



Hilton Hotels Corporation

ANNUAL REPORT
1962





Report for the Year 1962

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Additions to the Wonderful World of Hilton Hotels

1 THE ROYAL TEHRAN HILTON (IRAN) 2 THE LONDON HILTON 3 THE ATHENS HILTON
4 THE PORTLAND HILTON (OREGON) 5 THE CAVALIERI HILTON (ROME) 6 THE ROTTERDAM
HILTON 7 THE TOKYO HILTON 8 THE HONG KONG HILTON 9 THE NEW YORK HILTON AT
ROCKEFELLER CENTER 10 THE MONTREAL AIRPORT HILTON 11 THE KAHALA HILTON
(HONOLULU) 12 THE SAN FRANCISCO HILTON 13 THE WASHINGTON HILTON (WASHINGTON D.C.)

HILTON HOTELS CORPORATION
720 SOUTH MICHIGAN AVENUE
CHICAGO 5, ILLINOIS

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Hilton Credit Corporation*

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Kaiser Community Homes, Los Angeles*

ROBERT J. CAVERLY, *Executive Vice President*

HENRY CROWN, *Chairman, Executive Committee,
General Dynamics Corporation*

SPEARL ELLISON, *Senior Vice President*

HORACE C. FLANIGAN, *Director,
Manufacturers Hanover Trust Company, New York*

Y. FRANK FREEMAN, *Vice President,
Paramount Pictures Corporation, Hollywood*

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American National Bank and Trust Company of Chicago*

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SAM D. YOUNG, *Chairman and President,
El Paso National Bank, El Paso*

Ten Years of Financial Highlights

YEARS ENDED DECEMBER 31,	1962
GROSS REVENUE	\$223,246,816
NET PROFIT (excluding minority interest)	
From operations	\$ 5,732,157
From sale of properties	11,932,372
TOTAL	<u>\$ 17,664,529</u>
EARNINGS PER COMMON SHARE*	
From operations	\$ 1.43
From sale of properties	3.11
TOTAL	<u>\$ 4.54</u>
WORKING CAPITAL AT DECEMBER 31	\$ 27,280,816
EARNED SURPLUS AT DECEMBER 31 (excluding surplus reserves)	\$ 75,823,541
COMMON SHARES OUTSTANDING AT DECEMBER 31*	3,843,612
BOOK VALUE PER COMMON SHARE AT DECEMBER 31*	\$ 30.28

*Adjusted for the two-for-one stock split in 1956.

OFFICERS

CONRAD N. HILTON	<i>Chairman and President</i>
ROBERT P. WILLIFORD	<i>Vice Chairman</i>
ROBERT J. CAVERLY	<i>Executive Vice President</i>
JOSEPH P. BINNS	<i>Senior Vice President</i>
SPEARL ELLISON	<i>Senior Vice President</i>
VERNON HERNDON	<i>Senior Vice President</i>
ROBERT F. QUAIN	<i>Senior Vice President</i>
FRANK G. WANGEMAN	<i>Senior Vice President</i>
HERBERT C. BLUNCK	<i>Vice President</i>
HENRY CROWN	<i>Vice President</i>
CHARLES L. FLETCHER	<i>Vice President and Treasurer</i>
WILLIAM J. FRIEDMAN	<i>Vice President and Secretary</i>
ROBERT A. GROVES	<i>Vice President</i>
JOSEPH A. HARPER	<i>Vice President</i>
BARRON HILTON	<i>Vice President</i>
CONRAD N. HILTON, JR.	<i>Vice President</i>
JAMES H. McCABE	<i>Vice President</i>
LYNN H. MONTJOY	<i>Vice President</i>
PORTER P. PARRIS	<i>Vice President</i>

TRANSFER AGENTS AND REGISTRARS

COMMON STOCK

Transfer Agents

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

Registrars

American National Bank and Trust Company of Chicago
Chemical Bank New York Trust Company, New York
United California Bank, Los Angeles

EXECUTIVE OFFICES

Hilton Hotels Corporation,
720 South Michigan Avenue, Chicago 5, Illinois

1961	1960	1959	1958	1957	1956	1955	1954	1953
235,177,977	231,502,403	221,057,350	206,789,520	198,618,333	193,010,746	186,183,172	119,909,085	97,256,713
6,362,279	7,544,982	10,049,857	9,446,204	8,564,610	9,440,042	7,811,703	4,803,855	4,110,570
7,177,422	2,247,028	1,533,007	1,399,424	1,454,554	7,165,155	1,102,501	916,003	2,278,710
13,539,701	9,792,010	11,582,864	10,845,628	10,019,164	16,605,197	8,914,204	5,719,858	6,389,280
1.54	1.86	2.49	2.30	2.04	2.49	2.14	1.35	1.26
1.89	.60	.41	.36	.37	1.95	.32	.28	.70
3.43	2.46	2.90	2.66	2.41	4.44	2.46	1.63	1.96
20,321,641	25,010,132	32,925,130	19,815,494	14,011,090	14,913,485	9,606,653	16,676,012	10,753,887
65,229,134	57,904,979	58,361,381	52,377,889	46,829,082	42,042,913	29,732,872	24,654,242	21,623,005
3,790,988	3,731,228	3,790,817	3,856,166	3,938,671	3,671,602	3,440,478	3,297,520	3,227,280
27.66	24.37	24.22	21.72	20.24	18.86	15.18	13.49	12.49





In a world still groping toward international understanding, the continuing erection of fine new hotels across the globe contradicts bomb-shelter thinking.

Hotels stretch upward, not downward. To our way of thinking, a new hotel is an expression of faith in Man's inherent sanity. The hotels we are opening this year are just the beginning . . . there are many more to come.



President's Letter

TO OUR SHAREHOLDERS:

During 1962, Hilton Hotels Corporation moved much closer to its goal of having sufficient coverage of the vital cities of the Free World to achieve the benefits of truly global operations. With the opening of 11 hotels in 1963, the Corporation will reach a reasonable approximation of this goal.

To gear itself for this unique opportunity, as well as to offset negative trends brought on by excess capacity within the United States hotel industry, the Corporation in the year just ended expanded its national sales and convention organization. We extended the instant reservation service to a total of 189 cities, re-emphasized training of executives and employees, introduced efficiency measures to combat rising costs without affecting the quality of service and signed contracts for nine new hotels in carefully selected cities.

A number of improvements have been made in the Corporation's financial structure. Statler Hotels Delaware Corporation has been merged into Hilton Hotels, which permits the disposition of those hotels which we believe can be operated more profitably by local interests. The Corporation, through sale of The Savoy Hilton and the land under The Palmer House, lightened its investment in domestic fixed assets and utilized some of the proceeds to retire outstanding securities. In January, 1963, the Corporation purchased 300,000 shares of its common stock for the treasury. The purpose of this purchase was to offset shares heretofore issued to acquire certain properties no longer owned by the Corporation. During the present year, every effort will be made to improve further the Corporation's financial position.

Many of these actions were of a long range nature and thus did not have a significant impact on 1962 operations.

Due to increased capital gains from sales of properties, consolidated earnings were the highest in the history of the Corporation. Earnings from operations in 1962, based on the number of shares outstanding after giving effect to the reduction of 300,000 shares subsequent to the year-end, were slightly higher than in 1961. Based on the shares outstanding at the end of 1962, operating earnings were lower than in 1961, because of the continued increase in operating expenses. New projects, on which

sizeable capital funds have been expended, are expected to commence contributing to earnings in the near future.

Excess capacity in some areas in the hotel industry has been created by changing tastes, new habit patterns and greater mobility of hotel customers. The industry, which had been constructing hotels and motels to catch up with pent-up demand of the postwar years, has attempted to satisfy the new requirements by designing and building new accommodations. Many of the older hostelrys, while outmoded, are still usable. Thus there has been a decline in average occupancy.

The emphasis has shifted from providing rooms to improving service, salesmanship and business management. Hilton Hotels attained its position of industry leadership through close attention of these fundamentals of modern hotel management. We have continued to sharpen our operating skills through applications of techniques learned, to some extent, from leaders of other industries.

Hilton Hotels has derived a benefit from the developments and changes in the hotel industry. Our forte is the knowledge of how to operate hotels under varying conditions and customs in many countries. Thus, we are being sought out by real estate investors all over the Free World as well as within the United States who recognize the need for management skills and the benefits of group operation. The major criterion in selecting a site for the operation of a hotel is that the vitality of a city and area has outpaced the quantity and quality of its first class accommodations. There are still many locales where new or rehabilitated hotels, with the proper management, are not only justified but a practical necessity.

Substantial earnings for both Hilton Hotels and the owners can be developed from properties such as the Kansas City Hilton Inn, opened in July, and the Worcester Hilton Hotel now under construction. In each case Hilton has a management contract but no equity investment. We plan to accelerate our domestic expansion by agreements of this type. This program will provide more reservation referrals to other hotels in the system, step up the benefits of mass purchasing, and gain better utilization of dollars

spent in national advertising campaigns. This is not a "franchise" program as control of operations is retained by Hilton. We are not contemplating any major investment in new hotels in the United States beyond those already under construction.

As we are primarily hotel operators, we are endeavoring to increase return on invested capital by spreading available investment dollars over the largest number of suitable properties in a worldwide network. This goal can be furthered through partnerships, leaseholds and management contracts rather than concentrating investment dollars in large equity ownerships in major hotels. This principle has been proven by the fact that the Corporation receives its highest percentage return on invested capital from those hotels abroad which are built by others to Hilton's specifications and operated for a percentage of the profits.

With 75 hotels and inns in operation, under construction or under contract, we are approaching the day when travelers will be able to take world tours and stay in Hilton Hotels in nearly every area they visit. In each instance, the hotel will provide local character while maintaining Hilton standards. Travelers stopping at Hilton Hotels are from many lands. We feel confident that as additional overseas Hilton Hotels are opened the number of guests from other countries stopping at our domestic hotels will increase.

By being aggressive and yet selective in expanding the system, by optimizing the use of investment capital, by developing a flow of travelers around the world and by disposing of those hotels which do not fulfill our investment aims, we are optimistic that Hilton Hotels will prosper during the industry's period of digesting its excess capacity.

Our thanks to our customers for patronizing Hilton Hotels. We are grateful to employees, shareholders and business associates for their loyalty and contributions to the Corporation's efforts.



CONRAD N. HILTON
Chairman and President

March 8, 1963

GREECE



THE ATHENS HILTON

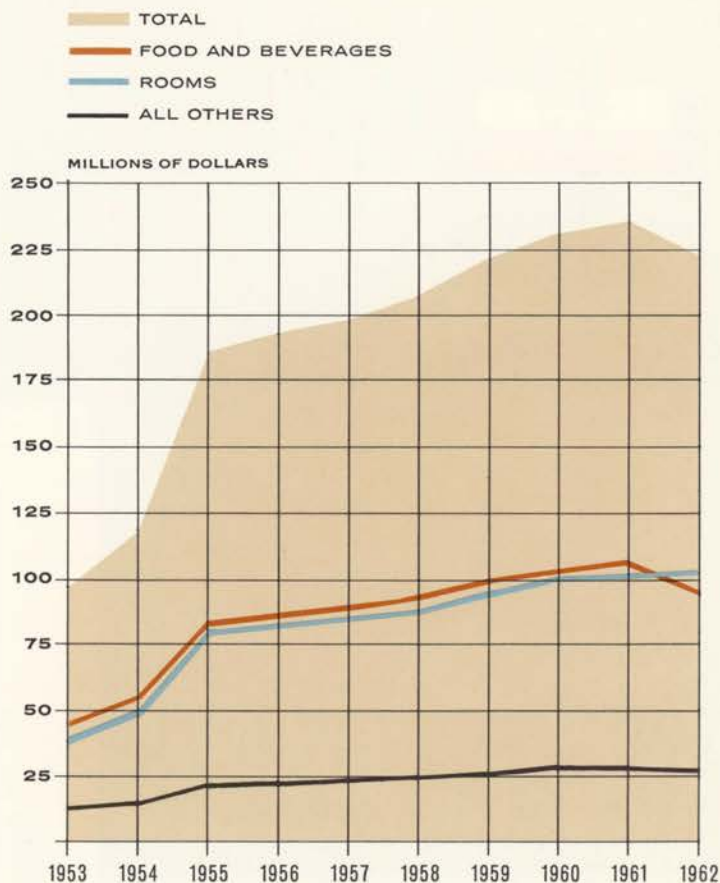
Dominating its surroundings, the 480-room Athens Hilton will be a focal point of bustling activity in the city that greatly influenced the development of our civilization. Among its inducements for the traveler: guest rooms with private terraces, a luxurious swimming pool and a roof-top restaurant with a breathtaking view of the Acropolis.

