



**Hilton Hotels Corporation  
1972 Annual Report**



<b>For the year</b>	<b>1972</b>	<b>1971</b>
Total revenue .....	<b>\$341,165,000</b>	319,762,000
Net income .....	<b>16,917,000</b>	13,765,000
Net income per common and common equivalent share .....	<b>2.05</b>	1.77
Dividends per share .....	<b>1.00</b>	1.00
Average number of common and common equivalent shares .....	<b>8,951,329</b>	8,626,392
 <b>At year-end</b>		
Working capital .....	<b>\$ 16,590,000</b>	14,519,000
Investments .....	<b>62,730,000</b>	62,299,000
Property and equipment .....	<b>312,266,000</b>	326,472,000
Total assets .....	<b>461,219,000</b>	468,034,000
Long-term debt .....	<b>197,938,000</b>	219,784,000
Stockholders' equity .....	<b>191,224,000</b>	181,575,000
Equity per share .....	<b>23.48</b>	22.42



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The annual meeting of stockholders will be held at The Beverly Hilton in Beverly Hills, California, on May 10, 1973 at 10:00 A.M.

## To Our Stockholders:



CONRAD N. HILTON



BARRON HILTON

We are pleased to report that Hilton Hotels Corporation achieved increases in revenues, net income, and earnings per share in 1972. The Corporation had gross revenues of \$341,165,000 in 1972 compared with \$319,762,000 in 1971; net income advanced to \$16,917,000 from \$13,765,000; and earnings per share increased to \$2.05 from \$1.77 per share.

The very gratifying gain in net income is attributed primarily to an improving trend in occupancy in key metropolitan markets served by Hilton and by the success of the Corporation's Nevada resort properties. The Corporation realized a rise in occupancy for its owned and managed hotels to 62.3 percent in 1972 from 59.6 percent in 1971. The average room rate of Hilton owned hotels increased 4.6 percent in the past year. The increase in occupancy reflects the improvement in general business conditions resulting in more travel, tourism, and a higher level of domestic air traffic.

A number of important developments during the year benefited our progress, and the future outlook for the company. In the first quarter of 1972, a merger of Hilton and International Leisure Corporation was completed, and The Las Vegas Hilton and The Flamingo, also in Las Vegas, became wholly-owned subsidiaries of the Corporation. At the time of the merger, Hilton owned 85.8 percent of International Leisure. In April, 1972 Hilton consummated an agreement and sold the New Yorker Hotel to the French Polyclinic Medical School and Health Center. This property did not operate profitably in 1971, and for the first three months of 1972 the hotel experienced a pre-tax loss of \$440,000. The sale of the New Yorker, and its subsequent elimination from the hotel market, also had a positive effect on the operations of the New York Statler Hilton, which is located in the vicinity of the old New Yorker Hotel.

A major expansion program for The Las Vegas Hilton was announced in September 1972 when the Board of Directors authorized a 600-room addition to this 1500-room hotel. The project commenced construction in February 1973 and is scheduled for completion in the Spring of 1974. The expansion of this fine property to 2100 rooms will further strengthen Hilton's position in the tourist and convention markets for Nevada. In addition, the expansion will enhance The Las Vegas Hilton's position as the world's most popular and successful resort and convention hotel.

With the opening in October 1971 of a 632-room, 46-story addition to The San Francisco Hilton, 1972 marked the first full year of operations for the expanded hotel. The 1710-room San Francisco Hilton is the largest hotel on the West Coast of the United States, and has the most extensive hotel convention and meeting facilities in this primary convention and tourist market.

In 1972, a sharp improvement was experienced in occupancy and operating results for the Hilton Hawaiian Village from the depressed levels of 1971. The Corporation's involvement in Hawaii is extensive, with an interest in 2187 rooms, including the 1735 room Hilton Hawaiian Village which contains the largest convention facilities in the Islands. Economic conditions in 1970 and 1971, as well as a substantial increase in room capacity, adversely affected hotel occupancy in Hawaii during that period. A strong resurgence of travel to the Islands, together with effective marketing efforts, resulted in improved business at the Hilton properties in 1972. This favorable trend is continuing. The 50th State has great appeal as a tourist area for people of many nations. The Corporation is in a strong competitive position in Hawaii based on the quality and size of Hilton properties there, the popularity generated from having successfully served individual guests and conventions over a period of years, and the marketing programs which are being implemented to increase occupancy.

The Hilton franchise and management programs are being actively carried forward, and prospects remain excellent for their further development. Each of the divisions contributed to the gain in operating results in 1972. During the past year, 10 franchised hotels were added, for a total of 55 at year-end. An additional 10 franchised hotels have been added thus far in 1973 and 40 are now under construction. Another 33 hotels are scheduled to begin construction this year. In adding new properties to our franchise program, the chief criteria are the quality and economic stability of the project, maintenance of high service standards, and the calibre of management which will be identified with the Hilton name. The Corporation's franchising program has proven highly successful.

Additional long-term management contracts are being entered into by the Corporation. In this program, there are currently seven hotels under construction or at the ground-breaking stage, with a total of 3182 rooms, including the 1200-room Atlanta Hilton which will begin construction in the near future. An additional 10 management contract proposals are being considered at present, for hotels which are planned for future construction in major cities. It is anticipated that Hilton will have an equity interest in a number of these new hotels. The Corporation will continue to seek high quality properties with the objective of entering into management contracts, and in selected developments, obtaining a minority investment position.

We are encouraged by the results of the past year and the indications of future growth for our company. The correlation between a presently healthy economy and the strength of the hotel business should continue to benefit Hilton's operations in 1973. Evidence of the expected further advance in the economy is considerable at present. Airline traffic statistics are in a positive trend and this figure offers a good barometer of the effect of economic conditions upon the hotel industry. The rate of employment and total employment is improving, and disposable income and consumer spending are at higher levels. The mood of the average American appears to be more optimistic and, historically, the change to a peacetime environment and greater general confidence augers well for an increase in travel and tourism.

To assist in generating travel and enhance a healthy domestic economy, various promotion programs on the part of private industry and the Government will, we believe, be increased in the future. To promote greater domestic travel and travel to the United States from abroad, incentives such as ease of travel, reduced air fares and charter tours will become increasingly evident in the future. We believe that the devaluation of the dollar in relation to other currencies will benefit the domestic hotel business, particularly in Hawaii and Las Vegas, by encouraging greater travel within the United States. Moreover, it is likely that more visitors from abroad will be motivated to visit this country because of the lower effective cost and greater travel value.

With a further improvement in business conditions and growth in domestic airline traffic, now projected at about 10 percent for 1973, we expect that Hilton's operating results will show a good gain in the current year. The Corporation is in a strong position with large, first-class hotels in key locations of most major cities in the country. These properties can accommodate a higher level of travelers and visitors. Our financial condition is strong and Hilton has a substantial equity position in its assets which can be utilized to finance future expansion. The Corporation will continue to expand with selective new hotel or hotel expansion projects, and through an accelerated rate of development for our management contract and franchise programs.

The stature of the Hilton organization and our role as the most widely recognized and leading domestic hotel company, offers a continuing challenge and opportunity. In the future as in the past, the Corporation's success will depend in large measure on the determination and dedication of our employees and the goodwill of every Hilton guest. We express appreciation to all those individuals associated with Hilton and to our stockholders for their vote of confidence. In behalf of management, we pledge to you a continued maximum effort to assure the company's future success.



CONRAD N. HILTON  
Chairman of the Board



BARRON HILTON  
President

March 15, 1973

**Revenues**

Operating revenues of Hilton Hotels Corporation and its subsidiaries in 1972 amounted to \$341,165,000 as compared with \$319,762,000 in the preceding year. Included in revenues is management fee income from the hotel properties managed by the Corporation under long-term management contracts. Total revenues do not include operating revenues of 50 percent owned affiliates or other managed properties. If revenues of these affiliates and other managed properties were included, total revenues of all properties operated and managed by the Corporation in 1972 would be in excess of \$450 million.

In 1972, the Corporation, including managed hotels, had an overall room occupancy ratio of 62.3 percent as compared with 59.6 percent in 1971. Occupancy of Hilton owned hotels was 61.8 percent, and for managed hotels occupancy was 63.7 percent, as compared with 59.7 and 59.2 percent respectively in 1971. Hotels which the Corporation manages and owns a 50 percent or lesser equity interest are included as managed properties in these statistics.

The average rate per occupied room for the Corporation, including managed hotels, was \$24.15 in 1972 compared with \$23.49 in 1971. The average room rate for Hilton owned hotels was \$23.85 in 1972, and for hotels managed by the Corporation the average room rate was \$24.88 which compares with \$22.80 and \$25.32 respectively, in the prior year.

**Earnings**

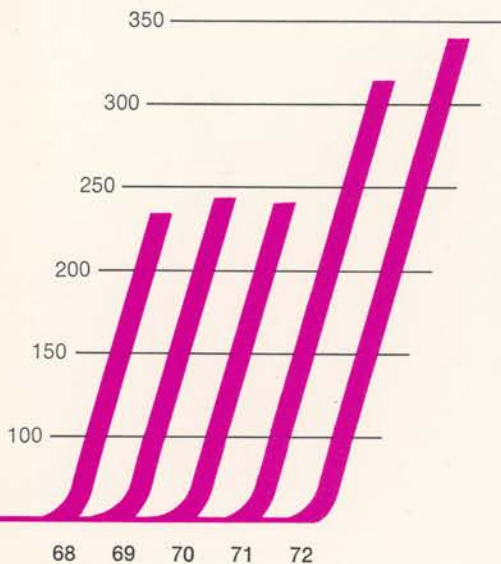
For the year ended December 31, 1972, net income amounted to \$16,917,000, equal to \$2.05 per share. This compares with earnings of \$13,765,000, or \$1.77 per share, in the preceding year. As a result of the merger of International Leisure Corporation into Hilton Hotels Corporation, there was no longer a deduction for minority interest in 1972. The earnings per share are based on an average of 8,951,329 common and common equivalent shares outstanding in 1972 and 8,626,392 shares in 1971.

