

HILTON HOTELS CORPORATION

Annual Report

1961



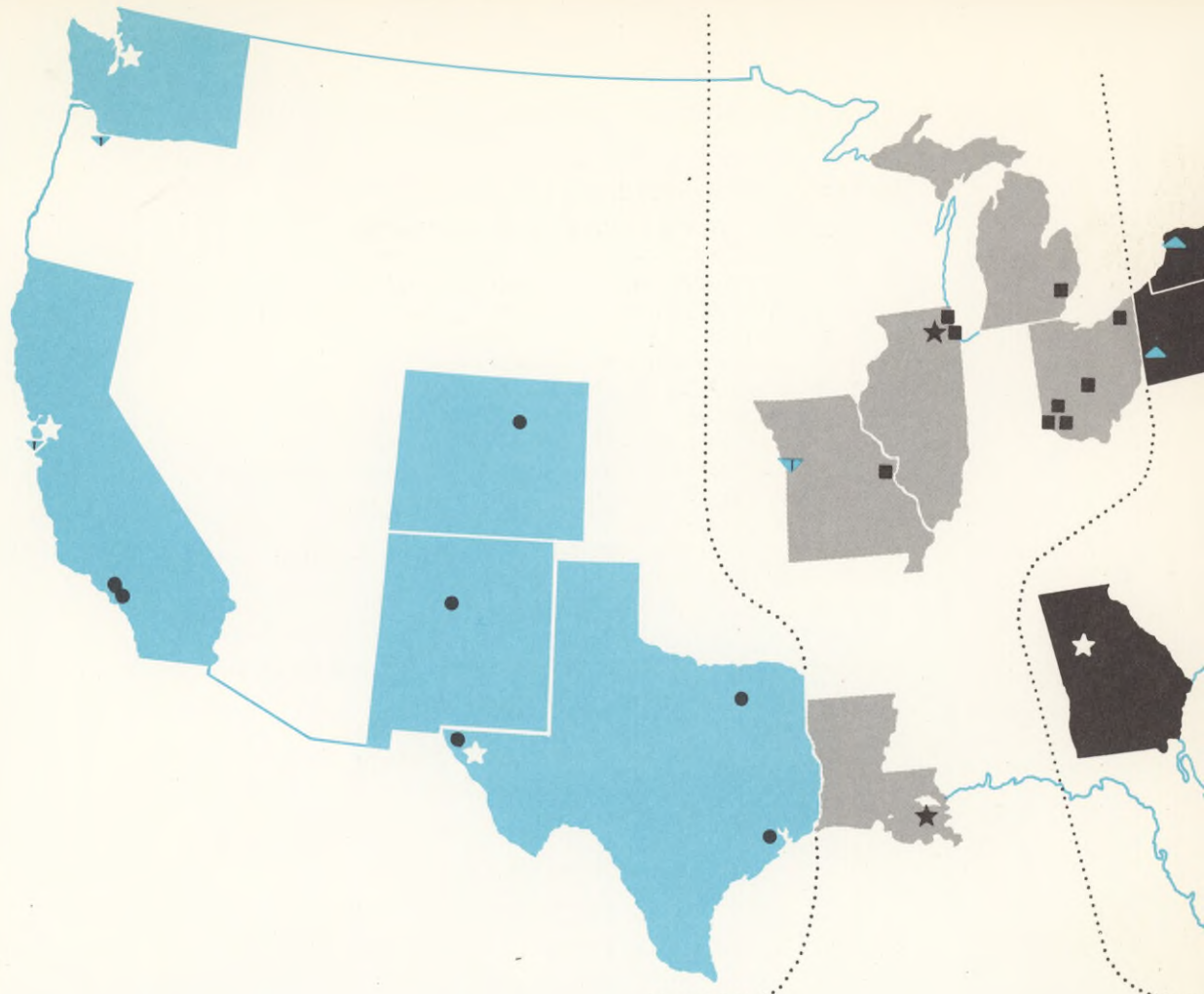
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World Wide...

Pictured on our cover are prominent landmarks representative of areas in which Hilton Hotels are located.

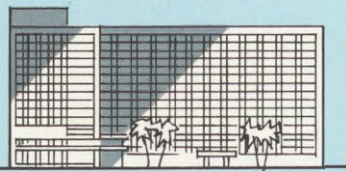




● WESTERN DIVISION



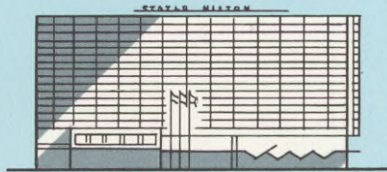
THE BEVERLY HILTON
Beverly Hills, California



THE STATLER HILTON
Los Angeles, California



THE SHAMROCK HILTON
Houston, Texas



THE STATLER HILTON
Dallas, Texas



THE DENVER HILTON
Denver, Colorado

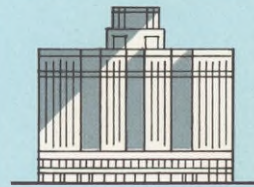


HILTON HOTEL
El Paso, Texas

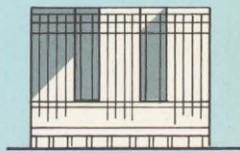


HILTON HOTEL
Albuquerque, New Mexico

■ CENTRAL DIVISION



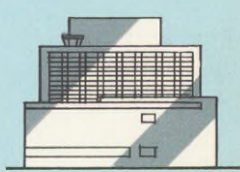
THE CONRAD HILTON
Chicago, Illinois



THE PALMER HOUSE
Chicago, Illinois



THE NETHERLAND HILTON
Cincinnati, Ohio



THE TERRACE HILTON
Cincinnati, Ohio



THE DESHLER HILTON
Columbus, Ohio



THE DAYTON BILTMORE
Dayton, Ohio



▼ UNDER CONSTRUCTION

- THE NEW YORK HILTON, *New York, New York*
- THE WASHINGTON HILTON, *Washington, D. C.*
- THE PORTLAND HILTON, *Portland, Oregon*
- THE SAN FRANCISCO HILTON, *San Francisco, California*
- THE HILTON INN, *Kansas City, Missouri*
- THE KAHALA HILTON, *Honolulu, Hawaii*
- THE ACAPULCO HILTON, *Acapulco, Mexico*
- THE TRINIDAD HILTON, *Port-of-Spain, Trinidad, W. I.*
- THE AMSTERDAM HILTON, *Amsterdam, The Netherlands*
- THE LONDON HILTON, *London, England*
- THE ROYAL TEHERAN HILTON, *Teheran, Iran*
- THE TOKYO HILTON, *Tokyo, Japan*
- THE ROTTERDAM HILTON, *Rotterdam, The Netherlands*
- THE ATHENS HILTON, *Athens, Greece*
- THE CAVALIERI HILTON, *Rome, Italy*

☐ UNDER DEVELOPMENT

- DORVAL AIRPORT INN, *Montreal, Canada*
- THE ADDIS ABABA HILTON, *Addis Ababa, Ethiopia*
- THE MAYAGUEZ HILTON, *Mayaguez, Puerto Rico*
- THE TEL AVIV HILTON, *Tel Aviv, Israel*
- HILTON HOTEL, *Tunis, Tunisia*

▲ EASTERN DIVISION



THE STATLER HILTON
Detroit, Michigan



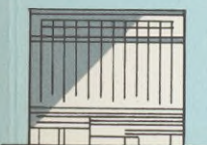
THE WALDORF-ASTORIA
New York, New York



THE STATLER HILTON
New York, New York



THE SAVOY HILTON
New York, New York



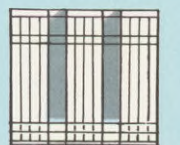
THE STATLER HILTON
Cleveland, Ohio



THE STATLER HILTON
Washington, D. C.



THE STATLER HILTON
Boston, Massachusetts



THE STATLER HILTON
Buffalo, New York



THE STATLER HILTON
St. Louis, Missouri



THE STATLER HILTON
Hartford, Connecticut

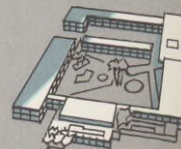


THE PITTSBURGH HILTON
Pittsburgh, Pennsylvania

★ INN DIVISION



THE HILTON INN
San Francisco, California



THE HILTON INN
New Orleans, Louisiana



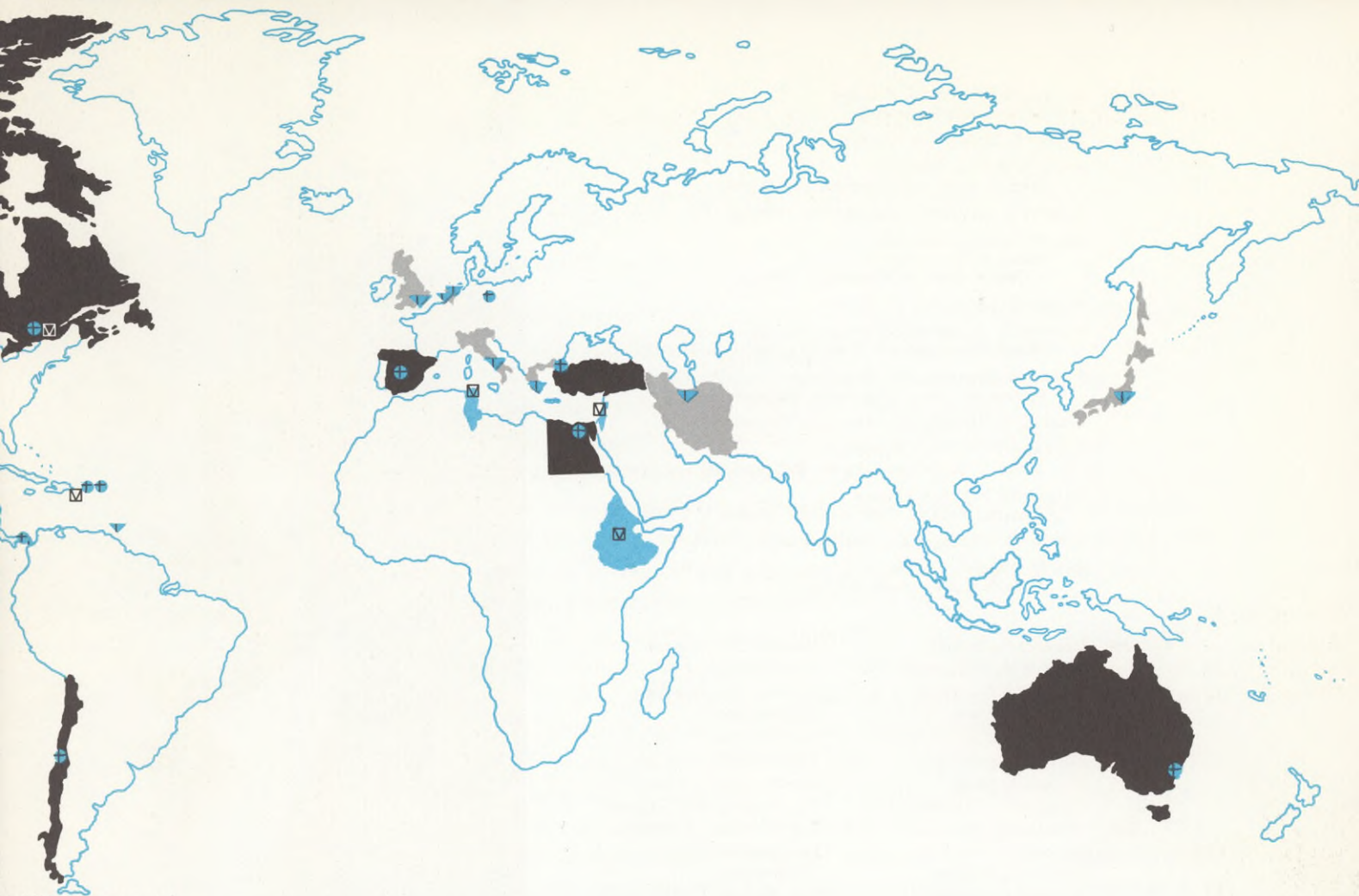
THE HILTON INN
Atlanta, Georgia



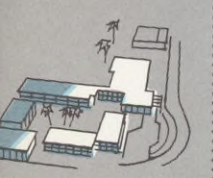
THE HILTON INN
Seattle, Washington



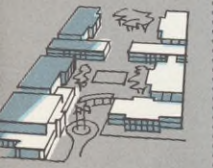
THE HILTON INN
Tarrytown, New York



INTERNATIONAL DIVISION



THE HILTON INN
El Paso, Texas



THE HILTON INN
Aurora, Illinois



THE HILTON
HAWAIIAN VILLAGE
Honolulu, Hawaii



THE CARIBE HILTON
San Juan, Puerto Rico



THE CASTELLANA
HILTON
Madrid, Spain



THE ISTANBUL HILTON
Istanbul, Turkey



THE CONTINENTAL
HILTON
Mexico City, Mexico



EL PANAMA HILTON
Panama, Republic of Panama



THE QUEEN ELIZABETH
Montreal, Canada
(a C.N.R. Hotel)



THE BERLIN HILTON
West Berlin, Germany



THE NILE HILTON
Cairo, Egypt, U.A.R.



LAS BRISAS HILTON
Acapulco, Mexico



THE VIRGIN ISLE HILTON
St. Thomas, V. I.



