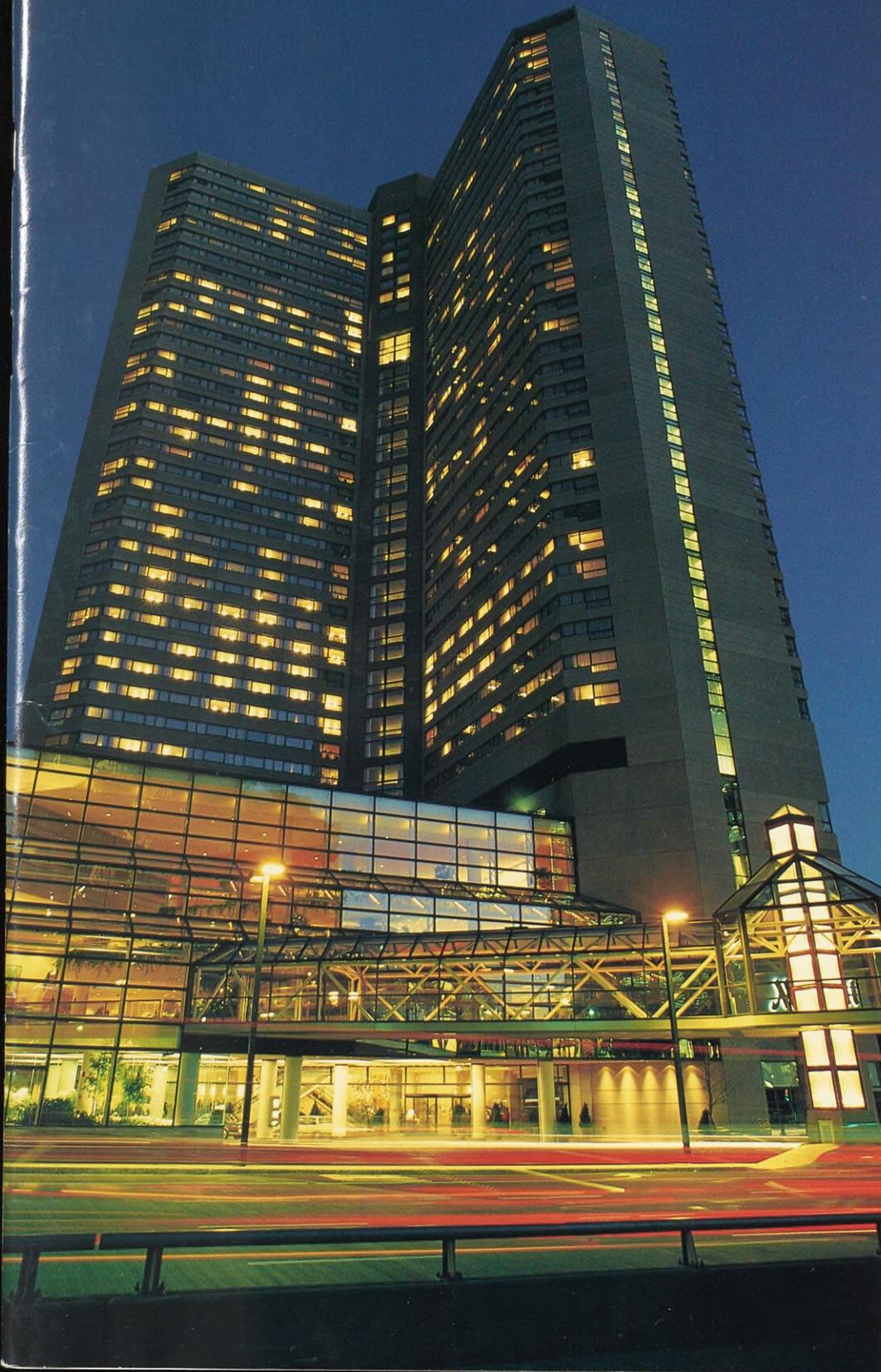


MARRIOTT CORPORATION



*Annual
Report
1984*

Marriott Corporation is a diversified company involved in lodging, food service and related businesses.

Founded in 1927 by J. Willard Marriott, the company began as a small root beer stand in Washington, D.C. Today, it has operations and franchises in 47 states and 26 countries. The company has over 120,000 employees and serves more than two million meals a day.

Principal businesses include:

Lodging. There are 142 full service Marriott hotels and resorts with over 60,000 guest rooms. These are located in 84 cities in the United States, as well as in Central America, the Caribbean, Europe and the Middle East. Courtyard by Marriott, a moderate price lodging concept introduced in 1983, is being expanded nationally.

Other lodging-related businesses being developed include all-suite hotels, vacation ownership resorts and lifecare retirement communities. Marriott's Sun Line affiliate operates a fleet of three cruise ships which offers luxurious sailing in the Caribbean and Mediterranean.

Contract food services. Marriott's airline catering operations involve 90 flight kitchens serving more than 150 airlines around the world. Airport terminal concessions include food, beverage and/or merchandise facilities at 41 domestic and five foreign airports. Marriott also provides food service management for 290 clients in business, education and health care, and operates highway restaurants and non-airport merchandise shops.

Restaurants. The company operates or franchises over 1,400 popularly priced restaurants in 39 states, Canada and Japan. These include Big Boy family restaurants, Roy Rogers fast food restaurants, and Hot Shoppes cafeterias and restaurants.

*At December 28, 1984.

(Cover) The dramatic new Boston Marriott/Copley Place offers 1,139 rooms in the heart of the city's prime office and shopping district. Over 5,800 new rooms were added to the Marriott system in 1984.

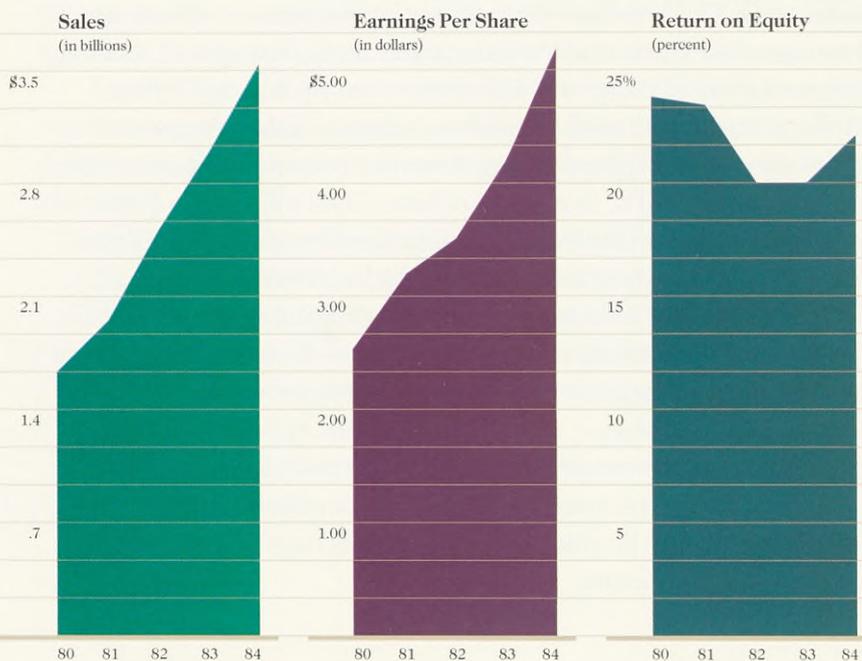
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FINANCIAL HIGHLIGHTS

Marriott Corporation and Subsidiaries

	1984	1983	Percent Change
Sales	\$3,524,937,000	\$2,950,527,000	+19%
Operating Income	327,715,000	274,640,000	+19
Income from Continuing Operations	135,255,000	108,414,000	+25
Net Income	139,765,000	115,245,000	+21
Earnings Per Share			
Continuing Operations	5.01	3.90	+28
Net Income	5.18	4.15	+25
Funds Provided from Continuing Operations	322,485,000	272,655,000	+18
Shareholders' Equity Per Share	26.22	23.37	+12
Return on Equity	22.1%	20.0%	



Marriott Corporation continued its record of exceptional growth and profitability in 1984.

Sales surpassed \$3.5 billion. Net income increased 21%, earnings per share rose 25% and return on equity increased to 22%. Marriott sales and profits have doubled since 1980 and have increased tenfold since 1971.

We seek to build and maintain Marriott's reputation as the premier company in lodging, food service and related business areas. In 1984, we made substantial progress in developing and financing new growth opportunities, as well as in reinforcing the company's traditional operating values. We are confident that we can continue 20% earnings per share growth and can maintain return on equity over 20%.

