

27 February 2003

Unaudited preliminary statement of results
for the year to 31 December 2002

	Year to 31 December 2002 £m	Year to 31 December 2001 £m
Turnover	5,479.0	4,161.8
Operating Profit*		
Hotels	212.1	255.3
Betting and Gaming	149.3	116.3
Central costs and income	(13.3)	(12.4)
	348.1	359.2
Interest	(76.7)	(79.0)
Profit before taxation*	271.4	280.2
Exceptional charges before taxation	(46.3)	(28.1)
EBITDA*	486.1	479.8
Earnings per share*	13.40p	14.30p
Dividend per share	8.92p	8.92p

* Before goodwill amortisation and exceptional items

Highlights

- Group profit before taxation, goodwill amortisation and exceptional items down 3.1% to £271.4 million.
- Hotel profits fell 16.9% to £212.1 million as trading remains difficult, particularly in the European gateway cities.
- Worldwide revpar** fell by 1% with occupancy down 0.5 percentage points and rate down by 0.2%.
- Cost control remains a core focus but not at the expense of guest and customer satisfaction.
- Worldwide Betting profits up 31.5% to £149.3 million with strong growth in all channels.
- eGaming operating profit up £9.3 million to £11.3 million boosted by growth in *ladbrokes.com*, *ladbrokescasino.com* and the successful launch of *ladbrokespoker.com*.
- Net borrowings reduced by over £300 million to £1,164.8 million.
- Final dividend of 5.52 pence making a total of 8.92 pence – level with last year.

** Like for like properties at constant exchange rates, including a full year of Scandic for comparability

Sir Ian Robinson, Chairman, commented:

“The past year has been a difficult one in terms of economic and global uncertainties but I am pleased to report a solid performance by your Group. Hilton and Ladbrokes are both world-leading brands. They offer products, service and quality that will always be in demand.

In line with our commitment given last November that we would maintain the full year 2002 dividend at no less than last year’s level, we are recommending a final dividend of 5.52 pence.

It is our belief that, in the medium term, our hotel performance will improve and Ladbrokes will continue to grow. We hold that belief because we know that both businesses are leaders in their sectors, developing fresh approaches, making innovations and responding to their customers’ demands.

We have, over the years, built a Group that is structured to be financially strong during such uncertain times as these. We have built a Group that is responsive to the needs of our customers and which will continue to be so. Both these attributes leave Hilton Group as a strong player for the future.”

David Michels, Group Chief Executive, commented:

“The Group experienced a year of mixed fortunes with betting doing well while hotels faced very trying conditions especially in Continental Europe. The inherent strengths of the brands remained intact, however, with Hilton and Ladbrokes both demonstrating their capacity to cope with rapidly changing and evolving markets.

Particular credit is due to the Ladbrokes team, led by Chris Bell, which had a good year with the benefits of the zero customer tax regime and growing eGaming profitability, coupled with the upside from a number of innovative products and strategic investment in technology flowing through.

Our £25 million investment in the EPOS system provided a technological backbone for our shop estate, which is being further invested in with a 3,500 unit customer self service terminal programme and new TV screen presentation and information. This further £20 million investment will be concluded this year.

Led by Anthony Harris, the hotel division had to deal with very tough trading conditions and his team demonstrated great skill in adapting quickly to the new challenges, especially the downturn in international travel. Our sales and marketing colleagues displayed great inventiveness in driving increased domestic and regional business - an invaluable skill in the current market.

We have managed to expand into new territories in both businesses over the past year. For hotels we have added contracts for a number of new properties in important destinations to Hilton - perhaps surprisingly so given the climate. We will see in the coming years a third and well located Hilton in Paris, the first Hilton in Moscow and the first Hilton in Venice as well as some of our older and most famous hotels being totally refurbished - in most cases closed and to be reopened - such as Sydney, Athens and Vienna.

Within Ladbrokes, expansion is also internationally driven – but we have not had to leave these shores often to do it! In eGaming, helped by new product launches and improved presentation and service, our overseas business is growing and for the sportsbook now represents 46% of turnover.

Ladbrokespoker.com is another good example. In under a year, without accepting bets from US citizens as players, we have established ourselves as one of the biggest sites in the world.

Similarly, driven by new technology and customer service levels, our telephone betting business now takes calls and bets from over 35 countries.

Our shop businesses in the UK, Ireland and Belgium are all continually being refreshed with acquisitions, relocations and refurbishments – we are always trying to bring a better service, environment and new ideas to the customer.

My deputy, Brian Wallace, leads a respected finance team. Their prudent management of cash and strong focus on liquidity help present a solid business profile essential for future growth and development at the appropriate time, whilst affording funding security during periods of economic uncertainty.