**Cash Flow**

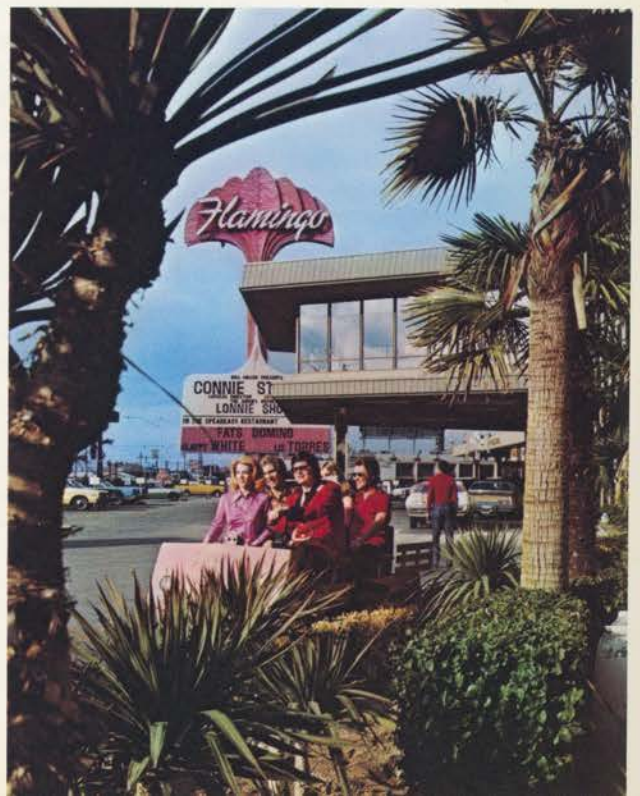
In 1972, cash flow—income before minority interest plus depreciation and amortization—totaled \$38,005,000 as compared with \$37,530,000 in 1971. The 1972 figure does not include the cash flow of \$8.6 million of affiliates in which Hitlon has a 50 percent interest.

**Revenues**

(In Millions of Dollars)



The Las Vegas Flamingo Hotel, a seven hundred thirty room Hilton-owned property, is sparkling new as the result of a \$3,000,000 Hilton refurbishment program.



*Hilton's leadership in service innovations is the result of long-range research and planning, for we believe the perpetuation of leadership lies in the anticipation and preplanning for tomorrow's challenge. In Hilton, that need is simply stated—"The best way to stay ahead in the hotel business is to stay ahead of other people in the hotel business." Hilton is again prepared to assert its leadership in meeting the ever-changing service needs of the domestic and international business and pleasure traveler.*

A six hundred room Tower addition will give The Las Vegas Hilton twenty-one hundred rooms, and continue its position as the world's finest resort and convention complex.



### Dividends

During 1972, the Corporation declared and paid quarterly cash dividends of 25 cents per share, aggregating \$8,136,000 for the year, or a total of \$1.00 a share.

### Financial Condition

Consolidated working capital of Hilton Hotels Corporation at December 31, 1972 amounted to \$16,590,000, and the ratio of current assets to current liabilities was 1.27 to 1. At the end of 1971, working capital was \$14,519,000, and the current ratio was then 1.26 to 1.

Property and equipment consisting of land, buildings, leaseholds, leasehold improvements, furnishings and equipment at December 31, 1972 had a book value of \$312,266,000 compared with \$326,472,000 one year earlier. Long-term indebtedness at the end of 1972 totaled \$197,938,000 compared with \$219,784,000 at the end of 1971. Investments totaled \$62,730,000 as compared with \$62,299,000 one year earlier.

During 1972, the Corporation expended approximately \$32.6 million to improve, expand and maintain its existing properties. Of this amount, \$16.1 million was capitalized and \$16.5 million was expensed. During the past five years, approximately \$161 million was utilized for these programs. Depreciation and amortization in 1972 was \$22,291,000 compared with \$22,418,000 in 1971. In 1972, depreciation of buildings amounted to \$8,574,000, and furniture, equipment and alterations depreciation and amortization was \$13,717,000. Depreciation and amortization in 1971 included \$9,086,000 for buildings, and \$13,332,000 for furniture, equipment and alterations.

Retained earnings in 1972 increased \$8,781,000 to \$130,785,000 from \$122,004,000 at December 31, 1971. Stockholders' equity at the close of 1972 totaled \$191,224,000, equal to \$23.48 a share, as compared with \$181,575,000, or \$22.42 a share at the end of 1971.

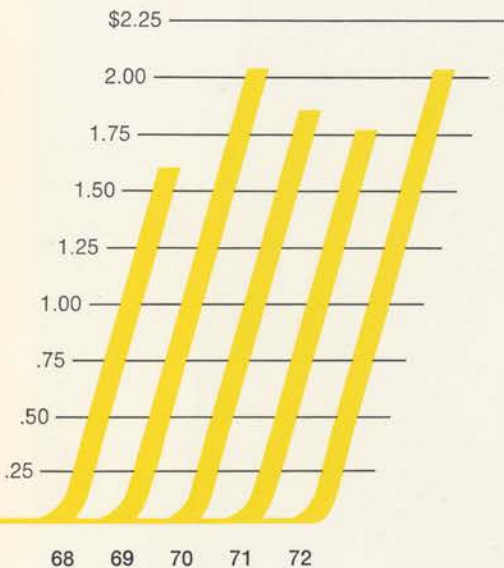
During the past year, stock options for 44,686 shares were exercised, increasing the number of shares outstanding at year-end to 8,143,920. At December 31, 1972, options for 97,775 shares of common stock remained outstanding.

### Stock Purchase Authorization

The Board of Directors has authorized the Corporation to purchase from time to time prior to February 8, 1974 up to 100,000 shares of Hilton's outstanding common stock. All purchases will be made in open market transactions on the New York and Pacific Coast Stock Exchanges or in private transactions with persons other than directors or principal executive officers of Hilton, pursuant to proposed guidelines released by the Securities and Exchange Commission.

Any shares purchased by Hilton will be held in its treasury for issuance in connection with employee stock options, convertible debentures, or other purposes.

### Earnings Per Share from Operations



The New York Statler Hilton, directly across from world-famed Madison Square Garden, is a mecca for sports champions and businessmen alike.



*Titanfax, the nearest thing to total communications, is another exclusive service introduction for Hilton guests. Facsimile terminals, located in Hilton Hotels, now make it possible for the traveling professional or businessman to transmit medical reports, legal documents, charts or manuscripts from one Hilton to another, with the ease and speed of a telephone call. For companies having their own facsimile terminals, there's the added dimension of facsimile transmission from or to any Hilton guest.*

The Waldorf-Astoria, Flagship of the Hilton system of hotels, is renowned for its excellence in service, and is recognized as the finest hotel in the world.



## Analysis of Consolidated Long-Term Debt

	Balance December 31, 1971	Additions During 1972	Reductions During 1972	Balance December 31, 1972
<b>Mortgage Bonds and Notes</b>				
The Beverly Hilton .....	\$13,665,000	—	638,000	13,027,000
Boston Statler Hilton .....	8,075,000	—	383,000	7,692,000
Washington Statler Hilton .....	9,690,000	—	460,000	9,230,000
The Conrad Hilton .....	2,250,000	—	2,250,000	—
The Pittsburgh Hilton .....	9,416,000	—	349,000	9,067,000
The Shamrock Hilton .....	7,590,000	—	338,000	7,252,000
The Portland Hilton .....	3,926,000	—	163,000	3,763,000
New Orleans Hilton Inn .....	1,203,000	—	110,000	1,093,000
The Terrace Hilton .....	3,875,000	—	352,000	3,523,000
The Palmer House .....	9,176,000	—	1,104,000	8,072,000
The Los Angeles Hilton .....	1,303,000	—	1,303,000	—
Dallas Statler Hilton .....	2,622,000	—	290,000	2,332,000
The Hartford Hilton .....	4,359,000	—	167,000	4,192,000
Atlanta Hilton Inn .....	791,000	—	86,000	705,000
Hilton Inns System Mortgage ...	3,873,000	—	577,000	3,296,000
St. Louis Hilton Inn .....	1,201,000	—	92,000	1,109,000
The New Yorker .....	7,100,000	—	7,100,000	—
The San Francisco Hilton .....	14,664,000	—	605,000	14,059,000
New York Statler Hilton .....	10,099,000	—	339,000	9,760,000
Las Vegas Hilton .....	23,992,000	—	1,065,000	22,927,000
Flamingo Hotel .....	8,084,000	—	532,000	7,552,000
Dallas Garage .....	630,000	—	38,000	592,000
Hotel Sites .....	2,600,000	550,000	2,620,000	530,000
<b>Debentures</b>				
5½% Convertible Due 1/1/95 ..	50,000,000	—	—	50,000,000
6% Subordinated Due 10/15/84	4,867,000	—	4,867,000	—
4% Metropolitan (Portland) Due 7/1/83 .....	1,794,000	—	88,000	1,706,000
6½% Subordinated .....	2,500,000	—	2,500,000	—
<b>Other</b>				
Purchase money note re Rock-Hil-Uris, Inc. stock .....	8,375,000	—	1,100,000	7,275,000
Bank Loans .....	16,500,000	8,000,000	5,775,000	18,725,000
Equipment purchase obligations	6,079,000	—	1,517,000	4,562,000
Sundry .....	168,000	—	168,000	—
	<u>240,467,000</u>	<u>8,550,000</u>	<u>36,976,000</u>	<u>212,041,000</u>
Less amounts due within one year	20,683,000			14,103,000
	<u>\$219,784,000</u>			<u>197,938,000</u>

Cocktails in The Conrad Hilton's Haymarket Lounge are a pleasant end to a busy day in Chicago.



