

Press Release

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UK Shareholders Association
BM UKSA
London
WC1N 3XX

Phone: 0870-70-60-600
Email: uksa@uksa.org.uk
Web: www.uksa.org.uk

UKSA Deplores Hilton's Ignoring of the Needs of Private Shareholders in its Return of Cash

Hilton Group has today announced the return of £4.2 billion of cash to shareholders via a special dividend of 240 pence per share (compared with the current share price of 380 pence). This follows the sale of the hotels part of the business, with only the Ladbrokes betting division remaining.

In the announcement it says that *"The Board has given careful consideration to the method of returning value to its shareholders. A number of options were considered and, after consulting leading tax counsel, the Board concluded that a payment of a special dividend was in the interests of all shareholders."*

However the UK Shareholders Association (UKSA) suggests that the tax position of private investors has been ignored. The payment of a special dividend will be taxed as income and hence will be particularly disadvantageous to private shareholders in comparison to a return of capital. For example, if a private shareholder had recently purchased the shares, then they might effectively be paying income tax on 63% of their investment when they have made no capital profits and received no other dividends.

Even long term holders will receive significant income tax bills when few private shareholders pay capital gains tax, as their gains are often within the tax free annual allowance. An alternative approach would have been the return of capital via the issue of B shares which can be redeemed over a period to minimise (or eliminate) capital gains tax, offset against one's annual allowances.

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As UKSA director and Hilton shareholder Alan Perryman has said: *"This seems to be yet another example where the interests of private shareholders, as opposed to those of institutional investors, have been ignored. It is particularly unfortunate that Hilton group has decided not to consider the interests of private shareholders when they have in the past been supportive. And I also have reservations about the "u-turn" in company strategy in respect of exiting from the hotel business, which is always of concern to long term investor."*

About The UK Shareholders Association (UKSA)

UKSA is the leading independent organisation which represents the interests of private shareholders in the United Kingdom. We campaign to protect the rights of shareholders in public companies, and to promote improved standards of corporate governance. Our educational activities, regular regional meetings, company "analyst" meetings and the resources of our web site, help to inform the public on investment management. UKSA is solely owned by and primarily financially supported by its individual members.

For further information, please contact:

Roger Lawson, Communications Director
Telephone: 020-8467-2686
Email: roger.lawson@btclick.com
or;

David Blundell, Chairman
Telephone: 01937-572327
Email: dwwb@btinternet.com

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