THE CARRERA HILTON
Santiago, Chile



THE CHEVRON HILTON
Sydney, Australia (Associate)

BOARD OF DIRECTORS

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 HORACE C. FLANIGAN, *Chairman, Executive Committee, Manufacturers Hanover Trust Company, New York*
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 SAM D. YOUNG, *President, El Paso National Bank, El Paso*

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ROBERT J. CAVERLY	<i>Executive Vice President</i>
JOSEPH P. BINNS	<i>Vice President</i>
HERBERT C. BLUNCK	<i>Vice President</i>
HENRY CROWN	<i>Vice President</i>
SPEARL ELLISON	<i>Vice President</i>
CHARLES L. FLETCHER	<i>Vice President and Treasurer</i>
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VERNON HERNDON	<i>Vice President</i>
BARRON HILTON	<i>Vice President</i>
CONRAD N. HILTON, JR.	<i>Vice President</i>
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PORTER P. PARRIS	<i>Vice President</i>
ROBERT F. QUAIN	<i>Vice President</i>
FRANK G. WANGEMAN	<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

5% First Preferred Stock, Series A
Transfer Agent
 Manufacturers Hanover Trust Company, New York

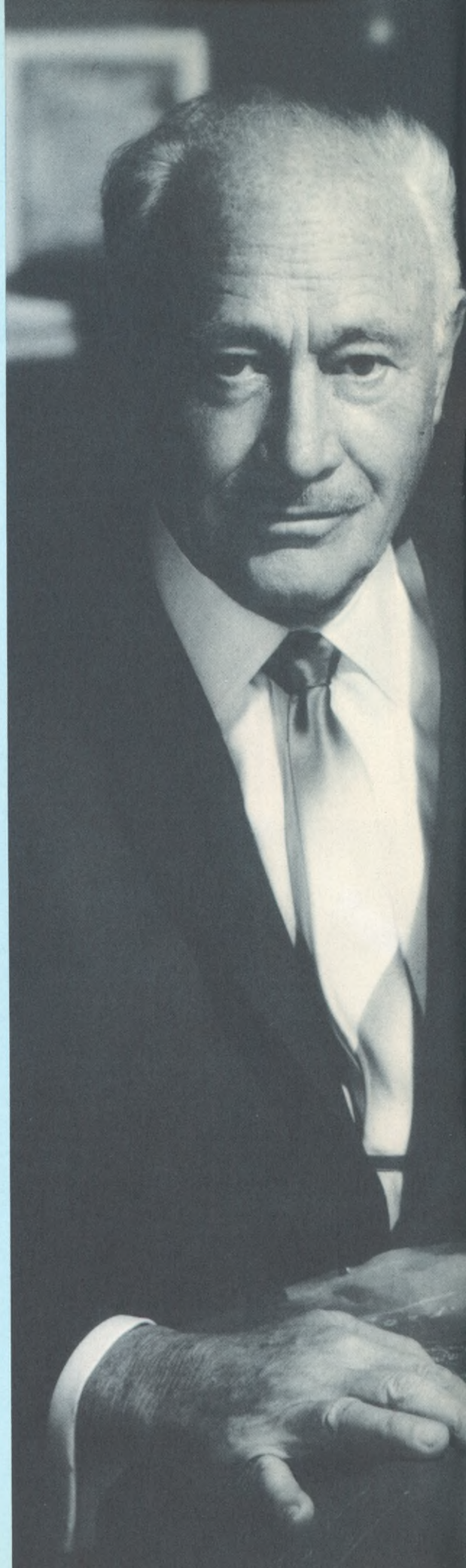
Registrar
 Chemical Bank New York Trust Company, New York

5½% Cumulative Voting Preferred Stock, Series A
Transfer Agents
 The First National Bank of Chicago
 Manufacturers Hanover Trust Company, New York

Registrars
 American National Bank and Trust Company of Chicago
 Chemical Bank New York Trust Company, New York

EXECUTIVE OFFICES

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



PRESIDENT'S LETTER

To Our Shareholders:

Rapid progress in new construction and in negotiations for additional hotels in strategic locations across the country and around the world, as well as action to offset lower occupancy in some currently operating units, characterized 1961 for Hilton Hotels Corporation.

Consolidated earnings were substantially above 1960 as the result of extraordinary capital gains. However, net profits from operations were lower than the year before. While revenues were slightly higher, they were derived from more units in operation. Occupancy rates, although above the industry average, have been depressed by various forms of increased competition in the cities where we now operate. This factor, together with inflationary trends, caused costs and expenses to increase relative to volume. In addition, the expansion in the number of units has increased consolidated expenses such as rent, property taxes, interest and depreciation.

A number of developments have changed the nature of catering to the needs and desires of the traveling public. Among these are new construction of hotels and motels at a rate faster than the increase in population; greater geographical competition brought about by improvements in transportation; and the construction of convention halls in cities which were previously noncompetitive for large conventions. While of great benefit to the traveling public, jet transportation and the new interstate highway system is increasing one-day round-trip business travel resulting in declining occupancies in some areas, particularly in downtown hotels. Other factors, for which adjustments must be made, are changing work habits and customs and the desire by many for the informality of a resort atmosphere.

Nevertheless, the hotel industry is the nation's seventh largest with an estimated annual gross of \$3.5 billion. Even though Hilton Hotels already is the world's largest operator of hotels, in an industry of such magnitude there is still room for expansion in certain areas. We are developing a more aggressive and effective sales organization to capitalize on this position of leadership and to cultivate every available source of volume. As we are first and foremost hotelmen, we are alert and flexible in gearing ourselves to serve the changing needs and desires of our patrons. In spite of the present overbuilt condition in some locations, the basic need for shelter continues. Our goal is to provide it better and more efficiently than others.

The newest domestic hotel projects have been worked out in association with prominent investors which permits us to extend our operating skills to more locations. Our inns are being located only at high density points. All are sizable enough structures to be centers

of suburban life. Tight controls and uniform operating procedures are maintained.

On the international scene, our many years head start has placed us in a position to benefit from this rapidly growing market for American hotel operators. Nine International hotels are under construction and scheduled for opening in the next two years. Because of the nature of the arrangements for these operations which, in most instances, require an investment only in working capital and inventories, the return on invested capital tends to be much higher than from domestic operations. They therefore should have a beneficial effect on consolidated profit margins. As we are well-established internationally, and as so many countries can now consider feasible hotel projects, we can be selective in the locations and types of arrangements which we accept. Our strong position in the international field is beginning to have a salutary effect on domestic operations, as a number of world travelers to the United States first became familiar with Hilton Hotels in their homelands.

The rapid pace of expansion of the International company led to the establishment during 1961 of six regional headquarters—for Europe, Africa and the Middle East, the Pacific, Canada, Latin America and the Caribbean. This organization affords better control of current operations as well as expediting new construction and negotiations for additional units.

Accordingly, we have projected our needs for key supervisory personnel and evaluated our employees for their executive potential. A stepped-up Executive Development Program is in progress and many promotions and re-assignments have already taken place.

The current year's operations should benefit from improved sales and promotional efforts, especially in some of the recently-opened units which have become better established in their communities. Some units which are not producing satisfactory results may possibly be sold. The addition of new hotels and inns in choice locations over the next few years should further improve Hilton Hotels' competitive position over the longer term.

We wish to thank our customers for their patronage and our employees, stockholders and business associates for their assistance and cooperation.

Conrad N. Hilton

CONRAD N. HILTON
Chairman and President

March 9, 1962



YEARS ENDED DECEMBER 31,
GROSS REVENUE
NET PROFIT (excluding minority interest)..... From operations..... From sale of properties..... TOTAL.....
EARNINGS PER COMMON SHARE* From operations..... From sale of properties..... TOTAL.....
WORKING CAPITAL AT DECEMBER 31.....
EARNED SURPLUS AT DECEMBER 31 (excluding surplus reserves).....
COMMON SHARES OUTSTANDING AT DECEMBER 31*.....
BOOK VALUE PER COMMON SHARE AT DECEMBER 31*.....

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

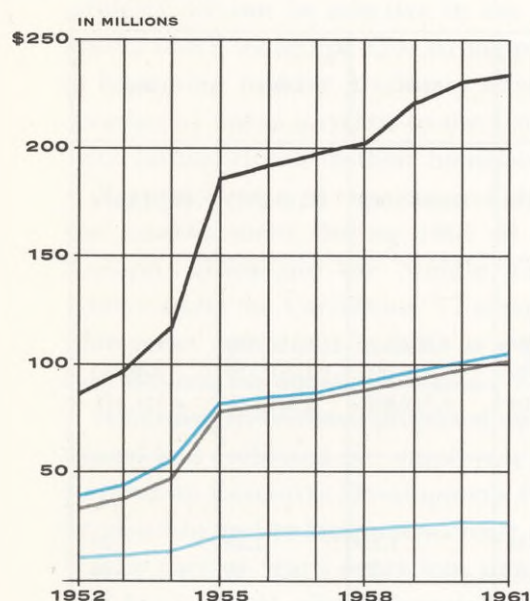
TEN YEARS OF FINANCIAL HIGHLIGHTS

1961	1960	1959	1958	1957	1956	1955	1954	1953	1952
\$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	87,218,524
6,362,279 7,177,422 <u>13,539,701</u>	7,544,982 2,247,028 <u>9,792,010</u>	10,049,857 1,533,007 <u>11,582 64</u>	9,446,204 1,399,424 <u>10,845,628</u>	8,564,610 1,454,554 <u>10,019,164</u>	9,440,042 7,165,155 <u>16,605,197</u>	7,811,703 1,102,501 <u>8,914,204</u>	4,803,855 916,003 <u>5,719,858</u>	4,110,570 2,278,710 <u>6,389,280</u>	4,251,170 270,245 <u>4,521,415</u>
1.54 1.89 <u>3.43</u>	1.86 .60 <u>2.46</u>	2.49 .41 <u>2.90</u>	2.30 .36 <u>2.66</u>	2.04 .37 <u>2.41</u>	2.49 1.95 <u>4.44</u>	2.14 .32 <u>2.46</u>	1.35 .28 <u>1.63</u>	1.26 .70 <u>1.96</u>	1.29 .08 <u>1.37</u>
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	8,298,896
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	17,187,648
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	3,241,688
27.66	24.37	24.22	21.72	20.24	18.86	15.18	13.49	12.49	11.07

REPORT ON OPERATIONS

REVENUES

— TOTAL
— FOOD AND BEVERAGES
— ROOMS
— ALL OTHERS



REVENUE: Gross revenues in 1961 reached a new high for the fifteenth consecutive year since the Corporation was formed in 1946. The 1961 total was \$235,177,977, slightly ahead of the \$231,502,403 registered in 1960.

However, this increase was accomplished through having more units in operation. Those units in operation for the entire twelve months of both years had revenues of \$211,571,341 in 1961 and \$219,787,719 in 1960. Revenues from ten units which became a part of the Hilton organization at various times during the two-year period were \$23,606,636 in 1961 and \$7,483,016 the preceding year. Two units disposed of in 1960 contributed \$4,231,668 to that year's revenues.

The major operating departments of rooms and food and beverage had slightly higher revenues as indicated by the following two-year comparison:

	1961	1960
Rooms.....	\$100,619,492	\$100,259,521
Food and beverage.....	106,360,822	102,737,737
Other operated departments.....	17,031,153	17,545,670
Store rentals.....	3,739,396	3,429,103
Office building rentals.....	1,032,648	996,898
Interest on investments.....	1,225,588	1,544,360
Other income.....	5,168,878	4,989,114
Total.....	\$235,177,977	\$231,502,403

Within the United States, construction of hotel and motel rooms has increased more rapidly than the number of customers. Under these conditions, the entire hotel industry's room occupancy declined to 62 per cent in 1961 from 65 per cent in 1960. The Corporation's overall occupancy was 63.8 per cent, slightly ahead of the industry average but lower than the average of 67.2 per cent in the preceding year.

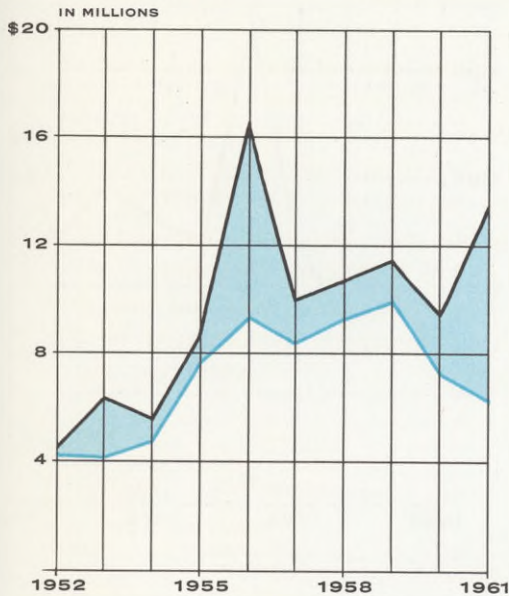
EARNINGS: Consolidated earnings in 1961 were \$13,539,701, equal after preferred dividends to \$3.43 per share on the 3,790,988 shares of common stock outstanding at year-end. This compares with \$9,792,010, equal after preferred dividends to \$2.46 per share on the 3,731,228 shares of common stock outstanding a year earlier.

Of the 1961 consolidated profits, sales of properties and investments accounted for \$7,177,422, or \$1.89 per share. The major portion of these profits resulted from the sale of the second mortgage notes held on the Mayflower, New Yorker and Plaza hotels from the Corporation's investment portfolio. Profits from property sales in 1960 were \$2,247,028, or 60 cents a share.

Net income from operations was \$6,362,279, or \$1.54 a share compared with \$7,544,982, or \$1.86 a share for 1960. Domestic operations accounted for 81.9 per cent of 1961 operating earnings with the remaining 18.1 per cent coming from International operations. In 1960 International operations accounted for 16.7 per cent of operating earnings.