*HILTRON, the most advanced reservation and information computer system in the world, now links all Hiltons and Hilton Reservation Service offices throughout the United States and Canada. International Hiltons are served by private communication lines. HILTRON's total inventorying of worldwide Hilton accommodations by type, availability and rate, together with guest information on entertainment highlights at destination cities, represents a sophistication unparalleled in the travel industry. HILTRON marks the completion of Phase I in Hilton's implementation of a computerized Total Management Information System.*

The French Room of the stately Palmer House is a popular meeting place for Chicagoans and visitors who enjoy the informality of its excellent buffet service.



## Expansion

Plans for a \$15.6 million 600-room addition and modifications to the Las Vegas Hilton were finalized in 1972 and ground was broken for this major project in February 1973. The expansion will include a 30-story connecting tower and will involve extensive additions to the existing main floor public areas. A new 300-seat entertainment lounge and a new 300-seat restaurant are part of the project.

When completed, the new installations will expand the hotel to over 2100 rooms and suites, maintaining its identity as the world's largest resort and convention hotel. While the tower is under construction and with the remodeling of the hotel's present lobby and casino area, little interruption of business is expected.

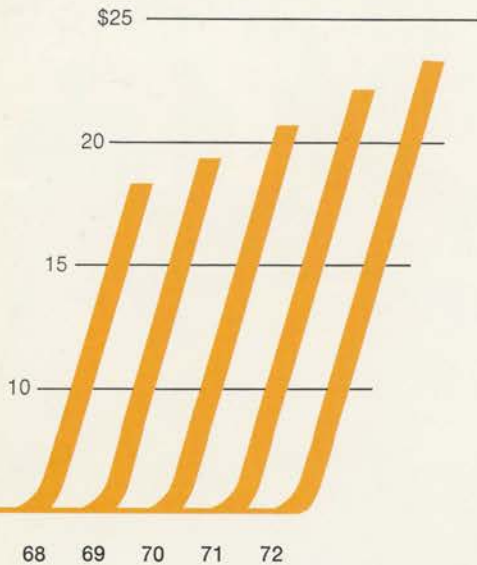
The decision to proceed with this major expansion is based on the expectation that the Las Vegas tourist market will continue to experience outstanding long-term growth. The city is uniquely capable of serving large conventions and this type of business is expanding at a good rate. Moreover, Las Vegas is centrally located in the growing Western United States, an area which historically has accounted for a substantial portion of visitors to the city.

The hotels that offer the most comprehensive facilities and luxurious accommodations will continue to benefit most from the rise in tourism in Las Vegas. In this respect, Hilton intends to fortify its position in this market to assure the excellence of its properties there. Both the Las Vegas Hilton and The Flamingo have the reputation and appeal to attract conventioners and visitors to the city. In addition, the world-wide Hilton reservation network and referral system is proving beneficial to the Corporation's Las Vegas properties.

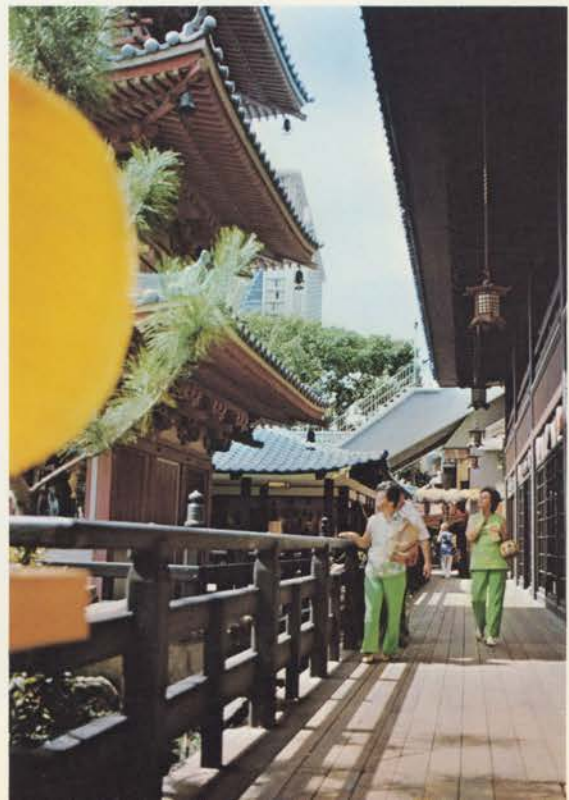
A major refurbishing project is in process at The Flamingo. The hotel's casino area, and cocktail lounge, lobby and coffee shop have been remodeled and redecorated. Extensive refurbishing of rooms and suites is underway at present. The Flamingo has traditionally been one of the most popular hotels in Las Vegas, and the refurbishing effort will contribute to the future success of the property.

### Stockholders' Equity Per Share

*At Year - End*



The Rainbow Bazaar, a dramatic complex of shops of the Far East, is an exciting addition to the Rainbow theme of the Hilton Hawaiian Village.



*Quick Check, another Hilton guest service innovation, is now serving the needs of frequent travelers in almost two thousand American business firms that have contracted for this unique service. The contractual guarantee of advance reservations and billing arrangements makes possible preregistration, with Quick Check guests picking up room keys at a special service desk and going directly to their rooms. Special billings also eliminate check-out procedures for Quick Check guests. And the nice thing about it is that it speeds up service for all Hilton guests.*



Also in Nevada, the Corporation continues to consider plans for the future development of a new resort-casino complex in Reno, including a 600-room hotel to be named The Reno Hilton. No date has been set for the start of this hotel, and the timing will depend on various demand factors and the progress of the Corporation's other expansion projects. Originally, the Reno development was planned as a joint venture with another company. In 1972, Hilton acquired a 100 percent interest in the development, which includes an 80-acre parcel of land.

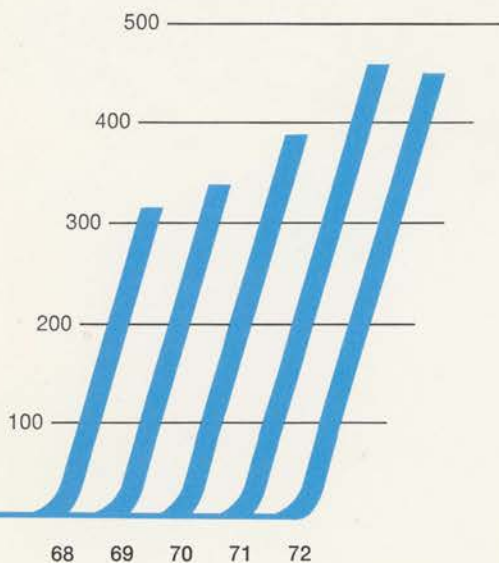
An increase in demand for Hilton's hotel management services has been evident and this trend is expected to continue. Business investment groups and independent developers of medium to large size hotel properties in local communities require experienced management capabilities. Hilton is the most experienced hotel organization in the United States, the managerial talent and training programs within the company are extensive, and the name "Hilton" has traditionally identified quality hotel properties. These significant qualifications, together with a worldwide reservation referral system, are the primary reasons why Hilton's management contract program has proven attractive and successful.

Currently there are 14 hotels managed by Hilton under long-term management contracts. In this program, the 305-room Troy Hilton Inn, located near the city of Detroit, was opened in September of 1972. The 350-room Rye Town Hilton Inn, in Westchester County, New York, is being developed jointly by Hilton and Uris Buildings Corporation. Hilton will own 50 percent of this property and will manage the hotel which is scheduled to open in the near future. In Skokie, Illinois, near Chicago, the new 300-room North Shore Hilton will be managed by the Corporation. Construction of this hotel is in progress and it will open in the fall of 1973.

Five new hotel projects announced in 1973 will be included in the Hilton management contract program. These include a major new hotel development in Atlanta, Georgia where construction will begin in the near future on the 1200-room Atlanta Hilton. The other new hotel developments include a 237-room Hilton hotel now under construction in Lincoln, Nebraska which is scheduled for completion in early 1974; a 392-room Hilton hotel in Myrtle Beach, South Carolina, now under construction and expected to be completed in the spring of 1974; a 295-room Hilton in Madison, Wisconsin, also under construction with completion scheduled

### Assets

(In Millions of Dollars)  
At Year - End



Well kept lawns and spacious natural green areas, for the enjoyment of guests, are basic ingredients in Hilton's planning of its Inn properties.