Report on Operations

REVENUE:

In 1962, gross revenues amounted to \$223,246,816, compared with the 1961 total of \$235,177,977. The disparity between the two years was not as great as the figures would seem to indicate. Operating units which contributed to consolidated revenue during the full twelve months of both years accounted for only \$5,131,722 of the decrease. Revenues from two large operating units, the Hilton Hawaiian Village, which was sold in December, 1961, to a company in which this Corporation has a fifty per cent interest, and The Savoy Hilton, which was sold in June, 1962, are no longer included in gross revenue. The sale of these two hotels which are now operated under management contracts, reduced gross revenues \$11,902,002. A partial offset was an increase

REVENUES



of \$5,102,563 in revenues from other units not operated for the full two-year period under comparison.

The sources of revenues according to operating departments were as indicated in the following two-year comparison:

	1962	1961
Rooms.....	\$ 95,337,826	\$100,619,492
Food and beverage.....	100,877,290	106,360,822
Other operated departments.....	16,887,919	17,031,153
Store and office building rentals...	4,231,740	4,772,044
Interest on investments.....	808,431	1,225,588
Other income.....	5,103,610	5,168,878
	<u>\$223,246,816</u>	<u>\$235,177,977</u>

The United States hotel and motel industry has constructed new rooms at a more rapid pace than new customers have developed. Therefore, the

IRAN



THE ROYAL TEHRAN HILTON

The best of Asia and the West come face-to-face in The Royal Tehran Hilton and the result is a delightful interweaving of two cultural streams—to the advantage of both. In this fine hotel, businessmen will meet, statesmen confer and families relax while gazing at a majestic array of snow-capped peaks.



domestic hotel industry's room occupancy rate declined to 61 per cent in 1962 from 62 per cent in 1961. Hilton Hotels' average occupancy for domestic units, faring slightly better than the industry average, was 61.6 per cent, a decrease from 63.8 per cent the year before. While new modern hotel and motel accommodations are still needed in thriving communities, the existence of older sub-marginal buildings will have a depressing effect on occupancy rates until they are abandoned.

At December 31, 1962, the Corporation had 47 hotels and inns in operation around the world with a total of 31,236 hotel rooms.

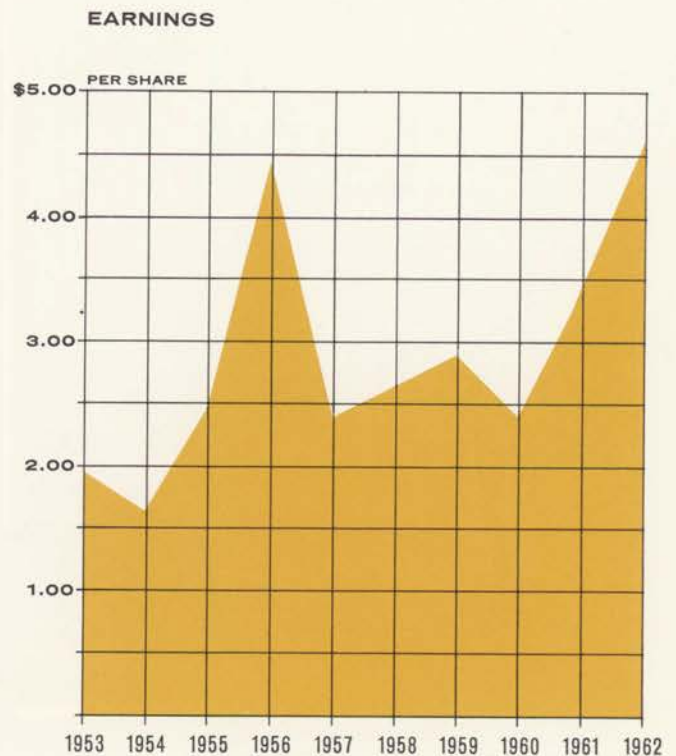
EARNINGS:

Consolidated profits for the year ended December 31, 1962 aggregated \$17,664,529, equal, after preferred dividends, to \$4.54 a share on the 3,843,612 common shares outstanding at year end, or to \$4.92 a share on the shares outstanding at January 31, 1963. Through an offer to the Corporation's shareholders, the outstanding shares were reduced in January, 1963 by the purchase for the corporate treasury of 300,000 shares. Consolidated earnings for 1961 were \$13,539,701, equal after preferred dividends to \$3.43 a share on the 3,790,988 shares then outstanding.

Earnings from operations for the year 1962 amounted to \$5,732,157, or \$1.55 a share, based on the 3,543,612 shares outstanding after giving effect to the tenders of stock, or \$1.43 a share, based on the shares outstanding at year end, compared with \$6,362,279, or \$1.54 a share for 1961.

Of the 1962 earnings from operations, domestic operations accounted for 73.1 per cent and International operations for 26.9 per cent. The ratio in 1961 was 81.9 per cent domestic and 18.1 per cent International.

Several factors contributed to the stability of the 1962 operating income. More profits were received from non-consolidated over-seas units and the simplification of the Corporation's capital structure permitted a larger share of profits to become applicable to the common shares. The change in status of the ten Statler Hilton hotels as a result of the merger with Statler Hotels Delaware Corporation, had, however, only a minor effect on operating earnings. The decrease in lease rentals was approximately offset by increases in interest and depreciation on



ENGLAND



THE LONDON HILTON

Visitors will soon insist on seeing Westminster Abbey, Buckingham Palace and the 28-story London Hilton—dynamic new hub of the world's largest city. Here, an array of restaurants and cocktail lounges are available for the pleasure-bent traveler, including a roof-top restaurant with the most spectacular view of London.



the ten hotels. Depreciation and amortization during 1962 amounted to \$12,691,485, compared with \$11,035,002 in 1961. Expenses for repairs and maintenance were reduced to \$12,607,009, as compared with \$12,763,180 the year before.

Capital gains resulting from sales of properties amounted to \$11,932,372, or \$3.11 a share in 1962. The sale in June of The Savoy Hilton and the sale in December of the land under The Palmer House produced the major portion of such gains. Profits from property sales in 1961 were \$7,177,422, or \$1.89 per share. The bulk of these profits came from the sale of second mortgage notes on three former properties held in the Corporation's investment portfolio. Capital gains in both years were extraordinarily high, although Hilton has had some profits from this source for many years. At December 31, 1962, the balance sheet shows under the designation "deferred income," \$3,068,209 representing unrealized profit from property sales in prior years. Most of these unrealized profits will be taken into profits over the next four years. The total equals approximately 65 cents a share, based on the common shares presently outstanding, after provision for taxes at the current capital gains rate. The corresponding deferred income item amounted to \$3,361,438 at December 31, 1961.

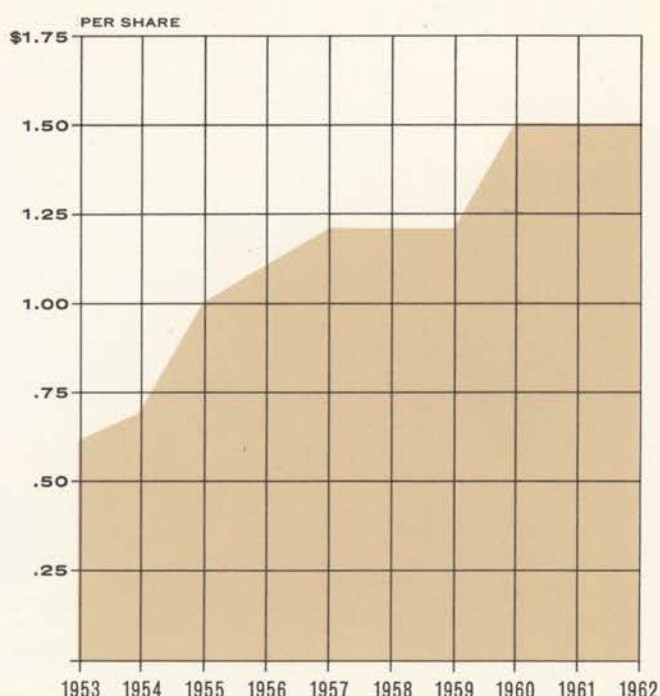
QUARTERLY DIVIDENDS:

Four quarterly payments of 37½ cents each were paid during the year, for a total of \$1.50 a share on the common stock. The payments were made on the first day of March, June, September and December. The two issues of preferred stock previously outstanding were retired. In August, the Corporation purchased the remaining 3,500 shares of 5% First Preferred Stock, Series A, at the \$100 par value plus accrued dividends. The 213,575 shares of 5½% Cumulative Voting Preferred, Series A (par value \$25) were called for redemption on October 8 at \$26.39½ per share. During 1962, cash dividends amounted to \$5,724,243 on the common stock and \$233,379 on the preferred stock, a total of \$5,957,622. Dividend payments on all classes of capital stock in 1961 aggregated \$6,215,546.

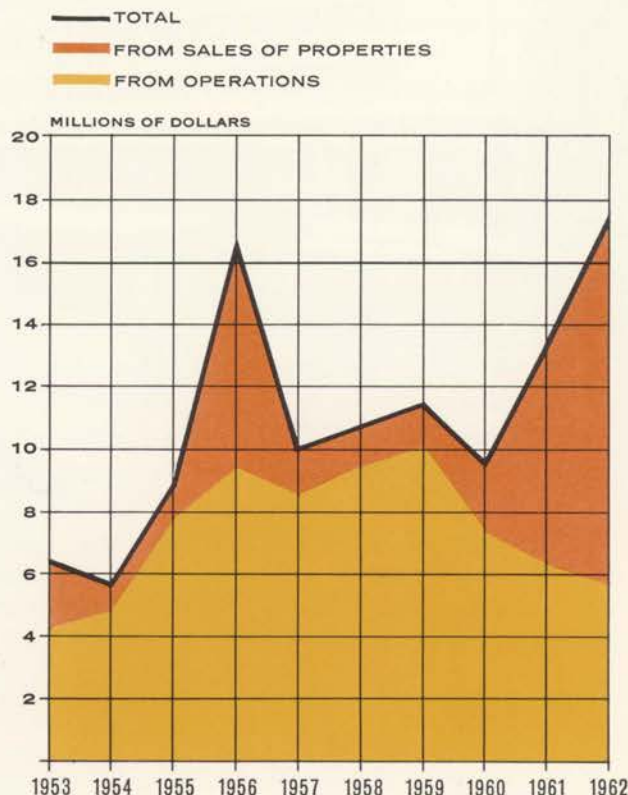
CAPITAL CHANGES:

During the year, the number of common shares outstanding increased 52,624 shares, to 3,843,612 at

DIVIDENDS



NET PROFITS



HOLLAND



THE ROTTERDAM HILTON

Europe's most famous seaport will soon boast one of the Continent's most dazzling hostelrys—the 275-room Rotterdam Hilton, an architectural dream in the land of the tulip and windmill, which will complement The Amsterdam Hilton opened last year. The ultra-modern facade and elaborate facilities of The Rotterdam Hilton should funnel an ever-increasing stream of Continent-bound travelers and businessmen through this renowned gateway.

