29 December 2005 FOR IMMEDIATE RELEASE

Hilton Group plc signs agreement for the sale of its hotel division to Hilton Hotels Corporation

Hilton Group plc announces that it has today signed a conditional agreement for the sale of its hotels and leisure division, Hilton International, to Hilton Hotels Corporation ("HHC") for a cash consideration of approximately £3.3 billion which, when added to the proceeds of the recent sale of 16 UK Hilton International hotels, realises a total of approximately £3.7 billion for its hotels and related assets.

Upon completion, it is planned that Hilton Group plc will be renamed Ladbrokes plc. Sir Ian Robinson will continue as Chairman, supported by the existing Non Executive Directors, other than Stephen Bollenbach who has resigned as a director. Christopher Bell will become the Chief Executive and John O'Reilly and Alan Ross will join the Board as Executive Directors with effect from Completion. Rosemary Thorne has been appointed as Finance Director with effect from Completion.

It is expected that a substantial amount of cash will be returned to shareholders early in the second quarter of 2006 following a review of the appropriate capital structure for the new Ladbrokes plc.

Commenting on the disposal, Sir Ian Robinson, Hilton Group Chairman said:

"We believe this transaction delivers significant shareholder value. The Board is fully committed to Ladbrokes, which it believes is a strong and valuable business which will be well placed to deliver growth and good returns."

Stephen Bollenbach, Chairman of Hilton Hotels Corporation, commented:

"This transaction represents the final and logical step in a process that began in 1997 with the signing of a strategic alliance between HHC and Hilton International as a global lodging industry leader. Hilton International has an experienced and talented team of professionals with unsurpassed knowledge of international markets, and we are excited about the role they and our existing team will play in the future growth and prosperity of our company. "

David Michels, Chief Executive of Hilton Group plc, said:

"This is a good deal for our shareholders and will offer new opportunities for the 70,000 employees currently working in Hilton International around the globe. I am very proud of the Hilton brand, which has consistently been acknowledged as one of the world's leading brands. I fully expect the enlarged company to grow and our customers can look forward to enjoying even more opportunities as a result of the strengths of the unified businesses."

Christopher Bell, Chief Executive of new Ladbrokes plc, said:

"Ladbrokes has a clear business strategy that has delivered strong results in recent years and leaves us well placed to prosper as a stand alone company. Our key assets - brand leadership, highly experienced management and an ability to innovate put us in a strong position to succeed in the international betting and gaming market place."

Following completion (expected to be in the first quarter of 2006), Ian Carter (Chief Executive of Hilton International) will take up the role of Executive Vice President and CEO of Hilton International at HHC. In addition, at HHC's request, David Michels and Brian Wallace have agreed to transfer to the enlarged company to assist in the transition process.

This summary should be read in conjunction with the full text of this announcement.

Notes to Editors

- The disposal is conditional on, among other things, receipt of necessary competition and other government clearances, there being no material adverse change in the financial or trading position or prospects of Hilton International (City Code standard), and the approval of Hilton Group plc shareholders.

- David Michels has today resigned from the HHC board.

- Ms Thorne was the Group Finance Director of Bradford & Bingley plc from November 1999 to December 2005 and, prior to that, between March 1992 and November 1999, she was an executive director of J Sainsbury plc where she held the position of Group Finance Director. Ms Thorne was a non-executive director of Royal Mail plc from October 1998 to March 2004 and has been a non-executive director of Cadbury Schweppes plc since September 2004. She is currently a member of the Financial Reporting Council and a member of the Financial Reporting Review Panel.

Enquiries

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Conference Calls

4:30pm (GMT) – Hilton Group Conference call for Analysts and Investors

A conference call for analysts and investors will take place at 4:30pm (GMT) today. To participate in the conference call dial +44 (0) 20 7162 0025 and ask for the Hilton Group Announcement. A recording of this conference call will be available until 12 January 2006 and can be accessed by dialing +44 (0) 20 7031 4064 and quoting the passcode 688859.

5:15pm (GMT) – Hilton Group Conference call for the Media

A conference call for the media will take place at 5:15pm (GMT) today. To participate in the conference call dial +44 (0) 20 7162 0025 and ask for the Hilton Group Announcement. A recording of this conference call will be available until 12 January 2006 and can be accessed by dialing +44 (0) 20 7031 4064 and quoting the passcode 688858.