STRATEGY FOR GROWTH

We grow by seeking closely related opportunities which build on Marriott's distinctive strengths. We do this by:

Adding units to existing businesses. We have doubled the size of our lodging business since 1980. Marriott has become the largest chain of company-operated (vs. franchised) hotel rooms in America. However, this dramatic growth has not diluted profitability, quality of management or service levels. In fact, we have experienced strong increases in customer preference.

Marriott will add over 25,000 luxury priced rooms by 1988. Most of these rooms are under construction.

We have reviewed our coffee shop strategy and have put renewed emphasis on realizing the national potential of the Big Boy franchise network.

We also will continue to use both internal development and acquisitions to selectively expand airport terminal operations, airline catering and our food service management business.

Developing new segments of existing businesses. Courtyard by Marriott, the company's 1984 entry into the large, moderate price segment of the lodging market, is an unqualified success. The five test units in Georgia exceeded our expectations. Courtyard will be expanded into five additional markets during the next 12 months, and will develop into a national chain of over 50,000 rooms by the early 1990s.

In addition, the company will enter the all-suite segment of the luxury hotel market. We have concluded that there is strong demand for this type of product and a solid opportunity for Marriott. The first Marriott Suites hotel will open in 1986.

Acquiring companies in similar businesses which add real economic value. On February 22, 1985, Marriott completed the acquisition of Service Systems Corporation, a large institutional food service company. Coupled with the acquisition of Gladieux Corporation in January 1985, this will more than double the size of our food service management business. Now we are one of America's three leading companies in institutional food service, with a national market presence.

These acquisitions parallel our successful move in 1982 to build a national presence in the airport food service business through the purchase of Host International. Host has proved to be quite profitable and has been well integrated into Marriott's management structure.



*J. Willard Marriott and
J.W. Marriott, Jr. at the
company's new flagship
hotel in Washington, D.C.*

Acquisitions also are playing a critical role in our international hotel strategy. We recently purchased highly regarded hotels in London and Paris.

We plan to continue making selective acquisitions in closely related businesses where real economic value can be created for Marriott shareholders.

Developing new hospitality or service-related businesses. Our internal business development efforts produced Courtyard, which will be a major contributor to Marriott's growth. In 1984, we decided to develop and manage three lifecare retirement communities. The first will open in 1987. We believe the market for this type of retirement facility is significant, growing rapidly and not now being adequately served.

FINANCING MARRIOTT'S GROWTH

Hotel management agreements. Marriott remains a leader in creating innovative ways to finance hotel development. We develop and sell hotels, while maintaining long-term management agreements, typically 75 years in length. Today, nearly 85% of Marriott-operated hotel rooms are owned by others. This technique allows us to reduce capital commitments and generate high returns for our shareholders.

During the past five years, nearly \$3 billion of hotels have been financed under hotel management agreements, thus largely eliminating Marriott's financial commitment. In 1984, Marriott sold and financed nearly \$1 billion of hotels in the following manner:

- Sold nine hotels to Chesapeake Hotel Limited Partnership, which was organized by Marriott. The limited partnership interests were syndicated to the public.
- Sold limited partnership interests in a hotel through the agency sales force of a major insurance company—a new approach that will be expanded in the future.
- Sold three hotels to major corporations which wanted to diversify their investment portfolios.
- Financed five hotels presently under development which will be sold to investors upon completion.

As a result of these types of transactions, all Marriott hotels now under construction are financed.

Dispositions. Since 1983, Marriott has decided to dispose of its theme parks, dinner houses and Mexican restaurants for a total consideration of more than \$310 million. All will be sold for amounts exceeding book value. We decided to sell the two theme parks because of limited growth opportunities and dramatic appreciation in the value of land under one park. In restaurants, we are focusing our management efforts on the coffee shop and fast food segments, because they are more stable and present greater opportunities for chain leverage.

TRADITIONAL VALUES

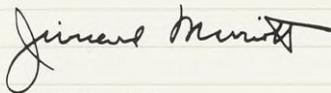
Underlying our growth strategy is the continuing effort to reinforce Marriott's traditional values and strengths as our company grows larger and more complex. Our commitment is three-fold:

Quality products, friendly and efficient service. Our reputation has been built on dedication to consistent product quality, with friendly and efficient service to millions of customers each day. We communicate our standards throughout the company so that our employees are well trained and motivated to deliver the performance consumers expect.

Fair treatment. Because Marriott is a service company, our performance is unusually dependent upon people. We have always tried to treat employees with dignity and respect at every level of our organization. To attract and retain good people, we will continue to provide an atmosphere of fair treatment and dynamic growth.

Hands-on management. Since its beginning, Marriott has been a company of operators and entrepreneurs. We believe it is critically important for management at every level to stay in direct touch with operations and customers.

Our 1984 achievements and strong future prospects are made possible by the exceptional ability and dedication of our management and employees. We are proud of our people and are grateful for their outstanding contributions.



J. Willard Marriott

*Founder and
Chairman of the Board*



J.W. Marriott, Jr.

*President and
Chief Executive Officer*

March 11, 1985



Marriott's success depends on people. Each employee is encouraged to develop the friendly, hospitable spirit that has become a Marriott trademark. Our luxurious Harbor Beach Resort in Fort Lauderdale opened in 1984.

Over the past decade, Marriott has become one of America's most successful hotel chains. Our lodging business includes 142 full service hotels and resorts which accounted for nearly half of Marriott's 1984 sales and operating income.

Marriott is capitalizing on its expertise by developing a number of new lodging concepts. We are developing specialized products for the upscale market, including all-suite hotels named Marriott Suites, and a network of distinctive convention hotels to meet the special needs of large groups. We also have successfully developed and tested Courtyard by Marriott, a moderate price lodging concept. Finally, we are market testing two new businesses closely related to our base of lodging skills.

THE LAST 10 YEARS

Marriott's lodging business over the last decade has been characterized by rapid growth, consistently high quality, superior returns and innovative financing.

Rapid growth to national coverage. In the last 10 years, Marriott has grown from 14,000 to nearly 61,000 rooms, with hotels located in most of the top 100 U.S. markets.

Marriott hotels are designed to serve individual business travelers, pleasure travelers and groups. Our research shows that Marriott is chosen by more meeting planners than any other chain. Awareness of Marriott among business travelers has increased substantially in recent years, and we are beginning to take advantage of this national presence.

Consistently high quality. Marriott has successfully managed its rapid growth without any dilution in its ability to build and operate quality facilities. In fact, in 1984 we received significant increases in customer ratings for efficient reservations, rapid check-in/check-out, friendly employees and quality meeting facilities. Our guest rooms rated particularly well—92% have been built or refurbished in the last five years.

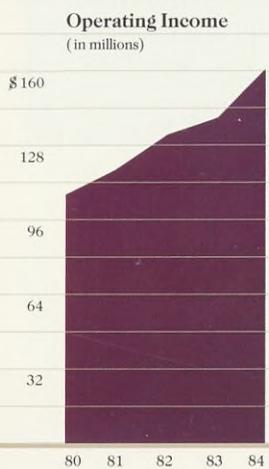
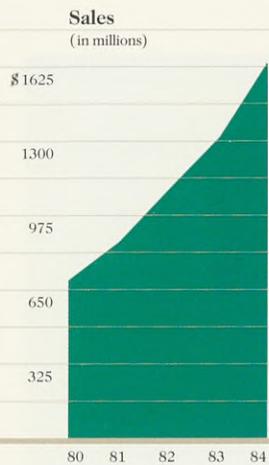
Marriott has received more Mobil Four and Five Star and American Automobile Association Four and Five Diamond awards than any other lodging chain. Consumer research shows that Marriott is one of America's two most preferred chains for business travel, and that it leads all competitors in the friendliness of its people.

Our traditional emphasis on strong operating systems and intensive training is one reason for this consistently high performance. This is supported by a sincere commitment to our people—both management and hourly employees—which has helped foster strong group motivation and individual achievement.

To maintain control over quality, we use only limited franchising. Over 80% of our rooms are owned or managed by Marriott, making us the largest operator of hotel rooms in America.

Superior returns. Marriott is one of the world's most profitable hotel chains. Our average occupancy is well above both the industry and our direct competition. Marriott maximizes room revenues while delivering good value. Room rate increases consistently have exceeded inflation.

Our food and beverage profits are the highest in the lodging industry, aided by strict controls and a comprehensive procurement system.