NET PROFITS

— TOTAL
 — FROM OPERATIONS
 — FROM SALES OF PROPERTIES



Several principal factors contributed to the lower operating earnings. Revenues, while remaining fairly constant, were spread over a larger number of rooms while inflationary trends continued in the costs of labor and materials. With the expansion in physical facilities there were heavy start-up costs as well as increased amortization of pre-opening expenses. Depreciation was \$294,427 higher than in 1960. Rent increased \$1,444,041 and property taxes were up \$458,696 over the year before. Interest expense was \$107,601 higher than in the preceding year.

Unrealized profit from property sales, designated on the balance sheet as deferred income, amounted to \$3,361,438 at December 31, 1961. These unrealized profits are equal to 66 cents a share, based on the common shares outstanding at year-end, after provision for taxes at the current capital gains rate. Most of these profits are scheduled to be brought into earnings as realized over the next five years. At December 31, 1960, unrealized profits from property sales totaled \$12,078,790. The substantial reduction resulted primarily from the sale of investments previously mentioned.

QUARTERLY DIVIDENDS: During the year, a total of \$1.50 a share was paid in dividends on the common stock. Four quarterly payments of 37½ cents each were paid on March 1, June 1, September 1 and December 1. Regular quarterly dividends also were paid totaling \$5 a share on the 5% First Preferred Stock, Series A (par value \$100) and \$1.37½ a share on the 5½% Cumulative Voting Preferred Stock, Series A (par value \$25). Total cash dividend disbursements during 1961 were \$6,215,546 with \$506,427 in preferred dividends and \$5,709,119 in common dividends. Payments on all classes of capital stock in 1960 were \$6,250,979.

CAPITAL CHANGES: The number of common shares outstanding increased 59,760 during the year to 3,790,988 at December 31, 1961. The Corporation issued 62,500 shares of treasury common stock in part payment for The Hilton Hawaiian Village. During the year, 29,054 shares of 5½% preferred stock were converted into 20,460 shares of common stock at the conversion ratio of 1.42 shares of preferred for each share of common. At year-end, there were 213,575 shares of the 5½% preferred outstanding, representing through the conversion feature a potential 150,404 shares of common. Partially offsetting the increase in common shares was the repurchase of 23,200 shares in accordance with the established policy of reacquiring stock previously issued for acquisition of properties subsequently sold.

In August 1961, the Corporation exchanged a 494-acre tract of land in Houston, Texas for 49,400 shares of Hilton Hotels' 5% First Preferred Stock. The land constituted most



of the Corporation's real estate holdings in Houston other than the land on which The Shamrock Hilton is located. The preferred shares acquired in the exchange have now been retired and only 3,500 shares of this issue remain outstanding. The action reduced annual preferred dividend requirements by \$247,000 which has the effect of increasing earnings available to the common stock by six cents per share annually.

The year-end earned surplus was \$65,229,134 as compared with \$57,904,979 at December 31, 1960. After payment of all dividends net profit retained from 1961 consolidated earnings amounted to \$7,324,155.

Book value per share of common stock was \$27.66 at December 31 compared with \$24.37 a year earlier. Book value reflects the cost basis to the Corporation of its assets at the time of acquisition less accumulated depreciation. With the general increase in real estate values during the life of the Corporation since 1946, market values are substantially higher than book values.

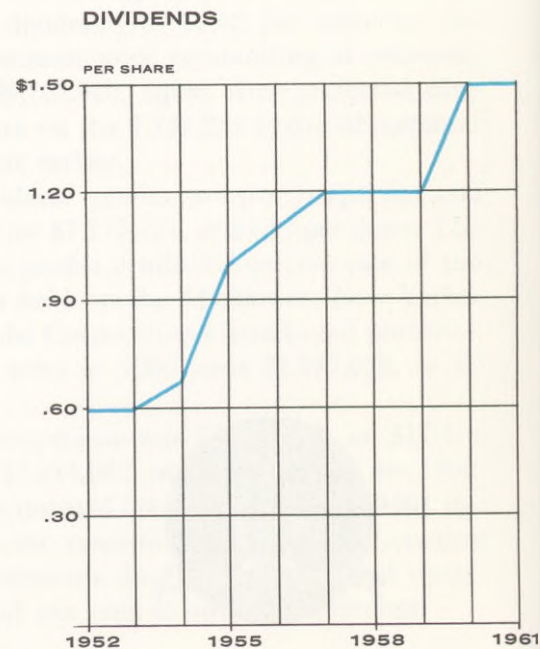
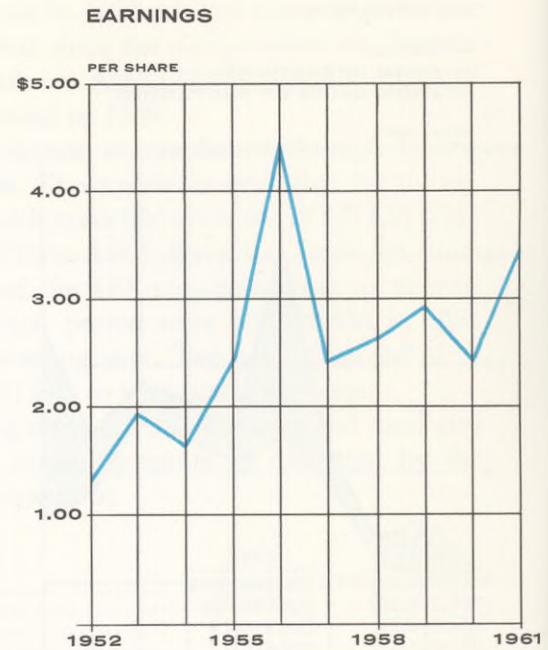
Institutional investors continued to hold large amounts of Hilton common stock at year-end. Approximately 600,000 or nearly 16 per cent of the outstanding shares were in the portfolios of investment trusts, banks, pension funds and other institutional investors. Institutions also held a substantial portion of Hilton debentures and preferred stock issues.

FINANCIAL CONDITION: The Corporation's working capital at December 31, 1961 amounted to \$20,321,641, or \$5.36 per share of common stock. Current assets were 1.68 times current liabilities. A year earlier, working capital was \$25,010,132 for a current ratio of 1.84 to 1. Current assets at the end of 1961 included \$27,975,218 in cash compared with \$27,056,626 in cash at the preceding year-end.

In March 1961, Hilton Hotels received \$24,500,000, mostly in the form of corporate securities, through the sale and lease-back of The Beverly Hilton, and the sale of notes and bonds from the Corporation's investment portfolio to a group of private investors. The Beverly Hilton was leased back for an initial term of 35 years from March 31, 1961 with renewal options for an additional 64 years. The Corporation has options to repurchase the hotel at the sale price in either 1966 or 1967.

Subsequently, the corporate securities received in the transaction were liquidated. The proceeds were utilized to eliminate all but a nominal amount of bank indebtedness through repayment of the balance of a \$21,000,000 loan from a group of 17 leading banks. Of this loan, \$19,000,000 was incurred at the time of the purchase of The Hilton Hawaiian Village.

In December 1961, Hilton Hotels and Fritz B. Burns & Son of Los Angeles formed the Hilton-Burns Hotels Company, Inc. Hilton transferred ownership of The Hilton Hawaiian Village, valued at \$21,000,000, to Hilton-Burns Hotels Com-



ANALYSIS OF CONSOLIDATED LONG-TERM DEBT

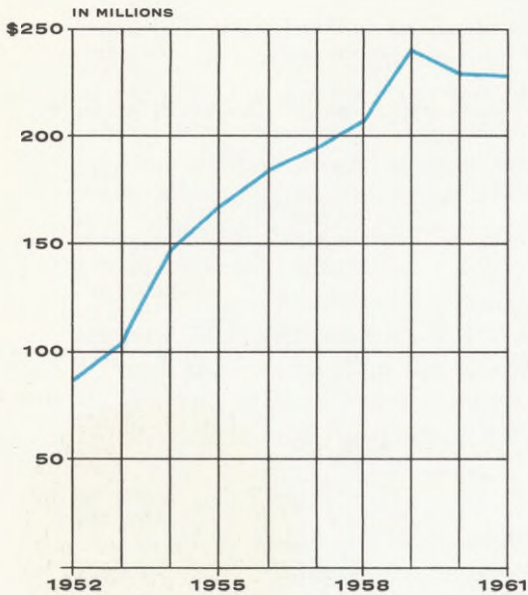
	BALANCE DECEMBER 31, 1960	ADDITIONS DURING 1961	REDUCTIONS DURING 1961	BALANCE DECEMBER 31, 1961
MORTGAGE BONDS AND NOTES				
The Palmer House.....	\$10,320,000	—	560,000	9,760,000
The Conrad Hilton.....	4,300,000	—	300,000	4,000,000
The Shamrock Hilton.....	11,343,000	—	1,088,862	10,254,138
The Terrace Hilton.....	6,892,903	—	284,362	6,608,541
The Savoy Hilton.....	2,005,403	—	121,593	1,883,810
The Pittsburgh Hilton.....	12,000,000	—	—	12,000,000
The Portland Hilton.....	—	890,000	—	890,000
The New Orleans Hilton Inn.....	—	2,034,268	10,230	2,024,038
Hawaiian Village Development Company..	—	3,246,000	—	3,246,000
DEBENTURES				
2% Hilton, Due 11/1/64.....	1,500,000	—	—	1,500,000
4% Hilton, Due 7/1/77.....	4,255,000	—	4,255,000	—
4½% Hilton, Due 1/1/70.....	2,127,000	—	—	2,127,000
6% Hilton, Due 10/15/84.....	28,800,000	—	—	28,800,000
4% Metropolitan Hotel Corporation.....	2,750,000	—	—	2,750,000
OTHER NOTES				
Installment Purchase Contract.....	1,950,000	—	100,000	1,850,000
Waldorf-Astoria Laundry.....	437,740	—	40,720	397,020
Hilton Hotels International.....	146,712	—	49,999	96,713
Hilton Hotels Corporation.....	1,994,703	—	1,994,703	—
Hilton Hotels International.....	222,222	—	222,222	—
Hilton Hotels Corporation.....	—	21,000,000	21,000,000	—
Hawaiian Village Development Company..	—	462,500	—	462,500
Sundry.....	145,487	—	35,793	109,694
TOTAL	<u>\$91,190,170</u>	<u>27,632,768</u>	<u>30,063,484</u>	<u>88,759,454</u>

pany in exchange for 50 per cent of the preferred and common stock and a note for \$15,000,000. Fritz B. Burns & Son transferred ownership of approximately 4.7 acres of land bordering the lagoon adjacent to the hotel, valued at \$6,000,000, to Hilton-Burns Hotels Company in exchange for 50 per cent of the stock. The company then obtained a \$15,000,000 loan secured by a first mortgage on the hotel properties from The Equitable Life Assurance Society of the United States and paid off all except \$250,000 of the \$15,000,000 note held by Hilton Hotels. A management agreement with Hilton-Burns Hotels Company was entered into for the operation of the hotel by Hilton.

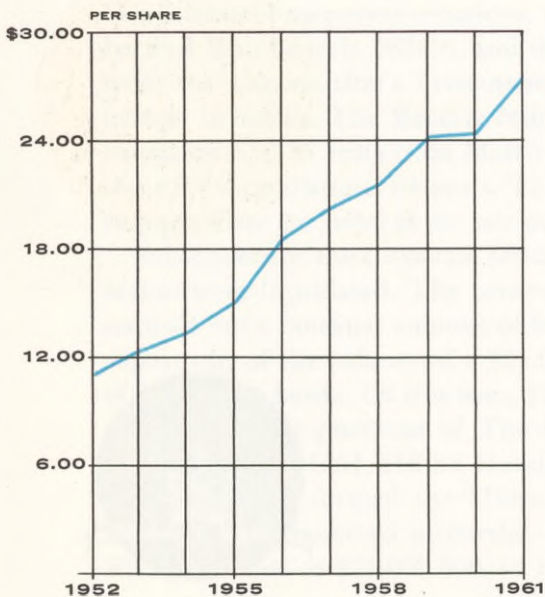
Subsequently, Hilton Hotels, together with Fritz B. Burns and F. Patrick Burns, formed a partnership known as Hawaiian Village Development Company, in which Hilton Hotels has a 75 per cent interest. The partnership acquired from Kaiser Community Homes, at a cost of \$5,246,200, approximately 4.8 acres of land on which the hotel's Dome convention building is situated. Of the purchase price, \$3,246,000 was obtained by a first mortgage loan from the Bank of



ASSETS



STOCKHOLDERS EQUITY



Hawaii. Hilton-Burns Hotels Company, Inc. has extended its lease on the land on which the hotel's Tapa Room night club is situated, with an option to purchase.

Long term indebtedness at December 31, 1961 was \$88,759,454, equal to 46 per cent of the book value of fixed assets, investments at cost and working capital, a conservative ratio within the hotel industry. Changes in long term indebtedness during the year are detailed in the table entitled "Analysis of Consolidated Long-Term Debt."

In January 1962, Hilton Inns, Inc., a wholly-owned subsidiary, received a mortgage loan commitment in the amount of \$18,000,000 from a group of insurance companies and other institutional investors.

The following is a condensed consolidated statement of source and application of funds for the year ended December 31, 1961:

SOURCE OF FUNDS:

Net profit.....	\$13,539,701	
Less: Net profit from property sales, etc.....	<u>7,177,422</u>	
Net profit from operations.....	6,362,279	
Depreciation and amortization.....	11,035,002	
Proceeds from sales of properties and investments.....	41,188,284	
Collections on notes receivable.....	4,001,443	
New financing.....	<u>27,632,768</u>	\$90,219,776

FUNDS APPLIED TO:

Reduction of long-term debt.....	\$30,063,484	
Capital expenditures.....	47,019,630	
Purchase of treasury stock.....	747,932	
Investments.....	4,521,304	
Dividends.....	6,215,546	
Increase in cash.....	918,592	
Increase other net assets.....	<u>733,288</u>	\$90,219,776

INVESTMENTS: Hilton Hotels continually strives to maximize the utilization of its capital towards the goal of operating the most modern and best equipped hotels and inns in principal cities and other strategic locations. In several cases during 1961, we reached the conclusion that this policy would best be furthered by entering into joint arrangements with other prominent investors.

