



Hilton Hotels
Annual Report 1951

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

6 YEARS AT A GLANCE

YEARS ENDED DECEMBER 31	1951	1950	1949	1948	1947	1946*
GROSS REVENUE	\$80,222,215	\$71,795,761	\$47,805,394	\$48,725,969	\$47,842,722	\$39,676,015
NET PROFIT (excluding minority interest)						
Before Other Additions or Deductions	4,196,008	4,792,725	4,288,205	4,124,128	4,750,226	3,538,824
After Other Additions or Deductions	3,955,549	4,855,333	4,131,673	4,055,202	5,699,734	3,549,449
EARNINGS PER COMMON SHARE						
Before Other Additions or Deductions	2.53	3.07	2.74	2.42	2.66	2.03
After Other Additions or Deductions	2.38	3.11	2.63	2.37	3.25	2.04
NET WORKING CAPITAL December 31	\$ 7,154,309	\$ 6,021,555	\$ 4,200,894	\$ 3,044,148	\$ 5,227,519	\$ 2,572,931
EARNED SURPLUS (excluding Surplus reserves) December 31	\$14,149,019	\$12,664,299	\$ 9,614,750	\$ 7,271,896	\$ 5,062,127	\$ 1,460,317
OUTSTANDING STOCK December 31						
Convertible Preference (Shares)	79,889	98,077	116,265	134,463	197,401.35	237,012.54
Common (Shares)	1,592,878	1,498,217	1,480,592	1,583,545	1,618,578	1,618,377

*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.



To the shareholders of Hilton Hotels Corporation

From the standpoint of business volume, your corporation made progress in 1951. Net income was below the 1950 level, however, owing to a combination of circumstances including higher operating expenses, increased federal taxes and certain unusual expenses which will not recur.

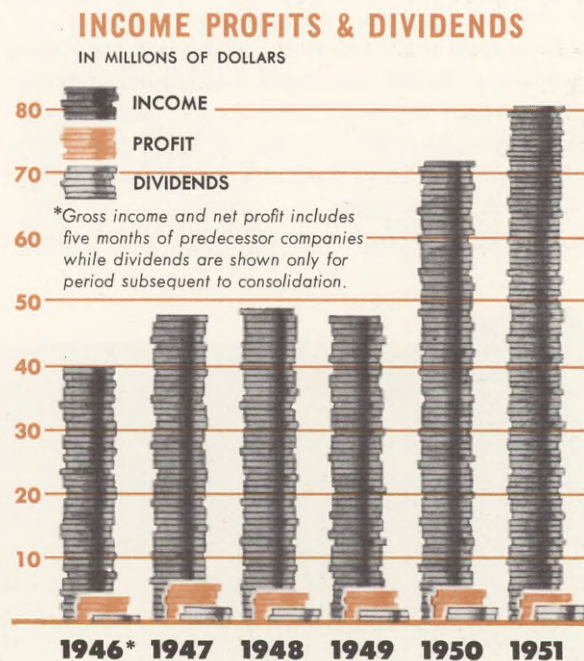
For the first time, the annual report is made this year in consolidated form. In this way, we are able to present a more complete picture of the size and operations of your corporation. The new practice brings together the balance sheet and the profit and loss accounts of the parent company and its two principal subsidiaries, the Mayflower Hotel Corporation and Hotel Waldorf-Astoria Corporation. Previously, they were shown separately. To facilitate the comparison of 1951 results with those of prior years, the figures for earlier years have been reworked and they are presented on a consolidated basis throughout the 1951 report.

This annual report for the year ended December 31, 1951 is submitted to the growing family of Hilton shareholders, numbering 4,243 at the end of the year. Included are consolidated balance sheets, consolidated summaries of profit and loss and surplus accounts together with the certificate of Harris, Kerr, Forster and Company, independent public accountants.

Gross receipts and earnings from operations of your corporation's properties, including the Mayflower and Waldorf-Astoria, amounted to \$80,173,380 in the year ended December 31, 1951. This compared with a consolidated total of \$71,756,134 in 1950. Of the \$8,417,246 in-

crease in dollar volume, \$3,698,304 was accounted for by the Jefferson Hotel in St. Louis and the Arrowhead Springs Hotel of San Bernardino, California. The Jefferson, acquired at the end of November, 1950, contributed revenue throughout 1951. The Arrowhead Springs Hotel was leased in May, 1951.

Net consolidated income after all charges including federal income and excess profits taxes amounted in 1951 to \$3,955,549, equal after providing for dividends on convertible preference stock to \$2.38 a share on the 1,592,878 common shares outstanding at the end of



THE HILTON DOLLAR 1951

Where it came from

Rooms	39.10¢
Food	34.68¢
Beverage	12.98¢
Telephone	3.70¢
Other Departments	6.12¢
Store Rentals	1.64¢
Other Income	1.78¢
Total	100.00¢



Where it went

Payroll and Related Expenses	37.97¢
Cost of Sales	19.80¢
Other Expenses	17.90¢
Repairs and Maintenance (excluding payroll)	3.57¢
Real Estate and Personal Property Taxes	3.21¢
Interest on Borrowed Money	1.54¢
Depreciation and Amortization	4.28¢
Federal Income Tax	6.37¢
Dividends	2.60¢
Reinvested in Business	2.76¢
Total	100.00¢

the year. In 1950, the consolidated income after all charges was \$4,855,333, or \$3.11 on the 1,498,217 common shares after providing for preference dividends.

To appraise last year's results accurately, however, requires more than a passing glance at the final figures.

Like most business enterprises, your corporation last year felt the impact of higher federal income and excess profits taxes. Such taxes last year totaled \$5,040,986, or \$3.16 per common share. In 1950 they amounted to \$4,640,049, or \$3.10 a share.

The 1951 income was charged with a con-

tribution of \$400,000 made to the Pension Trust for Hilton employees which did not exist a year ago. Non-recurring in nature was the \$289,792.72 interest payment on the Stevens Hotel Corporation's income tax assessment for 1945 and 1946 which was paid last September. To a degree, both of these charges were minimized since they were deductible from income that otherwise would have been taxed at excess profits tax rates.

Dividends

The regular quarterly dividends of 30 cents per share on common stock were paid on



THE CONRAD HILTON, Chicago



Travellers from all corners of the earth converge in Chicago ... some just passing through, others to visit the cultural or industrial centers located in or near the city. Many are there to attend conventions, since Chicago tops all other cities in convention business. Whatever the purpose of their visit, The Conrad Hilton is well-equipped to take care of them. Formerly The Stevens, the name was changed by action of the Board of Directors so that the world's largest hotel would be easily identified as a Hilton Hotel.

March 1, June 1, September 1 and December 1. Total payments for the year were \$1.20 a share. In addition, regular quarterly dividends of 50 cents a share were paid on the same dates on convertible preference stock not under option to the corporation.

The total dividend distribution of \$2,039,-592 on both the common and preference stock represented 51.6 per cent of the net earnings. The balance was reinvested in the business.

Operating Results

Your corporation during the past year has continued its policy of applying industrial methods to hotel operations to the end that man-power, facilities and material be used at the maximum level of efficiency. This policy has helped to sustain operating profit reasonably well in the face of increased costs for services and operating supplies.

The techniques which have been evolved include job analysis, time and method studies, budgetary control, safety programs and a pricing policy adjusted as far as possible to increasing costs.

Revenues from operational departments of the hotels, exclusive of commercial rentals totaled \$78,857,334 in 1951, compared with \$70,485,967 in 1950. The operating profit before the deduction of such items as rent, taxes, interest and depreciation was \$19,167,068, against \$18,328,584 in the preceding year; and the rate of operating profit was 24.31 per cent. For 1950 the rate was 26.00 per cent.

Rooms Department

Following the pattern of the hotel industry, our room occupancy rate declined somewhat last year being 77.63 per cent against 79.80 per

cent in the preceding year. Room prices were adjusted moderately to compensate in part for higher operating costs. The net result was that the department's net sales totaled \$31,350,484 of which \$21,791,591, or 69.51 per cent was operating profit. In 1950 net room sales amounted to \$28,248,855, of which \$19,823,766, or 70.18 per cent was operating profit. Comparison with other years is shown below.

Rooms Department

Year	Net Sales	Operating Profit	Percentage to Sales
1951	\$31,350,484	\$21,791,591	69.51%
1950	28,248,855	19,823,766	70.18
1949	19,624,629	13,793,880	70.29
1948	19,672,728	13,654,225	69.41
1947	18,564,498	12,973,846	69.89

Food and Beverage Department

By reason of federal legislation which became effective in April, 1951, increases in restaurant prices are restricted. We were required to maintain the same food cost ratio to sales we had during an established base period. Price advances could be made when food costs increased. There was no provision, however, under which we could make price adjustments to cover increases in wages or other expenses. Sales of food and beverages last year totaled \$38,215,048 of which operating profit was \$10,087,811, or 26.40 per cent. In 1950 sales aggregated \$33,822,503, of which operating profit was \$8,966,451, or 26.51 per cent. Below is a comparison of results of recent years.