*Personal service is a Hilton tradition. While our research and planning provide the mechanical and procedural innovations for improved guest services, we are ever mindful that the people of Hilton are, and must remain, the personal link in our relationships with Hilton guests. In personnel training, we stress the tools that are provided to aid our people in the courteous and efficient serving of Hilton guests, but that training is concerned, first, last and always with the individual interests and desires of Hilton guests.*

The New Orleans Hilton Inn is typical of conveniences offered by Hilton Inns. In this instance, three minutes from the airport and fifteen minutes from New Orleans' French Quarter and Bourbon Street.



for the fall of 1974; a 408-room Hilton in Philadelphia, Pennsylvania, now beginning construction and scheduled for completion in late 1974.

Currently an additional 10 hotel management proposals are in various stages of investigation or negotiation. These include new hotel developments ranging in size from 300 to 1200 rooms to be located in key market areas. It is expected that in some of these hotel developments Hilton Hotels Corporation will participate with equity investments.

The strong identity provided by the Hilton name and reputation lends support to the successful development of quality hotels under the Corporation's franchising program. An extension of the Hilton name and referral system is an important advantage which accrues to the Corporation with the addition of franchised hotels.

At present, Hilton Hotels Corporation has 65 franchised hotels in operation with a total of 13,434 rooms. An additional 32 franchised hotels, having 5,512 rooms, are under construction and scheduled for completion in 1973. The franchise division continually reviews new hotel projects and some existing properties for possible inclusion in the Hilton franchise program. At present, more than 100 additional hotels are in various stages of investigation and/or negotiation.

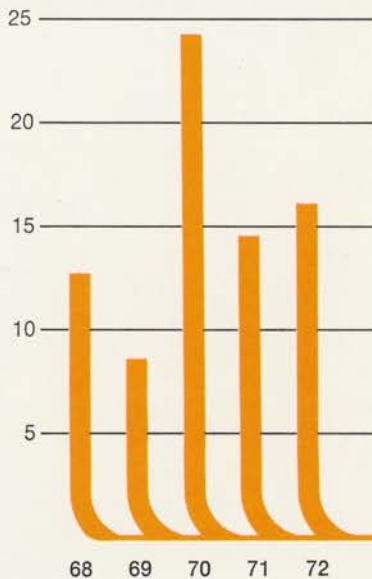
**Management**

In 1972, Thomas R. Wilcox was elected a director of Hilton Hotels Corporation. Mr. Wilcox is vice chairman of Blyth Eastman Dillon & Co., Incorporated and is a board member of a number of major corporations.

During the past year, the directors of Hilton Hotels Corporation elected four new vice presidents. They are: James L. Philon, formerly assistant vice president Corporate Properties Division, Irving Shure, director of purchasing for the Corporation, Frank H. Johnson and E. Timothy Applegate. Both Mr. Johnson, a former chairman of the Nevada State Gaming Control Board, and Mr. Applegate were executives of International Leisure Corporation which merged with Hilton. Mr. Applegate has also been elected Secretary of the Corporation and has been appointed General Counsel.

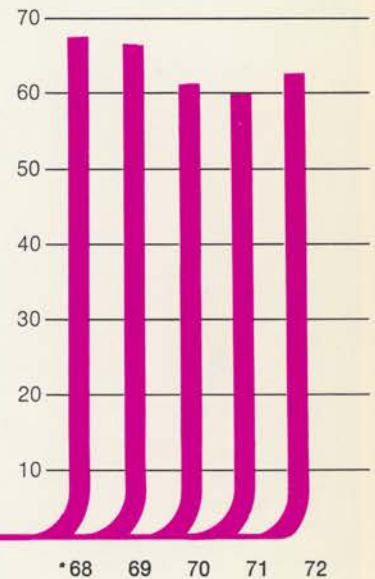
**Working Capital**

*(In Millions of Dollars)  
At Year - End*



**Percentage of Occupancy**

*\* Excludes The New Yorker*



## Hilton and the Hotel Business

The objectives which have long been paramount in the business philosophy of Hilton Hotels Corporation are: to merit recognition as the industry leader; and, to remain keenly competitive by anticipating and providing for the needs of the traveling public. In this age of specialization, Hilton has done a specific job, done it well, and achieved an individuality which has made the name "Hilton" virtually synonymous with "Hotel" the world-over.

The company is proud of the record which has been established during the past decades. There are reasons for this pattern of success which has been shaped by the accomplishments of the past and by the day-to-day efforts of every individual within the Hilton organization.

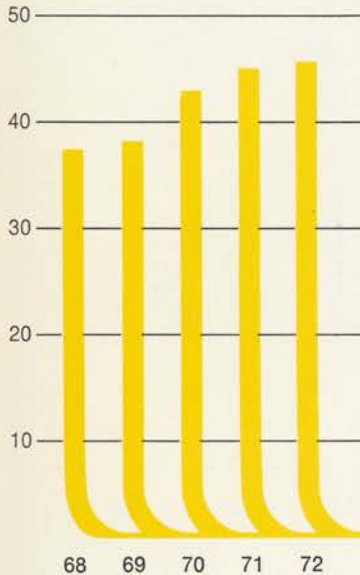
The Corporation has developed its domestic hotel system to include primarily large properties—with the most comprehensive facilities—centrally located, in prime areas of major markets. Concentrating on cities with special appeal and dynamism, and being in the right location with the appropriate type and size of hotel, has been an important element in Hilton's success.

Currently, there are 30 hotels owned by Hilton, having 24,052 rooms; 14 others, with 9,709 rooms, are managed under long term agreements; and 65 hotels, with a total of 13,434 rooms, are franchised by the Corporation. In the principal markets of New York, Chicago, San Francisco, Washington, D. C., Los Angeles, Las Vegas and Honolulu, the company and its 50 percent owned affiliates own or lease hotels having a total of 20,339 rooms. These include a number of valuable, distinctive properties, which will never be duplicated because of high replacement costs.

As a result of these major investments and the advantages of size and location, The company is in a sound, unique position to serve varied types of travelers, on a national basis, particularly the frequent business traveler, convention and meeting business, and tour groups. Each of these travel categories is expected to record substantial growth in the decade ahead. The effort to develop first-class hotels with more than adequate facilities, and to maintain high service and physical standards for these properties, will continue to be recognized and rewarded by public acceptance and a perpetuation of the Hilton tradition of quality.

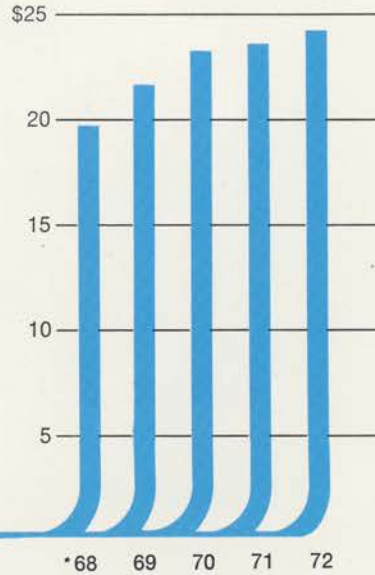
### Number of Guest Rooms

Including Franchises (In thousands)  
At Year - End



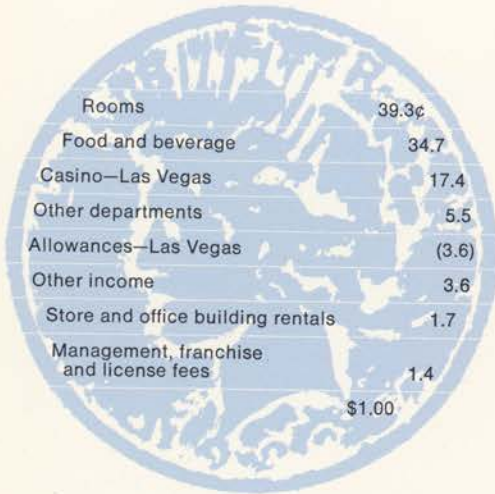
### Average Room Rate

\* Excludes The New Yorker

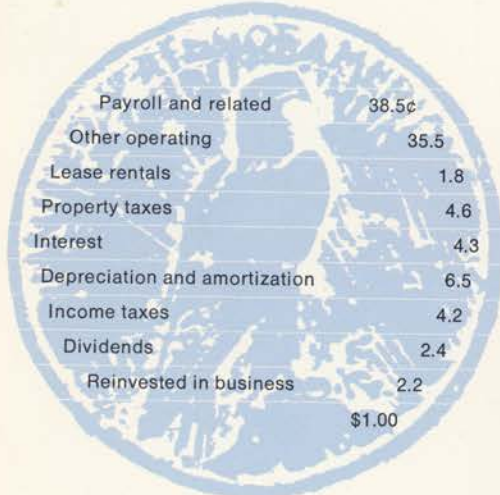


## Hilton Dollar

### Receipts from Operations



### Expenditures



The Corporation has confidence in the economic viability and appeal of the travel industry and the potential for growth of leisure time services. In the same vein, every Hilton guest must feel assurance concerning hotel accommodations, the availability of fine dining, and day-to-day service. The businessman requires quality lodging, dependability, and proximity to his destination. Planning, accommodating and serving large conventions requires extensive, spacious, first-class hotel and meeting facilities, efficient banquet service, and a real expertise in guaranteeing individual consideration to each conventioneer. These standards must be consistently maintained. Hilton will continue as a major factor in serving businessmen and conventions because of the qualifications of a large, dedicated, experienced and coordinated sales and service organization.

