankruptcy Court on April 3, 1996 and filed several subsequent amendments to the plan (the "Plan"). On April 28, 1997, the Bankruptcy Court held a confirmation hearing and approved the Plan.

The confirmed Plan contemplated, among other things, that a newly formed corporation, Jazz Casino Corporation ("JCC"), would be responsible for completing construction of the Rivergate casino, a subsidiary of the Company would receive approximately 40% of the equity in JCC's parent, and Harrah's would make a $75 million equity investment in the project (less any debtor-in-possession financing provided to the project), guarantee $120 million of a $180 million bank credit facility, guarantee completion and opening of the Rivergate Casino and make an additional $20 million subordinated loan to JCC to finance the Rivergate Casino. However, since the Louisiana State Legislature did not approve a component of the confirmed Plan - -a modified casino operating contract with the Louisiana Gaming Control Board - the confirmed Plan was not consummated. Subsequently, Harrah's Jazz filed a proposed modified plan with the Bankruptcy Court which contemplated, among other things, the assumption of the existing casino operating contract and relief from payment of any gaming

Note 7 - Nonconsolidated Affiliates (Continued)

taxes under the casino operating contract.

In lieu of the proposed modified plan to assume the existing casino operating contract, Harrah's Jazz plans to file in November 1997 a further modification of the confirmed Plan. This plan would provide that a subsidiary of the Company would receive approximately 40% of the equity in JCC's parent, and Harrah's would make a $75 million equity investment in the project (less any debtor-in-possession financing provided to the project), guarantee $150 million of a $220 million bank credit facility, guarantee completion and opening of the Rivergate Casino and make an additional $10 million subordinated loan to JCC to finance the Rivergate Casino. Harrah's would also be obligated to guarantee the first year of JCC's $100 million minimum payment obligation to the Louisiana Gaming Control Board and, if certain positive cash flow tests and other conditions are satisfied each year, to renew the guarantee each year for a maximum term of approximately five years. Harrah's obligations under the guarantee would be limited to a guarantee of the $100 million payment obligation of JCC for the year in which the guarantee is in effect and would be secured by a first priority lien on JCC's assets. JCC's payment obligation would be $100 million at the commencement of each operating year and would decline on a daily basis by 1/365 of $100 million as payments are made each day by JCC to the Louisiana Gaming Control Board.

The Governor of Louisiana, the Mayor of New Orleans, the Bondholders Committee and the project bank lenders have expressed support in principle for this proposed plan. However, the plan is subject to numerous approvals, including approval from Harrah's bank lenders, the Louisiana State Legislature, the Louisiana Gaming Control Board, the New Orleans City Council, the bondholders, the Bankruptcy Court and others. There can be no assurance that these approvals will be obtained and that such plan will be consummated.

During the course of the bankruptcy of Harrah's Jazz, a subsidiary of the Company has made debtor-in-possession loans to Harrah's Jazz, totaling approximately $29.8 million as of September 30, 1997, to fund certain payments to the City of New Orleans and other cash requirements of Harrah's Jazz. On July 10, 1997, the Company notified Harrah's Jazz that, at such time, the Company was not prepared to commit to provide debtor-in-possession financing to Harrah's Jazz beyond the earlier of

Note 7 - Nonconsolidated Affiliates (Continued)

September 30, 1997 or the provision of $30 million of debtor-in-possession financing. Due to uncertainties at the end of third quarter 1997 regarding the consummation of an acceptable bankruptcy reorganization plan, the Company recorded a $13.0 million reserve against the debtor-in-possession financing provided to Harrah's Jazz, reflecting a possible shortfall in the realizable value of the collateral for the loans.

As a consequence of the recent events described above, Harrah's has committed to provide an additional $9 million in debtor-in-possession loans to Harrah's Jazz (for a total of $39 million) through February 28, 1998. This loan commitment is conditioned upon Harrah's Jazz meeting certain monthly milestones in the bankruptcy reorganization process.

Other

Summarized balance sheet and income statement information of nonconsolidated gaming affiliates, which Harrah's accounted for using the equity method, as of September 30, 1997 and December 31, 1996, and for the third quarters and nine months ended September 30, 1997 and 1996 is included in the following tables.

(In thousands)	Sept. 30, 1997	Dec. 31, 1996
Combined Summarized Balance Sheet Information		
Current assets	$ 18,118	$ 33,516
Land, buildings and equipment, net	380,110	391,133
Other assets	179,870	171,748
Total assets	578,098	596,397
Current liabilities	101,409	129,114
Long-term debt	464,832	486,740
Other liabilities	1,000	-
Total liabilities	567,241	615,854
Net assets	$ 10,857	$(19,457)

	Third Quarter Ended		Nine Months Ended	
	Sept. 30, 1997	Sept. 30, 1996	Sept. 30, 1997	Sept. 30, 1996
(In thousands)				
Combined Summarized Statements of Operations				
Revenues	$ 4,878	$ 7,373	$ 17,292	$ 22,006
Operating loss	$(12,726)	$ (7,429)	$(29,756)	$(15,383)
Net loss	$(16,346)	$ (9,744)	$(37,094)	$(18,711)

Note 7 - Nonconsolidated Affiliates (Continued)

Harrah's share of nonconsolidated affiliates' combined net operating results are reflected in the accompanying Consolidated Condensed Statements of Income as Equity in income (losses) of nonconsolidated affiliates. Harrah's investments in and advances to nonconsolidated affiliates are reflected in the accompanying Consolidated Condensed Balance Sheets as follows:

	Sept. 30, 1997	Dec. 31, 1996
(In thousands)		
Harrah's investments in and advances to nonconsolidated affiliates		
Accounted for under the equity method	$130,087	$ 98,356
Equity securities available-for-sale and recorded at market value	45,094	117,183
	$175,181	$215,539

In accordance with the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", Harrah's adjusts the carrying value of certain marketable equity securities to include unrealized gains. A corresponding adjustment is recorded in the Company's stockholders' equity and deferred income tax accounts. Condensed financial information relating to the Company's minority ownership interest in a restaurant affiliate has not been presented since its operating results and financial position are not material to Harrah's.

Harrah's New Zealand

During third quarter 1997, Harrah's sold its 12.5% equity interest in Sky City Limited, a New Zealand publicly-traded company which owns a casino entertainment facility in Auckland, New Zealand. Harrah's received $56.8 million for its equity interest and recorded a pre-tax gain of $37.4 million. Harrah's continues to manage the facility for a fee. It was announced during second quarter 1997 that Sky City Limited will buy out Harrah's management contract and Harrah's will discontinue management of the facility in June 1998.

