

*Welcome to
Hilton Grand Vacations Company*



This presentation contains “forward looking statements” within the meaning of federal securities law, including information concerning business strategies and their intended results, and similar statements concerning anticipated future events and expectation that are not historical facts.

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Timeshare Industry Overview



Timeshare Industry Snapshot

- 5,500 resorts in 115 countries
- 1,600 resorts in U.S.
- Strongest in Florida and California
- 2004 worldwide sales volume: \$11 billion+
- 2004 U.S. sales volume: \$6 billion+
- \$14,650 average price for a one-week interval in the U.S.



Impact of Timeshare Industry on U.S. Economy

Industry Generated a \$66.7 Billion Economic Impact in 2002

- Initial impact affects regions via sales and marketing, and construction
- Recurring impact via traveler expenditures and resort operations:
 - Repeat visitors
 - Jobs
 - Consumer spending
 - Elevated occupancy rates
 - Stability



Timeshare Owners

- 6.7 Million Consumers Own Worldwide
- 3 Million U.S. Consumers Own (less than 5% of qualified households)
- Median Annual Household Income
 - Industry - \$85,000
 - HGVC - \$105,000



Timeshare Today



- Highly organized and regulated industry
 - Codes of conduct (ARDA)
 - Sound commercial practice
 - Ethical standards
- Respected brands dominate U.S. sales

Timeshare in the Future

- **Growth Potential**
 - Annual industry sales growth of 15%*
 - Less than 5% of qualified U.S. households own timeshare*
- **Social Trends**
 - More time, money to travel
 - Emphasis on family values, vacations
 - Baby boomers wanting flexibility, choices
- **Product Evolution**
 - Higher quality product
 - Focus on branded timeshare
 - Flexibility, enhanced exchange programs

*Source: ARDA (American Resort Development Association)

Timeshare in the Future

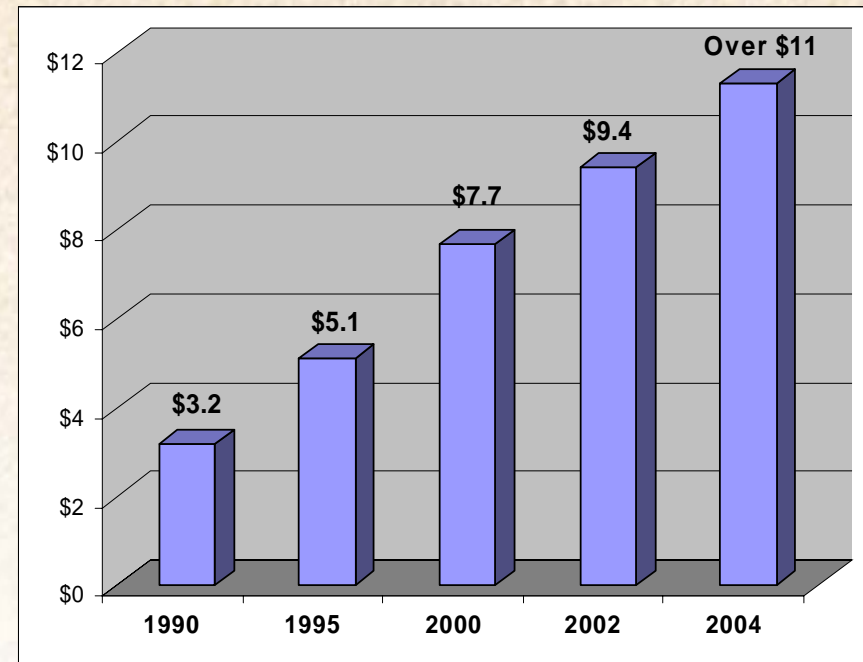
- **Global Expansion**
 - Particularly to Asian populations
- **Timeshare is becoming a more visible segment of mainstream travel, hospitality and leisure industry**
- **Consumer awareness dramatically increases from branded communications and media exposure**

Source: ARDA

Why Timeshare?

- Fast growth – 15% annual growth in past five years
- Six branded hospitality companies (Cendant, Disney, Hilton, Hyatt, Marriott, and Starwood) account for an estimated \$3.27 billion in sales*
- Quality image has evolved through higher brand standards

Worldwide timeshare sales
(\$ in billions)



*Source: Vacation Ownership World, January 2004 issue, 2003 Vacation Ownership Sales Leaders (companies earning at least \$20 million or more in annual timeshare sales)

Why Timeshare for the Consumer?