Combined Food and Beverage

Year	Net Sales	Operating Profit	Percentage to Sales
1951	\$38,215,048	\$10,087,811	26.40%
1950	33,822,503	8,966,451	26.51
1949	21,079,609	4,840,816	22.96
1948	22,023,068	5,213,915	23.67
1947	22,379,960	5,294,996	23.66

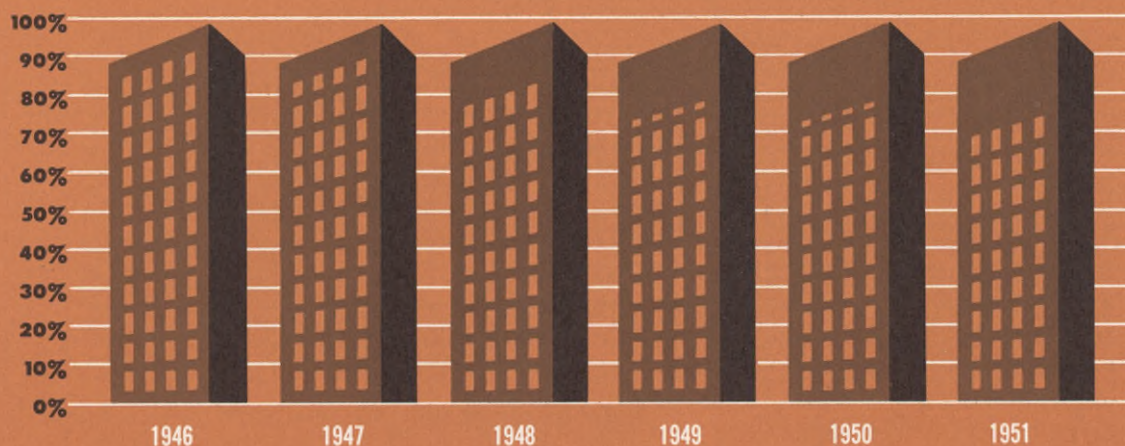
THE ROOSEVELT, New York City



The Roosevelt, with its direct passageway to Grand Central Station and all subways, and its proximity to the airline terminals, is one of New York's most conveniently located hotels. Personal services are expressed by free television in many guest rooms; a special Latin-American representative to assist Spanish-speaking guests; and the About the Town Bureau to offer advice and information of all kinds. A variety of shops, restaurants and entertainment is at the disposal of The Roosevelt guest, to add pleasure to his New York visit.



ROOM OCCUPANCY



Hilton Development Corporation and the State Monroe Equipment Corporation, represented investments in land and equipment. Their liquidation permitted tax savings under the present tax laws.

As a result of an offer made to all of the stockholders of the Jefferson Hotel Company, all of the stock of that company except a few shares representing less than one half of one per cent of those outstanding was purchased at a cost of \$2,645,221.57. On May 1, 1951, the Jefferson Hotel Company was liquidated and the assets and liabilities acquired by Hilton Hotels Corporation.

Progress has been made in acquiring a larger interest in the Hotel Waldorf-Astoria Corporation and in the Mayflower Hotel Corporation. At the year end our holdings of Hotel Waldorf-Astoria Corporation stock were 307,049 shares,

or 83.88 per cent of the total issue; while our interest in the Mayflower Hotel Corporation was 273,970 shares, or 70.3 per cent of the stock outstanding. A total of 94,261 shares of Waldorf-Astoria stock was received as the result of the offer to exchange a share of Hilton Hotels Corporation common for each share of Common stock of Hotel Waldorf-Astoria Corporation. This offer was submitted to all Waldorf-Astoria stockholders April 26, 1951 and extended to September 26, 1951.

In September, a settlement was reached with the Bureau of Internal Revenue on the tax assessment proposed to be made against the Stevens Hotel Corporation, one of the consolidating corporations which went into the formation of Hilton Hotels Corporation in 1946. This tax was settled by a payment of \$925,000 plus interest of \$289,792.72.

THE PALMER HOUSE, Chicago, Ill.



Famous for hospitality and in the center of Chicago ... that's The Palmer House. Located in the famous Loop the hotel is conveniently near department stores, theatres, movies, the financial district, Art Institute and other important points of interest. Excellent food is served in six famous dining rooms including the fabulous Empire Room, parade grounds for the greatest array of entertainment stars in America. For the convenience of guests, the Guest Accommodations Desk offers courteous help in almost any type of problem.



The board of directors, thereupon, authorized the Reserve for Contingencies of \$1,700,000 to be credited to Capital Surplus. A new reserve of \$500,000, deemed adequate for any current contingencies, was created out of Earned Surplus.

Mayflower

For almost five years a lawsuit has been pending, instituted by certain minority stockholders against the Mayflower Hotel Corporation, its directors, Hilton Hotels Corporation and certain of its directors. This case was finally decided by the Circuit Court of Appeals for the District of Columbia in favor of the defendants on all issues except two very minor points concerning the management contract between the Hilton Hotels Corporation and

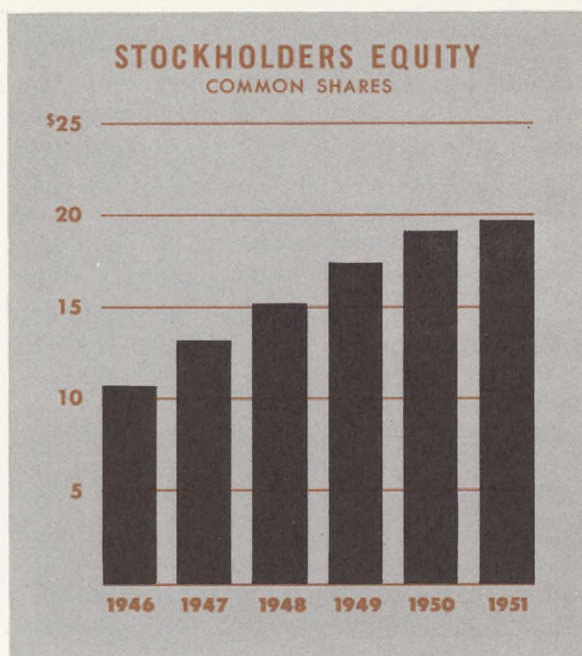
Mayflower Hotel Corporation. In accordance with the decision, Hilton Hotels Corporation has refunded the sum of \$7,684 to Mayflower Hotel Corporation to cover the five year period of the management contract and upon its expiration entered into a new contract from which the objectionable points have been eliminated.

In order to eliminate any possible problems with minority interests and also to achieve economies in administrative and corporate expenses and realize the increased efficiency which would accompany the full integration of Mayflower Hotel into the Hilton system, the Board of Directors of both corporations gave careful consideration to a fair and equitable merger plan. Such a plan has been developed and is being submitted to the stockholders of both corporations.

Capital Structure

The long term debt of the consolidating corporations was \$35,493,630 at December 31, 1951, an increase during the year of \$1,544,042. A table showing the changes in detail is shown on page 8.

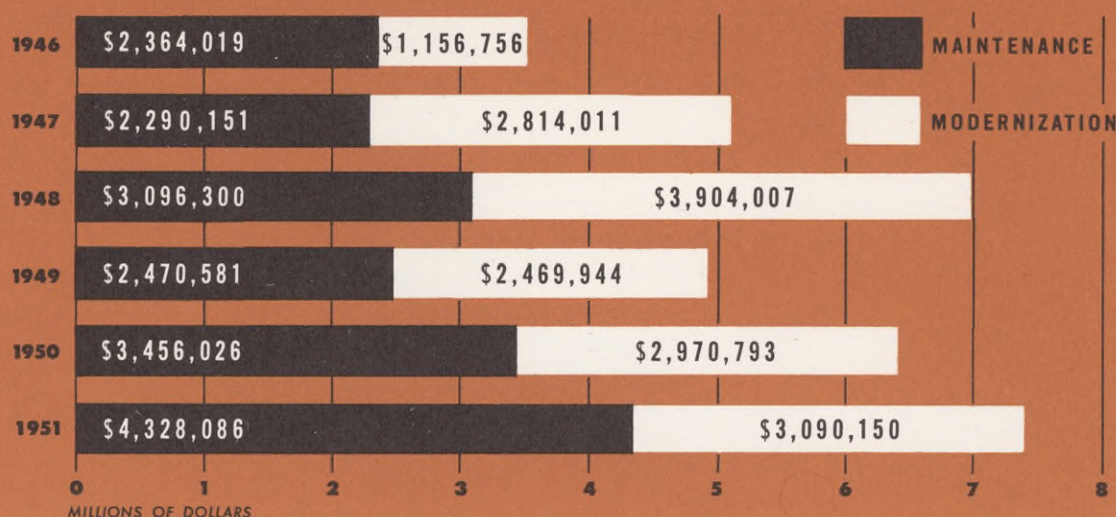
In 1951 we drew the remaining \$2,500,000 balance of the \$7,000,000 mortgage loan on the Conrad Hilton. Additional indebtedness of \$1,191,800 was created by Hotel Waldorf-Astoria as part of the purchase price of the R.H.H. Steel Laundry in Jersey City, N.J. The maturing mortgage note of \$350,000 covering The Town House was paid and \$913,000 of the 5% debentures issued by Hotel Waldorf-Astoria Corporation were retired by operation of the sinking fund. Mortgages on the Palmer House, Plaza and Jefferson, and the unsecured note of the Mayflower Hotel Corporation were also reduced by the prepayments called for under the terms of the loans.