Note 8 - Summarized Financial Information

HOC is a wholly owned subsidiary and the principal asset of Harrah's. Summarized financial information of HOC as of September 30, 1997 and December 31, 1996 and for the third quarters and nine months ended September 30, 1997 and 1996 prepared on the same basis as Harrah's was as follows:

(In thousands)	Sept. 30, 1997	Dec. 31, 1996
Current assets	$ 190,381	$ 199,838
Land, buildings, riverboats, and equipment	1,502,746	1,389,894
Other assets	335,606	382,516
	2,028,733	1,972,248
Current liabilities	216,911	191,689
Long-term debt	918,064	889,538
Other liabilities	134,232	143,705
Minority interests	16,618	16,964
	1,285,825	1,241,896
Net assets	$ 742,908	$ 730,352

(In thousands)	Third Quarter Ended Sept. 30, 1997	Third Quarter Ended Sept. 30, 1996	Nine Months Ended Sept. 30, 1997	Nine Months Ended Sept. 30, 1996
Revenues	$437,561	$429,169	$1,220,465	$1,213,407
Income from operations	$ 67,392	$ 89,844	$ 174,004	$ 229,857
Income before extraordinary loss	$ 52,657	$ 42,320	$ 95,220	$ 102,811
Net income	$ 52,657	$ 42,320	$ 87,086	$ 102,811

The agreements governing the terms of the Company's debt contain certain covenants which, among other things, place limitations on HOC's ability to pay dividends and make other restricted payments, as defined, to Harrah's. The amount of HOC's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted

Note 8 - Summarized Financial Information

payments (other than for repurchases of Harrah's common stock), was approximately $732.4 million at September 30, 1997. With respect to any payments by HOC to Harrah's for the purpose of providing funds to Harrah's for the repurchase of its common stock, the amount of HOC's restricted net assets under such covenant was approximately $597.7 million at September 30, 1997.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial position and operating results of Harrah's Entertainment, Inc., (referred to in this discussion, together with its consolidated subsidiaries where appropriate, as "Harrah's" or the "Company,") for third quarter and the first nine months of 1997 and 1996 updates, and should be read in conjunction with, Management's Discussion and Analysis of Financial Position and Results of Operations presented in Harrah's 1996 Annual Report.

RESULTS OF OPERATIONS

Overall

Harrah's financial results through the third quarter of 1997 continue to reflect, as do the results of many of its competitors, the impact of increased supply and competition within the casino entertainment industry. Also impacting Harrah's 1997 financial results were construction disruptions during the year and weather-related business interruptions during first quarter 1997 at several of its properties. Though Harrah's revenues increased slightly for third quarter and the first nine months as compared to the prior year periods, the impact of increased competition and business interruptions impacted Harrah's operating profit and margins, as noted in the following table.

(in millions, except earnings per share)	Third Quarter 1997	Third Quarter 1996	Percentage Increase (Decrease)	Nine Months Ended 1997	Nine Months Ended 1996	Percentage Increase (Decrease)
Revenues	$438.2	$428.7	2.2 %	$1,221.2	$1,212.7	0.7 %
Operating profit	91.9	99.9	(8.0)%	231.7	270.3	(14.3)%
Income from operations	67.7	89.9	(24.7)%	174.2	231.3	(24.7)%
Income before extraordinary loss	52.9	42.4	24.8%	95.4	103.7	(8.0)%
Net income	52.9	42.4	24.8%	87.2	103.7	(15.9)%
Earnings per share						
Before extraordinary loss	0.52	0.41	26.8%	0.94	1.00	(6.0)%
Net income	0.52	0.41	26.8%	0.86	1.00	(14.0)%
Operating margin	15.4%	21.0%	(5.6)pts	14.3%	19.1%	(4.8)pts

The impact on Harrah's operations of these factors can also be seen in the following table, which summarizes contributions to operating profit (income from operations before corporate expense, equity in income (losses) of nonconsolidated affiliates and project reorganization costs) by major operating division for the twelve month periods ended September 30, 1997, 1996 and 1995 in millions of dollars and as a percent of the total for each of Harrah's divisions:

	Contribution for Twelve Months Ended Sept. 30,					
	In Millions of Dollars			Percent of Total		
	1997	1996	1995	1997	1996	1995
Riverboat	$123	$153	$163	41%	44%	44%
Atlantic City	76	77	87	25	22	24
Southern Nevada	44	70	73	14	20	20
Northern Nevada	50	61	68	17	17	18
Indian/Limited Stakes	13	4	7	4	1	2
Development costs	(11)	(14)	(19)	(4)	(4)	(5)
Other operations	9	-	(11)	3	-	(3)
Subtotal	304	351	368	100%	100%	100%
Project writedowns and reserves	(64)	(93)	-			
Preopening costs	(10)	(6)	-			
Operating profit	$230	$252	$368			

DIVISION OPERATING RESULTS AND DEVELOPMENT PLANS

Riverboat Division

(in millions)	Third Quarter 1997	Third Quarter 1996	Percentage Increase/ (Decrease)	Nine Months Ended 1997	Nine Months Ended 1996	Percentage Increase/ (Decrease)
Casino revenues	$160.5	$144.7	10.9 %	$457.3	$428.4	6.7 %
Total revenues	171.3	160.9	6.5 %	498.1	478.9	4.0 %
Operating profit	35.5	33.4	6.3 %	96.9	114.6	(15.4)%
Operating margin	20.7%	20.8%	(0.1)pts	19.5%	23.9%	(4.4)pts

Revenues for the Division increased for the third quarter and the first nine months of 1997 over the comparable prior year periods. Operating profits and margins declined for the nine months in the face of new and increased competition in several riverboat markets over the past year. However, for the quarter, operating profits increased and margins remained essentially flat compared to prior year. Harrah's believes most riverboat markets in which it competes are now stable or are beginning to show improvements.

Revenues, operating profit and margin for the third quarter at Harrah's Joliet in Illinois were stable compared to the third quarter last year. However, for the nine months, revenues, operating profit and margin declined compared to the prior year due to the introduction of riverboat casinos in neighboring Indiana which more than doubled regional supply since June 1996. Gaming volume at Harrah's Joliet declined 19.2% for the first nine months of 1997 from the prior year period, significantly impacting property revenues. Operating profit and margins were further impacted by higher marketing and promotional expenses that resulted from the increased competition. The Company has made certain operating adjustments, including a modification of the cruising schedule, which have helped stabilize operating results at Joliet. Though management believes that the property's operating results have stabilized, revenues and operating profit at Harrah's Joliet are not expected to return to the levels achieved prior to the entrance of the Indiana riverboats into the regional market. Subject to the receipt of necessary approvals, the Company plans to begin construction during fourth quarter 1997 of an expansion at the Joliet property. The $29.5 million project will include a 204-room luxury hotel and 9,000 square feet of meeting space. The project is scheduled to be completed in early 1999.