In marketing its services to convention groups, the Corporation meets specific needs, beginning with the availability of adequate facilities in principal convention centers of the nation. The larger conventions are planned years in advance. Hilton's continuing market research program maintains past convention data and is aware of meetings which will be held in the future by large organizations. Computers are utilized for market research to implement a variety of sales and promotional functions. In all of its sales activities, the Corporation is intimately involved with the problems and requirements of potential guests, from the individual to the largest group. Hilton's success will continue to depend on the calibre of its personnel, a sensitivity to the basic needs of guests, and the thoroughness with which the "service" concept is communicated and applied.

The Corporation also serves the important leisure travel market which consists of individual travelers, tours, family plan travelers, foreign groups and vacationers. Hilton's strong position in California, Nevada and Hawaii, with a total of 9,139 hotel rooms, will continue to benefit from the trends of increased affluence, more leisure time and greater mobility of the population. In addition, development of the Hilton franchise program will be a major basis of company involvement in the future growth of leisure travel. A continued active promotion and marketing of Hilton accommodations and service is being directed to the leisure market.



The picturesque restaurants of Trader Vic's offer the finest in exotic Cantonese dining. Hilton features Trader Vic's restaurants in a number of large metropolitan cities.

*Hilton's new Rainbow theme was announced in January of 1973. A dramatic introduction of the theme was made in a twenty-four hour jet caravan series of press showings that raced the sun from New York to Chicago to Los Angeles. From Doorman to Pastry Chef, from Bellman to Maid, we're dressing our people and services in every hue of the Rainbow. It's a colorful new way of showing our pride in our people and our services, a warm new atmosphere, and a bright new way of saying, "Be My Guest."*

Staff members of the Dallas Hilton Inn review a new color brochure depicting one of Hilton's outstanding Inn properties. Here, again, the Dallas Airport or night life of the city are only minutes away.



# Hilton Hotels and Inns in the United States

ABILENE, Texas Hilton Inn	DEL RIO, Tex. Hilton Inn	MACON, Ga. The Macon Hilton	RYE, N. Y. Rye Town Hilton Inn
AKRON, Ohio Hilton West Inn <i>Fairlawn Village</i>	DENVER The Denver Hilton <i>Airport Hilton Inn</i>	MADISON, Wisc. Madison Hilton <i>(Under Construction)</i>	SAINT PAUL The Saint Paul Hilton
ALBUQUERQUE, N. M. Albuquerque Hilton Hilton Inn	DETROIT The Detroit Hilton Hilton Inn <i>airport</i> Troy Hilton Inn	MONTAUK, N.Y. Hilton Inn <i>(Under Construction)</i>	SALINA, Kan. Hilton Inn
AMARILLO, Texas Hilton Inn <i>(Under Construction)</i>	DURHAM, N. C. Hilton Inn	NAPLES, Fla. Hilton Inn	SAN ANTONIO, Tex. Hilton Palacio del Rio
ANN ARBOR, Mich. Hilton Inn	EL PASO <i>airport</i> Hilton Inn	NASHVILLE, Tenn. Hilton Inn <i>airport</i>	SAN BERNARDINO, Calif. Hilton Inn
ANNAPOLIS, Md. Hilton Inn	FT. LAUDERDALE Ft. Lauderdale Hilton	NEW ORLEANS Hilton Inn <i>airport</i>	SAN DIEGO Hilton Inn
ASHEVILLE, N.C. Hilton Inn <i>(Under Construction)</i>	FT. WAYNE, Ind. Hilton Inn <i>airport</i>	NEW YORK CITY The New York Hilton <i>at Rockefeller Center</i> The Waldorf-Astoria The Statler Hilton Hilton Inn <i>Kennedy Airport</i>	SAN FRANCISCO Hilton Inn <i>airport</i> The San Francisco Hilton
ATLANTA, Ga. Hilton Inn <i>airport</i> Northlake Hilton Inn <i>(Under Construction)</i>	FRESNO, Calif. Fresno Hilton	NORTHAMPTON, Mass. Colonial Hilton Inn	SANTA FE, N.M. Hilton Inn
AURORA, Ill. Hilton Inn	FULLERTON, Calif. Hilton Inn	OAKLAND, Calif. <i>airport</i> Hilton Inn	SARASOTA, Fla. Longboat Key Hilton
BAKERSFIELD, Calif. Hilton Inn	GAINESVILLE, Fla. Hilton Inn <i>(Under Construction)</i>	OKLAHOMA CITY, Okla. Hilton Inn Northwest Hilton Inn West <i>airport</i>	SAVANNAH, Ga. The DeSoto Hilton
BALTIMORE The Baltimore Hilton Hilton Inn <i>Pikesville</i> <i>(Under Construction)</i>	GREENSBORO, N. C. Hilton Inn	OMAHA, Neb. The Omaha Hilton	SCOTTSDALE, Ariz. Scottsdale Hilton
BOSTON Hilton Inn <i>airport</i> The Statler Hilton Colonial Hilton Inn <i>Wakefield, Mass.</i>	HARTFORD The Hartford Hilton	ORLANDO, Fla. Hilton Inn West Hilton Inn South Hilton Inn Gateway	SCRANTON, Pa. Hilton Inn
BUFFALO The Statler Hilton	HONOLULU Hilton Hawaiian Village	PALM BEACH, Fla. Hilton Inn <i>Riviera Beach</i>	SEATTLE, Wash. <i>Airport Hilton</i> Seattle Hilton <i>downtown</i>
CHAMPAIGN, Ill. Champaign Hilton	HOUSTON The Shamrock Hilton Hilton Inn <i>Brookhollow</i> <i>(Under Construction)</i>	PASADENA, Calif. Pasadena Hilton	SPRINGFIELD, Mo. Hilton Inn <i>(Under Construction)</i>
CHATTANOOGA, Tenn. Hilton Inn <i>(Under Construction)</i>	INDIANAPOLIS, Ind. Hilton Inn <i>airport</i> The Indianapolis Hilton	PEORIA, Ill. Peoria Hilton	ST. LOUIS, Mo. <i>airport</i> Hilton Inn
CHICAGO The Palmer House The Conrad Hilton North Shore Hilton <i>Skokie, Ill.</i> <i>(Under Construction)</i>	JACKSON, Miss. Hilton Inn <i>(Under Construction)</i>	PHILADELPHIA, Pa. Valley Forge Hilton <i>King of Prussia</i> Hilton Inn <i>(Under Construction)</i>	ST. PETERSBURG, Fla. St. Petersburg Hilton
CINCINNATI The Netherland Hilton The Terrace Hilton	JACKSONVILLE, Fla. Jacksonville Hilton	PITTSBURGH, Pa. The Pittsburgh Hilton Hilton Inn <i>airport</i> <i>(Under Construction)</i>	STROUDSBURG, Pa. Penn-Stroud Hilton
CLEARWATER, Fla. Hilton Inn	KANSAS CITY, Mo. Hilton Inn	PITTSFIELD, Mass. Colonial Hilton Inn	TALLAHASSEE, Fla. Tallahassee Hilton
CLEVELAND The Statler Hilton	KONA, Hawaii Kona Hilton	PLYMOUTH, Mich. Thunderbird Hilton Inn	TARRYTOWN, N. Y. Hilton Inn <i>Westchester County</i>
COLUMBIA, S.C. Hilton Townhouse	LAGUNA HILLS, Calif. Hilton Inn	PORTLAND, Ore. The Portland Hilton	TUCSON, Ariz. Hilton Inn
COLUMBUS, Ohio Hilton Inn	LAKELAND, Fla. Hilton Inn <i>(Under Construction)</i>	PORT ST. LUCIE, Fla. Hilton Inn and Country Club	TULSA, Okla. Hilton Inn
DALLAS The Statler Hilton Hilton Inn	LANCASTER, Pa. Hilton Inn	PROVIDENCE, R. I. Colonial Hilton Inn <i>Cranston</i>	VAIL, Colo. Hilton Inn <i>(Under Construction)</i>
DAYTONA BEACH, Fla. Daytona Hilton <i>(Under Construction)</i>	LANSING, Mich. Hilton Inn <i>(Under Construction)</i>	RALEIGH, N.C. Hilton Inn	VICTORVILLE, Calif. Hilton Inn and Country Club
	LAS VEGAS, Nev. Las Vegas Hilton The Flamingo		VIRGINIA BEACH, Va. Hilton Inn
	LEXINGTON, Ky. Hilton Inn <i>(Under Construction)</i>		WASHINGTON, D.C. The Statler Hilton The Washington Hilton
	LOS ANGELES The Los Angeles Hilton The Beverly Hilton <i>Beverly Hills</i> Valley Hilton <i>Sherman Oaks</i>		WASHINGTON, Pa. Meadowlands Hilton Inn <i>(Under Construction)</i>
			WILLIAMSBURG, Va. Hilton Inn
			WILMINGTON, N. C. Hilton Inn
			WINSTON-SALEM, N. C. Hilton Inn

...and there are Hilton Hotels around the world operated by Hilton International Co.