HILTON HOTEL, Albuquerque, New Mexico

No city in America has experienced more dramatic recent growth than Albuquerque of the unique name, historic past, amazing present and dazzling future. With Army bases and rocket ranges nearby, and a uranium mill announced, the city teems with activity. The Albuquerque Hilton is now host to atomic scientists and construction engineers as well as to cattlemen and sheepmen; to a continuing flood of tourists as well as to Albuquerque and New Mexico businessmen whose favorite phrase is "I'll see you at The Hilton."

EXPENDITURE FOR MAINTENANCE AND MODERNIZATION



Additional shares of common stock in the amount of 94,261 were issued in 1951 to provide the share for share exchange with Hotel Waldorf-Astoria Corporation shareholders. At year end, there were, therefore, 1,592,878 shares outstanding. These shares had a book value of \$19.69 a share as compared to 1,498,217 shares with a book value of \$19.16 as at December 31, 1950. The rise in the per share book value of the common stock since formation of the corporation in 1946 is shown graphically by the chart on page 14.

Expansion Policy

At present, the construction of new hotels in the United States is restricted by the government as part of its policy of channeling materials and manpower primarily to the mobilization program. Consequently, the only area of

expansion permissible to the corporation is the acquisition of existing hotel properties or to obtain a permit to build.

The corporation pursues an alert and vigilant course with respect to investigating properties which are offered for sale, but holds to a conservative policy toward acquisition. The ratio of acquisition to investigation was low in 1951, the determining factor being the requirement by the board of directors that profit possibilities be clearly demonstrated before a new hotel be acquired.

Hotels Acquired

Effective May 1, 1951, the corporation leased from Conrad N. Hilton the 166-room Arrowhead Springs Hotel bordering on San Bernardino, California. Under terms of the lease, Mr.

HILTON HOTEL, El Paso, Texas



The El Paso Hilton is the business heart of an International Crossroads. Six transcontinental highways converge there and the new Mexican Central Highway starts in El Paso its route south through Mexico City to Central America. Being a travel hub, with six railroads and five airlines, and an International Port of Entry, and a city with large and varied manufacturing, The El Paso Hilton is a popular headquarters for businessmen and the many types of travellers who visit the vast, varied El Paso Sunland.



ANALYSIS OF LONG TERM DEBT

Hilton Hotels Corporation and Subsidiaries

	Balance December 31, 1950	Additions During 1951	Payments During 1951	Balance December 31, 1951
FIRST MORTGAGE BONDS AND NOTES				
The Palmer House.....	\$15,040,000.00	—	\$ 320,000.00	\$14,720,000.00
The Plaza.....	5,453,697.47	—	251,332.01	5,202,365.46
The Conrad Hilton.....	4,500,000.00	2,500,000.00	—	7,000,000.00
The Town House.....	350,000.00	—	350,000.00	—
The Jefferson.....	1,131,475.26	—	55,824.23	1,075,651.03
Waldorf-Astoria Laundry.....	—	378,400.00	7,200.00	371,200.00
SECOND MORTGAGE NOTE				
The Jefferson.....	120,404.26	—	26,047.94	94,356.32
5% SINKING FUND INCOME DEBENTURES				
Waldorf-Astoria.....	4,115,500.00	—	913,000.00	3,202,500.00
NOTES PAYABLE				
Installment Purchase Note.....	2,450,000.00	—	—	2,450,000.00
Palmer House Unsecured Notes.....	56,837.55	—	—	56,837.55
Dayton Biltmore Company Notes.....	40,173.86	—	40,173.86	—
El Paso Hilton Hotel Notes.....	91,500.00	—	15,000.00	76,500.00
R. E. Crummer, Sr.....	100,000.00	—	60,000.00	40,000.00
Mayflower Hotel Corporation Unsecured Notes.....	500,000.00	—	100,000.00	400,000.00
Waldorf-Astoria Laundry Purchase Notes.....	—	813,400.00	9,180.00	804,220.00
	<u>\$33,949,588.40</u>	<u>\$ 3,691,800.00</u>	<u>\$ 2,147,758.04</u>	<u>\$35,493,630.36</u>

Hilton has guaranteed Hilton Hotels Corporation against any loss from operating the property and the corporation may terminate the lease if operations prove unsatisfactory.

The Arrowhead Springs Hotel is a six story steel and concrete structure located on a 1,700 acre tract. Its location and facilities qualify it as a resort hotel and for conventions.

On February 1, 1952, Hilton Hotels Corporation, through a wholly owned subsidiary, entered into a 10 year lease to operate the Blackstone Hotel of Fort Worth, Texas. The lease contains options to renew for three successive 10-year terms. Simultaneously, the hotel's furniture and equipment, which belonged to the former tenant, were purchased for \$250,000.

The hotel will be operated as the Hilton Hotel, Fort Worth, Texas. It is a 278-room building of modern construction and com-

pletely air conditioned. One of the leading hotels of Texas, it is expected to fit in well to your corporation's operations.

Employees Pension Plan

The Hilton Hotels Corporation currently employs a staff of 7460 persons. The management is cognizant of the contribution which these employees make, through their loyalty and their high performance standards, to the continuing success of the corporation's operations. It is pleased to take this opportunity to acknowledge their contribution appreciatively.

Following approval by shareholders at the annual meeting held in April, 1951, your corporation installed the Hilton Hotels Employees Pension Plan, effective on January 1, 1951. The object is to assure employees of a measure of financial independence when their produc-



THE PLAZA, New York City



The famed Plaza Hotel offers the visitor to New York the best of everything. It occupies one of the finest pieces of real estate in the world, facing Central Park on one side and Fifth Avenue on another... this location, one of the quietest and most beautiful in Manhattan, is immediately adjacent to the midtown shopping and amusement areas. Plaza cuisine has for generations won the acclaim of the most exacting gourmets... and its service is as personal and as attentive as can be desired. Society is well served here.

tive years end by supplementing the old age insurance benefits of the Social Security Act. The plan is also expected to work to the advantage of the corporation and its shareholders by further strengthening personnel relations and employee morale, increasing efficiency and reducing labor turnover.

Employees of the parent corporation only were eligible for benefits under the pension plan at the end of 1951. Studies are being made to determine the costs and feasibility of extending the plan to include the employees of the Waldorf-Astoria, Mayflower and Roosevelt not presently covered.

In order to receive any pension upon termination at or after the age of 65, an employee must have completed at least 10 years service preceding retirement. The maximum pension payable is the difference between the employee's monthly old age pension under the Social Security Act and one half of his average monthly earnings during his service in the 10 years preceding retirement. In determining the amount of benefits, each employee is credited with 1½ per cent of his average monthly earnings for each year of continuous service.

Provision is made for optional retirement of employees with at least 20 years service who have attained the age of 55; also for those with 15 years of service, regardless of age, who become totally and permanently disabled.

The corporation pays the entire cost of the plan through voluntary annual contributions.

Business Promotion

In an effort to secure a full share of the hotel patron's business, our advertising and business promotion activities were conducted in 1951 on both a national and local scale. Advertisements publicizing the names and locations of all Hilton Hotels were placed at regular intervals in leading national magazines. Dining and entertainment facilities were called to the

attention of the public through local newspaper advertisements and direct mail.

A method of accepting and confirming reservations at any one hotel for any other hotel in the Hilton Group is in effect and is proving increasingly successful in stimulating over-all business. Solicitation of convention and group business is being carried on systematically and effectively.

The Shareholder as a Guest

It is hoped that all shareholders of Hilton Hotels Corporation will patronize our hotels when their travels take them to the cities in which we have properties, and that they will suggest to their friends that they, too, make use of our fine facilities. If you do not already have one, you may find it a convenience to avail yourself of one of our credit cards, which entitles the holder to the usual credit privileges such as charging his hotel bills and cashing checks for moderate sums. In addition to the convenience provided by such a card, it yields an accurate record of expenses for tax purposes.

You are invited to write us for a copy of the form on which application can be made for such a card. If you have friends to whom such a service would be useful, we would be happy to receive their names and to invite them to apply for credit cards. There are at present approximately 250,000 such card-holders.

By their participation in this business building program, our shareholders have an opportunity to join the staff and management of Hilton Hotels Corporation in their efforts to make 1952 a good business year.

Conrad N. Hilton

Conrad N. Hilton, President
Hilton Hotels Corporation
March 3, 1952

HILTON HOTEL, Lubbock, Texas



Lubbock has a golden incentive to prosper and build... it is the geographical and economic center of the Plains Area. Centrally located in a rich oil area, third largest cotton market in the nation, Lubbock is also a great grain growing country. Business, pleasure, and the sheer love of its comfortable living, bring thousands to Lubbock. The Hilton is proud of its ability to play host to many of these newcomers. Befitting the rich and ancient tradition of the Southwest, the hotel offers them every individual comfort.





Madrid, Spain—A long term lease contract was entered into by Hilton Hotels International in August, 1951 for this 300 room hotel. It is now under construction.



Istanbul, Turkey—It is hoped that the erection of this ten-story, 300 room hotel will serve as a foundation for the building of a hotel industry in all parts of Turkey.

International program

Construction of a new, modern hotel is approaching completion in Madrid, Spain with the grand opening scheduled for the Fall of 1952. Another hotel in Istanbul, Turkey will be ready for opening in 1953, and Hilton Hotels International is now negotiating with a half dozen other foreign governments for construction of hotels in those countries. The contracts covering building, furnishing and equipping of The Hotel Castellana Hilton and Istanbul Hilton are similar to the successful arrangements of The Caribe Hilton. The hotel in

Madrid is owned by private capital, while the hotel in Istanbul is to be built with Turkish Government funds. Both hotels will be strategically located, will have adequate facilities for public business and offer superior entertainment. The hotels are planned to meet the present demands of travellers, and encourage additional travel to those areas. Supervisors trained in the United States will be sent to The Hotel Castellana Hilton and The Istanbul Hilton to supplement staffs drawn from the community where these hotels will be opened.



