

ANNUAL REPORT



Hilton  *Hotels*
ACROSS THE NATION

1948



ANNUAL REPORT

1948

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DIRECTORS AND OFFICERS

HILTON HOTELS CORPORATION

Executive Offices: The Stevens Hotel, Chicago 5, Illinois

Corporate Offices: 19-22 Dover Green, Dover, Delaware

BOARD OF DIRECTORS

HENRY CROWN

Chairman, Material Service Corporation, Chicago

ROBERT W. DOWLING

President, City Investing Company, New York City

Y. FRANK FREEMAN

Executive Vice-President, Paramount Pictures, Inc., Hollywood

L. BOYD HATCH

Executive Vice-President, Atlas Corporation, New York City

CONRAD N. HILTON

President

WILLARD W. KEITH

President, Cosgrove and Company, Los Angeles

LAWRENCE STERN

President, American National Bank & Trust Company of Chicago

SAM D. YOUNG

President, El Paso National Bank, El Paso

OFFICERS

CONRAD N. HILTON

President

ROBERT P. WILLIFORD

Executive Vice-President

JOSEPH P. BINNS
Vice-President

SPEARL ELLISON
Vice-President

W. L. TOOLEY
Vice-President

HENRY CROWN
Vice-President

LYNN H. MONTJOY
Vice-President

WILLIAM J. FRIEDMAN
Secretary

JAMES B. HERNDON, JR.
Vice-President and Treasurer

H. E. HOLT
Assistant Treasurer and Comptroller

COMMON STOCK

TRANSFER AGENTS

The First National Bank of Chicago
Manufacturers Trust Company of New York
Bank of America N T & S A, Los Angeles

REGISTRARS

American National Bank and Trust Company of Chicago
Title Guarantee & Trust Company of New York
California Trust Company, Los Angeles

PREFERRED STOCK

TRANSFER AGENTS

Manufacturers Trust Company of New York
The First National Bank of Chicago

REGISTRARS

The Marine Midland Trust Company of New York
American National Bank and Trust Company of Chicago

1948 AT A GLANCE

YEARS ENDED DECEMBER 31	1948	1947	1946 *
GROSS REVENUE	\$43,171,720	\$42,543,078	\$39,483,266
TOTAL EXPENSES	\$39,183,231	\$37,952,427	\$35,943,344
NET PROFIT			
Excluding Non-Recurring Items	\$ 3,988,489	\$ 4,590,651	\$ 3,539,922
Including Non-Recurring Items	\$ 3,917,805	\$ 5,540,159	\$ 3,550,547
EARNINGS PER COMMON SHARE			
Excluding Non-Recurring Items	\$ 2.33	\$ 2.56	\$ 1.89
Including Non-Recurring Items	\$ 2.28	\$ 3.15	\$ 1.90
NET WORKING CAPITAL DECEMBER 31	\$ 2,554,182	\$ 4,682,738	\$ 2,367,675
EARNED SURPLUS DECEMBER 31	\$ 6,964,421	\$ 4,934,769	\$ 1,461,414
OUTSTANDING STOCK DECEMBER 31			
Convertible Preference (Shares)	134,463.00	197,401.35	237,012.54
Common (Shares)	1,583,545.	1,618,578.	1,618,377.

* Hilton Hotels Corporation was created by consolidation May 31, 1946. Operations for the year 1946 include seven months operation by the corporation and five months operation by the consolidating companies and their predecessors.

PRESIDENT'S LETTER



To the Shareholders of Hilton Hotels Corporation:

We submit to you, the 2,522 shareholders of Hilton Hotels Corporation, our annual report for the year ended December 31, 1948, including auditors' certificate of Harris, Kerr, Forster & Company, consolidated balance sheet and summaries of consolidated profit and loss and surplus accounts. The consolidated financial statements include the wholly-owned subsidiary, Hilton Hotels International, Inc.

Gross receipts from business done by the corporation's properties were greater than in any previous year, but earnings for 1948 show a decline from those of 1947, due largely to three factors:

1. A decrease of \$1,020,192 in earnings occasioned by a non-recurring loss of \$70,684 in 1948 as against a non-recurring profit of \$949,508 in 1947.
2. An increase of \$723,002 in repairs and maintenance from \$2,080,348 in 1947 to \$2,803,350 in 1948.
3. An increase of \$308,662 in depreciation; from \$1,974,050 in 1947 to \$2,282,712 in 1948.

Charts and tables accompanying this report afford interesting studies of comparative costs and operating results, and in order to effect better comparisons, figures for three years are given.

Hilton Hotels Corporation was created by consolidation as of May 31, 1946. Figures for the year 1946 include seven months' operation by

the corporation and five months' operation by the consolidating companies and their predecessors.

EARNINGS

Gross operating revenues and net profits for the years 1948, 1947 and 1946 were:

1948	\$43,171,720
1947	42,543,078
1946	39,483,266

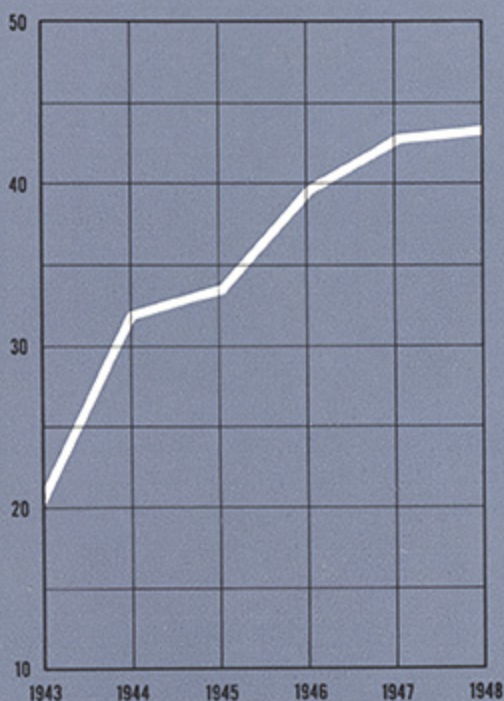
Net profits were:

1948	\$ 3,917,805
1947	5,540,159
1946	3,550,547

There were no non-recurring profits in 1948 but, in fact, due to the abandonment of certain equipment at the Plaza, a non-recurring loss of \$70,684. The 1947 Net Profit includes \$949,508 of non-recurring profits and 1946 includes \$10,625.

The net profit for 1948 was equal to \$2.28 per share on the 1,583,545 common shares outstanding in the hands of the public on December 31st last after providing for dividends on the convertible preference stock. For the year ended December 31, 1947, total earnings were equal to \$3.15 per share on the 1,618,578 common shares then outstanding, including 59 cents per common share representing non-recurring profits resulting from the sale of assets. In 1946 earnings were equal to \$1.90 per share on the 1,618,377 common shares then outstanding, including one cent per share non-recurring profit.

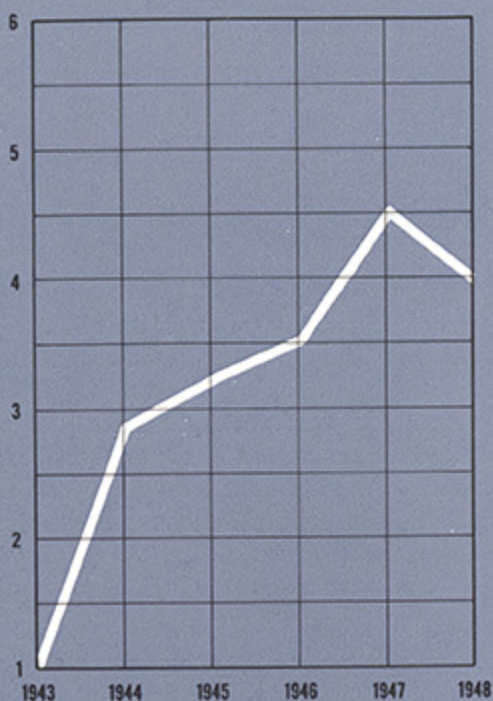
GROSS REVENUE



Millions
of Dollars

Compiled from
figures on page 32

NET PROFIT *

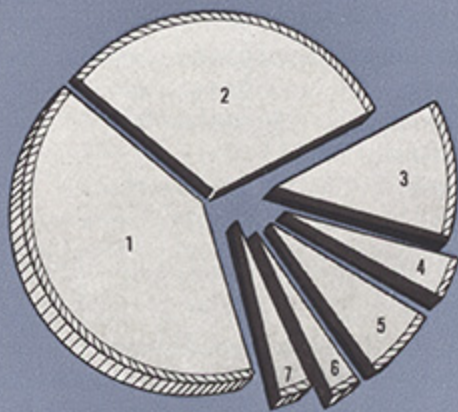


Millions
of Dollars

Compiled from figures on page 32 - excluding
nonrecurring profit of \$10,625 in 1946 and
\$949,508 in 1947

