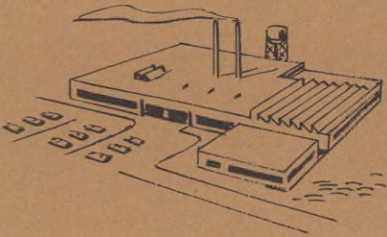
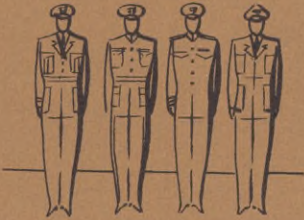


1950

annual report



HILTON HOTELS

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

HENRY CROWN
*Chairman, Material Service Corporation,
Chicago*

ROBERT W. DOWLING
*President, City Investing Company,
New York City*

SPEARL ELLISON
Vice President

Y. FRANK FREEMAN
*Executive Vice President, Paramount Pictures, Inc.,
Hollywood*

CONRAD N. HILTON
President

WILLARD W. KEITH
*President, Cosgrove and Company,
Los Angeles*

JAMES NORRIS
*President, Norris Grain Company
Chicago*

LAWRENCE STERN
*President, American National Bank & Trust
Company of Chicago*

CHARLES DEERE WIMAN
*President, Deere & Company
Chicago*

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

OFFICERS

CONRAD N. HILTON
President

ROBERT P. WILLIFORD
Executive Vice President

JOSEPH P. BINNS
Vice President

HENRY CROWN
Vice President

SPEARL ELLISON
Vice President

JAMES B. HERNDON, JR.
Vice President and Treasurer

LYNN H. MONTJOY
Vice President

WILLIAM J. FRIEDMAN
Secretary

H. E. HOLT
*Assistant Treasurer and
Comptroller*

COMMON STOCK

TRANSFER AGENTS

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

REGISTRARS

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

PREFERRED STOCK

TRANSFER AGENTS

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

REGISTRARS

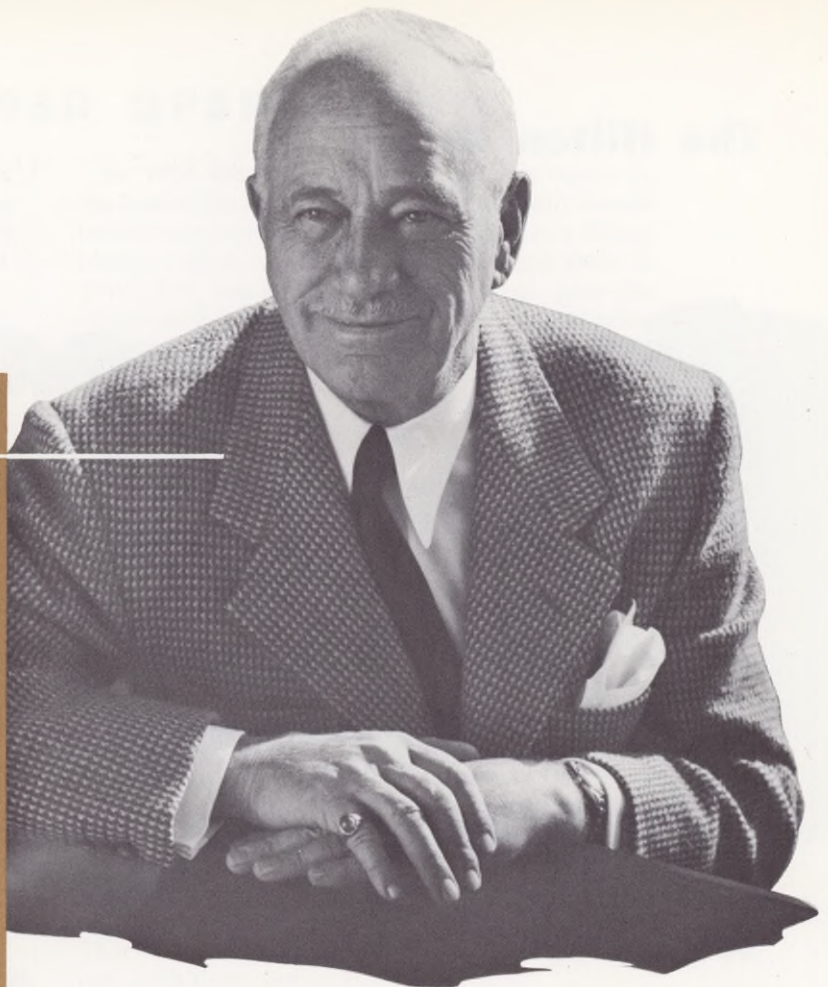
The Marine Midland Trust Company
of New York
American National Bank and Trust Company
of Chicago

5 YEARS AT A GLANCE

YEARS ENDED DECEMBER 31	1950	1949	1948	1947	†1946
GROSS REVENUE	\$45,656,736	\$42,227,028	\$43,171,720	\$42,543,078	\$39,483,266
TOTAL EXPENSES	41,635,084	38,087,263	39,194,831	37,952,427	35,943,344
NET PROFIT					
Excluding Non-recurring items	4,021,652	4,139,765	3,976,889	4,590,651	3,539,922
Including Non-recurring items	4,035,646	3,983,233	3,906,205	5,540,159	3,550,547
EARNINGS PER COMMON SHARE					
Excluding Non-recurring items	2.55	2.63	2.32	2.56	1.89
Including Non-recurring items	2.56	2.52	2.28	3.15	1.90
NET WORKING CAPITAL— December 31	3,819,172	3,748,287	2,542,582	4,682,738	2,367,675
EARNED SURPLUS— December 31	11,316,191	9,159,387	6,952,821	4,934,769	1,461,414
OUTSTANDING STOCK— December 31					
Convertible Preference (Shares)	98,077	116,265	134,463	197,401.35	237,012.54
Common (Shares)	1,498,217	1,480,592	1,583,545	1,618,578	1,618,377

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

to the shareholders
of hilton hotels
corporation:



March 1, 1951

It is a pleasure to report to the 3,451 shareholders of Hilton Hotels Corporation that 1950 was a year of sound progress. Gross revenue, net profits and earnings per share of common stock were moderately higher than in the preceding year. Two factors were primarily responsible for these results. The Hilton Hotels continued to make effective application of modern industrial methods to their operations, and a pricing policy adjusted to current conditions was maintained.

The year's operations, presented in detail in this report, were influenced by rising costs of labor, materials and equipment, and by higher Federal taxes which were applicable in the second half of the year. The indications at this time are that even higher taxes will be imposed during 1951 as the nation's rearmament program progresses.

It is encouraging to note that there was an improvement in the room occupancy rate of our hotels during the second half of 1950. This may indicate that the down trend which has prevailed for the past several years has been reversed. However, there may be a lag in occupancies in some areas before the effects of the rearmament program are felt. As the pace of business and industrial activity quickens and travel grows in volume, it is reason-

able to expect an increase in the demand for hotel accommodations.

High construction costs and governmental restrictions on the use of materials will act as restraining influences on the building of hotel properties. Accordingly, our competitive position should continue to be strong in 1951, since it is unlikely that many new hotels will be built in the immediate future.

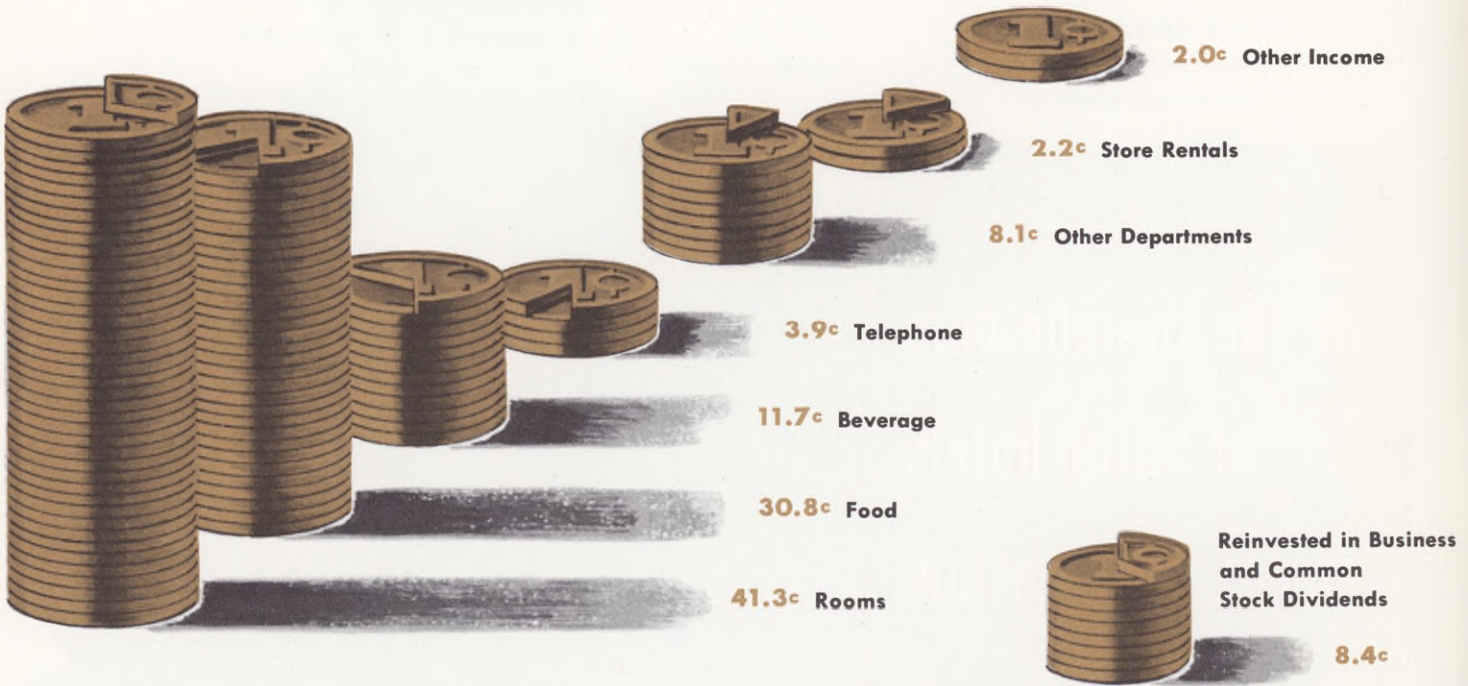
This coming year's results will reflect operations under price controls established by the government in December on foods and beverages. The effect of these controls on our business cannot be predicted until the full texts of the various orders have been released. It is reasonable to assume, however, that we will be permitted some flexibility to meet increases in costs.