Our research shows that Marriott is chosen by more meeting planners than any other chain. The elegant Boston Marriott/Copley Place is the newest addition to our rapidly growing convention network.

Customers rate our guest rooms highly—92% have been built or refurbished in the last five years. Our new flagship property in Washington, D.C. is the 774-room J.W. Marriott Hotel.



Innovative financing. Marriott is an innovator in financing hotels for ownership by others, while maintaining tight operating controls and profitable, long-term management agreements. Since 1980, Marriott has financed nearly \$3 billion of hotels, using a variety of innovative structures. We are the only major lodging company to use all of the following financing methods: public condominium financing, private and public tax-exempt financing, savings and loan financing, public syndication of partnership interests, syndication of partnership interests through insurance company agents, and tax advantaged partnerships sold to European investors.

GROWTH THROUGH THE 1990s

Our goal is to increase lodging profits over 20% annually. As our base grows larger, Marriott requires new products and selected acquisitions to support this growth. These efforts have proceeded well in several directions over the past four years, thereby ensuring that we will meet our growth goal into the 1990s. Development of full service U.S. and international hotels, all-suite hotels, and Courtyard



(Top) Marriott's Seaview Resort and Country Club near Atlantic City, N.J., features 36 holes of championship golf. It was acquired in 1984. (Bottom) Our growing presence in the Carolinas was enhanced with the opening of the Charlotte Marriott/City Center in 1984.

should more than double the number of Marriott rooms by 1990.

Full service hotels. Marriott's traditional hotels appeal to the luxury end of the lodging market. We have added 20,000 rooms in this segment during the last three years and will grow into a 100,000-room chain by 1990. As part of this growth, Marriott has become increasingly adept at meeting the specialized needs of segments within this market:

- It has developed a portfolio of 17 luxury resorts designed to appeal to the upscale meeting and incentive travel markets.
- Marriott will complete five spectacular, "mega" convention hotels, totaling 7,400 rooms, over the next four years. The New York and Atlanta Marriott Marquis hotels will open in 1985, Orlando/World Center and Desert Springs (California) in 1986 and San Francisco/Moscone Center in 1988.
- The company is pursuing a strategy of selective international expansion, focusing on top quality hotels in gateway cities.

Marriott Suites. We have developed a new all-suite hotel concept which will represent an attractive option for business and pleasure guests who do not need extensive meeting facilities. Our first Marriott Suites hotel will open in 1986.

Courtyard by Marriott. Courtyard, our entry into the moderate price lodging segment, is designed to compete directly with major national franchised chains. Five Courtyard by Marriott hotels have been tested successfully in Georgia. Management plans to aggressively expand this business to over 50,000 rooms by the early 1990s.

New business development. Marriott also is evaluating the potential for national systems of vacation ownership resorts and lifecare retirement communities, which are described under New Business Developments.

REVIEW OF LODGING OPERATIONS

Results for Marriott's lodging business increased strongly in 1984. Sales rose 24%, while operating income was up 19%, excluding the impact of nine hotels syndicated during the year. These gains reflected an expansion in total rooms, higher occupancy and increased room rates.

Marriott Hotels and Resorts

Sales benefited from the opening of 13 hotels in 1984, as well as a one and one-half percentage point improvement in occupancy for comparable units, and average rate increases which exceeded inflation.

Marketing. Aggressive marketing efforts yielded strong increases in volume from business transient guests. Sales for the group meeting and pleasure segments also were higher.

One of our most visible marketing efforts, the Honored Guest awards program was introduced early in 1984, providing incentives for the frequent business traveler. Guests accumulate points based on expenditures for rooms, food, beverages and merchandise in Marriott hotels and resorts. This program, the most comprehensive of its type in the lodging industry, is tied in with incentive promotions for three airlines and a car rental company.

Operations. Among 1984 operational developments were the installations of a state-of-the-art automated reservations network throughout the Marriott chain and a new front office computer system in many hotels. These important tools give management more complete market information and allow better control of the rooms inventory to achieve higher sales per room.

We constantly refine our comprehensive operating systems and guest services to provide a contemporary, competitive hotel product. In 1984, we increased the number of hotels with concierge levels and continued to refurbish older properties.

Expansion. Marriott continued its program of aggressive expansion in promising markets that has yielded nearly 20% average annual growth in rooms since 1979. Over 5,800 rooms were added in 1984. Eight new company-operated hotels were opened in 1984, two other hotels were acquired and three franchised properties were opened.

New company-operated hotels opened during the year included (rooms in parentheses): Boston/Copley Place (1,139); Charlotte, N.C./City Center (431); Fort Lauderdale/Harbor Beach Resort (645); Houston/Medical Center (398); Newark/

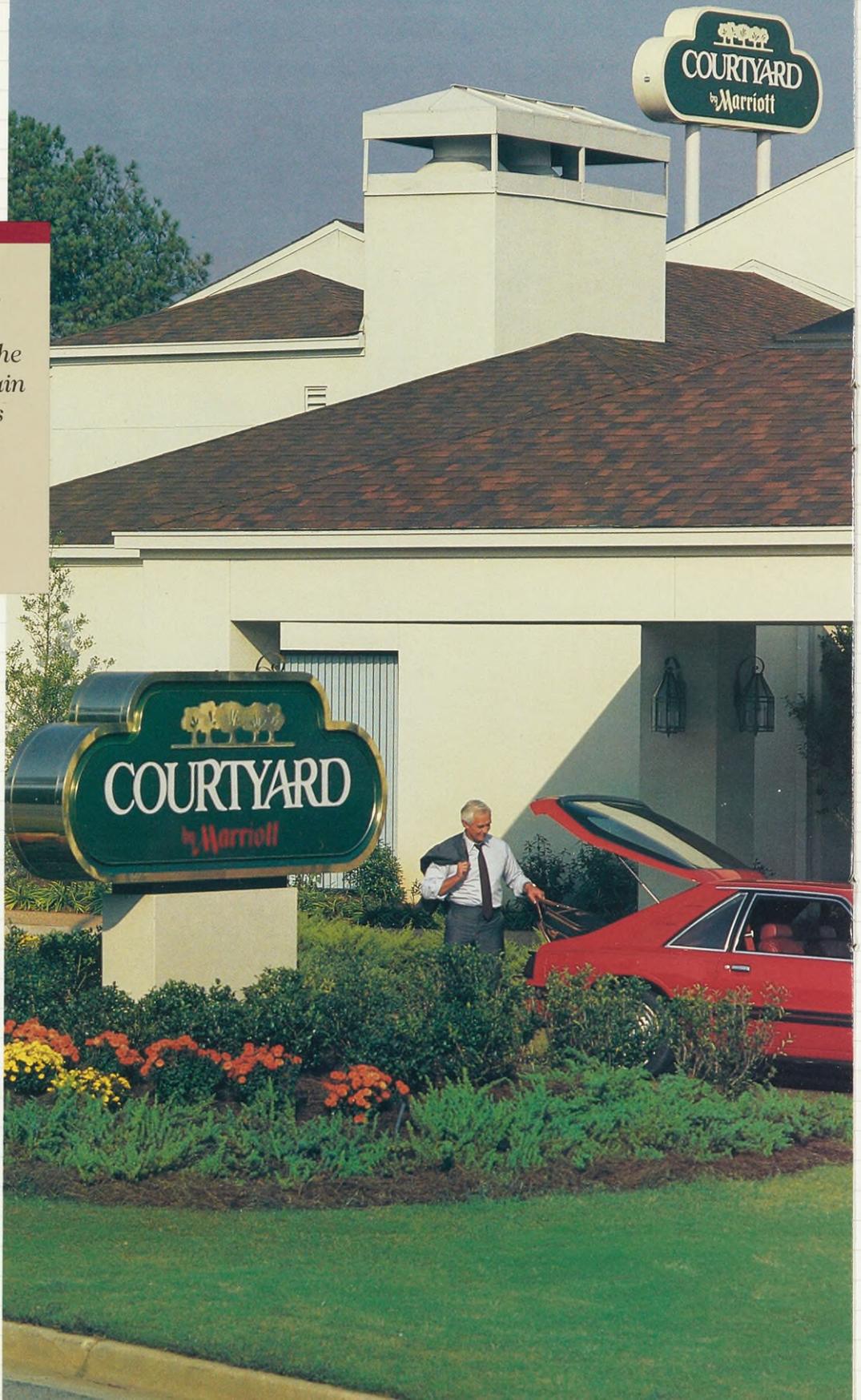


The London Marriott, acquired in late 1983 and subsequently renovated, is one of the city's finest hotels. It is located near Grosvenor Square in the prestigious Mayfair district.