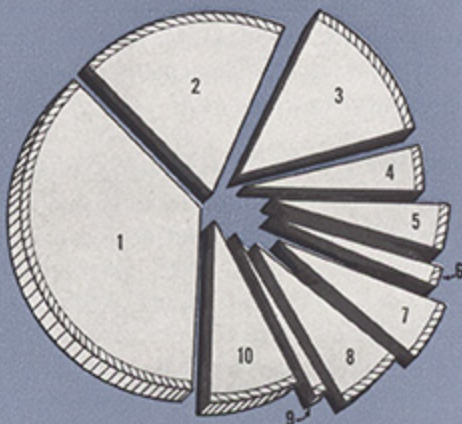
THE HILTON DOLLAR

Where it came from...



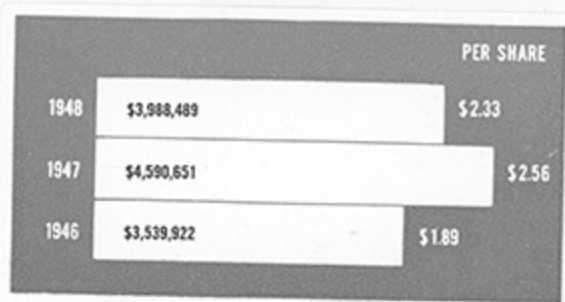
1. Rooms	40.9%
2. Food	31.7%
3. Beverage	12.4%
4. Telephone	3.6%
5. Other Depts.	6.8%
6. Store Rentals	2.4%
7. Other Income	2.2%

Where it went...



1. Payroll & Related Expenses	37.2%
2. Cost of Sales	19.0%
3. Other Expenses	13.5%
4. Repairs & Maint. (Excl. Payroll)	4.0%
5. Real Estate & Personal Property Taxes and Sundry Capital Charges	4.2%
6. Interest on Borrowed Money	1.9%
7. Depreciation & Amortization	5.3%
8. Federal Income Taxes	5.8%
9. Convertible Preference Stock Dividends	.7%
10. Available for Investment, Expansion and Common Stock Dividends	8.4%

Hotel operations only for the three years 1948, 1947 and 1946 are shown on the chart following:



MAYFLOWER HOTEL CORPORATION

Your corporation purchased 3,052 additional shares of common capital stock of Mayflower Hotel Corporation, Washington, D. C., during the past year, and on December 31, 1948, owned 270,992 shares, or 69.53% of the total stock outstanding. A dividend of \$81,297.60 was received from the Mayflower Hotel Corporation amounting to 5 cents per share on the common stock of your corporation.

A suit was filed in the Federal District Court of Washington, D. C., against your corporation, certain of its officers, directors and others, by minority stockholders of the Mayflower seeking to set the stock purchase and the management contract aside. This court has ruled twice that the complaint as filed and as amended did not state a cause of action and dismissed it. On appeal, the Circuit Court of Appeals ruled on January 10, 1949 that the dismissal should be reversed and the case tried on its merits by the District court. A petition for rehearing has been filed but had not yet been acted upon when this report went to press.

HILTON HOTELS INTERNATIONAL, INC.

Hilton Hotels International, Inc., wholly-owned subsidiary, has had no income since its organization in April 1948. Its operating expenses were \$26,563.16, most of which was expended in the exploration of the many projects which have been offered the company, in the management of the Bermuda properties, and in the further development of plans for the operation of the Caribe-Hilton in San Juan, Puerto Rico. The personnel of the company have investigated many projects, none of which have yet matured.

The Caribe-Hilton, now being built by the Puerto Rico Industrial Development Company

in San Juan, Puerto Rico, to be operated under lease, is progressing satisfactorily and should be ready for occupancy in the latter part of 1949.

OPERATING CONTRACTS

The corporation's contract to supervise management of the Mayflower Hotel, Washington, D. C., is still in effect. The corporation also has contracts to supervise management of the Roosevelt Hotel, New York, New York, and the Palacio Hilton, Chihuahua, Mexico. Contract to supervise the management of the Bermuda properties was transferred to Hilton Hotels International in July, as noted elsewhere.

DIVIDEND PAYMENTS

Regular quarterly dividends of 50 cents a share were paid on the convertible preference stock in 1948. These payments were made on March 1st, June 1st, September 1st and December 1st. Common dividend payments of 25 cents per share were also made at quarterly intervals on the same dates. The total dividend distribution of \$1,888,153 represented 48% of the net profit during the year. This compared with a distribution in 1947 of \$2,039,198, representing 37% of the net profit for that year. During 1948 \$2,029,652, or 52% of the net profit, was reinvested in the business, the equivalent of \$1.28 per share.

SECURED DEBT

Our total secured debt is now represented by the following mortgages:

Palmer House	\$15,680,000.00	3½% interest
Plaza	5,927,365.03	4% "
Town House	350,000.00	4½% "
Hilton Hotel, El Paso	121,500.00	4% "
TOTAL	\$22,078,865.03*	

Total 1948 interest charges were \$810,703. Total principal payments were \$514,362.61.

During the past year your corporation received a total of \$1,135,601 from store and lobby rentals, of which amount the Palmer House produced \$979,431. Significantly, this amount is sufficient to service the interest and principal requirements of the Palmer House mortgage.

*The complete ownership of the Palm Beach Biltmore Hotel was acquired subject to mortgage indebtedness of \$975,000. Since this property was sold early in 1949 (see Acquisitions and Sales), the total secured debt excludes the mortgage indebtedness of the Palm Beach Biltmore Hotel.



CARIBE HILTON • SAN JUAN, P. R.
(Opening late in 1949)

CAPITAL STRUCTURE

During the year 1948, your corporation purchased 64,187.35 shares of convertible preference stock having an aggregate par value of \$3,209,367.50 at a cost of \$2,276,188.43. This is an average gross cost of \$35.46 per share. On June 2, 1948, the corporation invited tenders of convertible preference stock at a price not to exceed \$35.00 a share. A total of 54,017 shares was acquired at a cost of \$1,890,595. Capital surplus was increased by \$933,179.07 due to these transactions.

On January 31st, 1949 an additional offer was made to the holders of the convertible preference stock to purchase such stock at \$40.00 per share on the following terms: 20% in cash and an option on 20% for each of the following four years. Shareholders to agree to waive dividends on said stock under option to the Corporation. A total of 71,002 shares were submitted to the Corporation on this basis, of which 14,206 shares were purchased and paid for and 56,796 shares are subject to the Corporation's option. Capital surplus was further increased by \$142,060.

Pursuant to the authorization of your Board

of Directors, 31,100 shares of Hilton Hotels Corporation common stock were purchased in the open market at a cost of \$330,917.03, an average of \$10.64 per share. These shares have been placed in the corporation treasury and are available for future corporate use.

A comparison of the outstanding capitalization for the years ended December 31, 1948, and December 31, 1947, respectively, is shown below:

	12-31-48	12-31-47
Funded and long term indebtedness	\$23,187,174.60	\$22,758,750.06
Convertible Preference Stock 4% (\$50 par)	6,723,150.00	9,870,067.50
Common Stock (\$5.00 par)	8,073,225.00	8,092,890.00
Capital and Earned Surplus	14,056,344.75	11,071,998.80
	\$28,852,719.75	\$29,034,956.30
Deduct: Cost of Treasury Common Stock	330,917.03	
Capital Stock and Surplus	\$28,521,802.72	\$29,034,956.30

Convertible Preference Stock Shares Outstanding	134,463.00	197,401.35
Common Stock—Shares Outstanding	1,583,545.00	1,618,578.00
Book value per share common stock after deducting par value of Convertible Preference Stock ...	\$13.77	\$11.84

Since December 31, 1948 funded and long term indebtedness has been reduced \$975,000, due to the sale of the Palm Beach Biltmore.