The current trend in occupancy rates, and the prospects for a high level of industrial activity are favorable factors and suggest that 1951 operations of Hilton Hotels will produce reasonably good returns.

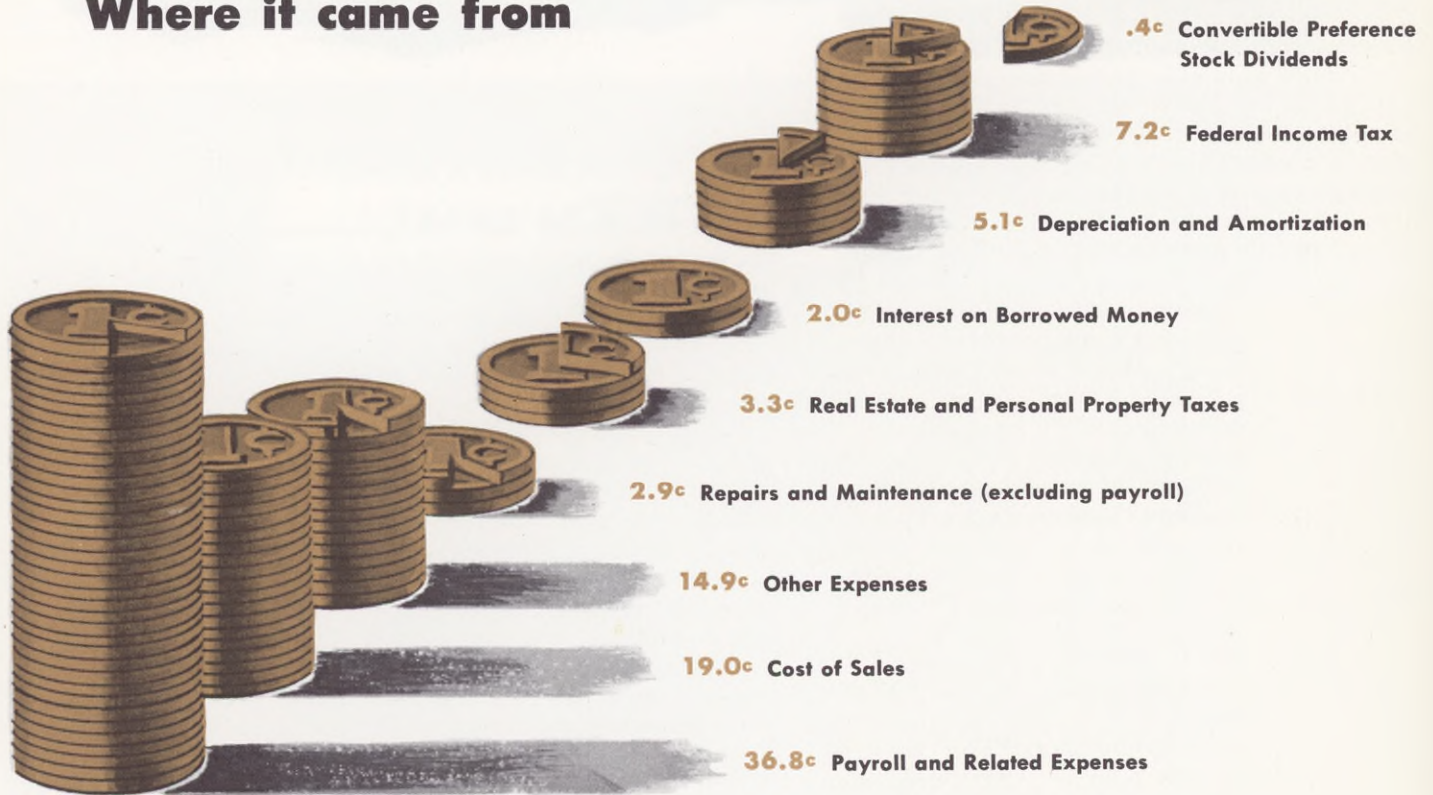
Conrad N. Hilton

CONRAD N. HILTON, *President*
Hilton Hotels Corporation

The Hilton Dollar



Where it came from



Where it went

REPORT ON 1950 OPERATIONS

Detailed results of the operations of Hilton Hotels Corporation and its subsidiaries for 1950 are given on the following pages, accompanied by financial statements as reported on by Harris, Kerr, Forster & Company, independent public accountants.

Gross Revenue and Earnings

Gross revenue amounted to \$45,656,736 in the year ended December 31, 1950, compared with \$42,227,028 in 1949.

The 1950 net profit, after all charges including Federal income tax, was \$4,035,646, as against \$3,983,233 in the preceding year.

After providing for payment of dividends on convertible preference stock, the 1950 net profit was equal to \$2.56 a share on the 1,498,217 common shares outstanding in the hands of the public on December 31, last. This compared with \$2.52 a share on the 1,480,592 shares outstanding on the last day of 1949.

The foregoing figures do not include the interest of Hilton Hotels Corporation in the undistributed earnings of its partially owned subsidiaries, aggregating \$900,405 in 1950. Of this amount, \$581,467 represented a 58.13 per cent interest in the net profits of the Hotel Waldorf-Astoria Corporation. The 69.81 per cent interest in the Mayflower Hotel Corporation accounted for \$400,021, of which \$108,754.40 was paid to Hilton Hotels in dividends and \$291,267 remained undistributed. In 1949 the Hilton Hotels Corporation's equity in the Waldorf-Astoria earnings was \$72,507, and equity in the Mayflower earnings amounted to \$281,681. Of this, \$81,547.80 was paid in dividends and the balance remained in Mayflower Hotel Corporation.

In 1950 Hilton Hotels Corporation's equity in the undistributed earnings of these partially owned subsidiaries was equal to 60 cents a share on Hilton common stock, compared with 18 cents a share in 1949. Net income of the corporation, plus the equity in earnings of unconsolidated subsidiaries, represented \$3.16 a common share in 1950, and \$2.70 in 1949.

Dividends

The regular quarterly dividend of 25 cents a share on the common stock was paid March 1, 1950. On May 5, the annual dividend rate was increased from \$1.00 to \$1.20 a share, and the new quarterly amount of 30 cents a share was paid on June 1, September 1 and December 1. Total payments for the year were \$1.15 a share.

The increase in dividend payments reflected the opinion of the Board of Directors that larger disbursements to shareholders were warranted in view of the corporation's sustained earnings.

Regular quarterly dividends of 50 cents a share were paid on all convertible preference stock not under option to the corporation.

Total dividend distribution of \$1,808,461 represented 45 per cent of the net profit for the year. This compared to \$1,614,762 or 41 per cent of the net profit disbursed in 1949.

Funded and Long Term Indebtedness

There was an increase in funded and long term indebtedness during the year of \$4,324,178 as shown on the accompanying schedule. The major changes were the borrowing of an additional \$2,500,000 on the Stevens Mortgage and the new obligations entered into as an installment purchase contract in the acquisition of property in Beverly Hills.

DEBT SECURED BY PROPERTY

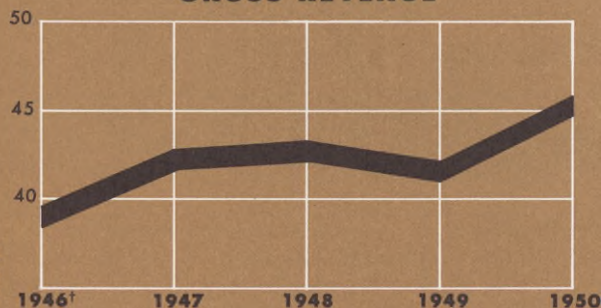
Property Mortgaged	Amount		Interest Rate
	December 31, 1950	December 31, 1949	
Palmer House	\$15,040,000.00	\$15,360,000.00	3½%
Plaza	5,453,697.47	5,830,518.99	4
Stevens	4,500,000.00	2,000,000.00	4
Town House	350,000.00	350,000.00	4½
El Paso Hilton	91,500.00	106,500.00	4

DEBT SECURED BY CREDIT OF CORPORATION

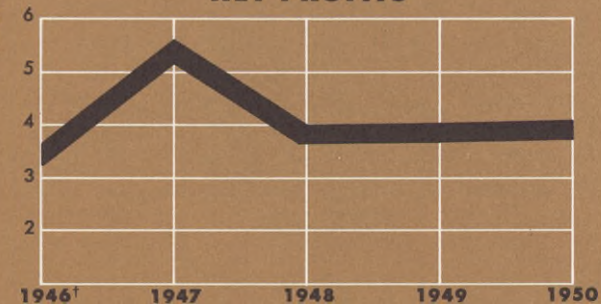
Beverly Hills Purchase Contract and Note	2,550,000.00	—0—	1‡
Various Notes of Predecessor Corporations	97,011.41	111,011.41	4
Totals	<u>\$28,082,208.88</u>	<u>\$23,758,030.40</u>	

‡This contract and note call for interest at 1 per cent a year until November 22, 1952, 2 per cent a year November 23, 1952 to November 22, 1954, and 4 per cent thereafter.

GROSS REVENUE



NET PROFITS



Interest charges in 1950 amounted to \$905,306 and principal payments of \$725,821 were made on mortgages and notes.

The increase in the mortgage on the Stevens was arranged in December 1950 by drawing \$2,500,000 additional under the standby agreement with the Equitable Life Assurance Society of the United States. The proceeds together with approximately \$300,000 from current funds were used to pay for the stock of the Jefferson Hotel Company and to make the initial payment on the Beverly Hills property.

The loan commitment from Equitable, amounting to \$7,000,000, was obtained in 1949. The company has utilized \$4,500,000 to date for corporate purposes, and the remaining \$2,500,000 is available.

Capital Structure

At the end of 1950 Hilton Hotels Corporation had outstanding 98,077 shares of 4% convertible preference stock of \$50 par value and 1,498,217 common shares.

You have been advised heretofore of the offers made by the corporation to purchase convertible preference stock at \$40 a share on terms which have resulted in the substantial reduction of the amount of this stock outstanding during the past two years.

NUMBER OF SHAREHOLDERS



1946† \$1,148,740

1947 2,285,776

1948 3,313,487

1949 2,258,519

1950 2,028,242

EXPENDITURES FOR IMPROVEMENTS

(Includes additions to buildings, leasehold improvements, rehabilitation and revisions and furniture and fixtures)

During 1950, 18,188 shares were purchased at that price and at the end of the year 54,564 shares remained under option to the corporation.

On January 31, 1951 the corporation exercised its option to purchase 18,188 shares, thus reducing the amount of outstanding convertible preference stock at the date of this report to 79,889 shares of which 36,376 are under option.