Combined third quarter performance by Harrah's Mississippi properties improved over the prior year as operating income increased by $6.0 million, primarily due to operating improvements in Tunica as it continued the turnaround that began in the second quarter. The Tunica improvement is due in part to the second quarter 1997 closure of Harrah's original Tunica casino. The Company is now focusing all its efforts in the Tunica market on its newer Tunica property, which opened in April 1996. The Company is continuing to explore its options for the ultimate disposition of the original Tunica property. A reserve for the impairment of the original Tunica property was recorded in fourth quarter 1996 and the Company believes such reserve remains adequate. However, the Company will continue to periodically review the adequacy of this reserve until the final disposition of the property. During second quarter 1997, the

Company acquired its minority partner's interest in both Tunica properties. The cost of this acquisition was not material to Harrah's.

Revenues for the first nine months of 1997 were up from 1996 at Harrah's North Kansas City due primarily to the Company's addition of a second riverboat casino in May 1996. However, revenues for third quarter and operating profit for both the third quarter and year-to-date declined from the comparable prior year periods due to increased marketing and promotional costs as a result of additional competition, including a major new property that opened in January 1997. Despite the significant competitive capacity added to the market, Harrah's continues to lead the overall Kansas City market in profitability and most other measures of performance.

Despite a 3.5% decline in Harrah's Shreveport revenues for third quarter 1997 compared to the prior year, due to the entrance in fourth quarter 1996 of a new competitor into the market, operating profit remained flat. Harrah's is continuing its evaluation of various expansion opportunities for its Shreveport facility. Any expansion project is subject to the receipt of necessary regulatory approvals and reaching a definitive agreement with the City of Shreveport.

Harrah's St. Louis Riverport casinos reported an operating loss of approximately $0.4 million for third quarter 1997 as the Company slowly builds its market position. The St. Louis Riverport casino entertainment complex in Maryland Heights, Missouri, a suburb of St. Louis, opened on March 11, 1997. The facility includes four riverboat casinos, two of which are owned and operated by Harrah's, and shoreside facilities jointly-owned with another casino company. Harrah's pro-rata share of the operating losses of the shoreside facilities joint venture was $3.0 million for the quarter and is reported separately in the Income Statement and included in Equity in losses of nonconsolidated subsidiaries (see Other Factors Affecting Net Income).

Atlantic City

(in millions)	Third Quarter 1997	Third Quarter 1996	Percentage Increase/ (Decrease)	Nine Months Ended 1997	Nine Months Ended 1996	Percentage Increase/ (Decrease)
Casino revenues	$87.7	$91.7	(4.3)%	$243.9	$238.7	2.2 %
Total revenues	99.0	98.7	0.3 %	270.0	258.2	4.6 %
Operating profit	25.6	26.9	(4.8)%	60.7	59.3	2.4 %
Operating margin	25.9%	27.3%	(1.4)pts	22.5%	23.0%	(0.5)pts

In Atlantic City, the property's financial results for third quarter reflect an unexpected dip in the Atlantic City market during the last month of the quarter. However, results for the nine months ended September 30, 1997 reflect the impact of an increase in gaming volume of 1.7% over the same period last year. These increases more than offset the higher than historical complimentary and promotional expenses incurred in order to maintain its relative competitive position in the market. A new 416-room hotel tower, the final phase of an expansion and enhancement project started last year, was opened in late second quarter 1997 and contributed to substantial incremental room nights sold at the property during the quarter.

No decision regarding a possible second phase of the Atlantic City expansion have been made. Such decisions are dependent, in part, upon substantive progress on development of new casino hotel projects in the Marina area of Atlantic City by other companies.

Southern Nevada Division

(in millions)	Third Quarter 1997	Third Quarter 1996	Percentage Increase/ (Decrease)	Nine Months Ended 1997	Nine Months Ended 1996	Percentage Increase/ (Decrease)
Casino revenues	$46.2	$46.6	(0.9)%	$133.9	$145.0	(7.7)%
Total revenues	70.9	71.5	(0.8)%	204.3	222.3	(8.1)%
Operating profit	7.3	14.4	(49.3)%	28.6	52.8	(44.8)%
Operating margin	10.3%	20.1%	(9.8)pts	14.0%	23.8%	(9.8)pts

1997 results in Southern Nevada have been impacted by construction disruptions at Harrah's Las Vegas, where a $200 million expansion and renovation project was substantially completed in the third quarter. The construction activity has often impeded access to the Las Vegas property, resulting in a 7.6% decrease in gaming volume for the first nine months of 1997 compared with the prior year period. Operating profits and margins have been further impacted due to the difficulty in reducing certain fixed costs proportionately with the revenue declines, along with higher operating costs associated with the construction disruptions. Most of the facade and sidewalk renovations along the Strip were completed early in the third quarter, with the remainder finished by the end of the quarter. The positive impact of the opening of rooms in the new hotel tower has been offset by the closing for major renovation of rooms in the original hotel tower. Renovation of these rooms was completed by the end of third quarter and completion of the property's overall renovation is expected to be virtually complete by year-end. As of September 30, 1997, approximately $180 million had been spent on this project.

Harrah's Laughlin continues to be affected by competition from neighboring Arizona and California Indian casinos and from high profile new Las Vegas area casino developments. Gaming volume declined 4.8% for the third quarter and 5.1% for the first nine months of 1997, from the prior year periods, resulting in lower revenues, operating profit and operating margin.

At the present time, no definitive plans have been announced related to Harrah's previously announced interest in the construction or acquisition of a second Las Vegas property, and there is no assurance the Company will construct or acquire such a property.

Northern Nevada Division

(in millions)	Third Quarter 1997	Third Quarter 1996	Percentage Increase/ (Decrease)	Nine Months Ended 1997	Nine Months Ended 1996	Percentage Increase/ (Decrease)
Casino revenues	$67.0	$68.0	(1.5)%	$167.1	$176.0	(5.1)%
Total revenues	88.9	89.8	(1.0)%	221.8	232.1	(4.4)%
Operating profit	23.0	26.3	(12.5)%	39.8	49.2	(19.1)%
Operating margin	25.9%	29.3%	(3.4)pts	17.9%	21.2%	(3.3)pts

In Northern Nevada, Route 50, the preferred and most direct route from California to Lake Tahoe, was closed for repairs on weekdays during the entire month of September, which contributed to a third quarter operating profit decline of 16.7% at Harrah's Lake Tahoe. Harrah's Reno's results were relatively stable, down slightly from the prior year third quarter results. Operating results for the first nine months of 1997 were significantly impacted by weather conditions occurring during first quarter 1997, when flooding in the region twice closed the primary access road to Lake Tahoe for a combined total of forty-five days, and closed Harrah's Reno for one day.