Net working capital on December 31, 1948 was \$2,554,182.02. Current assets totaled \$10,061,911.97 at the end of 1948, of which \$6,947,065.72 was in cash or equivalent. Current liabilities amounted to \$7,507,729.95. The ratio of total current assets to current liabilities was 1.34 to 1.

ACQUISITIONS AND SALES

On July 30, 1948, Hilton Hotels Corporation disposed of its securities in both the Neil House Company and the Palm Beach Biltmore Company and acquired full title to the Palm Beach Biltmore Hotel. On December 31, 1948, accordingly, the Neil House was no longer a part of the Hilton group while the Palm Beach Biltmore was a wholly-owned property of the corporation.

On January 10, 1949 your corporation entered into a contract to sell the Palm Beach Biltmore

Hotel for a total consideration of \$1,655,000. This sale resulted in a loss of \$292,979. In last year's annual report we said: "Properties will be disposed of when long-term earnings prospects are unsatisfactory." Both the Neil House and the Palm Beach Biltmore were sold because of unsatisfactory earnings prospects and unsuitability for other reasons.

No further acquisitions were made during the year although Hilton Hotels International, Inc., was organized as a wholly-owned subsidiary with an initial capital of \$500,000 to take over the investment and management contracts for the operation of properties outside of the continental limits of the United States. In part payment of its stock of the subsidiary, your corporation in July assigned to Hilton Hotels International, Inc. its interest in the Bermuda Development Company, Limited, as well as its management contract for the Bermuda hotels and the lease of the Caribe-Hilton Hotel now under construction at San Juan, Puerto Rico.

ROOM OCCUPANCY

There is a large measure of diversification among Hilton properties, which include luxury and commercial hotels, small and large, with the greatest number of rooms, however, concentrated in New York and Chicago.

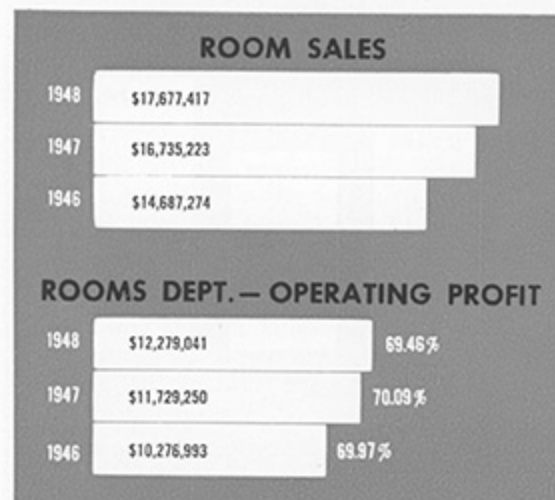
During the past year occupancies have levelled off in all properties. Much of the decrease in occupancies in our large properties is due to vacant rooms on weekends. The average decrease, however, has been slightly more than 6%. Percentage of occupancy and average daily room rates for the past three years of wholly-owned and leased hotels are shown in the following table.

	PERCENTAGE OF OCCUPANCY			AVERAGE DAILY ROOM RATE		
	1948	1947	1946	1948	1947	1946
STEVENS	83.3%	91.7%	94.6%	\$7.06	\$5.98	\$5.01
PALMER HOUSE	85.7%	91.5%	92.0%	\$8.57	\$7.52	\$6.59
PLAZA	85.5%	89.6%	92.3%	\$9.47	\$8.38	\$7.04
DAYTON BILTMORE	84.0%	85.8%	89.8%	\$5.08	\$4.29	\$3.63
EL PASO HILTON	91.9%	94.2%	95.7%	\$4.91	\$4.48	\$3.78
TOWN HOUSE	92.9%	94.5%	96.9%	\$8.38	\$7.87	\$6.44
LUBBOCK HILTON	93.9%	93.2%	94.9%	\$4.39	\$3.89	\$3.15
ALBUQUERQUE HILTON	94.0%	94.5%	94.9%	\$5.41	\$4.87	\$4.24

DEPARTMENTAL RESULTS

Operating costs continued to rise in 1948. There have been some upward adjustments in the prices of rooms, as indicated above. Rooms department results, on the whole, were entirely satisfactory. In spite of slightly lower occupancies, revenues were larger and the percentage of operating profit was satisfactory.

The tables below indicate room sales as well as departmental operating profit for the years 1948, 1947 and 1946.



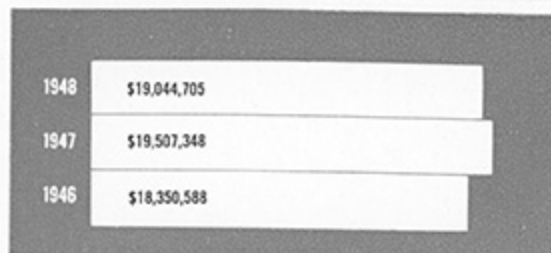
Food and beverage sales produced the second and third largest source of hotel revenues. Combined 1948 sales showed a decrease compared to 1947, as indicated in the tables below.



While combined sales of food and beverages have decreased the rate of operating profit has been maintained at satisfactory levels and neces-

sary upward price adjustments held to a minimum.

The combined food and beverage sales for the last three years were:



Combined food and beverage operating profits were:



Operating profit for minor departments increased \$38,970 last year, while other income comprising commissions, concessions, purchase discounts, waste sales and similar items, was \$796,280, as compared with \$802,751 in 1947 and \$710,171 in 1946.

NEW DEVELOPMENTS

There have been several innovations in Hilton Hotels operations during the past year. In March, 1948, the Boulevard Room of the Stevens was remodeled at a cost of approximately \$150,000 for a new ice show. This new type of entertainment complemented the attractions in the Empire Room at the Palmer House and made it possible for Hilton Hotels to offer two distinct types of entertainment at its Chicago hotels. The success of the new ice show was instantaneous and profits from the operation of the Boulevard Room ran approximately \$318,372 for the period from March 27 to December 31.

The Rendez-Vous, opened at the Plaza in October 31, 1947, has continued to prove its popularity in New York. While volume of business in all supper clubs throughout the United States is off considerably, the total volume of business in our supper clubs in 1948 increased over 1947. The comparative figures are \$3,476,070.80 for 1947, and \$3,766,946.03 for 1948.



The Ice Show at The Stevens

In August, 1948 a contract was signed for a new addition to the Town House in Los Angeles. With only 280 available rooms, a quarter of which are permanently occupied, the Town House has been completely inadequate to handle the many Hilton guests seeking rooms in Los Angeles. The grounds of the Town House lend themselves quite suitably to a bungalow type of construction and very soon a sixteen suite addition will be ready for occupancy. The cost will be approximately \$125,000. The experience of the past few years has proven the need for additional facilities in Los Angeles.

A new bar for convenience of convention guests was opened on the fourth floor of the Palmer House. The consolidation of the Palmer House and Stevens laundries was completed in 1948 at a total cost of approximately \$350,000. This consolidation has resulted in material savings.

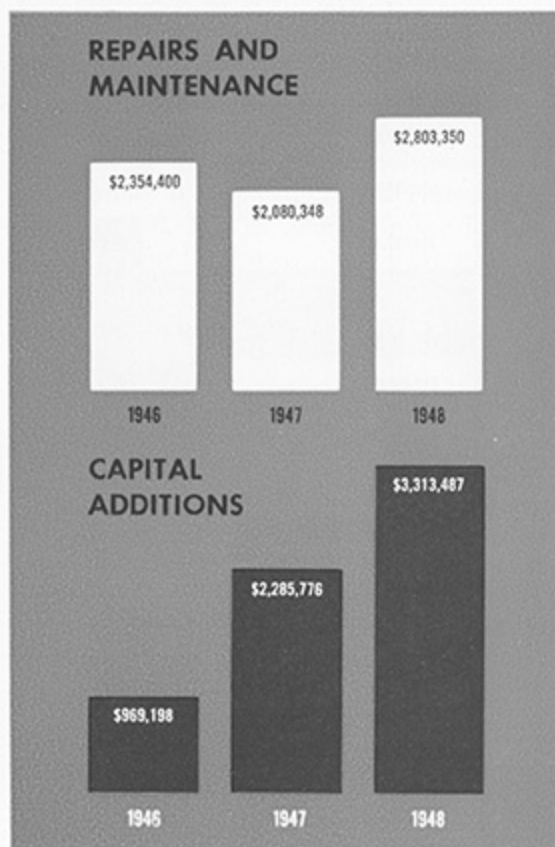
A new credit system has been inaugurated. For nearly a year this department has been working to concentrate, simplify and modernize the credit systems of all those hotels which now make up the Hilton group. Late in December 176,000 new credit cards were sent out and all old credit cards have been cancelled. Of interest to you, as a shareholder, is the fact that as a result of this mailing over 3,000 requests for new cards were received and less than 50 letters complaining of Hilton service. These complaints were chiefly due to inability to get reservations when requested.