## Financial Statements

HILTON HOTELS  
CORPORATION



*Among the responsibilities attendant to Corporate Management is the prime responsibility for the protection and enhancement of the stockholders' investment. Financial statements of our corporation are clearly set forth as a detailed report of the financial stewardship management has performed in the interest of its stockholders.*

# Consolidated Balance Sheet

## Assets

	December 31,	
	1972	1971
<b>Current assets</b>		
Cash .....	\$ 15,684,000	17,132,000
Temporary investments (at cost, which approximates market) .....	25,910,000	21,709,000
Accounts and notes receivable		
Hotel and other (less allowance for doubtful accounts of \$1,153,000 and \$1,626,000) .....	22,080,000	19,759,000
Casino (less allowance for doubtful accounts of \$2,053,000 and \$2,483,000—note 1) .....	8,250,000	6,276,000
Inventories (at cost) .....	2,742,000	3,256,000
Prepaid expenses and other .....	2,610,000	2,583,000
Total current assets .....	<u>77,276,000</u>	<u>70,715,000</u>
<b>Investments (notes 1 and 3)</b>		
Investments in and notes from 50%-owned companies .....	49,452,000	51,695,000
Notes receivable and other investments .....	14,088,000	13,632,000
	<u>63,540,000</u>	<u>65,327,000</u>
Less amount due within one year .....	810,000	3,028,000
Total investments .....	<u>62,730,000</u>	<u>62,299,000</u>
<b>Property and equipment (notes 1, 2, 3, 5 and 8)</b>		
Land .....	60,296,000	60,376,000
Buildings, leaseholds and improvements .....	318,755,000	330,133,000
Furniture and equipment .....	68,186,000	66,412,000
	<u>447,237,000</u>	<u>456,921,000</u>
Less accumulated depreciation and amortization .....	144,727,000	136,881,000
	<u>302,510,000</u>	<u>320,040,000</u>
Land held for future development .....	7,515,000	6,266,000
Construction in progress .....	2,241,000	166,000
Net property and equipment .....	<u>312,266,000</u>	<u>326,472,000</u>
<b>Other assets (notes 1 and 8)</b>		
Debt discount and issuance cost less amortization .....	4,760,000	5,164,000
Other deferred charges and pre-opening expenses .....	4,187,000	3,384,000
Total other assets .....	<u>8,947,000</u>	<u>8,548,000</u>
<b>Total assets</b> .....	<u>\$461,219,000</u>	<u>468,034,000</u>

See notes to financial statements.



## Liabilities and stockholders' equity

	December 31,	
	1972	1971
<b>Current liabilities</b>		
Accounts, notes and contracts payable .....	\$ 9,234,000	8,126,000
Accrued expenses and other .....	25,283,000	23,201,000
Long-term debt due within one year .....	14,103,000	20,683,000
Federal and local income taxes (notes 1 and 4) .....	12,066,000	4,186,000
Total current liabilities .....	60,686,000	56,196,000
<b>Long-term debt (note 5)</b>		
3¾% to 7½% mortgage bonds and notes .....	115,020,000	131,609,000
8% collateral trust bonds .....	22,927,000	23,992,000
5½% convertible subordinated debentures .....	50,000,000	50,000,000
4% to 6% sinking fund debentures .....	1,706,000	6,660,000
5¼% to 7½% purchase money and other notes .....	22,388,000	28,206,000
	212,041,000	240,467,000
Less amounts due within one year .....	14,103,000	20,683,000
Total long-term debt .....	197,938,000	219,784,000
<b>Deferred federal income taxes (notes 1 and 4) .....</b>	<b>11,248,000</b>	10,356,000
<b>Minority interest .....</b>	<b>123,000</b>	123,000
<b>Stockholders' equity</b>		
Common stock, par value \$2.50 per share. 16,000,000 authorized, 10,214,452 and 10,214,416 shares issued, including shares in treasury (note 6) .....	25,536,000	25,536,000
Additional capital .....	54,571,000	54,066,000
Retained earnings .....	130,785,000	122,004,000
Reserve for contingencies (note 1) .....	2,500,000	2,500,000
Total .....	213,392,000	204,106,000
Less common stock in treasury (at cost) 2,070,532 and 2,115,218 shares .....	22,168,000	22,531,000
Total stockholders' equity .....	191,224,000	181,575,000
<b>Commitments and contingent liabilities (note 8)</b>		
<b>Total liabilities and stockholders' equity .....</b>	<b>\$461,219,000</b>	468,034,000



# Consolidated Statement of Income

	Year Ended December 31,	
	1972	1971
<b>Revenue</b>		
Rooms .....	<b>\$134,185,000</b>	130,032,000
Food and beverage .....	<b>118,268,000</b>	111,686,000
Casino, net of provision for uncollectible receivables (note 1) .....	<b>59,421,000</b>	53,039,000
Other operated departments and other income .....	<b>41,620,000</b>	37,908,000
Promotional allowances—hotel-casinos (note 1) .....	<b>(12,329,000)</b>	(12,903,000)
	<b><u>341,165,000</u></b>	<u>319,762,000</u>
<b>Operating costs and expenses</b>		
Departmental costs and operating expenses .....	<b>252,486,000</b>	234,052,000
Lease rentals .....	<b>6,093,000</b>	6,313,000
Property taxes .....	<b>15,557,000</b>	15,135,000
Interest .....	<b>14,734,000</b>	14,131,000
Depreciation and amortization .....	<b>22,291,000</b>	22,418,000
	<b><u>311,161,000</u></b>	<u>292,049,000</u>
<b>Income before income taxes</b> .....	<b>30,004,000</b>	27,713,000
Federal and local income taxes, including \$1,375,000 and \$1,504,000 deferred income taxes (notes 1 and 4) .....	<b>14,290,000</b>	12,601,000
<b>Income before minority interest</b> .....	<b>15,714,000</b>	15,112,000
Minority interest (note 2) .....	<b>—</b>	2,143,000
<b>Income from consolidated operations</b> .....	<b>15,714,000</b>	12,969,000
Earnings from 50%-owned companies (notes 1 and 3) .....	<b>1,203,000</b>	796,000
<b>Net income</b> .....	<b><u>\$ 16,917,000</u></b>	<u>13,765,000</u>
 <b>Net income per common and common equivalent share (note 1) .....</b>	 <b><u>\$2.05</u></b>	 <u>1.77</u>

See notes to financial statements.



## Consolidated Statement of Additional Capital

	Year Ended December 31,	
	<b>1972</b>	<b>1971</b>
<b>Balance—beginning of year</b> .....	<b>\$ 54,066,000</b>	34,157,000
Excess of proceeds over cost of 44,686 and 29,850 treasury shares issued on exercise of stock options (note 6) .....	<b>503,000</b>	360,000
Excess of purchase price over par value of 36 and 326,608 shares issued in connection with Las Vegas acquisition (note 2) .....	<b>2,000</b>	16,984,000
Excess of proceeds over par value of 289,110 shares issued in accordance with warrant privileges, less related unamortized debt expense .....	—	2,961,000
Federal income taxes applicable to the settlement of derivative lawsuits .....	—	(396,000)
<b>Balance—end of year</b> .....	<b>\$ 54,571,000</b>	54,066,000

## Consolidated Statement of Retained Earnings

<b>Balance—beginning of year</b> .....	<b>\$122,004,000</b>	115,855,000
Net income .....	<b>16,917,000</b>	13,765,000
	<b>138,921,000</b>	129,620,000
Dividends paid .....	<b>8,136,000</b>	7,616,000
<b>Balance—end of year</b> .....	<b>\$130,785,000</b>	122,004,000

See notes to financial statements.



## Auditors' Report

To the Board of Directors and Stockholders  
of Hilton Hotels Corporation

We have examined the consolidated balance sheet of Hilton Hotels Corporation and Subsidiaries at December 31, 1972 and the related consolidated statements of income, retained earnings, additional capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously

examined and reported upon the financial statements for 1971.

In our opinion, the financial statements referred to above, together with explanatory notes thereto, present fairly the financial position of Hilton Hotels Corporation and Subsidiaries at December 31, 1972, and the results of consolidated operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HARRIS, KERR, FORSTER & COMPANY

Chicago, Illinois  
February 24, 1973

# Consolidated Statement of Changes in Financial Position

	Year Ended December 31,	
	1972	1971
<b>Sources of working capital</b>		
Net income .....	\$16,917,000	13,765,000
Depreciation and amortization .....	22,291,000	22,418,000
Deferred income taxes (note 1) .....	1,375,000	1,504,000
Equity in earnings of 50%-owned companies (notes 1 and 3) .....	(1,203,000)	(796,000)
Minority interest (note 2) .....	—	2,143,000
Working capital provided from operations .....	<u>39,380,000</u>	<u>39,034,000</u>
Proceeds from long-term borrowing .....	5,000,000	14,150,000
Proceeds from sale of stock under options and warrants .....	866,000	4,287,000
Sales of property and equipment (note 8) .....	1,849,000	2,461,000
Reduction of investments (net) .....	771,000	5,337,000
Common stock issued in connection with Las Vegas acquisition (note 2) .....	2,000	17,800,000
Other (net) .....	—	180,000
Working capital provided .....	<u>47,868,000</u>	<u>83,249,000</u>
<b>Uses of working capital</b>		
Expenditures for property and equipment .....	17,075,000	16,136,000
Reduction of long-term borrowing <i>s/b net change in long term debt</i> .....	19,794,000	22,932,000
Cash dividends to stockholders .....	8,136,000	7,616,000
Settlement of prior years' income tax assessments (note 4) .....	483,000	2,111,000
Other (net) <i>all other non current items not accounted for above</i> .....	+ 309,000	—
Working capital used .....	<u>45,797,000</u>	<u>48,795,000</u>
Acquisition of Las Vegas properties, net of \$5,624,000 working capital—\$21,972,000 accounted for as an investment in 1970 (note 2 and note below) .....	—	44,496,000
Working capital used .....	<u>45,797,000</u>	<u>93,291,000</u>
<b>Increase (decrease) in working capital</b> .....	<u>\$ 2,071,000</u>	<u>(10,042,000)</u>
<b>Increase (decrease) in working capital by element</b>		
Increase (decrease) in		
Cash and temporary investments .....	\$ 2,753,000	3,056,000
Receivables .....	4,295,000	6,507,000
Other current assets .....	(487,000)	(424,000)
Decrease (increase) in		
Accounts payable and accrued expenses .....	(3,190,000)	(5,689,000)
Long-term debt due within one year .....	6,580,000	(9,810,000)
Income taxes .....	(7,880,000)	(3,682,000)
<b>Increase (decrease) in working capital</b> .....	<u>\$ 2,071,000</u>	<u>(10,042,000)</u>

**Note:** The net assets of \$72,092,000 of the Las Vegas properties consisted of working capital \$5,624,000, property and equipment \$111,561,000, other assets \$4,762,000, long-term debt \$43,672,000, deferred income taxes \$3,110,000, minority interest \$3,073,000.