We are a customer led business and, despite these uncertain times, good service delivery must remain our key aim. My primary objective for the year ahead is to build upon and improve levels of guest and customer satisfaction, which in turn, will enable us to continue to outperform our competitors.

In the year ahead, the challenges are to control the costs of a growing set of businesses without affecting our well-respected customer service delivery.

The challenge presented by ever more demanding and discerning customers in a tough market is one the Group will tackle with enthusiasm. I remain confident.”

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There will be a presentation to press at 11-30 a.m. today at Deutsche Bank AG, Winchester House, 1 Great Winchester Street, London, EC2M 2DB.

A webcast of the presentation to analysts, together with this press release and slide presentation, will be available from lunchtime today on Hilton Group’s corporate website which may be found at www.hiltongroup.com.

Overview of Results

The Group's profit before taxation, goodwill amortisation and exceptional items fell 3.1% to £271.4 million.

Due to the reduction in international travel exacerbated by the general downturn of economies, notably in Germany and Scandinavia where the portfolio is predominantly owned or leased, the hotel division saw operating profit for the year fall by £43.2 million to £212.1 million. Underlying profit, after adjusting for property changes and exchange movements and excluding the Scandic acquisition fell by 13.4% to £200.6 million.

Worldwide Betting turnover at £3.8 billion increased by 50% following the introduction of "tax free" betting, the continued international expansion of our eGaming business and the benefit of the World Cup in Japan and Korea. Gross win at £622 million was up by 8%, increasing in all channels and reflecting positive growth across the business. Operating profit increased by 31.5% to £149.3 million.

The Board

On 22 July 2002 Nicholas Jones was appointed as a non-executive director of the Board of Hilton Group plc. Nicholas is a distinguished corporate financier and is Vice Chairman of Lazard Brothers and was previously Chairman of the National Stud. Russell Walls, the senior independent director, will not be standing for re-election at this year's AGM and we would like to thank Russell for the contribution he has made to the Group. On Russell's retirement Patrick Lupo will act as the senior non-executive director.

Dividend

The Board has recommended a final dividend of 5.52 pence per share payable on 2 June 2003 to shareholders on the register on 7 March. This final dividend, together with the interim dividend of 3.40 pence, gives a total dividend of 8.92 pence, and is maintained at last year's level.

Outlook

At the time of writing, the uniquely complex economic and political uncertainty makes forecasting for hotels difficult. The outlook for betting remains positive. Our task is to muster the strengths of our brands, management and finances to continue to outperform the competition.

Financial Statements

Consolidated profit and loss account

	Year to 31 December 2002		Year to 31 December 2001 (as restated)	
	Before exceptional Items and goodwill amortisation	Total	Before exceptional Items and goodwill amortisation	Total
	£m	£m	£m	£m
Turnover – continuing operations	5,479.0	5,479.0	4,161.8	4,161.8
Cost of sales before goodwill amortisation and depreciation	(4,890.0)	(4,895.1)	(3,601.0)	(3,641.8)
Goodwill amortisation	-	(68.7)	-	(53.7)
Depreciation and amounts written off tangible and intangible fixed assets	(138.0)	(179.4)	(120.6)	(131.7)
Cost of sales	(5,028.0)	(5,143.2)	(3,721.6)	(3,827.2)
Gross profit	451.0	335.8	440.2	334.6
Administrative expenses	(117.9)	(119.5)	(94.8)	(94.8)
Group operating profit – continuing operations	333.1	216.3	345.4	239.8
Shares of results from associated undertakings	15.0	15.0	13.8	13.8
Amortisation of associated undertaking goodwill	-	(0.3)	-	(0.2)
Total operating profit	348.1	231.0	359.2	253.4
Continuing operations:				
Profit/(loss) on tangible fixed assets	-	13.0	-	24.9
Profit/(loss) on sale or closure of operations	-	(1.2)	-	1.5
Provision for losses on fixed assets pending sale	-	(10.0)	-	(6.5)
Discontinued operations:				
Profit on sale of investment properties	-	-	-	3.9
Profit before interest	348.1	232.8	359.2	277.2
Interest	(76.7)	(76.7)	(79.0)	(79.0)
Profit on ordinary activities before taxation	271.4	156.1	280.2	198.2
Tax on profit on ordinary activities	(59.7)	(58.7)	(59.0)	(59.8)
Profit on ordinary activities after taxation	211.7	97.4	221.2	138.4
Equity minority interests	(0.1)	(0.1)	(0.3)	(0.3)
Profit attributable to shareholders	211.6	97.3	220.9	138.1
Dividends	(141.0)	(141.0)	(140.6)	(140.6)
Transferred to/(from) reserves	70.6	(43.7)	80.3	(2.5)
Earnings per share:				
- basis	13.40p	6.16p	14.30p	8.94p
- diluted	13.37p	6.15p	14.26p	8.91p