CARIBE HILTON, San Juan, Puerto Rico



Puerto Rico is known as the "Crossroads of the Americas" and The Caribe Hilton is its focal point. With the opening of The Caribe Hilton, Puerto Rico has become a new tourist attraction, a most beneficial influence on the economy and prosperity of the island . . . in addition the hotel has become the headquarters of the businessmen who come to the island to expand or introduce their industries. The friendliness of The Caribe Hilton also invites the local people to include it in their social activities, making the hotel their second home.





The Park Row at The Conrad Hilton has been redesigned and features folddoors, making it possible to screen off sections of the room to accommodate private parties.



The airline terminal at The Jefferson was made possible by consolidating space used by four major lines. An attractive lounge adjoins the terminal.

New facilities

Continuing with their policy of making effective application of a modern industrial methods program in their operations and management, Hilton Hotels has introduced many new facilities in each of their hotels. The results obtained have shown all installations or applications to be worthwhile. And are serving to urge management along its never-ending search of self-improvement in finding new ways and means to reduce overall operating costs, efficiently speed service, make the guests more comfortable, and profitably increase business.



The service in The Presidential Dining Room of The Mayflower has been speeded up since the installation of this escalator between dining room and kitchen. The waiters also suffer less fatigue.

NEW HOTEL JEFFERSON, St. Louis, Mo.

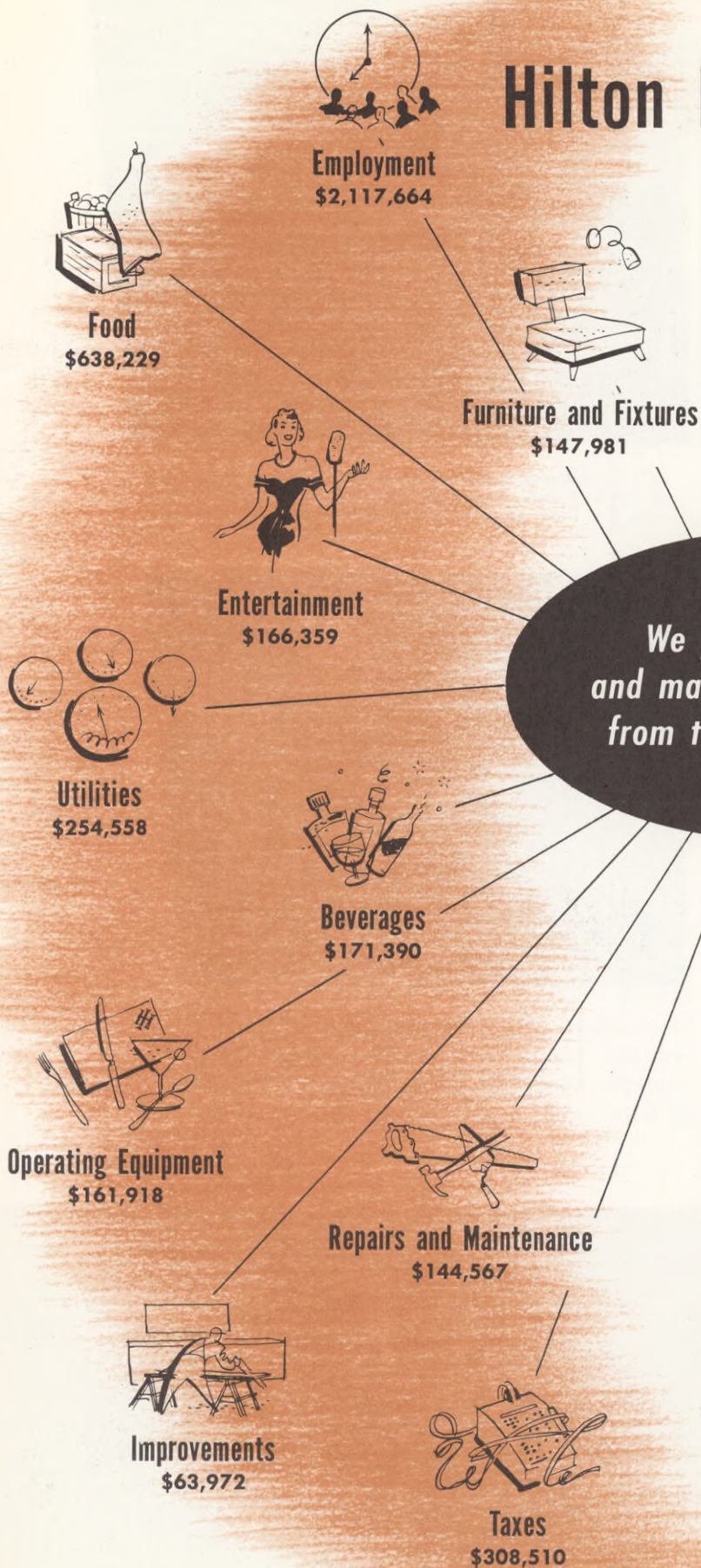


The Jefferson is Saint Louis' largest hotel, and it is easy to get to... in addition, it is convenient to everything after the guest arrives. A step outside and he has just a short walk to all downtown business, shopping and entertainment centers. The Jefferson offers all desired services designed to afford the guest the utmost in comfort and utility. In its dining rooms, with their deft service, the guest will discover tempting dishes prepared by some of the country's outstanding chefs... making each meal a delight.

12



Hilton Hotels are an integral



They deal with all phases of

In today's society, hotels play an important part in their respective communities. More and more, people are turning to hotels to hold their civic and social functions, as well as for their entertainment . . . this, in addition to large conventions and other business and economic meetings. This situation, of course, means that the hotel itself benefits the community in that it provides a market for

part of community activity

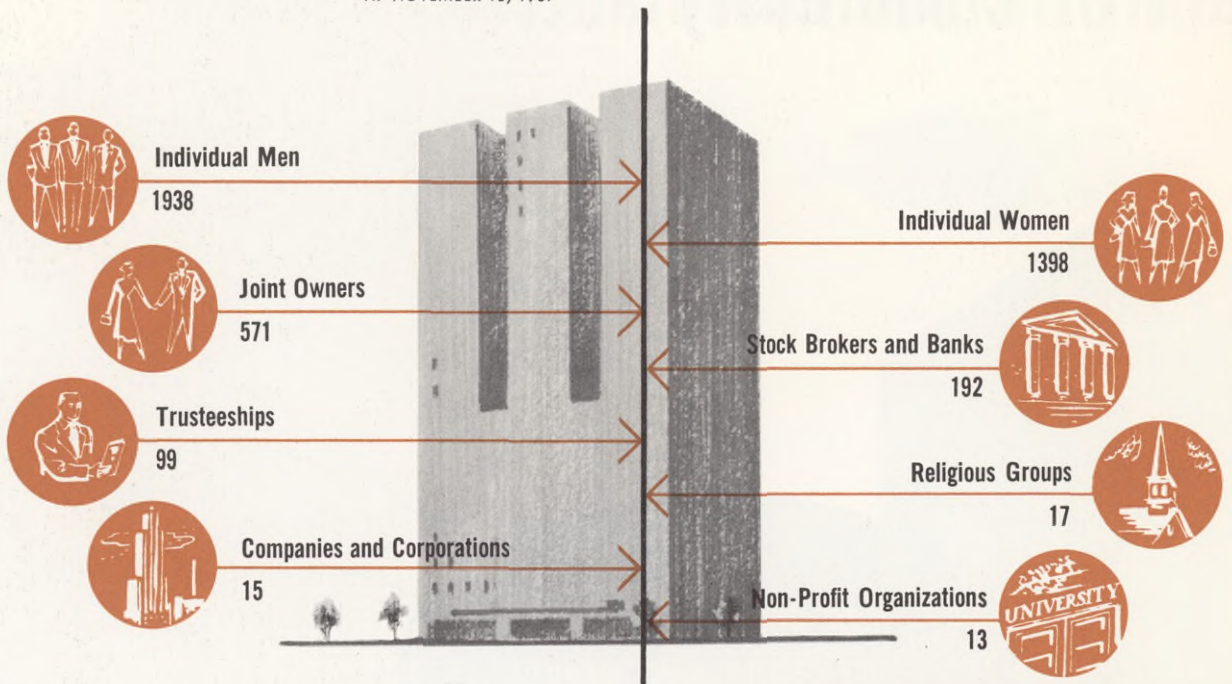


business and social affairs

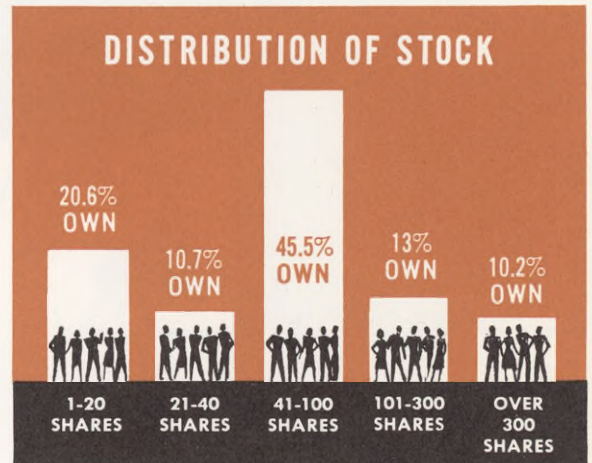
the merchants of the town; the hotel is also a source of employment and then the conventioners in town patronize local business giving added revenue to the storekeepers. A more complete list of services the hotel pays for in the community and the principal groups using these services are illustrated on these pages . . . the amounts shown are those of an average hotel of a thousand rooms.