An audiocast of both calls will also be available on our corporate website, www.hiltongroup.com. A corresponding presentation for the planned Media and Analyst and Investors calls can be found in the 'Investor Centre' on the Hilton Group plc website.

6:00pm (GMT) – HHC Conference call for Analysts and Investors

A conference call for analysts and investors will also be hosted by HHC and will take place at 6:00pm (GMT) today. To participate in the conference call, dial 866 383 8119 (US domestic number) or, if phoning internationally, dial 00 (1) 617 597 5344 and for both numbers quote the passcode: 43013264.

8.00pm (GMT) – HHC Conference call for Media

A conference call for media will also be hosted by HHC and will take place at 8:00pm (GMT) today. To participate in the conference call, dial 866 831 6234 (US domestic number) or, if phoning internationally, dial 00 (1) 617 213 8854 and for both numbers quote the passcode: 98092383.

This announcement is for information purposes only and does not constitute an offer or invitation to acquire or dispose of any securities or investment advice in any jurisdiction.

A circular containing further details relating to the Disposal (the "Circular") and setting out the notice of the Extraordinary General Meeting is expected to be posted to Shareholders by 4 January 2006.

Deutsche Bank AG is acting as financial advisor and corporate broker to Hilton Group plc on the disposal of the Hilton International Hotels Division.

Deutsche Bank AG, which is authorised by Bundesanstalt fur Finanzdienstleistungsaufsicht and by the Financial Services Authority (''FSA'') and is regulated by the FSA for the conduct of UK business, is acting for Hilton Group plc and no one else in relation to (or in connection with) the Disposal and will not be responsible to anyone other than Hilton Group plc for providing the protections afforded to clients of Deutsche Bank AG or for providing advice in relation to the Disposal or on any matter referred to in this announcement.

This announcement contains forward-looking statements which are based on the Board's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Hilton Group plc does not undertake any obligation publicly to update or revise any forward-looking statement as a result of new information, future events or other information, although such forward-looking statements will be publicly updated if required by the Listing Rules, the rules of the London Stock Exchange or by law.

It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables which could cause actual results or trends to differ materially, including, but not limited to, factors that are beyond Hilton Group plc's ability to control or estimate precisely, such as delays in obtaining, or adverse conditions contained in, regulatory approvals, competition and industry restructuring, changes in economic conditions, currency fluctuations, changes in interest and tax rates, changes in energy market prices, changes in historical weather patterns, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, technological developments, the failure to retain key management, the availability of new acquisition opportunities or the key timing and success of future acquisition opportunities. Each forward-looking statement speaks only as of the date of the particular statement.

29 December 2005 FOR IMMEDIATE RELEASE

PROPOSED DISPOSAL OF THE HILTON INTERNATIONAL HOTELS DIVISION AND ASSOCIATED CHANGE OF NAME

1. Introduction

The Company announces that it has today conditionally agreed to dispose of the Hilton International Hotels Division for a total cash consideration of £3.298 billion, subject to certain adjustments relating to the amounts of debt, cash and working capital in the Hilton International Hotels Division on 31 December 2005. When the consideration payable in relation to the Disposal is added to the proceeds of the recent sale of 16 hotels to The Managed Hotels Unit Trust (for a gross consideration of £397.2 million, as announced on 22 November and on 6 December 2005), Hilton Group plc will have realised a total of approximately £3.7 billion for its hotel and related assets. Subject to the outcome of the review referred to in paragraph 4, the Board expects to make a substantial return of cash to Shareholders in due course, further information in relation to which is set out in paragraph 4 of this announcement.

In view of the size of the Disposal relative to the size of the Group, the Disposal constitutes a class 1 transaction for the purposes of the Listing Rules. Completion is therefore conditional upon, amongst other things, the approval of Shareholders. Details of the time, date and venue of the Extraordinary General Meeting of the Company to consider the Disposal will be set out in the Circular which is expected to be posted to Shareholders by 4 January 2006.

2. Background to and reasons for the Disposal

The Company acquired the Hilton International Hotels Division in 1987 and, since then, it has made a significant contribution to the profitability of the Group. In 1997, HHC and the Company, which own the rights to the Hilton name and brand in the United States and the rest of the world respectively, reunited the Hilton brand under a strategic alliance that included joint marketing programmes, an integrated reservation system (which replaced the joint reservation system which had previously been operated), a joint loyalty programme and a consistent brand image throughout the world. Pursuant to these arrangements, Hilton International also granted HHC an exclusive licence to grant franchises under the Hilton name in Mexico, Canada and the Caribbean island of St. John. Since 1997, there has been a close relationship and regular dialogue between the Company and HHC. In July 2005, an approach was made by HHC in relation to the potential acquisition of the Hilton International Hotels Division.