December 31, 1962. The Corporation issued 52,115 shares in connection with the merger of Statler Hotels Delaware Corporation into Hilton Hotels. Conversions of 731 shares of 5½% Preferred Stock at the conversion ratio of 1.42 shares of preferred for each share of common stock increased common shares outstanding by 509. As aforementioned, the remaining shares of both issues of preferred stock have been retired.

Subsequent to the year end, Hilton Hotels reduced the number of common shares outstanding by acquiring 300,000 shares for the treasury. On December 17, 1962, the Corporation offered to all shareholders the right to tender a maximum of 300,000 shares at not to exceed \$29.50 per share. The offer expired on January 24, 1963.

Earned surplus at year end amounted to \$75,823,541, compared with \$65,229,134 at December 31, 1961. The net book value per common share was \$30.28 at year end, compared with \$27.66 at December 31, 1961. Book value reflects the historical cost basis to the Corporation of its assets less accumulated depreciation. As evidenced by the capital gains which have resulted from recent property sales, real estate values have increased substantially since the Corporation was formed in 1946. Thus the book values are undoubtedly understated in relation to present market values of the Corporation's assets.

Hilton common stock was well represented in the portfolios of institutional investors at the year end. Approximately 340,000 shares or nearly nine per cent of the total shares outstanding were held by investment trusts, banks, pension funds and other institutions. Institutions also held over ten per cent of Hilton 6% subordinated debentures due in 1984.

At December 31, 1962, the Corporation had approximately 12,000 shareholders, compared with 9,500 shareholders one year earlier.

FINANCIAL CONDITION:

Working capital at December 31 last amounted to \$27,280,816, or \$7.10 per share of common stock. The ratio of current assets to current liabilities was 1.84 to 1. Working capital was \$20,321,641 and the current ratio was 1.68 to 1 at the close of 1961. Cash and short-term commercial notes included in the current assets at December 31, 1962 amounted to \$38,335,197 compared with \$27,975,218 a year earlier.

In June, 1962, working capital was increased by the receipt of \$24.4 million in cash from the sale of The Savoy Hilton. The Corporation is continuing management of the hotel under a five-year contract. In 1962, the Beverly Hilton garage was sold and leased back to the same group of private investors who own The Beverly Hilton. The proceeds from this sale amounted to approximately \$900,000. The Corporation has the option of repurchasing the garage at the sale price in either 1966 or 1967, to conform to like options on the hotel. In December, \$14,000,000 was received from the sale of the Palmer House land. The land was leased back for 30 years with rights to renew for 60 additional years.

Fixed assets at year end amounted to \$197,208,358. Of the 47 operating hotel and inn properties, the Corporation owned both the land and buildings of 12 properties with a book value of \$113,972,027; owned the buildings but leased the land of 10 properties with a value of \$45,037,443; had leasehold interests in 17 properties with a value of \$14,616,358; and had fixed assets in five non-consolidated properties of \$122,473. Three properties were operated under management contracts. The Corporation also has fixed assets in the amount of \$16,063,621 representing Hilton Hotels under construction, and other fixed assets, largely consisting of various parcels of land, totaling \$7,518,909.

As a result of the merger of Statler Hotels Delaware Corporation into Hilton Hotels Corporation, the Corporation acquired ownership of the fees and leaseholds comprising the ten Statler Hilton Hotels. Since 1954 these properties had been leased from Statler Hotels Delaware Corporation. In December, 1961, an offer was made to all stockholders of Statler Hotels Delaware Corporation to purchase their stock at \$6.00 per share. The Corporation acquired 1,504,472 shares or 83 per cent of the outstanding Statler stock, at a cost of \$9,055,236. Shareholders of both corporations approved a merger agreement at special meetings on July 13. The Statler stockholders, other than Hilton Hotels Corporation, were offered one share of Hilton common stock in exchange for each five shares of Statler common.

In April, 1962, Hilton purchased the land and buildings comprising the Atlanta Hilton Inn for \$3,100,000. Of the purchase price, \$1,500,000 was represented by a first mortgage. This property had been previously operated under a lease.

ITALY



THE CAVALIERI HILTON

Areverderci Roma will become even more difficult to say when the new Cavalieri Hilton is opened in Rome. This stunning meeting place for those magnetized by the Eternal City will offer views of Rome previously unknown to visitors and provide a wide choice of luxuries.

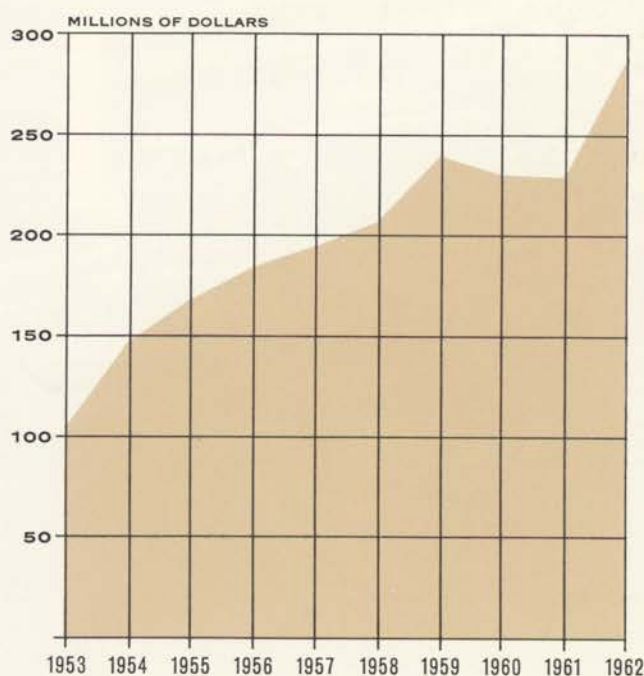
ANALYSIS OF CONSOLIDATED LONG-TERM DEBT

	BALANCE DECEMBER 31, 1961	ADDITIONS DURING 1962	REDUCTIONS DURING 1962	BALANCE DECEMBER 31, 1962
MORTGAGE BONDS AND NOTES				
The Palmer House.....	\$ 9,760,000	—	9,760,000	—
The Conrad Hilton.....	4,000,000	—	175,000	3,825,000
The Shamrock Hilton.....	10,254,138	—	215,991	10,038,147
The Terrace Hilton.....	6,608,541	—	218,818	6,389,723
The Savoy Hilton.....	1,883,810	—	1,883,810	—
The Pittsburgh Hilton.....	12,000,000	—	—	12,000,000
The Portland Hilton.....	890,000	—	—	890,000
The New Orleans Hilton Inn.....	2,024,038	—	63,384	1,960,654
Hawaiian Village Development Co.....	3,246,000	—	250,000	2,996,000
The Atlanta Hilton Inn.....	—	1,500,000	24,225	1,475,775
Palmer House Company.....	—	10,500,000	15,225	10,484,775
Los Angeles Statler Hilton.....	—	8,046,217	533,108	7,513,109
Dallas Statler Hilton.....	—	4,952,896	178,854	4,774,042
Statler System Mortgage.....	—	42,011,482	32,791,662	9,219,820
Boston Statler Hilton.....	—	10,000,000	—	10,000,000
Washington Statler Hilton.....	—	12,000,000	—	12,000,000
Hilton Inns, System Mortgage.....	—	8,460,000	—	8,460,000
DEBENTURES				
2% Hilton due 11/1/64.....	1,500,000	—	450,000	1,050,000
4½% Hilton due 1/1/70.....	2,127,000	—	273,000	1,854,000
6% Hilton due 10/15/84.....	28,800,000	—	789,000	28,011,000
4% Metropolitan (Portland) due 7/1/83.....	2,750,000	—	90,554	2,659,446
OTHER NOTES				
Installment purchase contract.....	1,850,000	—	320,000	1,530,000
Waldorf-Astoria Laundry.....	397,020	—	40,720	356,300
Hilton Hotels International.....	96,713	—	96,713	—
Hawaiian Village Development Company.....	462,500	52,800	26,902	488,398
Amsterdam Hilton Hotel.....	—	140,050	—	140,050
Sundry.....	109,694	180,000	15,437	274,257
TOTAL.....	\$88,759,454	97,843,445	48,212,403	138,390,496

Long-term indebtedness at the year end was \$138,390,496, compared with \$88,759,454 a year earlier. This equalled 56 per cent of the book value of the fixed assets, investments at cost and working capital. The substantial increase in long-term indebtedness came with the assumption of the \$42,011,482 balance of the Statler system mortgage, and \$12,999,113 in individual mortgages on the Dallas and Los Angeles Statler Hilton hotels. The interest on this additional debt is more than offset by the elimination of lease rental on the Statler properties under the lease in existence prior to the merger.

During the year \$10,791,662 was prepaid on the Statler system mortgage and an additional \$22,000,000 was refinanced by placing individual mortgages on the Boston and Washington Statler Hilton hotels. It is contemplated that the remaining \$9,219,820 of the Statler system mortgage will be retired in 1963. The restrictive provisions formerly contained in the Statler system mortgage have been eliminated. An agreement for a \$15,000,000 mort-

ASSETS



JAPAN



THE TOKYO HILTON

Counterbalancing the classic Oriental beauty of traditional Japanese architecture, the forward-looking Tokyo Hilton will gracefully blend Occidental styling with Japanese motifs. Tokyo is one of the crossroads of the Far East and this 14-story 506-room structure will serve as the most luxurious stopping-off place for travelers crossing the Japanese Islands.

gage loan on The Palmer House was entered into in December. Initially, \$10,500,000 was taken down and the balance of the loan will be available upon completion of a modernization program. The program will consist in part of remodeling 576 rooms from the sixth to the eleventh floors, and construction of two large function rooms in the existing outside courts. This will have the effect of creating a hotel within a hotel which will have its own registration desk, restaurants, swimming pool and banquet halls. The inner hotel will be attractive to convention groups that want to meet in a large downtown hotel but be segregated from other guests. Other sections of the 37-year-old hotel also will be remodeled.

Outstanding debentures were reduced during the year through purchase for the treasury of \$789,000 of 6% subordinated debentures due in 1984 and \$273,000 of 4½% debentures due in 1970. These debentures may be applied against future sinking fund requirements.

Capital expenditures for modernization projects totaled \$5,683,935 in 1962, compared with \$9,860,963 in 1961. The largest expenditure was for completion of the additional convention facilities at The Conrad Hilton. Many of the other projects improved the physical facilities in areas which are not readily apparent to guests but which add materially to their comfort and convenience.

A wholly-owned subsidiary, Metropolitan Hotel Corporation which had owned The Portland Hilton, was liquidated into the parent corporation during 1962. As a result, the parent corporation's income tax liability was reduced through utilization of prior years losses of this subsidiary.