The four newest hotel projects within the United States—two on the mainland and two in Hawaii—will be operated by separate corporations in which Hilton will have less than a majority interest. Rock-Hil-Uris, Inc. was formed with Rockefeller Center, Inc. and Uris Buildings Corporation to build The New York Hilton. Hilton Hotels has a 25 per cent equity interest and will manage the hotel. Joseph P. Binns, vice president and director of Hilton Hotels, is president and chief executive officer of Rock-Hil-Uris. The Washington

(D.C.) Hilton will be owned by Hilton-Uris, Inc., in which Hilton Hotels and Uris Buildings Corporation each has a 50 per cent interest.

As stated under "Financial Condition," the Hilton-Burns Hotels Company, in which Hilton has a 50 per cent interest, owns The Hilton Hawaiian Village complex of land and buildings. The Kahala Hilton Hotel Company, Inc., in which Hilton has a 50 per cent interest, will build The Kahala Hilton in Honolulu. The remaining stock is held by private investors living in Honolulu.

These four hotels, and others which subsequently may be built under similar arrangements, will be carried as investments and thus their operating results will not be consolidated with Hilton Hotels. Income to Hilton Hotels will be derived in the form of fees for management services and dividends paid by the operating companies.

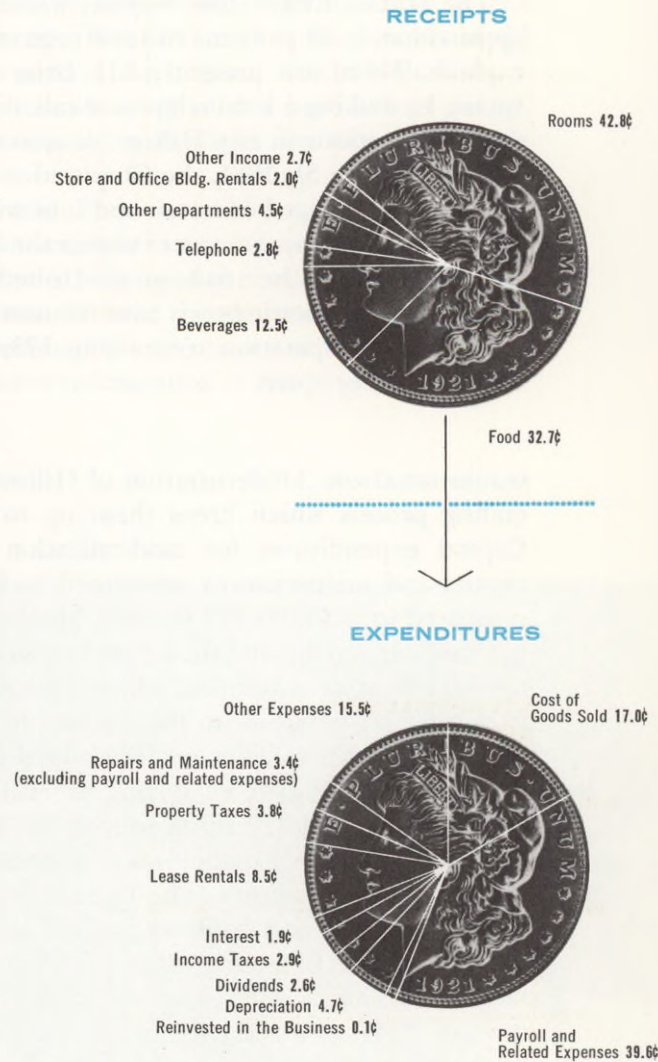
The Corporation owns 34 per cent of the common stock of Hilton Credit Corporation, operators of the Carte Blanche all-purpose credit card system. Hilton Credit Corporation has made great progress in all phases of its business during the past year. In March 1961, Hilton Hotels Corporation purchased \$1,900,000 out of a total of \$5,000,000 of 5% subordinated notes issued by Hilton Credit Corporation. Interest on these notes is paid semi-annually.

As a result of an offer made in December to the stockholders of Statler Hotels Delaware Corporation, Hilton Hotels has acquired 74 per cent of the outstanding Statler stock. Statler Hotels Delaware owns or leases the ten Statler Hilton hotels on which Hilton Hotels has a long term lease with renewal options. Hilton Hotels paid \$6.00 per share for the Statler stock, acquiring 1,339,221 shares through February 28, 1962. With more than two-thirds voting control, Hilton Hotels has greater flexibility in the disposition of such of these properties as it may deem advisable to sell.

Total investments of Hilton Hotels were valued on its books at \$24,155,504 at December 31, 1961.

SALES DEVELOPMENT: During the past year we have increased the emphasis on developing a more dynamic marketing program to capitalize more effectively on the advantages of being the largest and most strategically located hotel system in the world. The benefits to be derived from this program are long-range and will be realized over succeeding years.

A new sales vice president has been appointed to coordinate the sales programs of the individual hotels. Salesmen are being trained to seek out all available sources of convention, group and individual business. The national advertising program has been refined and redirected.



Several sales building devices have been placed in effect such as a uniform family plan and a guaranteed rate range for advance reservations which has been particularly helpful to corporations having a substantial amount of business travel. Hilton Hotels is cooperating with the United States government and a number of businesses who are interested in promoting travel from abroad to our country. We are beginning to notice a reverse flow of travel by nationals of other lands who first became acquainted with Hilton through the International system.

The Hilton Reservation Service, which currently handles approximately 25 per cent of total reservations, continues to expand. There are presently 111 cities around the world where, by making a local telephone call, one can make immediate reservations in any Hilton (or associate) Hotel or Inn.

At December 31, 1961, the Corporation owned, leased and operated or managed 44 hotels and inns with a total of 30,798 guest rooms. Thirty-three were within the United States while eleven were in other nations or United States territories. Three of the domestic hotels have connecting office buildings under Hilton operation comprising 578,549 square feet of office and store space.

MODERNIZATION: Modernization of Hilton Hotels is a never-ending process which keeps them up to Hilton standards. Capital expenditures for modernization (as distinct from repairs and maintenance) amounted to \$9,860,963 in 1961 compared with \$8,002,732 in 1960. Much of the activity during the year was behind-the-scenes to place our properties in the best possible condition, which, while unseen, makes an important contribution to the comfort of the guests.

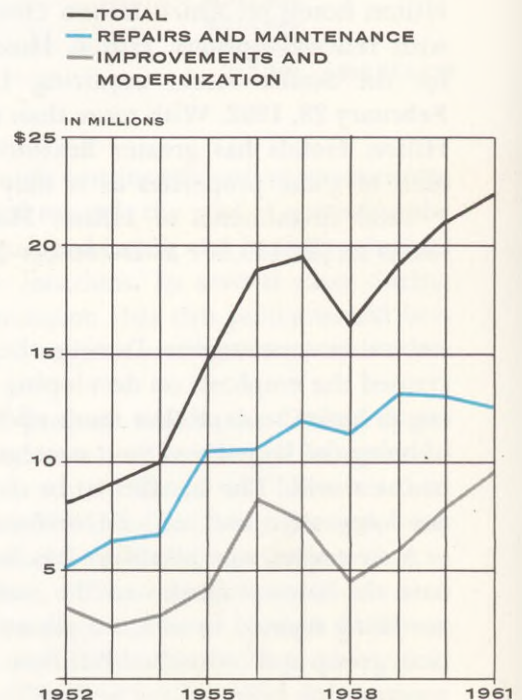
However several major projects added directly to the convenience and pleasure of staying at Hilton Hotels. At the Palmer House, all 110 suites were fully refurbished and the Town and Country Lounge was remodeled in the rich manner of the Victorian era. The Conrad Hilton's new exhibition, convention and banquet facility, located in a separate but inter-connecting building, opened in February 1962. The new facility has accommodations for seating 2,600 at a banquet or 4,000 at a meeting and a two-level exhibition and meeting area with 52,000 square feet. This hotel's exhibition space now totals 85,000 square feet.

At the New York Statler Hilton, the re-constructed and air-conditioned lobby and the new mezzanine exhibition hall were completed in the summer. The exhibition hall was created by bridging over the entire lobby area, utilizing what was formerly open space. This hotel now has the largest convention and exhibition areas of any currently operating hotel in New York City.



Property upgrading is a never-ending activity

MODERNIZATION AND MAINTENANCE



Constant remodeling and refurbishing keep guests more than satisfied

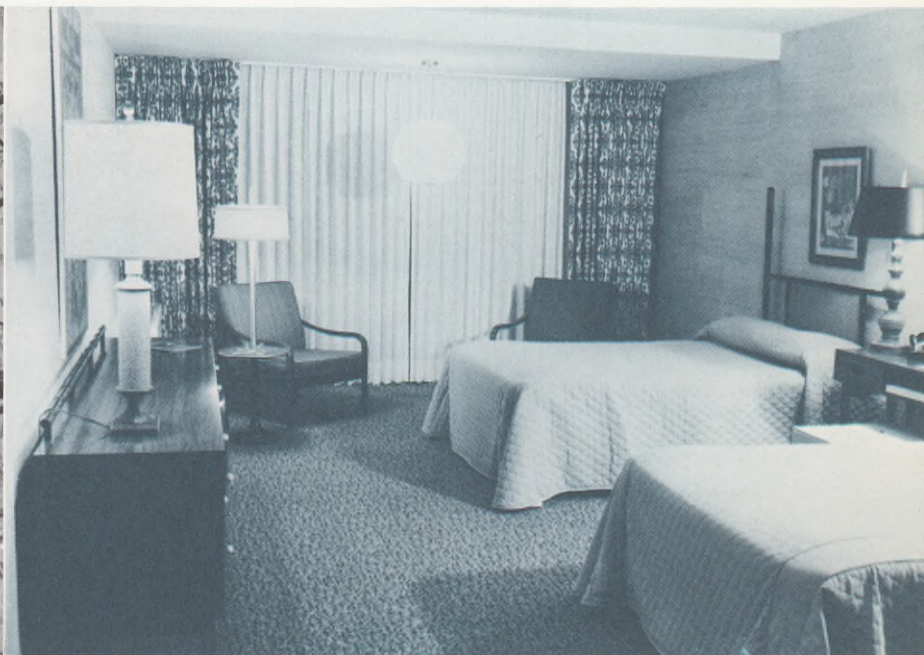


At the San Francisco Hilton Inn, banquet areas were enlarged to accommodate over 1,000 persons, restaurant capacities in both the French Corner and Austrian Coffee House were expanded and the Mark Twain Bar was doubled in size. Trader Vic restaurants were opened at the Washington Statler Hilton and The Caribe Hilton. The Berlin Hilton opened the Smorgasbord, the only Swedish restaurant in the city.

The Waldorf-Astoria opened the Palm Garden Restaurant in the location formerly occupied by the Promenade Cafe. The Palm Garden takes its name and decor from the famous restaurant which was once presided over by Oscar of the Waldorf many years ago. It is decorated with a number of old serving pieces once used at the original Waldorf-Astoria.

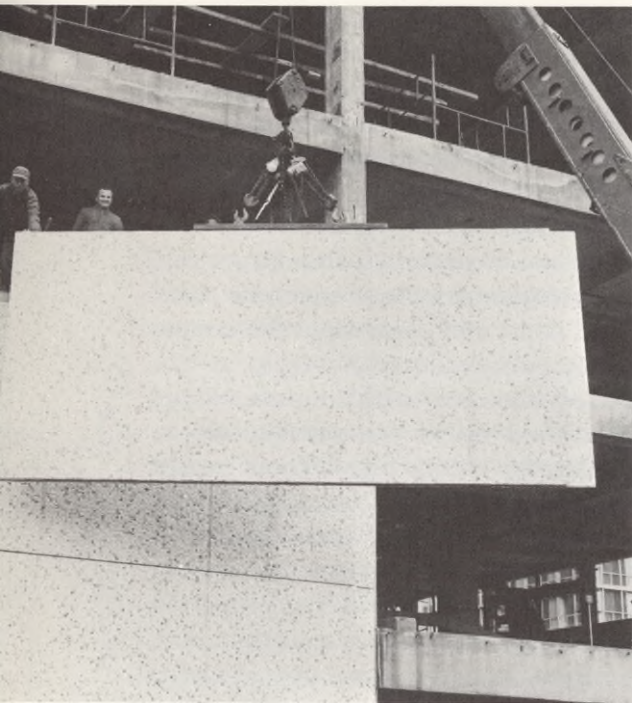
The Beverly Hilton has completed a new 500-car garage. This hotel now has parking facilities for some 1,500 cars which is believed to be the largest parking area operated by any hotel in the world.

Noteworthy improvements in our International properties were the complete refurbishing of the restaurant, night club and bar at El Panama Hilton, the conversion of the dining room at The Castellana Hilton into an attractive Rotisserie and Grill and extensive redecoration at The Virgin Isle Hilton.