The Independent Directors believe the agreed price is attractive and offers a full and fair valuation of the Hilton International Hotels Division. The Independent Directors have therefore taken the decision to recommend that Shareholders now crystallise the value inherent in the Hilton International Hotels Division by means of the Disposal.

The Independent Directors believe that, following Completion, the new Ladbrokes plc, as a stand-alone betting and gaming business, will benefit from:

(a) being valued independently on the stock market as a pure betting and gaming business;

(b) the ability to develop a capital structure and dividend policy appropriate to a pure betting and gaming business; and

(c) being able to retain, motivate and recruit key personnel more effectively.

3. Principal terms and conditions of the Disposal

The Hilton International Hotels Division will be sold to HHC for a total cash consideration payable on Completion of £3.298 billion, subject to certain adjustments relating to the amounts of debt, cash and working capital in the Hilton International Hotels Division on 31 December 2005. When the consideration payable in relation to the Disposal is added to the proceeds of the recent sale of

16 hotels to The Managed Hotels Unit Trust (for a gross consideration of £397.2 million, as announced on 22 November and 6 December 2005), Hilton Group plc will have realised a total of approximately £3.7 billion for its hotel and related assets.

HHC will receive the benefit of the trading of the Hilton International Hotels Division from 1 January 2006 (subject in certain circumstances to adjustment if Completion is delayed materially).

The purchase price will be adjusted by the amount by which third party financial indebtedness of the Hilton International Hotels Division exceeds the cash in the Hilton International Hotels Division (after allowing for a £30 million cash float). The purchase price will also be adjusted if the negative working capital of the Hilton International Hotels Division falls outside the range of £95 million (negative) to £135 million (negative).

This Disposal is conditional on (i) the passing by Shareholders at the EGM of the resolution to approve the Disposal; (ii) receipt of necessary competition and other government clearances; (iii) no government body having taken action which prohibits Completion or prohibits the Sellers or HHC from giving effect to certain transitional arrangements to an extent materially adverse in the context of the transaction taken as a whole; (iv) no material adverse change having occurred in the financial or trading position or prospects of the business of the Hilton International Hotels Division which, if the Disposal had been governed by the City Code, the Takeover Panel would be reasonably likely to permit HHC to invoke as grounds on which to withdraw from an offer; (v) no event having occurred which would prevent Completion from occurring; (vi) certain Warranties not being breached (to an extent which gives rise to a loss of over £300 million); (vii) certain interim conduct of business covenants not being breached (to an extent which gives rise to a loss of over £100 million) (viii) the delivery of certain certificates by the Group Chief Executive (David Michels) and Group Finance Director (Brian Wallace) at Completion; (ix) the execution of certain agreed ancillary documents; and (x) certain reorganisation steps having been completed.

The Disposal Agreement may also be terminated (a) by HHC if Hilton Group plc fails to post the Circular by 31 January 2006 or the Independent Directors withdraw their recommendation to shareholders to vote in favour of the resolution to approve the Disposal or if the financial information in the Circular differs materially from the financial information provided to HHC and (b) by either Hilton Group plc or HHC if Completion has not occurred by 30 June 2006. Hilton Group plc has agreed to pay a break fee to HHC of £37 million (inclusive of costs and expenses) together with an amount in respect of any VAT arising if the Hilton International Hotels Division is sold to a third party or if certain other specified events, including the withdrawal by the Board of its recommendation to Shareholders referred to above, occur.

4. Use of proceeds

The Board has initiated a review to determine the appropriate capital structure for the new Ladbrokes plc following the Disposal in light of (i) its expected capital requirements; (ii) its actual debt position following the Disposal (taking into account the number of Convertible Bonds, if any, which have then been converted into Ordinary Shares); (iii) its assessment of contingencies and the need for any reserves; (iv) potential investment opportunities; and (v) its funding obligations in relation to the Hilton Group Pension Plan.