- Good value proposition for family vacations
- Affordable alternative to owning a second home
- Deeded interest fulfills important component of American dream
- Offers a *home environment* on vacation
- Standard amenities in villas include:
 - Fully equipped kitchen
 - Dining area
 - Television, cable, VCR/DVD
 - Washer/dryer
 - High-speed Internet



Why Timeshare for Hilton?

- Attractive Returns and Growth Rates
 - IRR consistently about 20% over past 5 years
 - 24%** compounded annual growth rate in revenue (1999-2004)
- Leverage strategic assets
 - Real estate, database, brands, resources
- Adds high-quality resorts to portfolio
- Creates “brand loyal” customers for life
- Fees generated in future years
- More resilient in economic downtrends and crisis
- Creates synergy with HHonors and nearby Hilton Family of Brand Hotels



*History of
Hilton Grand Vacations Company*



1992

50/50 joint venture between Hilton Hotels Corporation
and Grand Vacations, Limited

1994

First Hilton Grand Vacations Club resort opens
(HGVClub at the Flamingo - Las Vegas)



1995

Second HGVC Club project opens in Orlando, Florida at
SeaWorld International Center



1996

HHC purchases the Grand Vacations, Limited partnership interest in Hilton Grand Vacations Company;

HGVC becomes a wholly-owned subsidiary of HHC

1998

Hilton Grand Vacations Club at South Beach - Miami
opens on Ocean Drive



1999

Second Las Vegas resort opens
(HGVC Club at the Las Vegas Hilton)



2001

HGVC's first developed Hawaiian resort opens in Honolulu, Hawaii.
(HGVC Club at the Hilton Hawaiian Village®)



2002

First urban vacation product opens in mid-town Manhattan,
The Hilton Club®, on two floors of the Hilton New York



2003

Third Las Vegas resort opens its first phase in late 2003
(HGVCclub on the Las Vegas Strip)



2004

HGVC's ***second*** developed resort in Orlando opened its first phase early February
(HGVClub on International Drive)



2005 and Beyond

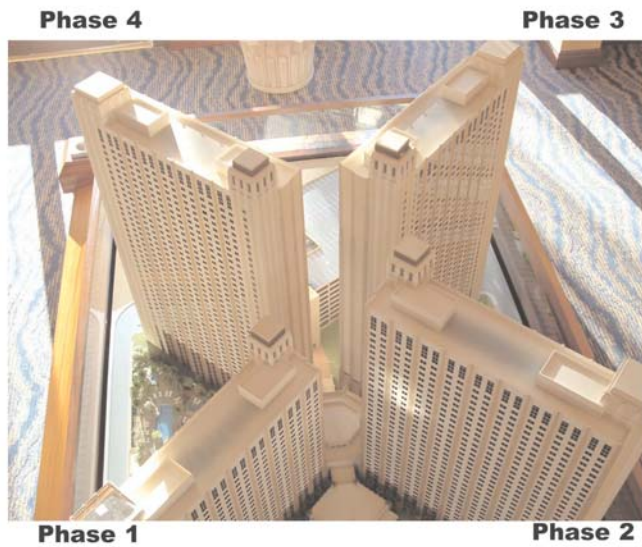


In Process

- Tuscany Village build out
- Waikoloa Beach Resort, Big Island
- Second Tower at Las Vegas Boulevard
- 48 unit building at Sea World, Orlando

Future

- Towers 3 and 4 at Las Vegas Boulevard
- Central Florida Sequel
- Hawaii Sequel
- Potential additional Distribution Center(s)




Hilton Grand Vacations Club
on the Las Vegas Strip

HGVC-Developed Resorts

Florida

- HGVClub at SeaWorld International Center
- HGVClub on International Drive
- HGVClub at South Beach



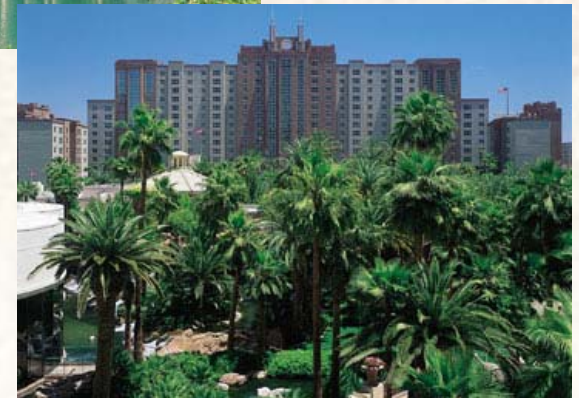
Hawaii

- HGVClub at Hilton Hawaiian Village
- HGVClub at Kalia Tower
- HGVClub at Waikoloa Beach Resort