Your corporation held an option to purchase at their cost of \$12.00 a share, without interest (currently quoted at \$17.00 a share), 41,666 shares of the Hotel Waldorf-Astoria Corporation common

stock owned by Mr. Conrad N. Hilton and Mr. Henry Crown, who had acquired the stock on October 13, 1949. This option was exercised January 23, 1950. In addition, 16,825 shares of Waldorf-Astoria stock were received as the result of an offer made to the other members of the original syndicate to exchange Hilton Hotels Corporation common stock for Waldorf-Astoria stock on a share-for-share basis. These transactions brought our holdings of Hotel Waldorf-Astoria Corporation stock to 212,788 shares, constituting 58.13 per cent of the outstanding stock.

A comparison of the outstanding capitalization at December 31, 1950 and December 31, 1949 is shown in the following table:

	December 31, 1950	December 31, 1949
Long Term Indebtedness . . .	\$28,082,208.88	\$23,758,030.40
4% Convertible Preference Stock (\$50 par)	4,903,850.00	5,813,250.00
Common Stock (\$5 par)	7,978,100.00	7,974,100.00
Capital & Earned Surplus and Surplus Reserve	20,317,280.76	17,971,583.51
	\$33,199,230.76	\$31,758,933.51
Deduct Cost of Treasury Common Stock	939,884.32	1,109,118.94
	\$32,259,346.44	\$30,649,814.57
4% CONVERTIBLE PREFERENCE STOCK—		
Shares Outstanding	98,077	116,265
COMMON STOCK—		
Shares Outstanding	1,498,217	1,480,592
Book Value Per Share of Common Stock After De- ducting Par Value of 4% Convertible Preference Stock	\$ 18.26	\$ 16.77

Net working capital on December 31, 1950 amounted to \$3,819,172, an increase of \$70,885 during the year. Current assets totaled \$10,278,730, of which \$6,540,045 was in cash or equivalent, compared with current assets of \$9,091,470 at the end of 1949. Current liabilities at the close of 1950 were \$6,459,559, as against \$5,343,183 on December 31, 1949. The ratio of total current assets to current liabilities on December 31, 1950 was 1.59 to 1, compared to 1.70 to 1 at the close of 1949.

Book value per share of Hilton Hotels Corporation common stock on December 31, 1950 amounted to \$18.26. This compared with \$16.77 a share on the same date of 1949, and \$5.90 a share when the company was organized on June 1, 1946.

Income Tax Claim

The Commissioner of Internal Revenue has asserted claims for income and excess profits taxes against Hilton Hotels Corporation in the amount of \$2,240,895.67. The claims are based on the tax returns filed by the Stevens Hotel Corporation for

the year 1945 and the first five months of 1946 and on the returns filed by Hilton Hotels Corporation for the last seven months of 1946 and the years 1947 and 1948. The main point at issue is the disallowance of a large loss carryover from the year 1943 to 1945. Protests to the Agents' reports have been filed and the bureau's claim will be resisted to the fullest extent.

Operating Profit

The year's operations of the corporation and its wholly owned subsidiaries resulted in increased revenues, higher operating profit and a rise in the rate of operating profit.

Combined departmental revenues derived from actual operation of the hotels, without reference to commercial rentals, and before the deduction of

TAXES AND INCOME

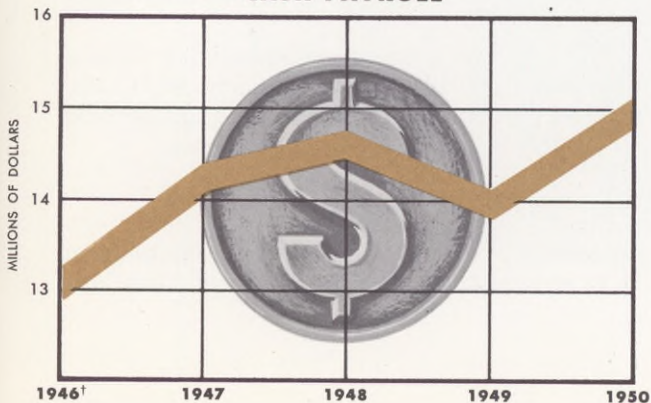
(Taxes include payroll taxes, franchise taxes, real estate and personal property taxes and income taxes)



such items as rent, taxes and insurance, amounted to \$44,521,226 in 1950, compared with \$41,162,079 in 1949. Operating profit increased to \$11,814,297 from the preceding year's \$10,604,706, and the rate of operating profit rose from 25.8 per cent to 26.5 per cent.

At the time Hilton Hotels Corporation was organized in 1946, it was apparent to your management that the hotel business had lagged behind other industries in utilizing all available means of stepping up operating efficiency. Accordingly, studies were made of many problems involving the use of manpower and the application of budgetary control to the financial aspects of hotel operation. Time and method studies were carried on, jobs were analyzed and job standards determined. These procedures have yielded good returns in terms of employee productivity. Safety programs were instituted in each hotel, and have proved to be highly effective in reducing insurance costs. In many ways we have pioneered in the application of industrial methods to the hotel industry.

CASH PAYROLL



Re-examination of the use being made of available public space in our hotels has resulted in more profitable utilization in a number of instances.

As prices of food, liquor and supplies have increased, and as labor costs mounted, our hotels have adjusted their prices in the restaurants, bars and rooms as necessary to maintain fair profit levels.

Rooms Department

The generally favorable results achieved by the company in 1950 were reflected in operations of the rooms department. The department's net sales totaled \$18,857,836, of which \$13,525,301, or 71.72 per cent, was operating profit compared to sales in 1949 of \$17,565,405, and an operating profit of \$12,352,296, or 70.32 per cent. Comparison with other years is shown in the accompanying graph.

These improved results were obtained despite the fact that the room occupancy ratio for the year receded to 78.6 per cent from 79.8 per cent in 1949. During the first half of 1950 the trend of occupancy was gradually lower, as had been the case for the past several years, but an improvement took place in the final six months.

Based on the experience of the last half of 1950, there seems to be reason to believe that the occupancy ratio reached its low point during the year, and that the basic trend is now upward. Strengthening this belief is the fact that increased travel and expanded demand for hotel accommodations usually accompany rising industrial activity.

ROOMS DEPARTMENT

Year	Net Sales	Operating Profit	Percentage to Sales
1950	\$18,857,836	\$13,525,301	71.72%
1949	17,565,405	12,352,296	70.32
1948	17,677,417	12,279,041	69.46
1947	16,735,223	11,774,918	70.36

Food and Beverage Department

Sales of food and beverage in our hotels, and the profits from such operations, reached new high levels in 1950. The sales volume amounted to \$19,400,593, compared with \$18,152,315 in the preceding year. Operating profit of \$5,013,561 was 25.84 per cent of sales, well ahead of the \$4,361,842 in 1949, which was 24.03 per cent of sales.

COMBINED FOOD AND BEVERAGE

Year	Net Sales	Operating Profit	Percentage to Sales
1950	\$19,400,593	\$ 5,013,561	25.84%
1949	18,152,315	4,361,842	24.03
1948	19,044,705	4,697,644	24.67
1947	19,507,348	4,738,404	24.29

Minor Operating Departments

Operating profits for minor departments amounted to \$1,307,975 in 1950, compared with \$932,856 the preceding year. Other income, comprising commissions, concessions, purchase discounts, waste sales and similar items, increased from \$717,148 in 1949 to \$753,598 in 1950.

Maintenance and Improvement of Properties

It has been the policy since Hilton Hotels Corporation was organized to maintain each hotel in first class condition and to make use of the most modern equipment and highest quality furnishings obtainable. Outlays of nearly \$22,600,000 for these purposes during the past five years have served to maintain our public rooms, night clubs and restaurants in a strong competitive position, and have contributed to the prestige of Hilton Hotels among the nation's discriminating travelers.

At a time when the industry again faces shortages and restrictions on the use of some materials and equipment, our hotels are in a good position to meet such problems as may arise.

The cost of repairs and maintenance for the year 1950 was \$2,282,600. Capital additions, consisting of expenditures for new furniture, equipment and modernization of properties, amounted to \$2,028,242. Comparison with previous years is shown in the accompanying charts.

Hotel Waldorf-Astoria

Gross income and net profit of the Hotel Waldorf-Astoria Corporation for 1950 were the highest since the opening of the hotel. Gross sales and other operating income in 1950 amounted to \$19,857,731, as compared with \$18,484,333 in 1949. The net profit after income and excess profits taxes for this year was \$1,009,349, as against \$696,001 last year, or an increase of 45.02 per cent. As was the case in our wholly owned properties, increased costs and taxes were overcome by adjustments in selling prices and by careful attention to the control of expenses.

Capital expenditures for major improvements totaled \$514,223 during 1950 and included extensive work on and additions to the air conditioning equipment.

The principal amount of outstanding Debentures was reduced during the year from \$5,702,000 to \$4,115,500 by the operation of the sinking fund and additional purchases for the treasury.

Mayflower Hotel

Operations of the Mayflower Hotel in Washington, D. C. showed satisfactory improvement. Gross rev-

enue increased from \$5,738,391 last year to \$6,001,186 in 1950, while net profit after providing for income and excess profits taxes was \$573,447 this year, as compared to \$404,564 in 1949.

The Federal income tax deficiency asserted by the Bureau of Internal Revenue for the years 1943 to 1945 has been disposed of and an agreement signed under which a refund of approximately \$130,000, including interest, will be made to the corporation for the years in question, after giving effect to all deficiencies. Claims for refunds for the years 1946 through 1948 have also been agreed to, whereby the corporation will receive an additional sum of approximately \$19,000.

The suit filed in the Federal District Court of Washington, D. C. against your corporation and certain of its officers, directors and others by minority stockholders of the Mayflower, seeking to set aside the stock purchase and the management contract, was tried. Judge Goldsborough decided in favor of your corporation and its officers on all the issues. An appeal has been taken and the matter is now pending in the Circuit Court of Appeals for

the District of Columbia. It is anticipated that the appeal will be argued in the very near future.

Jefferson Hotel Acquired

Hilton Hotels Corporation acquired the 750 room Jefferson Hotel, one of the leading transient hotels in St. Louis, when arrangements were concluded on October 31, 1950 to purchase approximately 80 per cent of the outstanding capital stock of Jefferson Hotel Company. Your corporation offered to buy all the remaining stock at the same price paid to the majority interests. At December 31, 1950, 86.85 per cent of the stock had been acquired by purchase and options on an additional 11.47 per cent of the stock had been taken. At the date of this report, your corporation, therefore, had purchased or had agreed to purchase 98.32 per cent of all Jefferson Hotel Company stock outstanding.