Marriott is one of the world's most profitable hotel chains. Part of our aggressive expansion strategy is the development of top quality hotels in international gateway cities. In 1984, we added the classic Prince de Galles Hotel in Paris.

Rapid expansion of Courtyard by Marriott will give the moderate price chain over 50,000 rooms by the early 1990s. Our test units in Georgia have been very successful.



Airport (414); Overland Park, Kan. (402); Richmond, Va. (401); and Washington, D.C./J.W. Marriott (774). Franchised units were opened in Corpus Christi, Tex. (346); Roanoke, Va. (255); and San Francisco/Fisherman's Wharf (256). The Sea-view Resort and Country Club near Atlantic City, N.J. (157) and the Prince de Galles Hotel in Paris, France (176) were acquired.

Courtyard by Marriott

In June 1984, after a highly successful test in Georgia, the company announced its plans for a national rollout of Courtyard by Marriott. Sales and occupancy for the division's first full year of operation exceeded planned levels, and customer feedback has been very positive.

Courtyard's rate structure of \$40 to \$60 (depending on location) places it in the middle of the moderate price segment of the market, which represents about 45% of all U.S. rooms. Designed to look like contemporary country inns, Courtyard properties typically have 140 to 150 rooms, maintaining a residential feel and providing ease of development in relatively small market areas.

The new concept meets our high standards yet stays cost competitive by limiting investment in public facilities, and by using centralized multi-unit or "cluster" management and sophisticated computer systems.

Marriott is developing Courtyard aggressively. In addition to the Georgia-based cluster, target markets include the greater Washington, D.C./Baltimore, Chicago and Detroit areas, as well as cities in California, New York, New Jersey and Texas. The Courtyard chain will include more than 350 hotels by the early 1990s.

New Business Developments

In 1984, we announced two new lodging-related ventures which we will evaluate over the next few years to determine their potential for national expansion:

Vacation ownership resorts. The April 1984 acquisition of the American Resorts Group, a developer of vacation ownership resorts, represents an extension of Marriott's management skills into the timeshare market. Our initial venture is a luxurious 122-unit resort on Hilton Head Island, South Carolina.

Lifecare retirement communities. Marriott is in the process of developing lifecare retirement communities which build on our lodging and food service strengths. A typical Marriott lifecare community will serve 300 to 400 people, offering independent residential living, food service and recreational facilities, combined with health care services. The initial Marriott community will open in suburban Washington, D.C. in 1987.

OUTLOOK

We look forward to continued strong performance from our lodging operations in 1985. We expect to realize benefits throughout the year from room rate increases and from special promotions begun in 1984. In addition, our results will be enhanced by strong overall demand, the maturity of a substantial number of hotels added in the early 1980s, and our wide geographic market distribution.

Longer term, the new business developments announced during the last two years should complement our traditional hotel operations and provide significant sources of profit growth in the decade ahead.



(Top) Resembling contemporary country inns rather than traditional motels, Courtyards feature high quality guest rooms designed for the traveling business man or woman. (Bottom) The company tested several design concepts in developing its new Marriott Suites hotels.

CONTRACT FOOD SERVICES

Marriott's contract food service businesses accounted for 32% of total company sales and 28% of operating income in 1984.

Sales for this line of business increased 17% in 1984, and operating income rose 23%. Profits were up in all divisions. Performance reflected expansion of our domestic airline catering operations and improved international catering results, as well as new business in airport operations, food service management and highway restaurants.

OPERATIONS

Airline catering. Airline industry performance overall continued to improve in the United States, and domestic passenger enplanements rose 7% to a record level in 1984. However, the industry continued to face financial difficulties, and the airline catering business remained highly competitive. Marriott benefited from the addition of new business and the expansion of service for existing clients, as well as from consolidation of its domestic and international management early in 1984. A total of nine domestic flight kitchens were added or reactivated, including new facilities at the Minneapolis/St. Paul and New York/Kennedy International airports.

Our international airline catering results were helped by a new strategic focus and expanded business in the United Kingdom, Spain and the Caribbean.

Airport operations. Results for the Marriott/Host food, beverage and merchandise operations reflected increased passenger traffic and new contracts. Moreover, traffic at airports served by the company grew faster than the national average, due to superior locations and recently expanded or remodeled facilities. Today, nearly 60% of all people who fly in the United States pass through an airport with Marriott/Host terminal facilities.

The impact of new accounts, as well as significant expansion or refurbishment at 11 airports currently served by Marriott/Host, began to be felt in 1984. Several other major client airports will complete similar expansion or renovation programs in 1985.

Food service management. This growing division had a good year in 1984, posting improved results in every segment. A number of new accounts were added, with growth especially strong in the business food service and education segments. New clients included Harvard Business School, U.S.F.&G. Co. in Baltimore, University of Miami (Fla.) and Cedars Medical Center, Miami.

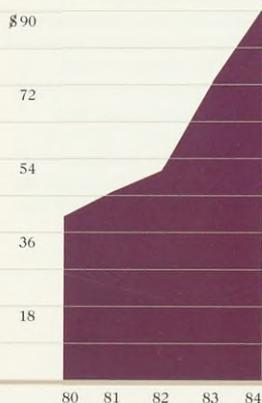
In 1984, we expanded the division's marketing organization and began to focus on larger, more complex accounts which can take advantage of Marriott's wide range of capabilities. Development opportunities also appear to be improving in the health care segment, as more hospital administrators realize that food service by outside operators can offer significant savings over self-operation.

Highway restaurants. Marriott food service operations on several major East Coast tollways posted substantially higher results due to unit expansion and conversion of locations to Roy Rogers and Bob's Big Boy restaurant concepts. The company began operations under contract with New Jersey's Garden State Parkway Authority. Overall traffic was up, and customer acceptance of the concept changes has been very favorable.

Sales
(in millions)



Operating Income
(in millions)





We continue to broaden our base of contract food service businesses in all major segments—airline catering, airport operations, food service management and highway restaurants. We help airlines to train flight attendants in food preparation and service.



(Top) Our Marriott/Host operations provide food, beverage and/or merchandise facilities at 41 of America's leading airports, including Los Angeles International. (Right) In recent years, Marriott/Host has helped airport authorities around the country to design and implement new or expanded facilities. The Croissant Shop is one of the restaurants opened at Salt Lake City airport in 1984.



OTHER DEVELOPMENTS

Since year-end, two key acquisitions have expanded our contract food service operations substantially and broadened our foundation for future growth—especially in the food service management area, which will more than double in size in 1985. Combined 1984 sales of the acquired operations totaled over \$400 million.

- On February 22, 1985, Marriott completed the purchase of Service Systems Corporation. Service Systems provides food service to 1,500 client locations in 33 states, including businesses, schools and colleges, health care facilities, retirement communities and recreational facilities. It also provides other contract services—primarily building maintenance. Founded in Buffalo, New York in 1952, Service Systems has been expanded in recent years with the acquisitions of Stouffer Management Food Service, Inc. and Mannings, Inc., which gave it a



(Top) Marriott's 290 food service management accounts include Racal-Milgo, an international high technology firm. (Bottom) Two major acquisitions will more than double our food service management business in 1985. Our new Gladieux subsidiary serves a wide range of facilities, including Ohio State's football stadium.

strong presence in the Midwest and on the West Coast.

- On January 3, 1985, Marriott completed the acquisition of Gladieux Corporation, an Ohio-based diversified food service company. Through the acquisition, we gained a significant number of food service management accounts, primarily in the Midwest. These include several university and municipal recreational facilities and sports arenas—a new market segment for Marriott. Also added were facilities at six airports, including Pittsburgh and New York/Kennedy, as well as food service for turnpikes in Florida, New Jersey, Ohio and Indiana.

OUTLOOK

Continued growth in air travel, ongoing strategic refinements in our contract food service operations, and expansion through selected acquisitions position Marriott well for continued solid growth in this area.

RESTAURANTS

Restaurant operations produced 22% of Marriott's total sales and 23% of operating income in 1984. Operating income increased 24% in 1984, on a 14% sales gain.

Results improved in all divisions, aided by unit expansion, aggressive marketing and higher customer counts. These divisions include Roy Rogers fast food restaurants, Bob's Big Boy family restaurants, Hot Shoppes cafeterias and restaurants, and the Host specialty restaurant division.

The dinner houses and Mexican restaurants which comprise Host's specialty restaurant division are being sold. While they have been profitable, these operations are not compatible with Marriott's long-term strategy to concentrate upon coffee shops and fast food restaurants. These sales are expected to be completed by mid-1985 for amounts exceeding book value.