Nevada

- HGVClub at the Flamingo
- HGVClub at the Las Vegas Hilton
- HGVClub on the Las Vegas Strip



New York

- The Hilton Club® – New York

HGVC-Managed Resorts



- **Colorado**
 - Valdoro Mountain Lodge, Breckenridge
- **Florida**
 - Captiva Island
 - Fort Myers Beach
 - Hutchinson Island
 - Marco Island
 - Sanibel Island
- **Hawaii**
 - The Bay Club at Waikoloa Beach Resort, The Big Island

HGVClub-Affiliated Resorts

- ***Fiesta Americana Vacation Club***
 - Cancun, Mexico
 - Los Cabos, Mexico
- ***Hilton Resorts of Scotland***
 - Hilton Coylumbridge
 - Hilton Craigendarroch
 - Hilton Dunkeld



HGVC Brand Attributes



Hilton Grand Vacations Company's Brand Attributes

- Strong margins
- High quality product
- Dominant in key destinations
- Flexible points-based system
- Upscale customers
- Competitive product cost
- Distribution center strategy



Business Strategy



Business Strategy

- Create Superior Financial Margins and Returns
- Leverage Existing Infrastructure/Assets
- Develop High-Quality Resorts in Highly Desirable Vacation Destinations
- Offer Flexible Membership Programs

Economics/Accounting



Lifecycle of a Timeshare Project

Feasibility / Investigative Stage



All costs expensed in period incurred



Finance Committee and Board of Directors Approves Project

Development / Construction Stage



- All costs associated with project now capitalized
- Revenue recognized by % of completion



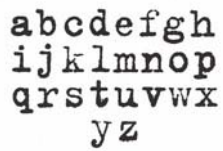
- Sales begin up to 18 months before opening and after registration is completed.
- Cost of sales are costed out over sales period using relative sales value method

Construction Substantially Complete



Certificate of Occupancy Received

Resort Completed



- Interest, taxes and insurance no longer capitalized
- 100% sales revenue recognized