The following is a condensed consolidated statement of source and applications of funds for the year ended December 31, 1962:

SOURCE OF FUNDS:

Net profit.....	\$ 17,664,529	
Less: net profit from property sales, etc.....	<u>11,932,372</u>	
Net profit from operations.....	5,732,157	
Depreciation and amortization....	12,691,485	
Proceeds from sales of properties and investments.....	39,659,374	
Collections on notes receivable....	539,813	
Net proceeds from new financing.	9,952,850	
Decrease in cash.....	<u>5,132,348</u>	<u>\$ 73,708,027</u>

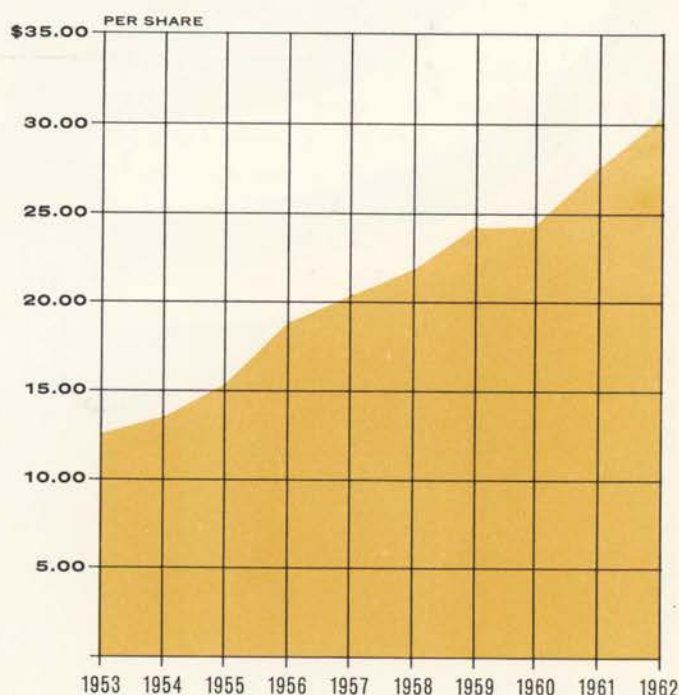
FUNDS APPLIED TO:

Payment of long-term debt.....	\$ 17,012,403	
Capital expenditures.....	24,365,587	
Investments.....	18,322,276	
Redemption of preferred stock....	5,968,017	
Dividends.....	5,957,622	
Increase in other net assets.....	<u>2,082,122</u>	<u>\$ 73,708,027</u>

INVESTMENTS:

Hilton Hotels in 1963 increased its ownership in Hilton Credit Corporation to 68 per cent of the latter's outstanding common stock. Initially, the Corporation owned 1,000,000 shares or 34 per cent of the stock of Hilton Credit Corporation. In January, 1959, the stockholders of Hilton Hotels Corporation were offered the opportunity of buying one share of Hilton Credit Corporation stock for each two shares of Hilton Hotels common stock held by them, at a price of \$3.25 per share. This offer resulted in Hilton Credit Corporation being publicly held. To provide greater flexibility in Hilton Credit's operations, Hilton Hotels offered to purchase up to 1,390,706 shares of Hilton Credit stock at a price of \$3.25 a share, the same as the original offering price. Hilton Hotels Corporation has no intention of merging with Hilton Credit Corporation.

STOCKHOLDERS EQUITY



CANADA



MONTREAL AIRPORT HILTON

Perhaps the most unusually-shaped hotel in the Western Hemisphere will be the Montreal Airport Hilton—a completely circular structure surrounding a large circular swimming pool. The 14-acre site of this glamorous hostelry is only ten miles from bustling downtown Montreal. Thus it will be the natural social, business conference and get-away-from-it-all center for those who do not require the larger facilities of its sister hotel, the beautiful Queen Elizabeth, in downtown Montreal.

RECEIPTS FROM OPERATIONS

Rooms	42.7¢
Food	32.6¢
Beverage	12.6¢
Telephone	2.7¢
Other departments	4.8¢
Store and office building rentals	1.9¢
Other income	2.7¢



EXPENDITURES

Payroll and related expenses	40.2¢
Cost of goods sold	17.1¢
Other expenses	15.3¢
Repairs and maintenance (excluding payroll and related expenses)	3.6¢
Property taxes	4.0¢
Lease rentals	6.3¢
Interest	3.0¢
Income taxes	2.2¢
Dividends	2.6¢
Depreciation	5.7¢

Hilton Credit has been operating its Carte Blanche all-purpose credit card plan profitably during its current fiscal year which began May 1, 1962. However, in the three years since commencement of operations to April 30, 1962, Hilton Credit Corporation had losses in excess of \$9,000,000. Bank indebtedness of \$12,150,000 has been extended for an additional year and the \$5,000,000 of subordinated notes, \$1,900,000 of which are held by Hilton Hotels Corporation, have been extended for a like period. The contract under which Hilton Hotels sells, at a discount, certain of its accounts receivable to Hilton Credit expires March 31, 1963, and will be continued from month to month. The maturity of Hilton Credit's debt in 1964, the expiration of the contract with Hilton Hotels and the uncertainty of the discount rate to be charged in the future were factors influencing your directors to make the offer to the shareholders of Hilton Credit Corporation.

Hilton Hotels owns a 50 per cent stock interest in each of the following non-consolidated companies: Hilton-Burns Hotels Company, Inc., owner of the Hilton Hawaiian Village; The Kahala Hilton Hotel

Company, Inc., which is building The Kahala Hilton; Hilton-Uris, Inc., which is building The Washington Hilton, and Hilton-Dorval Limited, which is building the Montreal Airport Hilton. Hilton Hotels also has a 25 per cent interest in Rock-Hil-Uris, Inc., which is building The New York Hilton. Hilton's interests in these hotels are carried as investments, thus their operating results will not be included in the statement of consolidated income of Hilton Hotels. The Corporation will receive management fees, interest on debentures and dividends paid by the operating companies.

The investments of the Corporation were reduced from \$24,155,504 at December 31, 1961, to \$21,943,356 at December 31, 1962. The reduction resulted primarily from the merger of Statler Hotels Delaware Corporation into Hilton Hotels Corporation, whereby a note of Statler Hotels Delaware Corporation owned by the Corporation was eliminated. The wholly-owned subsidiary, Hilton Hotels International, Inc., has relatively small investments in hotels in Rome, Amsterdam, Rotterdam, Dublin and Paris (Orly Airport).

HONG KONG, B.C.C.



THE HONG KONG HILTON

Providing guests with a front-row-center seat on the most colorful island in the world, the 850-room Hong Kong Hilton will be the largest hotel in the Far East. From the Eagle's Nest restaurant on the 25th floor, guests will view the teeming international harbor, story-book hills and—stretched out along the distant horizon—Red China.



SALES DEVELOPMENT:

Considerable progress was made during 1962 in developing a completely coordinated domestic sales program and in integrating these efforts with those of the International company. In November, Robert F. Quain, who had been dividing his time between his positions as vice president-sales and general manager of The Conrad Hilton, was promoted to senior vice president-sales and will devote full time to sales development.

The principal sources of business, other than normal transient trade, are conventions of all sizes, the travel industry, group business from corporations and government and governmental agencies. The sales program is directed out of a national sales office in Chicago. National sales representatives or area sales managers are located in six major cities; Buffalo, New York City, Washington, D. C., Columbus, Chicago and Los Angeles. They, in turn, work with the individual hotels' sales staffs.

A special travel department operates within the sales organization to deal exclusively with the travel industry to develop programs and promotions of particular interest to travel agents. The Corporation's sales program is designed to meet the specific requirements of corporations for individual travel, business and group meetings. The research and development activity concentrates on finding creative solutions for problems encountered throughout the sales organization. A number of programs have been developed to increase business during periods of low occupancy. Business promotion and advertising is stressed and is coordinated with the overall sales and operational efforts.

Substantial improvement was made during the year in convention sales. Although total rooms sold was off slightly, convention room day bookings were up sizeably. Convention business amounted to approximately 36 per cent of total rooms sold in domestic hotels.

The Hilton Reservation Service was expanded to 189 cities from 111 cities at the beginning of the year. Reservations made through the Reservation Service increased 9.4 per cent over 1961.

The Hilton Hotels Credit Identification Card was inaugurated during the year and is honored at all Hilton hotels and inns around the world. It is designed for those patrons who wish to receive statements directly from the individual hotels.

Hilton Hotels is working with the United States Government and other interested organizations to stimulate travel from abroad to the United States. There has been a very encouraging increase in the number of visitors in domestic hotels who first became acquainted with Hilton through its International hotels. Significantly, the coordinated Hilton sales program has increased bookings of conventions abroad. Previously, the International system depended almost entirely upon tourism and individual commercial travel.

During the year Hilton installed machine tabulating equipment, which has speeded up the collection and presentation of information specifically oriented towards the sales effort. It is the first company in the industry to take this step.

While some benefits from the concerted sales program are already apparent, the most significant gains will be realized over a period of years as Hilton develops the sales advantages of its extensive, well-located system.

DOMESTIC EXPANSION:

The Corporation has five domestic hotel projects in various stages of construction. When these hotels are completed they will add 5,353 guest rooms.

In June, 1963, The New York Hilton will be opened. This 46-story, 2,153-room luxury hotel occupies the block front on the Avenue of the Americas between 53rd and 54th Street at Rockefeller Center. New York's newest major hotel is a joint venture of Uris Buildings Corporation, Rockefeller Center, Inc., and Hilton Hotels Corporation. Hilton has a 25 per cent interest in the owning company, Rock-Hil-Uris, Inc., and has a 20-year management contract with renewal options.

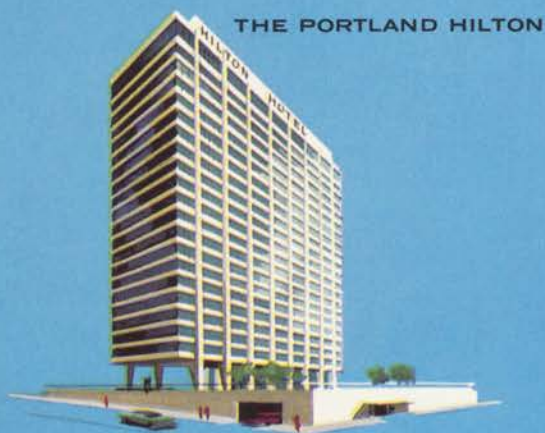
The New York Hilton has all its public rooms in the first four stories. Its 130,000 square feet of exhibit space is the largest in any New York hotel. The design of the public facilities allows great flexibility in handling convention and group business. Plans for the new hotel have received enthusiastic acceptance from many convention managers who have already booked conventions into the hotel over the next three years.

All guest rooms are in the tower structure rising above the broader four-story base. The rooms are exceedingly attractive and are unusually large with high ceilings, handsome furnishings and blue-tinted

UNITED STATES



America's convention managers will find their problems eased with the opening of the hotels illustrated on this page, for they offer unparalleled facilities for large gatherings. In addition to extensive public facilities, 5,353 new guest rooms will delight travelers in the metropolitan and resort areas involved.



THE PORTLAND HILTON



THE NEW YORK HILTON (Rockefeller Center)



THE WASHINGTON HILTON



THE SAN FRANCISCO HILTON



THE KAHALA HILTON (Honolulu)

windows which reduce glare and summer heat. Its distinctive character provides an appeal different from the other Hilton Hotels in New York City.

A 27-story 500-room Hilton Hotel is nearing completion in the Pacific port city of Portland, Oregon. The 500 guest rooms are in a 22-story tower which rises above a five-story base housing the public areas. There are panoramic views of the Willamette River, Mount Hood and other peaks of the Cascades from the upper floors. The hotel will provide the newest convention facilities in the Pacific Northwest.

Scheduled for opening near the end of the year is The Kahala Hilton. Honolulu's newest luxury hotel is located on a six-acre leased site adjacent to the Waialae Country Club. The 300-room ocean front property is located east of Diamond Head, about three miles from Waikiki.

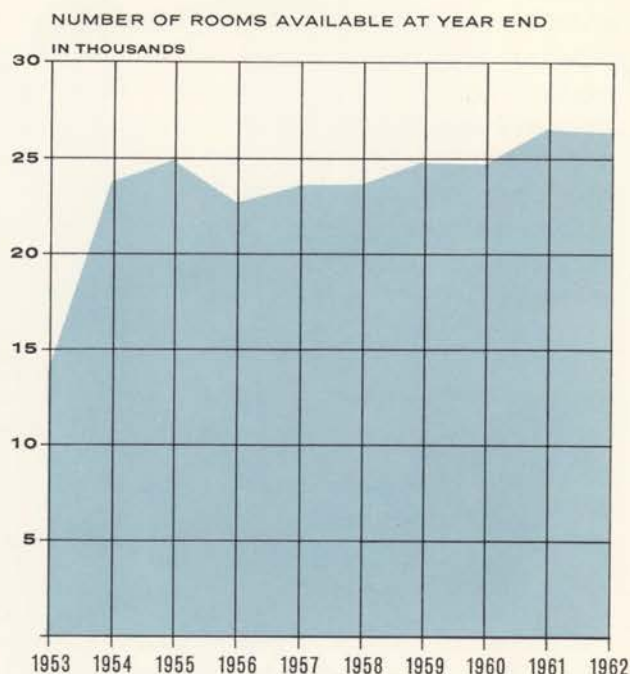
The 1,200-room San Francisco Hilton is now expected to be completed in mid-1964. The 18-story structure is located downtown, adjacent to the airport bus terminal. Parking will be available next to the guest rooms on the fourth through the tenth floors as well as in a 350-car underground garage.