MAINTENANCE OF PROPERTIES

Your properties have been maintained in a

first class condition. There have been much repairs and rehabilitation necessary on all the properties due to wartime restrictions and the large volume of business which has prevailed during the last few years.

During the year 1948 the program of repairs and maintenance and capital additions was accelerated. Comparisons of the amount spent during the years 1948, 1947 and 1946 for such items are:



Among the projects included in the 1948 program was the redecoration of approximately 2,650 rooms; the continued rehabilitation of the Plaza boiler room and mechanical plant, including a change over from DC to AC current; the refurnishing of the Palmer House lobby; the rehabilitation of the Main Cafe and redecoration of the Victorian Dining Room in the Palmer House; the purchase of approximately 850 sets of new bedroom furniture especially designed for modern hotel use and scaled to hotel size, including built in radios; the remodeling of the Boulevard Room of the Stevens; and a complete new kitchen layout for the Dayton Biltmore. No hotel has been neglected.

You may see from the above tables that dur-

ing the last two years a total of \$10,482,961 has been spent on your properties. These combined expenditures represent an average of \$708 per room for the past two years.

Because so much has been accomplished in making up for previously deferred repairs and maintenance your directors, acting prudently, have adopted a lower budget for such expenses during 1949.

OPERATING METHODS

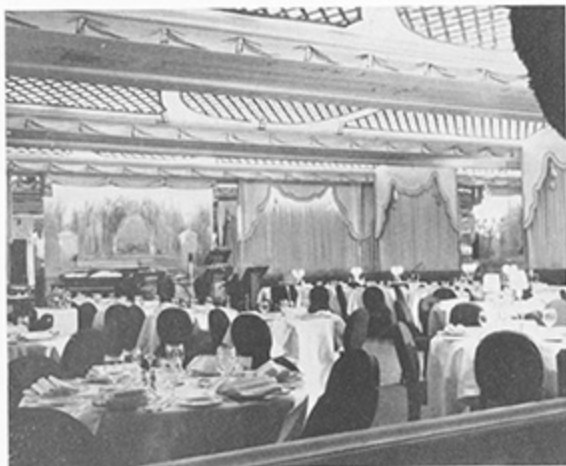
Hilton Hotels continue to lead in the adaptation of business and industrial methods to hotel operation. Time and method studies have been carried out to a great extent in all phases of hotel operation. Pre-costing system for the food and beverage department was adopted with great success in the Stevens Hotel in Chicago and is now being extended to the Palmer House and other units of the Hilton group. Consolidation of operating functions between the Stevens and Palmer House is being continued as expeditiously as possible.

The contract made in December, 1947 with Marshall Field and Company to act as purchasing agent for Hilton Hotels Corporation for the purchase of a large portion of our equipment and supplies has proved eminently satisfactory and has resulted in substantial savings.

PERSONNEL

As of December 31st, 1948, your corporation had approximately 7,067 employees. Payroll and related expenses, such as Federal retirement and unemployment taxes, workmen's compensation, insurance, etc., amounted to \$16,075,868. The table below indicates the comparisons for the last three years. No effect is given to the partially owned and managed hotels.

Relations between your corporation and its employees continued harmonious. Our employee



The Rendez-Vous of The Plaza

group insurance plan has proved popular and during the year Blue Cross hospitalization was made available to all employees. All existing labor contracts were successfully re-negotiated but with upward revisions in rates.

A training program for supervisors was instituted at the Stevens and Palmer House with splendid results and training courses conducted for maids and telephone operators. Eleven qualified department heads were sent to Houston, Texas, to attend the summer hotel training school conducted by the Texas Hotel Association.

The management wishes to take this opportunity to extend its appreciation for the loyal effort and co-operation of its employees without whose help it would have been impossible to have accomplished the results we achieved in 1948.



PERSONNEL

NUMBER OF EMPLOYEES	8,010	1946
	7,542	1947
	7,067	1948
PAYROLL & RELATED EXPENSES	\$14,281,868	1946
	\$15,722,699	1947
	\$16,075,868	1948



The new Lanai rooms at The Town House

FUTURE

There have been but few additions to the hotels of the nation during the last nineteen years. High building costs tend to discourage further additions to the hotel plant of the nation although the population of the United States has increased 25 million since the hotel building spree of the late twenties. Your corporation has been invited to build or lease new hotel properties in a number of large American cities but we have steadfastly maintained a conservative attitude toward these invitations and will continue to do so. Many opportunities to acquire existing hotel properties have been investigated. It is not intended that the corporation will acquire new properties either by ownership or lease except upon proven earnings and ample opportunity for future improvement.

I personally inspected the European situation last summer, visiting England, France, Spain, Italy and Switzerland, and while many hotels in vacation resorts were on the market, there is, in my opinion, practically no opportunity for European expansion in the near future. The South American scene, likewise, offers little op-

portunity at this time, but you may be sure that any foreign expansion if opportunity presents will be made only on the most favorable percentage terms and with a minimum of capital investment.

During the past few years your corporation has enjoyed an unprecedented volume of business. While it is true that during the last part of 1948 business moved toward more normal volumes, there are no indications at this time that a sharp drop will take place. Convention bookings for our large Chicago properties during 1949 and 1950 are at a high level. However, maintenance of the present volume of earnings under present circumstances is difficult due to increased labor costs and other costs. Food costs, fortunately, seem to be leveling off. Upward adjustments of prices in this competitive market will be made only when necessary to meet increased costs. Concentrated and concerted efforts will be made to achieve increased productivity and decreased costs.

We urge our friends and our shareholders to use Hilton Hotels and recommend them to their friends and associates.

C. N. Hilton

February 28, 1949

C. N. Hilton, President
Hilton Hotels Corporation

A typical banquet scene of international importance at The Mayflower



HILTON HOTELS
PREPARE OVER 250,000 DISHES
EVERY DAY

Although each Hilton Hotel is famous for certain individual dishes, the skilled preparation of quality food served with attentive surroundings makes dining at all our hotels a distinct pleasure.

Hilton Hotels
C. W. HILTON, President
EXECUTIVE OFFICE • THE STEVENS • CHICAGO 3, ILLINOIS

**INSTANT INFORMATION
ON ACCOMMODATIONS AT
HILTON HOTELS**

For the convenience of our guests the new Hilton Inter-Hotel Reservation System offers immediate reply in advance. All you do is call an Assistant Manager and in a matter of seconds he will tell you whether rooms are available at any Hilton Hotel. This Hilton connection will save you valuable time and money. Every Hilton Hotel is also equipped with telegraph. Reservations accepted for the Bermuda and Grand St. George to Bermuda.

Hilton Hotels
C. W. HILTON, President
EXECUTIVE OFFICE • THE STEVENS • CHICAGO 3, ILLINOIS

ADVERTISING

During the past year we have continued our advertising program in the leading national weekly publications such as Time, Newsweek, United States News and The New Yorker. Although our advertising continued to be of an institutional character, we felt it was advisable to begin using an indirect selling message. Therefore, during the first six months the campaign consisted of a series of very interesting statistical advertisements. These featured art work by the famous artist Alajalov who creates covers for many leading magazines. The series featured a chef (as illustrated above), a waiter, a bellboy and a maid. This entire series received considerable favorable comments from our guests.