- Soft Opening
- Start-up costs incurred
- Generally 1-30 days



Resort officially opens for business



Renting begins; HGVC manages property



Property sold-out 2 - 12 years



Subsidy ends; HOA responsible for operating cost of property



HGVC continues to collect on financing for up to 10 years after last sale



HGVC manages properties and collects management fees

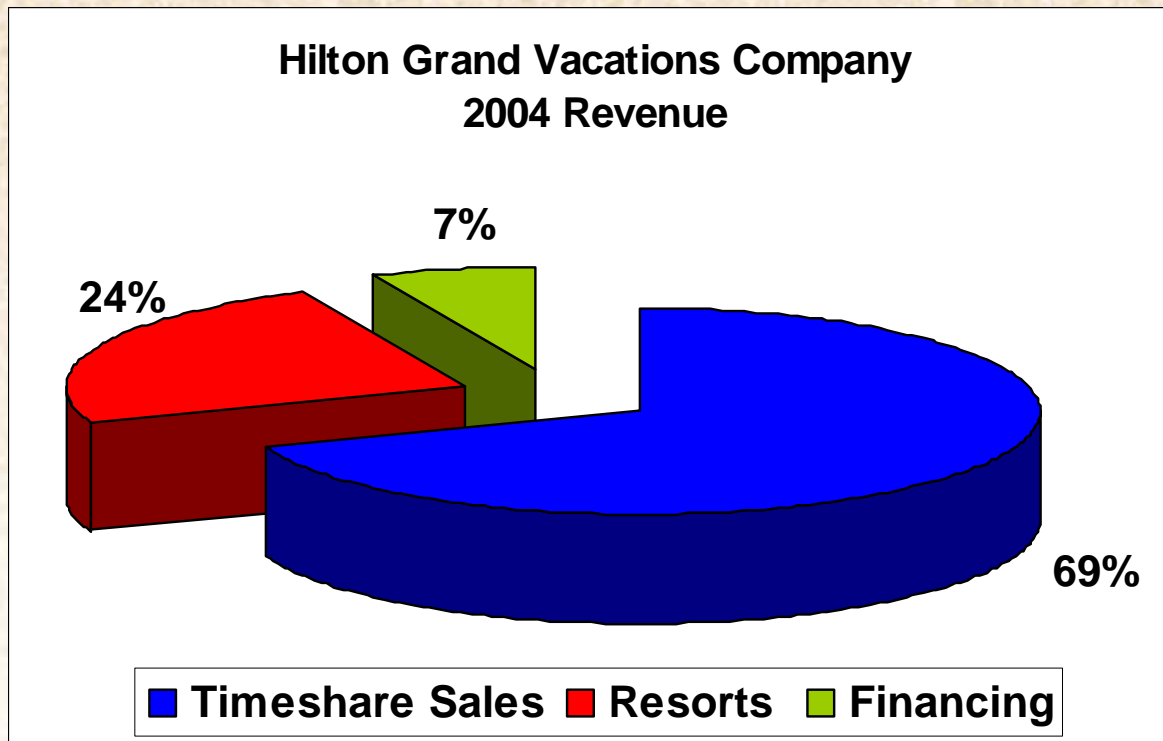


HGVCclub books reservations and collects Club Dues



Fees collected!
HGVC has never lost a Management Contract

Lines of Business

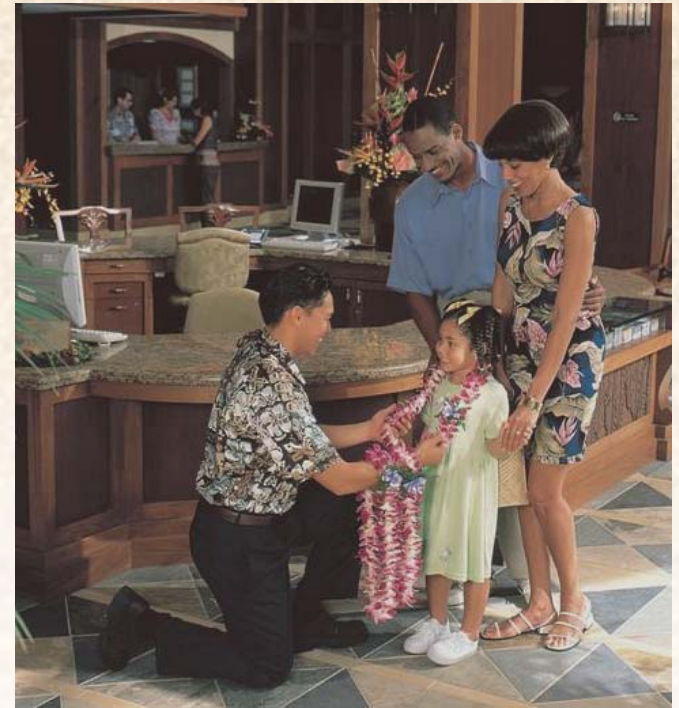


Timeshare Sales

- **Revenue Generated by Selling Timeshare Units**
 - Approximately 15,000 unit weeks sold in 2004
 - Average Selling Price of about \$24,000
 - Sell units from 4 Distribution Centers (Hawaii, Las Vegas, Orlando and New York)
- **Historical Expense of Doing Business (as a % of Net Sales Price)**
 - Sales and Marketing Cost Range: Low to mid 40%
 - Cost of Product Range: High 20%
 - G&A Cost: Approximately 3%
- **Historical Profit Margins: Mid 20% range**

Resort Operations

- 1. Rental and Retail Operations**
- 2. Property Management Services**
- 3. HGVC Club Operations**



Resort Operations: Rental and Retail (Non-owner occupied)



- Mid-80% occupancy (YE 2004)
- Approx. 2/3 transient rental
- Approx. 1/3 marketing rental

Resort Operations: Property Management

- Manage 31 properties
- 2,646 units in 5 states
- Generate management fees calculated as 10% of costs or approximately \$2,400 per unit



Resort Operations: HGVClub



- Reservations and Exchanges for HGVClub Members
- 95,000 Members
- Revenue from Annual Dues, Enrollment Fees, various transaction fees

Financing

Revenue Generated in Portfolio Interest Income:

- Portfolio balance of \$262 million at end of 2004
- 13% average interest rate
- Over 16,000 loans
- Approximately 65% of all sales financed through HGVC