OPERATIONS

Roy Rogers. The Roy Rogers division achieved record sales and profits in 1984, as the concept's position in its markets continued to grow. The division benefited from the addition of 31 company-operated and franchised units in 1984 and from increased emphasis on new and existing products. Conversion of units gained in the 1982 Gino's acquisition was completed in 1984, and the disposition of those units not compatible with the Roy Rogers concept is nearly complete.

Roy Rogers' company-operated restaurants are positioned to offer high quality fare to their principal target market—adult consumers in the Middle Atlantic and Northeastern states. Successful marketing developments during 1984 included renewed emphasis on fried chicken, expansion of breakfast and drive-through service, and introduction of hot topped potatoes.

During 1985, division strategy will focus on further refining Roy Rogers' products and services to improve productivity and customer value.

Big Boy. Company-operated Bob's Big Boy units on both the East and West coasts performed well in 1984, reflecting increased customer counts, as well as the success of breakfast bars and "greenhouse" expansions in Eastern units. Greenhouse modifications have increased overall capacity, customer appeal and profitability, and their application for West Coast units is now under development. Nine new Bob's Big Boy units were opened during the year.

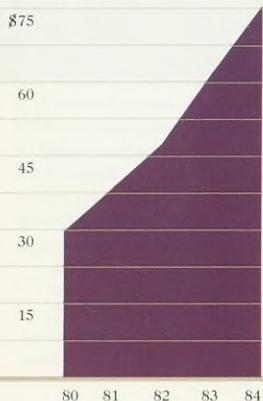
Marriott broadened development efforts for its Big Boy family restaurants in 1984. Several recent moves have strengthened the Big Boy system and placed it in an excellent position for long-term growth:

- Big Boy management and franchise operations were substantially reorganized to permit Marriott to redevelop key markets for new franchising, to strengthen its relationships with existing franchisees and to benefit more fully from the value of the Big Boy name and franchise.
- The company regained an attractive 12-state territory which can be developed at greater return to Marriott, as a result of successfully negotiating the withdrawal of two franchisees.
- The marketing and management team involved with the franchise system was expanded, and a new national advertising program for use by franchisees was developed.

Sales
(in millions)



Operating Income
(in millions)





The company's restaurant strategy is focused on our Big Boy family restaurant and Roy Rogers fast food concepts. An aggressive campaign to strengthen and expand the Big Boy franchise system was launched in 1984.

Roy Rogers



(Above) Hot topped potatoes were successfully added to the Roy Rogers menu in 1984. Appealing to a broad range of customers, the hot topped potato comes with a choice of four toppings, and is suitable either as an entree or a side dish. (Right) In 1985, Roy Rogers will continue to refine its products and services to improve productivity and customer value.



- Since year-end, Big Boy has signed agreements for expanded commitments from two large franchisees that will add at least 122 new restaurants to the Big Boy system. All franchisees have agreed to participate in the national advertising campaign which will begin in 1986.

OUTLOOK

Strategic moves during 1984 provide the foundation for Marriott to capitalize on the strong market position of its two core restaurant concepts, Roy Rogers and Big Boy.

Marriott Corporation continued to meet its principal financial goals of maintaining 20% average annual earnings per share (EPS) growth and high capital productivity.

□ EPS from continuing operations grew 28% to \$5.01, producing a five-year compound annual growth rate of 24%.

□ Discretionary Cash Flow from continuing operations increased 20% to \$271 million.

□ Return on Shareholders' Equity (ROE) was 22%.

Earnings and ROE performance maintain Marriott among the top 20% of Standard & Poor's 500 firms. Comparisons of Marriott's performance to the S&P indices are shown in the charts below.

Profit Growth Continues

Sales and operating income both increased 19%, reflecting strong performance in all major lines of business, primarily as a result of sales gains from unit growth and increased customers.

Lodging sales rose 24%, driven by an additional 5,000 company-operated rooms, a one and one-half percentage point improvement in comparable unit occupancy rates, and room rate increases that substantially exceeded inflation. Operating income increased 19%, excluding the impact of nine hotels sold to Chesapeake Hotel Limited Partnership in 1984.

Contract Food Services sales increased 17% and operating income rose 23%. Results reflected expansion of domestic airline catering service, improved international airline catering results, and new accounts in airport operations, highway restaurants and food service management.

Restaurant sales and operating income increased 14% and 24%, respectively. Operating income gains were strong in all divisions, reflecting unit expansion, reduced administrative expenses and aggressive marketing which produced increased customer counts and higher average checks.

Income from continuing operations increased 25% because of improved operating income and reduced interest costs, offset by a higher effective 1984 tax rate. Net interest expense declined 12%, primarily due to the effect of hotels sold to Chesapeake Hotel Limited Partnership.

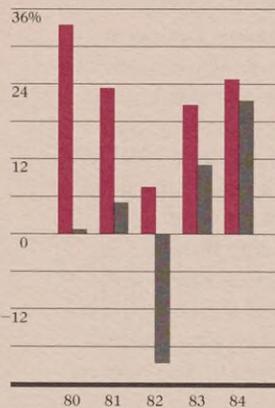
Discretionary Cash Flow from continuing operations increased 20% to \$271 million, as reflected in the Current Value Statement. Discretionary Cash Flow reports Funds Provided from Operations less actual capital expenditures (rather than accounting depreciation) required to maintain the competitive position of existing fixed assets. The table below shows that Discretionary Cash Flow has averaged over 95% higher than accounting earnings since 1980.

Discretionary Cash Flow vs. Net Income (\$ in millions)

Year	Cash Flow	Net Income
1984	\$278	\$140
1983	246	115
1982	192	94
1981	157	86
1980	125	72

Earnings Per Share Growth

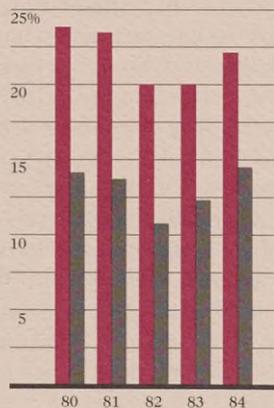
Marriott vs. Standard & Poor's 500



■ Marriott ■ S&P 500
S&P 500 is estimated for 1984.

Return on Equity

Marriott vs. Standard & Poor's 500



■ Marriott ■ S&P 500
S&P 500 is estimated for 1984.

Capital Productivity Improves

Return on Shareholders' Equity (ROE) increased to 22%, and return on total capital was 14%. Marriott expects to continue performing at these levels through the 1980s by carefully managing the balance sheet, selling low return businesses and continuing to expand hotels—primarily under management agreements. Several major transactions in 1984 boosted this program:

□ Chesapeake Hotel Limited Partnership (CHLP) was syndicated to investors. The offering eliminated Marriott's capital investment in nine hotels with a total value of \$305 million. A wholly owned Marriott subsidiary will earn substantial long-term management fees from the properties.

□ Hotels totaling \$291 million were developed and sold to private investors under long-term management agreements. The demand for Marriott hotel real estate remains strong, as manifested by numerous transactions at attractive prices.

□ Financings totaling \$357 million were negotiated on five hotels presently under development. These properties will be sold to investors upon completion, thereby largely eliminating Marriott's capital commitment to these hotels. Marriott will retain profitable management agreements.

□ An international syndication of Marriott hotels in London and Paris was completed successfully. This unique financing will enable Marriott to expand more aggressively in Europe with attractive management agreements and minimal ownership risk.

□ The Gurnee theme park was sold for \$114.5 million. The Santa Clara theme park land and improvements are in the process of being sold for about \$100 million. Thus, Marriott will exit from the low return theme park business at a capital gain.

□ The company entered into agreements to sell the Essex House hotel in New York City and its Host specialty restaurants for considerations of nearly \$300 million, with closings to take place in 1985.

Capitalization Optimized

Marriott's ambitious capital investment and acquisition program is financed by a combination of retained

Discretionary Cash Flow, incremental debt on an expanding asset base, and sales of hotels. Disciplined management of Marriott's highly liquid hotel assets and debt structure enables the company to maintain targeted leverage and minimize capital costs.

Marriott bases target debt levels on cash flow coverage of four times interest expense. Marriott's coverage objective is what lenders require to provide the company debt financing at the lowest possible rates.

Despite aggressive expansion, Marriott financing techniques maintained coverage at targeted levels. Total capital spending of \$704 million in 1984 and \$499 million in 1983 was financed primarily from internal cash flow and asset dispositions—principally hotels. The 1985 capital program of about \$900 million will be financed in a similar manner.