The 1,200-room Washington Hilton in the nation's capital is a joint venture with Uris Buildings Corporation. The eight-story hotel will have a resort flavor in the midst of a large city because of its landscaped gardens, tennis courts and heated swimming pool with cabanas. When opened late next year it will be able to accommodate large conventions. The hotel is situated in the Temple Heights section of Washington, about one mile from the White House.

The Kansas City Hilton Inn was opened on August 10, 1962. It is being managed under a 20-year contract. Hilton does not lease or own the seven-story 189-room inn and has no investment in the project. The Inn's owners, recognizing Hilton's leadership in the operation of hotels, contracted for its management services. The inn is near downtown and the airport. Private meeting and function rooms accommodate up to 360 persons.

Hilton also has signed a 20-year management contract for the operation of a motor hotel in Worcester, Massachusetts, which will be owned by local interests. Ground was broken for the project in late 1962. The \$6,000,000 ten-story building will be located in the heart of the business district. The hotel will contain 250 guest rooms. Opening is scheduled for the Spring of 1964.

DOMESTIC EXPANSION



INTERNATIONAL EXPANSION:

Eight International hotels, scheduled for opening during 1963 are: the 261-room Royal Tehran Hilton in Iran; the 512-room London Hilton in England; the 480-room Athens Hilton in Greece; the 400-room Cavalieri Hilton in Rome, Italy; the 275-room Rotterdam Hilton in Holland; the 506-room Tokyo Hilton in Japan; the 850-room Hong Kong Hilton and the 288-room Montreal Airport Hilton in Canada.

During the next three years, Hilton Hotels International expects to open hotels for which contracts have been signed or are already under construction in the following cities: Addis Ababa, Brussels, Caracas, Dublin, Guadalajara (Mexico), Kuwait, Manila, Mayaguez (Puerto Rico), Nicosia (Cyprus), Orly (Paris Airport), Paris, Rabat, Tel Aviv, Tunis and Willemstad (Curacao).

When all of these projects are completed, Hilton Hotels abroad will number 37 with in excess of 12,000 guest rooms. There will be 13 hotels in Europe, three in the Middle East, four in Africa, two in Canada, five in the Caribbean, seven in Central and South America, and three in the Pacific, not including the two Hawaiian hotels.

The Royal Tehran Hilton was opened early in 1963. With its 15 stories, it is one of the taller hotels



in all of Asia. The guest rooms afford views of the city and snow capped mountains. All rooms are individually air-conditioned.

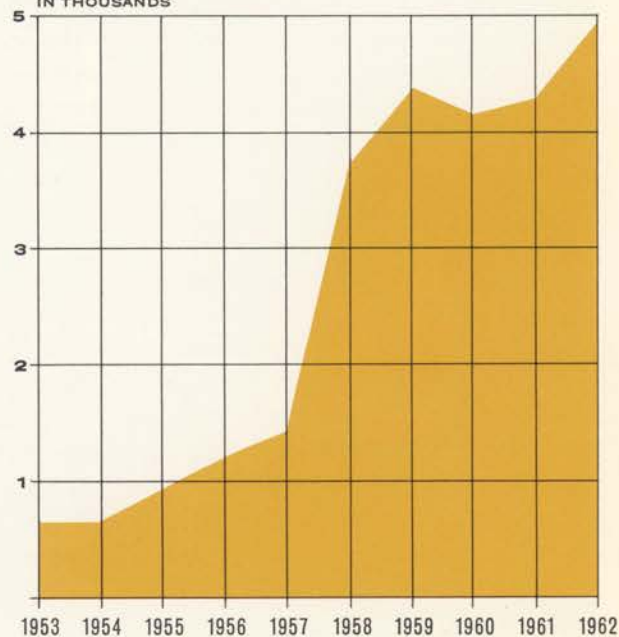
The London Hilton faces historic Hyde Park, one of the most fashionable and famous sections of London. The 28-story structure has substantial convention facilities, a number of restaurants and cocktail lounges and a rooftop nightclub. Ample underground parking is available within the building.

The Athens Hilton, Greece's newest and finest hotel, is located on Vasilissis Sophias Avenue, near the heart of the city. Classic Greek history and art have provided the motif for the decoration of the hotel. The guest rooms have private terraces offering a magnificent view. The rooms are individually air-conditioned and the grounds include a terraced garden and a swimming pool. A roof-top restaurant affords a view of the Acropolis.

The Cavalieri Hilton, located in a landscaped park atop Monte Mario in Rome, will be opened soon. The public areas and guest room balconies afford

INTERNATIONAL EXPANSION

NUMBER OF ROOMS AVAILABLE AT YEAR END
IN THOUSANDS



dramatic views of the Vatican. The hotel is only 15 minutes by car from the heart of the city and is linked by highway with the new international airport at Fiumicino. Parking for 500 cars is provided in the building.

The Rotterdam Hilton is situated in the modern central section of the city, overlooking the Hofplein Square Fountains. Rotterdam is a bustling city and Europe's largest seaport. The hotel is equipped with ample banquet and meeting facilities in addition to distinctive restaurants and bars.

The Tokyo Hilton is situated in the heart of Tokyo near the shopping and entertainment district. The 14-story hotel, although Occidental in style, will have a restaurant and some guest rooms in traditional Japanese style, thus bringing together the best of the East and West.

The Hong Kong Hilton is located at the junction of Queen's Road Central and Garden Road on the island of Hong Kong. The 26-story hotel will be entirely air-conditioned. It will be the largest hotel in the Far East and is the first post-war hotel to be built on the island. The structure faces, on one side, the teeming international harbor of Hong Kong and, on the other, the Peak and the scenic hills for which the city is noted. Under construction nearby is the terminal of the new 24-hour vehicular ferry to run between the island and the Kai Tak International Airport. The Eagle's Nest, a restaurant-cocktail lounge on the hotel's 25th floor, will provide a spectacular view of the harbor. The grand ballroom will accommodate 1,000 for banquets.

The Montreal Airport Hilton is located adjacent to the new international airport in the town of Dorval, Quebec. The hotel has a French-Canadian style dining room and sizeable banquet facilities. Recreational features include a six-hole golf course and a swimming pool.

The Queen Elizabeth in Montreal is now operating four restaurants, two cocktail lounges and a cafeteria with combined seating for 1,000 persons, in the famous Place Ville Marie office and downtown shopping center.

EXECUTIVE CHANGES:

Late in the year, the new position of senior vice president was created and five former vice presidents were elevated to this post. They are Joseph P. Binns, managing director of the New York and Washington

Hiltons; Spearl Ellison, western division manager; Vernon Herndon, central division manager; Robert F. Quain, national sales and marketing manager; and Frank G. Wangeman, eastern division manager.

The Hilton Personnel Development Program, formally inaugurated during the latter part of 1961, made significant progress during 1962. Corporate-sponsored programs for selected individuals resulted in a number of assignments of key personnel. In November of 1962 a regional plan was approved whereby coordinators in principal cities in the United States co-operate with the central office in the recruiting, selecting and training of qualified personnel within their geographic areas. Intra-hotel training continued in all units with particular emphasis on courtesy and friendliness especially among employees who come in direct contact with guests.

EMPLOYEE RELATIONS:

The demand for trained employees is increasing due to the many new Hilton Hotels to be opened in the coming years. This offers opportunities for advancement to employees rendering superior performance. Management is giving them every assistance at all levels to learn new skills and aptitudes.

Employee benefits, including a pension plan, medical and life insurance programs, were continued in force during the year.

Relations between employer and employees continued at a high level throughout the year. As a service organization, the energies and abilities of the Corporation's 30,000 employees are its greatest asset. Presently the International hotels employ 8,500 people representing 52 nationalities.



Comparative Balance Sheet

ASSETS

	DEC. 31, 1962	DEC. 31, 1961
CURRENT ASSETS		
Cash	\$ 22,842,870.80	27,975,218.31
Short-Term Commercial Notes and Bank Loan Participation Certificates	15,492,326.38	—
Accounts and Notes Receivable	13,031,905.08	13,460,095.00
Less: Allowance for Doubtful Accounts	537,382.52	407,506.89
	<u>12,494,522.56</u>	<u>13,052,588.11</u>
Inventories of Merchandise and Supplies—(At Cost)	3,736,348.71	3,968,002.68
Other Current Assets		
Installment Sales Contract and Other Notes— Payments Receivable Within One Year—(Note 2)	990,455.74	539,812.99
Due from Affiliated Companies	1,397,894.92	1,733,743.68
Prepaid Expenses	2,396,181.01	2,433,250.18
Sundry—Other	383,690.98	478,598.04
Total	<u>5,168,222.65</u>	<u>5,185,404.89</u>
Total Current Assets	<u>59,734,291.10</u>	<u>50,181,213.99</u>
INVESTMENTS—(Notes 1 and 2)		
Capital Stocks	533,535.44	933,535.44
Installment Sales Contract and Other Notes	6,156,307.03	6,580,825.85
Securities and Indebtedness of 50% Owned Companies	8,803,014.22	7,723,784.42
Securities and Indebtedness of Affiliates—Not Current	5,005,004.72	8,117,004.72
Other Investments	1,445,495.00	800,353.33
	<u>21,943,356.41</u>	<u>24,155,503.76</u>
Less: Amounts Due Within One Year—(Above)	990,455.74	539,812.99
	<u>20,952,900.67</u>	<u>23,615,690.77</u>
Investments in and Advances to Non-Consolidated Foreign Subsidiaries and Divisions of Hilton Hotels International, Inc.—(Note 1)	1,087,141.19	187,392.64
Total Investments	<u>22,040,041.86</u>	<u>23,803,083.41</u>
FIXED ASSETS—(Note 3)		
Land	26,539,105.53	31,546,183.82
Buildings	112,474,288.17	80,104,327.45
Furniture and Equipment	38,125,822.70	41,448,062.75
Leaseholds and Improvements	46,106,370.85	45,043,604.65
	<u>223,245,587.25</u>	<u>198,142,178.67</u>
Less: Accumulated Depreciation and Amortization	41,751,800.47	67,609,918.61
Total	<u>181,493,786.78</u>	<u>130,532,260.06</u>
Revisions and Alterations	9,915,802.35	11,366,411.00
Operating Equipment	5,798,768.63	6,269,932.70
Total	<u>197,208,357.76</u>	<u>148,168,603.76</u>
OTHER ASSETS AND DEFERRED CHARGES		
Preopening and Preliminary Investigation Expenses	1,302,258.33	1,761,999.59
Organization Expenses	493,732.72	420,515.33
Unamortized Mortgage and Loan Expenses and Discount	4,996,416.80	4,910,559.11
Other Assets and Deferred Charges	1,287,623.97	2,242,549.50
Total	<u>8,080,031.82</u>	<u>9,335,623.53</u>
TOTAL ASSETS	<u>\$287,062,722.54</u>	<u>231,488,524.69</u>

Notes to Financial Statements form an integral part of this statement and should be considered in connection therewith.