The Jefferson Hotel, in addition to its 750 air-conditioned guest rooms, has the largest hotel facilities in St. Louis for banquets and conventions. With the benefits of Hilton management, including

New Hotel Jefferson • Saint Louis, Missouri



group purchasing, inter-city reservation system, and other features, it is expected that the Jefferson's well established record of earnings will be improved.

Beverly Hills Property Purchased

Negotiations were carried on over a considerable period of time looking toward the leasing of a modern, luxury-type hotel to be constructed by other interests in Beverly Hills, California. The transaction failed of consummation, but because of the outstanding potentialities of the property it was recommended to the board of directors that it be purchased for future development.

A contract to purchase all the capital stock of the corporation owning the property has been entered into, at a price of \$3,070,000. Of this amount, \$520,000 was paid when the transaction was closed, with the balance due over a period of twenty years. Minimum payments are at the rate of \$100,000 a year, commencing six years after the date of closing, with interest on the unpaid balance ranging from one per cent to four per cent per annum.

The property consists of approximately nine acres, situated at the intersection of Wilshire and Santa Monica Boulevards, in Beverly Hills. It is considered the outstanding piece of undeveloped property in that area, ideally situated for the construction of a luxury hotel at some time in the future.

International Expansion

Operations of the wholly owned subsidiary, Hilton Hotels International, Incorporated, were broadened during the year. The executives of Hilton Hotels International traveled extensively through Europe and made thorough studies of the possibilities of developing new outstanding hotels in major cities. Mr. Conrad N. Hilton, President of Hilton Hotels Corporation, reviewed their findings in a short European trip.

The first major project of Hilton Hotels International since it was formed in April 1948, was the opening in December 1949 of the Caribe

Hilton, a 300 room hotel in San Juan, Puerto Rico. This hotel, built and owned by the Puerto Rico Industrial Development Company, a government corporation, is leased for twenty years to our International subsidiary. Its operation in 1950 resulted in revenue totaling \$2,294,342 and net profits to Hilton Hotels International of \$128,877.

The success of the Caribe Hilton encouraged your management to develop similar projects abroad. A plan for our participation was developed generally following the financial arrangement in Puerto Rico under which land, building, furnishings and equipment would be owned by a particular country or its nationals, with Hilton Hotels International taking a lease on the completed hotel, assisting in the planning, furnishing and equipping of the buildings, but with its chief role that of operating and promoting the hotels. Our financial participation is to be limited to the providing of operating capital.

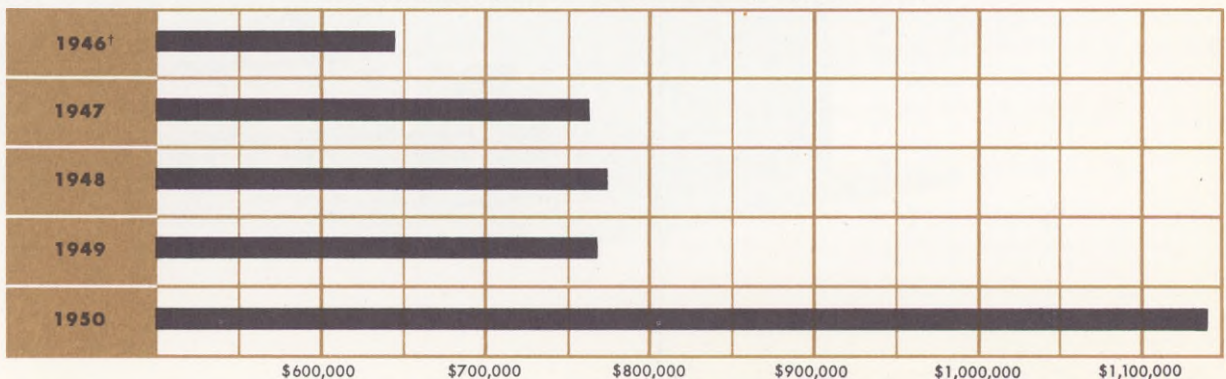
In August 1950, a contract was signed to lease and operate for twenty years a 400 room hotel to be built on a 17 acre park in Mexico City at a cost of approximately \$6,000,000. It will be owned by Manuel Suarez of Mexico City. In November 1950, a contract was signed to lease and operate for twenty years a hotel to be built in Rome, Italy. The 400 room hotel, to be named Albergo Dei Cavalieri Hilton, is to be built on Monte Mario overlooking the city of Rome at an estimated cost of \$6,000,000. It will be owned by Societa' Generale Immobiliare, an Italian company. In December, another contract was signed to lease and operate for twenty years, a 300 room hotel to be built in Istanbul, Turkey. The hotel, which is estimated to cost approximately \$5,000,000, will be owned by the Government of Turkey. Our financial participation in these agreements follows the basic plan and is limited to operating capital.

Expansion Policy

Few hotels have been built in the United States in the past twenty years, although the nation's population has increased by more than 30,000,000 in

PAID OUT IN EMPLOYEE BENEFITS

(Including payroll of personnel offices but excluding employees' meals)



FOOD
\$5,000,744

MAJOR PURCHASES IN 1950 BY CLASSIFICATION

OPERATING EQUIPMENT
(linen, china, glass, silverware and uniforms)
\$747,241



FURNITURE AND FIXTURES
\$998,052



MUSIC AND ENTERTAINMENT
(orchestras, talent, etc.)
\$1,244,167



BEVERAGES
\$1,454,944



\$9,445,148

that time. In spite of this, few new hotels are needed in the United States and these only in rapidly growing sections. The corporation will continue to maintain in the future the conservative attitude that it has been following with respect to propositions submitted for the construction or operation of new hotels. At the present time new hotel construction is prohibited by the government because of the need for conserving materials for defense purposes.

Frequent investigations are made of existing hotel properties offered by their owners for sale to Hilton Hotels, but these investigations rarely result in acquisitions. It is our policy to purchase properties only when opportunities for profitable operation can be clearly demonstrated.

Personnel

The Board of Directors was increased to ten members during the year by the addition of Charles Deere Wiman and James Norris, both of Chicago. Mr. Wiman is president of Deere & Company, and is a director of a number of other large companies including the Continental Illinois National Bank

and Trust Company of Chicago and the Chicago, Rock Island and Pacific Railroad. Mr. Norris is president of the Norris Grain Company, director of the First National Bank of Chicago, director of the Chicago, Rock Island and Pacific Railroad and has numerous other business interests.

The annual Managers' meeting was held during December in New York, attended by departmental heads and executives of all the Hilton Hotels. These meetings, by providing opportunities for discussion of operating methods and controls, and the exchange of information between operating personnel, have proven to be of great value in increasing the efficiency of our management.

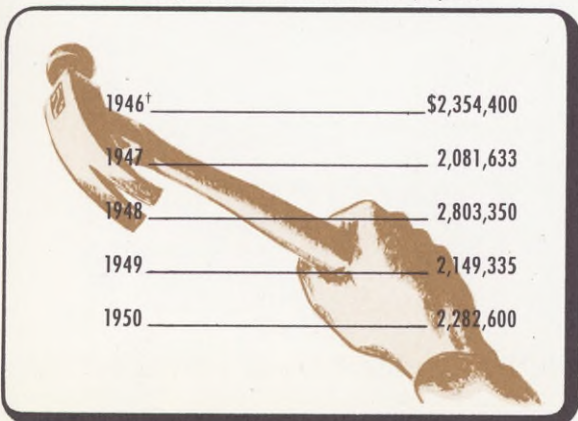
Relations between the hotels and their personnel continue to be harmonious. There were 6,708 employees as of December 31, 1950. This total did not include employees of the Waldorf-Astoria, Mayflower, Roosevelt, Caribe Hilton or Jefferson, numbering 5,589.

Advertising and Business Promotion

Our national advertising campaign has been continued, advertisements appearing regularly in Time, Newsweek, United News and World Report, Business Week and the leading hotel publications with the purpose of acquainting the public with the names and locations of each of the hotels operated by your corporation.

REPAIRS AND MAINTENANCE

(Including repairs and maintenance payroll)



†All figures shown for the year 1946 on graphs cover the full calendar year and include seven months figures of the corporation and five months figures of the consolidating companies and their predecessors.



President Truman addresses members of the Reserve Officers Association at a meeting held at The Mayflower.



4-H Club youths attend a lecture conducted in the Exhibit Hall of The Stevens.

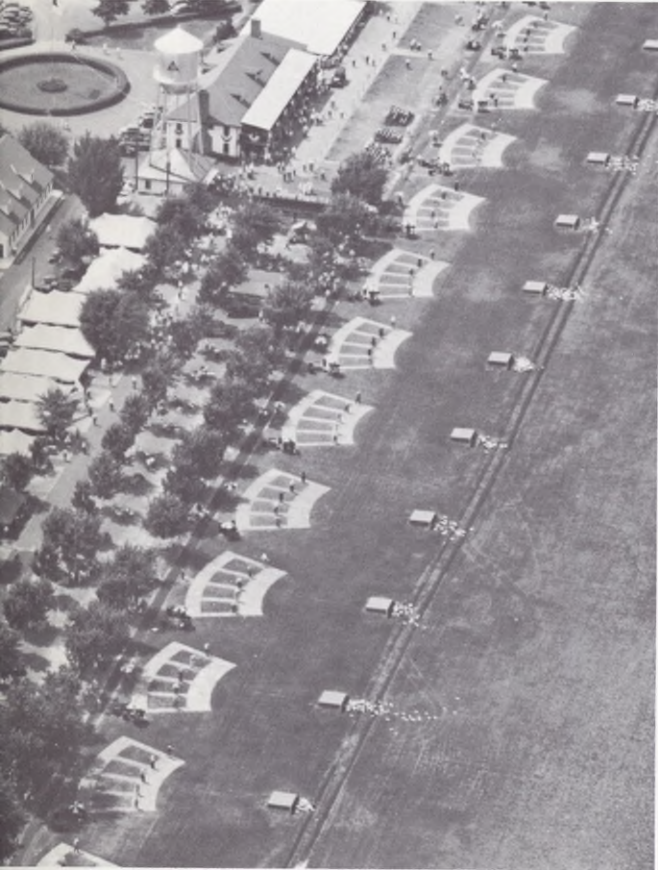


Business and Social Functions

Modern hotels are more than just a stopping place for the traveling public. Today they are firmly woven into the social and business patterns of community life. In the cordial atmosphere of our hotels friends gather to see the latest fashions in superb style shows; clubs of all kinds hold their meetings; and associations convene to disseminate the current trends in their fields. Hilton Hotels are proud of their ability to play host at events that cover every important phase of our social and economic life.