The ability to grow aggressively yet maintain planned interest coverage demonstrates once again that Marriott's high Discretionary Cash Flow, combined with the declining capital intensity of the company's lodging business, has allowed Marriott to expand hotel rooms by nearly 20% annually over the last five years without commensurate capital requirements. As a result, investment capacity can be released to fund additional corporate growth such as the successful 1982 Host and Gino's acquisitions; the Gladioux and Service Systems purchases in early 1985; and aggressive Courtyard expansion. This is the prime reason that the company's five-year compound EPS growth of 24% has exceeded its target of 20%.

Marriott's objective is to minimize the cost of capital by optimizing the mix of fixed and floating interest rate debt obligations. Marriott's operating cash flows have a high correlation with inflation and short interest rates. Thus, an optimal debt structure requires a rich mixture of floating rate debt to minimize capital cost and risk. In addition, the company requires that construction in progress be financed in the traditional manner with floating rate debt. Excluding construction financing, long-term debt with floating interest rates averaged 60% of total debt capitalization in 1984, compared to 58% in 1983.

Marriott's policy of avoiding new commitments of non-prepayable, fixed-rate, long-term debt since 1980 has served the company well. Rather than speculate on fixed interest rates at relatively high levels, the company has matched capital costs with cash flows, thus minimizing capital cost and risk. The company plans to increase the proportion of fixed-rate debt in its capital structure when appropriate. In fact, Marriott fixed rates on a substantial portion of its long-term debt during early 1985 as interest rates declined.

Debt maturity will remain well within Marriott's conservative policy limits, which require that total debt amortizing in the subsequent five-year period not exceed Funds Provided from Operations of the prior year. The company has met this policy constraint by wide margins since 1980, as shown below.

Debt Maturity Schedule
(\$ in millions)

Year	1984	1983	1982	1981	1980
1	\$ 26	\$ 25	\$ 23	\$ 16	\$ 9
2	36	36	28	17	18
3	50	43	36	22	18
4	58	50	42	40	34
5	72	62	48	43	38
Total	<u>\$242</u>	<u>\$216</u>	<u>\$177</u>	<u>\$138</u>	<u>\$117</u>
Funds Provided from Operations	<u>\$330</u>	<u>\$294</u>	<u>\$231</u>	<u>\$187</u>	<u>\$150</u>

Marriott has no requirement for positive working capital, since it principally sells services (rather than goods) for cash. Therefore, the company maintains relatively low receivable and cash balances. Negative working capital is a source of interest-free financing. As a result of a company-instituted program to aggressively reduce current asset investment, Marriott increased its negative working capital to \$144 million during 1984.

Dividends and Stock Price Increase

In December 1984, the Board of Directors increased the cash dividend 23% to 54 cents annually. This is consistent with Marriott's goal to increase dividends with planned long-term earnings growth.

The company has an excellent record of reinvesting cash flow in growth businesses at high returns. Marriott will continue this investment strategy to finance expected profit growth through the 1980s. If management is successful, shareholders should continue to profit through share appreciation taxed at advantageous capital gain rates, rather than through higher dividends taxed at ordinary rates.

The range of Marriott stock prices by quarter was:

Quarter Ended in	1984		1983	
	High	Low	High	Low
March	76	61½	63½	50¼
June	66¾	58½	78¾	58⅝
September	76¼	64⅞	81	72⅝
December	80¼	70	77¼	68⅞

Marriott's stock price has grown at a compound rate of 35% annually over the past five years, to a total market value of over \$2 billion. We believe this has occurred because:

□ The company has consistently maintained high real earnings growth and high capital productivity through varying and difficult economic environments. The investment community has confidence that Marriott's experienced, entrepreneurial management team will continue to achieve its earnings growth and return objectives, thereby maximizing shareholder wealth.

□ Marriott's aggressive unit expansion program is a major contributor to earnings growth. This program has a high probability of continued success because of the company's demonstrated long-term ability to expand its businesses. Moreover, the unit growth required to maintain Marriott's 20% annual earnings increase into the 1990s is already under construction or development.

□ Marriott owns valuable real estate assets that appreciate with inflation as shown in the Current Value statement on page 24. Thus Marriott shareholders own solid tangible assets that are appreciating in value. In addition, they share in the stock market's capitalized value of Marriott's future growth, which is not reflected in the company's Current Value of \$82.03 per share.

Current Value Increases

Shareholders' equity per share, expressed on a Current Value basis, increased to \$82.03 in 1984 from \$70.66 in 1983. This compares favorably with the historical cost book value of \$26.22 per share.

Historical cost accounting understates both the value of Marriott's real estate-based assets and its investment capacity. The company's Current Value balance sheet restates historical cost assets and liabilities and values management agreements to reflect 1984 year-end valuations. Current Value is based on the company's productive capacity and does not include anticipated growth. Therefore, it does not reflect the full intrinsic value of Marriott. As shown, Current Value shareholders' equity per share increased 16% during 1984, primarily from strong discretionary cash flow and new hotel management agreements.

Based on actual asset sales, Marriott's Current Value estimates are conservative. Marriott has sold assets for \$1.5 billion since Current Value was instituted in 1979, including hotels, theme parks and specialty restaurants. The Current Value of the liquidated assets was \$1.3 billion, and each sale was in excess of Current Value.

The \$1.4 billion increase in restated shareholders' equity, from \$676 million to \$2.1 billion at Current Value, results from a consistent policy of owning and managing real estate assets prudently financed with debt.

Changes in Current Value Shareholders' Equity

	<u>Millions</u>	<u>Per Share</u>
Current Value at December 30, 1983	\$1,899	\$70.66
Discretionary Cash Flow from		
Continuing Operations	271	10.06
New Hotel Management Agreements	64	2.38
Common Stock Repurchase	(93)	1.03
Deferred Taxes and Other	(28)	(2.10)
Current Value at December 28, 1984	<u>\$2,113</u>	<u>\$82.03</u>

Condensed Consolidated Current Value Balance Sheet

as of December 28, 1984

(in thousands)

	<u>Current Value</u>	<u>Historical Cost</u>
Current Assets	\$ 430,099	\$ 430,099
Property and Equipment, net	2,507,277	1,832,833
Hotel Management and Lease Agreements	584,958	—
Investments in and Advances to Affiliates	299,469	268,177
Other Assets	523,864	373,560
	<u>\$4,345,667</u>	<u>\$2,904,669</u>
Current Liabilities	\$ 573,986	\$ 573,986
Debt and Capital Lease Obligations	1,089,495	1,115,287
Other Long-Term Liabilities	139,534	259,694
Deferred Income Taxes	429,446	280,142
Shareholders' Equity	2,113,206	675,560
	<u>\$4,345,667</u>	<u>\$2,904,669</u>
Percentage of Debt and Capital Lease Obligations to Total Capital	<u>28.9%</u>	<u>47.9%</u>

Basis of Valuations

Property and equipment, hotel management agreements and investments in affiliates are valued on the basis of the present worth of estimated future cash flows after certain deductions, primarily anticipated asset maintenance requirements. Goodwill and deferred costs are assigned no value. Debt and capital lease obligations are discounted to present value. Discount rates reflect current market rates.

Deferred income taxes are provided to reflect the present value of projected income tax payments arising from the difference between assets' current value and net tax value.

INCOME STATEMENT

Marriott Corporation and Subsidiaries

Fiscal years ended December 28, 1984, December 30, 1983 and December 31, 1982

	1984	1983	1982
	(in thousands, except per share amounts)		
Sales			
Lodging	\$1,640,782	\$1,320,535	\$1,091,673
Contract Food Services	1,111,300	950,617	819,824
Restaurants	772,855	679,375	547,403
Total sales	<u>\$3,524,937</u>	<u>\$2,950,527</u>	<u>\$2,458,900</u>
Operating Income			
Lodging	\$ 161,245	\$ 139,706	\$ 132,648
Contract Food Services	90,250	73,300	51,006
Restaurants	76,220	61,634	48,492
Total operating income	<u>327,715</u>	<u>274,640</u>	<u>232,146</u>
Interest expense	(61,638)	(62,786)	(71,760)
Interest income	12,947	7,516	5,094
Corporate expenses	(42,921)	(34,309)	(31,801)
Income before Income Taxes	236,103	185,061	133,679
Provision for income taxes	100,848	76,647	50,224
Income from Continuing Operations	135,255	108,414	83,455
Income from discontinued operations	4,510	6,831	10,887
Net Income	<u>\$ 139,765</u>	<u>\$ 115,245</u>	<u>\$ 94,342</u>
Primary and Fully Diluted Earnings Per Share			
Continuing operations	\$ 5.01	\$ 3.90	\$ 3.04
Net income	<u>\$ 5.18</u>	<u>\$ 4.15</u>	<u>\$ 3.44</u>

The accompanying notes are an integral part of this and related statements.