Participating Ownership of Hilton Hotels

AT NOVEMBER 15, 1951



The family of Hilton Hotels stockholders has been constantly expanding, indicating an increasing general interest and confidence in our business. We now have 4,243 stockholders . . . the largest number of shareholders being individual men and women . . . the chart above will show you how this figure is broken down into individual ownership. Distribution of stock is wide, and held by varied peoples, in all walks of life. It is interesting to note that there are Hilton Hotels stockholders in all forty-eight states, and in a number of foreign countries.



THE MAYFLOWER, Washington, D.C.



The Mayflower has more national and international person-ages pass through its portals than any other hotel in America. This, of course, is partly due to the fact that the hotel is situated in the world's greatest capital city. To these visitors, and to those who make their home in its apartment wing, The Mayflower has always meant the ultimate in gracious living, fine food and courteous service. A discriminating public has proved that The Mayflower's policy and history warrants the continued support of its guests and friends.



ATTENDANCE AT
CONVENTIONS SHOWED AN
INCREASE OF 17.63%
OVER 1950

Above:

The exhibition hall gives the added advantage of showing the actual physical merchandise and new developments of the product.

Upper Right:

The Grand Ballroom of The Conrad Hilton served as the locale for this meeting of the National Association of Home Builders.

Right:

Infinite care and preparation on the part of The Palmer House helped to make this banquet a success.



Serving America's convention needs

The staffs of all Hilton Hotels are "convention minded." They are geared to serve the guests who arrive at the hotels to attend conventions of every type. It is not only these well-trained staffs that attract convention business to Hilton Hotels, but also in a large measure the marvelous facilities available . . . large and small

ballrooms, exhibition halls, meeting rooms and sufficient sleeping rooms to accommodate those in attendance. In most cases it is possible for a convention to have all of their functions, and also house their entire organization under one roof. A great asset indeed for those planning the affair and those attending.

THE DAYTON BILTMORE, Dayton, Ohio



The Dayton Biltmore, with 500 rooms, is the largest and newest in Dayton, Ohio . . . the Home of Aviation. Wright-Patterson Air Force Base, the heart of American Air Force procurement activities, and such industrial giants as National Cash Register Company, and five divisions of General Motors Corporation, are located in or near Dayton. To travellers, and to more than 300,000 local citizens, The Dayton Biltmore offers the best in food, lodging and entertainment, and features extensive banquet and convention facilities.





Employee Training is Vital in Our Business

There is probably no other industry in which employees are in such close contact with customers or guests, as in the hotel industry. Whether it is the doorman, front office clerk, bellman, elevator operator, or maid all must be trained in their work so as to do their job with the utmost efficiency . . . to satisfy the most discriminating guest in his every need to make his stay with our organization a memorable one. Such training is done at meetings conducted in a friendly, informal way . . . sometimes with the use of audio-visual aid, and sometimes by actual demonstration. In all cases, it is the constant and frequent personal contact between employees and management; supervisors of all levels and management that has aided the training program in reaching its objectives . . . more productive use of time; prevention of waste; improvement of morale; improvement in quality of supervision.

Top Photo

To stimulate internal sales at The Conrad Hilton, all contact employees are given complete information as to the painstaking efforts which go into the purchasing, preparation, and service of the specialty of the hotel, roast beef.

Middle Photo

On the job training is demonstrated, as a floor housekeeper instructs a maid on the use of forms to be used in her daily tasks.

Bottom Photo

Attendance of all department heads and their assistants is required at weekly sales and operations meetings. These meetings include presentation of material designed to stimulate sales and improve supervisory techniques.



THE WALDORF-ASTORIA, New York City



With the initiation of activities at the new Manhattan United Nations headquarters a short distance away, The Waldorf-Astoria's sphere of influence is expanding greatly, taking on new worldwide aspects. Known as "The Unofficial Palace of New York" the hotel in the past has been the scene of the drawing up of many treaties of global significance and the setting for the entertainment of numerous state visitors from overseas, as well as their residential headquarters. Thus the nation as well as its greatest city has been served.



High atop The Town House roof technicians are shown working on the master television antenna which was installed to accommodate all the sets in the hotel.



After the television set is installed in a guest room it is given a final check. Now that it is in perfect working order, the main antenna and control box take over for clear reception.



The main control box is located on top of the hotel's roof. Photo shows engineers working on the finer points of the mechanism.

Television comes to the Town House...

Since the policy of giving the hotel guest every possible comfort and convenience has always been a first consideration of Hilton Hotels, it comes very naturally that an adequate television program be developed. Working toward this end on a testing basis, this has been accomplished at The Town House, where there is today 100% installation of television receivers in all guest rooms. And the most important thing is that this is a guest service, offered at no charge. It is possible for Hilton Hotels to offer this program because of two factors. First, mass buying power of Hilton Hotels enables them to buy sets at greatly reduced prices. Secondly, the television manufacturers see a great advertising media for them.



Town House guests relax and enjoy the convenience of having television in every accommodation. All of which helps to make the hotel, their home away from home.

THE TOWN HOUSE, Los Angeles, Calif.



The Town House is located in the heart of one of the smartest shopping centers in America, and just a short distance from beautiful beaches and colorful Santa Anita race track. With its delightfully decorated and spacious rooms the hotel offers guests gracious living. Luxurious Lanai's bordering the aquamarine pool and gardens combine resort living with city convenience. This setting along with other facilities forms a background for garden weddings and social gatherings and leading press previews, showing the latest fashions.

18





HILTON HOTELS CORPORATION AND SUBSIDIARIES

COMPARATIVE CONSOLIDATED

ASSETS

	Dec. 31, 1951	Dec. 31, 1950
CURRENT AND WORKING ASSETS		
Cash	\$ 7,289,411.55	\$ 6,996,985.66
Marketable Securities—U.S. Treasury Bonds	\$ 710,000.00	\$ 710,000.00
Accounts and Notes Receivable	\$ 5,052,491.73	\$ 4,490,197.94
Less: Reserve for Doubtful Accounts	128,755.32	138,648.96
	\$ 4,923,736.41	\$ 4,351,548.98
Inventories of Merchandise and Supplies (At Cost)	\$ 2,246,847.42	\$ 1,976,790.68
Other Current Assets		
Cash in Banks for Payment of Income Taxes	\$ 1,775,156.22	\$ 1,420,897.62
Other	1,071,117.89	934,602.53
	\$ 2,846,274.11	\$ 2,355,500.15
<i>Total Current Assets</i>	\$18,016,269.49	\$16,390,825.47
 RESTRICTED CASH—R.F.C. ESCROW CASH ACCOUNT		
	\$ 13,325.01	\$ —
 INVESTMENTS—(At Cost)		
Bermuda Development Company, Ltd.	\$ 265,832.00	\$ 265,832.00
Other	26,200.00	398,200.00
<i>Total Investments</i>	\$ 292,032.00	\$ 664,032.00
 FIXED ASSETS—(Note 2)		
Land	\$14,179,155.86	\$14,138,117.43
Buildings	52,944,188.99	52,467,098.28
Furniture and Equipment	13,310,315.81	13,912,248.41
Leasehold and Improvements	15,662,323.63	14,745,932.04
	\$96,095,984.29	\$95,263,396.16
Less: Reserve for Depreciation and Amortization	40,287,608.15	40,114,587.88
	\$55,808,376.14	\$55,148,808.28
Rehabilitation, Revisions and Alterations	3,041,100.36	2,689,795.24
Operating Equipment	2,026,796.67	1,787,204.73
<i>Total</i>	\$60,876,273.17	\$59,625,808.25
 OTHER ASSETS AND DEFERRED CHARGES		
Non-Operating Property—Beverly Hills, California—Land	\$ 3,012,117.62	\$ 3,012,117.62
Guarantee Deposits on Leases	339,418.72	319,599.33
Pre-Opening Expenses	55,979.36	111,958.71
Organization Expenses	282,800.40	264,857.55
Other Assets and Deferred Charges	461,346.72	425,645.53
<i>Total</i>	\$ 4,151,662.82	\$ 4,134,178.74
TOTAL ASSETS	\$83,349,562.49	\$80,814,844.46

