

# AMERISTAR CASINOS

2008 ANNUAL REPORT

Dear Fellow Shareholders,

Despite one of the most difficult years economically in the country's history, I am pleased to report that Ameristar achieved significant financial and operational milestones in 2008 and finished the year well positioned to strengthen our Company and enhance shareholder value.

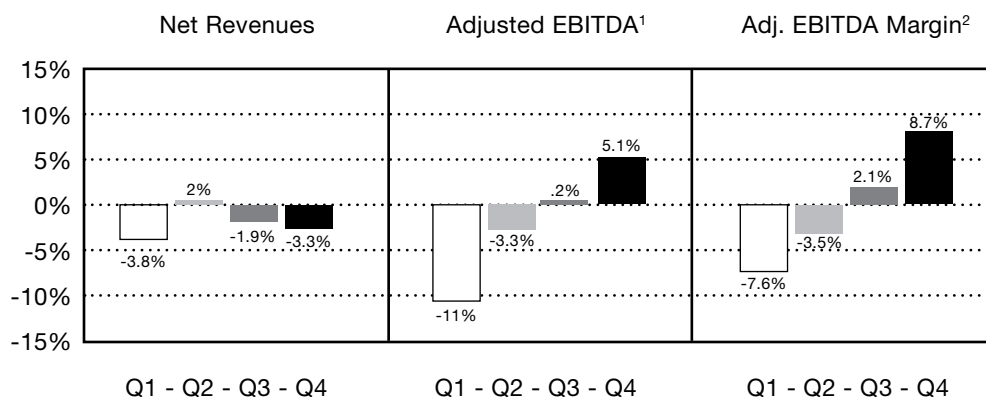
During the year, we completed significant expansions or enhancements at three of our eight properties and made substantial progress on a fourth expansion – construction of a luxury hotel and spa at our property in Black Hawk, Colorado, outside of Denver. The Company's executive leadership changed significantly at the end of May, and we immediately began work on an operational efficiency plan that enabled us to achieve a strong second half of the year, despite the continuing deterioration of the global economy. We also were successful in winning voter-approved regulatory reform in Missouri and Colorado that we are confident will fuel profitable growth going forward.

#### **NEW EXECUTIVE MANAGEMENT WORKS QUICKLY TO TRANSFORM AMERISTAR**

I was pleased to assume the position of Chief Executive Officer and Vice Chairman of the Board on May 31, after most recently serving as Co-Chairman of the Board and Executive Vice President. Ray Neilsen, who previously served as Co-Chairman of the Board and Senior Vice President, was named Chairman. A member of our Board of Directors since 1994, Larry Hodges, was named President and Chief Operating Officer, while Senior Vice President and General Counsel Peter Walsh took on the expanded role of Chief Administrative Officer.

With Senior Vice President and Chief Financial Officer Thomas Steinbauer and other members of our senior leadership team, we immediately began work on an operating efficiency plan to transform Ameristar into a leaner, more nimble company. Examining everything from staffing and promotional expenses to menu portions and consulting contracts, we embarked upon a comprehensive reassessment and implemented an action plan that enabled us to realize a significant improvement in Adjusted EBITDA and Adjusted EBITDA margin in the second half of the year, despite a decline in revenues. We are on track to generate at least \$45 million in annualized savings, and we are continuing to identify additional opportunities to manage our costs. The graph below, showing year-over-year changes in our 2008 quarterly same-store net revenues, Adjusted EBITDA and Adjusted EBITDA margin, demonstrates a strong trend we are proud to share with you.

Consolidated Same-Store YOY Change 2008 vs 2007  
(excludes Ameristar Casino Hotel East Chicago)



Equally significant, our efforts improved how we work together by creating a more streamlined and efficient management structure. And most important of all, we have improved our bottom line without diminishing the Ameristar guest experience that ultimately drives our long-term shareholder value.

**EXPANDING AND ENHANCING OUR PRESENCE IN OUR MARKETS**

Although we placed a renewed emphasis in 2008 on controlling costs and operating more efficiently, we remained committed to a tenet of our late founder, Craig Neilsen, who saw capital investment as one of the surest ways to deliver on our key strategy of creating the best facility to maximize our potential in each market in which we operate.