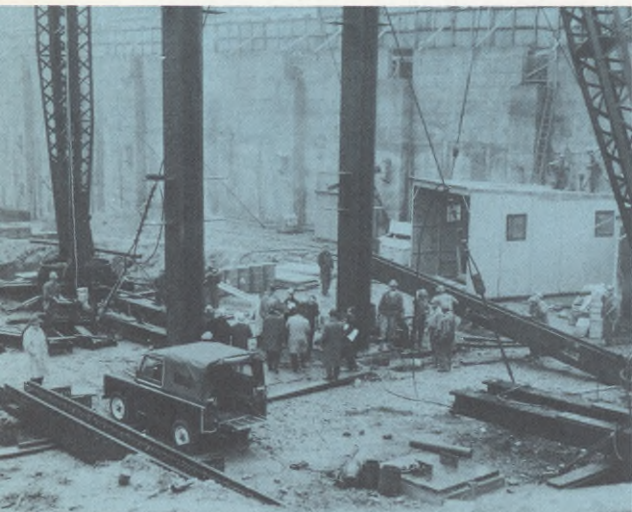


Room decor must be both luxurious and functional

Guest-appeal is a determining factor in modernization



*Positioning a section of
outer wall*



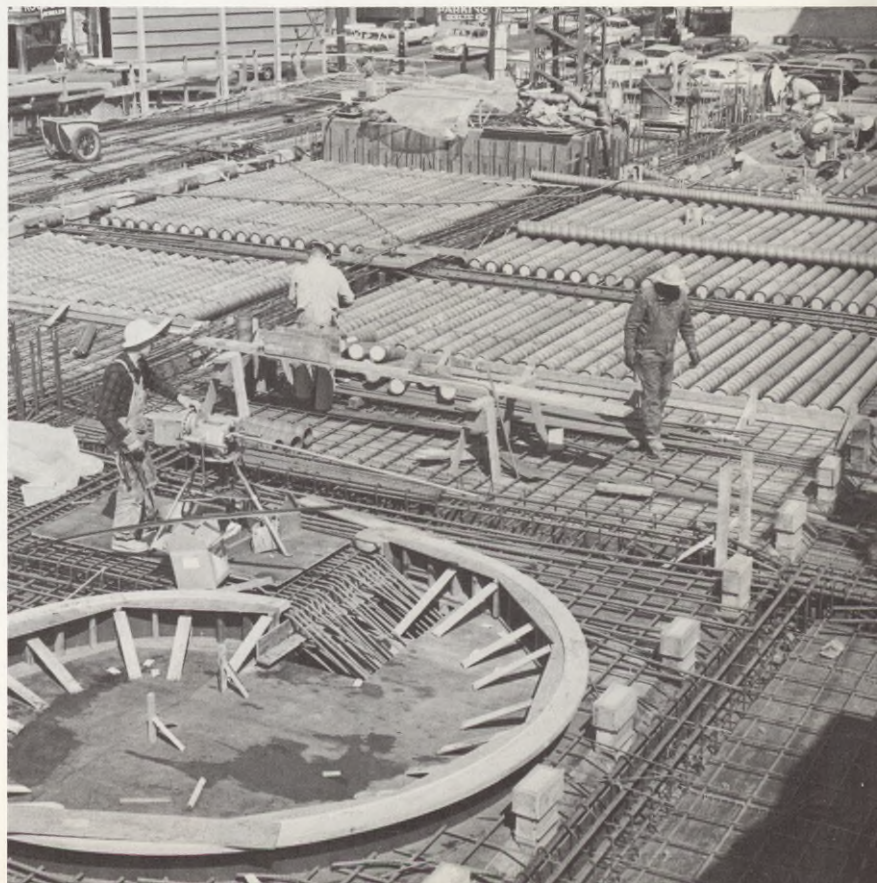
*Construction continues,
fair weather or foul*

DOMESTIC EXPANSION: The Corporation currently has five domestic hotel projects under construction, which, when completed, will contain 5,325 guest rooms.

Largest of these projects is The New York Hilton, a 45-story, 2,125-room hotel in Rockefeller Center. Steel erection has begun on the 92,000 square foot leased site between 53rd and 54th streets on the west side of the Avenue of the Americas. Completion of the building is scheduled for 1963. This hotel is being constructed by Uris Buildings Corporation, a 50 per cent stockholder in the owning company, Rock-Hil-Uris, Inc. Hilton Hotels has entered into a 20-year management contract with the owner with renewal options.

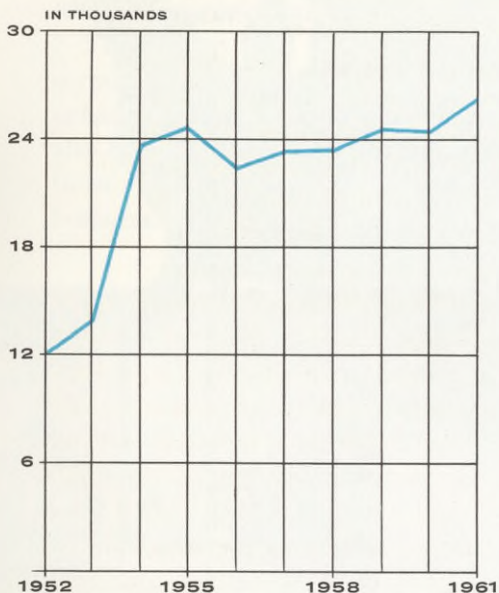
The New York Hilton will have all its public rooms in the four-story base of the building. Exhibit space of 130,000 square feet will be far greater than in any existing New York hotel. The main ballroom, with capacity for seating 4,200 guests at dinner and more than 5,000 for a meeting, will be as complete with stage equipment and lighting as any modern theatre. The hotel will have 34 additional private dining and function rooms in which 2,500 more persons can be seated. The sales staff has booked many conventions and functions for this hotel.

All of the guest rooms will be in the 41-story tower. The rooms will be unusually large with high ceilings and handsome furnishings. The hotel will be a strikingly attractive building of modern design and will have a character and appeal different from the other Hilton Hotels in New York City. Arrangements have been made for permanent financing in the amount of \$30,000,000.



DOMESTIC EXPANSION

— NUMBER OF ROOMS AVAILABLE AT YEAR END



Hilton Hotels has joined with Uris Buildings Corporation to build the 1,200-room Washington Hilton in the nation's capital. The new hotel will be eight stories tall, completely air-conditioned, and feature a ballroom seating 3,000 persons for banquets or 4,200 for meetings. A modern exhibition hall will be located on the same floor as the ballroom.

Situated in the Temple Heights section of the capital, about one mile from the White House, this hotel will overlook central Washington and the adjacent embassy section. Elaborately landscaped gardens, tennis courts and a heated swimming pool with cabanas are planned for the grounds surrounding the building. Parking for 600 cars will be provided. Uris Buildings Corporation will construct and Hilton Hotels will manage the hotel for Hilton-Uris, Inc. which is owned in equal shares by Hilton and Uris. Permanent financing in the amount of \$18,000,000 has been arranged.

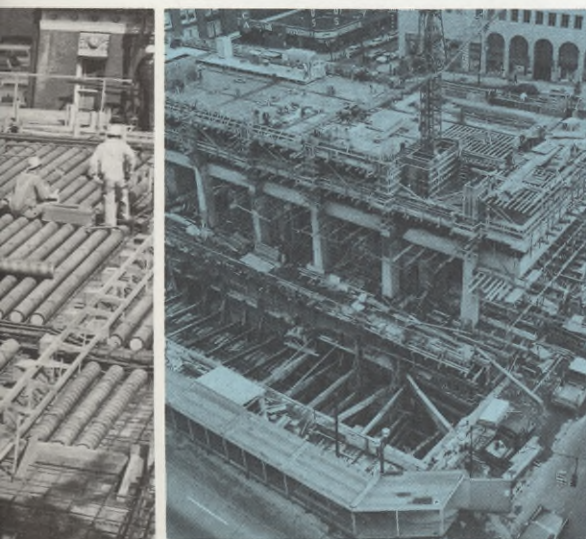
In late July, excavation was begun for the 1,200-room Hilton Hotel in downtown San Francisco. Completion date for the 18-story structure is estimated for late 1963. A mortgage commitment for long-term financing of \$16,000,000 has been arranged.

Construction is well along on the 27-story Portland (Oregon) Hilton. The public areas will be in a five story base with the 500 guest rooms in the 22-story tower above. The upper levels will afford panoramic views of the Willamette River, Mount Hood and other peaks of the Cascades. In 1961, \$890,000 was drawn down under the \$5,000,000 first mortgage loan commitment on this property.

Ground was broken in November for The Kahala Hilton, a new luxury resort hotel on a six-acre leased site adjacent to the Waialae Country Club in Honolulu. The ocean front property, east of Diamond Head, is about three miles from Waikiki. Plans for the 300-room project include a number of garden cottages around a lagoon, each with private swimming pool. The style of the architecture will reflect that of the Hawaiian monarchy. Permanent financing of \$4,000,000 has been arranged.

The lease on the Hilton Hotel in Fort Worth, Texas expired February 1, 1962 and was not renewed.

Hilton Catering, our first major venture in operating restaurants not directly connected with a hotel, had a very satisfactory year. Our profit from operating the restaurant facilities at Chicago's McCormick Place exhibition center measured up to expectations. This operation requires flexibility, as it encompasses four types of food service: elegant full-service restaurants, a self-service restaurant, banquet service ranging up to 25,000 persons and portable refreshment and snack stands for use in the large exhibit arease. McCormick Place has been well received as a convention center and is booked near capacity during 1962. Our initial lease is for another five years with three successive renewal options of three years each.



The Portland Hilton rises floor-by-floor



HILTON INN EXPANSION: Three handsomely appointed new Hilton Inns were opened during 1961, bringing the number in operation to seven. The 146-room Seattle Inn, situated on ten acres fronting on Highway 99 across from the Seattle-Tacoma International Airport opened in July. This inn consists of four two-story guest buildings inter-connected by covered walkways with the one-story administration building. Ample space is available to add another 150 rooms as needed. The inn was constructed by Hilton on land leased for 20 years with renewal options totaling 55 years.

The 270-room Aurora Inn was opened in late August. It is located on 13 acres of land at the intersection of Illinois East-West Tollway and Route 31. The seven two-story guest buildings and the administrative building also are inter-connected by covered walkways. The main ballroom is spacious enough to seat 1,500 persons for a convention or 1,000 for a banquet. Hilton owns the building and has a long-term lease on the land with an option to purchase.

On December 1, the 204-room Tarrytown Hilton Inn was opened for business. It is located just off the New York State Thruway, near the Tappan Zee Bridge, approximately 30 minutes from New York City by car. Inter-connected with the central building by glass-enclosed arcades are the north and south guest buildings, each two stories high of Dutch colonial style. Hilton owns the buildings on the ten-acre site leased through 1983 with options totaling 60 years.

Hilton Inns, Inc. purchased the land and buildings comprising the Hilton Inn at Moisant International Airport, New Orleans, in October. The price was \$2,750,000 which included \$715,732 in cash and the assumption of the outstanding mortgage.

In its first venture at operating a facility which it neither owns nor leases, Hilton has signed a 20-year contract to manage a six-story, 189-room structure now under construction in the Quality Hill section of Kansas City, Missouri. This Hilton Inn is convenient to the air terminal, downtown Kansas City



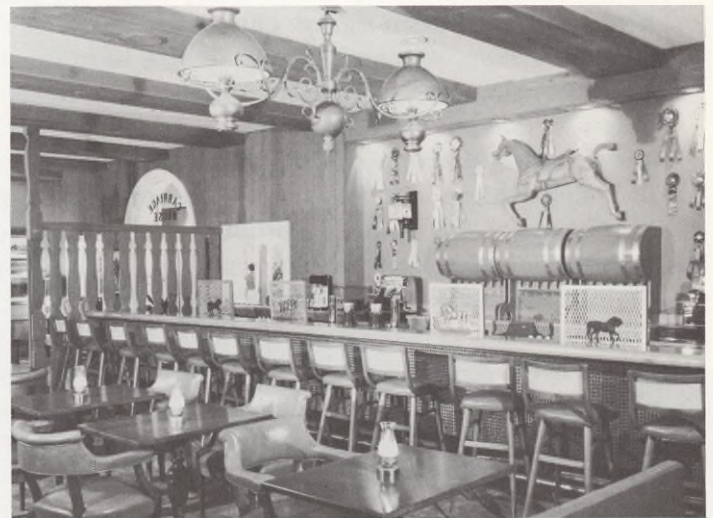
and the Missouri extension to the Kansas Turnpike. Cost of the Y-shaped building to the owners is estimated at \$2,750,000. Bearing an architectural resemblance to The Beverly Hilton, it is scheduled for opening this spring.

The Hilton Inns basically are horizontal hotels which incorporate the best features of downtown comfort and suburban informality and thus attract a varied clientele. They also have facilities for meetings, conventions and social functions and are enjoying a satisfactory volume of this type of business.



*Ultra-modern lounge area,
Seattle Hilton Inn*

*Glamorous entranceway
to Aurora Hilton Inn*



*Picturesque Sulky Bar
of Aurora Hilton Inn*

*Applying finishing touches to
another Hilton Inn foundation*

INTERNATIONAL EXPANSION: The current year will register a rapid growth in International business as five openings are currently scheduled. Four other projects are under construction and planned for opening in 1963. Total rooms in the nine hotels will exceed 3,100.

The schedule for 1962 is; the 250-room Acapulco Hilton in Acapulco, Mexico; the 250-room Trinidad Hilton in Port-of-Spain, Trinidad, West Indies; the 279-room Amsterdam Hilton in Amsterdam, The Netherlands; the 480-room Athens Hilton in Athens, Greece and the 300-room Royal Teheran Hilton in Teheran, Iran. Scheduled for opening in 1963 are the 400-room Tokyo Hilton in Tokyo, Japan; the 264-room Rotterdam Hilton in Rotterdam, The Netherlands; the 530-room London Hilton in London, England and the 400-room Cavalieri Hilton in Rome, Italy.