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

BALANCE SHEET

LIABILITIES

	Dec. 31, 1951	Dec. 31, 1950
CURRENT LIABILITIES		
Bank Loan Payable	\$ 23,166.66	\$ 127,225.00
Accounts Payable	3,069,809.31	2,692,844.79
Accrued Expenses and Charges	3,682,449.41	3,440,642.58
Long-Term Debt—Due Within One Year	1,136,495.53	1,016,087.37
Other	299,596.42	223,942.27
	<u>\$ 8,211,517.33</u>	<u>\$ 7,500,742.01</u>
Federal, State, City and District Taxes on Income (Note 3)	\$ 5,040,442.68	\$ 4,788,527.68
Less: U. S. Treasury Tax Notes—(At Cost)	2,390,000.00	1,920,000.00
	<u>\$ 2,650,442.68</u>	<u>\$ 2,868,527.68</u>
<i>Total Current Liabilities</i>	<u>\$10,861,960.01</u>	<u>\$10,369,269.69</u>
LONG-TERM DEBT		
First Mortgage Bonds and Notes	\$28,369,216.49	\$26,475,172.73
Second Mortgage Note	94,356.32	120,404.26
5% Sinking Fund Debentures	3,202,500.00	4,115,500.00
Installment Purchase Agreements	2,450,000.00	2,450,000.00
Notes Payable	1,377,557.55	788,511.41
	<u>\$35,493,630.36</u>	<u>\$33,949,588.40</u>
Less: Amounts Due Within One Year—(Above)	1,136,495.53	1,016,087.37
<i>Total</i>	<u>\$34,357,134.83</u>	<u>\$32,933,501.03</u>
RESERVES		
Dividends Payable on Convertible Preference Stock Under Option (Note 4)	\$ 210,278.00	\$ 206,289.00
For Debenture Interest Withheld (Note 7)	146,186.65	187,863.13
Other	9,424.18	8,502.95
<i>Total</i>	<u>\$ 365,888.83</u>	<u>\$ 402,655.08</u>
MINORITY INTEREST	<u>\$ 2,407,452.09</u>	<u>\$ 3,501,964.00</u>
CAPITAL STOCK AND SURPLUS		
	Shares	
Capital Stock—(Notes 4 and 5)	Dec. 31, 1951	Dec. 31, 1950
First Preferred—Par \$100.00		
Authorized and Unissued	<u>100,000.00</u>	<u>100,000.00</u>
Convertible Preference—Par \$50.00		
Authorized	<u>359,723.03</u>	<u>367,621.03</u>
Less: Unissued	<u>133,069.03</u>	<u>133,069.03</u>
Treasury Stock	<u>146,765.00</u>	<u>136,475.00</u>
	<u>279,834.03</u>	<u>269,544.03</u>
Outstanding	<u>79,889.00</u>	<u>98,077.00</u>
	<u>\$ 3,994,450.00</u>	<u>\$ 4,903,850.00</u>
Common—Par \$5.00 Authorized ...	<u>4,000,000.00</u>	<u>4,000,000.00</u>
Less: Reserved for Conversion		
Privileges of Convertible		
Preference Stock	<u>453,308.00</u>	<u>469,104.00</u>
Reserved for Subscriptions of		
Officers and Employees ..	<u>—</u>	<u>600.00</u>
Unreserved	<u>1,856,411.00</u>	<u>1,934,676.00</u>
	<u>2,309,719.00</u>	<u>2,404,380.00</u>
Outstanding	<u>1,690,281.00</u>	<u>1,595,620.00</u>
	<u>8,451,405.00</u>	<u>7,978,100.00</u>
<i>Total Capital Stock</i>	<u>\$12,445,855.00</u>	<u>\$12,881,950.00</u>
Surplus		
Capital Surplus	\$ 9,202,136.98	\$ 7,308,589.76
Less: Surplus Arising from Officers' and Employees'		
Unpaid Subscriptions to Capital Stock	<u>—</u>	<u>7,500.00</u>
	<u>\$ 9,202,136.98</u>	<u>\$ 7,301,089.76</u>
Earned Surplus	14,149,019.07	12,664,299.22
Reserve for Contingencies—(Note 6)	500,000.00	1,700,000.00
<i>Total Surplus</i>	<u>\$23,851,156.05</u>	<u>\$21,665,388.98</u>
<i>Total</i>	<u>\$36,297,011.05</u>	<u>\$34,547,338.98</u>
Deduct: Common Stock in Treasury—(At Cost) 97,403 Shares	939,884.32	939,884.32
<i>Total Capital Stock and Surplus</i>	<u>\$35,357,126.73</u>	<u>\$33,607,454.66</u>
TOTAL LIABILITIES	<u>\$83,349,562.49</u>	<u>\$80,814,844.46</u>



HILTON HOTELS CORPORATION AND SUBSIDIARIES

COMPARATIVE STATEMENT OF CONSOLIDATED INCOME

	Year Ended	
	Dec. 31, 1951	Dec. 31, 1950
GROSS OPERATING REVENUE		
Rooms Department.....	\$31,350,484.24	\$28,248,855.28
Food and Beverage Departments.....	38,215,048.41	33,822,502.70
Other Operated Departments.....	7,869,696.39	7,088,475.60
Other Income.....	1,422,104.55	1,326,133.64
Store Rentals.....	1,316,046.87	1,270,166.36
	<u>\$80,173,380.46</u>	<u>\$71,756,133.58</u>
OPERATING COSTS AND EXPENSES		
Departmental Costs and Expenses.....	\$44,051,999.65	\$39,017,530.41
Administrative and General Expenses.....	7,276,939.88	6,236,808.48
Advertising and Business Promotion.....	1,578,280.22	1,289,375.04
Heat, Light and Power.....	2,454,960.37	2,157,642.86
Maintenance and Repairs.....	4,328,085.74	3,456,026.33
Lease Rentals.....	2,706,455.55	2,388,942.52
Real Estate and Personal Property Taxes.....	2,574,738.41	2,328,134.36
Interest.....	1,236,834.09	1,147,080.16
Depreciation and Amortization.....	3,434,696.65	3,082,457.71
Corporate Expenses and Sundry Capital Charges.....	625,976.94	658,751.34
	<u>\$70,268,967.50</u>	<u>\$61,762,749.21</u>
NET OPERATING PROFIT.....	<u>\$ 9,904,412.96</u>	<u>\$ 9,993,384.37</u>
ADDITIONS TO OR DEDUCTIONS* FROM INCOME		
Interest on Investment Securities.....	\$ 48,834.63	\$ 39,626.99
Interest on Income Tax Assessments and Refunds.....	305,945.24*	33,473.70
Loss* on Sale of Capital Assets.....	1,339.39*	795.96*
Reimbursement by Lessor Under Lease Agreement.....	53,113.41	—
Contribution to Pension Trust.....	400,000.00*	—
Sundry—Other (Net).....	19,759.21*	26,269.78
	<u>\$ 625,095.80*</u>	<u>\$ 98,574.51</u>
PROFIT BEFORE INCOME TAXES.....	<u>\$ 9,279,317.16</u>	<u>\$10,091,958.88</u>
PROVISION FOR INCOME TAXES		
Federal Normal and Surtax.....	\$ 4,770,240.67	\$ 4,267,998.86
Federal Excess—Profits Tax.....	270,745.60	372,050.20
State, City and District Taxes.....	63,236.56	48,387.69
	<u>\$ 5,104,222.83</u>	<u>\$ 4,688,436.75</u>
NET PROFIT.....	<u>\$ 4,175,094.33</u>	<u>\$ 5,403,522.13</u>
MINORITY INTEREST.....	339,206.92	605,554.03
NET PROFIT FOR THE YEAR.....	<u>\$ 3,835,887.41</u>	<u>\$ 4,797,968.10</u>
SPECIAL ITEMS		
Property and Income Tax Refunds for Prior Years.....	\$ 91,792.46	\$ 57,364.78
Over-Estimate of Federal Taxes on Income for 1950.....	22,218.18	—
Sundry—Other (Net).....	5,650.90	—
	<u>\$ 119,661.54</u>	<u>\$ 57,364.78</u>
NET PROFIT AND SPECIAL ITEMS.....	<u>\$ 3,955,548.95</u>	<u>\$ 4,855,332.88</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—BEGINNING OF YEAR		\$ 7,308,589.76
ADD:		
Refunds of Property Taxes—		
Predecessor Corporations	\$ 13,365.23	
Refund of Federal Excess-Profits Taxes of		
Hilton Hotel Company of Long Beach		
(Predecessor) for Year 1942	1,101.58	
Cancellation of Reserve for Contingencies		
Created June 1, 1946	1,700,000.00	
Discount on Convertible Preference Stock		
Purchased by the Corporation	181,880.00	
Surplus Arising from Exchange of Common Stock for		
Capital Stock of Hotel Waldorf-Astoria Corporation	924,700.41	
		<u>2,821,047.22</u>
		\$10,129,636.98
DEDUCT:		
Additional Federal Income Taxes of Stevens		
Hotel Corporation, Predecessor	\$ 925,000.00	
Cancellation of Employees' Subscriptions to 200 Shares		
of Common Stock Pursuant to Subscription Agree-		
ments—Subscription Price \$3,500.00—Par Value		
\$1,000.00	2,500.00	
		<u>927,500.00</u>
BALANCE—END OF YEAR		<u>\$ 9,202,136.98</u>

EARNED SURPLUS

BALANCE—BEGINNING OF YEAR		
Hilton Hotels Corporation and Wholly-Owned		
Subsidiaries		\$11,316,191.00
Adjustments to Reflect Inclusion of All Majority-		
Owned Subsidiaries (Note 1):		
ADD:		
Equity of Hilton Hotels Corporation in		
Undistributed Earnings of Majority-Owned		
Subsidiaries at December 31, 1950		1,584,989.89
		<u>\$12,901,180.89</u>
DEDUCT:		
Accumulated Depreciation on Capitalization		
of Excess Cost of Investments in Majority-		
Owned Subsidiaries Over Book Value at		
December 31, 1950		236,881.67
BALANCE—BEGINNING OF YEAR (Adjusted to Reflect		
Inclusion of All Majority-Owned Subsidiaries)		\$12,664,299.22
ADD:		
Adjustment of 1950 Reserve Covering Dividends Pay-		
able on Convertible Preference Stock Which was		
Purchased in Accordance with Option as of		
January 31, 1951	\$ 68,763.00	
Consolidated Net Income for the Year Ended Decem-		
ber 31, 1951	3,955,548.95	
		<u>4,024,311.95</u>
		\$16,688,611.17
DEDUCT:		
Provision for Reserve for Contingencies	\$ 500,000.00	
Dividends—Convertible Preference Stock	159,778.00	
Dividends—Common Stock	1,879,814.10	
		<u>2,539,592.10</u>
BALANCE—END OF YEAR		<u>\$14,149,019.07</u>

(1) BASIS OF CONSOLIDATION

The Corporation has adopted the policy of consolidating all majority-owned subsidiaries whereas in previous years only wholly-owned subsidiaries were consolidated. Accordingly, there are now included in the consolidation the wholly-owned Hilton Hotels International, Inc. and the majority-owned Mayflower Hotel Corporation and Hotel Waldorf-Astoria Corporation in which Hilton Hotels Corporation had respective interests of 70.30% and 83.88% at December 31, 1951.