Indian and Limited Stakes

Revenues and operating profit from Harrah's Indian and limited stakes casinos increased in third quarter and the first nine months of 1997 over the 1996 period, due primarily to higher management fees from Harrah's Phoenix Ak-Chin casino.

Harrah's continues to pursue additional development opportunities for casinos on Indian land and has received National Indian Gaming Commission ("NIGC") approval of development and management agreements with the Eastern Band of Cherokees for a casino development at Cherokee, North Carolina. Construction on this project is underway and the $82 million facility, which will contain approximately 60,000 square feet of casino space, is expected to open on November 13, 1997. Though Harrah's is not funding this development, it has guaranteed the related bank financing, of which $49.5 million was outstanding at September 30, 1997.

In early 1997, Harrah's received NIGC approval of development and management agreements with the Prairie Band of Potawatomi Indians for a development near Topeka, Kansas. Construction began during second quarter 1997 on a $37 million casino facility that will include approximately 27,000 square feet of casino space. This facility, which is expected to be completed during first quarter 1998, will be managed by a Harrah's subsidiary and is being financed by loans which Harrah's has guaranteed.

Harrah's has also previously announced agreements with other Indian tribes, which are in various stages of negotiation and are subject to certain conditions, including approval from appropriate government agencies. If the necessary approvals for these projects are received, Harrah's would likely guarantee the related bank financing for the projects, which could be significant.

The agreements under which Harrah's manages casinos on Indian lands contain provisions required by law which provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs. In the event that insufficient cash flow is generated by the operations to fund this payment, Harrah's must pay the shortfall to the tribe. Such advances, if any, would be repaid to Harrah's in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. As of September 30, 1997, the aggregate monthly commitment pursuant to these contracts which extend for periods of up to 84 months from opening date, was $1.2 million, including commitments for two projects with contracts approved by the National Indian Gaming Commission that are under construction but not yet open.

See DEBT and LIQUIDITY section for further discussion of Harrah's guarantees of debt related to Indian projects.

On March 31, 1997, Harrah's discontinued its management of two limited stakes casinos in Colorado. This action did not have a material impact on Harrah's 1997 financial statements.

Other Operations
- ----------------

Other operations includes the management fees received by the Company from Sky City in Auckland, New Zealand. During second quarter 1997, Harrah's announced that Sky City Limited, owner of the Sky City facility in Auckland, New Zealand, will buy-out Harrah's management contract. Harrah's will continue to manage the facility under its fee agreement until June 1998, when it will receive an estimated fee of $14 million to terminate the contract. During the third quarter, Harrah's sold its remaining 12.5% equity interest in Sky City Limited resulting in a pretax gain of $37.4 million.

Other operations for the first nine months of 1997 also includes $2.3 million in nonrecurring income received by Harrah's from Interactive Entertainment Limited (IEL) in consideration for the termination of Harrah's management contract which occurred in conjunction with IEL's transformation into a publicly traded company.

Development costs have decreased from prior year levels due to lower levels of development activity.

Other Factors Affecting Net Income

(Income)/Expense (in millions)	Third Quarter 1997	Third Quarter 1996	Percentage Increase/ (Decrease)	Nine Months Ended 1997	Nine Months Ended 1996	Percentage Increase/ (Decrease)
Preopening costs	$ 1.0	$ 0.1	N/M	$ 9.0	$ 5.0	80.0%
Corporate expense	6.6	7.7	(14.3)%	22.2	23.4	(5.1)%
Equity in (income) losses of nonconsolidated affiliates	2.9	(0.4)	N/M	8.3	(0.6)	N/M
Project write-downs and reserves	12.3	-	N/M	12.3	-	N/M
Project reorganization costs	1.4	2.7	(48.1)%	5.6	11.2	(50.0)%
Interest expense, net	19.8	18.2	8.8 %	57.9	51.8	11.8
Gain on sale of marketable equity securities	37.4	-	N/M	37.4	-	N/M
Other income	(2.1)	(1.0)	N/M	(8.4)	(2.3)	N/M
Effective tax rate	38.2%	40.5%	(3.3)pts	39.0%	40.5%	(1.5)pts
Minority interests	$ 2.0	$ 1.5	33.3%	$ 5.7	$ 7.5	(24.0)%
Extraordinary loss, net of income taxes	-	-	N/M	8.1	-	N/M

Preopening costs for 1997 include costs incurred in connection with the first quarter 1997 opening of Harrah's St. Louis Riverport casino property, along with ongoing costs related to the expansion at Harrah's Las Vegas property. 1996 preopening costs related to the second quarter opening of the Company's newer Tunica property and an expansion at Harrah's North Kansas City property.

Corporate expense decreased 14.3% in third quarter 1997 from the prior year level, primarily because of timing of expenses during the period in 1996.

Equity in (income) losses of nonconsolidated affiliates for third quarter and the first nine months of 1997 consists primarily of losses from Harrah's share of the joint venture portion of the St. Louis development, including its $1.9 million share of the joint venture's preopening costs, partially offset by Harrah's share of income from a restaurant affiliate. Harrah's previously reported its share of joint venture pre-interest operating results in Revenues-other, and its share of joint venture interest expense as Interest expense, net, from nonconsolidated affiliates. Prior year amounts have been restated to conform to the current year's presentation.

Project write-downs of $12.3 million during the quarter were primarily for reserves against loans related to debtor-in-possession financing provided to the casino project in New Orleans in which Harrah's is a minority partner. The write-down reflects the possible shortfall in the realizable value of collateral for the loans in view of the current uncertainties of the project at the time of the write-down.

Project reorganization costs represent Harrah's costs, including legal fees, associated with the on-going development of a reorganization plan for the New Orleans casino (see Harrah's Jazz Company section).

Interest expense increased in 1997 over 1996, primarily as a result of higher debt levels incurred to fund the stock repurchase program (see Equity Transactions section) and expansion projects.

During third quarter 1997 Harrah's sold its remaining equity interest in the Sky City casino in Auckland, New Zealand and recorded a pretax gain on the sale of $37.4 million.

Other income increased in 1997 due to higher interest income earned by the Company on the cash surrender value of certain life insurance policies, the inclusion in 1997 of dividend income from Harrah's New Zealand investment and a gain on the sale of nonoperating property.

The effective tax rates for all periods are higher than the federal statutory rate primarily due to state income taxes. Minority interests reflects a joint venture partner's share of income at a riverboat casino and decreased in 1997 from the prior year level as a result of lower earnings from that riverboat.