With the advent of the Hilton Inter Hotel Reservation System it was felt advisable to use our advertising space to familiarize the public with this new service. By this system a guest received immediate information regarding accommodations at all Hilton Hotels merely by consulting any of our assistant managers. Therefore, during the latter part of the year the advertisements devoted their entire message to this new service. This campaign has resulted in constant increase in the use of this service by our guests. In Chicago, where much of our interests are centered, we have instituted a plan to promote weekend business through the use of radio, direct by mail and newspaper advertising.



PUBLICITY

Hilton Hotels, individually and collectively, received more favorable publicity in newspapers, national magazines and trade papers than in any previous year. During this period we were fortunate in having illustrated articles appear in a number of leading national magazines, such as, Life, Vogue, Harper's Bazaar, Time, Town & Country and many others. Outstanding among these articles was the account of the Gibson Girl Ball which appeared in many class magazines and the opening of the Ice Show in the Boulevard Room of The Stevens which appeared in many leading newspapers.

In addition, the individual hotels received almost constant publicity in the daily newspapers of the cities in which they are located as well as other newspapers throughout the country and in Latin America. These included photographs and articles on social items, nationally prominent figures, entertainment in our restaurants, business news and stories of general interest. In the trade magazines, our hotels were regularly represented by articles relating to various phases of our operation, personnel activities, training programs and other items of interest to the industry.



THE PLAZA • NEW YORK



THE PALMER HOUSE • CHICAGO



HILTON HOTEL • LUBBOCK, TEXAS



THE ROOSEVELT • NEW YORK



THE DAYTON BILTMORE • DAYTON, OHIO



HILTON HOTEL
EL PASO, TEXAS



THE MAYFLOWER • WASHINGTON



THE STEVENS • CHICAGO

HOTELS OWNED: The Stevens, Palmer House, Chicago; The Plaza, New York; The Town House, Los Angeles; Hilton Hotel, Lubbock, Texas.

HOTELS HELD ON LONG TERM LEASE: The Dayton Biltmore, Dayton, Ohio; Hilton Hotel, El Paso, Texas; Hilton Hotel, Albuquerque, New Mexico.

CONTROLLED AND OPERATED HOTEL: The Mayflower, Washington, D. C.

HOTELS OPERATED UNDER MANAGEMENT CONTRACT: The Roosevelt, New York; Hotel Bermudiana, St. George and Castle Harbour Hotel in Bermuda*; The Palacio Hilton, Chihuahua, Mex.

* Operated by Hilton Hotels International, a wholly owned subsidiary.

HILTON HOTEL
ALBUQUERQUE,
NEW MEXICO



THE TOWN HOUSE • LOS ANGELES



ST. GEORGE • BERMUDA



THE PALACIO HILTON
CHIHUAHUA, OLD MEXICO



THE BERMUDIANA • BERMUDA



The new Rough Rider Room at The Roosevelt



Newly decorated lower lobby at The Plaza



Corner of new suite in Hilton Hotel, El Paso



New Ice Rink in Boulevard Room at The Stevens



A corner of the new Palmer House Cafe



*The new Rendezvous Bar at
The Palmer House*



Newly furnished lobby of The Palmer House

During the year Hilton Hotels Corporation has spent several million dollars rehabilitating guest facilities and inaugurating new services in its hotels. Included in this program were new restaurants, bars, lobbies, lounges and other public rooms. These new services met with enthusiastic approval from our guests.

*Buffet Salad
Luncheon in the
Palm Court at
The Plaza*



*Roast server in the
Oak Room at The
Plaza*



The new Town and Country Room at The Mayflower



*Thermometer in
the elevators at
The Stevens*



Telephone Supervisor — 24 years at The Mayflower



Maid — 17 years at The Town House



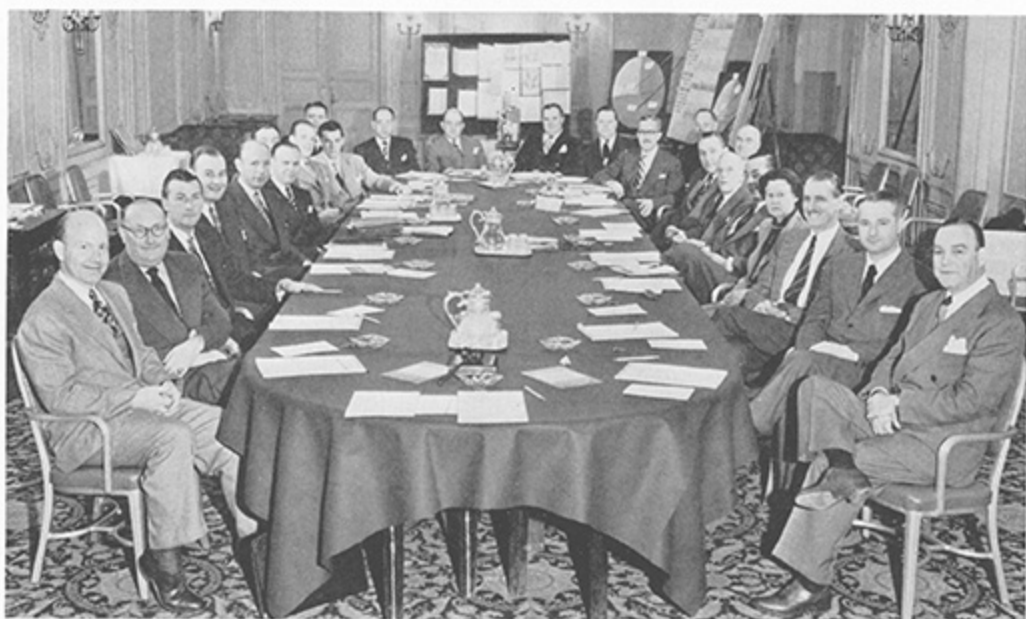
15 years at Hilton Hotel, Lubbock



Banquet Headwaiter — 19 years at The Dayton Biltmore



Supt. of Service — 22 years with Hilton Hotels



Executives of Hilton Hotels Corporation at annual meeting at The Palmer House

THE *Hilton* FAMILY



Safety Committee of The Roosevelt — 3 time winner in Accident Reduction Competition



New employees' recreation room at The Stevens

Here are but a few of the thousands of Hilton Hotels employees who make up the Hilton family. Many of them have long service records in our hotels. We are proud of their records as well as their achievements.



Softball team at The Plaza



Winning Team of the Mayflower Bowling League



Chefs with Culinary Exhibit at The Stevens



Manager addressing employees on use of telephone at The Plaza



Ladies' Bowling Team at Hilton Hotel, El Paso



30 year service group at The Plaza



New dishwashing equipment at The Stevens

*New food storage
boxes at The
Mayflower*



*New silver burnishing
machines at The Plaza*

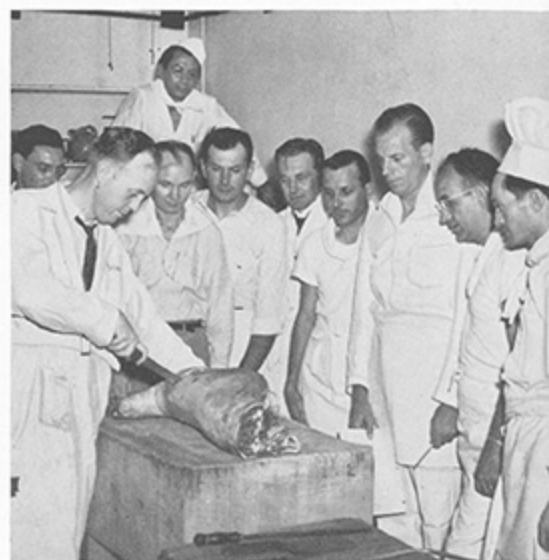


Hilton Hotels Foreign Department at The Plaza

BEHIND THE SCENES



New Food Service equipment at The Stevens



Hilton School for Food Managers — Meat Cutting



*New high speed vegetable cutter
at The Stevens*



*New sheet mangle with automatic
folder at The Roosevelt*

What goes on behind the scenes of our hotels is greatly responsible for their success. Here are but a few examples of new equipment and up-to-date training methods created for the purpose of rendering superior service to our Hilton guests across the nation.