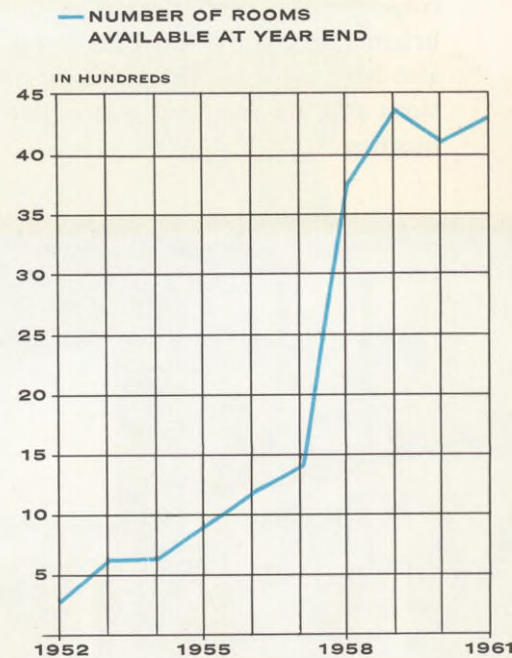
The well known Hotel Carrera in Santiago, Chile was leased on January 1, 1961 for eleven years with a five-year renewal option. This hotel, our first in South America, has been renamed The Carrera Hilton.

Several other International hotels are under development. These projects include a 300-room hotel at the Dorval Airport, Montreal, Canada; a 150-room hotel at Tunis, Tunisia; the 250-room Addis Ababa Hilton in Ethiopia; the 150-room Mayaguez Hilton in Puerto Rico and the 400-room Tel Aviv Hilton in Israel.

Active and continuing consideration is being given to more than 30 other locations, and in many instances, preliminary agreements have been signed. Due to the success of the International system, we continuously receive inquiries from foreign governments and private groups concerning possible hotels in other cities around the world. Our basic International policy is to operate hotels which are built and furnished by others and to pay the owners rent based on a percentage of the operating profit.

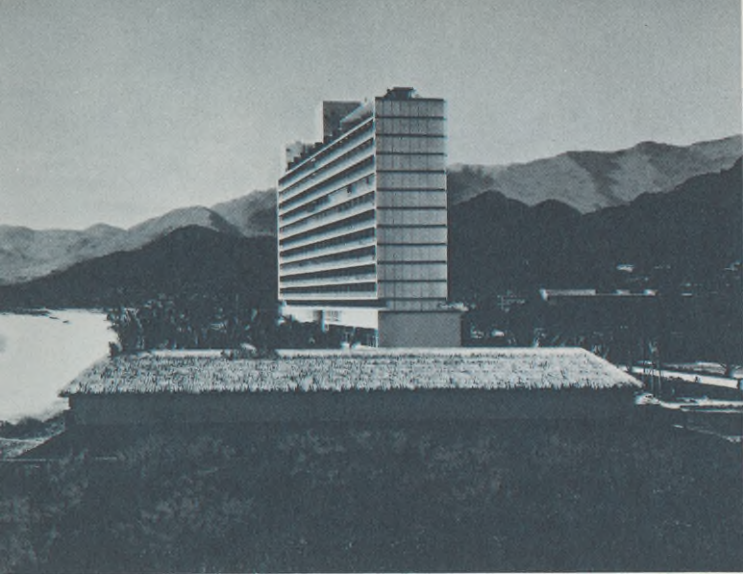
With the large number of International hotels in operation, under construction, under development or under active consideration, it was deemed advisable to organize the International Division into six regions. The regional headquarters are charged with the operation of existing units, supervision of construction of new units and assistance in screening and negotiations for additional units. The European region is headquartered in Rome, the Africa and Middle East region in Cairo, the Canadian region in Montreal, the Pacific region in Honolulu, the Latin America region in Mexico City and the Caribbean region in San Juan, Puerto Rico. Regional sales offices are also being established.

INTERNATIONAL GROWTH



Royal Teheran Hilton, Teheran, Iran





*Acapulco Hilton,
Acapulco, Mexico*



*Amsterdam Hilton,
Amsterdam, The Netherlands*



*London Hilton,
London, England*



*Trinidad Hilton,
Port-of-Spain, Trinidad*

*Athens Hilton,
Athens, Greece*



EXECUTIVE CHANGES AND TRAINING: In February 1962, Fritz B. Burns, of Los Angeles, was elected a director of Hilton Hotels Corporation. Mr. Burns is president and director of Fritz B. Burns and Associates and a number of real estate developments that include homes, shopping centers, office buildings, apartments and hotels.

Four new vice presidents were elected during the year, all of whom are general managers of major hotels. They are Robert A. Groves, The Beverly Hilton; Herbert C. Blunck, the Washington Statler Hilton; Joseph A. Harper, the Dallas Statler Hilton and Porter P. Parris, The Shamrock Hilton. J. Bryan Gordon was elected a vice president of Hilton Inns, Inc. and placed in charge of this subsidiary's operations. James J. Roche, Jr. was named an assistant vice president of Hilton Hotels Corporation with prime responsibilities for the coordination of personnel and training activities.

We have projected the number of key personnel who will be needed to fill vacancies created by expansion in the number of hotels and by normal attrition. The success of a hotel is dependent upon having a number of trained experienced key personnel and we are taking steps to assure the availability of such persons. A program has been developed to select and evaluate employees, to determine those who currently are qualified for promotion, and to outline the additional training needed to qualify others for promotion. An individualized program is devised for each employee selected for further training. After consultation with the training director, he takes specific courses of study and is rotated to other positions which will give him the added knowledge and experience he requires. The goal of the Executive Development Program is to have a qualified man in each key position as well as a qualified replacement for each.

EMPLOYEE RELATIONS: Employees at every level are assisted in their career planning through transfers between departments and between hotels, home and group study courses and on-the-job training.

Benefits include a pension plan, a group plan for hospital, surgical and medical insurance for domestic employees and assistance to certain qualified employees in paying for supplementary life insurance.

Excellent employer-employee relations were maintained throughout the year. Management acknowledges that the 30,000 men and women of the Hilton organization performed with distinction and commends them for their fine service, loyalty and cooperation.

Cuisine for guests is a fine art in every Hilton Hotel and Inn

Every Hilton employee is a trained specialist in one important phase of guest service





Our younger guests are treated with the same respect accorded adults



Guests are given the red carpet treatment, outside as well as inside

The Corporation takes pride in the speed and efficiency of its service



CONTINUING GROWTH THROUGH CONSTRUCTION Never before have so many Hilton Hotels been under construction in so many parts of the world. Changing economic and political conditions have brought this about.

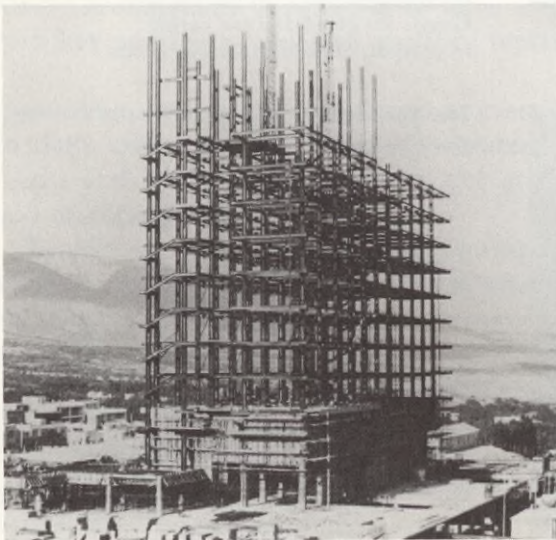
Ancient cities once static are now dynamic, and in need of modern accommodations. Growth of newer cities has outpaced their hotel facilities. Remote cities are thrust into prominence with the advent of jet travel.

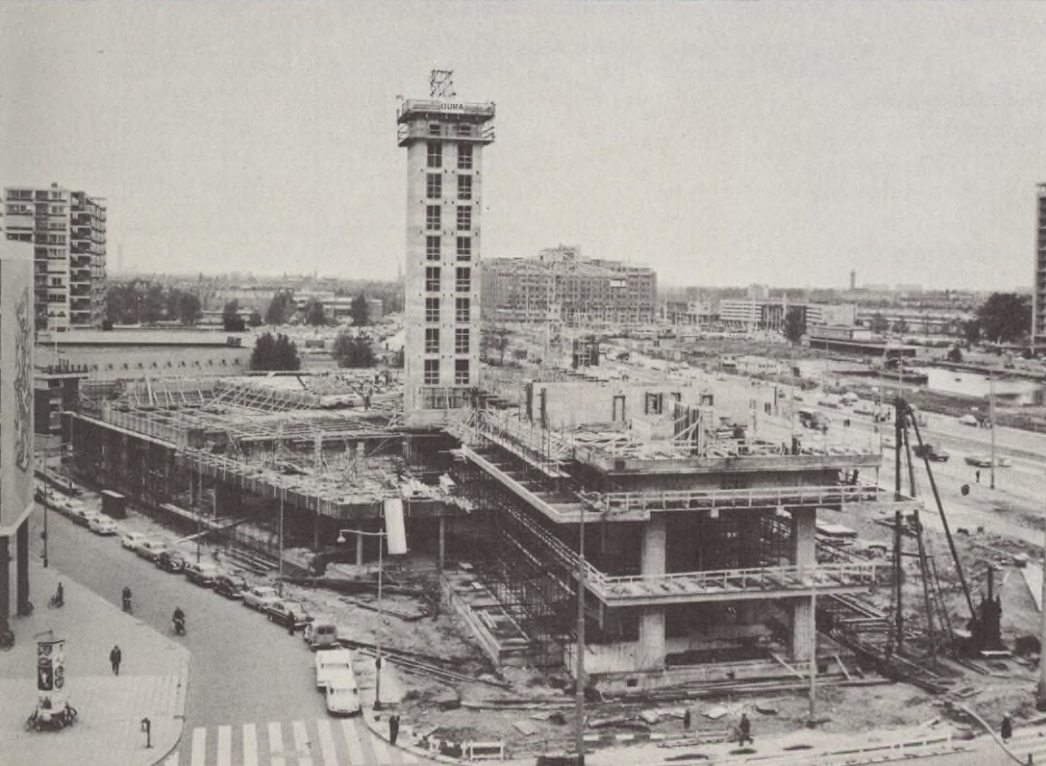
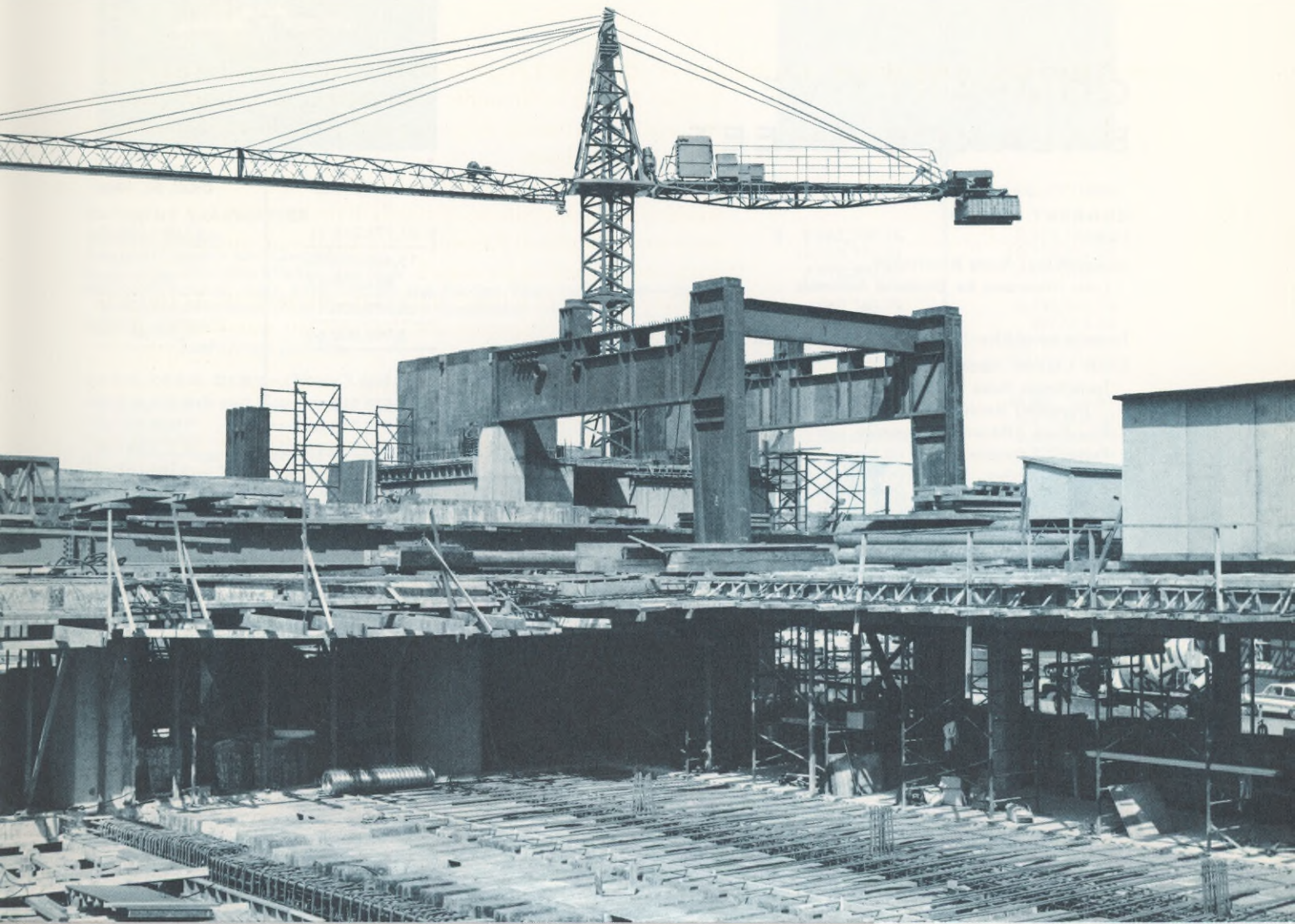
The creation of a hotel is an intricate process. At the project's inception economic studies and an assessment of the political climate are necessary to determine feasibility. Financing must be arranged—usually with local investors—and a site selected.