Followers of the Grand American Handicap Tournament are impressed with both trapshoot feats and the comforts of the Dayton Biltmore, headquarters for the event.



Guests gaze admiringly at suit modeled in style show held in Garden Room of The Town House.



The lobby of the Albuquerque Hilton is always crowded when the New Mexico Cattle Growers Association holds their annual convention there.



Members of the American Financial Association register at convention headquarters in The Palmer House.



Internationally famous personalities attended the Conference of Christians and Jews which honored Conrad N. Hilton with an award.





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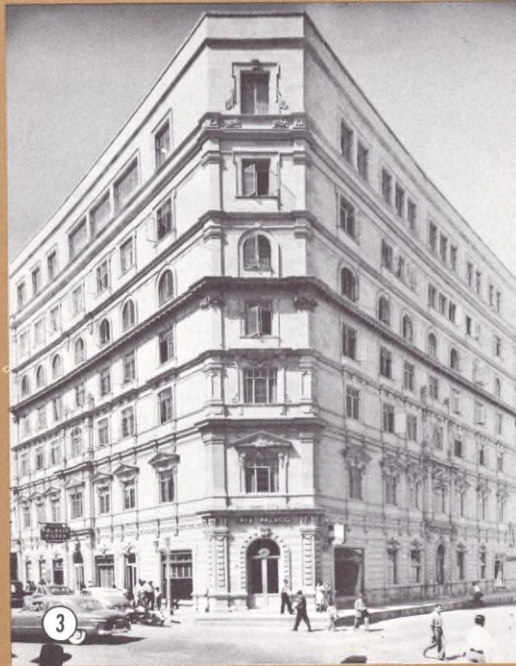


2

Hilton Hotels



1. *The Stevens, Chicago, Illinois*
2. *The Roosevelt, New York City, New York*
3. *The Palacio Hilton, Chihuahua, Mexico*
4. *The Palmer House, Chicago, Illinois*
5. *Hilton Hotel, Albuquerque, New Mexico*
6. *Hilton Hotel, El Paso, Texas*
7. *The Plaza, New York City, New York*
8. *Hilton Hotel, Lubbock, Texas*
9. *The Mayflower, Washington, D. C.*
10. *The Dayton Biltmore, Dayton, Ohio*



3



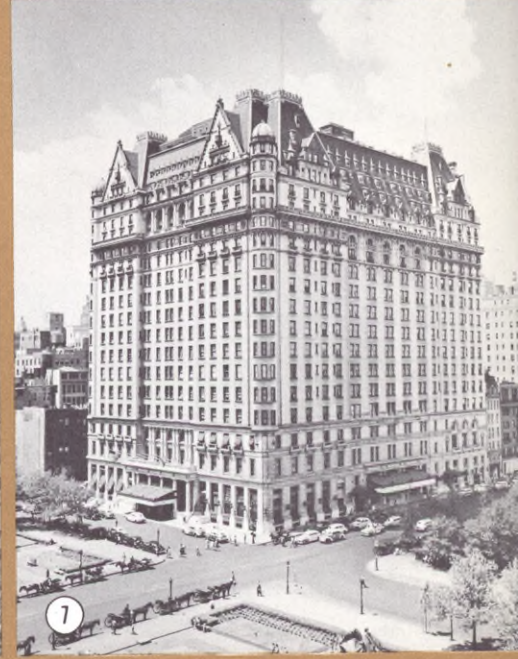
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8

SERVE COMMUNITIES ACROSS THE NATION

Hilton Hotels are conveniently located hotels in their native cities. But convenience is a great deal more than a matter of geography alone. It is expressed, as well, in rooms, personal services, restaurants, shops, and a host of other important features on the premises. And it is well to note that these conveniences are not just happenstance, but the product of thoughtful anticipation and careful provision drafted to meeting the multiple functions in the life of the community and nation they serve.



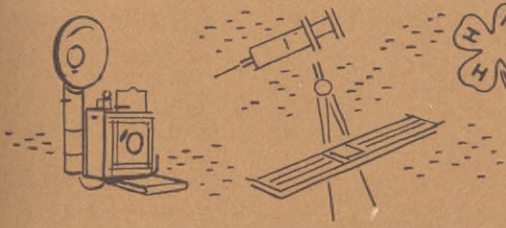
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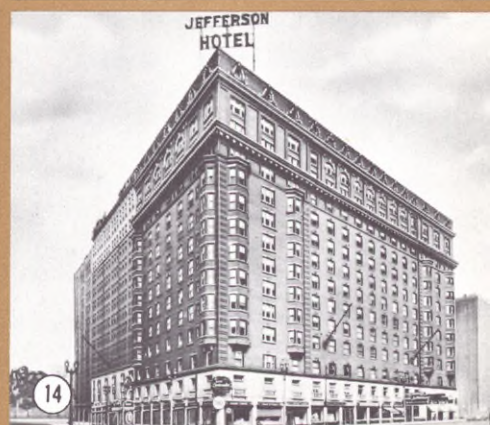
- 11. *The Waldorf-Astoria, New York City, New York*
- 12. *The Town House, Los Angeles, California*
- 13. *The Caribe Hilton, San Juan, Puerto Rico*
- 14. *The New Jefferson Hotel, St. Louis, Missouri*



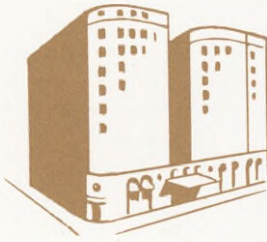
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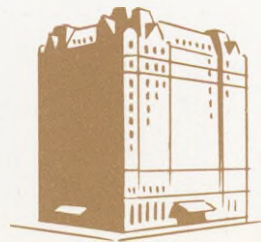


The Mayflower's Lounge is a smart and fascinating rendezvous, with music at luncheon, dancing at cocktail time and through the evening, and gaiety always.



New Facilities

A corporation that operates fourteen busy hotels in nine states and two foreign countries certainly faces a constant problem of replacement and re-decorating. On these two pages are illustrated five of the improvements instituted in 1950. There were many more, some major and some minor, but all directed toward protecting our original investment by keeping pace with public demands for superior service and attractive surroundings.



The inimitable Persian Room of The Plaza, offers exceptional culinary excellence and outstanding entertainment to patrons of this world famous room.



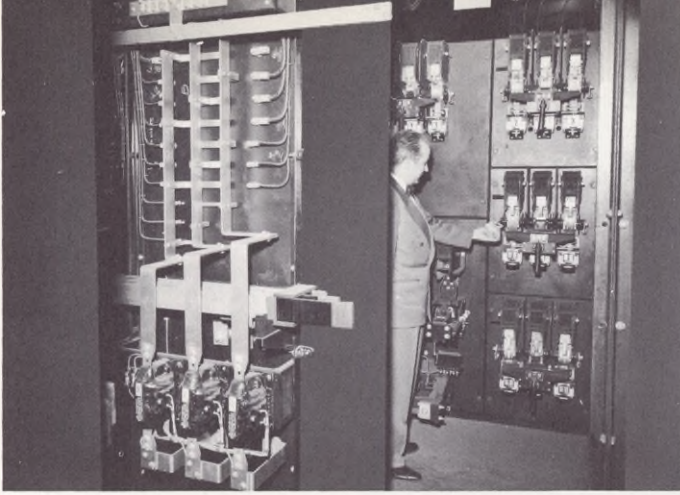
This modern and charming lobby at The Town House is a quiet invitation to enjoy the many facilities as provided by this fine and comfortable hotel.



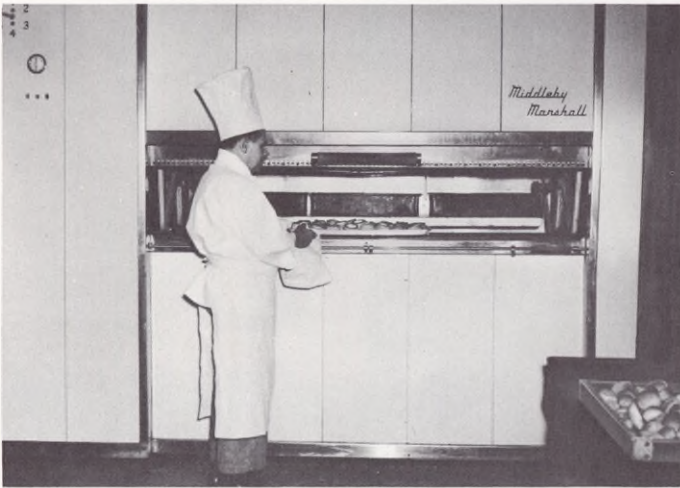
Satisfying snacks and the best drinks obtainable may be had in the restful and relaxing atmosphere of The Stevens' Lakeside Green.



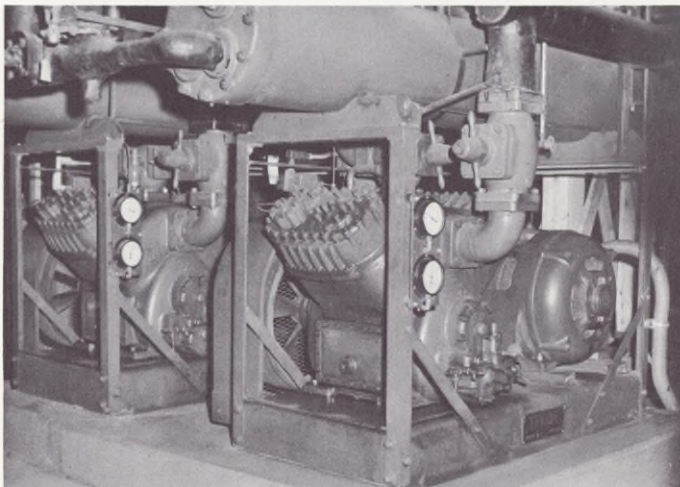
The Waldorf-Astoria's attractively decorated Coffee House combines delicious food with deft service for guests desiring an informal place to dine.