Hilton School for Food Managers — Food Testing



Hilton men attending Texas Hotel School



Winners of maids housekeeping contest at The Stevens



Demonstration of maid training at The Roosevelt



New Kitchen Equipment at The Dayton Billmore

CONSOLIDATED

	ASSETS	Dec. 31, 1948	Dec. 31, 1947
CURRENT AND WORKING ASSETS			
Cash		\$ 4,346,266.57	\$ 5,750,964.47
Government Bonds, Notes and Certificates		2,600,799.15	3,049,299.15
Accounts Receivable		1,551,717.48	1,868,154.81
Less: Reserve for Doubtful Accounts		98,029.92	113,313.44
		<u>1,453,687.56</u>	<u>1,754,841.37</u>
Inventories of Merchandise and Supplies — (Note 2)		1,064,630.34	1,359,056.38
Other Current Assets		596,528.35	491,718.68
<i>Total</i>		<u>\$10,061,911.97</u>	<u>\$12,405,880.05</u>
DUE FROM AFFILIATED COMPANIES		\$ 29,546.17	\$ 301,167.08
INVESTMENTS		\$ 4,236,786.71	\$ 5,186,312.50
FIXED ASSETS — (Note 3)			
Land		\$11,756,618.92	\$11,588,355.76
Buildings		43,527,356.83	42,123,529.73
Furniture and Equipment		9,522,021.66	7,284,974.95
Leaseholds and Improvements		724,648.21	613,854.58
		<u>\$65,530,645.62</u>	<u>\$61,610,715.02</u>
Less: Reserve for Depreciation and Amortization		24,141,059.09	22,172,918.86
		<u>\$41,389,586.53</u>	<u>\$39,437,796.16</u>
Revisions, Alterations and Rehabilitation		2,114,346.24	1,282,980.31
Operating Equipment		1,417,241.68	1,011,029.27
<i>Total</i>		<u>\$44,921,174.45</u>	<u>\$41,731,805.74</u>
OTHER ASSETS AND DEFERRED CHARGES			
Guarantee Deposits on Leases		\$ 283,303.30	\$ 266,511.27
Due from Employees for Stock Purchases — (Note 4)		346,937.50	415,765.00
Other Assets and Deferred Charges		223,093.63	190,169.02
Organization Expense		218,084.37	218,084.37
<i>Total</i>		<u>\$ 1,071,418.80</u>	<u>\$ 1,090,529.66</u>
TOTAL ASSETS		<u>\$60,320,838.10</u>	<u>\$60,715,695.03</u>

NOTE: Notes relating to the Balance Sheet form an integral part of this statement and should be considered in connection therewith.

BALANCE SHEET

LIABILITIES

	Dec. 31, 1948	Dec. 31, 1947
CURRENT LIABILITIES		
Accounts Payable	\$ 2,003,633.40	\$ 1,676,732.39
Accrued Expenses and Charges	2,281,253.45	2,285,469.29
Federal and State Income Taxes — (Note 5)	2,498,058.39	3,121,838.05
Funded and Long-Term Indebtedness — Due Within One Year	604,144.20	514,362.61
Other	120,640.51	124,739.60
<i>Total</i>	<u>\$ 7,507,729.95</u>	<u>\$ 7,723,141.94</u>
FUNDED AND LONG-TERM INDEBTEDNESS		
First Mortgage Bonds and Notes	\$22,557,365.03	\$22,399,719.10
Second Mortgage Bonds and Notes	375,000.00	
Notes Payable	218,511.41	290,724.26
Installment Contract Payable	36,298.16	68,306.70
	<u>\$23,187,174.60</u>	<u>\$22,758,750.06</u>
Less: Amounts Due Within One Year — (Above)	604,144.20	514,362.61
<i>Total</i>	<u>\$22,583,030.40</u>	<u>\$22,244,387.45</u>
RESERVES		
For Contingencies — (Note 6)	\$ 1,700,000.00	\$ 1,700,000.00
Other	8,275.03	13,209.34
<i>Total</i>	<u>\$ 1,708,275.03</u>	<u>\$ 1,713,209.34</u>
CAPITAL STOCK AND SURPLUS		
	Shares	
Capital Stock — (Notes 7 and 8) Dec. 31, 1948	Dec. 31, 1947	
First Preferred — Par \$100.00		
Authorized and Unissued 100,000.00	100,000.00	
Convertible Preference — Par \$50.00		
Authorized 382,611.03	392,685.57	
Less:		
Unissued 133,069.03	133,069.03	
Treasury Stock 115,079.00	62,215.19	
	<u>248,148.03</u>	
Outstanding 134,463.00	<u>197,401.35</u>	
Common—Par \$5.00 Authorized 4,000,000.00	4,000,000.00	
Less: Reserved for Conversion Privileges of Convertible Preference Stock 499,084.00	519,233.08	
Unreserved 1,886,271.00	<u>1,862,188.92</u>	
	<u>2,385,355.00</u>	
Outstanding 1,614,645.00	<u>1,618,578.00</u>	
<i>Total Capital Stock</i>	<u>\$14,796,375.00</u>	<u>\$17,962,957.50</u>
Surplus		
Capital Surplus	\$ 7,091,924.00	\$ 6,137,229.68
Earned Surplus	6,964,420.75	4,934,769.12
<i>Total Surplus</i>	<u>\$14,056,344.75</u>	<u>\$11,071,998.80</u>
<i>Total</i>	<u>\$28,852,719.75</u>	<u>\$29,034,956.30</u>
Deduct: 31,100 Shares of Common Stock in Treasury (at Cost)	330,917.03	
<i>Total Capital Stock and Surplus</i>	<u>\$28,521,802.72</u>	<u>\$29,034,956.30</u>
TOTAL LIABILITIES AND CAPITAL	<u>\$60,320,838.10</u>	<u>\$60,715,695.03</u>

CONSOLIDATED INCOME

	Year Ended	
	Dec. 31, 1948	Dec. 31, 1947
GROSS OPERATING REVENUE		
Rooms Department	\$17,677,417.25	\$16,735,222.92
Food and Beverage Departments	19,044,704.64	19,507,348.14
Other Operated Departments	4,491,332.16	4,315,200.31
Other Income	796,279.73	802,750.60
Store Rentals	1,019,230.97	1,046,022.39
	<u>\$43,028,964.75</u>	<u>\$42,406,544.36</u>
OPERATING COSTS AND EXPENSES		
Departmental Costs and Expenses	\$23,443,997.52	\$23,265,248.54
Administrative and General Expenses	3,455,071.63	3,150,217.88
Advertising and Business Promotion	650,331.28	663,913.67
Heat, Light and Power	1,534,596.23	1,342,543.97
Maintenance and Repairs	2,803,349.58	2,080,348.34
Lease Rentals	179,865.72	179,865.72
Real Estate and Personal Property Taxes	1,280,239.93	1,406,141.05
Depreciation and Amortization	2,282,712.54	1,974,049.92
Interest	810,703.08	812,971.07
Corporate Expenses and Sundry Capital Charges	254,327.77	287,879.92
	<u>\$36,695,195.28</u>	<u>\$35,163,180.08</u>
GROSS OPERATING PROFIT	\$ 6,333,769.47	\$ 7,243,364.28
INTEREST AND DIVIDENDS	142,755.35	136,533.24
PROFIT BEFORE NON-RECURRING INCOME AND EXPENSE	<u>\$ 6,476,524.82</u>	<u>\$ 7,379,897.52</u>
NON-RECURRING INCOME AND EXPENSE		
Profit or Loss* on Sale of Investment Securities	\$ 1,000.00*	\$ 196,025.63
Profit on Sale of Properties		1,294,999.01
Loss* on Abandonments	127,687.85*	
Sundry Other	15,177.66	1,846.36
Premium on Prepayment of Mortgages and Discount on Investment Notes		263,728.91*
	<u>\$ 113,510.19*</u>	<u>\$ 1,229,142.09</u>
NET PROFIT BEFORE INCOME TAXES	\$ 6,363,014.63	\$ 8,609,039.61
PROVISION FOR FEDERAL AND STATE TAXES ON INCOME	2,445,210.00	3,068,880.64
NET PROFIT	<u>\$ 3,917,804.63</u>	<u>\$ 5,540,158.97</u>

NOTES:

*Denotes Red Figure.

Notes relating to consolidated income form an integral part of this statement and should be considered in connection therewith.

