

14 November 2002

Trading Statement for The Four Months Ended 31 October 2002

With hotel trading continuing to be challenging, especially in Europe, and betting and gaming performing well, Hilton Group's profit* for this period was 9% lower than the same period last year.

Hotels

At the half year we said that the outlook for our hotel business was unclear. Since then, worldwide political and economic uncertainties, aggravated by the reduced numbers of US travellers, has resulted in widely varying performances in different parts of the world as shown by the revpar table below:

	Revpar increase/(decrease) - 2002 vs. 2001**	
	July/August	September/October
London 5 Star	(12.9)%	10.5%
London 4 Star	(7.5)%	6.5%
UK Provinces	1.4%	2.4%
Total UK	(3.8)%	4.6%
Europe & Africa	(1.9)%	3.1%
Middle East & Asia	6.9%	16.8%
Pacific		
Americas	0.4%	9.3%
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Total Hilton brand	0.3%	7.7%
Scandic brand	(1.7)%	(1.6)%
Total Hotels	0.0%	5.6%

** Like for like, constant exchange rates

Revpar performances also varied widely based on ownership structure mainly reflecting weaker performances in key European cities and throughout Germany.

Revpar increase/(decrease) - 2002 vs. 2001***

July to October

Owned & fixed lease	(0.7)%
Contingent lease	1.2%
Management contracts	8.5%

*** Like for like, constant exchange rates

The Scandic integration continued to proceed well and cost synergies are now close to £11m. However, major corporate customers in the area faced difficult trading conditions and have implemented stringent cost reductions which has increasingly affected our business in the second half. As a result, the revenue achieved to date, inevitably, has been less than our original expectations. We remain confident about the future prospects and the rebranding programme, with associated costs, will continue in key Nordic locations.

Betting and Gaming

All businesses continued to perform well and enjoyed strong turnover growth, which has continued into October. In the core UK cash betting business gross profit for the four months was up approximately 15% compared to last year. Strong management of overhead costs ensured excellent conversion from gross to operating profit. Over 1,000 Fixed Odds Betting Terminals (FOBTs) have now been installed in the shops with a further 1,000 planned by the first quarter of 2003. FOBT weekly turnover is currently in excess of £11 million.

Telephone betting turnover was strong during the period with operating profit growing despite lower margins. The eGaming business continues to grow overall in line with our expectations.

Outlook

The timing of a sustained recovery in the hotels business remains difficult to predict. Management is focused on mitigating the effect of increasing costs on overall margin whilst maintaining levels of customer service consistent with our brand standards. Given the good quality of our estate, capital expenditure for the hotels division in 2003 has been set at £130 million, sufficient to ensure that the portfolio remains in good shape and also provide for the £46 million being spent on the Hilton Sydney redevelopment.

Betting turnover remains buoyant and is expected to grow in all three distribution channels.

Despite the current economic and political backdrop we expect the final dividend to be declared at no less than last year's level.

* Before tax, goodwill amortisation and exceptional items

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