A detailed planning period ensues—often as long as the period of actual construction. The hotel must be designed to blend with the tastes and cultures of the area and yet be a forward step. Modifications and refinements are constantly introduced as we seek the optimum combination of livability with the proper utilization of space for profitability.

While construction proceeds, other organizational effort is pursued to breathe life into the structure. Management and staff are selected and trained. Advertising and promotion is begun to alert prospective guests of the hotel's advantages.

After a long co-ordinated effort, the hotel is born as a vigorous, bustling society and business center.







ASSETS

COMPARATIVE BALANCE SHEET

	DEC. 31, 1961	DEC. 31, 1960
CURRENT ASSETS		
Cash	\$ 27,975,218.31	27,056,626.35
Accounts and Notes Receivable	13,460,095.00	11,722,893.61
Less: Allowance for Doubtful Accounts	407,506.89	385,315.13
	<u>13,052,588.11</u>	<u>11,337,578.48</u>
Inventories of Merchandise and Supplies—(At Cost)	3,968,002.68	4,310,097.24
Other Current Assets		
Installment Sales Contract and Other Notes—		
Payments Receivable Within One Year—(Note 2)	539,812.99	5,307,160.79
Due from Affiliated Companies	1,733,743.68	3,860,838.61
Prepaid Expenses	2,433,250.18	2,272,989.98
Sundry—Other	478,598.04	582,762.43
Total	<u>5,185,404.89</u>	<u>12,023,751.81</u>
Total Current Assets	<u>50,181,213.99</u>	<u>54,728,053.88</u>
INVESTMENTS—(Notes 1 and 2)		
Capital Stocks	933,535.44	991,518.00
Installment Sales Contract and Other Notes	6,580,825.85	18,613,864.32
Securities and Indebtedness of 50% Owned Companies	7,723,784.42	—
Securities and Indebtedness of Affiliates—Not Current	8,117,004.72	5,535,004.72
Other Investments	800,353.33	3,392,814.90
	<u>24,155,503.76</u>	<u>28,533,201.94</u>
Less: Amounts Due Within One Year—(Above)	539,812.99	5,307,160.79
	<u>23,615,690.77</u>	<u>23,226,041.15</u>
Investments in and Advances to Non-Consolidated Foreign Subsidiaries and Divisions of Hilton Hotels International, Inc.—(Note 1)	187,392.64	458,585.15
Total Investments	<u>23,803,083.41</u>	<u>23,684,626.30</u>
FIXED ASSETS—(Note 3)		
Land	31,546,183.82	29,108,963.51
Buildings	80,104,327.45	84,021,955.96
Furniture and Equipment	41,448,062.75	48,506,190.38
Leasehold and Improvements	45,043,604.65	39,860,240.40
	<u>198,142,178.67</u>	<u>201,497,350.25</u>
Less: Accumulated Depreciation and Amortization	67,609,918.61	72,479,251.84
Total	<u>130,532,260.06</u>	<u>129,018,098.41</u>
Revisions and Alterations	11,366,411.00	9,858,270.04
Operating Equipment	6,269,932.70	5,916,205.66
Total	<u>148,168,603.76</u>	<u>144,792,574.11</u>
OTHER ASSETS AND DEFERRED CHARGES		
Non-Operating Property—Land	—	324,416.27
Preopening and Preliminary Investigation Expenses	1,761,999.59	1,788,328.73
Organization Expenses	420,515.33	420,389.31
Unamortized Mortgage and Loan Expenses and Discount	4,910,559.11	5,143,994.39
Other Assets and Deferred Charges	2,242,549.50	1,058,226.15
Total	<u>9,335,623.53</u>	<u>8,735,354.85</u>
TOTAL ASSETS	<u>\$231,488,524.69</u>	<u>231,940,609.14</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, 1961

DEC. 31, 1960

CURRENT LIABILITIES

Accounts Payable	\$ 8,861,708.16	7,979,148.15
Accrued Expenses and Charges	13,105,772.91	12,732,211.18
Long-Term Debt Due Within One Year	2,372,592.83	4,174,105.41
Estimated Federal, State, City, District and Foreign Taxes on Income—(Based on Separate Returns of the Consolidated Companies)—(Note 4)	4,942,360.75	4,224,943.76
Sundry—Other	577,138.49	607,513.33
<i>Total Current Liabilities</i>	29,859,573.14	29,717,921.83

LONG-TERM DEBT—(Notes 5 and 7)

Mortgage Bonds and Notes	50,666,527.13	46,861,305.51
4% Debentures	—	4,255,000.00
2% Debentures	1,500,000.00	1,500,000.00
4½% Fifteen-Year Convertible Debentures	2,127,000.00	2,127,000.00
4% Twenty-Five Year Sinking Fund Debentures	2,750,000.00	2,750,000.00
6% Subordinated Sinking Fund Debentures	28,800,000.00	28,800,000.00
Bank Loans and Other Notes Payable	2,819,192.63	4,777,296.09
Sundry—Other	96,734.47	119,568.13
	88,759,454.23	91,190,169.73
Less: Amounts Due Within One Year—(Above)	2,372,592.83	4,174,105.41
<i>Total Long-Term Debt</i>	86,386,861.40	87,016,064.32

DEFERRED CREDIT—FEDERAL TAXES ON INCOME—(Note 3)

	957,984.46	599,559.94
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DEFERRED INCOME

Unrealized Profit on Property Sales—(Note 2)	3,361,437.91	12,078,789.84
Sundry—Other	185,880.55	121,033.55
<i>Total Deferred Income</i>	3,547,318.46	12,199,823.39

RESERVES—SUNDRY

	131,769.83	105,826.94
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MINORITY INTEREST IN PARTNERSHIP

	46,447.41	—
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SHAREHOLDERS' EQUITY

Capital Stock—(Notes 6 and 9)		
Cumulative First Preferred, Issuable in Series, Par \$100.00. Authorized Shares, 3,880 at December 31, 1961 and 54,520 at December 31, 1960. Issued and Outstanding—5% Series "A"—3,500 and 52,900 Shares	350,000.00	5,290,000.00
Cumulative Preferred, Issuable in Series, Par \$25.00. Authorized 500,000 Shares. 5½% Series "A" Authorized 278,733 Shares. Issued and Outstanding 213,575 and 242,611 Shares	5,339,375.00	6,065,275.00
Common, Par \$2.50. Authorized 8,000,000 Shares. Issued 4,485,726 and 4,465,266 Shares (Including 694,738 and 734,038 Shares in Treasury—See Below)	11,214,315.00	11,163,165.00
Scrip	—	462.50
<i>Total Capital Stock</i>	16,903,690.00	22,518,902.50
Surplus		
Capital Surplus	38,915,057.23	31,912,878.41
Earned Surplus—(Note 9)	65,229,133.89	57,904,979.48
Reserve for Contingencies	2,500,000.00	2,500,000.00
<i>Total Surplus</i>	106,644,191.12	92,317,857.89
<i>Total</i>	123,547,881.12	114,836,760.39
Deduct: Common Stock in Treasury—(At Cost)		
694,738 Shares at December 31, 1961 and	12,989,311.13	12,535,347.67
734,038 Shares at December 31, 1960	—	—
<i>Total Shareholders' Equity</i>	110,558,569.99	102,301,412.72

COMMITMENTS AND CONTINGENT LIABILITIES—(Notes 7 and 8)

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$231,488,524.69	231,940,609.14
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COMPARATIVE STATEMENT OF CONSOLIDATED INCOME



	YEAR ENDED	
	DEC. 31, 1961	DEC. 31, 1960
GROSS OPERATING REVENUE		
Rooms Department	\$100,619,491.93	100,259,521.18
Food and Beverage Department	106,360,821.88	102,737,737.41
Other Operated Departments	17,031,153.11	17,545,669.65
Other Income	5,168,878.02	4,989,114.37
Store Rentals	3,739,395.71	3,429,103.27
	<u>232,919,740.65</u>	<u>228,961,145.88</u>
OPERATING COSTS AND EXPENSES		
Departmental Costs and Expenses	130,216,813.09	126,341,840.47
Administrative and General Expenses	15,586,053.80	15,292,387.92
Advertising and Business Promotion	6,187,728.93	5,869,238.13
Heat, Light and Power	9,421,126.93	9,074,448.94
Maintenance and Repairs	12,763,180.45	12,995,775.81
Lease Rentals	19,926,880.69	18,482,839.93
Real Estate and Personal Property Taxes	9,038,102.11	8,579,405.65
Interest	4,464,889.70	4,357,289.43
Depreciation and Amortization	11,035,001.82	10,740,575.21
Corporate Expenses and Sundry Capital Charges	3,584,880.00	3,188,483.06
	<u>222,224,657.52</u>	<u>214,922,284.55</u>
NET OPERATING PROFIT	<u>10,695,083.13</u>	<u>14,038,861.33</u>
ADDITIONS TO OR (DEDUCTIONS) FROM INCOME		
Interest on Investment Securities	1,225,587.65	1,544,360.09
Profit from Office Buildings and Other Real Estate Operations	1,032,648.40	996,898.16
Contribution to Pension Trust	(26,665.00)	(37,370.17)
Property Tax Refunds	9,861.95	257,694.53
Sale or Abandonment of Capital Assets	(2,389.59)	(325,851.14)
Income from Royalties	75,457.40	68,273.93
Income from Non-Consolidated Foreign Operations Received in United States	209,569.85	219,392.06
Dividends	10,800.00	40,950.00
Sundry—Other	50,650.94	(162,941.38)
	<u>2,585,521.60</u>	<u>2,601,406.08</u>
PROFIT BEFORE INCOME TAXES	<u>13,280,604.73</u>	<u>16,640,267.41</u>
PROVISION FOR INCOME TAXES		
Federal Taxes	6,067,380.58	8,442,411.62
State, City, District and Foreign Taxes	854,497.77	652,873.91
	<u>6,921,878.35</u>	<u>9,095,285.53</u>
PROFIT BEFORE MINORITY INTEREST	6,358,726.38	7,544,981.88
MINORITY INTEREST IN PARTNERSHIP	(3,552.59)	—
NET INCOME	<u>6,362,278.97</u>	<u>7,544,981.88</u>
REALIZED PROFIT ON SALE OF PROPERTIES AND SECURITIES	9,569,896.02	2,985,958.20
LESS: TAXES APPLICABLE THERETO	2,392,474.01	738,930.11
	<u>7,177,422.01</u>	<u>2,247,028.09</u>
TOTAL NET INCOME AND PROFITS	<u>\$ 13,539,700.98</u>	<u>9,792,009.97</u>

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

STATEMENT OF CONSOLIDATED SURPLUS

	CAPITAL SURPLUS
BALANCE—DECEMBER 31, 1960	\$31,912,878.41
ADD:	
Excess of Market Value Over Cost of 62,500 Common Treasury Shares Issued as Part Payment for Hilton Hawaiian Village, Honolulu	1,776,343.79
Surplus Arising from Conversion of 29,054 Shares, 5½% Cumulative Preferred, Series "A" into Common Stock in Accordance with Conversion Privileges	675,177.27
Surplus Arising from Exchange of Land in Houston, Texas for 49,400 Shares First Preferred Stock, 5% Series "A"	4,603,575.02
	<u>7,055,096.08</u>
LESS:	
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 1961	52,917.26
	<u>7,002,178.82</u>
BALANCE—DECEMBER 31, 1961	<u>\$38,915,057.23</u>

	EARNED SURPLUS
BALANCE—DECEMBER 31, 1960	\$57,904,979.48
ADD:	
Net Income and Profits for the Year Ended December 31, 1961	13,539,700.98
	<u>71,444,680.46</u>
DEDUCT:	
Dividends:	
Cumulative First Preferred Stock, 5% Series "A"	202,750.00
Cumulative Preferred Stock, 5½% Series "A"	303,677.19
Common Stock	5,709,119.38
	<u>6,215,546.57</u>
BALANCE—DECEMBER 31, 1961	<u>\$65,229,133.89</u>

HILTON HOTELS CORPORATION AND CONSOLIDATED SUBSIDIARIES

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, 1961 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, 1961, 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
February 28, 1962

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. excludes from its consolidation four foreign divisions and subsidiaries due either to unstable political situations or to currency restrictions or both. These 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 at December 31, 1961 aggregated \$187,393., whereas the Company's equity in the net assets of such divisions and subsidiaries was \$880,218.

Consolidated earned surplus at December 31, 1961 included \$9,282,240., 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 or real estate leasehold 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 \$440,760., 1962; \$904,270., 1963; \$266,341., 1964; \$386,428., 1965; and \$1,625,864., 1966.

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, 1961, \$3,361,438. 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: \$293,229., 1962; \$777,672., 1963; \$138,872., 1964; \$226,561., 1965 and \$994,254., 1966.

The Company's equity in the 50% owned Hilton-Burns Hotels Company, Inc. (hotel in operation) and its equity in the 50% owned Hilton-Uris, Inc. (hotel under construction) in respect of investments and advances aggregating \$6,723,784. and \$1,000,000. respectively, amounted to \$6,681,114. and \$1,000,000.