See notes to financial statements.

**(1) Summary of Significant Accounting Policies**  
**Principles of Consolidation**

The consolidated financial statements include the accounts of Hilton Hotels Corporation and its majority and wholly-owned subsidiaries (the Company). The Company's investment in 50%-owned companies is stated at cost plus equity in undistributed earnings and losses since dates of acquisition.

**Casino Revenues and Receivables**

Casino revenues are the aggregate of gaming wins and losses and are reported net of \$1,576,000 in 1972 and \$2,728,000 in 1971 charged to bad debt expense. Promotional allowances consist of complimentary accommodations, food and beverages which are included in gross revenues. In 1972, revenues were reduced for certain group discounts which were included in promotional allowances in 1971.

Based on historical trends, allowances for uncollectible casino receivables are provided to reduce casino receivables to amounts anticipated to be collected within twelve months of the date the credit was granted.

**Property, Equipment and Depreciation**

Depreciation has been computed on the straight-line method using the following estimated useful lives: buildings and improvements—10 to 55 years; leaseholds and improvements over the remaining lives of existing leases; furniture and equipment—2 to 15 years. Expenditures for revisions and alterations to existing facilities are classified with buildings, leaseholds and improvements and are amortized over varying periods in accordance with the useful lives of the respective assets. Costs of major improvements are capitalized; costs of normal repairs and maintenance are charged to expense as incurred.

Carrying costs, such as interest and real estate taxes, totaling \$210,000 in 1972 and \$280,000 in 1971, associated with land held for future development, are charged to expense as incurred.

**Pre-Opening Expenses**

Operating costs, advertising and promotion incurred prior to the opening of new hotels or additions to existing facilities and interest expense during construction are deferred until opening and amortized to expense on a straight-line method over the succeeding three years. Such deferred expenses at December 31, 1972 and 1971 were \$511,000 and \$904,000, respectively.

**Unamortized Loan Expense**

Debt discount and issuance cost incurred in connection with long-term debt are amortized by charges to expense on both the straight-line and bonds outstanding methods.

**Income Taxes**

Deferred income taxes are provided for timing differences between financial and taxable income and result principally from (1) use of accelerated

depreciation methods for tax purposes and straight-line method for financial reporting, (2) deductions for tax purposes of pre-opening expenses paid as compared to amortization of such expenses over a period of years for financial reporting, (3) the difference in the tax basis of Avco stock received in a tax free exchange as compared to the financial reporting basis of such stock. Such deferred taxes are presented in the accompanying balance sheet net of future tax benefits resulting from prior years' tax settlements.

Casino revenues are not included in income for tax purposes until payment is received. Provision has been made in the accompanying statements for the Federal income taxes which will be payable on such collections (included in current liabilities).

Investment tax credits are accounted for on the flow-through method as a reduction of Federal income taxes and amounted to \$534,000 for 1972 and \$495,000 for 1971.

**Employee Pension and Stock Option Plans**

The charge to expense for the Company's non-contributory retirement plan included current cost plus interest on unfunded prior service costs using a systematic yield adjustment to allow for market appreciation for the plan's assets. No charges are made to expense in connection with the Company's stock option plan; the proceeds received in excess of the cost of treasury shares issued upon exercise of options are credited to additional capital.

**Reserves for Losses**

Reserves are provided each year for the cost of casualty and general liability losses which would not be covered by insurance policies.

**Reserve for Contingencies**

This reserve provides for possible adjustments for taxes, investments, and other contingencies. The policy of the Company has been not to charge losses when realized against the reserve.

**Net Income per Share**

Net income per common and common equivalent share was computed by dividing adjusted net income by the number of shares of common stock and common stock equivalents outstanding during the period, which component items were calculated as follows:

	1972	1971
Shares outstanding January 1	8,099,198	7,453,630
Shares issuable upon		
Conversion of 5½ % convertible subordinated debentures	819,672	819,672
Exercise of warrants	—	301,945
Exercise of stock options	32,459	51,145
Common and common equivalent shares	<u>8,951,329</u>	<u>8,626,392</u>
Net income	\$16,917,000	13,765,000
Assumed after-tax reduction of interest	<u>1,430,000</u>	<u>1,511,000</u>
Adjusted net income	<u>\$18,347,000</u>	<u>15,276,000</u>

**(2) Hotel-Casinos**

The acquisition of the hotel-casino subsidiaries in Las Vegas, Nevada was accounted for as a "purchase" in 1971. The consolidated financial statements include these subsidiaries reflecting 100% of their earnings in 1972 and 64.1% in 1971, based upon weighted average ownership during 1971. The \$40,500,000 excess of the purchase price over these subsidiaries' net book values was allocated to property and equipment; the excess was reallocated in 1972 upon the completion of an independent appraisal. The 1971 balance sheet has been restated for this appraisal reallocation.

The income contribution of the hotel-casinos, before minority interest in 1971 and unallocated general corporate interest and expenses and income taxes, is compared to consolidated income before interest and income taxes for 1972 and 1971, below:

	<u>1972</u>	<u>1971</u>
	(in thousands of dollars)	
Income (as defined)		
Hotel-casinos	\$19,354	14,689
Consolidated	44,738	41,844

**(3) Investments**

At December 31, 1972 and 1971, the Company's investment in and notes receivable from 50%-owned companies totaled \$49,452,000 and \$51,695,000, respectively. The Company's equity in the net book value of and notes receivable from these companies is presented in the following summary:

	<u>1972</u>	<u>1971</u>
	(in thousands of dollars)	
Current assets	\$ 12,436	12,553
Property and equipment	158,800	154,497
Other	535	546
Total assets	171,771	167,596
Less:		
Liabilities to others	(109,804)	(104,768)
Equity of others	(18,821)	(17,589)
Company's equity and notes receivable	<u>\$ 43,146</u>	<u>45,239</u>

The cost of investment over the Company's equity at December 31, 1972 and 1971 was \$6,306,000 and \$6,456,000 and was attributable primarily to land and depreciable assets which is being depreciated on the straight-line method.

The combined sales and net income of the 50%-owned companies is set forth below:

	<u>1972</u>	<u>1971</u>
	(in thousands of dollars)	
Sales	\$ 77,539	72,598
Net income	2,555	1,796
Company's equity—net	1,203	796

The 50%-owned companies are restricted as to the payment of dividends while notes payable of those companies are outstanding. The earnings retained by these companies are being reinvested in projects in process and/or planned. Accordingly, no income tax expense has been accrued for the Company's

\$6,161,000 share of accumulated undistributed earnings at December 31, 1972.

Notes receivable and other investments at December 31, 1972 and 1971 consist of:

	<u>1972</u>	<u>1971</u>
Purchase money note	\$ 6,220,000	6,220,000
Avco Corporation—264,000 shares of \$3.20 dividend cumulative, convertible preferred voting stock	4,518,000	4,518,000
Other notes and investments—net	<u>3,350,000</u>	<u>2,894,000</u>
	<u>\$14,088,000</u>	<u>13,632,000</u>

Principal and interest are payable out of available cash flow of the property securing the above purchase money note. The Avco Corporation stock has certain restrictions concerning its sale.

**(4) Federal Income Taxes**

In 1972, the Internal Revenue Service completed its examination of the tax returns for the years 1967 through 1970, except for those of the Company's Las Vegas subsidiaries. The net effect of the examination was to reduce deferred income taxes \$483,000.

Federal income tax returns of the Company subsequent to 1970 (and its Las Vegas subsidiaries from inception of operations, August 18, 1967) are subject to examination by the Internal Revenue Service.

**(5) Long-term Debt**

The mortgages, bonds and notes are secured by substantially all property and equipment and are payable serially over remaining terms ranging to twenty-one years.

The 5½% convertible subordinated debentures, due January 1, 1995, are convertible at any time prior to maturity into common stock of the Company at \$61 per share, are redeemable in whole or in part at the option of the Company initially at 105.50% and at decreasing prices thereafter and are subordinated to all present and future senior indebtedness of the Company. The debentures are subject to a sinking fund which provides for the redemption of not less than 4% nor more than 8% of the principal amount of debentures outstanding on October 15, 1979 on January 1 of each year beginning with 1980.

Under the most restrictive covenants of its debt obligations, limitations are imposed with respect to the payment of dividends and the acquisition of the Company's common stock. Under such provisions, approximately \$45,000,000 of retained earnings at December 31, 1972 was not restricted.