CONSOLIDATED SURPLUS

CAPITAL SURPLUS

BALANCE — BEGINNING OF YEAR		\$6,137,229.68
ADD:		
Refunds of Property Taxes — Periods Prior to Consolidation	\$ 71,118.15	
Discount on Convertible Preference Stock Purchased by the Corporation	933,179.07	
		<u>1,004,297.22</u>
TOTAL		<u>\$7,141,526.90</u>
DEDUCT:		
Adjustments — Expenses Prior to Consolidation	\$ 440.40	
Cancellation of terminated Employees' Subscriptions to Capital Stock pursuant to Subscription Agreement — Subscription Price \$68,827.50 — Par Value \$19,665.00	49,162.50	
		<u>49,602.90</u>
BALANCE — END OF YEAR		<u><u>\$7,091,924.00</u></u>

EARNED SURPLUS

BALANCE — BEGINNING OF YEAR		\$4,934,769.12
ADD:		
Net Income for the Year Ended December 31, 1948		<u>3,917,804.63</u>
		<u>\$8,852,573.75</u>
DEDUCT:		
Dividends — Convertible Preference Stock	\$ 298,977.00	
Dividends — Common Stock	<u>1,589,176.00</u>	
		<u>1,888,153.00</u>
BALANCE — END OF YEAR		<u><u>\$6,964,420.75</u></u>

NOTES TO FINANCIAL STATEMENTS

1. **BASIS OF CONSOLIDATION** — Included in the Consolidated Balance Sheet are the wholly-owned subsidiaries, State-Monroe Equipment Corporation, a non-operating unit which holds title to the furnishings and equipment of the Palmer House, Chicago and Hilton Hotels International, Inc., which holds amongst its assets 7,310 shares of capital common stock of Bermuda Development Company, Ltd., which is carried as an investment in the consolidation. The Corporation has adopted the policy of non-consolidation of companies which are not wholly-owned subsidiaries. Holdings of Mayflower Hotel Corporation representing 69.53% of the capital stock of that Corporation are carried in the accompanying balance sheet as investments at cost, such cost being \$1,008,132.22 greater than book value at date of acquisition and \$596,186.48 greater than book value at December 31, 1948.

Holdings in the Bermuda Development Company, Ltd., represents approximately 7% of the capital common stock. At quoted official exchange rates, the par value in dollars amounted to \$294,775.75 against a cost of \$265,832.00.

2. **INVENTORIES** — Inventories of saleable merchandise and operating supplies were ascertained by physical count and were priced at cost, which basis has been consistently followed by the various operating units of the Company. Stocks of saleable merchandise representing primarily food and beverages, comprising the major part of the inventories represent normal turnover needs of current business.
3. **FIXED ASSETS, DEPRECIATION AND AMORTIZATION** — As of July 31, 1948 Hilton Hotels Corporation acquired the Palm Beach Biltmore Hotel from The Neil House Hotel Company (formerly Palm Beach Biltmore Company) at a cost of \$2,108,527.38 payment therefore being made by a transfer to the Neil House Hotel Company (formerly Palm Beach Biltmore Company) of certain interests of Hilton Hotels Corporation in the Neil House Company and the Palm Beach Biltmore Company at no book gain or loss. The property which is carried in the consolidation at cost of acquisition plus subsequent additions, at cost, was sold on January 1, 1949 for \$1,711,347.77 after deducting estimated expenses of sale. The net book value of the property on January 1, 1949 was \$2,004,326.61 thereby establishing a loss approximating \$292,978.84 which is not included in the accompanying statements.

Except for the Palm Beach Biltmore Hotel, which is carried at cost, fixed asset values and depreciation reserves have been carried over from the predecessor companies. The fixed asset values represent cost to predecessor companies, plus additions at cost.

Depreciation on buildings has been determined according to the straight line method on the basis of an estimated over-all life from date of original construction, ranging from 50 years in the case of the Plaza Hotel of New York, to 40 to 45 years in the case of the Palmer House, the Stevens Hotel and the Town House to a 30 year life for the Lubbock Hilton Hotel.

Leaseholds and improvements are being amortized over the remaining life of the existing leases.

Furniture, furnishings and equipment are depreciated on a straight line basis at varying rates by classifications in accordance with the estimated useful life of the respective assets.

Expenditures for rehabilitation, alterations and revisions are charged to a special classification and amortized over varying periods of from three to ten years.

Current depreciation rates being applied to cost basis by individual properties appear to be reasonable and adequate and in accordance with industry-wide practice.

Operating equipment, represents reserve stock inventories of linens, china, glassware and silverware at cost, and, stocks in use shown at net values after deduction of reserves covering estimated depreciation and depletion of such stocks through loss and discard.

4. **DUE FROM EMPLOYEES AND OFFICERS FOR STOCK PURCHASES** — In accordance with the agreement of consolidation 50,000 shares of common stock were reserved for offering to key employees at a price of \$17.50 per share, payment therefor to be made in installments over a period not exceeding four (4) years. (Since extended for a period of two (2) years by action of the Board of Directors.) As of December 31, 1946 a total of 44,342 shares were subscribed for by various employees. Of this total, subscriptions to 9,357 shares have been cancelled to date, leaving a total of 34,985 shares subscribed for as of December 31, 1948 at a total cost of \$612,237.50. Of this amount, \$265,300.00 has been paid on account, leaving an unpaid balance of \$346,937.50 as of the balance sheet date. This unpaid balance is secured by signed purchase agreements of the individual employees. The shares so subscribed have been issued as partially paid shares entitled to dividends only to the extent to which the purchase price therefor has been paid.

5. **PROVISION FOR FEDERAL AND STATE TAXES ON INCOME** — As of December 31, 1948, this account consisted of the following:

Federal Income Tax Liability of Predecessor Companies — (Unpaid Balances) Palmer House Company . . .	\$24,833.94	
New Mexico Hilton Hotel Company	28,014.45	
		\$ 52,848.39
Federal and State Income Tax Liability of Hilton Hotels Corporation for the Year Ended December 31, 1948 — (Estimated) . . .		2,445,210.00
TOTAL		\$2,498,058.39

The provision for Federal income taxes for the year ended December 31, 1948 has been estimated at approximately 38% of the operating profits and 25% of capital gains for that period.

Federal income tax returns of predecessor companies have not been examined nor passed upon by the United States Treasury Department as indicated below:

Stevens Hotel Corporation — Year 1945 and to May 31, 1946.
The Plaza Hotel Corporation — Years 1943, 1944, 1945 and to May 31, 1946.
Lubbock Hilton Hotel Company — Year Ended May 31, 1946.
New Mexico Hilton Hotel Company, Inc. — Year 1945 and to May 31, 1946.
Palmer House Company — Year 1945 and to May 31, 1946.
Dayton-Biltmore Hotel — (A Partnership) — Year 1945 and to May 31, 1946.

Federal income tax returns of the Hilton Hotels Corporation have not been examined nor passed upon by the United States Treasury Department for the seven months ended December 31, 1946 and for the calendar years 1947 and 1948.

As of the date of consolidation, the Corporation set up a Reserve for Contingencies (see Note 6) to cover claims, taxes on other charges, including additional income or excess profits taxes which might be asserted against the consolidating companies.

6. **RESERVE FOR CONTINGENCIES** — The Board of Directors established as of June 1, 1946 the Reserve for Contingencies of \$1,700,000.00 to cover claims which may be asserted under various federal statutes and regulations, including claims for Federal income and excess profits taxes of the consolidating companies, such reserve so created being deemed by the Board of Directors to be reasonably adequate to cover all such contingencies.
7. **CONVERTIBLE PREFERENCE STOCK** — Since the date of consolidation the Company has purchased for the Treasury 132,467-97/100 shares of its own convertible preference stock at a total cost of \$4,946,902.87, the discount thereon being credited to capital surplus. Of the total shares so purchased 17,388-97/100 shares have been permanently retired and cancelled.

On January 31, 1949 the Board of Directors of Hilton Hotels Corporation approved the following offer to the holders of its convertible preference stocks, the offer to remain open to, and expiring at the close of business on February 15, 1949:

"1. The price to be paid will be \$40 per share payable as outlined below.