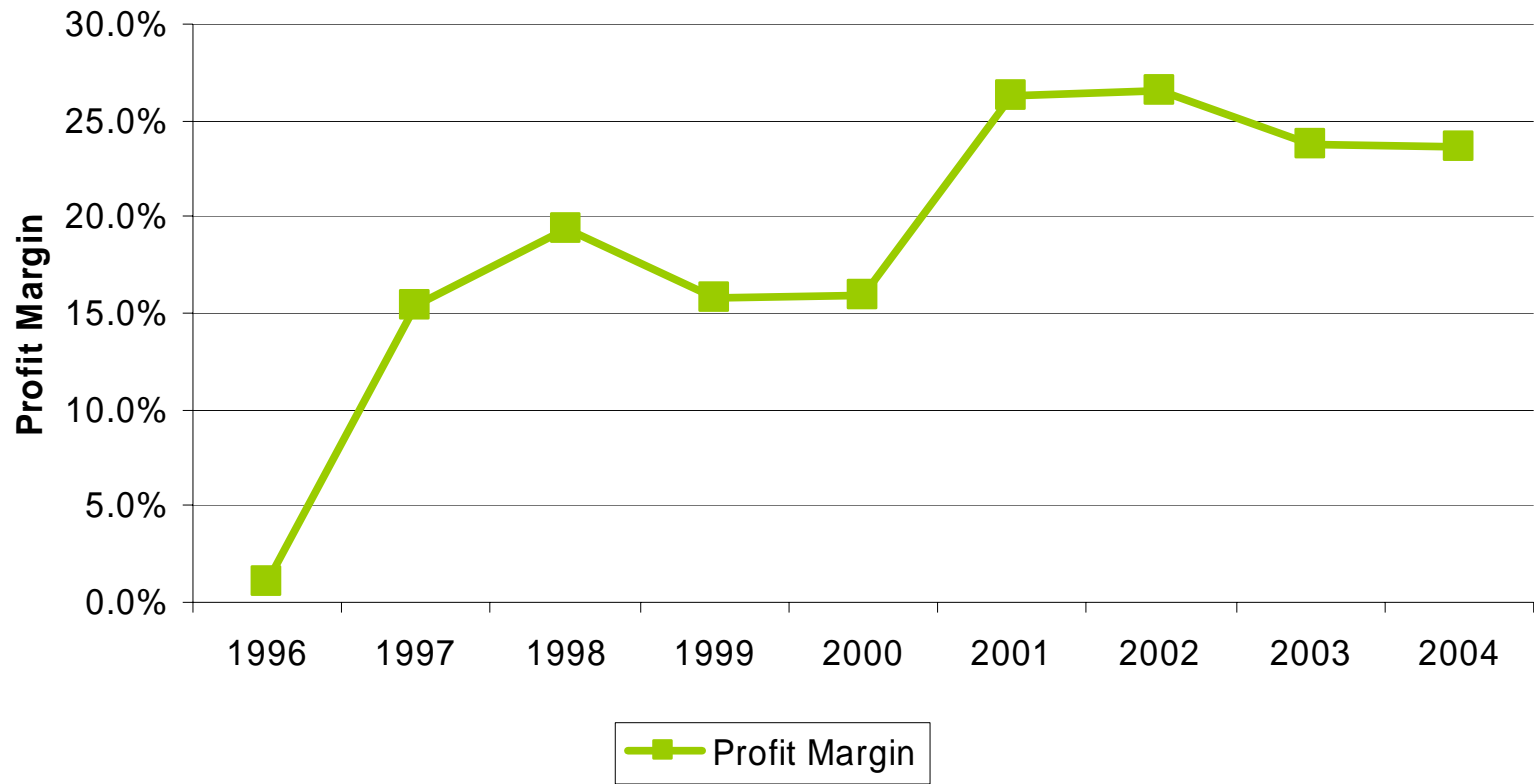
Historical Data



Revenue Growth



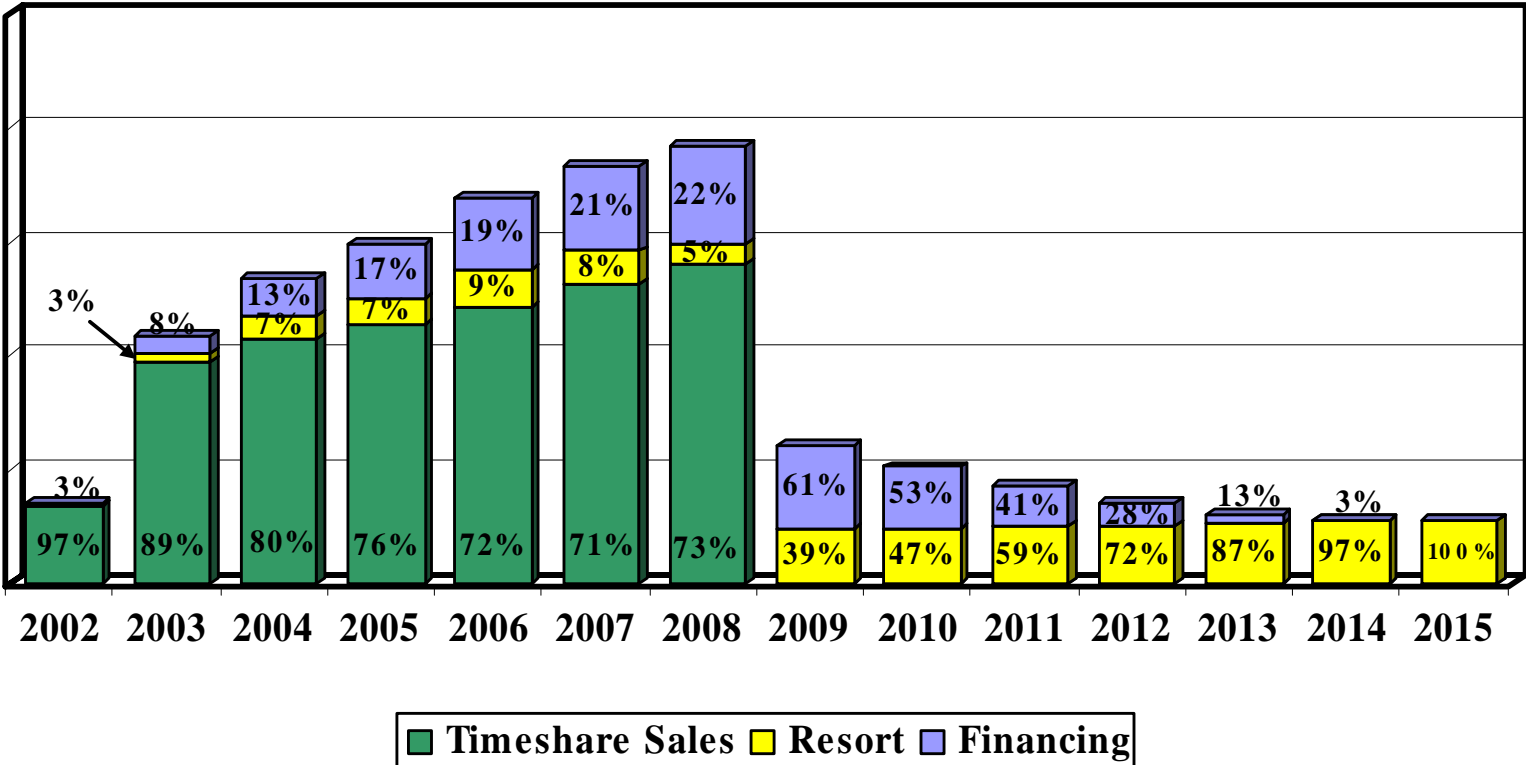
**Hilton Grand Vacations Company
Profit Margin
1996 - 2004 Actual**



Economics of a Timeshare



Hilton Grand Vacations Company
HYPOTHETICAL Timeshare Project Illustration
 % Of Total Project Revenue Earned Each Year



Timeshare Accounting Principles



Revenue Recognition

Record Transaction in one of three ways:

1. Full Sales Recognition
2. Percentage of Completion
3. Lease Accounting



Full Sales Recognition Criteria

FAS 66

- Title passes to buyer and timeshare unit does not revert back to seller in the future
- Receive minimum down payment of 10%
- Risk of reversion to rental property remote
- For new markets, must be 10%+ sold out or all revenue and direct expenses are deferred
 - Administrative expenses are recognized in period incurred
- Building is substantially complete (generally receipt of Certificate of Occupancy) otherwise must use Percent of Completion if seller financed
- Collectibility is reasonably assured

Percent of Completion Accounting

ARB 45

- Project is under construction, no Certificate of Occupancy
- Profit recognized as the construction progresses on the project
 - Defer Sales Revenue and relevant expenses in direct relation to the percent the project is incomplete
 - No profit is recognized until construction is “beyond a preliminary stage”
- Will result in either more or less income reported in a period than the actual economic results of sales.
- In 2004, Tuscan Phases III and IV and Waikoloa were impacted by Percent of Completion accounting.