The Board and the Hilton International Hotels Division (after it has been acquired by HHC) intend to make a payment into the Hilton Group Pension Plan so that it is funded on the more prudent of the IAS 19 basis (as at Completion) and the trustees' funding basis (as at 1 July 2005). Half of the cost of the contribution will be borne by the new Ladbrokes plc and half by the Hilton International Hotels Division (after it has been acquired by HHC). As at 1 July 2005, the scheme deficit on the trustees funding basis was approximately £111 million. The amount of the deficit calculated on the IAS 19 basis as at the date of Completion will only be known following that date and will depend, principally, on investment values at the date of Completion. The minimum payment into the Hilton Group Pension Plan will therefore be £111 million, £55.5 million of which will be borne by the new Ladbrokes plc.

Subject to the outcome of the review referred to above, the Board expects to be able to make a substantial return of cash to Shareholders early in the second quarter of 2006 (assuming Completion occurs in the first quarter of 2006). It is possible that any return of cash to Shareholders will be in a form that would be taxed as income rather than capital in the hands of Shareholders.

The Board expects to announce proposals for a return of cash to Shareholders in due course. Until the proposals to be announced by the Board are implemented, the proceeds of the Disposal and the proceeds of the sale of 16 hotels as described in paragraph 1 will be deposited in the money market with banks, or invested in money market funds or other short term investments.

5. Effect of the Disposal on the Ladbrokes Group

The Company will sell the whole of its hotel, timeshare, health clubs and related businesses, with the exception of a passive investment in the Tindall Partnership (landlord to certain Hilton International hotel properties) and, pending receipt of clearance for their transfer, two hotel management contracts held in the name of an entity which will remain with new Ladbrokes plc.

A pro forma income statement will be included in the Circular which will be prepared for illustrative purposes only and will address a hypothetical situation. It will demonstrate that, if the Disposal had been effected at 1 January 2004, revenues for the Group for the year ended 31 December 2004 would have been £10.123 billion and EBIT would have been £258.7 million.

David Michels, Brian Wallace and Ian Carter will resign from the Board at Completion. John O'Reilly and Alan Ross will be appointed to the Board on Completion as, respectively, Managing Director Ladbrokes eGaming and Telephone Betting and Managing Director Ladbrokes European Retail. On Completion, Christopher Bell will be appointed as Chief Executive. Rosemary Thorne will join Ladbrokes as Finance Director from 16 January and will join the Board on Completion.

Immediately following Completion, the Board will comprise:

Sir Ian Robinson*, Chairman
Christopher Bell, Chief Executive
John O'Reilly, Managing Director of Ladbrokes eGaming and Telephone Betting
Alan Ross, Managing Director Ladbrokes European Retail
Rosemary Thorne, Finance Director
Ian Livingston*‡†
L. Patrick Lupo*‡•
Nicholas Jones*†
Christopher Rodrigues*†
C. Pippa Wicks*†

* Non-executive director.
‡ Member of the Remuneration Committee.
† Member of the Audit Committee.
• Senior Independent Director.

The service contracts of Messrs O'Reilly and Ross may be revised after Completion. The current terms and conditions of the service contracts of Messrs Bell, O'Reilly and Ross, and Ms Thorne are as set out below:

(a) Christopher Bell entered into a service contract dated 9 May 2003 with the Company (as amended by a side letter dated 20 November 2003). His basic salary is £400,000 per annum which, subject to Completion, will increase to £550,000. He is entitled to receive 12 months' notice of termination from his employer and must give his employer not less than six months' notice.

(b) Rosemary Thorne entered into a service agreement with the Company on 28 December 2005, at a salary of £350,000. She is entitled to receive 12 months' notice of termination from her employer and must give her employer six months' notice (save that, if Completion does not occur, she may terminate her contract at any time between 1 June and 31 August 2006 by giving only one month's notice).

(c) Alan Ross entered into a service agreement with Ladbroke Casinos Limited dated 1 December 1998. He has since been appointed as Managing Director Ladbrokes European Retail. His current salary is £184,862 which, subject to Completion, will increase to £260,000. He is entitled to receive 12 months' notice of termination from his employer and must give his employer six months' notice.

(d) John O'Reilly entered into a service agreement with Ladbrokes Limited dated 27 November 1992. He has since been appointed as Managing Director Ladbrokes eGaming and Telephone Betting. His current salary is £200,000 which, subject to Completion, will increase to £300,000. He is entitled to receive 12 months' notice of termination from his employer and must give his employer six months' notice.

(e) The main benefits to which Messrs Bell, O'Reilly and Ross, and Ms Thorne are entitled are as follows:
(i) participation in the Employee Share Schemes;
(ii) pension scheme membership;
(iii) long-term disability plan membership;
(iv) personal accident insurance;
(v) life assurance;
(vi) private health care plan membership; and
(vii) fully expensed car.