LIABILITIES AND SHAREHOLDERS' EQUITY

	DEC. 31, 1962	DEC. 31, 1961
CURRENT LIABILITIES		
Accounts Payable.....	\$ 9,690,439.81	8,861,708.16
Accrued Expenses and Charges.....	13,921,195.67	13,105,772.91
Long-Term Debt Due Within One Year.....	5,011,511.00	2,372,592.83
Estimated Federal, State, City, District and Foreign Taxes on Income—(Based on Separate Returns of the Consolidated Companies)—(Note 4).....	3,257,515.81	4,942,360.75
Sundry—Other.....	572,813.01	577,138.49
<i>Total Current Liabilities.....</i>	<u>32,453,475.30</u>	<u>29,859,573.14</u>
LONG-TERM DEBT—(Notes 5 and 7)		
Mortgage Bonds and Notes.....	102,027,044.56	50,666,527.13
2% Debentures.....	1,050,000.00	1,500,000.00
4½% Fifteen Year Convertible Debentures.....	1,854,000.00	2,127,000.00
4% Twenty-Five Year Sinking Fund Debentures.....	2,659,446.00	2,750,000.00
6% Subordinated Sinking Fund Debentures.....	28,011,000.00	28,800,000.00
Bank Loans and Other Notes Payable.....	2,514,748.36	2,819,192.63
Sundry—Other.....	274,256.88	96,734.47
	<u>138,390,495.80</u>	<u>88,759,454.23</u>
Less: Amounts Due Within One Year—(Above).....	5,011,511.00	2,372,592.83
<i>Total Long-Term Debt.....</i>	<u>133,378,984.80</u>	<u>86,386,861.40</u>
DEFERRED CREDIT—FEDERAL INCOME TAXES—(Note 3).....	<u>1,310,514.07</u>	<u>957,984.46</u>
DEFERRED INCOME		
Unrealized Profit on Property Sales—(Note 2).....	3,068,209.23	3,361,437.91
Sundry—Other.....	339,334.18	185,880.55
<i>Total Deferred Income.....</i>	<u>3,407,543.41</u>	<u>3,547,318.46</u>
RESERVES—SUNDRY.....	<u>117,516.80</u>	<u>131,769.83</u>
MINORITY INTEREST IN PARTNERSHIP.....	<u>—</u>	<u>46,447.41</u>
SHAREHOLDERS' EQUITY		
Capital Stock—(Note 6)		
Cumulative First Preferred, Issuable in Series, Par \$100.00. Authorized at December 31, 1961, 3,880 Shares of which 3,500 Shares were Outstanding—(Retired and Cancelled in 1962).....	—	350,000.00
Cumulative Preferred, Issuable in Series, Par \$25.00. Authorized and Unissued, 221,267 Undesignated Shares. 278,733 Shares, 5½% Series "A", Authorized at December 31, 1961 of which 213,575 Shares were Issued and Outstanding—(Series "A" Shares Retired and Cancelled in 1962).....	—	5,339,375.00
Common, Par \$2.50. Authorized 8,000,000 Shares. Issued 4,538,350 Shares and 4,485,726 Shares (Including 694,738 Shares in Treasury—See Below) ..	11,345,875.00	11,214,315.00
Scrip.....	133.50	—
<i>Total Capital Stock.....</i>	<u>11,346,008.50</u>	<u>16,903,690.00</u>
Surplus		
Capital Surplus.....	39,714,449.76	38,915,057.23
Earned Surplus.....	75,823,541.03	65,229,133.89
Reserve for Contingencies.....	2,500,000.00	2,500,000.00
<i>Total Surplus.....</i>	<u>118,037,990.79</u>	<u>106,644,191.12</u>
<i>Total.....</i>	<u>129,383,999.29</u>	<u>123,547,881.12</u>
Deduct:		
694,738 Shares of Common Stock in Treasury—(At Cost).....	12,989,311.13	12,989,311.13
<i>Total Shareholders' Equity.....</i>	<u>116,394,688.16</u>	<u>110,558,569.99</u>
COMMITMENTS AND CONTINGENT LIABILITIES — (Notes 7 and 8)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	<u>\$287,062,722.54</u>	<u>231,488,524.69</u>

Comparative Statement of Consolidated Income

YEAR ENDED

	DEC. 31, 1962	DEC. 31, 1961
GROSS OPERATING REVENUE		
Rooms Revenue.....	\$ 95,337,826.13	100,619,491.93
Food and Beverage Department.....	100,877,289.74	106,360,821.88
Other Operated Departments.....	16,887,919.39	17,031,153.11
Other Income.....	5,103,610.11	5,168,878.02
Store Rentals.....	3,109,112.60	3,739,395.71
	<u>221,315,757.97</u>	<u>232,919,740.65</u>
OPERATING COSTS AND EXPENSES		
Departmental Costs and Expenses.....	124,648,586.89	130,216,813.09
Administrative and General Expenses.....	15,326,650.88	15,586,053.80
Advertising and Business Promotion.....	5,849,703.79	6,187,728.93
Heat, Light and Power.....	9,491,072.82	9,421,126.93
Maintenance and Repairs.....	12,607,009.05	12,763,180.45
Lease Rentals.....	14,003,943.04	19,926,880.69
Real Estate and Personal Property Taxes.....	9,030,260.44	9,038,102.11
Interest.....	6,747,463.12	4,464,889.70
Depreciation and Amortization.....	12,691,485.40	11,035,001.82
Corporate Expenses and Sundry Capital Charges.....	3,271,153.63	3,584,880.00
	<u>213,667,329.06</u>	<u>222,224,657.52</u>
NET OPERATING PROFIT	<u>7,648,428.91</u>	<u>10,695,083.13</u>
ADDITIONS TO OR (DEDUCTIONS) FROM INCOME		
Interest on Investment Securities.....	808,431.42	1,225,587.65
Profit from Office Buildings and Other Real Estate Operations.....	1,122,626.70	1,032,648.40
Contribution to Pension Trust.....	(110,786.00)	(26,665.00)
Property Tax Refunds.....	31,348.08	9,861.95
Income from Royalties.....	80,118.61	75,457.40
Management Fee Income.....	356,349.96	—
Consulting Fees.....	100,960.16	—
Income from Non-Consolidated Foreign Operations Received in United States..	623,626.97	209,569.85
Dividends.....	1,800.00	10,800.00
Sundry—Other.....	(33,479.85)	48,261.35
	<u>2,980,996.05</u>	<u>2,585,521.60</u>
PROFIT BEFORE INCOME TAXES	<u>10,629,424.96</u>	<u>13,280,604.73</u>
PROVISION FOR INCOME TAXES		
Federal Taxes.....	4,172,155.80	6,067,380.58
State, City, District and Foreign Taxes.....	797,621.14	854,497.77
	<u>4,969,776.94</u>	<u>6,921,878.35</u>
PROFIT BEFORE MINORITY INTERESTS	<u>5,659,648.02</u>	<u>6,358,726.38</u>
MINORITY INTERESTS	<u>(72,508.76)</u>	<u>(3,552.59)</u>
NET INCOME	<u>5,732,156.78</u>	<u>6,362,278.97</u>
REALIZED PROFIT ON SALE OF PROPERTIES AND SECURITIES	14,596,220.73	9,569,896.02
LESS: TAXES APPLICABLE THERETO	2,663,848.83	2,392,474.01
	<u>11,932,371.90</u>	<u>7,177,422.01</u>
TOTAL NET INCOME AND PROFITS	<u>\$ 17,664,528.68</u>	<u>13,539,700.98</u>

Notes to Financial Statements form an integral part of this statement and should be considered in connection therewith.

HILTON HOTELS CORPORATION AND CONSOLIDATED SUBSIDIARIES

Statement of Consolidated Surplus

CAPITAL SURPLUS

BALANCE—DECEMBER 31, 1961		\$ 38,915,057.23
ADD:		
Surplus Arising from Exchange of Hilton Hotels Corporation Common Stock for Common Stock of Statler Hotels Delaware Corporation in Accordance with Terms of Merger Agreement	1,085,754.82	
Surplus Arising from Conversion of 731 Shares, 5½% Preferred, Series "A", into Common Stock in Accordance with Conversion Privileges	<u>16,864.19</u>	
		<u>1,102,619.01</u>
		40,017,676.24
DEDUCT:		
Decrease in Surplus Arising from Redemption of 212,844 Shares, 5½% Preferred, Series "A", Par \$25.00, at Redemption Price of \$26.395 Per Share	296,917.38	
Decrease in Surplus Arising from Adjustment of Fixed Assets and Related Depreciation Reserves of Savoy-Plaza, Inc. to Tax Basis, as Result of Additional Costs in 1962	<u>5,298.31</u>	
Adjustment of Surplus Arising from Exchange of Common Stock for Capital Stock of Hotel Waldorf-Astoria Corporation	<u>1,010.79</u>	
		<u>303,226.48</u>
BALANCE—DECEMBER 31, 1962		<u>\$ 39,714,449.76</u>

EARNED SURPLUS

BALANCE—DECEMBER 31, 1961		\$ 65,229,133.89
ADD:		
Adjustment of Income Resulting from Federal Income Tax Examinations for Prior Years	429,781.76	
Net Income and Profits for the Year Ended December 31, 1962	<u>17,664,528.68</u>	
		<u>18,094,310.44</u>
		83,323,444.33
DEDUCT:		
Assessment of Federal Income Taxes and Interest Thereon for Prior Years	1,542,281.68	
Dividends:		
Cumulative First Preferred Stock, 5% Series "A"	13,125.00	
Cumulative Preferred Stock, 5½% Series "A"	<u>220,253.44</u>	
Common Stock	<u>5,724,243.18</u>	
		<u>7,499,903.30</u>
BALANCE—DECEMBER 31, 1962		<u>\$ 75,823,541.03</u>

CERTIFICATE OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and
Shareholders of Hilton Hotels Corporation

We have examined the balance sheet of Hilton Hotels Corporation and its Consolidated Subsidiaries at December 31, 1962 and the related consolidated surplus and income statements for the year then ended.

These consolidated statements have been prepared from financial statements of Hilton Hotels Corporation and its Subsidiaries which were either audited by us or by other independent accountants who have submitted to us their certificates concerning the underlying financial statements examined by them.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, based upon our examination and upon opinions expressed in the certificates of other independent accountants pertaining to the examinations made by them, the accompanying consolidated balance sheet and related statements of consolidated surplus and income, together with explanatory notes thereto, present fairly the financial position of Hilton Hotels Corporation and its Consolidated Subsidiaries at December 31, 1962, and the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois
March 1, 1963

HARRIS, KERR, FORSTER & COMPANY

Notes to Financial Statements.....

(1) BASIS OF CONSOLIDATION

The consolidated statements include all divisions and subsidiaries (all wholly-owned) of Hilton Hotels Corporation (the Company) and a majority interest of the Company in an affiliated partnership with the exception that the subsidiary, Hilton Hotels International, Inc. (International) excludes from its consolidation certain foreign divisions and subsidiaries due either to unstable political situations or to currency restrictions or both. These latter operations are carried as investments and income therefrom is included in consolidation when received in the United States.

Investments in and advances to non-consolidated foreign divisions and subsidiaries of International at December 31, 1962 aggregated \$1,087,141., whereas that Company's equity in the net assets of such divisions and subsidiaries was \$1,517,758.

Consolidated earned surplus at December 31, 1962 included \$10,363,279., representing the combined undistributed net earnings of consolidated subsidiaries.

(2) INVESTMENTS

Notes received in connection with sales of various properties since 1952 were secured by either first, second, real estate leasehold or chattel mortgages. These notes require various periodic payments and their maturities range from September 30, 1963 to July 1, 1976. Required payments receivable for the next five years approximate \$916,402., 1963; \$279,221., 1964; \$400,099., 1965; \$1,640,374., 1966; and \$142,563., 1967.

The profit on those sales that qualify as installment sales under Treasury regulations has been deferred and there will be taken into income that portion of the profits as applies to payments on the installment sales contracts in the year in which such payments are received. At December 31, 1962, \$3,068,209., of such profit was deferred, and accordingly, during the next five years as the aforementioned payments are received, there will be included in income (taxable at the then effective long-term capital gains rate) the following: \$777,672., 1963; \$138,872., 1964; \$226,561., 1965; \$994,254., 1966; and \$47,201., 1967.

Investments and advances of the Company and its wholly-owned subsidiary Hilton Hotels International, Inc., in 50% owned companies aggregated \$8,803,014., while the equity in the net assets of such companies amounted to \$8,421,579.