On June 30, 1951 the wholly-owned subsidiary State-Monroe Equipment Corporation, which was a non-operating unit and which held title to the furnishings and equipment of the Palmer House, Chicago was liquidated and its assets were acquired by the Palmer House, an operating unit of Hilton Hotels Corporation. The Jefferson Hotel Company which was carried as an investment in the preceding year's financial statements was liquidated on April 30, 1951 and the Jefferson Hotel is now carried as an operating unit of Hilton Hotels Corporation.

(2) FIXED ASSETS

The properties included under fixed assets are the same as in the preceding year except as mentioned in Note 1 and except for the acquisition of a lease, at no cost, on Arrowhead Springs Hotel, an operating unit of the Corporation since May 1, 1951, which lease is for a nine year and ten-month period ending February 28, 1961. Additions to furniture and equipment and leasehold improvements respecting this property are carried at cost.

The securities of two of the majority-owned consolidated subsidiaries were acquired at \$1,967,121.12 more than the book values of the equities thus acquired. The difference has been treated in these statements as additional cost of fixed assets and allocated on a pro-rata basis; \$259,626.78 to land; \$465,319.95 to buildings; \$124,267.11 to furniture and equipment and \$1,117,907.28 to leasehold. Depreciation and amortization of the depreciable assets is accordingly stated herein at \$308,319.54 more than is shown by the subsidiaries of which \$71,437.87 is charged against consolidated income this year.

The investment in Jefferson Hotel Company, liquidated on April 30, 1951, was acquired at \$585,468.38 more than the book value of the equity thus acquired. Upon liquidation of the company the difference was treated as additional cost of fixed assets of the operating unit, Jefferson Hotel, and allocated on a pro-rata basis; \$150,931.93 to land; \$378,115.29 to building and \$56,421.16 to furniture and equipment.

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

Reference is made to Note 3.

(3) FEDERAL TAXES ON INCOME

Provision has been made for all Federal income taxes based on separate returns of the companies.

The Federal income tax returns of Hilton Hotels Corporation have been examined through the year 1948 and assessment of additional taxes of \$82,912.44 for the period June 1, 1946 to December 31, 1948 has been proposed by the Bureau of Internal Revenue to which the corporation has agreed. The returns of Hotel Waldorf-Astoria Corporation have been examined through December 31, 1949. The Bureau of Internal Revenue has examined Federal income and excess profits tax returns of Mayflower Hotel Corporation for 1950 and on the basis of such examination has issued a letter of proposed assessment in the amount of \$32,974.06 which the company is protesting.

Mayflower Hotel Corporation at December 31, 1951 carried land on the books at \$1,348,530.98 as compared with a valuation of \$1,640,065.86 for income tax purposes. The undepreciated book value of the building was carried on the books in the amount of \$1,769,860.03 as compared with an undepreciated valuation of \$2,825,350.96 for income tax purposes. Accordingly, annual depreciation for income tax purposes is approximately \$52,000.00 greater than book depreciation.

Depreciation claimed for income tax purposes in 1951 for Hilton Hotels Corporation is approximately \$128,000.00 less than book depreciation due to, variations in the bases and estimated remaining lives of depreciable property, and, adjustments made in prior years tax settlements not reflected on the books.

(4) CONVERTIBLE PREFERENCE STOCK

The Parent has purchased for the Treasury 187,041-97/100 shares of its own convertible preference stock at a total cost of \$7,129,862.87, the discount thereon being credited to capital surplus. Of the total shares so purchased 40,276-97/100 shares have been permanently retired. The corporation had options to purchase 36,376 shares of its convertible preference stock for \$40.00 per share at December 31, 1951 under a certain offer to stockholders which expired on August 15, 1949. At December 31, 1951 the corporation had provided a reserve for dividends on convertible preference stock under option in the amount of \$210,278.00 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, 1952, 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 \$105,139.00 as of January 31, 1952. Under the terms of the offer, the corporation may purchase the remaining 18,188 shares under option on or before January 31, 1953.

FINANCIAL STATEMENTS

(5) 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.

(6) RESERVE FOR CONTINGENCIES

The Board of Directors established as of December 31, 1951 a reserve for contingencies of \$500,000.00 to cover claims which may be asserted under various Federal and State statutes and regulations, including claims for taxes on income for prior years, such reserve so created being deemed by the Board of Directors to be reasonably adequate to cover all such contingencies.

(7) DIVIDEND RESTRICTIONS

The Trust Agreement securing the outstanding debentures of Hotel Waldorf-Astoria Corporation, lessee of Hotel Waldorf-Astoria, provides among other things that no dividends may be paid nor other distributions made in respect of the outstanding capital stock until all accrued interest shall have been paid.

(8) GENERAL

The wholly-owned subsidiary, Hilton Hotels International, Inc. has entered into preliminary leases, subject to certain conditions, for the operation of a proposed hotel each in Madrid, Spain and Istanbul, Turkey. In addition to these leases, preliminary negotiations were in progress for leasing of Hotels in Athens, Greece; London, England; Rome, Italy; Mexico City, Mexico and Havana, Cuba. According to the minutes of director's meetings, the company has limited its investment in working capital and expenses to \$100,000.00 for any one hotel project.

There is not reflected in the financial statements any liability which may result in the event of an unsuccessful defense of a suit instituted by a group of banquet waiters of Hotel Waldorf-Astoria Corporation. In conference, the plaintiffs made an offer in compromise for \$33,000.00 which was not acceptable to the corporation.

Operations for the year ended December 31, 1950 have been restated from previously issued reports for comparative purposes only.

(9) EVENTS SUBSEQUENT TO DECEMBER 31, 1951

On February 4, 1952 Hilton Hotels Corporation made a 30 day offer to minority stockholders of Mayflower Hotel Corporation respecting their shareholdings at a price of \$19.10 net per share. As a result of this offer, 13,743 shares were acquired to March 3, 1952. Previously to this offer, the corporation acquired an additional 21,409 shares of Mayflower stock. The total cost of these acquisitions was \$671,429.20 and at March 3, 1952 the corporation had a 79.32% interest in the stock of Mayflower Hotel Corporation.

Two wholly-owned subsidiaries were organized on January 11, 1952 for purposes of acquiring the business of Capps Drug Store, operating in the Palmer House, at a cost approximating \$240,000.00.

On February 1, 1952 the corporation entered into a ten year lease through a newly formed and wholly-owned subsidiary, Hotel Blackstone, Inc., for the operation of the Blackstone Hotel to be known as the Hilton Hotel, Fort Worth, Texas. Simultaneously, the hotel's furniture and equipment, which belonged to a former tenant, were purchased by the subsidiary from fund's invested and advanced by the Parent totaling \$300,000.00.

AUDITORS REPORT

To the Board of Directors
Hilton Hotels Corporation
Chicago, Illinois

We have examined the consolidated balance sheet of Hilton Hotels Corporation and its Subsidiaries at December 31, 1951 and the related statements of consolidated income and surplus 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 audited by us or by other independent accountants who have submitted to us their certificates concerning the underlying statements which were 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 opinions expressed in the reports of the independent accountants pertaining to the operating units and companies examined by them, the accompanying consolidated balance sheet and related statements of consolidated income and surplus, together with notes pertaining thereto, present fairly the financial position of Hilton Hotels Corporation and its Subsidiaries at December 31, 1951 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 except for a change in the basis of consolidation, explained in Note 1, which has our approval.