6. Information on the Group

The Group's business comprises the Hilton International Hotels Division, a leading global hotel business, and Ladbrokes which is the world's leading betting company.

The Group's revenue from continuing operations for the six months ended 30 June 2005 was £6,598.9 million and EBITDA for the same period was £280.2 million. Profit before tax for this period was £201.9 million. As at 30 June 2005, the Group had net assets of £2,472.4 million and gross assets of £5,331.4 million of which £4,190.5 million was attributable to the Hilton International Hotels Division.

For the 12 months ended 31 December 2004, the Group's revenue from continuing operations was £11,893.4 million and EBITDA was £548.8 million. The Group's profit before finance costs and tax for this period was £417.1 million of which £158.4 million was attributable to the Hilton International Hotels Division and £272.8 million to Ladbrokes, £0.2 million of other income, less £14.3 million of Group central costs. Profit before tax for the Group for this period was £376.1 million.

6.1 Information on the Hilton International Hotels Division

HHC demerged Hilton International as an independent corporation in 1964, with HHC having exclusive rights to use the Hilton name in the US and Hilton International having the exclusive rights to use the Hilton name throughout the rest of the world.

Ladbroke Group PLC (renamed Hilton Group plc in May 1999) purchased Hilton International in 1987. At the time, the Company had already established itself as one of the UK's leading bookmakers. In 1997, the Company and HHC reunited the Hilton brand under a strategic alliance that included joint marketing programmes, an integrated reservation system (which replaced the joint reservation system which had previously been operated) and a joint loyalty programme, as well as a consistent brand image throughout the world. Pursuant to these arrangements, Hilton International granted HHC an exclusive licence to grant franchises under the Hilton name and brand in Mexico, Canada and the Caribbean island of St. John. The Company and HHC also set up a 50/50 joint venture relating to the Conrad luxury brand. Subsequently, the Hilton International Hotels Division has grown both organically and through acquisition. In March 1999, Hilton International purchased Stakis plc and, in June 2001, it acquired Scandic Hotels AB.

As at 30 June 2005, the Hilton International Hotels Division operated 402 hotels in 80 countries: 226 branded Hilton, 37 branded Hilton Worldwide Resorts and 139 under the mid-market Scandic brand. Under a joint venture agreement, Hilton International and HHC share the responsibility for the development of the Conrad brand.

The Hilton International Hotels Division also operates the LivingWell health and fitness business which has 92 clubs and approximately 154,000 members worldwide.

The senior management of the Hilton International Hotels Division consists of:

David Michels	Group Chief Executive
Brian Wallace	Deputy Group Chief Executive & Group Finance Director
Ian Carter	Chief Executive, Hilton International
Simon Barlow	President Hilton International, The Americas
Philip Bowcock	Vice President Finance, Hilton International
Adrian Bradley	Senior Vice President Real Estate, Hilton International
Keith Burnett	Managing Director, LivingWell
Roger Devlin	Group Corporate Development Director
Jurgen Fischer	President Hilton International, Commercial Operations Group
Howard Friedman	President Hilton International, UK & Ireland
Jean-Paul Herzog	President Hilton International, Nordic
Koos Klein	President Hilton International, Middle East & Asia Pacific
Wolfgang Neumann	President Hilton International, Europe and Africa
Alex Pagett	Group Corporate Affairs Director
Mark Selawry	Senior Vice President Productivity and Outsourcing, Hilton International
Bryan Taker	Head of Group Human Resources and Legal Services

6.2 Information on Ladbrokes

Established in 1886, Ladbrokes is the world's leading betting company with 2,573 high street betting shops and strong market positions in the UK, Ireland and Belgium. Ladbrokes is one of the best known betting and gaming brands in the world and currently enjoys the highest brand awareness in its sector in the United Kingdom. Ladbrokes is promoting its brand overseas through its online division, alliances and international partners.

Ladbrokes offers an international online service, providing betting, casino, poker and numbers games to nearly two million registered customers in over 200 countries, in 12 languages and using 18 currencies. Ladbrokes' online business links directly to its retail and telephone betting business through a single customer accounting system that enables customers to register, deposit money, place bets and collect winnings through any of Ladbrokes' distribution channels.