(3) FIXED ASSETS

A major portion of these assets are pledged to secure mortgages or other long-term debt of the consolidated companies. Fixed assets were carried at cost or were carried over from predecessor companies together with related depreciation reserves at predecessors' basis. Additions to such assets were carried at cost.

The investment in Statler Hotels Delaware Corporation, which was merged with the Company as at August 1, 1962, was acquired at \$10,851,157.19 more than the book value of the equity thus acquired. This excess was treated as additional cost of fixed assets, and, the total cost of fixed assets thus acquired was allocated to the various Statler Hilton properties.

Depreciation of fixed assets has been computed on the basis of the straight-line method for accounting purposes. For income tax purposes, the Company has elected to compute depreciation on the sum-of-the-digits method with respect to certain additions to fixed assets. Accordingly, the Company has included in the provision for

income taxes and in the balance sheet an amount equal to the Federal income tax benefit from the use of this method of accelerated depreciation.

(4) FEDERAL TAXES ON INCOME

Federal income tax returns of the Company subsequent to 1957 and returns of subsidiaries and predecessor companies for 1954 and subsequent years are either under or subject to examination by the Internal Revenue Service.

(5) LONG-TERM DEBT

A trust indenture securing the 4½% fifteen-year convertible debentures of the Company (conversion privileges expired January 2, 1958), maturing January 1, 1970 requires annual sinking fund payments on January 15th of each year in an amount sufficient to redeem at the principal amount without premium, 3% for each of the years through 1962 and 4% for each of the years thereafter. The Company has complied with this provision.

The Company's 6% subordinated debentures maturing October 15, 1984 are entitled to the benefit of an annual sinking fund commencing October 15, 1965. The Company is obligated to pay into the sinking fund on or before October 15th in each year from 1965 to 1969 a sum equal to 2% of the largest principal amount of debentures outstanding on or prior to August 31, 1965, and thereafter annually, an amount equal to 1/15th of the principal amount of debentures outstanding on October 15, 1969 after giving effect to redemptions out of the sinking fund payment made for that date.

The 4% twenty-five year sinking fund debentures maturing July 1, 1983 are entitled to the benefits of an annual sinking fund, beginning July 1, 1962, in an amount sufficient to redeem, at their principal amount, without premium, 2% of the highest principal amount at any time outstanding. The company has complied with this provision.

The annual sinking fund and maturity requirements on total long-term debt for each of the next five years ending December 31, follows: 1963, \$5,011,511.; 1964, \$14,155,601.; 1965, \$3,475,580.; 1966, \$3,598,511.; and 1967, \$3,721,940.

(6) CAPITAL STOCK

All of the outstanding 5% cumulative first preferred Series "A" shares were redeemed at par during 1962, and all of the outstanding 5½% Series "A" preferred shares were either converted into common stock of the Company or redeemed at a redemption price of \$26.395 per share.

450,000 shares of common stock of the Company have been reserved for the exercise of warrants which were originally attached to the \$30,000,000. issue in 1959 of 6% subordinated sinking fund debentures of the Company. Each \$1,000 debenture unit carried a warrant to purchase 15 shares of common stock. The warrants provide that this stock may be purchased at \$42 per share until October 15, 1963; \$46. per share thereafter to October 15, 1967; and, \$50. per share thereafter to October 15, 1971, the expiration date of the warrants.

(7) COMMITMENTS AND CONTINGENT LIABILITIES

The Company has commitments with a balance of approximately \$15,810,000. in connection with contracts for the construction of hotels.

The Company has obtained a first mortgage construction loan commitment on The Portland Hilton in the amount of \$5,000,000. At December 31, 1962, \$890,000. of the funds available under this loan had been drawn down.

Guarantees of loans to subsidiaries or 50% owned companies were: First Mortgage loan of \$1,960,650. on the Hilton Inn, New Orleans and the first maturing \$7,500,000. of a \$15,000,000. First Mortgage loan of Hilton-Burns Hotels Company, Inc., which had been paid down to \$14,901,791. at December 31, 1962. The Company has agreed to guarantee \$2,500,000. of a \$10,000,000. loan commitment of the 25% owned Rock-Hil-Uris, Inc. Of the amount so guaranteed by the Company, \$150,000. had been drawn down at December 31, 1962.

The subsidiary, Hilton Hotels International, Inc. has subscribed and paid for a 50% interest (\$375,000) in the share capital of Kahala Hilton Hotel Company, Inc. (Kahala), a hotel under construction. In addition, International has agreed to purchase \$1,125,000. of 5% debenture notes of Kahala.

In connection with the two hotels in The Netherlands, Hilton Hotels International, Inc. (lessee) subscribed to 1,000,000 guilders in the share capital of each company and made payments amounting in the aggregate to \$414,595. The total balance payable under the subscriptions is \$138,875. at the current exchange rate. In accordance with lease terms for the London Hilton, International is required to furnish the hotel at an estimated cost of \$4,000,000. A loan in the amount of \$900,000. maturing November 15, 1966 entered into by lessor companies of the Acapulco Hilton and the Continental Hilton has been guaranteed by International and another person. Securities of two Mexican companies have been pledged to secure the loan. International is also guarantor of a \$100,000. obligation of Hilton of Panama, S. A., a wholly-owned subsidiary; \$3,500,000. (\$3,249,767. U.S.) First Mortgage Bonds of a 50% owned Canadian subsidiary; and \$1,000,000. of a \$4,000,000. mortgage bond issue of a 50% owned Hawaiian subsidiary. Hilton Hotels (UK), Ltd., a wholly owned subsidiary of Hilton Hotels International, Inc., has arranged to borrow a total of 1,250,000 pounds sterling (\$3,500,000) from Lloyds Bank Ltd. in connection with furnishing the London Hilton Hotel. As at December 31, 1962, the sterling equivalent to \$250,253.72 had been drawn against the loan agreement by an overdraft. It is indicated that the total borrowings will be evidenced by demand notes of Hilton Hotels (UK), Ltd., endorsed by Hilton Hotels International, Inc., but these documents had not been completed prior to the conclusion of our examination.

The Company is contingently liable as guarantor respecting two second mortgage notes aggregating \$8,064,929. which were sold as part of the transaction involving the sale and leaseback of the Beverly Hilton Hotel under which sale the Company has the option to repurchase the hotel in 1966 or 1967 at a price of \$14,315,050., the original sale price attributable to the land and buildings comprising the hotel.

The Company has purchased \$700,000. of 6½% notes, maturing January 1, 1971, of the 50% owned Hilton-Uris, Inc. (hotel under construction) and is committed to purchase an additional \$2,300,000. of such notes. An agreement has been made with Rock-Hil-Uris, Inc. (hotel under construction) in which the Company has a \$500,000. investment, representing 25% of the capital stock, whereby the Company will purchase up to \$3,750,000. principal amount of Series "A" notes of the affiliate and \$1,570,000. of such notes had been purchased to December 31, 1962. Both hotels when completed will be operated by Hilton Hotels Corporation under management agreements.

Hilton Inns, Inc., a subsidiary, has entered into first mortgage loan contracts under which a group of institutional investors have agreed to lend up to \$18,000,000. of which \$8,460,000. was drawn down prior to December 31, 1962. The Company has received a \$16,000,000. loan commitment in connection with the construction of a Hilton Hotel in San Francisco. No funds have been drawn down under this commitment.

In connection with the Hilton Inns mortgage contracts, a plan of recapitalization was adopted by the Board of Directors of the wholly-owned subsidiary, Hilton Inns, Inc., wherein and whereby

the subsidiary redeemed 700,000 shares of its common capital stock, \$10. par value, from Hilton Hotels Corporation and issued in exchange therefor \$7,000,000. principal amount of 5% subordinated notes, Series 1. The subsidiary issued an additional \$1,000,000. of 5% subordinated notes, Series 1, together with a \$8,580,000. issue of 5% subordinated notes, Series 2, in full satisfaction of its open account indebtedness to the parent. The latter Series 2 notes have been paid down to \$1,720,000. at December 31, 1962. Both the Series 1 and Series 2 notes bear a maturity date of October 31, 1984. By mutual agreement between the Company and Hilton Inns, Inc., no interest on these notes was accrued for the year 1962.

The Company is obligated to make an additional capital contribution of \$225,000. to the partnership in which it now has a majority interest (Hawaiian Village Development Company), and is to further purchase \$2,025,000. of subordinated notes of the partnership unless such additional capital contribution and purchase of subordinated notes are made by other persons.

Subsequent to the year end, under an offer dated December 17, 1962 which expired January 24, 1963, the Company acquired an additional 300,000 shares of its \$2.50 par value common stock for the treasury at a total cost of \$8,572,021.

The Company's investment in Hilton Credit Corporation at December 31, 1962 consisted of 33.46% of the common stock of that corporation carried at a cost of \$1,035,005., and 5% subordinated notes in the face amount of \$1,900,000. As of January 15, 1963 the Company offered to purchase up to 1,390,706 shares of Hilton Credit Corporation common stock at a price of \$3.25 per share. As of March 1, 1963, 1,042,612 shares were so acquired at a total cost of \$3,388,489. As a result, the Company's ownership of Hilton Credit Corporation increased to approximately 68% of that corporation's outstanding common stock. As of December 31, 1962, unaudited financial statements of Hilton Credit Corporation indicated a profit of \$799,446. for the eight months then ended and a deficiency of \$1,526,844. in total shareholders' equity, of which deficiency, \$510,882. was applicable to the Company's 33.46% stock investment interest at that date. At March 1, 1963, such deficiency applicable to the Company's then 68% stock interest amounted to \$922,653. (unaudited).

The Company and its subsidiaries are engaged in various litigation, but the Company's legal counsel does not anticipate that any amounts that the Company or its subsidiaries may be required to pay by reason thereof will be of material importance.

(8) LONG-TERM LEASES

The Company and its subsidiaries operate or will operate certain properties under leases ranging from two years and ten months to fifty-two years and three months from December 31, 1962 with options to renew in some instances. The total minimum annual fixed or basic rentals payable (exclusive of real estate taxes, insurance and other occupancy charges) under such leases for each of the next five years ending December 31, follows: 1963, \$6,443,361.; 1964, \$6,447,111.; 1965, \$6,438,778.; 1966, \$5,934,611.; and, 1967, \$5,934,611.

Rental based on a percentage of gross operating profit and other lease obligations of a Canadian subsidiary of Hilton Hotels International, Inc., are guaranteed by both International and by the Company. Under the terms of the Caribe Hilton lease, International and the Company are liable for the tenant's obligations under the lease which, among other things, require payment of a small fixed rental and additional rental based on gross operating profit. International is contingently liable for performance under all other leases entered into by or assigned to its foreign subsidiaries.

The Company has not been released from its obligations under a ground lease which was assigned to Hilton Inns, Inc.

The subsidiary, International, has negotiated preliminary contracts or agreements for the operation of hotels (certain of which are now under construction), or under consideration, on sites outside the Continental United States, subject to fulfillment of certain conditions and execution of final leases. In general, International or its subsidiaries are required to furnish initial operating inventories and maintain sufficient working capital. Leases basically provide for a rental based on a percentage of gross operating profit.