Chicago, Illinois
March 3, 1952

HARRIS, KERR, FORESTER & COMPANY



COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

AS AT THE CLOSE OF YEARS 1946 TO 1951 INCLUSIVE

	1951	1950	1949	1948	1947	1946
CURRENT ASSETS:						
Cash	\$ 7,289,412	\$ 6,996,985	\$ 5,582,394	\$ 4,620,363	\$ 5,888,368	\$ 5,741,279
Marketable Securities	710,000	710,000	200,000	200,799	449,299	581,643
Receivables (net)	4,923,736	4,351,549	1,568,672	1,584,243	1,921,137	1,376,328
Inventories	2,246,847	1,976,791	1,031,642	1,320,663	1,680,393	1,736,532
Other	2,846,274	2,355,500	1,742,648	878,464	809,886	220,596
<i>Total Current Assets</i>	<u>\$18,016,269</u>	<u>\$16,390,825</u>	<u>\$10,125,356</u>	<u>\$ 8,604,532</u>	<u>\$10,749,083</u>	<u>\$ 9,656,378</u>
CURRENT LIABILITIES:						
Accounts Payable	\$ 3,069,809	\$ 2,692,845	\$ 1,590,354	\$ 2,182,510	\$ 1,956,963	\$ 1,652,563
Accrued Liabilities	3,682,449	3,440,643	2,400,262	2,368,039	2,367,052	2,181,018
Provision for Income Taxes	2,650,443	2,868,528	1,232,434	153,232	426,124	2,078,949
Payment of Funded Debt and Long Term Liabilities Due Within One Year	1,136,496	1,016,087	549,778	704,144	614,363	932,902
Other	322,763	351,167	151,634	152,459	157,062	238,015
<i>Total Current Liabilities</i>	<u>\$10,861,960</u>	<u>\$10,369,270</u>	<u>\$ 5,924,462</u>	<u>\$ 5,560,384</u>	<u>\$ 5,521,564</u>	<u>\$ 7,083,447</u>
<i>Working Capital</i>	\$ 7,154,309	\$ 6,021,555	\$ 4,200,894	\$ 3,044,148	\$ 5,227,519	\$ 2,572,931
OTHER ASSETS:						
Non-Current Receivables and Investments	3,656,894	3,995,749	3,167,227	1,357,529	2,686,642	3,111,952
Fixed Assets (net)	60,876,273	59,625,808	49,292,601	51,042,925	47,600,347	47,883,254
Deferred Charges	800,127	802,462	596,537	454,329	425,091	728,942
<i>Total</i>	<u>\$72,487,603</u>	<u>\$70,445,574</u>	<u>\$57,257,259</u>	<u>\$55,898,931</u>	<u>\$55,939,599</u>	<u>\$54,297,079</u>
OTHER LIABILITIES AND RESERVES:						
Funded Debt and Long Term Liabilities (Less payments due within one year)	\$34,357,135	\$32,933,501	\$24,208,252	\$23,958,030	\$23,719,388	\$23,525,646
Sundry Reserves	365,889	402,655	142,914	8,275	13,209	68,929
<i>Total</i>	<u>\$34,723,024</u>	<u>\$33,336,156</u>	<u>\$24,351,166</u>	<u>\$23,966,305</u>	<u>\$23,732,597</u>	<u>\$23,594,575</u>
<i>Net Assets</i>	<u>\$37,764,579</u>	<u>\$37,109,418</u>	<u>\$32,906,093</u>	<u>\$31,932,626</u>	<u>\$32,207,002</u>	<u>\$30,702,504</u>
NET ASSETS REPRESENTED IN—						
Convertible Preference Stock . . .	\$ 3,994,450	\$ 4,903,850	\$ 5,813,250	\$ 6,723,150	\$ 9,870,068	\$11,850,627
Common Stock (Less treasury shares at cost)	7,511,521	7,038,215	6,956,281	7,742,308	8,092,890	8,091,885
Surplus Reserves	500,000	1,700,000	1,820,000	1,820,000	1,820,000	1,820,000
Capital Surplus	9,202,137	7,301,090	7,340,447	7,091,924	6,137,230	5,758,247
Earnings Retained in the Business	14,149,019	12,664,299	9,614,750	7,271,896	5,062,127	1,460,317
Minority Interest	2,407,452	3,501,964	1,361,365	1,283,348	1,224,687	1,721,428
<i>As above</i>	<u>\$37,764,579</u>	<u>\$37,109,418</u>	<u>\$32,906,093</u>	<u>\$31,932,626</u>	<u>\$32,207,002</u>	<u>\$30,702,504</u>
BOOK VALUE PER COMMON SHARE..	\$19.69	\$19.16	\$17.38	\$15.11	\$13.04	\$10.58

SUMMARY OF CONSOLIDATED EARNINGS

FOR THE SIX YEARS ENDED DECEMBER 31, 1951

	1951	1950	1949	1948	1947	1946*
GROSS REVENUE						
Rooms Department.....	\$31,350,484	\$28,248,855	\$19,624,629	\$19,672,728	\$18,564,498	\$14,742,177
Food and Beverage Department..	38,215,049	33,822,503	21,079,609	22,023,068	22,379,960	18,460,093
Other Operated Departments...	7,869,696	7,088,476	5,424,123	5,154,361	4,979,440	4,658,002
Other Income.....	1,408,068	1,311,652	681,677	782,324	796,945	713,898
Store Rentals.....	1,316,047	1,270,166	953,719	1,025,976	1,057,184	1,087,128
Interest on Securities.....	62,871	54,109	41,637	67,512	64,695	14,717
<i>Total Gross Revenue.....</i>	<u>\$80,222,215</u>	<u>\$71,795,761</u>	<u>\$47,805,394</u>	<u>\$48,725,969</u>	<u>\$47,842,722</u>	<u>\$39,676,015</u>
EXPENSES						
Operated Departments.....	\$44,052,000	\$39,017,530	\$26,444,235	\$27,085,245	\$26,786,617	\$22,261,676
Administrative and General....	7,276,940	6,236,809	3,646,620	3,724,578	3,417,913	2,913,490
Advertising and Business						
Promotion.....	1,578,280	1,289,375	934,372	750,881	763,302	577,453
Heat, Light and Power.....	2,454,960	2,157,643	1,530,851	1,711,635	1,491,277	1,228,601
Maintenance and Repairs.....	4,328,086	3,456,026	2,470,581	3,096,300	2,290,151	2,364,019
Lease Rentals.....	2,706,455	2,388,943	182,599	179,866	179,866	179,866
Real Estate and						
Personal Property Taxes.....	2,574,738	2,328,134	1,717,022	1,401,121	1,511,503	1,317,907
Depreciation and Amortization..	3,434,697	3,082,458	2,539,522	2,653,882	2,297,290	1,790,659
Interest.....	1,236,834	1,147,080	845,834	850,844	855,737	991,561
Provision for Federal Taxes						
on Income.....	5,418,033	4,634,733	2,849,806	2,753,745	3,062,414	2,234,864
Other Capital Charges.....	625,977	658,751	232,864	267,748	301,023	276,599
<i>Total Expenses.....</i>	<u>\$75,687,000</u>	<u>\$66,397,482</u>	<u>\$43,394,306</u>	<u>\$44,475,845</u>	<u>\$42,957,093</u>	<u>\$36,136,695</u>
NET PROFIT BEFORE OTHER						
ADDITIONS OR DEDUCTIONS.....	\$ 4,535,215	\$ 5,398,279	\$ 4,411,088	\$ 4,250,124	\$ 4,885,629	\$ 3,539,320
OTHER ADDITIONS OR [DEDUCTIONS]						
FROM INCOME						
Gain or Loss on Sale or						
Abandonments of Capital						
Assets.....	\$ [1,339]	\$ [796]	\$ [273,415]	\$ [127,498]	\$ 1,294,999	\$ 19,022
Refinancing Expense and						
Note Discount.....	—	—	—	—	[263,729]	—
Miscellaneous and Sale						
of Securities.....	136,863	117,108	20,944	16,811	197,872	[3,879]
Contribution to Pension Trust...	[400,000]	—	—	—	—	—
Interest on Income Tax						
Assessment—Stevens Hotel						
Corporation.....	[289,793]	—	—	—	—	—
Provision for Applicable Taxes..	313,810	[53,704]	95,939	41,761	[279,634]	[4,518]
TOTAL OTHER ADDITIONS OR						
[DEDUCTIONS].....	<u>[240,459]</u>	<u>62,608</u>	<u>[156,532]</u>	<u>\$[68,926]</u>	<u>949,508</u>	<u>10,625</u>
TOTAL NET PROFIT.....	<u>\$ 4,294,756</u>	<u>\$ 5,460,887</u>	<u>\$ 4,254,556</u>	<u>\$ 4,181,198</u>	<u>\$ 5,835,137</u>	<u>\$ 3,549,945</u>
DEDUCT MINORITY INTEREST.....	339,207	605,554	122,883	125,996	135,403	496
NET PROFIT.....	<u>\$ 3,955,549</u>	<u>\$ 4,855,333</u>	<u>\$ 4,131,673</u>	<u>\$ 4,055,202</u>	<u>\$ 5,699,734</u>	<u>\$ 3,549,449</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.

26



HILTON HOTEL

EL PASO, TEXAS



THE PLAZA

NEW YORK



HILTON HOTEL

LUBBOCK, TEXAS



HILTON HOTEL

ALBUQUERQUE, N.M.



DAYTON BILTMORE

DAYTON, OHIO



Palmer House

CHICAGO



THE ROOSEVELT

NEW YORK



The Mayflower

WASHINGTON, D.C.



Palacio Hilton

CHIHUAHUA, MEXICO



THE Conrad Hilton

CHICAGO



Caribe Hilton

PUERTO RICO



NEW HOTEL JEFFERSON

ST. LOUIS



Arrowhead Springs

SAN BERNARDINO, CAL.



The Town House

LOS ANGELES



The Waldorf-Astoria

NEW YORK