The extraordinary loss reported in second quarter 1997 is due to the early extinguishment of debt and includes the premium paid to holders of the debt retired and the write-off of related unamortized deferred finance charges. (See Debt and Liquidity - Early Extinguishment of Debt.)

In fourth quarter 1997, Harrah's will adopt the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share", which establishes new standards for computing and presenting earnings per share. The following table presents actual earnings per share and pro forma earnings per share computed as if the provisions SFAS No. 128 been in effect for the third quarter and first nine months:

	Third Quarter		First Nine Months	
	1997	1996	1997	1996
Earnings per share				
As reported	$0.52	$0.41	$0.86	$1.00
Pro forma (basic)	0.52	0.41	0.86	1.00
Pro forma (diluted)	0.52	0.41	0.86	1.00

HARRAH'S JAZZ COMPANY

For an update of the status of the efforts to reorganize Harrah's Jazz Company, which filed a petition for relief under Chapter 11 of the Bankruptcy Code on November 22, 1995, see Note 7 to the accompanying Consolidated Condensed Financial Statements.

CAPITAL SPENDING AND DEVELOPMENT SUMMARY

In addition to the specific development and expansion projects discussed above, Harrah's performs on-going refurbishment and maintenance at its casino entertainment facilities in order to maintain the Company's quality standards. Harrah's also continues to pursue development opportunities for additional casino entertainment facilities that meet its strategic and return on investment criteria. Prior to the receipt of necessary regulatory approvals, the costs of pursuing development projects are expensed as incurred. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset. Preopening costs incurred during the construction period are deferred and expensed at the respective property's opening.

The Company's planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. Cash needed to finance projects currently under development as well as additional projects being pursued by Harrah's are expected to be made available from operating cash flows, the Bank Facility (see Debt and Liquidity section), joint venture partners, specific project financing, guarantees by Harrah's of third party debt and, if necessary, additional Harrah's debt and/or equity offerings. Harrah's capital spending for the first nine months of 1997 totaled approximately $244 million. Estimated total capital expenditures for 1997 are expected to be between $330 million and $350 million, including the projects discussed in the Division Operating Results and Development Plans section, the refurbishment of existing facilities and other projects, but excluding the possible purchase or construction of a second Las Vegas property and the possible second phase of Harrah's Atlantic City expansion.

DEBT AND LIQUIDITY

Early Extinguishment of Debt

On May 27, 1997, Harrah's principal operating subsidiary, Harrah's Operating Company, Inc. ("HOC"), redeemed its $200 million in 10 7/8% Senior Subordinated Notes due 2002 (the "Notes") at a call price of 104.833%, plus accrued and unpaid interest through the redemption date. The Company retired the Notes using proceeds from its bank facility. An extraordinary charge, net of tax, of approximately $8.1 million was recorded during second quarter 1997 in conjunction with this early extinguishment of debt.

In connection with the early extinguishment of the Notes, the Company terminated certain interest rate swap agreements which had been associated with the debt. The gain realized upon the termination of these swap agreements was not material.

Bank Facility

As of September 30, 1997, $711.0 million in borrowings, including the funds drawn to retire the Notes, were outstanding under the Company's $1.1 billion revolving credit facility (the "Bank Facility"), with an additional $18.6 million committed to back letters of credit. After consideration of these borrowings, $370.4 million of additional borrowing capacity was available to the Company as of September 30, 1997.

Interest Rate Agreements

As of September 30, 1997, Harrah's was a party to the following interest rate swap agreements which effectively convert fixed rate debt to a variable rate:

Associated Debt	Swap Rate (LIBOR+)	Effective Rate at Sept. 30, 1997	Next Semi-Annual Rate Adjustment Date	Swap Maturity
8 3/4% Notes				
$50 million	3.42%	9.64%	November 17	May 1998
$50 million	3.22%	9.19%	January 15	July 1998

Harrah's also maintains the following interest rate swap agreements which effectively convert variable rate debt to a fixed rate:

Notional Amount	Swap Rate Paid (Fixed)	Swap Rate Received (Variable) at Sept. 30, 1997	Swap Maturity
$50 million	7.910%	5.719%	January 1998
$50 million	6.985%	5.719%	March 2000
$50 million	6.951%	5.719%	March 2000
$50 million	6.945%	5.719%	March 2000
$50 million	6.651%	5.719%	May 2000
$50 million	5.788%	5.719%	June 2000
$50 million	5.785%	5.719%	June 2000

All seven swap agreements reset on a quarterly basis. In accordance with the terms of the swap which matures in January 1998, the variable interest rate was adjusted on October 27, 1997 to 5.813%.

These agreements contain a credit risk that the counterparties may be unable to meet the terms of the agreements. Harrah's minimizes that risk by evaluating the creditworthiness of its counterparties, which are limited to major banks and financial institutions, and does not anticipate nonperformance by the counterparties.

Guarantees of Third Party Debt

As part of a transaction whereby Harrah's has retained an option to a site for a potential casino, Harrah's has extended its guarantee of a third party's $22.9 million variable rate bank loan through February 28, 1998. In connection with this extension, Harrah's also agreed to fund the monthly interest payments to the lender on behalf of the third party, and is to be repaid from the proceeds from the sale of certain assets of the third party. The guaranty contains an element of risk that, should the borrower be unable to perform, the Company could become responsible for repayment of at least a portion of the obligation. Harrah's has reduced this exposure by obtaining a security interest in certain assets of the third party.

As described in the Division Operating Results and Development Plans -- Indian and Limited Stakes section, Harrah's may guarantee all or part of the debt incurred by Indian tribes with which Harrah's has entered a management contract to fund development of casinos on the Indian lands. For all existing guarantees of Indian debt, Harrah's has obtained a first lien on certain personal property (tangible and intangible) of the casino enterprise. There can be no assurance, however, the value of such property would satisfy Harrah's obligations in the event these guarantees were enforced. Additionally, Harrah's has received limited waivers from the Indian tribes of their sovereign immunity to allow Harrah's to pursue its rights under the contracts between the parties and to enforce collection efforts as to any assets in which a security interest is taken.

Shelf Registration

Harrah's shelf registration of up to $200 million of Harrah's common stock or HOC preferred stock or debt securities expired in October 1997. The Company is currently considering various options for filing a new shelf registration.

