

1957 ANNUAL REPORT

HILTON HOTELS CORPORATION



LE REINE ELIZABETH

THE QUEEN ELIZABETH

LE REINE ELIZABETH THE QUEEN ELIZABETH



1957

Report to Shareholders

HILTON HOTELS CORPORATION

720 SOUTH MICHIGAN AVE.
CHICAGO 5, ILLINOIS

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THE QUEEN ELIZABETH, Montreal, Canada . . . This 1216 room hotel, owned by Canadian National Railways, is operated by Hilton Hotels International. Twenty-one stories high and completely air-conditioned, The Queen Elizabeth is the largest and most modern hotel in the British Commonwealth. Featuring the latest innovations in guest comfort, this magnificent \$24,000,000 hotel also offers superb facilities for the efficient handling of conventions and meetings of all sizes.

TO OUR SHAREHOLDERS:

Your Company in 1957 continued to strengthen its position as the world's leading operator of hotels. Revenues were at an all-time peak and for the first time exceeded \$200,000,000. Despite generally higher costs and heavy expenditures for improvements, operations returned a profit exceeded only by the record attained in 1956.

There were no sales of property during the year and income derived in 1957 from such sales in prior years was modest. Nonetheless, consolidated net profit for 1957 was higher than in any year prior to 1956, when profits from the sale of properties reached record proportions.

Your Company's domestic expansion in 1957 was highlighted by the acquisition of The Savoy-Plaza in New York and the beginning of construction of the luxurious new Pittsburgh Hilton located in the Golden Triangle district of the Steel City. The most ambitious improvement program in our history was substantially completed during the year. Air-conditioning projects alone involved a total expenditure of \$8,000,000 in 1956 and 1957. The construction of lanai cabanas around The Shamrock Hilton's fabulous swimming pool added new dimensions to the Houston, Texas, hotel. At The Waldorf-Astoria, a unique telephone dial system was installed to permit individual guest dialing of local and long distance calls.

Abroad, Hilton Hotels International, Inc., brought another hotel, El Panama Hilton, into its sphere of operations. Construction also proceeded on five hotels, three and possibly four of which should be open for business this year. Plans were made and contracts drawn for the construction of additional hotels in other nations around the globe. A new wing of one hundred rooms was completed at The Caribe Hilton in Puerto Rico to accommodate the growing demand for space at this popular hotel. The long range expansion program of Hilton Hotels International contemplates the operation by 1960 of nineteen hotels outside the continental limits of the United States with a total capacity of 7,000 rooms.



At the 1957 year end, the Hilton system comprised thirty of the world's finest hotels, with a total of 24,912 rooms. Stockholders as owners of the Corporation will enjoy these unsurpassed hotel accommodations when their travels take them to any of the Hilton cities around the world. Your visit can be made more convenient by use of a Hilton-Statler credit card to charge hotel rooms and services, car rentals and to cash checks. If you do not have a credit card, apply for one by writing to the Credit Card Division, Hilton Hotels Corporation, 9970 Santa Monica Boulevard, Beverly Hills, California.

The temporary clouds of economic readjustment have not dimmed your Corporation's confidence in further growth, both for itself and for the economy in general. We at Hilton Hotels are substantially reducing expenses in a number of operating areas which should improve profit margins. In the future our business will benefit from the coming of the jet age in commercial aviation. The comfort and speed of jet aircraft will stimulate domestic and international air travel and increase the demand for hotel accommodations.

The support of the loyal Hilton organization of 25,000 men and women and the 7,000 stockholders further bolsters our confidence in the future.

Conrad W. Hilton

March 12, 1958

President



TEN YEARS OF FINANCIAL HIGHLIGHTS

| YEARS ENDED DECEMBER 31 | 1957 | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| GROSS REVENUE | \$205,313,905 | \$198,865,196 | \$189,456,563 | \$120,984,467 | \$97,693,990 | \$87,218,524 | \$80,222,215 | \$71,795,761 | \$47,805,394 | \$48,725,969 |
| NET PROFIT OR (LOSS) (excluding minority interest) | | | | | | | | | | |
| From Operations..... | \$ 8,609,064 | \$ 9,587,214 | \$ 8,002,259 | \$ 4,822,070 | \$ 4,135,290 | \$ 4,251,170 | \$ 3,940,815 | \$ 4,855,333 | \$ 4,315,026 | \$ 4,055,202 |
| From Sale of Properties..... | 1,454,554 | 7,165,155 | 1,102,501 | 916,003 | 2,278,710 | 270,245 | — | — | (183,353) | — |
| TOTAL..... | <u>\$ 10,063,618</u> | <u>\$ 16,752,369</u> | <u>\$ 9,104,760</u> | <u>\$ 5,738,073</u> | <u>\$ 6,414,000</u> | <u>\$ 4,521,415</u> | <u>\$ 3,940,815</u> | <u>\$ 4,855,333</u> | <u>\$ 4,131,673</u> | <u>\$ 4,055,202</u> |
| EARNINGS PER COMMON SHARE* | | | | | | | | | | |
| From Operations..... | \$ 2.05 | \$ 2.53 | \$ 2.20 | \$ 1.35 | \$ 1.26 | \$ 1.29 | \$ 1.19 | \$ 1.55 | \$ 1.38 | \$ 1.19 |
| From Sale of Properties..... | .37 | 1.95 | .32 | .28 | .70 | .08 | — | — | (.06) | — |
| TOTAL..... | <u>\$ 2.42</u> | <u>\$ 4.48</u> | <u>\$ 2.52</u> | <u>\$ 1.63</u> | <u>\$ 1.96</u> | <u>\$ 1.37</u> | <u>\$ 1.19</u> | <u>\$ 1.55</u> | <u>\$ 1.32</u> | <u>\$ 1.19</u> |
| WORKING CAPITAL AT DECEMBER 31 | \$ 15,106,748 | \$ 15,822,973 | \$ 10,146,953 | \$ 16,736,838 | \$10,797,942 | \$ 8,289,896 | \$ 7,154,309 | \$ 6,021,555 | \$ 4,200,894 | \$ 3,044,148 |
| EARNED SURPLUS AT DECEMBER 31 (excluding surplus reserves)..... | \$ 47,254,200 | \$ 42,423,576 | \$ 29,966,364 | \$ 24,697,177 | \$21,647,725 | \$17,187,648 | \$14,447,174 | \$12,664,299 | \$ 9,614,750 | \$ 7,271,896 |
| OUTSTANDING STOCK AT DECEMBER 31 (number of shares) | | | | | | | | | | |
| First Preferred—Series A..... | 52,900 | 52,900 | 52,900 | 52,900 | 61,960 | — | — | — | — | — |
| First Preferred—Series B (Convertible) | — | — | 25,340 | 38,000 | — | — | — | — | — | — |
| Cumulative Voting Preferred— Series A..... | 233,214 | — | — | — | — | — | — | — | — | — |
| Convertible Preference..... | — | — | — | — | 24,290 | 43,513 | 79,889 | 98,077 | 116,265 | 134,463 |
| Common*..... | 3,938,671 | 3,671,602 | 3,440,478 | 3,297,520 | 3,227,280 | 3,241,688 | 3,185,756 | 2,996,434 | 2,961,184 | 3,167,090 |

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

Results of Operations



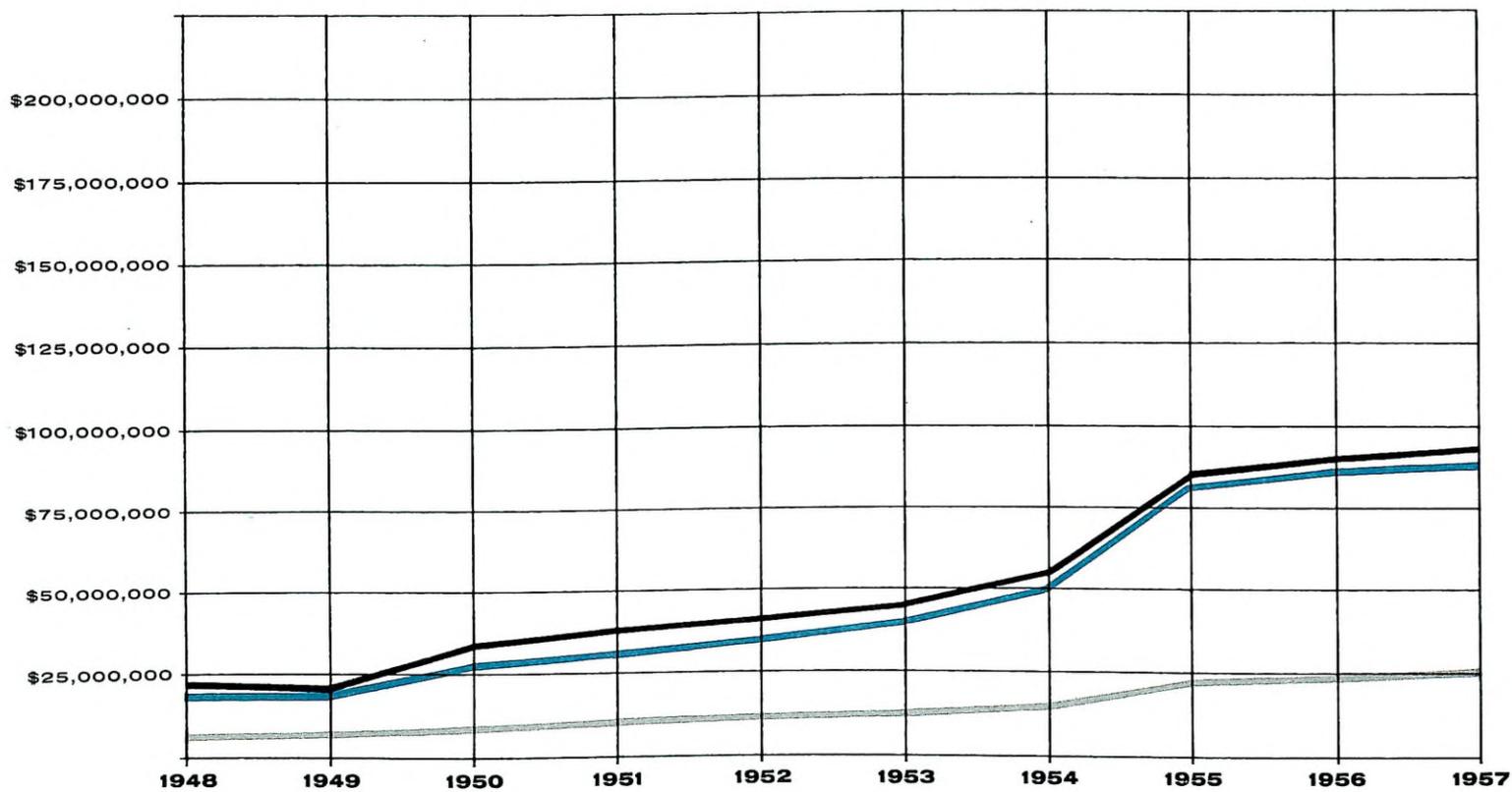
The hotel industry as a whole experienced a slight drop in the room occupancy rate in 1957 which, since 1953, had stabilized at around 72%. The decline in 1957 to 70% was not reflected in revenues, which rose by about 3% largely as the result of increases in average room rates. Improved beverage and food sales which increased three and two per cent, respectively, over 1956, contributed to higher industry revenues.

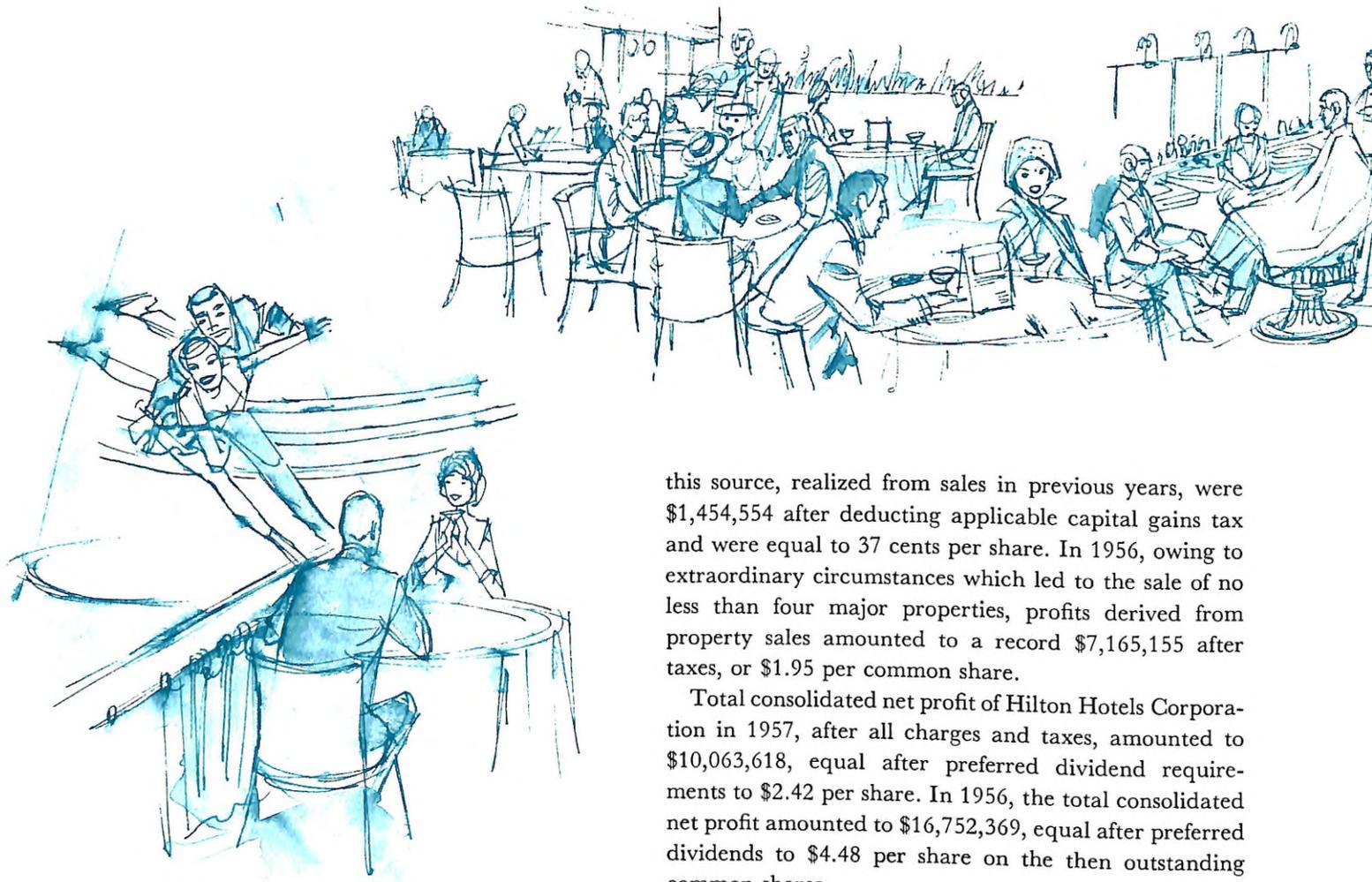
Hilton Hotels Corporation's unbroken record of growth was maintained in 1957. The average room occupancy was 73% for the year. Gross Revenues for the first time exceeded a fifth of a billion dollars. They amounted to \$205,313,905, a rise of 3.2% over the \$198,865,196 volume of 1956.