In 2008, we:

- Completed the \$270 million, 397-unit luxury hotel and spa at Ameristar Casino Resort Spa in St. Charles, Missouri. The new all-suite hotel, spa, indoor-outdoor pool and conference facilities have transformed our property into a true regional resort offering some of the highest-quality accommodations, dining and entertainment in greater St. Louis.
- Finished a \$100 million expansion of Ameristar Casino Hotel Vicksburg, including a casino expansion that increased our gaming positions by about 30% and added the market’s only live poker room, two new restaurants, a VIP lounge and a new 1,000-space parking garage with direct access to the casino. The property’s

1) Please refer to the table following the Form 10-K in this Annual Report for the reconciliation of the non-GAAP financial measures EBITDA and Adjusted EBITDA to operating income, a GAAP financial measure.

2) Adjusted EBITDA margin is Adjusted EBITDA as a percentage of net revenues.

149-room hotel also was renovated during the year. We believe this investment helped us maintain our dominant market share lead despite the opening of a new competitor in the fall.

- Rebranded our newest property, located in Indiana in the greater Chicagoland market, to Ameristar Casino Hotel East Chicago. As part of the rebranding, we completed a number of enhancements to the facility, including improved food and beverage offerings and a remodeled casino floor featuring a new design and layout. We believe our upgrades and the introduction of Ameristar's service standards enabled the property to fare better than anticipated in the face of the summer opening by a competitor of a major facility expansion.
- Continued to make progress on construction of a 33-story, \$235 million hotel at our property in Black Hawk, Colorado, which remains on budget and on schedule to open in the fall of this year. The facility will include 536 rooms and suites, Black Hawk's only full-service spa, an enclosed rooftop swimming pool and a meeting center. Once completed, Ameristar Casino Resort Spa Black Hawk will offer destination resort amenities and services unequaled in the Denver gaming market.

#### **REGULATORY REFORM IN MISSOURI AND COLORADO SHOULD FUEL PROFITABLE REVENUE GROWTH**

We expect the return on investment on our St. Charles, Kansas City and Black Hawk properties (representing about 58% of our 2008 Adjusted EBITDA) to benefit significantly from reforms in state gaming laws approved by Missouri and Colorado voters last November.

Missouri Proposition A eliminated the state's \$500 loss limit and mandatory boarding card requirement, placed a moratorium on new gaming licenses in Missouri and raised taxes on gross gaming receipts from 20% to 21%. We implemented elimination of the loss limits and boarding card requirement within a few hours of receiving approval from the Missouri Gaming Commission in early November. Although we continue to make operational changes and refine our marketing efforts, early results have been very promising. We expect to see continued benefits as we market Ameristar Casino Hotel Kansas City and Ameristar Casino Resort Spa St. Charles to take advantage of these regulatory enhancements.

In Colorado, the passage of Amendment 50 and a subsequent local enabling referendum will allow us, effective July 2, 2009, to operate our casino 24 hours a day (increased from the current 18-hour limit), increase single-bet limits to \$100 (from the current \$5 limit) and add the games of craps and roulette. We believe the

opening of our hotel and spa later this year, coupled with the changes authorized by Amendment 50, will allow us to better attract guests from throughout the Denver metropolitan market, including those who now travel to Las Vegas for their gaming and resort entertainment.

### **BORROWINGS AND DEBT COMPLIANCE**

To ensure continued compliance with our maximum permitted senior leverage ratio covenant, which was scheduled to decline in future quarters, we obtained an amendment to our senior credit facility in March 2009. In addition to avoiding an otherwise potential violation of the senior leverage ratio covenant in the second half of 2009, the amended senior credit facility provides us with significantly greater financial flexibility as we explore options to refinance our revolving debt that matures in November 2010.

### **LOOKING FORWARD IN 2009**

We expect to face continued revenue challenges in 2009 from the global economic crisis and increased competition in two markets. Ameristar's management, however, will continue the same fiscal vigilance that enabled us to significantly improve margins in 2008. That continued financial scrutiny, coupled with regulatory reform benefiting three of our key markets and premier expansion projects in two of those markets, positions us well to generate profitable growth.

Thank you for the confidence in us you have demonstrated by your choice to include Ameristar Casinos in your investment portfolio.

Sincerely,

A handwritten signature in cursive script that reads "Gordon R. Kanofsky".

Gordon R. Kanofsky

Chief Executive Officer and Vice Chairman of the Board