(3) FIXED ASSETS

A major portion of these assets are pledged to secure mortgages or other long-term debt of the consolidated companies. Furniture, furnishings and equipment owned by the Company in Statler Hilton Hotels under lease from an affiliate, Statler Hotels Delaware Corporation, are pledged as additional security under a mortgage of that company. Fixed assets were carried at cost or were carried over from predecessor companies together with related depreciation

reserves at predecessors' basis, plus additions at cost. 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 1953 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 of a subsidiary 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 annual sinking fund and maturity requirements on total long-term debt for each of the next five years ending December 31, follows: 1962, \$2,372,593.; 1963, \$2,535,919.; 1964, \$4,622,561.; 1965, \$2,519,379.; and 1966, \$2,564,272.

(6) CAPITAL STOCK

5% cumulative first preferred Series "A" shares are subject to redemption, without premium, out of sinking fund payments, made on or before January 1st in each year in an amount sufficient to redeem 2% of the maximum number of shares theretofore issued and outstanding. The Company has complied with this provision.

5½% Series "A" preferred shares are convertible at the option

of the holders into common stock of the Company at a conversion ratio of 1.42 shares of preferred for each share of common (150,404 common shares have been reserved for this purpose), and, at the option of the Company, such Series "A" shares are redeemable at \$26.25 plus accrued dividends to the date fixed for redemption.

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 and its subsidiaries were committed to approximately \$23,000,000. in connection with contracts for the construction of hotels.

A subsidiary entered into a first mortgage construction loan in the amount of \$5,000,000. of which the first \$1,666,667. is guaranteed by the Company. At December 31, 1961 the subsidiary had drawn \$890,000. of the funds available under the loan. The Company is also guarantor to the extent of the first \$1,000,000. under a \$3,000,000. long-term obligation of this subsidiary and has agreed to purchase from time to time, as the subsidiary shall request, but not later than December 31, 1962, a 4% twenty-five year subordinated note of the subsidiary, in the principal amount of \$1,500,000. at a price equal to the principal amount. Other guarantees of loans to subsidiaries or 50% owned companies were: First Mortgage loan of \$2,024,000. on the Hilton Inn, New Orleans and the first \$7,500,000. of a \$15,000,000. First Mortgage loan of Hilton-Burns Hotel Company, Inc.

The subsidiary, Hilton Hotels International, Inc. has subscribed for a 50% interest (\$250,000.) in the share capital of Kahala Hilton Hotel Company, Inc. (hotel to be constructed) and had paid \$50,000. of the subscription price. In addition, International has agreed to purchase \$750,000. of 5% debenture notes of Kahala.

In connection with two hotels under construction in The Netherlands, Hilton Hotels International, Inc. (to be lessee) subscribed to 1,000,000 guilders in the share capital of each company and made 50% payments amounting in the aggregate to \$275,820. The total balance payable under the subscription is \$278,500. 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.

The Company is contingently liable as guarantor respecting two second mortgage notes aggregating \$8,964,929. which were sold in the transaction of 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 \$13,400,000., the original sale price attributable to the land and buildings comprising the hotel.

The Company has purchased \$500,000. of 6½% notes, maturing January 1, 1971, of the 50% owned Hilton-Uris, Inc. (hotel under construction) and is committed to purchase an additional \$2,500,000. 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. Both hotels when completed will be operated by Hilton Hotels Corporation under management agreements.

Hilton Inns, Inc., a subsidiary, has received a First Mortgage loan commitment in an amount up to \$18,000,000. 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 either commitment.

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.

On December 20, 1961, Hilton Hotels Corporation made an offer to the stockholders of the affiliated Statler Hotels Delaware Corporation to purchase their shares for \$6.00 per share subject to certain conditions. As of February 28, 1962 there had been tendered to the designated depositories, 1,339,221 shares costing \$8,035,326.

(8) LONG-TERM LEASES

The Company and its subsidiaries operate or will operate certain properties under leases ranging from one month to thirty-seven years five and one-half months from December 31, 1961 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: 1962, \$5,557,611.; 1963, \$5,544,633.; and, 1964, 1965 and 1966, \$5,548,383. per year.

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 assignment of the Caribe Hilton lease to Caribe Hilton Hotel Corporation of Delaware, International and the Company continued liable for the tenant's obligations under the lease which, among other things, requires payment of a small fixed rental and additional rental based on gross operating profit. International remained 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, Hilton Hotels International, Inc., has negotiated preliminary contracts or agreements for the operation of hotels 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 is 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 with certain specific rental obligations.

(9) LIMITATIONS AND RESTRICTIONS

Indentures of the Company and an affiliate, as amended, contain certain restrictive provisions providing for the Company and its subsidiaries, on a consolidated basis, to maintain working capital of not less than \$5,000,000., and include limitations upon the declaration and payment of cash dividends and the payment for purchase, redemption or retirement of shares of any class of capital stock. In accordance with the indentures, as amended, earned surplus in the amount of \$64,160,304. was restricted at December 31, 1961.

STATEMENT OF FINANCIAL CONDITION



	AT DECEMBER 31				
	1961	1960	1959	1958	1957
CURRENT ASSETS					
Cash	\$ 27,975,218	27,056,626	33,545,411	30,021,144	20,579,639
Receivables (net)	13,052,588	11,337,579	11,086,833	14,037,814	13,823,164
Inventories	3,968,003	4,310,097	4,059,334	3,665,907	3,233,518
Others	5,185,405	12,023,752	19,604,145	4,810,714	4,600,906
TOTAL CURRENT ASSETS	50,181,214	54,728,054	68,295,723	52,535,579	42,237,227
CURRENT LIABILITIES					
Accounts payable	8,861,708	7,979,148	10,071,453	8,875,262	5,978,727
Accrued liabilities	13,105,773	12,732,211	12,982,659	9,275,288	8,587,730
Provision for income taxes	4,942,361	4,224,944	3,445,560	6,390,713	7,130,460
Payment of funded debt and long term liabilities due within one year	2,372,593	4,174,105	8,235,085	7,055,288	5,505,313
Others	577,138	607,514	635,836	1,123,534	1,023,907
TOTAL CURRENT LIABILITIES	29,859,573	29,717,922	35,370,593	32,720,085	28,226,137
WORKING CAPITAL	20,321,641	25,010,132	32,925,130	19,815,494	14,011,090
OTHER ASSETS					
Investments in non-consolidated foreign units	187,393	458,585	2,720,794	2,566,961	498,787
Non current receivables and investments	23,615,691	23,226,041	22,247,630	24,847,740	29,723,149
Fixed assets (net)	148,168,604	144,792,574	138,900,291	124,899,249	119,368,354
Deferred charges	9,335,623	8,735,355	8,925,760	2,794,291	3,378,667
TOTAL	201,628,952	202,222,687	205,719,605	174,923,735	166,980,047
OTHER LIABILITIES, DEFERRED INCOME AND RESERVES					
Funded debt and long term liabilities (less payments due within one year)	86,386,861	87,016,064	89,120,382	64,225,351	57,430,324
Deferred income and credits	4,505,303	12,799,383	13,319,073	15,431,439	17,260,177
Sundry reserves	131,770	105,827	120,606	168,221	58,992
TOTAL	91,023,934	99,921,274	102,560,061	79,825,011	74,749,493
NET ASSETS	110,605,018	102,301,413	103,159,544	95,098,724	92,230,554
NET ASSETS REPRESENTED IN					
First Preferred stock, Series A	350,000	5,290,000	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	5,830,350
Common stock	11,214,315	11,163,165	11,163,137	11,160,708	11,089,303
Scrip	—	463	541	51	76
Surplus reserves	2,500,000	2,500,000	500,000	500,000	500,000
Capital surplus	38,915,057	31,912,878	32,323,655	27,853,327	26,505,820
Earnings retained in the business	65,229,134	57,904,979	58,361,381	52,377,889	46,829,082
Minority interest	46,448	—	—	—	1,399,792
TOTAL	123,594,329	114,836,760	113,703,939	103,217,450	97,444,423
Deduct: Common stock in treasury (at cost)	12,989,311	12,535,347	10,544,395	8,118,726	5,213,869
TOTAL AS ABOVE	\$110,605,018	102,301,413	103,159,544	95,098,724	92,230,554

SUMMARY OF CONSOLIDATED EARNINGS

	YEARS ENDED DECEMBER 31				
	1961	1960	1959	1958	1957
GROSS REVENUE					
Rooms department	\$100,619,492	100,259,521	94,580,703	88,621,222	85,289,337
Food and beverage department	106,360,822	102,737,737	99,709,479	93,141,935	88,759,338
Other operated departments	17,031,153	17,545,670	16,686,079	15,352,986	15,025,795
Other income	5,168,878	4,989,114	4,836,573	4,646,225	4,540,579
Store rentals	3,739,396	3,429,103	3,144,339	2,999,609	2,953,070
Office building rentals	1,032,648	996,898	1,057,325	1,051,240	1,038,372
Interest on investments	1,225,588	1,544,360	1,042,852	976,303	1,011,842
TOTAL GROSS REVENUE	<u>235,177,977</u>	<u>231,502,403</u>	<u>221,057,350</u>	<u>206,789,520</u>	<u>198,618,333</u>
EXPENSES					
Operated departments	130,216,813	126,341,840	119,488,933	112,242,417	101,455,452
Administrative and general	15,586,054	15,292,388	13,805,150	12,835,908	20,258,306
Advertising and business promotion	6,187,729	5,869,238	5,034,618	5,298,317	4,855,240
Heat, light and power	9,421,127	9,074,449	8,403,705	7,852,634	7,055,984
Maintenance and repairs	12,763,180	12,995,776	13,072,322	11,151,513	11,808,153
Lease rentals	19,926,881	18,482,840	18,158,107	16,469,604	15,029,814
Real estate and personal property taxes	9,038,102	8,579,406	8,109,758	7,237,595	6,799,571
Depreciation and amortization	11,035,002	10,740,575	9,130,804	8,658,153	8,162,106
Interest	4,464,890	4,357,289	2,950,349	2,943,521	2,631,748
Other capital charges	3,584,880	3,188,483	2,237,565	2,311,056	2,573,440
TOTAL EXPENSES	<u>222,224,658</u>	<u>214,922,284</u>	<u>200,391,311</u>	<u>187,000,718</u>	<u>180,629,814</u>
PROFIT BEFORE OTHER ADDITIONS OR DEDUCTIONS	<u>12,953,319</u>	<u>16,580,119</u>	<u>20,666,039</u>	<u>19,788,802</u>	<u>17,988,519</u>
OTHER ADDITIONS OR (DEDUCTIONS)					
Contribution to pension trust	(26,665)	(37,370)	(1,005,310)	(1,051,475)	(1,061,866)
Income from non-consolidated foreign units	209,570	219,392	144,606	487,119	380,922
Sundry others, net	144,380	(121,874)	(264,616)	(112,498)	81,317
TOTAL OTHER ADDITIONS OR (DEDUCTIONS)	<u>327,285</u>	<u>60,148</u>	<u>(1,125,320)</u>	<u>(676,854)</u>	<u>(599,627)</u>
NET PROFIT BEFORE INCOME TAXES	<u>13,280,604</u>	<u>16,640,267</u>	<u>19,540,719</u>	<u>19,111,948</u>	<u>17,388,892</u>
Provision for income taxes	6,921,878	9,095,285	9,490,862	9,564,734	8,703,872
NET PROFIT FROM OPERATIONS	<u>6,358,726</u>	<u>7,544,982</u>	<u>10,049,857</u>	<u>9,547,214</u>	<u>8,685,020</u>
SALE OF PROPERTIES					
Gain on sale of properties	9,569,896	2,985,958	2,044,009	1,865,899	1,939,405
Provision for applicable taxes	2,392,474	738,930	511,002	466,475	484,851
NET PROFIT ON SALE OF PROPERTIES	<u>7,177,422</u>	<u>2,247,028</u>	<u>1,533,007</u>	<u>1,399,424</u>	<u>1,454,554</u>
TOTAL NET PROFIT	<u>13,536,148</u>	<u>9,792,010</u>	<u>11,582,864</u>	<u>10,946,638</u>	<u>10,139,574</u>
Deduct minority interest	(3,553)	—	—	101,010	120,410
NET PROFIT	<u>\$ 13,539,701</u>	<u>9,792,010</u>	<u>11,582,864</u>	<u>10,845,628</u>	<u>10,019,164</u>

HILTON INTERNATIONAL HOTELS— A REFLECTION OF AMERICA



About three billion people live in today's world—comprising numerous nationalities, creeds and races struggling to understand each other. Of that three billion, millions are keenly aware of Hilton International. For in a very literal sense, every Hilton Hotel that rises represents America, and is, to many, the only aspect of our way of life available for scrutiny at close hand.

Of the multitudes who watch our every move on the international scene, too vast a number have a distorted viewpoint regarding what America stands for. We accept our challenging role to show America in a favorable light to the people of other nations.

How do we proceed with this task? By teaching managerial skills to men of vision in the lands where Hilton structures dominate the landscape...managerial skills so characteristic of a free enterprise society. By employing local personnel to staff our hotels and utilizing local materials to build them. The word "image" may have been overworked lately, but that is precisely what we are trying our best to project. The image of an America eager to roll up its sleeves, anxious to help its fellowmen.

It's difficult for a country such as ours not to be abstract in the minds of those who speak other languages...and few people anywhere can successfully cope with abstraction. Most people grasp best that which is concrete; that which can be seen and walked around and touched. A Hilton Hotel, thanks to its physical dominance, more than meets these requirements, and thanks to the manner in which its continuing presence strengthens the local economy, fulfills the unexpressed need of lending a helping hand with no strings attached.

Nine additional Hilton International hotels are under construction, scheduled for opening in the next two years. We are dedicated to the concept that they will be nine additional spokesmen for America.

*The New York Hilton,
Rockefeller Center,
New York City*





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