Gross revenues in 1957 were augmented by the first full year's operations of The Netherland Hilton, The Terrace Hilton and The Continental Hilton and they benefited also by the acquisition of The Savoy-Plaza in February. Off-setting these gains was the loss of revenues from the Roosevelt, the Mayflower, the Senator and New Yorker hotels, which, prior to their sale, contributed the results of operations for two, three, five and ten months, respectively, to 1956 revenues.

The largest single source of revenues in 1957 was room rentals, which accounted for \$87,637,170, compared with \$85,082,755 a year earlier. Combined food and beverage sales increased from \$89,264,241 in 1956 to \$92,342,835 in 1957. Revenues from all other operated departments amounted to \$15,546,591, compared with \$15,368,355 the preceding year. Store rentals totaled \$3,046,132 during 1957, compared with \$2,696,413 for the year 1956. Other income in 1957 amounted to \$4,674,023, against \$4,880,387 in 1956.

REVENUES





Earnings

Consolidated net profit realized from operations of Hilton Hotels Corporation in 1957 amounted to \$8,609,064. This was equal, after preferred dividends, to \$2.05 per share on the 3,938,671 shares of common stock outstanding at the close of the year. For 1956, consolidated net profit from operations was \$9,587,214, the equivalent of \$2.53 per share, after preferred dividends, on the 3,671,602 common shares then outstanding.

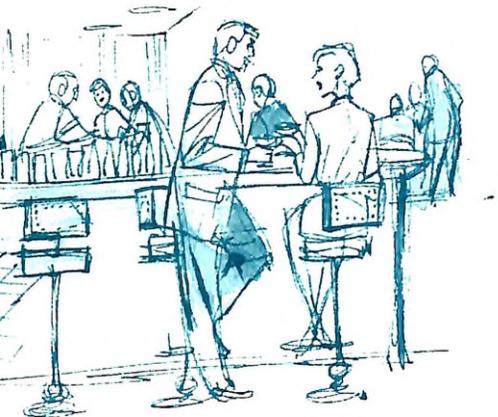
There were no property sales during 1957. Profits from

this source, realized from sales in previous years, were \$1,454,554 after deducting applicable capital gains tax and were equal to 37 cents per share. In 1956, owing to extraordinary circumstances which led to the sale of no less than four major properties, profits derived from property sales amounted to a record \$7,165,155 after taxes, or \$1.95 per common share.

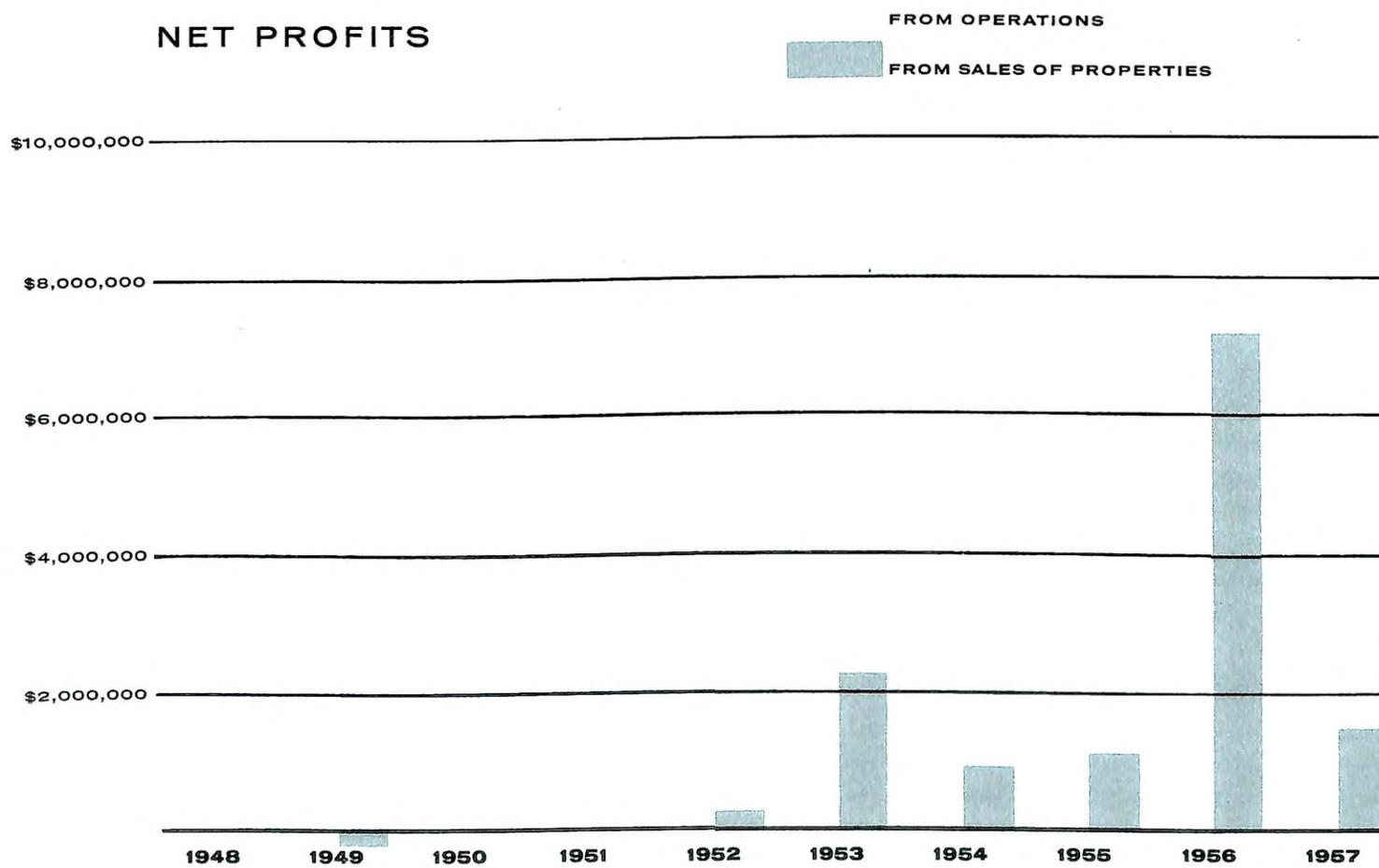
Total consolidated net profit of Hilton Hotels Corporation in 1957, after all charges and taxes, amounted to \$10,063,618, equal after preferred dividend requirements to \$2.42 per share. In 1956, the total consolidated net profit amounted to \$16,752,369, equal after preferred dividends to \$4.48 per share on the then outstanding common shares.

Over-all earnings were affected by heavy expenditures for repairs and maintenance in 1957. This expense rose to a new high of \$12,071,637 in 1957 from \$10,715,822 the year before. The combined expenditures for repairs and maintenance and modernization in 1957 were \$19,715,692, compared with the \$19,017,740 so spent in 1956. These expenditures brought to virtual completion a number of major improvement programs covering air conditioning, rewiring and other projects. Modernization costs in 1958 will be substantially below those of 1957.

On December 31, 1957, there remained unrealized profit from property sales of prior years in the amount of \$17,150,348, which will be applied to your Corporation's income over the next nine years. This profit, after provision for taxes at the current capital gains rate, amounts to \$3.26 per share on the 3,938,671 common shares outstanding on December 31, 1957.



NET PROFITS



Our Financial Picture

At December 31, 1957, total assets of Hilton Hotels Corporation on a consolidated basis, amounted to \$197,518,638, an increase of \$10,204,727 over the \$187,313,911 of a year earlier. Of the total consolidated assets, the largest portion represented fixed assets such as properties, hotels and their associated equipment. The depreciated value of fixed assets at December 31, 1957, amounted to \$119,445,817, which compares with \$104,745,385 a year earlier, a net increase of \$14,700,432. The depreciation and amortization reserve at the 1957 year end was \$52,813,345.

Your Corporation's current assets at December 31, 1957, were \$44,746,273, which compared with current liabilities of \$29,639,525. Working capital amounted to \$15,106,748. At December 31, 1956, current assets were \$46,258,557, current liabilities were \$30,435,584 and working capital was \$15,822,973.

Capital Changes . . . The number of outstanding shares of common stock of Hilton Hotels Corporation increased during 1957 by 267,069 shares to 3,938,671. Of the increase, 87,080 shares resulted from the conversion of \$1,926,400 principal amount of the Corporation's 4½% convertible debentures to common stock. In addition, 233,214 shares of common stock were issued in exchange for stock of Savoy-Plaza, Inc., of which company's stock the Corporation at the year end owned 83⅓%. 53,225 common shares were added in 1957 to those held in the treasury bringing treasury shares to 497,050 at December 31.

Conversion privilege on the 4½% convertible deben-

tures expired January 2, 1958, on which date an additional \$488,300 in principal amount were converted into 21,929 shares of common stock. This leaves \$2,235,000 of these debentures outstanding.

In connection with the acquisition of the stock of Savoy-Plaza, Inc., 233,214 shares of \$25 par value 5½% Cumulative Voting Preferred Stock, Series A, were also issued.

The common stock of Hilton Hotels Corporation at December 31, 1957, had a book value of \$20.35 per share compared with a book value of \$18.96 a share at the end of the preceding year.

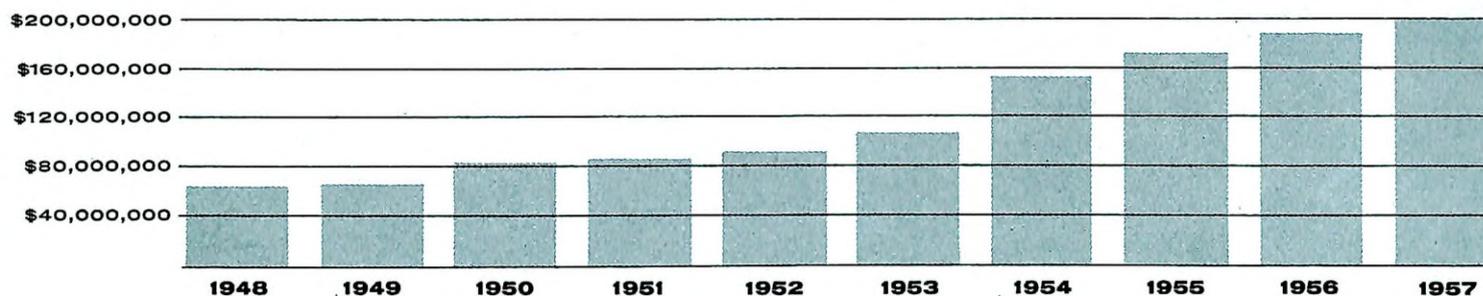
Long Term Debt . . . The Corporation's consolidated long term debt was reduced in 1957 to \$62,935,636 from \$66,780,018, as of December 31, 1956. Except for the conversion of 4½% convertible debentures into common stock, reduction was made through normal repayment of loans and amortization of other debt.

An analysis of your Corporation's consolidated long term debt appears on the facing page showing additions and reductions in detail. The principle additions consisted of a 4% mortgage note of Savoy-Plaza, Inc., which amounted to \$2,368,759 at December 31, 1957, and the issuance of \$300,000 in 5% notes by Hilton Hotels International, Inc.