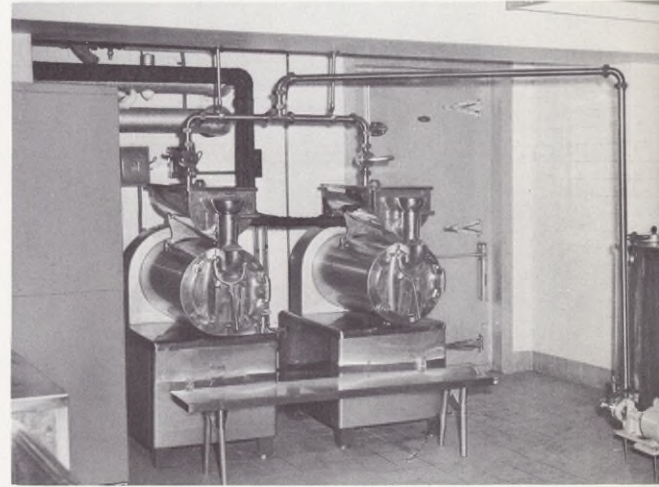
This is one of six large panel boards, and numerous smaller ones, for the AC-DC changeover at The Palmer House. Since all electrical appliances are geared for AC, and there is a better rate for total consumption, this modernization has proved both practical and profitable.



The installation of this rotating oven at The Plaza has greatly improved the pastry, reduced costs, saved space, and has made working conditions more agreeable by eliminating excessive heat.



Exhibitors at The Stevens now show their products in comfortable temperatures due to the recent air-conditioning of the huge Exhibit Hall. Compressors pictured are just one unit of the new system.

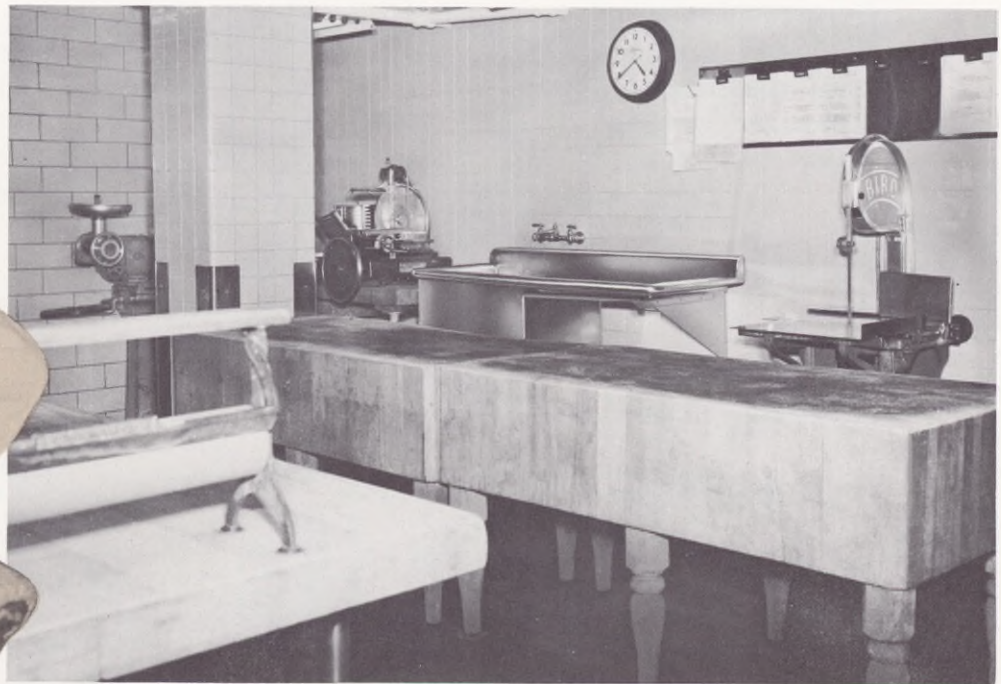


Savory ice cream is the product turned out in this shop at The Waldorf-Astoria. And the consensus of opinion is that there is none more delicious or delightful to the public.



Behind the Scenes

It is a well-known fact that there are many operations in a hotel that are never seen, or thought about, by the casual observer. These behind the scene departments, however, are extremely essential. Equipment must be kept in good working order; food must be prepared; heat, light and other similar services furnished; and then there is management. A progressive management such as ours is on a never-ending search to increase our operating efficiency, as well as to make our services meet the needs of our guests.



Stainless steel equipment has been installed in The Mayflower butcher shop in the interest of efficiency and cleanliness. Machines you will recognize are the grinder, slicer and meat saw.

The importance of thoroughly checking meat before acceptance was just one panel of discussion held at the annual Managers' Meeting. In the instance portrayed the purchasing steward is inspecting the trim on a cut of beef.



Consolidated

ASSETS		Dec. 31, 1950	Dec. 31, 1949
CURRENT AND WORKING ASSETS			
Cash		\$ 5,540,044.61	\$ 5,345,291.24
Accounts and Notes Receivable		\$ 2,007,046.59	\$ 1,527,715.72
Less: Reserve for Doubtful Accounts		106,461.38	94,246.64
		<u>\$ 1,900,585.21</u>	<u>\$ 1,433,469.08</u>
Inventories of Merchandise and Supplies—(At Cost)		\$ 1,258,481.42	\$ 881,709.09
Other Current Assets			
Cash in Banks for Payment of Income Taxes		\$ 1,000,000.00	\$ 1,000,000.00
Other		579,619.24	431,000.32
		<u>\$ 1,579,619.24</u>	<u>\$ 1,431,000.32</u>
<i>Total Current Assets</i>		<u>\$10,278,730.48</u>	<u>\$ 9,091,469.73</u>
DUE FROM AFFILIATED COMPANIES		\$ 87,392.66	\$ 29,910.56
INVESTMENTS—(At Cost)			
Mayflower Hotel Corporation		\$ 3,535,038.47	\$ 3,531,936.77
Hotel Waldorf-Astoria Corporation		2,531,703.55	1,850,864.00
Jefferson Hotel Company		2,313,483.37	—
Other		662,832.00	688,332.00
<i>Total Investments</i>		<u>\$ 9,043,057.39</u>	<u>\$ 6,071,132.77</u>
FIXED ASSETS—(Note 2)			
Land		\$14,601,937.62	\$11,588,355.76
Buildings		43,281,306.11	43,210,999.07
Furniture and Equipment		10,479,106.35	9,569,868.14
Leaseholds and Improvements		1,091,712.79	825,165.93
		<u>\$69,454,062.87</u>	<u>\$65,194,388.90</u>
Less: Reserve for Depreciation and Amortization		27,116,583.03	25,256,488.64
		<u>\$42,337,479.84</u>	<u>\$39,937,900.26</u>
Revisions, Alterations and Rehabilitation		2,160,352.93	1,827,038.16
Operating Equipment		1,301,575.48	1,598,980.55
<i>Total</i>		<u>\$45,799,408.25</u>	<u>\$43,363,918.97</u>
OTHER ASSETS AND DEFERRED CHARGES			
Guarantee Deposits on Leases		\$ 319,599.33	\$ 301,241.90
Pre-Opening Expenses		111,958.71	163,225.71
Organization Expenses		217,841.44	217,841.44
Other Assets and Deferred Charges		316,665.22	205,422.85
<i>Total</i>		<u>\$ 966,064.70</u>	<u>\$ 887,731.90</u>
TOTAL ASSETS		<u>\$66,174,653.48</u>	<u>\$59,444,163.93</u>

Balance Sheet

LIABILITIES

	Dec. 31, 1950	Dec. 31, 1949
CURRENT LIABILITIES		
Bank Loans Payable	\$ 127,225.00	\$ —
Accounts Payable	1,531,791.50	1,486,861.18
Accrued Expenses and Charges	2,481,001.04	2,302,751.55
Funded and Long-Term Indebtedness—Due Within One Year	841,252.71	449,778.39
Other	117,977.93	126,064.01
<i>Total</i>	<u>\$ 5,099,248.18</u>	<u>\$ 4,365,455.13</u>
Federal Taxes on Income—(Note 3)	\$ 3,280,310.74	\$ 2,527,727.90
Less: U. S. Treasury Tax Notes—(At Cost)	1,920,000.00	1,550,000.00
	<u>\$ 1,360,310.74</u>	<u>\$ 977,727.90</u>
<i>Total Current Liabilities</i>	<u>\$ 6,459,558.92</u>	<u>\$ 5,343,183.03</u>
FUNDED AND LONG-TERM INDEBTEDNESS		
First Mortgage Bonds and Notes—(Note 4)	\$25,343,697.47	\$23,540,518.99
Notes Payable	288,511.41	203,511.41
Installment Purchase Agreements Payable—(Note 5)	2,450,000.00	—
Installment Contract Payable	—	14,000.00
	<u>\$28,082,208.88</u>	<u>\$23,758,030.40</u>
Less: Amounts Due Within One Year—(Above)	841,252.71	449,778.39
<i>Total</i>	<u>\$27,240,956.17</u>	<u>\$23,308,252.01</u>
CONTINGENT INCOME		
Casino	\$ 44,545.00	\$ —
Less: Contingent Accounts Receivable—Casino	44,545.00	—
	<u>\$ —</u>	<u>\$ —</u>
RESERVES		
Dividends Payable on Convertible Preference Stock Under Option—(Note 6)	\$ 206,289.00	\$ 129,548.00
Other	8,502.95	13,366.32
<i>Total</i>	<u>\$ 214,791.95</u>	<u>\$ 142,914.32</u>
CAPITAL STOCK AND SURPLUS		
	<i>Shares</i>	
Capital Stock—(Notes 6 and 7)	Dec. 31, 1950	Dec. 31, 1949
First Preferred—Par \$100.00		
Authorized and Unissued	100,000.00	100,000.00
Convertible Preference—Par \$50.00		
Authorized	367,621.03	375,373.03
Less: Unissued	133,069.03	133,069.03
Treasury Stock	136,475.00	126,039.00
	<u>269,544.03</u>	<u>259,108.03</u>
Outstanding	98,077.00	116,265.00
	<u>\$ 4,903,850.00</u>	<u>\$ 5,813,250.00</u>
Common—Par \$5.00 Authorized	4,000,000.00	4,000,000.00
Less: Reserved for Conversion Privileges of Convertible Preference Stock	469,104.00	484,608.00
Reserved for Subscriptions of Officers and Employees	600.00	18,260.00
Unreserved	1,934,676.00	1,902,312.00
	<u>2,404,380.00</u>	<u>2,405,180.00</u>
Outstanding	1,595,620.00	1,594,820.00
	<u>\$ 7,978,100.00</u>	<u>\$ 7,974,100.00</u>
<i>Total Capital Stock</i>	<u>\$12,881,950.00</u>	<u>\$13,787,350.00</u>
Surplus		
Capital Surplus	\$ 7,308,589.76	\$ 7,340,447.00
Less: Surplus Arising from Officers' and Employees' Unpaid Subscriptions to Capital Stock	7,500.00	228,250.00
	<u>\$ 7,301,089.76</u>	<u>\$ 7,112,197.00</u>
Earned Surplus	11,316,191.00	9,159,386.51
Reserve for Contingencies—(Note 8)	1,700,000.00	1,700,000.00
<i>Total Surplus</i>	<u>\$20,317,280.76</u>	<u>\$17,971,583.51</u>
<i>Total</i>	<u>\$33,199,230.76</u>	<u>\$31,758,933.51</u>
Deduct: Common Stock in Treasury—(At Cost)		
97,403 Shares at December 31, 1950 and		
114,228 Shares at December 31, 1949	939,884.32	1,109,118.94
<i>Total Capital Stock and Surplus</i>	<u>\$32,259,346.44</u>	<u>\$30,649,814.57</u>
TOTAL LIABILITIES	<u>\$66,174,653.48</u>	<u>\$59,444,163.93</u>