The UK and international betting markets have demonstrated significant growth in recent years. The Directors believe Ladbrokes is well positioned to take advantage of future growth given the strength of the Ladbrokes brand and its experienced management team. Ongoing product and technological innovation coupled with certain favourable changes to the regulatory environment are expected to increase the number of betting opportunities available for Ladbrokes' customers across all betting mediums. To ensure that customers take advantage of these new betting opportunities, Ladbrokes continuously strives for "best-in–class" customer service and aims to achieve this through training of, and investment in, its staff and through the continued investment in its shop portfolio, telephone and eGaming infrastructure.

7. Current trading and prospects

Trading at the Group has been in line with the Board's expectations since the publication of the November trading statement and the Board remains confident of the underlying financial and trading prospects of the Group for the current financial year.

In 2006 the Ladbrokes retail business intends to build on its strong market positions in the UK and Ireland, and the Board expects that the UK and Ireland businesses will benefit from (i) the full year impact of the acquisitions it completed in 2005; (ii) further shop relocations; (iii) new licences; and (iv) shop refurbishments. The roll out of Ladbrokes Xtra is expected to give Ladbrokes greater scope to present customers with more betting opportunities and exclusive Ladbrokes' products.

Ladbrokes' eGaming and telephone businesses intend to further exploit the Ladbrokes brand, with the Football World Cup 2006 offering significant opportunities to further present its product range to an increasing number of customers around the world. Ladbrokes recently launched "Financial Fixed Odds" and "Live Dealer" casino games, and product innovation will continue during 2006.

Ladbrokes is in discussions with several overseas partners, continuing its drive to exploit its brand and management expertise. The Ladbrokes casino, at the Hilton Paddington, is planned to open in Autumn 2006.

The pre-budget report released by HM Government on 5 December 2005 included future changes to the taxation regime in respect of fixed odds betting terminals. The impact of the announced immediate move from gross profit tax to VAT on fixed odds betting terminals is not material for the Ladbrokes Group for 2005. However, the impact on the Ladbrokes Group of changes effective in 2006 cannot be assessed until the new taxation rules relating to the rates of amusement machine licence duty on fixed odds betting terminals are announced.

Overall, the Board views the prospects of the Ladbrokes Group with confidence as it pursues its strategy focused entirely on betting and gaming and the growth opportunities that brings, particularly online and through the introduction of innovative products and new technology.

8. Recent announcement regarding Ladbrokes

Following press speculation, Hilton Group plc made the following announcement on 22nd December 2005:

"The Board of Hilton Group plc has noted speculation in today's press regarding Ladbrokes. The Board confirms that, following the announcement of discussions with Hilton Hotels Corporation on 14 October 2005, it has received expressions of interest in Ladbrokes. However, Hilton Group remains focused on concluding its negotiations with Hilton Hotels Corporation in relation to the sale of the Hilton International hotels division for the benefit of shareholders. The Board has great confidence in the future of Ladbrokes."

9. Shareholder privileges

Currently Shareholders receive certain privileges at Hilton hotels and LivingWell health clubs. Following Completion, Hilton hotels and LivingWell health clubs will not be part of the Ladbrokes Group and, consequently, these benefits will terminate with effect from 31 December 2006. HHC has agreed to honour the terms of such benefits until that date in respect of bookings made prior to the date of the forthcoming EGM. No privilege cards with these benefits will be issued after Completion.

10. Change of name

It is proposed that on Completion, and subject to the Shareholders approving the Disposal at the EGM, the name of the Company be changed to Ladbrokes plc. Completion is not, however, conditional on this change of name. The Directors believe that the name Ladbrokes plc will better reflect the operations of the Company after Completion.

11. Retained guarantees

The Company is currently the guarantor of certain obligations of subsidiaries within the Hilton International Hotels Division (relating, principally, to obligations under leases). These contingent obligations will continue following Completion. HHC has agreed to indemnify the Company against any liabilities that it incurs pursuant to these guarantees following Completion, save to the extent that the liability is caused by any action of a member of the Ladbrokes Group.

12. Warranties and indemnities

Ladbroke Group International Limited and Ladbroke Group Limited (the members of the Group that are the 'Sellers' under the Disposal Agreement) have given certain limited warranties about the state of affairs of the companies and properties within the Hilton International Hotels Division at the date of the Disposal Agreement (repeated, in certain instances, as at Completion) which will entitle HHC to claim damages after Completion if they prove to be untrue (the ‘‘Surviving Warranties’’). Certain other limited warranties about the state of affairs of the companies and properties within the Hilton International Hotels Division at the date of the Disposal Agreement have been given which do not entitle HHC to claim damages if they prove to be untrue but operate, in effect, as conditions. The Surviving Warranties are subject to certain customary limitations.