EQUITY TRANSACTIONS

In October 1996, Harrah's Board of Directors approved a plan which authorizes the purchase in the open market of up to ten percent of Harrah's outstanding shares of common stock. As of September 30, 1997, 2,989,700 shares had been purchased at a cost of approximately $54.0 million and are being held in treasury. The Company expects to acquire additional shares from time to time at prevailing market prices through the December 31, 1997 expiration of the approved plan.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

Competitive Pressures

As compared to the early 1990's, the number of new markets opening for development in the past year has been more limited and existing markets have become more competitive. The focus of many casino operators has shifted to investing in existing markets, in an effort both to attract new customers and to gain a greater market share of existing customers. As companies have completed expansion projects, supply has grown at a faster pace than demand in some markets and competition has increased significantly. Furthermore, several operators, including Harrah's, have announced plans for additional developments or expansions in some markets. The impact that these projects will have on Harrah's operations, if they are completed, cannot be determined at this time.

Harrah's properties in Nevada and New Jersey have generally reacted less significantly to the changing competitive conditions, as the amount of supply change within these markets has represented a smaller percentage change than that experienced in some riverboat markets. In Las Vegas, several major developments have opened within the past few years and numerous new developments and property expansions, including an expansion at Harrah's Las Vegas, are underway. Historically, the Las Vegas market has grown sufficiently to absorb these additions to its supply, but there can be no assurance that such growth will continue. In the Atlantic City market, additional casino space and hotel rooms have opened within the past year and several major developments are proposed. This activity has intensified competition during the last year, increasing promotional costs and reducing margins.

In riverboat markets, the recent additions to supply have had a more noticeable impact, due to the fact that competition was limited in the early stages of many of these markets. In Joliet, the opening in late second quarter 1996 of Indiana riverboats more than doubled the Chicago area capacity and has resulted in a decline in Harrah's gaming volume from 1996 levels. In Tunica, a major new property opened in June 1996, and several existing properties, including Harrah's, added hotel rooms and other amenities and more are planned. In response to competitive pressures in this market and in order to focus its efforts on Harrah's newer and larger Tunica Casino, Harrah's closed its original Tunica property in May 1997 and continues to evaluate its plans for that property's disposition. In October 1996, a fourth casino entered the Shreveport market, and in January 1997, a major new development opened in the Kansas City market. Thus far, the Shreveport development has not significantly impacted

Harrah's operating results. In Kansas City, Harrah's operating profit declined 38% as a result of the increasing competition in that market.

Over the past several years, there has also been a significant increase in the number of casinos on Indian lands, made possible by the Indian Gaming Regulatory Act of 1988. Harrah's manages two such facilities and two additional properties are currently under development. The future growth potential from Indian casinos is also uncertain, however.

Although the short-term effect of these competitive developments on the Company has been negative, Harrah's is not able to determine the long-term impact, whether favorable or unfavorable, that these trends and events will have on its current or future markets. Management believes that the geographic diversity of Harrah's operations, its multi-market customer base and the Company's continuing efforts to establish Harrah's as a premier brand name have well-positioned Harrah's to face the challenges present within the industry. Harrah's has recently introduced WINet, a sophisticated nationwide customer database, and its national Total Gold Card, a nationwide frequent-player card, both of which it believes will provide competitive advantages, particularly with players who visit more than one market.

Political Uncertainties

The casino entertainment industry is subject to political and regulatory uncertainty. In 1996, the U.S. government formed a federal commission to study gambling in the United States, including the casino gaming industry. At this time, the role of the commission and the ultimate impact that it will have on the industry is uncertain. From time to time, individual jurisdictions have also considered legislation which could adversely impact Harrah's operations, and the likelihood or outcome of similar legislation in the future is difficult to predict.

The casino entertainment industry represents a significant source of tax revenues to the various jurisdictions in which casinos operate. From time to time, various state and federal legislators and officials have proposed changes in tax laws, or in the administration of such laws, which would affect the industry. It is not possible to determine with certainty the scope or likelihood of possible future changes in tax laws or in the administration of such laws. If adopted, such changes could have a material adverse effect on Harrah's financial results.

INTERCOMPANY DIVIDEND RESTRICTION

Agreements governing the terms of its debt require Harrah's to abide by covenants which, among other things, limit HOC's ability to pay dividends and make other restricted payments, as defined, to Harrah's. The amount of HOC's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments (other than for the repurchase of Harrah's common stock) was approximately $732.4 million at September 30, 1997. With respect to any payments by HOC to Harrah's for the purpose of providing funds to Harrah's for the repurchase of its common stock, the amount of HOC's restricted net assets under such covenant was approximately $597.7 million at September 30, 1997. Harrah's principal asset is the stock of HOC, a wholly-owned subsidiary which holds, directly and through subsidiaries, the principal assets of Harrah's businesses. Given this ownership structure, these restrictions should not impair Harrah's ability to conduct its business through its subsidiaries, to pursue its development plans or to complete the stock repurchase program.

PRIVATE SECURITIES LITIGATION REFORM ACT

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. Certain information included in this Form 10-Q and other materials filed or to be filed by the Company with the Securities and Exchange Commission ("SEC") (as well as information included in oral statements or other written statements made or to be made by the Company) contains statements that are forward looking. These include statements relating to the following activities, among others: (A) operations and expansions of existing properties, including future performance, anticipated scope and opening dates of expansions, and exit plans with respect to certain properties; (B) planned openings and development of Indian casinos that would be managed by the Company; (C) the possible plan of reorganization and its various facets for New Orleans; (D) implementation of the stock repurchase program and planned capital expenditures for 1997; (E) the possible acquisition/construction of a second property in Las Vegas, Nevada; and (F) the impact of the WINet and Gold Card programs. These activities involve important factors that could cause actual results to differ materially from those expressed in any forward looking statements made by or on behalf of the Company. These include, but are not limited to, the following factors as well as other factors described from time to time in the

Company's reports filed with the SEC: construction factors, including zoning issues, environmental restrictions, soil conditions, weather and other hazards, site access matters and building permit issues; access to available and feasible financing; regulatory and licensing approvals, third party consents and approvals, and relations with partners, owners and other third parties; business and economic conditions; litigation, judicial actions and political uncertainties, including gaming legislation and taxation; and the effects of competition including locations of competitors and operating and marketing competition. Any forward looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

PART II -OTHER INFORMATION

Item 1. Legal Proceedings

On September 26, 1995, Harrah's New Orleans Investment Company ("HNOIC"), an indirect subsidiary of the Company, filed in the United States District Court for the Eastern District of Louisiana a suit styled HARRAH'S NEW ORLEANS INVESTMENT COMPANY V. NEW ORLEANS LOUISIANA DEVELOPMENT CORPORATION, Civil No. 95-3166. At issue in the suit is the percentage of ownership that New Orleans/Louisiana Development Corporation ("NOLDC") holds in Harrah's Jazz Company ("HJC"), a Louisiana partnership whose general partners are HNOIC, NOLDC and Grand Palais Casino, Inc. This declaratory judgment action seeks to confirm that, as of September 26, 1995, NOLDC's percentage interest in the Harrah's Jazz Company partnership was only 13.73% and, therefore, NOLDC is not a "Material Partner" in HJC. This case was put on "administrative hold" after the filing by NOLDC of a Chapter 11 bankruptcy petition on November 21, 1995. Should it be put back on the active list, HNOIC or the appropriate post-bankruptcy entity would vigorously prosecute it. At the time the case was put on "administrative hold," no discovery on the merits had been taken and no answer had been filed by NOLDC.