Consolidated Income

	Year Ended	
	Dec. 31, 1950	Dec. 31, 1949
GROSS OPERATING REVENUE		
Rooms Department	\$18,857,836.27	\$17,565,405.27
Food and Beverage Departments	19,400,593.42	18,152,314.49
Other Operated Departments	5,509,198.24	4,727,211.06
Other Income	753,597.82	717,148.11
Store Rentals	987,212.89	946,764.29
	<u>\$45,508,438.64</u>	<u>\$42,108,843.22</u>
OPERATING COSTS AND EXPENSES		
Departmental Costs and Expenses	\$23,920,791.06	\$22,797,936.68
Administrative and General Expenses	4,127,897.88	3,320,159.61
Advertising and Business Promotion	865,983.59	835,451.34
Heat, Light and Power	1,509,655.32	1,359,994.15
Maintenance and Repairs	2,282,600.47	2,243,831.41
Lease Rentals	588,646.82	182,599.08
Real Estate and Personal Property Taxes	1,485,221.11	1,591,563.33
Depreciation and Amortization	2,319,115.07	2,144,229.15
Interest	905,305.99	811,271.15
Corporate Expenses and Sundry Capital Charges	361,035.94	204,575.55
	<u>\$38,366,253.25</u>	<u>\$35,491,611.45</u>
GROSS OPERATING PROFIT	\$ 7,142,185.39	\$ 6,617,231.77
INTEREST AND DIVIDENDS	148,297.73	118,184.59
PROFIT BEFORE NON-RECURRING INCOME AND EXPENSES	\$ 7,290,483.12	\$ 6,735,416.36
NON-RECURRING INCOME AND EXPENSES		
Loss* on Sale of Properties	\$ —	\$ 295,730.53*
Profit or Loss* on Sale and Abandonments of Capital Assets	795.96*	22,316.07
Sundry Other	26,269.78	20,944.04
	<u>\$ 25,473.82</u>	<u>\$ 252,470.42*</u>
PROFIT BEFORE PROVISION FOR FEDERAL TAXES ON INCOME	\$ 7,315,956.94	\$ 6,482,945.94
PROVISION FOR FEDERAL TAXES ON INCOME	3,280,310.74	2,499,713.45
NET PROFIT	\$ 4,035,646.20	\$ 3,983,232.49

NOTES: *Denotes Red Figure.

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

Consolidated Surplus

CAPITAL SURPLUS

BALANCE—BEGINNING OF YEAR \$ 7,340,447.00

ADD:

Refunds of Property Taxes—Periods Prior to Consolidation	\$ 1,721.00	
Refund Received on Unclaimed Fractional Shares of Capital Stock	370.43	
Excess of Reserve Covering New Mexico Hilton Hotel Corporation's Excess Profits and Income Taxes for Fiscal Years 1943 through 1946 over amount paid in settlement	12,642.53	
Discount on Convertible Preference Stock Purchased by the Corporation	181,880.00	
		<u>196,613.96</u>
		\$ 7,537,060.96

DEDUCT:

Additional Federal Income Taxes of Plaza Hotel Corporation for Year 1945	\$ 17,721.20	
Cancellation of Employees' Subscriptions to 16,860 Shares of Common Stock, Pursuant to Subscription Agree- ments—Subscription Price \$295,050.00—Par Value \$84,300.00	210,750.00	
		<u>228,471.20</u>
BALANCE—END OF YEAR		<u>\$ 7,308,589.76</u>

EARNED SURPLUS

BALANCE—BEGINNING OF YEAR \$ 9,159,386.51

ADD:

Adjustment of Prior Years' Depreciation and Amortization . .	\$ 5,658.17	
Operating Profit of Caribe Hilton Hotel December 9, 1949 to December 31, 1949	701.67	
Adjustment of 1949 Reserve Covering Dividends Payable on Convertible Preference Stock Which was Purchased in Accordance with Option as of January 31, 1950	32,387.00	
Net Income for the Year Ended December 31, 1950	4,035,646.20	
		<u>4,074,393.04</u>
		\$13,233,779.55

DEDUCT:

Dividends—Convertible Preference Stock	\$ 196,154.00	
Dividends—Common Stock	1,721,434.55	
		<u>1,917,588.55</u>
BALANCE—END OF YEAR		<u>\$11,316,191.00</u>



1 BASIS OF CONSOLIDATION—Included in the Consolidated Balance Sheet are the wholly owned subsidiaries State-Monroe Equipment Corporation, a non-operating unit which holds title to the furnishings and equipment of the Palmer House, Chicago; the Beverly Hilton Development Corporation which holds title to 8.97 acres of land in Beverly Hills, California, and Hilton Hotels International, Inc., which holds amongst its assets 7,310 shares, representing approximately 7% of the capital common stock of Bermuda Development Company, Ltd., which is carried as an investment in the consolidation. The Corporation has adopted the policy of non-consolidation of companies which are not wholly owned subsidiaries. These holdings are carried in the accompanying Consolidated Balance Sheet as investments, at cost, such cost being \$2,226,378.63 greater than book value at dates of acquisition and \$641,388.74 greater than book value at December 31, 1950.

2 FIXED ASSETS—The properties included under Fixed Assets in the Consolidated Balance Sheet at December 31, 1950 are the same as those included in the Consolidated Balance Sheet at December 31, 1949 except for land owned by the Beverly Hilton Development Corporation, wholly owned subsidiary. In this connection, the purchase by Hilton Hotels Corporation of the entire capital stock of Crummer Development Corporation (Name changed to Beverly Hilton Development Corporation) represented the acquisition of a substantial tract of land being the sole asset of the Corporation other than nominal working funds and miscellaneous assets. Land is entered in the Consolidated accounts of Hilton Hotels Corporation on the basis of total acquisition cost of the capital stock of the wholly owned subsidiary less other net assets reflecting the liquidation of Beverly Hilton Development Corporation as instituted on December 29, 1950 by order of the Board of Directors.

Other Fixed Asset values and depreciation reserves have been carried over from the predecessor companies, plus additions at cost.

3 FEDERAL TAXES ON INCOME—As of December 31, 1950 this amount consisted of a provision for Federal taxes on income for the year 1950 of which \$3,280,000.00 was applicable to Hilton Hotels Corporation and \$310.74 was for State-Monroe Equipment Corporation, wholly owned subsidiary.

The Bureau of Internal Revenue has asserted claims for income and excess profits taxes against Hilton Hotels Corporation for prior years in the total amount of \$2,240,895.67. Of this amount, \$2,042,644.16 was based on an examination of the tax returns filed by the Stevens Hotel Corporation, predecessor, for the year 1945 and to May 31, 1946, date of consolidation, the main point of issue being the government's proposed disallowance of Stevens Hotel Corporation loss in 1943 (Resulting from the sale of the Hotel to the United States Government for Military use) as a carry-over in offset to income of the year 1945. The remainder of the total claim, amounting to \$198,251.51, represents proposed deficiency against Hilton Hotels Corporation covering the period from date of consolidation, June 1, 1946, through the year 1948, involving in the main, questions of property basis and depreciation carried over from the predecessor Stevens Hotel Corporation.

Protests to the proposed deficiency assessments have been filed by the Corporation, the matters therefore, now being pending before the conference division of the Bureau of Internal Revenue. (See Note 8).

4 FIRST MORTGAGE BONDS AND NOTES—The Equitable Life Assurance Society of the United States has authorized a first mortgage loan on the Stevens in the total amount of \$7,000,000.00. As of December 31, 1950 there had been advanced against this authorization a total of \$4,500,000.00.

5 INSTALLMENT PURCHASE AGREEMENTS PAYABLE—These agreements, dated November 22, 1950, which mature November 15, 1970 were entered into with former stockholders of Crummer Development Corporation in connection with the purchase of the entire outstanding capital stock of that Corporation. Minimum payments are at the rate of \$100,000.00 per year, commencing six years after the date of closing, with interest on the unpaid balance ranging from one per cent to four per cent per annum. Since acquiring

Financial Statements

this stock the name of the Corporation was changed to Beverly Hilton Development Corporation and a certificate of election to dissolve the Corporation was executed December 29, 1950 and filed with the Secretary of State on January 26, 1951. (See Notes 1 and 2).

6 CONVERTIBLE PREFERENCE STOCK—Since the date of Consolidation the Corporation has purchased for the Treasury 168,853.97 shares of its own convertible preference stock at a total cost of \$6,402,342.87, the discount thereon being credited to capital surplus. Of the total shares so purchased 32,378.97 shares have been permanently retired and cancelled.

The Corporation had options to purchase 54,564 shares of its own convertible preference stock for \$40.00 per share at December 31, 1950 under a certain offer to stockholders which expired on August 15, 1949. At December 31, 1950 the Corporation had provided a reserve for dividends on convertible preference stock under option in the amount of \$206,289.00 which would be required to be paid were the Corporation not to exercise its option under the terms of the offer. As of January 31, 1951, the Corporation exercised its option and purchased 18,188 shares of this stock in accordance with the terms of the offer and accordingly the dividend reserve was reduced by \$68,763.00 as of January 31, 1951. Under the terms of the offer, the Corporation may purchase the remaining shares under option in equal annual amounts of 18,188 shares each on or before January 31, 1952 and 1953.

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

8 RESERVE FOR CONTINGENCIES—The Board of Directors established as of June 1, 1946 a reserve for contingencies of \$1,700,000.00 to cover claims which may be asserted under various Federal statutes and regulations, including claims for Federal Income and Excess Profits Taxes of the Consolidated Companies, such reserve so created being deemed by the Board of Directors to be reasonably adequate to cover all such contingencies.

9 GENERAL—The suit instituted against Hilton Hotels Corporation and others by various stockholders of the Mayflower Hotel Corporation, involving, among other matters, the management fee charged by Hilton Hotels Corporation to Mayflower Hotel Corporation since acquisition of the controlling stock in December 1946, was decided by the District Court of the District of Columbia in favor of Hilton Hotels Corporation and the other defendants. The case is now on appeal before the Circuit Court of Appeals of the District of Columbia.