Your Corporation recently concluded a 5-year term loan for \$13,000,000, at 5% interest, with a nationwide group of banks headed by The First National Bank of Boston. The payments thereon will be equal to the amounts receivable by your Corporation from notes ac-



ASSETS



ANALYSIS OF CONSOLIDATED LONG TERM DEBT

| | BALANCE DECEMBER 31, 1956 | ADDITIONS DURING 1957 | REDUCTIONS DURING 1957 | BALANCE DECEMBER 31, 1957 |
|-------------------------------------|---------------------------------|-----------------------------|------------------------------|---------------------------------|
| MORTGAGE BONDS AND NOTES | | | | |
| Palmer House | \$12,480,000.00 | \$ — | \$ 480,000.00 | \$12,000,000.00 |
| The Conrad Hilton | 5,500,000.00 | — | 300,000.00 | 5,200,000.00 |
| Waldorf-Astoria Laundry | 226,448.17 | — | 16,205.59 | 210,242.58 |
| The Shamrock Hilton | 12,575,000.00 | — | 308,000.00 | 12,267,000.00 |
| San Antonio Hilton | 412,500.00 | — | 50,000.00 | 362,500.00 |
| Terrace Hilton | 7,959,787.19 | — | 248,064.73 | 7,711,722.46 |
| The Savoy-Plaza | — | 2,446,143.42 | 77,384.41 | 2,368,759.01 |
| DEBENTURES | | | | |
| 2% Hilton Due 11/1/64 | 1,500,000.00 | — | — | 1,500,000.00 |
| 4% Hilton Due 7/1/77 | 4,826,000.00 | — | 157,000.00 | 4,669,000.00 |
| 4½% Hilton Due 1/1/70 | 4,649,700.00 | — | 1,926,400.00 | 2,723,300.00 |
| OTHER NOTES | | | | |
| Installment Purchase Contract | 2,350,000.00 | — | 100,000.00 | 2,250,000.00 |
| Waldorf-Astoria Laundry | 600,620.00 | — | 40,720.00 | 559,900.00 |
| The Waldorf-Astoria | 750,000.00 | — | 350,000.00 | 400,000.00 |
| Hilton Hotels International | 346,712.25 | — | 50,000.00 | 296,712.25 |
| The Statler Hilton, New York | 2,300,000.00 | — | 400,000.00 | 1,900,000.00 |
| Hilton Hotels Corporation | 10,000,000.00 | — | 2,000,000.00 | 8,000,000.00 |
| Hilton Hotels International | — | 300,000.00 | — | 300,000.00 |
| Sundry | 303,250.00 | 25,000.00 | 111,750.00 | 216,500.00 |
| TOTAL | \$66,780,017.61 | \$ 2,771,143.42 | \$ 6,615,524.73 | \$62,935,636.30 |

quired upon the sale of certain properties in recent years.

The loan agreement provides that these notes shall be deposited with The First National Bank of Boston and the payments thereon applied in payment of the loan.

The \$13,000,000 so received by your Corporation puts it in a very favorable cash position and will permit the carrying out of the many projects which have been discussed in this report. It will provide the necessary money for the financing of the new San Francisco hotel, the construction of an airport hotel in San Francisco under a lease which was just awarded to your Corporation by the San Francisco Public Utilities Commission, and for use in various projects that may be authorized by your Board of Directors from time to time for the growth of your Corporation and the increase of its earnings.

Your Corporation heretofore issued shares of its common stock in connection with the acquisition of certain of its properties which it has since disposed of. These shares are now outstanding although the earnings from the properties for which they were issued are no longer available to your Corporation. Accordingly, it would appear advisable to utilize a portion of the proceeds realized from the disposition of these properties for the purchase of shares of stock of your Corporation in the open market. Therefore, your President has been authorized to purchase in the open market from time to time not to exceed 200,000 shares of common stock at such price or prices which he may deem advisable and, in this connection, to consult, if he so desires, with the members of the Executive Committee.

Domestic Expansion

Ground was broken in 1957 for the \$15,000,000 Pittsburgh Hilton, a 22-story hotel located in the Gateway Center district of the Steel City's Golden Triangle. The structure, to be opened late in 1959, will feature a gold colored aluminum skin, cantilevered construction, floor to ceiling windows, 800 guest rooms, and one of the world's largest ballrooms, seating up to 2660 guests. Automatic elevators, a direct dial telephone exchange, high fidelity sound system and television in every room will be installed in the hotel.

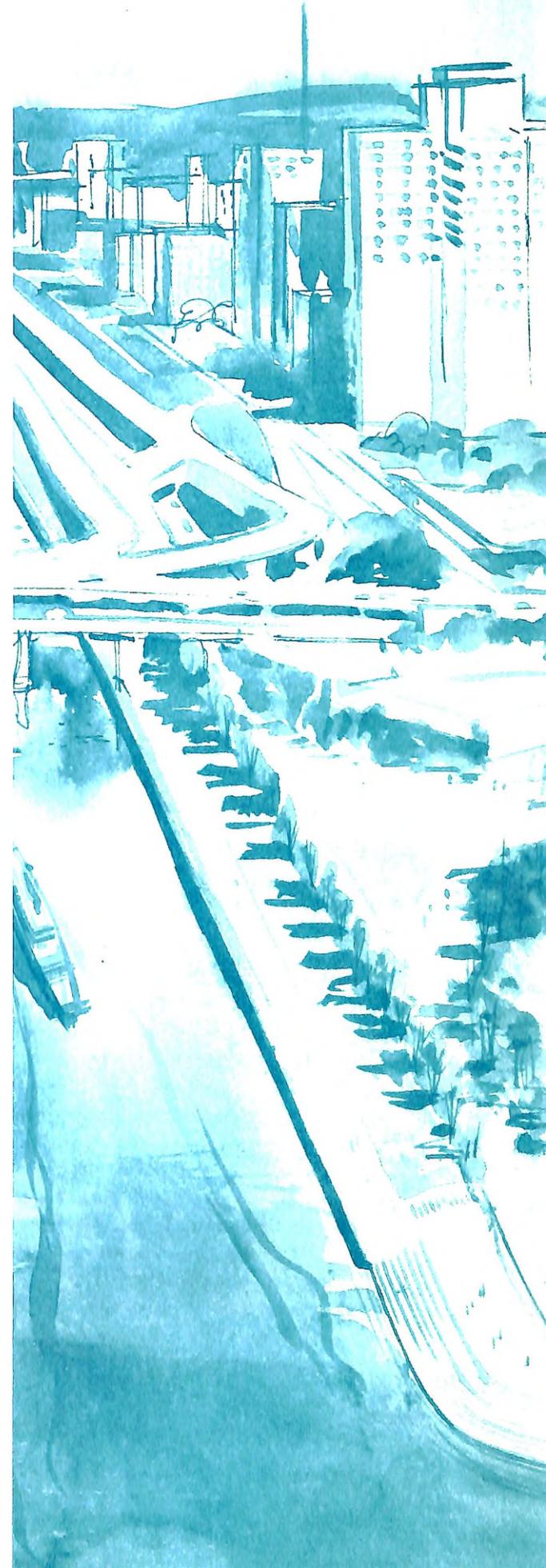
The hotel will be connected to other buildings in the Gateway Center development by underground entrances which will also give access to present and future underground garages. The service entrance will be underground as well so that deliveries will not conflict with traffic.

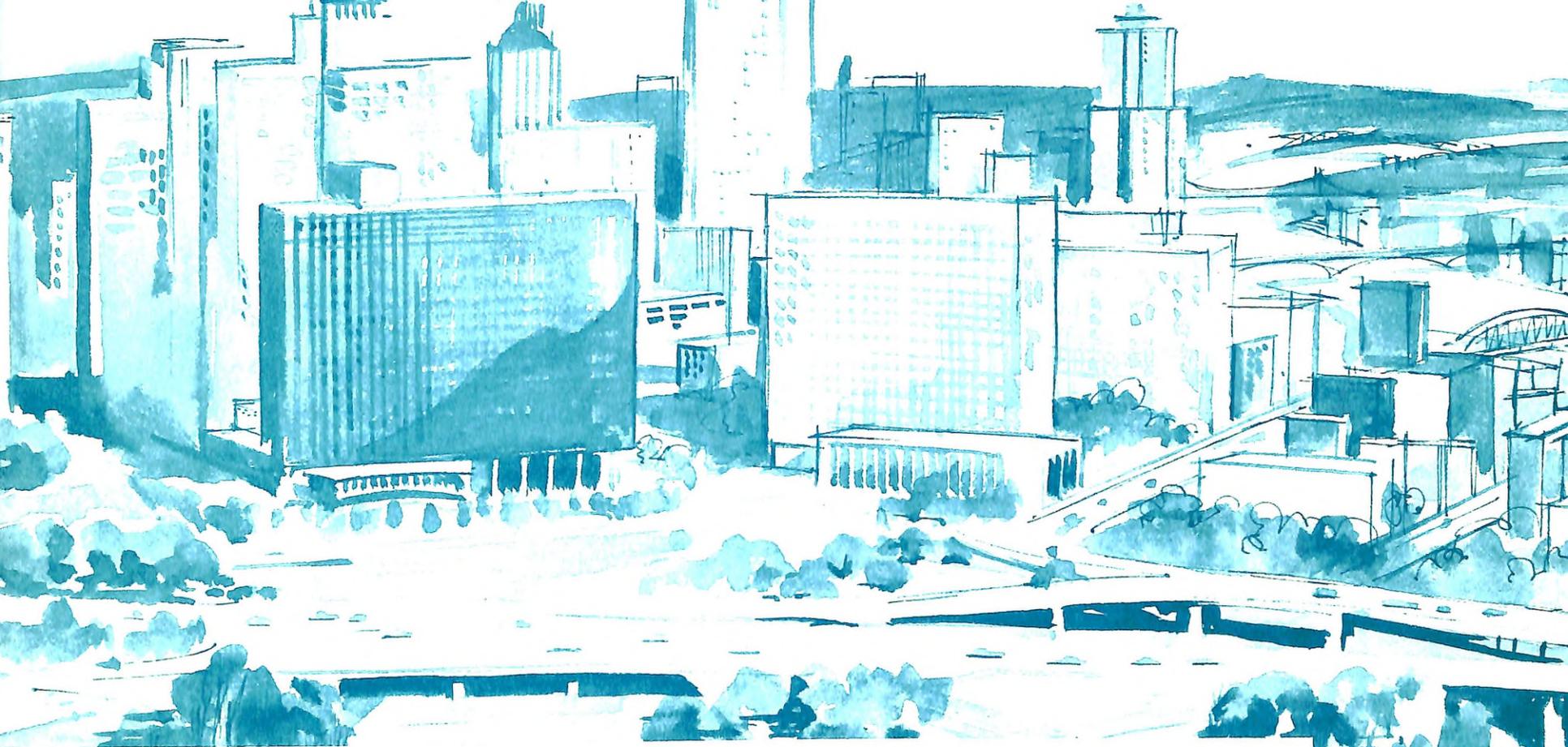
A long period of advanced planning preceded ground-breaking for the Pittsburgh Hilton. Before any contracts were let, particular pains were taken to see that every detail was correct. So far as was humanly possible, the Pittsburgh Hilton was designed as a perfect hotel, one on which construction could go through from start to finish without costly changes and revisions.

Using a scale model of the Gateway Center with its present buildings, fifteen various designs of the hotel were tested in block form before the final design was selected. Once the primary questions had been settled to the satisfaction of all concerned, mock-up rooms were constructed in the New York Statler Hilton and the reaction of guests and employees were evaluated. Movable walls and windows in these rooms were shifted many times in the study of sizes and decor. Rooms were fully equipped with furniture and lights and even plumbing fixtures and mirrors were set into the bathrooms. Such painstaking care is expected to yield dividends in lower operating costs and provide better and more convenient service for guests.

King Management Company, a wholly owned subsidiary of this Corporation, has acquired a site for a future Hilton Hotel in San Francisco. The property acquired is located two blocks from Union Square in downtown San Francisco and is bounded by O'Farrell, Mason, Taylor and Ellis Streets adjoining the new air terminal building. After preliminary plans and a financial program have been developed, the matter will be further considered by your Board of Directors.

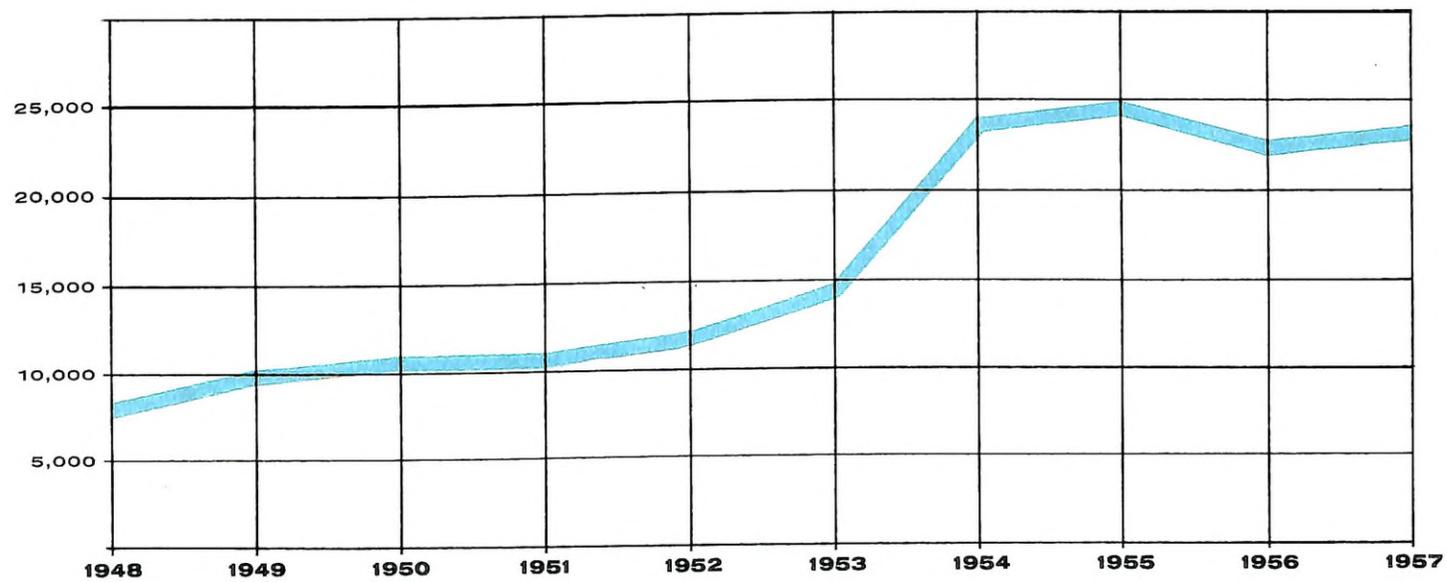
All Statler Hotels were renamed The Statler Hilton Hotels early in 1958 to more firmly identify these hotels as constituting part of the Hilton system.