BALANCE SHEET

Marriott Corporation and Subsidiaries
December 28, 1984 and December 30, 1983

	1984	1983
	(in thousands)	
ASSETS		
Current Assets		
Cash and temporary cash investments	\$ 22,656	\$ 92,279
Accounts receivable	195,874	151,975
Due from affiliates	46,467	17,655
Inventories, at lower of average cost or market	111,772	95,806
Prepaid expenses	53,330	43,655
Total current assets	430,099	401,370
Property and Equipment, at cost		
Land	141,714	171,984
Buildings and improvements	245,367	373,593
Leasehold improvements	658,815	716,461
Furniture and equipment	415,634	475,003
Property under capital leases	77,566	86,539
Construction in progress	668,845	388,025
	2,207,941	2,211,605
Depreciation and amortization	(375,108)	(419,823)
	1,832,833	1,791,782
Other Assets		
Investments in and advances to affiliates	268,177	68,412
Assets held for sale	230,760	81,312
Cost in excess of net assets of businesses acquired	26,742	26,380
Other	116,058	132,172
	641,737	308,276
	\$2,904,669	\$2,501,428

The accompanying notes are an integral part of this and related statements.

1984 1983
(in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Short-term loans	\$ 7,486	\$ 8,895
Accounts payable	252,806	194,499
Accrued wages and benefits	129,452	111,420
Other payables and accrued liabilities	152,654	149,308
Current portion of debt and capital lease obligations	31,588	29,799
Total current liabilities	573,986	493,921

Debt

Mortgage notes payable	632,923	491,999
Unsecured notes payable	420,860	509,144
	1,053,783	1,001,143

Capital Lease Obligations

61,504 70,468

Other Long-Term Liabilities

99,323 55,175

Deferred Income

160,371 4,834

Deferred Income Taxes

280,142 247,683

Shareholders' Equity

Common stock, 25.8 and 26.9 million shares outstanding, respectively	29,419	29,422
Capital surplus	145,756	140,882
Deferred stock compensation and other	3,141	4,160
Retained earnings	622,283	494,585
Treasury stock, at cost	(125,039)	(40,845)
Total shareholders' equity	675,560	628,204
	\$2,904,669	\$2,501,428

CHANGES IN FINANCIAL POSITION

Marriott Corporation and Subsidiaries

Fiscal years ended December 28, 1984, December 30, 1983 and December 31, 1982

	1984	1983 (in thousands)	1982
Operations			
Funds provided from continuing operations:			
Income from continuing operations	\$ 135,255	\$ 108,414	\$ 83,455
Add expenses not requiring current outlay of working capital:			
Depreciation and amortization of property and equipment	99,165	87,118	73,467
Deferred income taxes	79,510	65,708	39,406
Other	8,555	11,415	7,228
Funds provided from continuing operations	322,485	272,655	203,556
Funds provided from discontinued operations	8,005	21,410	26,998
Funds provided from operations	330,490	294,065	230,554
Less refurbishment of existing operations	(52,224)	(47,994)	(38,423)
Discretionary Cash Flow	278,266	246,071	192,131
Financing Activities			
New financing	489,473	349,255	427,899
Maturities and prepayments of debt	(445,797)	(166,969)	(245,750)
	43,676	182,286	182,149
Investing Activities			
Investment in property and equipment	571,505	432,418	416,919
Investments in and advances to affiliates	212,295	25,584	4,372
Acquisitions of businesses	80,477	19,027	211,982
Disposition of property and equipment of discontinued operations, net of tax	(67,036)	—	—
Proceeds from hotel dispositions and syndications, net of tax	(417,917)	—	(183,826)
Disposals of other property and equipment	(11,893)	(30,752)	(43,406)
Other	(86,130)	27,235	(5,069)
	281,301	473,512	400,972
Capital and Other Transactions			
Issuance of stock, net	(13,470)	(10,227)	(9,477)
Cash dividends	12,067	10,184	8,333
Purchase of stock for treasury	93,380	967	796
	91,977	924	(348)
Increase in Negative Working Capital	\$ 51,336	\$ 46,079	\$ 26,344
Summary of Increase (Decrease) in Negative Working Capital:			
Cash and temporary cash investments	\$ 69,623	\$ (2,468)	\$ (48,645)
Receivables, including due from affiliates	(72,711)	(2,457)	(26,483)
Inventories	(15,966)	(6,735)	(23,847)
Prepaid expenses	(9,675)	(8,038)	(15,407)
Short-term loans	(1,409)	(260)	5,782
Accounts payable and accrued liabilities	79,685	64,136	124,255
Current portion of debt and capital lease obligations	1,789	1,901	10,689
Increase in Negative Working Capital	\$ 51,336	\$ 46,079	\$ 26,344

The accompanying notes are an integral part of this and related statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements include the accounts of Marriott Corporation, its subsidiaries and other majority-owned affiliates, except Marriott Financial Services, Inc., a wholly owned finance subsidiary. The investment in the finance subsidiary, and investments in less than 50%-owned affiliates over which the company has the ability to exercise significant influence, are accounted for using the equity method. All material intercompany transactions and balances have been eliminated.

Fiscal Year

The company's fiscal year ends on the Friday closest to December 31 for domestic operations and on November 30 for foreign operations.

Managed and Leased Hotel Operations

The company operates 91 hotels under management and lease agreements whereby payments to owners are based primarily on hotel profits. Sales, expenses and operating working capital of managed and leased hotels operated with the company's employees are included in the accompanying financial statements. Payments to owners are included in rent expense.

Foreign Operations

The financial statements include: net assets of foreign subsidiaries and affiliates of \$78.8 million at December 28, 1984 and \$76.2 million at December 30, 1983; sales of \$198.1 million in 1984, \$181.8 million in 1983 and \$148.1 million in 1982; and income before income taxes of \$23.7 million in 1984, \$21.3 million in 1983 and \$10.8 million in 1982.

Property and Equipment

Costs incurred in developing real estate, including interest, rent and real estate taxes during the construction period, are capitalized. Capitalized interest totaled \$72.1 million in 1984, \$38.1 million in 1983 and \$32.8 million in 1982. Replacements and improvements, including most costs of converting units, are capitalized.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the asset life or lease term. Upon sale or retirement of property and equipment, the costs less accumulated depreciation and salvage are charged or credited to income.

Assets Held for Sale

When management commits to a formal plan to dispose of property and equipment, the net book value of the assets is reclassified to Assets Held for Sale, any

anticipated disposition losses are accrued and depreciation is discontinued.

Cost in Excess of Net Assets of Businesses Acquired

The cost in excess of net assets of businesses acquired prior to October 31, 1970 (at which time amortization became mandatory) of \$11.8 million is not being amortized because, in management's judgment, it has continuing value. The remaining \$14.9 million at December 28, 1984 is being amortized over periods of up to 40 years.

Pre-Opening Costs

Costs of an operating nature incurred prior to opening are deferred and amortized over three years for hotels and one year for other major operations. Similar costs for all other operations are expensed as incurred.

Profit Sharing Plan

The company contributes to a profit sharing plan for the benefit of employees meeting certain eligibility requirements and electing participation in the plan. Company contributions are a specified percentage of the company's pre-tax income as defined by the plan and were \$22.3 million in 1984, \$18 million in 1983 and \$12 million in 1982.

Income Taxes

The provision for income taxes is based on income recognized for financial reporting purposes and includes the effect of timing differences between such income and that recognized for tax purposes, principally depreciation, interest and partnership interests. Investment tax credits are accounted for using the "flow-through" method.

No provision for income taxes has been made on the unremitted earnings of foreign subsidiaries (\$37.7 million as of December 28, 1984) because management considers these earnings to be permanently invested.

Earnings Per Share

Primary and fully diluted earnings per share are based on the weighted average number of shares outstanding during each year, adjusted for the dilutive effect of employee stock option and purchase plans and deferred stock compensation. Primary and fully diluted shares for 1984 were 26,961,269 and 26,989,636, respectively.

Discretionary Cash Flow

Discretionary Cash Flow represents funds provided from operations less capital expenditures that, in management's opinion, were required to maintain the competitive position of existing property and equipment.