The Sellers have agreed to give a limited indemnity to HHC against certain liabilities in relation to past operations under the Associated Contracts and have given other customary indemnities, including an indemnity against any corporation tax payable by any UK-incorporated members of the Hilton International Hotel Division for accounting periods ended on or before 31 December 2005.

The obligations of the Sellers are guaranteed by Hilton Group plc.

13. Directors

It is a term of the Disposal Agreement that the Company releases each of David Michels, Brian Wallace and Ian Carter from their respective service contracts with the Company with effect from Completion, as HHC regards their knowledge and expertise as important to the business of the Hilton International Hotels Division. HHC is, therefore, making offers of employment (conditional on Completion) to these individuals.

Acceptance by Messrs Michels, Wallace and Carter of offers of employment made by HHC will relieve the Company of any obligation to make severance payments to these Directors which would have been payable if, following Completion, there was no on-going role within the Ladbrokes Group for them.

14. Employee share schemes

In circumstances such as the Disposal, where a subsidiary or a number of subsidiary companies are sold out of a group, it is normal practice for the employees of those subsidiary companies to be able to exercise share options granted and for share awards held to vest (subject to any performance conditions that continue to apply). Shareholder approval is not required in these circumstances.

Therefore, in line with normal practice, and consistent with the way in which options and awards have been dealt with by the Company on previous disposals from the Group, the Remuneration Committee, in the exercise of powers delegated to it by the Board, has determined that options and awards granted to Hilton International Hotels Division employees under the 1978 Scheme, the International Scheme, the Performance Share Plan, the Deferred Bonus Plan and the Matching Shares Plan will become exercisable or vest as a consequence of the Disposal. In accordance with the rules of the Performance Share Plan, awards under that plan will vest to the extent that performance conditions have been satisfied and time pro rated to reflect the period which has elapsed since the date of grant. No performance conditions need to be satisfied under the rules of any of the other Employee Share Schemes.

As a consequence of the Disposal, options held by Hilton International Hotels Division employees under the Sharesave Scheme and the Stakis Scheme will become exercisable automatically and shares held in the SIP trust will be transferred automatically to the relevant Hilton International Hotels Division employees who participate in the SIP.

Options and awards held by Ladbrokes Group employees under the Employee Share Schemes will not be affected by the Disposal. However, the Board will consider what, if any, steps need to be taken to ensure that Ladbrokes Group employees who participate in the Employee Share Schemes will not be materially disadvantaged by any future return of cash to Shareholders. If necessary, the Board will seek, at the earliest opportunity, the approval of Shareholders for any amendments required to the rules of the Employee Share Schemes or any other arrangements which need to be implemented.

The Board is currently considering whether it will be necessary to make any changes to the way in which the Employee Share Schemes are operated after Completion to reflect the effect of the Disposal on the Ladbrokes Group. If any changes are to be made which require Shareholder approval, such approval will be sought at the earliest opportunity.

15. Taxation

The Disposal is not expected to result in any material tax cost to the Company. HHC has effectively agreed to indemnify the Sellers as regards certain corporation tax liabilities as will be described in the Circular.

The Ladbrokes Group will be primarily a UK group and it is therefore likely that, following Completion, its effective tax rate will be in the range of 25 to 30%.

16. Expected Timetable

	2006
Posting of Circular	by 4 January
Lastest time and date for receipt of completed Forms of Proxy(1) for the EGM	11a.m. on 25 January

Extraordinary General Meeting	11a.m. on 27 January
Completion of the Disposal(2)	First quarter 2006

(1) Applicable also to online forms of proxy and CREST proxy instructions
(2) This date is indicative only and will depend on, among other things, the date the conditions to the Disposal are satisfied or waived.

References to all times in this document are to GMT.

Each of the times and dates in the above timetable is subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement on a Regulatory Information Service.

Definitions

''1978 Scheme'' the Hilton Group 1978 Share Option Scheme.

''Associated Contracts'' all the rights, title and interests of Town & County Factors Limited in the management agreements in relation to the Port Sudan Hilton and the Khartoum Hilton.

''Board'' the board of Directors of the Company.

''City Code'' the City Code on Takeovers and Mergers.

''Company'' Hilton Group plc.

''Completion'' the completion of the Disposal in accordance with the terms of the Disposal Agreement.