Cost of Product Recognition

- Equals the total CAPEX cost of building a project
- $$\text{COP}\% = \frac{\text{Total Estimated Final Cost of Project}}{\text{Total Estimated Future Sales Revenue}}$$
- As sales prices increase, the COP% will decrease
- In 2004, Cost of Product was in the high 20% range
- Updates to the % are applied prospectively
- If project is more than 50% sold out, late costs are expensed on pro rata basis

Accounting for Real Estate Timesharing Transactions

FAS 152 (SOP 04-2)

- Effective for fiscal years beginning after June 15, 2005; impacts 2006 results for HGVC.
- HGVC revenue will be very slightly lowered due to change in definition.
- Operating income impact to HGVC is negligible.
- HGVC's past conservative accounting means that no balance sheet write-offs are expected.

Sales and Marketing



Reality of Timeshare Sales

- Timeshare is a product sold through an emotional process, similar to the purchase of jewelry
- Once the product is experienced, owners tend to refer family and friends, and buy more themselves
- Our sales and marketing strategy incorporates a proactive, controlled approach
- We create an environment of discovery to prioritize the need to the consumer



Our Target Audiences

- Hilton HHonors members
- Hilton Family of hotels guests
- Strategic partners customers
- HGVC Club Members
- Referrals from HGVC Club Members
- International visitors



Timeshare Marketing

Goal: To open a direct dialogue with customers via phone, or in person

Ideally a customer agrees to participate in a sales presentation when they have:

- Acquired some general knowledge about timeshare
- Become genuinely curious about the program
- Developed a sense of enthusiasm
- Experienced positive interactions from all points of contact to date



Timeshare Marketing

- When targeting customers, we must integrate:
 - Financial qualifications
 - Psychographic criteria
 - Demographic profiles
 - Regions of residence
- All marketing efforts must comply with individual state laws governing sale of deeded real estate interests
- The fewer customers we touch to secure transactions, the better
 - HGVC: 4 customers to make one transaction
 - Typical industry average: 10 to 1*



Timeshare Sales

Goal: To present each customer with a compelling alternative to their existing vacation style



- Timeshare can tangibly improve both the quality and economics of many consumers' vacation experiences
- HGVC currently sells approximately **\$1 million of timeshare per day**

Timeshare Sales and Marketing

- Sales and marketing costs:
 - Private companies: approx. 50%
 - Public companies: approx. 47.5%*
 - HGVC: approx. 46%
- However, no uniform industry measurement

*Source: ARDA



The Evolution of Timeshare Sales



- Technology holds promise for timeshare industry
- Online resources provide customers knowledge about the industry
- Companies no longer rely exclusively on staffed marketing mechanisms to generate leads
- Technology blended with the value of branded timeshare will be increasingly important in the future

How HGVC Sells Timeshare

How do people purchase?