A \$7,275,000 note payable, bearing interest at the prime rate, but not higher than 8%, is secured by a pledge of the Company's equity in a 50%-owned company, which is substantially in excess of the indebtedness. At December 31, 1972 the interest rate was 6%. The note matures in variable annual installments to December 31, 1974.

The aggregate sinking fund and maturity requirements on all long-term debt for each of the next five years are: 1973, \$14,103,000; 1974, \$18,566,000; 1975, \$13,425,000; 1976, \$14,721,000; 1977, \$16,140,000.

#### (6) Common Stock

At December 31, 1972 there were 819,672 shares of common stock of the Company reserved for issuance upon conversion of the 5½% convertible subordinated debentures and 151,054 shares reserved for the exercise of options under the Company's qualified stock option plan. Under the plan, options may be granted to salaried officers and other key employees of the Company and its subsidiaries to purchase common stock at not less than fair market value at date of grant. The options granted may be exercised one year after grant to the extent of 25% per year of the shares initially granted with the cumulative rights to acquire in subsequent years shares not acquired during previous years. Options expire five years after date of grant.

Changes in stock options during 1972 were as follows:

	Options Outstanding	Available for Grant	Option Price Range (Per Share)
Balance at January 1	117,211	78,529	\$16.69- 68.44
Granted	32,250	(32,250)	35.38- 55.75
Exercised	(44,686)	—	16.69- 40.25
Cancelled	(7,000)	7,000	34.13- 68.44
Balance at December 31	<u>97,775</u>	<u>53,279</u>	<u>30.63- 68.44</u>
Exercisable at December 31	<u>46,835</u>		<u>\$30.63- 68.44</u>

Under the provisions of the Nevada Gaming Control Act, the securities of the Company are subject to certain restrictions on ownership which may be imposed by the Nevada Gaming Commission and such restrictions may include certain obligations upon the Company to repurchase securities under certain circumstances.

#### (7) Pension Plan

The Company and certain of its subsidiaries (exclusive of its Las Vegas subsidiaries) have a non-contributory retirement plan which covers a majority of employees. Provisions for pension expense charged against earnings during 1972 and 1971 amounted to \$713,000 and \$621,000. Prior service costs that have not been funded or provided for aggregated approximately \$3,750,000 at the last valuation date. The actuaries advised that the market value of the assets exceeds the liabilities for benefits accrued by participants through December 31, 1972.

#### (8) Commitments and Contingent Liabilities

Commitments to various entertainers providing for appearances at the Company's hotel-casinos through 1975 aggregated approximately \$12,970,500 at December 31, 1972, of which approximately \$8,258,000 will be payable within one year.

Plans have been announced for the construction of a 600-room addition to The Las Vegas Hilton, expected to cost approximately \$15,600,000. Construction is scheduled to begin in 1973. At December 31, 1972, a rehabilitation program of various hotel and casino facilities at The Flamingo was in progress. The total cost of the program is anticipated to be approximately \$3,250,000, of which \$1,550,000 was paid or accrued at December 31, 1972.

The Company operates certain properties under leases ranging from five to sixty-one years from December 31, 1972 with minimum annual rentals of approximately \$4,205,000 for each of the next five years. The Company is guarantor of certain percentage rentals and other lease obligations of Hilton International Co., a former subsidiary, which percentage rentals approximated \$6,700,000 in 1972.

The Company has guaranteed the first maturing \$2,562,000 of a \$10,062,000 first mortgage loan of the 50%-owned Hilton-Burns Hotels Company, Inc.

During 1972, the Company sold substantially all of the New Yorker Hotel building. The purchase price was \$8,900,000 of which \$1,849,000 was paid in cash and the balance was paid by purchaser agreeing to be responsible to the extent of its interest in the building for the \$7,051,000 first mortgage note then encumbering the property. The underlying land was leased to the buyer for a period of ninety-nine years with a purchase option expiring in 1998. The \$982,000 unrecovered cost of the building and expenses incurred upon sale has been accounted for as deferred lease costs and is being amortized over the period of the land lease for financial reporting.

The Directors authorized the purchase of up to 100,000 shares of the Company's common stock for its treasury during the period to February 8, 1974.

Several lawsuits are pending against the Company, some in substantial amounts. In the opinion of the Company's counsel, the disposition of these lawsuits are expected to have no material adverse effect on the accompanying financial statements.



## Five-Year Summary

### Operating results for years ended

December 31	1972	1971	1970	1969	1968
			(\$000 omitted)		
Total revenue .....	\$ 341,165	319,762	241,788	247,395	232,922
Operating costs and expenses .....	252,486	234,052	167,537	171,914	165,384
Lease rentals .....	6,093	6,313	6,846	6,512	6,138
Property taxes .....	15,557	15,135	12,650	11,447	11,004
Interest .....	14,734	14,131	10,815	8,416	8,340
Depreciation and amortization .....	22,291	22,418	19,095	18,759	18,410
Income before income taxes .....	30,004	27,713	24,845	30,347	23,646
Income taxes .....	14,290	12,601	12,192	16,462	12,360
Minority interest .....	—	2,143	—	—	—
Earnings from 50%-owned companies .....	1,203	796	1,975	2,049	960
Income from operations .....	16,917	13,765	14,628	15,934	12,246
Income on sale of properties and securities (net of taxes) .....	—	—	—	73	2,213
Net income .....	16,917	13,765	14,628	16,007	14,459
Net income per common and common equivalent share					
from operations .....	2.05	1.77	1.88	2.06	1.61
including income on sale of properties and securities .....	2.05	1.77	1.88	2.07	1.89

### Financial position at year-end

Current assets .....	77,276	70,715	61,576	48,780	47,486
Current liabilities .....	60,686	56,196	37,015	40,157	34,970
Working capital .....	16,590	14,519	24,561	8,623	12,516
Investments .....	62,730	62,299	88,800	61,047	42,131
Property and equipment .....	312,266	326,472	228,291	222,752	219,187
Total assets .....	461,219	468,034	383,224	337,044	312,760
Long-term debt .....	197,938	219,784	184,894	144,480	138,144
Stockholders' equity .....	191,224	181,575	153,735	145,235	133,198
Equity per share .....	23.48	22.42	20.63	19.74	18.66

### General information at year-end

Average number of common and common equivalent shares .....	8,951,329	8,626,392	8,539,069	7,816,419	7,789,942
Number of stockholders .....	8,000	7,400	7,900	7,800	7,500
Number of hotels owned, operated and franchised .....	100	91	86	71	68



## Directors and Officers

### Hilton Hotels Corporation

#### Directors

FRITZ B. BURNS, Vice Chairman; Chairman, Fritz B. Burns & Son, Los Angeles  
DONALD W. DOUGLAS, JR., President, Douglas Development Company  
WILLIAM H. EDWARDS, Executive Vice President  
HORACE C. FLANIGAN, New York  
JOHN CLIFFORD FOLGER, Chairman, Folger, Nolan, Fleming & Co., Inc., Washington  
WALTER M. HEYMANN, Honorary Director, The First National Bank of Chicago  
BARRON HILTON, President  
CONRAD N. HILTON, Chairman; Chairman, Hilton International Co.  
FRANK G. WANGEMAN, Senior Vice President  
THOMAS R. WILCOX, Vice Chairman, Blyth Eastman Dillon & Co. Incorporated  
ROBERT P. WILLIFORD, Consultant, Chicago  
SAM D. YOUNG, Chairman, El Paso National Bank, El Paso

#### Officers

BARRON HILTON, President  
WILLIAM H. EDWARDS, Executive Vice President  
HERBERT C. BLUNCK, Senior Vice President  
JOHN E. CULLERTON, Senior Vice President  
GREGORY R. DILLON, Senior Vice President  
RICHARD L. FITZPATRICK, Senior Vice President  
CHARLES L. FLETCHER, Senior Vice President and Treasurer  
EDWIN K. HASTINGS, Senior Vice President  
VERNON HERNDON, Senior Vice President  
HENRI LEWIN, Senior Vice President  
CARL T. MOTTEK, Senior Vice President  
ALPHONSE W. SALOMONE, Senior Vice President  
JAMES F. SHEERIN, Senior Vice President  
FRANK G. WANGEMAN, Senior Vice President  
E. TIMOTHY APPELEGATE, Vice President, Secretary and General Counsel  
JAMES C. COLLINS, Vice President  
ALBERT G. COX, Vice President  
FRANCIS C. CRALL, Vice President  
FRANCIS M. N. DuBEAU, Vice President  
LLOYD S. FARWELL, Vice President  
JOHN V. GIOVENCO, Vice President  
ERIC HILTON, Vice President  
FRANK H. JOHNSON, Vice President  
WERNER LEWIN, Vice President  
DON L. MADSEN, Vice President  
THOMAS P. McNAMARA, Vice President  
FORDYCE H. MERIAM, Vice President  
PORTER P. PARRIS, Vice President  
JAMES L. PHILON, Vice President  
JOSEPH B. ROSENTHAL, Vice President  
IRVING SHURE, Vice President  
JOSEPH SIVEWRIGHT, Vice President

#### Executive Offices

720 South Michigan Avenue, Chicago, Illinois 60605  
9990 Santa Monica Boulevard, Beverly Hills, California 90212

#### Transfer Agents—Common Stock

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

#### Registrars—Common Stock

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



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