DOMESTIC EXPANSION

NUMBER OF ROOMS AT YEAR'S END



International Growth

Hilton Hotels International, Inc., a wholly owned subsidiary, substantially enlarged its sphere of operations in 1957 and laid the groundwork for even greater growth in the current year.

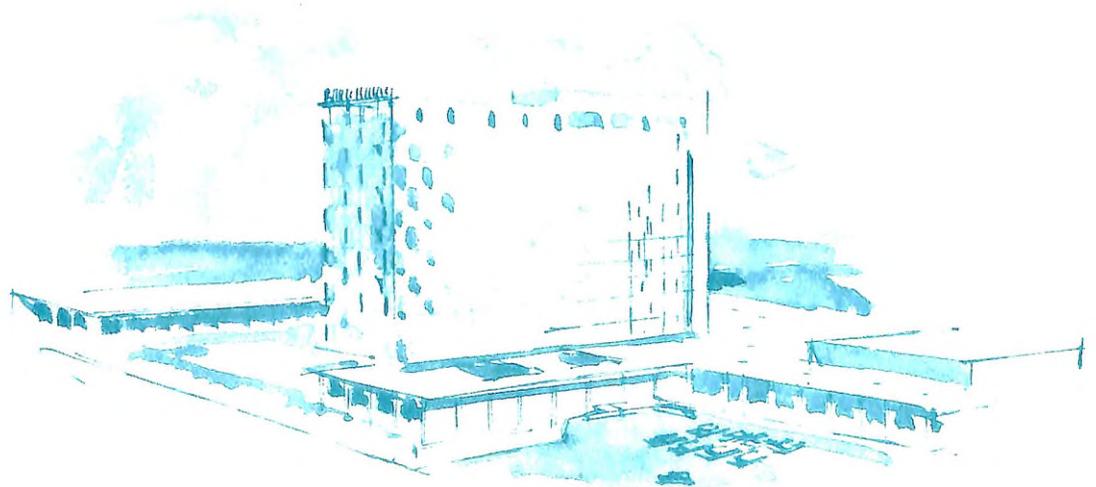
On November 1, 1957, El Panama Hilton in Panama, Republic of Panama, became the fifth Hilton Hotel in operation outside the continental limits of the United States. This hotel is being operated under a long term agreement under which the company supplies know-how and working capital and operates the hotel in return for a percentage of the profits. El Panama Hilton, containing 272 rooms, was planned to permit ready expansion to 400 or 500 rooms. It is surrounded by fifteen acres of tropical gardens overlooking the Pacific. Among its luxurious facilities are a swimming pool, cabanas, tennis courts, golf greens, a night club, restaurants and shops. Two fishing cruisers are provided for the convenience of sports-minded guests.

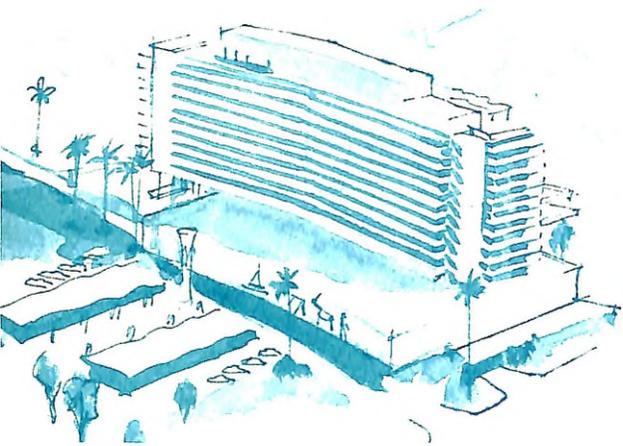
The new 100 room garden wing of the fabulous Caribe Hilton was dedicated on December 7, 1957, the eighth anniversary of this modern luxuriously appointed hotel. The garden wing is a separate seven-story, fully air conditioned building located between the hotel and historic Fort San Geronimo. It is connected to the main building by a covered garden walk, bordered by shops, and rises above a landscaped garden. Each of the hotel's 403 rooms has a balcony overlooking the ocean.

On March 22nd, Cuba's newest and finest hotel, the Habana Hilton, will be formally opened. Built at a cost of \$24,000,000, this 630 room hotel is the largest and tallest hotel building in Latin America, soaring thirty stories over the center of Havana's most fashionable business area. This hotel features a large swimming pool with cabanas and extensive landscaped outdoor areas capturing the tropical atmosphere of Cuba and through wide use of native woods, coral and volcanic stone, harmonizes with the existing architecture of Havana.

Dedication ceremonies on April 15th are planned for the largest of the Hilton International hotels, The Queen Elizabeth in Montreal. This hotel, owned by the Canadian National Railways and costing \$24,000,000, comprises 1216 rooms. It will be the largest hotel in the British Commonwealth.

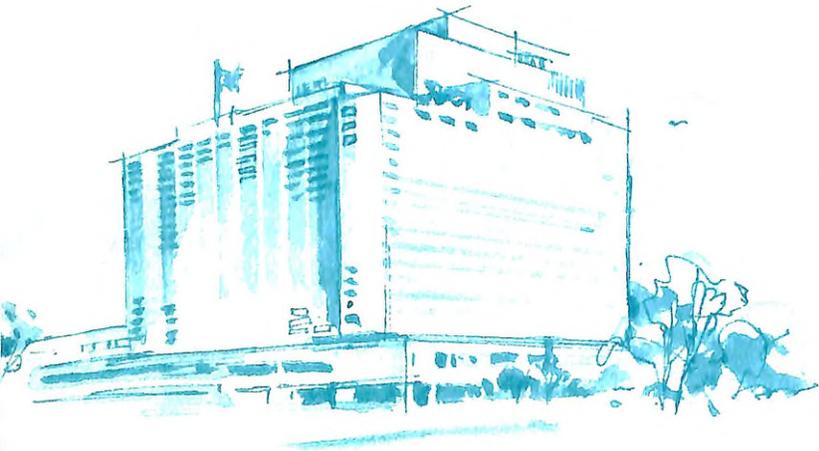
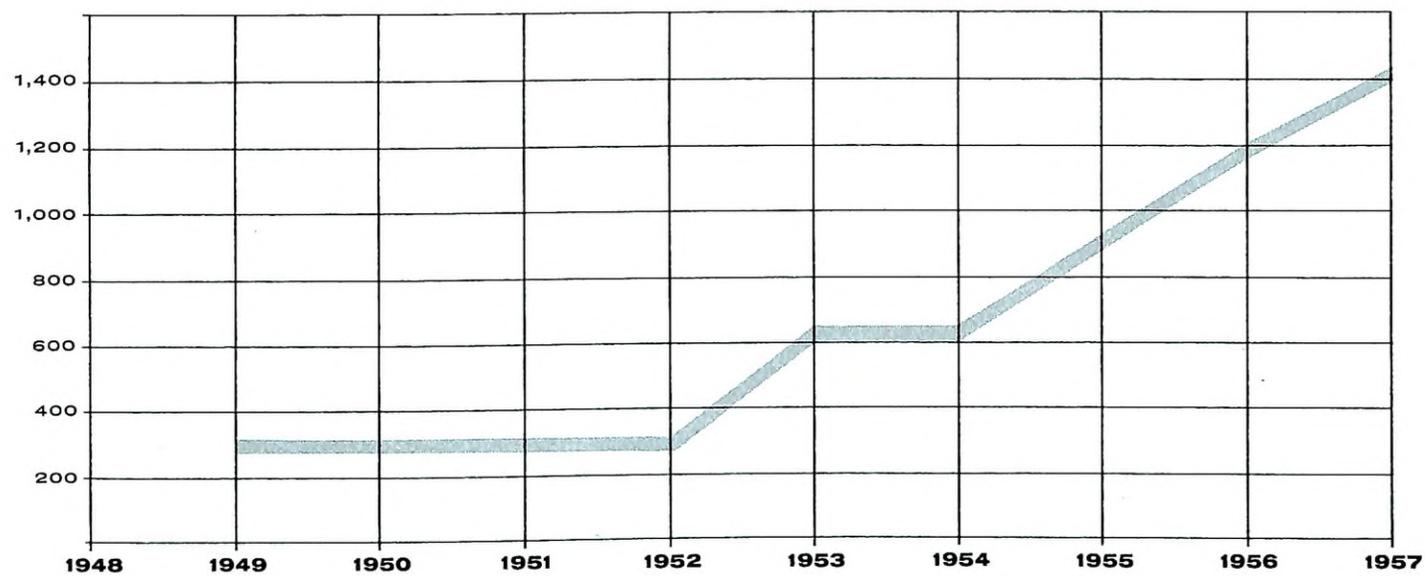
The \$6,000,000, 350 room Berlin Hilton, the first hotel to be built in Berlin since World War II, will be opened later this year. Other hotels under construction are the Nile Hilton in Cairo, Egypt and the Acapulco Hilton in Acapulco, Mexico. Under lease and in the planning stage are Hilton Hotels in Baghdad, Iraq; Athens, Greece; Vienna, Austria and Port of Spain, Trinidad. Preliminary agreements have been signed for hotels to be built and operated in Rome, Italy; Tokyo, Japan; Bangkok, Thailand; London, England; Beirut, Lebanon; Amsterdam and Rotterdam, Netherlands.





INTERNATIONAL GROWTH

NUMBER OF ROOMS AT YEAR'S END





Improving Our Properties

An important objective of Hilton Hotels Corporation is to make its properties appreciate in value over the years, rather than depreciate. To accomplish this and at the same time to assure that our hotels offer only the finest accommodations, large sums have been expended in a continuing improvement program. In 1957, expenditures for improvements and maintenance were greater than in any previous year.

A number of major programs, underway for many months, were completed during the year. One of these was a mammoth air-conditioning program which, over a period of eighteen months, involved the expenditure of \$8,000,000. At The Conrad Hilton in Chicago \$3,000,000 was spent on a completely new centralized year-around air-conditioning and heating system. The scope of this project is indicated by the fact that it required 116,000 feet of copper tubing, 55,000 fittings and necessitated completing conversion of the electrical system in the hotel to alternating current from direct current. Other major air-conditioning programs were completed over the past two years at The Waldorf-Astoria, The Palmer House, and The Statler Hilton Hotels in New York, Cleveland and Detroit.

A new, direct dial telephone exchange was completed at The Waldorf-Astoria in New York. This is a forerunner of a design which eventually will become standard at Hilton hotels. Installed at a cost of \$250,000, the new exchange permits direct dialing by guests, not only of local and long distance calls, but of other rooms and service departments.

The Savoy-Plaza is building a new Trader Vic restaurant in space formerly occupied by the Red Coach Inn. The new restaurant, which will open in April, will be similar to other Traders restaurants at The Beverly Hilton and Palmer House. Another Trader Vic is being built at the new Habana Hilton.