Take a tour and preview an HGVC property

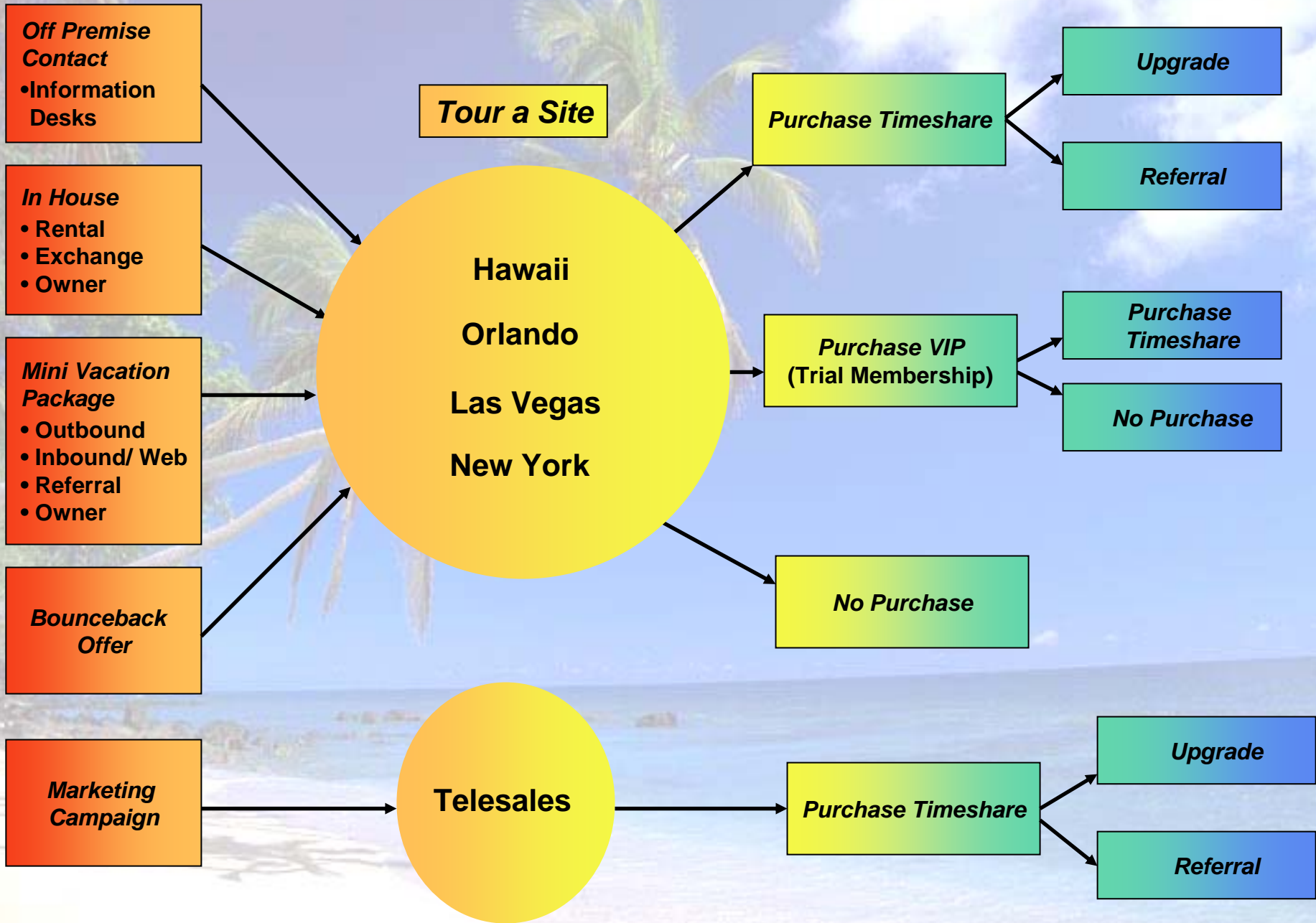
Purchase on site

-or-

Talk to HGVC directly via phone,
Internet or email

Purchase via mail





2004 Sales Snapshot

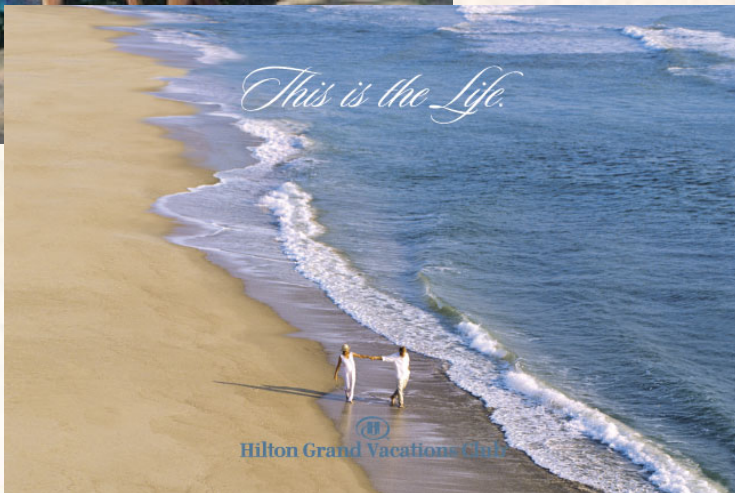
- 100,000+ Tours
- 15% purchase conversion
- 13% VIP purchases
 - 58% become owners within 15 months
- 28% of tours converted
- \$359 million in timeshare sales (\$83 million deferred)

Example

For every 100 tours

- **15 will buy a timeshare that day**
- **13 will buy the Vacation Introduction Program (VIP)**
 - **7 of the VIP's will buy a timeshare**

HGVC Brand Outlook



- Consumer Trends
 - Lifestyle and demographics
 - Emerging markets
 - Privacy and Do Not Call
- Integrating and shifting marketing channels
- Develop next generation of brand collateral

HGVC Brand Outlook

- Promote purchase of timeshare to consumers via consumer education
- Pursue more traditional marketing
 - Trade shows
 - Sweepstakes
 - Media advertising
- Ensure brand consistency across all channels



Hilton Grand Vacations

*Products that enhance people's lives ...
a brand that strengthens
Hilton's portfolio*