On September 28, 1995, NOLDC filed suit against the Company and various of its corporate affiliates in NEW ORLEANS LOUISIANA DEVELOPMENT CORPORATION V. HARRAH'S ENTERTAINMENT, FORMERLY D/B/A THE PROMUS COMPANIES, HARRAH'S NEW ORLEANS INVESTMENT COMPANY, HARRAH'S NEW ORLEANS MANAGEMENT COMPANY, HARRAH'S JAZZ COMPANY, AND PROMUS HOTELS, FORMERLY D/B/A EMBASSY SUITES, INC., Civil No. 95-14653, filed in the Civil District Court for the Parish of Orleans. The case was subsequently removed by defendants to the United States District Court for the Eastern District of Louisiana. In this suit, NOLDC seeks to realign ownership interests in HJC among HNOIC and NOLDC. NOLDC also seeks an unspecified dollar amount of damages sufficient to compensate it for the losses it alleges it has suffered as a result of actions of defendants. NOLDC has indicated that it intends to seek to remand the suit to the Civil District Court. The case was also put on "administrative hold" by the District Court Judge as a result of NOLDC's bankruptcy filing. The Company and other defendants intend to vigorously defend the action should it be put back on the active case list. At the time it was put on "administrative hold," no answer had been filed by any defendant and no discovery had been taken.

Beginning on November 28, 1995, eight separate class action suits were filed against the Company and various of its corporate affiliates, officers and directors in the United States District Court for the Eastern District of Louisiana. They are BEN F. D'ANGELO, TRUSTEE FOR BEN F. D'ANGELO REVOCABLE TRUST V. HARRAH'S ENTERTAINMENT CORP., MICHAEL D. ROSE, PHILIP G. SATRE AND RON LENCZYCKI; MAX FENSTER V. HARRAH'S ENTERTAINMENT, INC., HARRAH'S NEW ORLEANS INVESTMENT COMPANY, GRAND PALAIS CASINO, INC., PHILIP G. SATRE, COLIN V. REED, MICHAEL N. REGAN, CHRISTOPHER B. HEMMETER, DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION, SALOMON BROTHERS, INC., AND BT SECURITIES CORP.; GOLDIE ROSENBLOOM V. HARRAH'S ENTERTAINMENT CORP., MICHAEL D. ROSE, PHILIP G. SATRE AND RON LENCZYCKI; BARRY ROSS V. HARRAH'S NEW ORLEANS INVESTMENT COMPANY, PHILIP G. SATRE, COLIN V. REED, LAWRENCE L. FOWLER, MICHAEL N. REGAN, CEZAR M. FROELICH, ULRIC HAYNES, JR., WENDELL GAUTHIER, T. GEORGE SOLOMON, JR., DUPLAIN W. RHODES, III, HARRAH'S ENTERTAINMENT, INC., DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION, SALOMON BROTHERS INC., AND BT SECURITIES CORP.; LOUIS SILVERMAN V. HARRAH'S ENTERTAINMENT, INC., HARRAH'S NEW ORLEANS INVESTMENT COMPANY, GRAND PALAIS CASINO, INC., PHILIP G. SATRE, COLIN V. REED, MICHAEL N. REGAN, CHRISTOPHER B. HEMMETER, AND DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION; FLORENCE KESSLER V. PHILIP G. SATRE, COLIN V. REED, CHARLES A. LEDSINGER, JR., MICHAEL N. REGAN, LAWRENCE L. FOWLER, CHRISTOPHER B. HEMMETER, CEZAR M. FROELICH, ULRIC HAYNES, JR., WENDELL H. GAUTHIER, T. GEORGE SOLOMON, JR., DUPLAIN W. RHODES, III, DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION, SALOMON BROTHERS INC., AND BT SECURITIES CORPORATION; WARREN ZEILLER AND JUDITH M.R. ZEILLER V. HARRAH'S ENTERTAINMENT CORP., MICHAEL D. ROSE, PHILIP G. SATRE, AND RON LENCZYCKI; AND CHARLES ZWERVING AND HELENE ZWERVING V. HARRAH'S ENTERTAINMENT CORP., PHILIP G. SATRE, COLIN V. REED, CHRISTOPHER B. HEMMETER, AND DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION. Per Court Order of January 26, 1996, the above plaintiffs filed a consolidated complaint in the action numbered 95-3925 IN RE HARRAH'S ENTERTAINMENT, INC. SECURITIES LITIGATION. The consolidated complaint alleges that various misstatements and omissions were made in connection with the sale of Harrah's Jazz Company 14.25% First Mortgage Notes and thereafter, and seeks unspecified damages, as well as costs of legal proceedings. On April 25, 1997, the United States District Court preliminarily approved a settlement of this matter, which settlement is contingent upon the consummation of a Plan of Reorganization for HJC. A final fairness hearing was held on June 26, 1997. On July 31, 1997, the Court ruled that the settlement was fair to class members.

On December 6, 1995 Centex Landis, the general contractor for the permanent casino being developed by HJC, filed suit against the Company, among others, in the Civil District Court for The Parish of Orleans in CENTEX LANDIS CONSTRUCTION CO., INC. V. HARRAH'S ENTERTAINMENT, INC. FORMALLY D/B/A THE PROMUS COMPANIES, INC.; AND RONALD A. LENCZYCKI, Civil No. 95-18101. Defendants removed the case to the United States District Court for the Eastern District of Louisiana and it was subsequently transferred to the Bankruptcy Court handling the HJC bankruptcy. A motion for remand is pending. This suit seeks to collect more than $40 million allegedly owed to Centex Landis by HJC from the Company under guarantee, fraud, fraudulent advertising and unfair trade practice theories. The Company and the other defendant intend to vigorously defend the action and have filed an answer denying all of plaintiff's allegations. No discovery has been taken in the action.