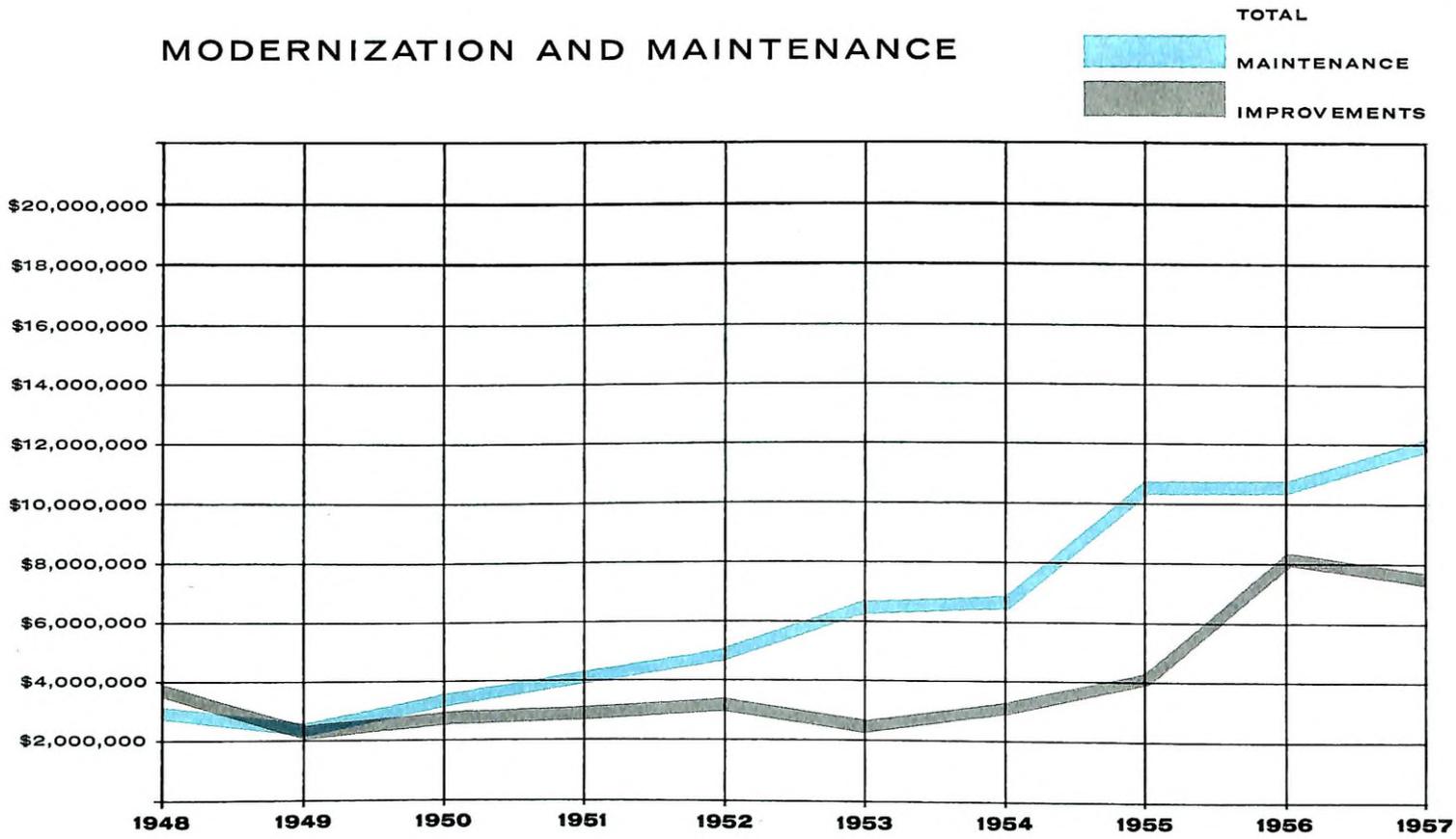
At The Shamrock Hilton in Houston, Texas, forty-four lanai cabanas facing the \$1,000,000 swimming pool were completed during 1957. The cabanas, built at a cost of \$400,000, have individual terraces or lanais, affording an expansive view of the swimming pool. A glass-enclosed walkway leads to the hotel proper.

The Conrad Hilton's convention service facilities were expanded in 1957 through the acquisition of the Eighth Street Theatre and an adjoining seven-story building. The theatre, which adjoins the hotel, has an unusually large and well equipped stage ideal for convention presentations.

A \$400,000 program to double the seating capacity of the Bali Room in The Beverly Hilton was undertaken in 1957 to meet a pressing need for enlarged banquet and convention facilities. The new Bali Room, when opened in April, will seat 1600-1800. The Beverly Hilton's coffee shop is also being enlarged.

An additional banquet room at The Statler Hilton in Los Angeles, the building of cocktail lounges at both The Netherland Hilton and Terrace Hilton in Cincinnati, and the construction of luxury suites in the Buffalo and Detroit Statler Hiltons were among the other important improvements completed in 1957. Plans were drawn for the construction of lanai cabanas and swimming pool adjacent to the San Antonio Hilton, together with another pool and restaurant on hotel property.

MODERNIZATION AND MAINTENANCE



Hilton's Men and Women

Executive Changes . . . Benno M. Bechhold was elected a director of Hilton Hotels Corporation at the April annual meeting of stockholders. Mr. Bechhold is vice president of Savoy-Plaza, Inc., a subsidiary of Hilton Hotels Corporation since it was acquired in February, 1957. He formerly was president of Savoy-Plaza, Inc., prior to the acquisition of control of this company by your Corporation.

Charles L. Fletcher was elected treasurer of Hilton Hotels Corporation on January 24, 1958, assuming the duties of Herbert E. Holt, who retired as treasurer at the end of last year. Mr. Fletcher continues as vice president in charge of financial affairs, a position to which he was elected in 1952.

Fordyce H. Meriam, assistant treasurer, was also appointed comptroller on January 1, 1958.

Employee Relations . . . Management-employee relations continued on a harmonious and effective basis throughout the year. The 25,000 men and women who comprise the Hilton organization and who set the personal tone necessary for excellence in hotel service, served with distinction. Management is justifiably proud and commends them for their loyal efforts.

Satisfactory wage agreements were reached with union representatives of Hilton employees during the year. Your Corporation has followed a policy of liberal wages

and benefits with salutary results. The human factor in operations is paramount in any industry, and especially in a service industry. Hilton guests, perhaps more than customers of other services and goods, measure the Corporation by its personal representatives.

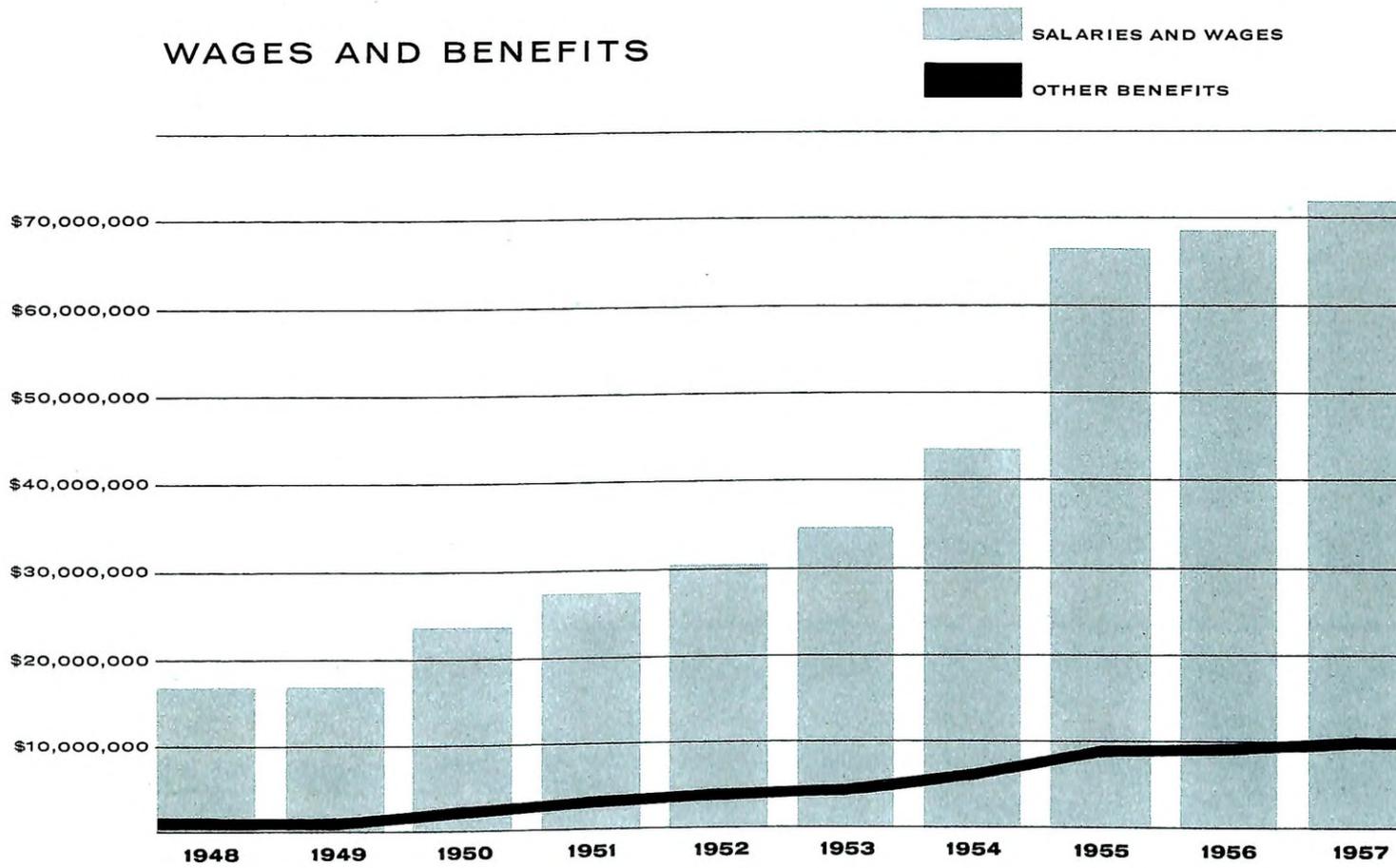
Hilton pays the full cost of an employee group life insurance plan which also covers disability, hospital, surgical, medical and polio expenses. Supplementary life insurance is also available for employees who qualify. The Corporation contributes about half the cost of these additional benefits.

The Hilton Hotels Pension Plan for retired employees, inaugurated in 1951 in recognition of the past loyalty and cooperation of Hilton men and women, received \$1,062,603.35 from Hilton, its subsidiaries and affiliates in 1957. These contributions covered the current cost plus funding of about 10% of past service costs. The plan is designed to assure a degree of financial independence for retiring employees.

The Hilton Hotels International scholarships, established in 1956 at Cornell University's School of Hotel Administration, were awarded for the first time in 1957 to three students from Puerto Rico, Istanbul and Singapore. These foreign scholarships supplement those which Hilton sponsors for its employees and others at Cornell and other institutions.



WAGES AND BENEFITS





Income Dollar

It is necessary in managing any business to know and to analyze the sources of income and the expenses incurred in creating that income. The major sources of Hilton income are the sale of rooms, food and drink which account for nearly 88 cents of each \$1 taken in. Telephone, other departments, rentals and other income are not to be overlooked as together these sources are greater than the sale of beverages.

The payroll expenditure, which takes 40.1¢ of every \$1, indicates that the human factor is as important in terms of expense as it is in terms of service. Repairs, property taxes, rentals, interest and depreciation totaling 20.4¢ represents the cost of facilities. After all other costs and expenses, there is a profit of 8.4¢, over half of which is required for taxes, leaving 4.1¢ of which 2.5¢ was distributed in dividends.



Dividends

Regular quarterly dividends of 30 cents per share were paid on the common stock throughout 1957. The payments, on March 1, June 1, August 31, and December 2, totaled \$1.20 per share, the highest on record, and compares with \$1.10 per share paid in 1956.

Regular quarterly dividends were also paid throughout the year on the 5% First Preferred Stock, Series A, and from the time of its issuance in February, on the 5½% Cumulative Voting Preferred Stock, Series A. Total dividend payments in 1957 on all classes of stocks amounted to \$5,232,995, compared with \$4,295,157 the year before. There remained after payment of dividends a balance of net profit of \$4,830,623 which was retained in the business for future expansion.

INCOME FROM OPERATIONS

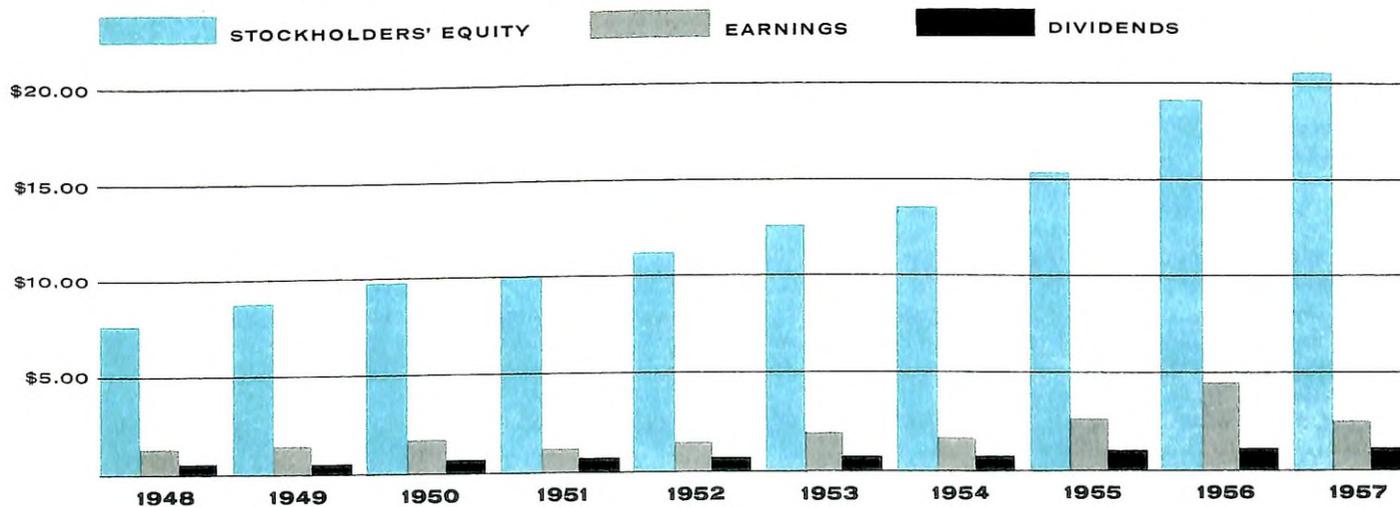
| | |
|--|---------------|
| Rooms..... | 42.7¢ |
| Food..... | 33.0 |
| Beverages..... | 11.9 |
| Telephone..... | 3.0 |
| Other Departments..... | 4.6 |
| Store and Office Building Rentals..... | 2.0 |
| Other Income..... | 2.8 |
| | <u>\$1.00</u> |



EXPENDITURES

| | |
|--|---------------|
| Payroll and Related Expenses..... | 40.1¢ |
| Cost of Goods Sold..... | 17.1 |
| Other Expenses..... | 14.0 |
| Repairs and Maintenance (Excluding Payroll)..... | 3.7 |
| Real Estate and Personal Property Taxes..... | 3.3 |
| Lease Rentals..... | 8.0 |
| Interest on Borrowed Money..... | 1.3 |
| Income Taxes..... | 4.3 |
| Dividends..... | 2.5 |
| Depreciation..... | 4.1 |
| Reinvested in the Business..... | 1.6 |
| | <u>\$1.00</u> |