Statement of Financial Condition

	AT DECEMBER 31				
	1962	1961	1960	1959	1958
CURRENT ASSETS					
Cash	\$ 22,842,871	27,975,218	27,056,626	33,545,411	30,021,144
Receivables (net)	12,494,523	13,052,588	11,337,579	11,086,833	14,037,814
Inventories	3,736,349	3,968,003	4,310,097	4,059,334	3,665,907
Others	20,660,548	5,185,405	12,023,752	19,604,145	4,810,714
TOTAL CURRENT ASSETS	59,734,291	50,181,214	54,728,054	68,295,723	52,535,579
CURRENT LIABILITIES					
Accounts payable	9,690,440	8,861,708	7,979,148	10,071,453	8,875,262
Accrued liabilities	13,921,195	13,105,773	12,732,211	12,982,659	9,275,288
Provision for income taxes	3,257,516	4,942,361	4,224,944	3,445,560	6,390,713
Payment of funded debt and long term liabilities due within one year	5,011,511	2,372,593	4,174,105	8,235,085	7,055,288
Others	572,813	577,138	607,514	635,836	1,123,534
TOTAL CURRENT LIABILITIES	32,453,475	29,859,573	29,717,922	35,370,593	32,720,085
WORKING CAPITAL	27,280,816	20,321,641	25,010,132	32,925,130	19,815,494
OTHER ASSETS					
Investments in non-consolidated foreign units	1,087,141	187,393	458,585	2,720,794	2,566,961
Non current receivables and investments	20,952,901	23,615,691	23,226,041	22,247,630	24,847,740
Fixed assets (net)	197,208,358	148,168,604	144,792,574	138,900,291	124,899,249
Deferred charges	8,080,032	9,335,623	8,735,355	8,925,760	2,794,291
TOTAL	254,609,248	201,628,952	202,222,687	205,719,605	174,923,735
OTHER LIABILITIES, DEFERRED INCOME AND RESERVES					
Funded debt and long term liabilities (less payments due within one year)	133,378,985	86,386,861	87,016,064	89,120,382	64,225,351
Deferred income and credits	4,718,057	4,505,303	12,799,383	13,319,073	15,431,439
Sundry reserves	117,517	131,770	105,827	120,606	168,221
TOTAL	138,214,559	91,023,934	99,921,274	102,560,061	79,825,011
NET ASSETS	116,394,689	110,605,018	102,301,413	103,159,544	95,098,724
NET ASSETS REPRESENTED IN					
First Preferred stock, Series A	—	350,000	5,290,000	5,290,000	5,290,000
Cumulative Voting Preferred stock, Series A	—	5,339,375	6,065,275	6,065,225	6,035,475
Common stock	11,345,875	11,214,315	11,163,165	11,163,137	11,160,708
Scrip	134	—	463	541	51
Surplus reserves	2,500,000	2,500,000	2,500,000	500,000	500,000
Capital surplus	39,714,450	38,915,057	31,912,878	32,323,655	27,853,327
Earnings retained in the business	75,823,541	65,229,134	57,904,979	58,361,381	52,377,889
Minority interest	—	46,448	—	—	—
TOTAL	129,384,000	123,594,329	114,836,760	113,703,939	103,217,450
Deduct: Common stock in treasury (at cost)	12,989,311	12,989,311	12,535,347	10,544,395	8,118,726
TOTAL AS ABOVE	\$116,394,689	110,605,018	102,301,413	103,159,544	95,098,724

Summary of Consolidated Earnings

YEARS ENDED DECEMBER 31

	1962	1961	1960	1959	1958
GROSS REVENUE					
Rooms department.....	\$ 95,337,826	100,619,492	100,259,521	94,580,703	88,621,222
Food and beverage department.....	100,877,290	106,360,822	102,737,737	99,709,479	93,141,935
Other operated departments.....	16,887,919	17,031,153	17,545,670	16,686,079	15,352,986
Other income.....	5,103,610	5,168,878	4,989,114	4,836,573	4,646,225
Store rentals.....	3,109,113	3,739,396	3,429,103	3,144,339	2,999,609
Office building rentals.....	1,122,627	1,032,648	996,898	1,057,325	1,051,240
Interest on investments.....	808,431	1,225,588	1,544,360	1,042,852	976,303
TOTAL GROSS REVENUE.....	<u>223,246,816</u>	<u>235,177,977</u>	<u>231,502,403</u>	<u>221,057,350</u>	<u>206,789,520</u>
EXPENSES					
Operated departments.....	124,648,587	130,216,813	126,341,840	119,488,933	112,242,417
Administrative and general.....	15,326,651	15,586,054	15,292,388	13,805,150	12,835,908
Advertising and business promotion.....	5,849,704	6,187,729	5,869,238	5,034,618	5,298,317
Heat, light and power.....	9,491,073	9,421,127	9,074,449	8,403,705	7,852,634
Maintenance and repairs.....	12,607,009	12,763,180	12,995,776	13,072,322	11,151,513
Lease rentals.....	14,003,943	19,926,881	18,482,840	18,158,107	16,469,604
Real estate and personal property taxes.....	9,030,260	9,038,102	8,579,406	8,109,758	7,237,595
Depreciation and amortization.....	12,691,485	11,035,002	10,740,575	9,130,804	8,658,153
Interest.....	6,747,463	4,464,890	4,357,289	2,950,349	2,943,521
Other capital charges.....	3,271,154	3,584,880	3,188,483	2,237,565	2,311,056
TOTAL EXPENSES.....	<u>213,667,329</u>	<u>222,224,658</u>	<u>214,922,284</u>	<u>200,391,311</u>	<u>187,000,718</u>
PROFIT BEFORE OTHER ADDITIONS OR DEDUCTIONS.....	<u>9,579,487</u>	<u>12,953,319</u>	<u>16,580,119</u>	<u>20,666,039</u>	<u>19,788,802</u>
OTHER ADDITIONS OR (DEDUCTIONS)					
Contribution to pension trust.....	(110,786)	(26,665)	(37,370)	(1,005,310)	(1,051,475)
Income from non-consolidated foreign units.....	623,627	209,570	219,392	144,606	487,119
Sundry others, net.....	537,097	144,380	(121,874)	(264,616)	(112,498)
TOTAL OTHER ADDITIONS OR (DEDUCTIONS).....	<u>1,049,938</u>	<u>327,285</u>	<u>60,148</u>	<u>(1,125,320)</u>	<u>(676,854)</u>
NET PROFIT BEFORE INCOME TAXES.....	<u>10,629,425</u>	<u>13,280,604</u>	<u>16,640,267</u>	<u>19,540,719</u>	<u>19,111,948</u>
Provision for income taxes.....	<u>4,969,777</u>	<u>6,921,878</u>	<u>9,095,285</u>	<u>9,490,862</u>	<u>9,564,734</u>
NET PROFIT FROM OPERATIONS.....	<u>5,659,648</u>	<u>6,358,726</u>	<u>7,544,982</u>	<u>10,049,857</u>	<u>9,547,214</u>
SALE OF PROPERTIES					
Gain on sale of properties.....	14,596,221	9,569,896	2,985,958	2,044,009	1,865,899
Provision for applicable taxes.....	2,663,849	2,392,474	738,930	511,002	466,475
NET PROFIT ON SALE OF PROPERTIES.....	<u>11,932,372</u>	<u>7,177,422</u>	<u>2,247,028</u>	<u>1,533,007</u>	<u>1,399,424</u>
TOTAL NET PROFIT.....	<u>17,592,020</u>	<u>13,536,148</u>	<u>9,792,010</u>	<u>11,582,864</u>	<u>10,946,638</u>
Deduct minority interests.....	(72,509)	(3,553)	—	—	101,010
NET PROFIT.....	<u>\$ 17,664,529</u>	<u>13,539,701</u>	<u>9,792,010</u>	<u>11,582,864</u>	<u>10,845,628</u>

The Wonderful World of Hilton Hotels

It would be impossible to plot an exact curve on a master chart depicting the total contribution of Hilton Hotels and Inns to the domestic and international communities in which they are centers of economic and social activities. Tangibles can be measured in dollars and cents, but intangibles cannot. A large and glamorous hotel draws in a great deal of money from beyond its city limits, money which is spent by guests on local services in local establishments. This expenditure can be estimated with more than a fair degree of accuracy. However, community pride and vitality do not lend themselves to measurement by any type of yardstick and it is these two qualities which a Hilton Hotel buttresses by means of its sheer physical presence. Whether in Rome or Hong Kong, Portland or New York, people are proud of their Hilton Hotels because they themselves have helped erect them. Increased spending power and increased pride are both achievements to be reckoned with. We are grateful for the contributions we are privileged to make to both.





HILTON HOTELS AND INNS IN THE UNITED STATES

ATLANTA, GEORGIA	HOUSTON, TEXAS
Hilton Inn (<i>airport</i>)	The Shamrock Hilton
AURORA, ILLINOIS	KANSAS CITY, MISSOURI
Hilton Inn	Hilton Inn
BOSTON, MASSACHUSETTS	LOS ANGELES, CALIFORNIA
The Statler Hilton	The Beverly Hilton (<i>Beverly Hills</i>)
BUFFALO, NEW YORK	The Statler Hilton
The Statler Hilton	NEW ORLEANS, LOUISIANA
CHICAGO, ILLINOIS	Hilton Inn
The Palmer House	(<i>airport</i>)
The Conrad Hilton	NEW YORK, NEW YORK
CINCINNATI, OHIO	The Waldorf-Astoria
The Netherland Hilton	The Savoy Hilton
The Terrace Hilton	The Statler Hilton
CLEVELAND, OHIO	The New York Hilton
The Statler Hilton	(<i>opens June 1963</i>)
COLUMBUS, OHIO	PITTSBURGH, PENNSYLVANIA
The Deshler Hilton	The Pittsburgh Hilton
DALLAS, TEXAS	PORTLAND, OREGON
The Statler Hilton	The Portland Hilton
DAYTON, OHIO	(<i>opens May 1963</i>)
The Dayton Biltmore	SAN FRANCISCO, CALIFORNIA
DENVER, COLORADO	Hilton Inn (<i>airport</i>)
The Denver Hilton	The San Francisco Hilton
DETROIT, MICHIGAN	(<i>under construction</i>)
The Statler Hilton	SEATTLE, WASHINGTON
EL PASO, TEXAS	Hilton Inn (<i>airport</i>)
Hilton Inn (<i>airport</i>)	ST. LOUIS, MISSOURI
Hilton Hotel	The Statler Hilton
HARTFORD, CONNECTICUT	TARRYTOWN, NEW YORK
The Statler Hilton	Hilton Inn
HONOLULU, HAWAII	WASHINGTON, D.C.
Hilton Hawaiian Village	The Statler Hilton
The Kahala Hilton	The Washington Hilton
(<i>under construction</i>)	(<i>under construction</i>)

HILTON HOTELS INTERNATIONAL

ACAPULCO, MEXICO	MONTREAL, CANADA
Las Brisas Hilton	The Queen Elizabeth (<i>a CN hotel</i>)
The Acapulco Hilton	Montreal Airport Hilton
AMSTERDAM, HOLLAND	(<i>under construction</i>)
The Amsterdam Hilton	PANAMA, R.P.
ATHENS, GREECE	El Panamá Hilton
The Athens Hilton	RABAT, MOROCCO
(<i>opens April 1963</i>)	The Rabat Hilton (<i>under construction</i>)
BERLIN, GERMANY	ROME, ITALY
The Berlin Hilton	The Cavalieri Hilton (<i>opens May 1963</i>)
CAIRO, EGYPT, U.A.R.	ROTTERDAM, HOLLAND
The Nile Hilton	The Rotterdam Hilton
GUADALAJARA, MEXICO	(<i>opens May 1963</i>)
The Guadalajara Hilton	SAN JUAN, PUERTO RICO
(<i>under construction</i>)	The Caribe Hilton
HONG KONG, B.C.C.	ST. THOMAS, U.S. VIRGIN ISLANDS
The Hong Kong Hilton	The Virgin Isle Hilton
(<i>opens April 1963</i>)	SANTIAGO, CHILE
ISTANBUL, TURKEY	Hotel Carrera
The Istanbul Hilton	TEHRAN, IRAN
LONDON, ENGLAND	The Royal Tehran Hilton
The London Hilton	TEL AVIV, ISRAEL
(<i>opens April 1963</i>)	The Tel Aviv Hilton
MADRID, SPAIN	(<i>under construction</i>)
The Castellana Hilton	TOKYO, JAPAN
MAYAGUEZ, PUERTO RICO	The Tokyo Hilton (<i>opens May 1963</i>)
The Mayaguez Hilton	TRINIDAD, PORT OF SPAIN, W.I.
(<i>under construction</i>)	The Trinidad Hilton
MEXICO CITY, MEXICO	TUNIS, TUNISIA
The Continental Hilton	The Tunis Hilton (<i>under construction</i>)



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