''Convertible Bonds'' means convertible bonds issued under the trust deed dated 2 October 2003 constituting 3.375% guaranteed convertible bonds.

''Deferred Bonus Plan'' the Hilton Group Executive Deferred Bonus Plan – Conditional Share Plan.

''Deutsche Bank AG'' a corporation domiciled in Frankfurt am Main, Germany, operating in the United Kingdom under branch registration number BR000005, acting through its London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

''Directors'' Sir Ian Robinson, David Michels, Brian Wallace, Christopher Bell, Ian Carter, Nicholas Jones, Ian Livingston, L.Patrick Lupo, Christopher Rodrigues and C. Pippa Wicks

''Disposal'' the proposed disposal of the Hilton International Hotels Division, including substantially the whole of the Group's hotel, timeshare, health clubs and related businesses by means of a sale of the entire share capital of Luxco and LHUSA and the transfer of the Associated Contracts in each case pursuant to the Disposal Agreement.

''Disposal Agreement'' the conditional agreement dated 29 December 2005 between the Company, the Sellers and HHC.

''EBIT'' earnings before interest and taxes.

''EBITDA'' earnings before interest, taxes, depreciation and amortisation.

"EGM" or "Extraordinary General Meeting" the extraordinary general meeting of the Company to be convened for 11a.m. on or about 27 January 2006 at The London Hilton on Park Lane, 22 Park Lane, London W1K 1BE, and any adjournment thereof.

"Employee Share Schemes" the 1978 Scheme, the International Scheme, the Performance Share Plan, the Sharesave Scheme, the Deferred Bonus Plan, the Matching Shares Plan, the Stakis Scheme and the SIP.

"Form of Proxy" the form of proxy accompanying this document for use by Shareholders in connection with the Extraordinary General Meeting.

"Group" the Company and its subsidiaries and subsidiary undertakings.

"Hilton Group Pension Plan" the pension plan governed by main edition rules and special edition rules made on 31 December 2004 (as amended).

"Hilton International" Hilton International Corporation.

"Hilton International Hotels Division" the Target Entities and the subsidiaries and subsidiary undertakings of each of them and the Associated Contracts.

"HHC" Hilton Hotels Corporation.

"IAS 19" International Accounting Standard 19.

"Independent Directors" the Directors excluding David Michels, Brian Wallace and Ian Carter.

"International Scheme" the Hilton Group International Share Option Scheme.

"Ladbrokes" the betting and gaming division of the Group.

"Ladbrokes Group" the Group excluding the Hilton International Hotels Division.

"LHUSA" Ladbroke Hotels USA Corporation.

"Listing Rules" the listing rules of the UK Listing Authority.

"London Stock Exchange" the London Stock Exchange plc.

"Luxco" Ladbroke Group International Luxembourg S.A.

"Matching Shares Plan" the Hilton Group Executive Bonus Plan – Matching Shares Plan.

"Ordinary Shares" ordinary shares of 10 pence each in the capital of the Company.

"Performance Share Plan" the Hilton Group Performance Share Plan.

"Regulations" the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended).

"Remuneration Committee" the remuneration committee of the Board.

"Regulatory Information Service" has the meaning given in the Listing Rules.

"Sellers" Ladbroke Group International Limited and Ladbroke Group Limited

"Shareholder(s)" holder(s) of Ordinary Shares.

"Shares" the entire issued share capital of Luxco and any issued shares of LHUSA which are not owned by Luxco at Completion.

"Sharesave Scheme" the Hilton Group 1983 Savings Related Share Option Scheme.

"SIP" the Hilton Group plc Share Incentive Plan.

"Stakis Scheme" the Stakis plc 1994 Executive Share Option Scheme.

"Takeover Panel" the panel on takeovers and mergers which issues and administers the City Code.

"Target Entities" Luxco and LHUSA.

"Tindall Partnership" the partnership constituted by the restated limited partnership agreement dated 30 August 2002.

"UK Listing Authority" the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act.

"United Kingdom" or "UK" the United Kingdom of Great Britain and Northern Ireland.

"United States" or "US" the United States of America, its territories and possessions, any state of the United States, the District of Columbia and all other areas subject to its jurisdiction.

"VAT" value added tax chargeable pursuant to the Value Added Tax Act 1994 and legislation (whether delegated or otherwise) supplemental thereto.

"Warranties" the representations and warranties given by the Sellers to HHC in the Disposal Agreement.