EARNINGS, DIVIDENDS, AND EQUITY PER COMMON SHARE OF STOCK



Consolidated

ASSETS

| | DEC. 31, 1957 | DEC. 31, 1956 |
|--|-------------------------|-------------------------|
| CURRENT ASSETS | | |
| Cash | \$ 22,175,587.59 | \$ 24,202,721.76 |
| Accounts and Notes Receivable | \$ 14,513,819.29 | \$ 13,606,545.02 |
| Less: Reserve for Doubtful Accounts | 397,587.53 | 359,512.01 |
| | <u>\$ 14,116,231.76</u> | <u>\$ 13,247,033.01</u> |
| Inventories of Merchandise and Supplies—(At Cost) | \$ 3,723,125.19 | \$ 3,434,699.47 |
| Other Current Assets: | | |
| Cash in Banks for Payment of Income Taxes | \$ 3,000.00 | \$ 224,482.56 |
| Installment Sales Contract and Other Notes— | | |
| Payments Receivable Within One Year—(Note 2) | 2,687,363.46 | 2,882,257.34 |
| Prepaid Expenses | 1,463,987.47 | 1,813,291.62 |
| Sundry—Other | 576,977.84 | 454,071.55 |
| Total | <u>\$ 4,731,328.77</u> | <u>\$ 5,374,103.07</u> |
| Total Current Assets | <u>\$ 44,746,273.31</u> | <u>\$ 46,258,557.31</u> |
| INVESTMENTS—(NOTE 2) | | |
| Capital Stocks | \$ 2,169,850.00 | \$ 2,170,850.00 |
| Installment Sales Contract and Other Notes | 24,916,846.83 | 28,282,716.96 |
| Securities and Indebtedness of Affiliate—Not Current | 4,500,000.00 | 4,500,000.00 |
| Other Investments | 823,815.21 | 508,815.21 |
| | <u>\$ 32,410,512.04</u> | <u>\$ 35,462,382.17</u> |
| Less: Amounts Due Within One Year—(Above) | 2,687,363.46 | 2,882,257.34 |
| Total | <u>\$ 29,723,148.58</u> | <u>\$ 32,580,124.83</u> |
| FIXED ASSETS—(NOTE 3) | | |
| Land | \$ 20,019,401.98 | \$ 11,866,473.63 |
| Buildings | 78,740,110.65 | 67,724,414.06 |
| Furniture and Equipment | 39,874,332.45 | 37,415,105.91 |
| Leaseholds and Improvements | 21,791,472.68 | 21,170,587.98 |
| | <u>\$160,425,317.76</u> | <u>\$138,176,581.58</u> |
| Less: Reserve for Depreciation and Amortization | 52,813,344.82 | 41,807,511.99 |
| | <u>\$107,611,972.94</u> | <u>\$ 96,369,069.59</u> |
| Rehabilitation, Revisions and Alterations | 7,346,356.05 | 4,034,592.03 |
| Operating Equipment | 4,487,488.38 | 4,341,723.68 |
| Total | <u>\$119,445,817.37</u> | <u>\$104,745,385.30</u> |
| OTHER ASSETS AND DEFERRED CHARGES | | |
| Non-Operating Property—Land | \$ 324,416.27 | \$ 324,416.27 |
| Land Options—(Note 4) | 149,166.66 | — |
| Pre-Opening and Preliminary Investigation Expenses | 1,590,984.96 | 1,754,443.09 |
| Organization Expenses | 379,259.09 | 381,113.32 |
| Unamortized Mortgage and Loan Expenses | 293,805.87 | 275,957.79 |
| Other Assets and Deferred Charges | 865,765.89 | 993,913.05 |
| Total | <u>\$ 3,603,398.74</u> | <u>\$ 3,729,843.52</u> |
| TOTAL ASSETS | <u>\$197,518,638.00</u> | <u>\$187,313,910.96</u> |

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

Balance Sheet

LIABILITIES

| | DEC. 31, 1957 | DEC. 31, 1956 |
|---|-------------------------|-------------------------|
| CURRENT LIABILITIES | | |
| Bank Loan Payable..... | \$ — | \$ 155,250.00 |
| Accounts Payable..... | 6,142,007.80 | 5,946,169.17 |
| Accrued Expenses and Charges..... | 9,538,542.75 | 8,655,635.29 |
| Long-Term Debt Due Within One Year..... | 5,505,312.68 | 4,514,679.77 |
| Estimated Federal, State, City, District and Foreign Taxes on Income— (Based on Separate Returns of the Consolidated Companies)—(Note 5)..... | 7,429,438.66 | 10,126,591.68 |
| Sundry—Other..... | 1,024,223.10 | 1,037,258.28 |
| <i>Total Current Liabilities</i> | <u>\$ 29,639,524.99</u> | <u>\$ 30,435,584.19</u> |
| LONG-TERM DEBT—(NOTES 6, 8 AND 10) | | |
| Mortgage Bonds and Notes..... | \$ 40,120,224.05 | \$ 39,153,735.36 |
| 4% Debentures..... | 4,669,000.00 | 4,826,000.00 |
| 2% Debentures..... | 1,500,000.00 | 1,500,000.00 |
| 4½% Fifteen-Year Convertible Debentures..... | 2,723,300.00 | 4,649,700.00 |
| Installment Purchase Agreements and Notes Payable..... | 13,706,612.25 | 16,348,832.25 |
| Sundry—Other..... | 216,500.00 | 301,750.00 |
| | <u>\$ 62,935,636.30</u> | <u>\$ 66,780,017.61</u> |
| Less: Amounts Due Within One Year—(Above)..... | 5,505,312.68 | 4,514,679.77 |
| <i>Total Long-Term Debt</i> | <u>\$ 57,430,323.62</u> | <u>\$ 62,265,337.84</u> |
| DEFERRED INCOME | | |
| Unrealized Profit on Sale of Properties—(Note 2)..... | \$ 17,150,348.46 | \$ 19,092,517.55 |
| Sundry—Other..... | 109,828.53 | 67,802.11 |
| <i>Total Deferred Income</i> | <u>\$ 17,260,176.99</u> | <u>\$ 19,160,319.66</u> |
| RESERVES—SUNDRY | | |
| | <u>\$ 532,940.45</u> | <u>\$ 535,570.74</u> |
| MINORITY INTEREST | | |
| | <u>\$ 1,399,792.43</u> | <u>\$ —</u> |
| CAPITAL STOCK AND SURPLUS | | |
| Capital Stock—(Notes 7 and 10) | | |
| Cumulative First Preferred, Issuable in Series, Par \$100.00, Authorized 57,000 Shares at December 31, 1957 and 59,480 at December 31, 1956—Issued and Outstanding: | | |
| 5% Series "A"—52,900 Shares..... | \$ 5,290,000.00 | \$ 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: 233,214 Shares..... | 5,830,350.00 | — |
| Common, Par \$2.50, Authorized 8,000,000 Shares, Issued 4,435,721 Shares at December 31, 1957 and 4,115,427 Shares at December 31, 1956 (Including 497,050 and 443,825 Shares in Treasury—See Below)..... | 11,089,302.50 | 10,288,567.50 |
| Common Stock Scrip..... | 76.31 | 55.79 |
| <i>Total Capital Stock</i> | <u>\$ 22,209,728.81</u> | <u>\$ 15,578,623.29</u> |
| Surplus: | | |
| Capital Surplus..... | \$ 26,505,819.84 | \$ 20,584,171.15 |
| Earned Surplus—(Note 10)..... | 47,254,199.63 | 42,423,576.40 |
| Reserve for Contingencies..... | 500,000.00 | 500,000.00 |
| <i>Total Surplus</i> | <u>\$ 74,260,019.47</u> | <u>\$ 63,507,747.55</u> |
| <i>Total Capital Stock and Surplus</i> | <u>\$ 96,469,748.28</u> | <u>\$ 79,086,370.84</u> |
| Deduct: Common Stock in Treasury—(At Cost) | | |
| 497,050 Shares at December 31, 1957 and 443,825 Shares at December 31, 1956..... | 5,213,868.76 | 4,169,272.31 |
| | <u>\$ 91,255,879.52</u> | <u>\$ 74,917,098.53</u> |
| COMMITMENTS AND CONTINGENT LIABILITIES—(NOTES 8 AND 9) | | |
| TOTAL LIABILITIES | <u>\$197,518,638.00</u> | <u>\$187,313,910.96</u> |

Comparative Statement of Consolidated Income

| | YEAR ENDED | |
|---|-------------------------|-------------------------|
| | DEC. 31, 1957 | DEC. 31, 1956 |
| GROSS OPERATING REVENUE | | |
| Rooms Department | \$ 87,637,170.30 | \$ 85,082,755.35 |
| Food and Beverage Department | 92,342,835.12 | 89,264,240.92 |
| Other Operated Departments | 15,546,591.14 | 15,368,355.03 |
| Other Income | 4,674,022.69 | 4,880,386.45 |
| Store Rentals | 3,046,131.73 | 2,696,413.16 |
| | <u>\$203,246,750.98</u> | <u>\$197,292,150.91</u> |
| OPERATING COSTS AND EXPENSES | | |
| Departmental Costs and Expenses | \$104,240,789.52 | \$101,203,460.85 |
| Administrative and General Expenses | 20,949,157.21 | 19,757,907.55 |
| Advertising and Business Promotion | 4,959,185.04 | 4,630,761.16 |
| Heat, Light and Power | 7,533,431.11 | 6,962,626.31 |
| Maintenance and Repairs | 12,071,637.30 | 10,715,822.27 |
| Lease Rentals | 16,356,813.60 | 15,947,004.02 |
| Real Estate and Personal Property Taxes | 6,854,457.16 | 6,047,557.56 |
| Interest | 2,631,747.82 | 2,675,214.43 |
| Depreciation and Amortization | 8,306,169.04 | 8,002,589.44 |
| Corporate Expenses and Sundry Capital Charges | 2,717,621.96 | 2,349,648.26 |
| | <u>\$186,621,009.76</u> | <u>\$178,292,591.85</u> |
| NET OPERATING PROFIT | <u>\$ 16,625,741.22</u> | <u>\$ 18,999,559.06</u> |
| ADDITIONS TO OR DEDUCTIONS* FROM INCOME | | |
| Interest on Investment Securities | \$ 1,028,781.94 | \$ 643,855.97 |
| Profit from Office Buildings and Other Real Estate Operations | 1,038,372.49 | 929,188.80 |
| Reimbursement by Lessor Under Lease Agreement | — | 195,293.11 |
| Contribution to Pension Trust | 1,061,866.27* | 962,900.00* |
| Property Tax Refunds | 54,886.16 | 103,656.72 |
| Income from Royalties and Sale of Oil Leases | 99,205.03 | 61,451.53 |
| Sundry—Other | 172,313.64* | 82,908.49* |
| | <u>\$ 987,065.71</u> | <u>\$ 887,637.64</u> |
| PROFIT BEFORE INCOME TAXES | <u>\$ 17,612,806.93</u> | <u>\$ 19,887,196.70</u> |
| PROVISION FOR INCOME TAXES | | |
| Federal, Normal and Surtax | \$ 8,582,204.52 | \$ 9,943,790.52 |
| State, City, District and Foreign Taxes | 301,127.46 | 320,350.82 |
| | <u>\$ 8,883,331.98</u> | <u>\$ 10,264,141.34</u> |
| NET PROFIT BEFORE MINORITY INTEREST | <u>\$ 8,729,474.95</u> | <u>\$ 9,623,055.36</u> |
| MINORITY INTEREST | <u>120,410.35</u> | <u>35,840.74</u> |
| NET INCOME | <u>\$ 8,609,064.60</u> | <u>\$ 9,587,214.62</u> |
| REALIZED PROFIT ON SALE OF PROPERTIES | <u>\$ 1,939,404.82</u> | <u>\$ 9,635,578.34</u> |
| LESS: | | |
| Taxes Applicable Thereto | 484,851.20 | 2,470,423.49 |
| | <u>\$ 1,454,553.62</u> | <u>\$ 7,165,154.85</u> |
| TOTAL NET INCOME AND PROFITS | <u>\$ 10,063,618.22</u> | <u>\$ 16,752,369.47</u> |

*Denotes Red Figures.

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, 1956 | | \$20,584,171.15 |
| ADD: | | |
| Surplus Arising from Conversion of 4½% Fifteen-Year Convertible Debentures into Common Stock in Accordance with Conversion Privileges | \$1,708,679.48 | |
| Surplus Arising from Exchange of \$25.00 Par Value 5½% Series "A" Preferred Stock and \$2.50 Par Value Common Stock for Common Stock of Savoy-Plaza, Inc., in Accordance with Terms of Exchange Agreement | <u>4,212,969.21</u> | |
| | | <u>5,921,648.69</u> |
| BALANCE—DECEMBER 31, 1957 | | <u>\$26,505,819.84</u> |

EARNED SURPLUS

| | | |
|---|---------------------|------------------------|
| BALANCE—DECEMBER 31, 1956 | | \$42,423,576.40 |
| ADD: | | |
| Net Income and Profits for the Year Ended December 31, 1957 | | <u>10,063,618.22</u> |
| | | \$52,487,194.62 |
| DEDUCT: | | |
| Dividends: | | |
| Cumulative First Preferred Stock, 5% Series "A" | \$ 264,500.00 | |
| Cumulative Preferred Stock, 5½% Series "A" | 258,360.29 | |
| Common Stock | <u>4,710,134.70</u> | |
| | | <u>5,232,994.99</u> |
| BALANCE—DECEMBER 31, 1957 | | <u>\$47,254,199.63</u> |

CERTIFICATE OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Board of Directors and Shareholders of
Hilton Hotels Corporation

We have examined the consolidated balance sheet of Hilton Hotels Corporation and its Subsidiaries at December 31, 1957 and the related consolidated surplus and income statements for the year then ended.