RUSSELL M. SWODY, ET AL. V. HARRAH'S NEW ORLEANS MANAGEMENT COMPANY AND HARRAH'S ENTERTAINMENT, INC., Civil No. 95-4118, was filed against the Company on December 13, 1995 in the United States District Court for the Eastern District of Louisiana, and subsequently amended. SWODY is a class action lawsuit under the Worker Adjustment and Retraining Notification Act ("WARN Act") and seeks damages for alleged failure to timely notify workers terminated by Harrah's New Orleans Management Company at the time of the HJC bankruptcy. Plaintiffs seek unspecified damages, as well as costs of legal proceedings, for themselves and all members of the class. An answer has been filed denying all of plaintiffs' allegations.

SWODY was consolidated with SUSAN N. POIRIER, DARLENE A. MOSS, ET AL. V. HARRAH'S ENTERTAINMENT, INC., HARRAH'S NEW ORLEANS MANAGEMENT COMPANY, AND HARRAH'S OPERATING Company, Civil No. 96-0215, which was filed in the United States District Court for the Eastern District of Louisiana on January 17, 1996, and subsequently amended. POIRIER seeks not only damages under the WARN Act, but also under the Employee Retirement Income Security Act ("ERISA") for the alleged wrongful failure to provide severance to those terminated. Similar proofs of claims were filed by Ms. Poirier in the Bankruptcy Court for the Eastern District of Louisiana in the HJC, HNOIC and Harrah's Jazz Finance Corp. bankruptcy cases.

A settlement has been reached with the SWODY and POIRIER plaintiffs, which calls for a payment to be made by HJC in exchange for the dismissal of all actions, which settlement is contingent on the consummation of the Plan of Reorganization for HJC. That settlement has already been determined to be fair to all class members by the Bankruptcy Court.

On December 29, 1995 in the Civil District Court for The Parish of Orleans, the City of New Orleans filed suit against the Company and others in CITY OF NEW ORLEANS AND RIVERGATE DEVELOPMENT CORPORATION V. HARRAH'S ENTERTAINMENT, INC. (F/K/A THE PROMUS COMPANIES, INC.), GRAND PALAIS CASINO, INC., EMBASSY SUITES, INC., FIRST NATIONAL BANK OF COMMERCE AND RONALD A. LENCZYCKI, Civil No. 95-19285. This suit seeks to require the Company, among others, to complete construction of the permanent casino being developed by HJC under theories of breach of completion guarantee contract, breach of implied duty of good faith, detrimental reliance, misrepresentation, and false advertising. Plaintiff seeks unspecified damages, as well as costs of legal proceedings. Defendants have removed the suit to the United States District Court for the Eastern District of Louisiana and it was then transferred to the Bankruptcy Court handling the HJC bankruptcy. A motion for remand is pending. The Company and the other defendants have filed an answer denying all of plaintiffs' allegations and intend to vigorously defend the action.

LOUISIANA ECONOMIC DEVELOPMENT AND GAMING CORPORATION V. HARRAH'S ENTERTAINMENT, INC. AND HARRAH'S OPERATING COMPANY, INC., Civil No. 424328, was filed on January 23, 1996 in the Nineteenth Judicial Court of the State of Louisiana, Parish of East Baton Rouge. On February 21, 1996, the Company and the other defendants removed the case to the Federal District Court for the Middle District of Louisiana and asked that it be transferred to the Bankruptcy Court handling the HJC bankruptcy. The case has been transferred. A motion for reconsideration has been filed by LEDGC. In this suit LEDGC seeks to require the Company and Harrah's Operating Company to complete construction of the permanent casino being developed by HJC under theories of breach of completion guarantee contract, breach of implied duty of good faith, detrimental reliance, misrepresentation and, in the alternative, seeks damages. The Company has filed an answer and counterclaim against LEDGC. LEDGC has moved to have that counterclaim dismissed and/or for summary judgment. No ruling has yet been made by the court. The defendants intend to vigorously defend the action and prosecute their counterclaim.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

*EX-10.1 Description of Amendments to Executive Deferred Compensation Plan.

*EX-11 Computation of per share earnings.

*EX-27 Financial Data Schedule.

*Filed herewith.

No reports on Form 8-K were filed during the quarter ended September 30, 1997.

Signature

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.

HARRAH'S ENTERTAINMENT, INC.

November 13, 1997 BY: /s/ JUDY T. WORMSER

Judy T. Wormser
Vice President and Controller
(Chief Accounting Officer)

Exhibit Index

Exhibit No.	Description	Sequential Page No.
EX-10.1	Description of Amendments to Executive Deferred Compensation Plan.	
EX-11	Computation of per share earnings.	
EX-27	Financial Data Schedule.	

EXHIBIT 10.1

Description of Amendments to Executive
Deferred Compensation Plan

On February 24, 1997 and July 24, 1997, the Company's Executive Deferred Compensation Plan was amended to approve payment of the applicable retirement rates under the Plan to Shirley Young and James L. Barksdale, respectively, who retired from the Board of Directors during 1997.

HARRAH'S ENTERTAINMENT, INC.
COMPUTATIONS OF PER SHARE EARNINGS

(In thousands)	Third Quarter Ended Sept. 30, 1997	Sept. 30, 1996	Nine Months Ended Sept. 30, 1997	Sept. 30, 1996
Income before extraordinary loss	$ 52,889,000	$ 42,350,000	$ 95,373,000	$103,737,000
Extraordinary loss, net	-	-	(8,134,000)	-
Net income	$ 52,889,000	$ 42,350,000	$ 87,239,000	$103,737,000
Primary Earnings Per Share				
Weighted average number of common shares outstanding	100,038,685	102,762,954	100,793,711	102,688,120
Common stock equivalents				
Additional shares based on average market price for period:				
Restricted stock	152,580	38,327	55,551	48,527
Stock options	643,454	522,961	517,570	713,283
Average number of primary common and common equivalent shares outstanding	100,834,719	103,324,242	101,366,832	103,449,930
Primary earnings per common and common equivalent share				
Income before extraordinary loss	$ 0.52	$ 0.41	$ 0.94	$ 1.00
Extraordinary loss, net	-	-	(0.08)	-
Net income	$ 0.52	$ 0.41	$ 0.86	$ 1.00
Fully Diluted Earnings Per Share				
Average number of primary common and common equivalent shares outstanding	100,834,719	103,324,242	101,366,832	103,449,930
Additional shares based on period-end price applicable to:				
Restricted stock	22,240	-	73,642	-
Stock options	205,983	-	331,867	-
Average number of fully diluted common and common equivalent shares outstanding	101,062,942	103,324,242	101,772,341	103,449,930
Fully diluted earnings per common and common equivalent share				
Income before extraordinary loss	$ 0.52	$ 0.41	$ 0.94	$ 1.00
Extraordinary loss, net	-	-	(0.08)	-
Net income	$ 0.52	$ 0.41	$ 0.86	$ 1.00

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DEC-31-1997
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