INCOME ACCOUNT

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

The Corporation's share for the year ended December 31, 1950 of net profits, less dividends received, of the non-consolidated subsidiaries, which has not been reflected herein, amounted to \$900,404.79, and for the year ended December 31, 1949, such share amounted to \$200,132.85.

2 GENERAL—Operations for the year ended December 31, 1949 have been restated from previously issued reports for comparative purposes only.



Analysis of Investments

	As of December 31, 1950	
	Book or	Cost
MAYFLOWER HOTEL CORPORATION		
Capital Stock—		
69.81% of the Capital Stock, Represented by		
Common—272,066 Shares—Par \$1.00	\$ 272,066.00	\$3,535,038.47
Surplus—Proportion Applicable to Hilton Hotels Corporation—		
At Dates of Acquisition	2,421,055.04	—
Profit—Subsequent to Acquisition		
Beginning of Year	612,078.59	—
Profit for the Year 1950—(Less: Dividends Received of \$108,754.40)	291,267.02	—
	<u>\$3,596,466.65</u>	<u>\$3,535,038.47</u>
HOTEL WALDORF-ASTORIA CORPORATION		
Capital Stock—		
58.13% of the Capital Stock, Represented by 212,788 Shares—Par \$1.00	\$ 212,788.00	\$2,531,703.55
Surplus—Proportion Applicable to Hilton Hotels Corporation—		
At Dates of Acquisition	1,452,583.94	—
Profit—Subsequent to Acquisition		
Beginning of Year	72,506.51	—
Profit for the Year 1950	581,467.32	—
	<u>\$2,319,345.77</u>	<u>\$2,531,703.55</u>
JEFFERSON HOTEL COMPANY—(Note 1)		
Capital Stock—		
86.85% of the Capital Stock, Represented by		
Common—10,226.6 Shares—No Par Value—Stated Value \$25.00 per Share	\$ 255,665.00	\$2,313,483.37
Surplus—Proportion Applicable to Hilton Hotels Corporation—		
At Dates of Acquisition	1,539,688.78	—
Profit—Subsequent to Acquisition		
Year 1950	27,670.45	—
	<u>\$1,823,024.23</u>	<u>\$2,313,483.37</u>
BERMUDA DEVELOPMENT COMPANY, LTD.—(Note 2)		
Capital Stock—		
7% of the Capital Stock Represented by		
Common Stock—7,310 Shares—Par 10 Pounds	\$ 204,957.78	\$ 265,832.00
INSTALLMENT SALES CONTRACT NOTE		
Cummy Properties, Inc.—Five-Year Serial 4% Note	\$ 390,000.00	\$ 390,000.00
Less: Due Within One Year—Included in Current Assets	18,000.00	18,000.00
	<u>\$ 372,000.00</u>	<u>\$ 372,000.00</u>
DEBENTURES		
Chicago Lake Front Fair Subordinated Debentures—Due April 1, 1960	\$ 25,000.00	\$ 25,000.00
TOTAL INVESTMENTS	<u>\$8,340,794.43</u>	<u>\$9,043,057.39</u>

NOTE 1: Hilton Hotels Corporation had options at December 31, 1950 to purchase 1,350.6 additional shares of Jefferson Hotel Company common stock at a price of \$225.00 per share. 1,054.4 shares were purchased as of February 13, 1951. The option covering the remaining 296.2 shares expires as of April 30, 1951.

NOTE 2: The par value of Bermuda Development Company, Ltd., capital stock was computed in American Dollars at the exchange rate of \$2.8038 at December 31, 1950.

AUDITORS REPORT

To The Board of Directors,
Hilton Hotels Corporation,
Chicago, Illinois.

Chicago, Illinois
February 26, 1951

Gentlemen:

We have examined the Consolidated Balance Sheet of Hilton Hotels Corporation at December 31, 1950 and its wholly-owned subsidiaries, State-Monroe Equipment Corporation, Beverly Hilton Development Corporation and Hilton Hotels International, Inc., and the Related Consolidated Statements of Profit and Loss and Surplus for the year then ended. 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.

Examination of the accounts of the operating unit, Town House of Los Angeles as well as the wholly-owned subsidiary, Hilton Hotels International, Inc., were made and separately certified to by Messrs. Horwath and Horwath, and, the Dayton Biltmore Hotel, another operating unit, by Messrs. Wall, Cassel and Groneweg.

The accounts of the Mayflower Hotel Corporation; Hotel Waldorf-Astoria Corporation and Jefferson Hotel Company in which Hilton Hotels Corporation had acquired a majority interest in the capital stock of said corporations have not been consolidated herein. The proportion of undis-

tributed profits applicable to the Corporation's holdings in these Companies from dates of acquisition to December 31, 1950 amounted to \$1,584,989.89, representing the increase in the Corporation's equity in these Companies since acquisition to December 31, 1950.

The accounts of the Mayflower Hotel Corporation and Hotel Waldorf-Astoria Corporation were examined and separately certified to by us. The accounts of the Jefferson Hotel Company were examined and separately certified to by Messrs. Horwath and Horwath.

In our opinion, based upon our examination and upon the opinions expressed in the reports of the independent public accountants pertaining to the operating units and companies which were examined by them, the accompanying Consolidated Balance Sheet and Related Consolidated Statements of Profit and Loss and Surplus, together with the notes pertaining thereto, present fairly the financial position of Hilton Hotels Corporation and its wholly-owned subsidiaries at December 31, 1950 and the results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HARRIS, KERR, FORSTER & COMPANY

Summary of Combined Earnings

FOR THE FIVE YEARS ENDED DECEMBER 31, 1950

	1946†	1947	1948	1949	1950
INCOME					
Gross Revenue					
Rooms Department	\$14,687,274	\$16,735,223	\$17,677,417	\$17,565,405	\$18,857,836
Food and Beverage Department	18,350,588	19,507,348	19,044,705	18,152,315	19,400,593
Other Operated Departments	4,633,388	4,315,200	4,491,332	4,727,211	5,509,198
Other Income	710,171	802,751	796,280	717,148	753,598
Store Rentals	1,087,128	1,046,023	1,019,231	946,764	987,213
Dividends and Interest on Securities	14,717	136,533	142,755	118,185	148,298
	<u>\$39,483,266</u>	<u>\$42,543,078</u>	<u>\$43,171,720</u>	<u>\$42,227,028</u>	<u>\$45,656,736</u>
EXPENSES					
Operated Departments	\$22,119,269	\$23,265,248	\$23,443,997	\$22,797,937	\$23,920,791
Administrative and General	2,897,862	3,150,218	3,455,072	3,320,160	4,127,898
Advertising and Business Promotion	574,838	663,914	650,331	835,451	865,984
Heat, Light and Power	1,223,091	1,342,544	1,534,596	1,359,994	1,509,655
Maintenance and Repairs	2,354,400	2,080,348	2,803,350	2,243,831	2,282,600
Lease Rentals	179,866	179,866	179,866	182,599	588,647
Real Estate and Personal Property Taxes	1,314,440	1,406,141	1,280,240	1,591,563	1,485,221
Depreciation and Amortization	1,779,411	1,974,050	2,282,712	2,144,229	2,319,115
Interest	989,906	812,971	810,703	811,271	905,306
Provision for Federal Taxes on Income	2,234,090	2,789,247	2,499,636	2,595,652	3,268,831
Other Capital Charges	276,171	287,880	254,328	204,576	361,036
	<u>\$35,943,344</u>	<u>\$37,952,427</u>	<u>\$39,194,831</u>	<u>\$38,087,263</u>	<u>\$41,635,084</u>
NET PROFIT—BEFORE NON-RECURRING ITEMS	<u>\$ 3,539,922</u>	<u>\$ 4,590,651</u>	<u>\$ 3,976,889</u>	<u>\$ 4,139,765</u>	<u>\$ 4,021,652</u>
NON-RECURRING INCOME AND EXPENSES†					
Gain or Loss† on Sale or Abandonments of Capital Assets	\$ 19,022	\$ 1,294,999	\$ 127,498*	\$ 273,415*	\$ 796*
Refinancing Expense and Note Discount	—	263,729*	—	—	—
Miscellaneous and Sale of Securities	3,879*	197,872	13,988	20,944	26,270
Provision for Applicable Taxes	4,518*	279,634*	42,826	95,939	11,480*
	<u>\$ 10,625</u>	<u>\$ 949,508</u>	<u>\$ 70,684*</u>	<u>\$ 156,532*</u>	<u>\$ 13,994</u>
NET PROFIT FOR THE PERIOD	<u>\$ 3,550,547</u>	<u>\$ 5,540,159</u>	<u>\$ 3,906,205</u>	<u>\$ 3,983,233</u>	<u>\$ 4,035,646</u>

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

NOTE* Denotes Red Figures.

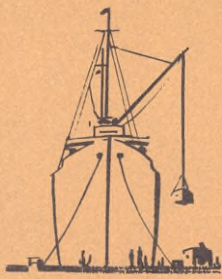
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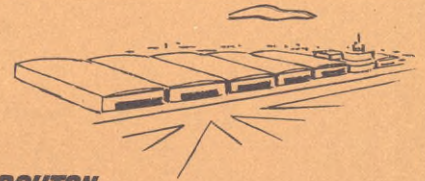
NOTE† Hillon Hotels Corporation was created by consolidation May 31, 1946. Operations for the year 1946 include seven months operation by the corporation and five months operation by the consolidating companies and their predecessors.

NOTE* Denotes Red Figures.



THE ROOSEVELT
NEW YORK

The Waldorf-Astoria
NEW YORK



THE PLAZA
NEW YORK

DAYTON BILTMORE
DAYTON, OHIO



HILTON HOTEL
ALBUQUERQUE, N. M.



THE *Stevens*
CHICAGO



NEW HOTEL JEFFERSON
SAINT LOUIS



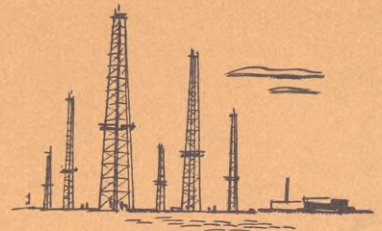
Palmer House
CHICAGO



The Mayflower
WASHINGTON, D. C.



HILTON HOTEL
LUBBOCK, TEXAS



Palacio Hilton
CHIHUAHUA, MEXICO

HILTON HOTEL
EL PASO, TEXAS



The Town House
LOS ANGELES



Caribe Hilton
PUERTO RICO