2. (a) One-fifth of the shares to be sold by each selling stockholder pursuant to this offer will be purchased by the Corporation on February 15, 1949, and payment therefor made promptly thereafter. (b) As to the remaining shares to be sold by each selling stockholder, the Corporation will have an option to purchase an additional one-fifth (of the original number of shares) exercisable by notice in writing mailed at any time on or before January 31, 1950, and an additional one-fifth on or before the 31st day of January of each of the next three calendar years, the option as to the final one-fifth to expire on January 31, 1953. Each such option shall be exercised by written notice mailed on or before said dates. When any option is exercised, payment for the shares purchased shall be made promptly thereafter against proper delivery of the shares. (c) If the Corporation should not exercise its option to purchase any of said shares on or before the option date covering said shares, the option as to the remaining unpurchased shares shall be extinguished.
3. So long as the option is outstanding, each of the stockholders accepting said offer shall waive all dividends on said stock. If at any time the option shall be extinguished because of failure of the Corporation to exercise the same, said waiver of dividend shall likewise be extinguished retroactively to the date the waiver commenced with respect to the shares thus released from the option, so that all dividends which would have been paid on said shares but for the waiver shall be promptly paid after the extinguishment of the option.
4. So long as the option is outstanding, the stock certificates for the shares covered thereby shall be stamped with an appropriate legend evidencing the existence of the option and the waiver of dividends thereon. If at any time this option shall be terminated, new certificates with the legend removed will be issued."

8. **COMMON STOCK** — Common stock shares have been reserved for the conversion of convertible preference shares at the option of the holders thereof at the rate of two shares of common stock for each share of convertible preference stock.

9. **GENERAL** — Contractual obligation and commitments approximating \$355,000.00 were in existence at December 31, 1948 and comprised construction work at the Town House, conversion of DC current to AC current at the Stevens and a changeover from generating steam and electricity at the Plaza to the purchase thereof from public utilities.

A suit has been instituted by various minority stockholders of Mayflower Hotel Corporation naming amongst others as defendants the Hilton Hotels Corporation involving together with other things challenge of management fees and charges of the latter to Mayflower Hotel Corporation since acquisition of the controlling stock in December 1946. Such suit is pending in the United States Court of Appeals in the District of Columbia.

INCOME ACCOUNT

1. **CONSOLIDATED INCOME** — Consolidated income includes the wholly-owned subsidiaries State-Monroe Equipment Corporation and Hilton Hotels International, Inc., but not the partly-owned Mayflower Hotel Corporation or hotels of the Bermuda Development Company, Ltd. (Reference is made to Balance Sheet Note 1.)

Other income includes management fees and charges earned by Hilton Hotels Corporation as per contracts with the non-consolidated partly-owned subsidiary and other Hilton operated hotels.

The Corporation's share for the year ended December 31, 1948, of net profits, less dividends received, of unconsolidated subsidiaries, which have not been reflected herein, amounted to \$202,872.58, and for the year ended December 31, 1947, such share amounted to \$249,056.02.

2. **GENERAL** — Operations shown for the year ended December 31, 1947 have been restated from previously issued reports for comparative purposes only. Reference is made to Balance Sheet Note 3 relative to loss on sale of Palm Beach Biltmore Hotel subsequent to December 31, 1948.

SUMMARY OF COMBINED EARNINGS

FOR THE SIX YEARS ENDED DECEMBER 31, 1948

INCOME	1943	1944*	1945*	1946†	1947	1948
Gross Revenue						
Rooms Department	\$	\$12,166,172	\$13,150,802	\$14,687,274	\$16,735,223	\$17,677,417
Food and Beverage Departments		14,643,610	15,309,134	18,350,588	19,507,348	19,044,705
Other Operated Departments	18,927,862	2,962,270	3,140,503	4,633,388	4,315,200	4,491,332
Other Income	349,506	777,443	630,303	710,171	802,751	796,280
Store Rentals	788,033	1,080,037	1,028,304	1,087,128	1,046,023	1,019,231
Dividends and Interest on Securities				14,717	136,533	142,755
	<u>\$20,065,401</u>	<u>\$31,629,532</u>	<u>\$33,259,046</u>	<u>\$39,483,266</u>	<u>\$42,543,078</u>	<u>\$43,171,720</u>
EXPENSES						
Operated Departments	\$10,847,183	\$17,047,257	\$18,385,427	\$22,119,269	\$23,265,248	\$23,443,997
Administrative and General	1,542,097	2,592,245	2,709,828	2,897,862	3,150,218	3,455,072
Advertising and Business Promotion	314,633	484,422	540,451	574,838	663,914	650,331
Heat, Light and Power	793,949	1,074,106	1,071,303	1,223,091	1,342,544	1,534,596
Maintenance and Repairs	989,684	1,575,069	2,017,181	2,354,400	2,080,348	2,803,350
Lease Rentals	123,956	301,771	234,474	179,866	179,866	179,866
Real Estate and Personal Property Taxes	968,142	1,221,850	1,272,286	1,314,440	1,406,141	1,280,240
Depreciation and Amortization	1,326,862	1,645,081	1,744,597	1,779,411	1,974,050	2,282,712
Interest	795,286	1,003,909	1,211,720	989,906	812,971	810,703
Provision for Federal Taxes on Income	1,248,037	1,601,868	722,317	2,234,090	2,789,247	2,488,036
Other Capital Expenses	107,500	156,363	124,908	276,171	287,880	254,328
	<u>\$19,057,329</u>	<u>\$28,703,941</u>	<u>\$30,034,492</u>	<u>\$35,943,344</u>	<u>\$37,952,427</u>	<u>\$39,183,231</u>
NET PROFIT — BEFORE NON-RECURRING ITEMS	\$ 1,008,072	\$ 2,925,591	\$ 3,224,554	\$ 3,539,922	\$ 4,590,651	\$ 3,988,489
NON-RECURRING INCOME AND EXPENSE						
Profit from Sale of Capital Assets	\$	\$	\$	\$ 19,022	\$ 1,294,999	\$
Refinancing Expense and Note Discount					†263,729	
†Loss on Abandonments						†127,688
Miscellaneous and Sale of Securities				†3,879	197,872	14,178
Provision for Applicable Taxes				†4,518	†279,634	42,826
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 10,625</u>	<u>\$ 949,508</u>	<u>\$ 170,684</u>
NET PROFIT FOR THE PERIOD	\$ 1,008,072	\$ 2,925,591	\$ 3,224,554	\$ 3,550,547	\$ 5,540,159	\$ 3,917,805

NOTE: *The combined results shown above for the years 1944 and 1945 reflect (1) profits from the operation of the Roslyn Hotel for those two years, and the U. S. Grant Hotel in San Diego, California, for the period September 1, 1944 to January 1, 1945, both of which have since been disposed of; and (2) the application of a loss carry-over credit from the sale of the Stevens Hotel to the United States Government in 1943, whereby the Stevens Hotel Corporation made no provision for Federal Income Taxes or Excess Profits Taxes on income earned by it from the properties it operated for the years 1944 and 1945.

NOTE: †Hilton Hotels Corporation was created by consolidation May 31, 1946. Operations for the year 1946 include seven months' operation by the corporation and five months' operation by the consolidating companies and their predecessors.

NOTE: †Denotes Red Figures.

One of the many leading social functions held in the Grand Ballroom at The Plaza

The sole purpose of this report is to give stockholders information about their corporation. This report is not a representation, prospectus or circular in respect to any stock of this corporation and is not transmitted in connection with any sale or offer to sell or to buy any stock or security to be issued now or hereafter, nor in connection with any preliminary negotiation for such sale.



The Mayflower
WASHINGTON, D. C.

 **THE PLAZA**
NEW YORK

The Town House
LOS ANGELES

 **THE ROOSEVELT**
NEW YORK

 **THE Stevens**
CHICAGO

 **HILTON HOTEL**
LUDWIG
TEXAS

 **Palmer House**
CHICAGO

HILTON HOTEL
EL PASO
TEXAS

 **DAYTON BILTMORE**
DAYTON, OHIO

 **BERMUDIANA**
BERMUDA

 **HILTON HOTEL**
ALBUQUERQUE, N.M.

 **St. George**
BERMUDA

 **Castle Harbour**
BERMUDA

Caribe Hilton
PUERTO RICO

 **Palacio Hilton**
CHIHUAHUA, MEXICO