These consolidated statements have been prepared from financial statements of the operating units of Hilton Hotels Corporation and its Subsidiaries which were either audited by us or by another firm of independent accountants, which firm has submitted to us a certificate concerning the underlying 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 the opinion expressed in the certificate of another firm of independent accountants pertaining to the operating units and companies examined 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 Subsidiaries at December 31, 1957 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Chicago, Illinois
March 3, 1958

HARRIS, KERR, FORSTER & COMPANY

Notes to Financial Statements

1—BASIS OF CONSOLIDATION

It is the policy of the Company to include in the consolidated financial statements the accounts of its subsidiaries all of which, except for one majority-owned subsidiary, were wholly-owned at December 31, 1957, and to reflect in consolidated income subsidiary operations from dates of acquisition of control. Consolidated earned surplus at December 31, 1957 included \$6,095,297 representing the combined undistributed net earnings of consolidated subsidiaries, less depreciation and amortization on a \$5,368,356 excess of cost of securities acquired over net assets thus acquired of the consolidated subsidiaries, which excess has been applied as additional cost of fixed assets in consolidation.

2—INVESTMENTS

Installment sales contract and other notes received by the Company in connection with sales of various properties since 1952 were, with the exception of a promissory note in the amount of \$828,943 at December 31, 1957, secured by either first, second, chattel or real estate leasehold mortgages. These notes require various periodic payments and their maturities range from March 1, 1960 to July 1, 1976. As at December 31, 1957, the required payments receivable for the next five years approximated \$2,587,363, 1958; \$2,610,989, 1959; \$2,975,627, 1960; \$1,735,938, 1961; and \$1,757,125, 1962.

It is the Company's policy to defer the profit on those sales that qualify as installment sales under Treasury regulations, taking into income that portion of the profit as applies to payments received on the installment sales contract in the year in which such payments are received. At December 31, 1957, \$17,150,348 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: \$1,612,481, 1958; \$1,625,168, 1959; \$1,954,840, 1960; \$1,271,014, 1961; and \$1,282,299, 1962.

As of March 1, 1958 the Company entered into a 5%, \$13,000,000 bank loan agreement maturing April 2, 1963 with right to extend maturity to October 1, 1963. Payments against this loan are to equal payments received from installment sales contract and other notes which were deposited with the lender for purposes of collection and application of proceeds from such notes under the terms of the loan.

The Company carries in investments a minority interest of 250,000 shares of common stock of another hotel company which were received as part consideration in connection with a

property sale in 1956 and the value ascribed to such shares was \$1,500,000. The total market value, computed on the basis of the closing stock exchange price per share at December 31, 1957, was \$750,000.

3—FIXED ASSETS

Substantially, all 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 predecessor's basis, plus additions at cost.

4—LAND OPTIONS

Options to acquire land costing approximately \$2,750,000 were held by a wholly-owned subsidiary at December 31, 1957. On February 7, 1958 the Company advanced \$1,311,583 to its subsidiary for purposes of exercising certain of these options.

5—FEDERAL TAXES ON INCOME

Federal income tax returns of the Company for the years 1951 and 1952 were examined by the Internal Revenue Service and proposed additional assessments totaling \$567,112 have been made which the Company is protesting. Returns of the Company, its subsidiaries and predecessor companies are either under or subject to examination for 1953 and subsequent years.

6—LONG-TERM DEBT

The trust indenture securing the 4½% fifteen-year convertible debentures (conversion privilege to common stock expires January 2, 1958) requires annual sinking fund payments on January 15 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 aggregate annual sinking fund and maturity requirements on the total long-term debt at December 31, 1957 together with payments required in connection with indebtedness committed, during the first part of 1958, for each of the next five years ending December 31, follows: 1958, \$6,863,876; 1959, \$7,094,998; 1960, \$7,640,781; 1961, \$6,006,107; and 1962, \$4,172,112.

7—CAPITAL STOCK

The 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 such shares theretofore issued and outstanding. The Company has complied with this sinking fund provision.

The 5½% Series "A" shares were issued during 1957 in connection with an exchange of shares with stockholders of a now majority-owned subsidiary. These shares will be convertible, at the option of the holders, at any time after January 1, 1960, into common shares of the Company at the rate of one share of common for each one and one-half shares of this Series, and, at the option of the Company, such Series "A" shares will be redeemable at not exceeding \$26.25 plus accrued dividend on and after January 1, 1961 to the date fixed for redemption.

8—COMMITMENTS AND CONTINGENT LIABILITIES

Contract commitments in connection with new hotel construction approximated \$11,470,000 at December 31, 1957.

The Company has subscribed for and agreed to purchase from its wholly-owned subsidiary Hilton Hotels International, Inc. at par, \$2,000,000 aggregate principal amount of 5% subordinated (sinking fund) debentures and 400,000 shares of \$5.00 par value common stock to be issued from time to time at the option of the subsidiary. The commitment is irrevocable for a period of four years from November 27, 1956, but shall expire prior thereto if and when such securities in these amounts have been purchased by the Company. As at December 31, 1957, Hilton Hotels Corporation, in connection with the subscription commitment, had purchased 180,000 shares of common stock for \$900,000 and in January and February, 1958 purchased an additional 140,000 common shares for \$700,000.

During 1957 the Company, in connection with a lease and the construction of a hotel in Pittsburgh, Pennsylvania, entered into an Indenture of Mortgage and Deed of Trust pertaining to a \$12,000,000 issue of Leasehold Mortgage 4-4½% Sinking Fund Bonds due June 1, 1987. The company had not issued any bonds nor drawn down any of the funds available under the mortgage at December 31, 1957.

The Company has not received a release from mortgagees under two first mortgages totaling approximately \$10,000,000 which mortgages were assumed by buyers of properties who also agreed to hold the Company harmless against any liability thereon.

The Company is guarantor under a long-term note payable of a wholly-owned subsidiary amounting to \$400,000 at December 31, 1957.

Reference is made to Note 2 concerning a \$13,000,000 bank loan commitment.

9—LONG-TERM LEASES

The Company and its subsidiaries operate or will operate certain properties under leases ranging from two years and three

months to thirty-two years, from December 31, 1957, with option to renew for various periods 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: 1958, \$11,296,000; 1959, \$11,096,000; 1960, \$9,925,200; 1961, \$9,288,800; and 1962, \$8,888,800.

The wholly-owned subsidiary, Hilton Hotels International, Inc. has entered into leases and preliminary leases, contracts or undertakings ranging from ten to twenty years, subject to certain conditions, for the operation of hotels under construction or to be constructed in sixteen cities outside the continental United States. In general, "International" or its subsidiaries is required to furnish initial inventories and to maintain sufficient working capital, except in the case of one lease, which specifies that not less than \$250,000 shall be furnished for these purposes, to be maintained for the first five years of the lease. The terms of the leases commence either on actual occupancy or within ten days of receipt of architect's certificate of occupancy. The leases basically provide for a rental based on a percentage of gross operating profit, with certain specific rental obligations.

10—LIMITATIONS AND RESTRICTIONS

Under the most restrictive covenants of certain indentures relating to long-term debt as of December 31, 1957, the Company and certain subsidiaries on a consolidated basis was (a) required to maintain working capital of \$7,000,000 and a ratio of current assets to current liabilities of 148%; (b) prohibited from declaring dividends or distributions on its capital stock unless the sum of \$2,500,000 and 60% of the consolidated net income (as defined) shall be greater than the aggregate of all such dividends and distributions. The maximum amount of earned surplus so restricted was \$44,821,756 at December 31, 1957.

The wholly-owned subsidiary, Hotel Waldorf-Astoria Corporation, is restricted under the terms of a certain note payable, from payment of cash dividends without the written consent of the holder and/or holders, if any, of at least two-thirds of the principal amount of the note outstanding which at December 31, 1957 was \$400,000. Earnings so restricted at December 31, 1957 amounted to \$4,100,000.

The wholly-owned subsidiary, Hilton Hotels International, Inc., is restricted under the terms of a note payable amounting to \$296,712 at December 31, 1957 from lending money to the parent or any affiliates, except wholly-owned subsidiaries, purchasing, redeeming, or retiring any of its outstanding capital stock, or paying any dividends in cash or property except after (1) payment in full of all installments of principal and interest on the note (\$50,000 principal per annum), (2) full compliance with other provisions aforementioned, in which event dividends payable in cash or property shall be limited to the aggregate of the amount of payments made in such year on the note.

Statement of Financial Condition

| | 1957 | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| CURRENT ASSETS | | | | | | | | | | |
| Cash | \$ 22,175,587 | \$ 24,202,722 | \$ 18,532,505 | \$ 21,908,857 | \$ 10,412,986 | \$ 7,148,506 | \$ 7,289,412 | \$ 6,996,985 | \$ 5,582,394 | \$ 4,620,363 |
| Marketable Securities | — | — | 100,000 | 100,000 | 260,000 | 710,000 | 710,000 | 710,000 | 200,000 | 200,799 |
| Receivables (Net) | 14,116,232 | 13,247,033 | 12,434,306 | 9,962,342 | 6,718,052 | 6,071,986 | 4,923,736 | 4,351,549 | 1,568,672 | 1,584,243 |
| Inventories | 3,723,125 | 3,434,699 | 3,382,776 | 3,415,258 | 2,393,548 | 2,475,939 | 2,246,847 | 1,976,791 | 1,031,642 | 1,320,663 |
| Others | 4,731,329 | 5,374,103 | 5,170,015 | 7,681,040 | 5,536,449 | 4,071,527 | 2,846,274 | 2,355,500 | 1,742,648 | 878,464 |
| TOTAL CURRENT ASSETS | \$ 44,746,273 | \$ 46,258,557 | \$ 39,619,602 | \$ 43,067,497 | \$ 25,321,035 | \$ 20,477,958 | \$ 18,016,269 | \$ 16,390,825 | \$ 10,125,356 | \$ 8,604,532 |
| CURRENT LIABILITIES | | | | | | | | | | |
| Accounts Payable | \$ 6,142,008 | \$ 5,946,169 | \$ 8,435,546 | \$ 7,643,935 | \$ 4,180,202 | \$ 3,173,815 | \$ 3,069,809 | \$ 2,692,845 | \$ 1,590,354 | \$ 2,182,510 |
| Accrued Liabilities | 9,538,543 | 8,655,635 | 8,507,297 | 7,409,524 | 4,832,164 | 4,438,829 | 3,682,449 | 3,440,643 | 2,400,262 | 2,368,039 |
| Provision for Income Taxes | 7,429,438 | 10,126,592 | 7,624,919 | 6,463,149 | 2,876,234 | 2,806,156 | 2,650,443 | 2,868,528 | 1,232,434 | 153,232 |
| Payment of Funded Debt and Long Term Liabilities Due within One Year | 5,505,313 | 4,514,680 | 4,033,915 | 3,622,326 | 1,628,680 | 1,308,687 | 1,136,496 | 1,016,087 | 549,778 | 704,144 |
| Others | 1,024,223 | 1,192,508 | 870,972 | 1,191,725 | 1,005,813 | 460,575 | 322,763 | 351,167 | 151,634 | 152,459 |
| TOTAL CURRENT LIABILITIES | \$ 29,639,525 | \$ 30,435,584 | \$ 29,472,649 | \$ 26,330,659 | \$ 14,523,093 | \$ 12,188,062 | \$ 10,861,960 | \$ 10,369,270 | \$ 5,924,462 | \$ 5,560,384 |
| WORKING CAPITAL | \$ 15,106,748 | \$ 15,822,973 | \$ 10,146,953 | \$ 16,736,838 | \$ 10,797,942 | \$ 8,289,896 | \$ 7,154,309 | \$ 6,021,555 | \$ 4,200,894 | \$ 3,044,148 |
| OTHER ASSETS | | | | | | | | | | |
| Non-Current Receivables and Investments | 29,723,149 | 32,580,125 | 16,353,232 | 19,556,978 | 11,565,530 | 5,663,295 | 3,656,893 | 3,995,749 | 3,167,227 | 1,357,529 |
| Fixed Assets (Net) | 119,445,817 | 104,745,385 | 110,184,920 | 86,327,257 | 66,609,020 | 62,489,425 | 61,174,428 | 59,625,808 | 49,292,601 | 51,042,925 |
| Deferred Charges | 3,603,399 | 3,729,844 | 3,751,664 | 1,453,892 | 1,100,254 | 871,302 | 800,128 | 802,462 | 596,537 | 454,329 |
| TOTAL | \$ 167,879,113 | \$ 156,878,327 | \$ 140,436,769 | \$ 124,074,965 | \$ 90,072,746 | \$ 77,313,918 | \$ 72,785,758 | \$ 70,445,574 | \$ 57,257,259 | \$ 55,898,931 |
| OTHER LIABILITIES, DEFERRED INCOME AND RESERVES | | | | | | | | | | |
| Funded Debt and Long Term Liabilities (less payments due within one year) | \$ 57,430,324 | \$ 62,265,338 | \$ 70,988,531 | \$ 63,749,375 | \$ 34,473,165 | \$ 35,169,609 | \$ 34,357,135 | \$ 32,933,501 | \$ 24,208,252 | \$ 23,958,030 |
| Deferred Income | 17,260,177 | 19,160,320 | 8,654,615 | 6,583,693 | 7,821,708 | 3,067,461 | — | — | — | — |
| Sundry Reserves | 532,940 | 535,571 | 395,247 | 54,670 | 28,048 | 114,456 | 365,889 | 402,655 | 142,914 | 8,275 |
| TOTAL | \$ 75,223,441 | \$ 81,961,229 | \$ 80,038,393 | \$ 70,387,738 | \$ 42,322,921 | \$ 38,351,526 | \$ 34,723,024 | \$ 33,336,156 | \$ 24,351,166 | \$ 23,966,305 |
| NET ASSETS | \$ 92,655,672 | \$ 74,917,098 | \$ 60,398,376 | \$ 53,687,227 | \$ 47,749,825 | \$ 38,962,392 | \$ 38,062,734 | \$ 37,109,418 | \$ 32,906,093 | \$ 31,932,626 |
| NET ASSETS REPRESENTED IN | | | | | | | | | | |
| First Preferred Stock—Series A | \$ 5,290,000 | \$ 5,290,000 | \$ 5,290,000 | \$ 5,290,000 | \$ 6,196,000 | \$ — | \$ — | \$ — | \$ — | \$ — |
| First Preferred Stock—Series B | — | — | 2,534,000 | 3,800,000 | — | — | — | — | — | — |
| Cumulative Voting Preferred Stock—Series A | 5,830,350 | — | — | — | — | — | — | — | — | — |
| Convertible Preference Stock | — | — | — | — | 1,214,500 | 2,175,650 | 3,994,450 | 4,903,850 | 5,813,250 | 6,723,150 |
| Common Stock (less treasury shares at cost) | 5,875,510 | 6,119,351 | 6,320,876 | 6,200,400 | 6,131,549 | 7,244,584 | 7,511,521 | 7,038,215 | 6,956,281 | 7,742,308 |
| Surplus Reserves | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 1,700,000 | 1,820,000 | 1,820,000 |
| Capital Surplus | 26,505,820 | 20,584,171 | 15,689,532 | 13,125,131 | 12,060,051 | 10,952,473 | 9,202,137 | 7,301,090 | 7,340,447 | 7,091,924 |
| Earnings Retained in the Business | 47,254,200 | 42,423,576 | 29,966,364 | 24,697,177 | 21,647,725 | 17,187,648 | 14,447,174 | 12,664,299 | 9,614,750 | 7,271,896 |
| Minority Interest | 1,399,792 | — | 97,604 | 74,519 | — | 902,037 | 2,407,452 | 3,501,964 | 1,361,365 | 1,283,348 |
| TOTAL AS ABOVE | \$ 92,655,672 | \$ 74,917,098 | \$ 60,398,376 | \$ 53,687,227 | \$ 47,749,825 | \$ 38,962,392 | \$ 38,062,734 | \$ 37,109,418 | \$ 32,906,093 | \$ 31,932,626 |
| Book Value per Common Share | \$20.35 | \$18.96 | \$15.25 | \$13.50 | \$12.50 | \$11.07 | \$9.94 | \$9.58 | \$8.69 | \$7.55 |

AT THE CLOSE OF YEARS 1948 TO 1957 INCLUSIVE

10 Years Summary of Consolidated Earnings

| | 1957 | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 |
|--|------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| GROSS REVENUE | | | | | | | | | | |
| Rooms Department | \$ 87,637,170 | \$ 85,082,755 | \$ 81,566,520 | \$ 50,060,666 | \$39,307,529 | \$34,331,105 | \$31,350,484 | \$28,248,855 | \$19,624,629 | \$19,672,728 |
| Food and Beverage Department | 92,342,835 | 89,264,241 | 84,832,829 | 55,754,805 | 45,301,690 | 40,950,719 | 38,215,048 | 33,822,503 | 21,079,609 | 22,023,068 |
| Other Operated Departments | 15,546,591 | 15,368,355 | 15,059,221 | 10,623,234 | 9,649,254 | 8,983,416 | 7,869,696 | 7,088,476 | 5,424,123 | 5,154,361 |
| Other Income | 4,674,023 | 4,880,387 | 4,362,857 | 2,373,050 | 1,839,273 | 1,555,618 | 1,422,105 | 1,311,652 | 681,677 | 782,324 |
| Store Rentals | 3,046,132 | 2,696,413 | 2,460,510 | 1,797,463 | 1,471,666 | 1,334,514 | 1,316,047 | 1,270,166 | 953,719 | 1,025,976 |
| Office Building Rentals | 1,038,372 | 929,189 | 956,194 | 150,401 | — | — | — | — | — | — |
| Interest on Investments | 1,028,782 | 643,856 | 218,432 | 224,848 | 124,578 | 63,152 | 48,835 | 54,109 | 41,637 | 67,512 |
| TOTAL GROSS REVENUE | \$205,313,905 | \$198,865,196 | \$189,456,563 | \$120,984,467 | \$97,693,990 | \$87,218,524 | \$80,222,215 | \$71,795,761 | \$47,805,394 | \$48,725,969 |
| EXPENSES | | | | | | | | | | |
| Operated Departments | \$104,240,790 | \$101,203,461 | \$ 97,545,612 | \$ 64,529,241 | \$53,265,104 | \$47,683,216 | \$44,052,000 | \$39,017,530 | \$26,444,235 | \$27,085,245 |
| Administrative and General | 20,949,157 | 19,757,908 | 18,809,063 | 12,420,434 | 9,572,412 | 8,275,935 | 7,276,940 | 6,236,809 | 3,646,620 | 3,724,578 |
| Advertising and Business Promotion | 4,959,185 | 4,630,761 | 4,238,618 | 2,955,153 | 2,115,632 | 1,802,294 | 1,578,280 | 1,289,375 | 934,372 | 750,881 |
| Heat, Light and Power | 7,533,431 | 6,962,626 | 6,685,988 | 4,134,904 | 3,076,723 | 2,671,729 | 2,454,960 | 2,157,643 | 1,530,851 | 1,711,635 |
| Maintenance and Repairs | 12,071,637 | 10,715,822 | 10,687,111 | 6,833,119 | 6,519,117 | 5,063,585 | 4,328,086 | 3,456,026 | 2,470,581 | 3,096,300 |
| Lease Rentals | 16,356,814 | 15,947,004 | 15,603,606 | 8,660,280 | 4,687,984 | 3,351,809 | 2,706,456 | 2,388,943 | 182,599 | 179,866 |
| Real Estate and Personal Property Taxes | 6,799,571 | 5,943,901 | 6,123,974 | 3,249,568 | 3,053,159 | 2,926,238 | 2,574,738 | 2,328,134 | 1,717,022 | 1,401,121 |
| Depreciation and Amortization | 8,306,169 | 8,002,590 | 7,728,292 | 4,627,952 | 3,996,447 | 3,835,806 | 3,445,779 | 3,082,458 | 2,539,522 | 2,653,882 |
| Interest | 2,631,748 | 2,675,215 | 3,116,942 | 1,685,551 | 1,296,507 | 1,230,910 | 1,236,834 | 1,147,080 | 845,834 | 850,844 |
| Other Operating Costs | — | — | — | 47,035 | 216,834 | 276,205 | 14,108 | — | — | — |
| Other Capital Charges | 2,717,622 | 2,349,648 | 1,674,560 | 1,208,860 | 792,819 | 760,855 | 625,977 | 658,751 | 232,864 | 267,748 |
| TOTAL EXPENSES | \$186,566,124 | \$178,188,936 | \$172,213,766 | \$110,352,097 | \$88,592,738 | \$77,878,582 | \$70,294,158 | \$61,762,749 | \$40,544,500 | \$41,722,100 |
| PROFIT BEFORE OTHER ADDITIONS OR DEDUCTIONS | \$ 18,747,781 | \$ 20,676,260 | \$ 17,242,797 | \$ 10,632,370 | \$ 9,101,252 | \$ 9,339,942 | \$ 9,928,057 | \$10,033,012 | \$ 7,260,894 | \$ 7,003,869 |
| OTHER ADDITIONS OR (DEDUCTIONS) | | | | | | | | | | |
| Contribution to Pension Trust | \$ (1,061,866) | \$ (962,900) | \$ (917,150) | \$ (603,000) | \$ (500,000) | \$ (400,000) | \$ (400,000) | \$ — | \$ — | \$ — |
| Adjustments for Prior Years | — | — | 113,684 | 87,286 | 98,521 | 380,272 | — | — | — | — |
| Sundry Others—Net | (73,109) | 173,836 | 159,227 | 144,523 | 34,060 | 125,455 | (139,527) | 116,312 | 43,260 | (110,687) |
| Provision for Income Taxes | (8,883,332) | (10,264,141) | (8,539,783) | (5,430,162) | (4,508,946) | (5,013,025) | (5,104,223) | (4,688,437) | (2,866,245) | (2,711,984) |
| TOTAL OTHER ADDITIONS OR (DEDUCTIONS) | \$ (10,018,307) | \$ (11,053,205) | \$ (9,184,022) | \$ (5,801,353) | \$ (4,876,365) | \$ (4,907,298) | \$ (5,643,750) | \$ (4,572,125) | \$ (2,822,985) | \$ (2,822,671) |
| NET PROFIT FROM OPERATIONS | \$ 8,729,474 | \$ 9,623,055 | \$ 8,058,775 | \$ 4,831,017 | \$ 4,224,887 | \$ 4,432,644 | \$ 4,284,307 | \$ 5,460,887 | \$ 4,437,909 | \$ 4,181,198 |
| SALE OF PROPERTIES | | | | | | | | | | |
| Gain or (Loss) on Sale of Properties | \$ 1,939,405 | \$ 9,635,578 | \$ 1,470,001 | \$ 1,237,842 | \$ 3,079,338 | \$ 365,196 | \$ — | \$ — | \$ (295,731) | \$ — |
| Provision for Capital Gains Tax | 484,851 | 2,470,423 | 367,500 | 321,839 | 800,628 | 94,951 | — | — | (112,378) | — |
| NET PROFIT OR (LOSS) ON SALE OF PROPERTIES | \$ 1,454,554 | \$ 7,165,155 | \$ 1,102,501 | \$ 916,003 | \$ 2,278,710 | \$ 270,245 | \$ — | \$ — | \$ (183,353) | \$ — |
| TOTAL NET PROFIT | \$ 10,184,028 | \$ 16,788,210 | \$ 9,161,276 | \$ 5,747,020 | \$ 6,503,597 | \$ 4,702,889 | \$ 4,284,307 | \$ 5,460,887 | \$ 4,254,556 | \$ 4,181,198 |
| Deduct Minority Interest | 120,410 | 35,841 | 56,516 | 8,947 | 89,597 | 181,474 | 343,492 | 605,554 | 122,883 | 125,996 |
| NET PROFIT | \$ 10,063,618 | \$ 16,752,369 | \$ 9,104,760 | \$ 5,738,073 | \$ 6,414,000 | \$ 4,521,415 | \$ 3,940,815 | \$ 4,855,333 | \$ 4,131,673 | \$ 4,055,202 |

FOR THE YEARS ENDED DECEMBER 31

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

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

5% FIRST PREFERRED STOCK, SERIES A

Manufacturers Trust Company, New York

Chemical Corn Exchange Bank, New York

5½% CONVERTIBLE PREFERRED STOCK, SERIES A

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

American National Bank & Trust Company of Chicago
Chemical Corn Exchange Bank, New York

EXECUTIVE OFFICES

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



HABANA HILTON, Havana, Cuba . . . Operated by Hilton Hotels International, this new 630 room hotel is 30 stories high—largest and tallest in Latin America. Rising in the center of Havana, its rooms overlook the harbor, the city, or historic Morro Castle. Luxurious and modern, the hotel is air-conditioned throughout, offers a resort setting including a large swimming pool, cabanas, and a variety of glamorous restaurants, cafes and bars.

habana hilton



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THE STATLER HILTON, *New York, New York*
THE SAVOY PLAZA, *New York, New York*
THE STATLER HILTON, *Washington, D. C.*
THE STATLER HILTON, *Boston, Massachusetts*
THE STATLER HILTON, *Buffalo, New York*
THE STATLER HILTON, *Hartford, Connecticut*

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THE PALMER HOUSE, *Chicago, Illinois*
THE STATLER HILTON, *Detroit, Michigan*
THE NETHERLAND HILTON, *Cincinnati, Ohio*
THE TERRACE HILTON, *Cincinnati, Ohio*
THE STATLER HILTON, *Cleveland, Ohio*
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THE DAYTON BILTMORE, *Dayton, Ohio*
THE STATLER HILTON, *St. Louis, Missouri*

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THE STATLER HILTON, *Los Angeles, California*
THE SHAMROCK HILTON, *Houston, Texas*
THE STATLER HILTON, *Dallas, Texas*
HILTON HOTEL, *Fort Worth, Texas*
HILTON HOTEL, *El Paso, Texas*
HILTON HOTEL, *San Antonio, Texas*
HILTON HOTEL, *Albuquerque, New Mexico*

INTERNATIONAL DIVISION

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 HABANA HILTON, *Havana, Cuba*
THE QUEEN ELIZABETH, *Montreal, Canada (a C. N. R. Hotel)*



CORPORATION

Conrad N. Hilton, President

EXECUTIVE OFFICES • 720 SOUTH MICHIGAN AVENUE

CHICAGO 5, ILLINOIS