INVESTMENTS IN AND ADVANCES TO AFFILIATES

Investments in and advances to affiliates consist of:

	1984	1983
	(in thousands)	
Hotel joint ventures	\$239,884	\$44,956
Marriott Financial Services, Inc.	16,458	12,013
Sun Line Greece Special Shipping Company	8,447	8,505
Other joint ventures	3,388	2,938
	<u>268,177</u>	<u>68,412</u>
Less deferred gain on sale of hotels to CHLP	120,160	—
	<u>\$148,017</u>	<u>\$68,412</u>

The company has minority interests in 13 joint ventures that own hotels operated by the company under long-term agreements. Amounts retained by the company for management services are based on revenues and profits of the hotels. At December 28, 1984, combined assets and liabilities of these hotel joint ventures were \$1,298.2 million and \$1,257.8 million, respectively. Liabilities include mortgages of \$1,195.7 million which are secured solely by venture assets, generally without recourse to the company, except as described below. The company also has investments in two other joint ventures presently constructing hotels which it will operate. Income from affiliates (primarily hotel management fees, interest and equity in earnings) before income taxes aggregated \$37.7 million in 1984, \$16.7 million in 1983 and \$13.9 million in 1982.

The company is sole general partner with a 1% interest in Potomac Hotel Limited Partnership (PHLP), a limited partnership owning 11 hotels managed under a long-term agreement as part of the Marriott hotel system. After refinancing three hotels on February 28, 1985, PHLP had outstanding mortgage debt in the principal amount of \$379 million, property and equipment and deferred costs with a net book value of \$298 million, and working capital of \$10 million. A group of commercial banks has committed to loan PHLP up to an additional \$50 million to pay certain interest costs in excess of specified levels. The company has guaranteed \$52.6 million of PHLP's debt service of which \$24.7 and \$9.1 million had been advanced, respectively, as of December 28, 1984 and December 30, 1983. PHLP repaid \$22.3 million of these advances subsequent to year-end.

In August 1984, the company completed the sale of nine hotels for \$305 million to Chesapeake Hotel Limited Partnership (CHLP) which was formed to own and operate these hotels. An indirect subsidiary of the company is the general partner of CHLP with a 1% interest, and a subsidiary of the company manages the hotels under a long-term agreement. CHLP assumed \$106 million of first mortgage debt on the hotels and gave a second mortgage note to the company for \$168 million which amortizes through 2003 with interest at 9% (adjustable under specified circumstances after 1993). The \$31 million balance of the purchase price will be paid to the company with interest over a four year period as the capital contributions of the limited partners are received by CHLP. The company has agreed to advance up to \$39.5 million to enable CHLP to make certain required debt service payments and such advances are to be repaid from subsequent partnership cash flow after debt service. No advances had been made at December 28, 1984. The excess of the purchase price over the company's carrying costs of the hotels, \$121.7 million before income taxes, has been deferred and will be recognized in income over the 25 year initial term of the management agreement.

The company continues to sell notes and trade accounts receivable to Marriott Financial Services, Inc. (MFS). At December 28, 1984, the company had guaranteed borrowings of \$53 million by MFS under a revolving credit arrangement.

INCOME TAXES

The provision for income taxes on income from continuing operations consists of:

	1984	1983	1982
	(in thousands)		
Current—Federal	\$ 39,864	\$18,308	\$21,194
State	7,572	3,763	3,611
Foreign	5,781	4,854	2,530
Deferred	64,049	65,708	39,406
Tax credits			
Investment tax credit	(10,100)	(10,984)	(13,038)
Employee stock ownership plans	(3,044)	(2,480)	(1,291)
Jobs tax credit	(3,274)	(2,522)	(2,188)
Provision for income taxes for continuing operations	<u>\$100,848</u>	<u>\$76,647</u>	<u>\$50,224</u>

The deferred provision is primarily attributable to the tax effects of excess tax over book depreciation (\$19.9 million in 1984, \$17.6 million in 1983 and \$10.9 million in 1982), capitalized interest (\$28.8 million in 1984, \$13.9 million in 1983 and \$10.8 million in 1982), partnership interests (\$15.2 million in 1984, \$28.8 million in 1983 and \$9.2 million in 1982) and purchased tax lease benefits (\$27.8 million in 1984, \$10.2 million in 1983 and \$8.9 million in 1982), reduced by the tax effects of higher gains recognized for tax purposes than for book purposes (\$16.3 million in 1984). Tax credits arising from contributions to employee stock ownership plans offset a corresponding charge to corporate expenses.

A reconciliation of the United States statutory tax rate and the company's effective income tax rate on income from continuing operations follows:

	1984	1983	1982
U.S. statutory tax rate	46.0%	46.0%	46.0%
State income taxes, net of U.S. tax benefit	4.2	4.3	3.6
Foreign earnings and losses subject to aggregate tax rates less than U.S. rate	(1.3)	(2.0)	(.7)
Other items, net	1.4	1.9	1.2
Effective gross income tax rate	50.3	50.2	50.1
Tax credits	(7.6)	(8.8)	(12.5)
Effective income tax rate	<u>42.7%</u>	<u>41.4%</u>	<u>37.6%</u>

DEBT

Maturities of debt at December 28, 1984 are (in thousands):

1986	\$ 35,980
1987	50,302
1988	58,065
1989	71,966
to 2024	837,470
	<u>\$1,053,783</u>

The company had debt of \$874.8 million as of December 28, 1984 at interest rates which are adjusted periodically based on the Treasury bill rate, the London Eurodollar interbank rate or negotiated rates based on the lenders' cost of funds. The weighted average interest rates on this debt were 10.8% at December 28, 1984 and 12% during 1984.

The company's loan agreements require, among other things, the maintenance of minimum net worth, asset-to-debt and debt-to-equity ratios. The loan agreements also include restrictions on cash dividends, other payments and the pledging of certain assets. At December 28, 1984, retained earnings of \$106 million are unrestricted and \$811.7 million of owned property and equipment, at net book value, is pledged or mortgaged.

Mortgage notes of \$632.9 million bear interest at rates ranging from 6.0% to 12.5% and mature on various dates through 2024. Of the total mortgage debt outstanding, \$562.5 million is secured, generally without recourse to the company, by specific assets with a net book value that approximates the outstanding loan balance.

Unsecured debt at December 28, 1984 consists of (in thousands):

Senior notes payable with interest at 12% and maturing through 1995	\$ 27,600
Notes payable with interest at 5.2% to 14.0% and maturing through 2014	84,504
Bank and other loans with average interest at 8.9% and maturing through 1993	308,756
	<u>\$420,860</u>

The company had \$462 million of revolving loan commitments at December 28, 1984. Commitment fees of up to .5% are payable on the unused portion. Revolving loan commitments, short-term loans and commercial paper are used for interim financing. Such financing (including short-term loans and commercial paper of \$214 million) is classified as noncurrent to the extent funds are available under revolving loan agreements maturing beyond one year. The above maturity table reflects the maturities of unsecured debt based on the permanent loan repayment schedule, the maturity schedule of revolving bank loans and management's estimation of prepayments.

Under certain bank agreements, the company maintains average compensating balances equal to a percentage (3%-5%) of the amounts available or borrowed, or pays a fee in lieu thereof. All compensating balance agreements are informal and do not legally restrict withdrawal of funds. The average compensating balance during 1984 was \$10.7 million.

LEASES

Minimum future rentals under non-cancelable leases (primarily real estate and shopping center space) are (in thousands):

Fiscal Year	Capital Leases	Operating Leases	Operations Held for Sale
1985	\$ 10,739	\$ 53,628	\$ 6,192
1986	10,352	51,325	6,070
1987	9,953	48,796	5,878
1988	9,577	45,359	5,941
1989	9,109	42,411	5,916
Thereafter	79,108	370,275	44,718
Total minimum lease payments	128,838	<u>\$611,794</u>	<u>\$74,715</u>
Amount representing interest	(61,407)		
Present value of minimum lease payments	67,431		
Current portion of capital lease obligations	(5,927)		
Long-term capital lease obligations	<u>\$ 61,504</u>		

These future rentals have not been reduced by minimum sublease rentals of \$87.4 million payable to the company under non-cancelable subleases.

Most leases contain one or more renewal options, generally for five or 10-year periods.

Rent expense consists of:

	1984	1983	1982
	(in thousands)		
Minimum rentals on operating leases	\$ 52,232	\$ 50,428	\$ 47,907
Additional rentals based on sales			
—operating leases	35,862	28,950	20,477
—capital leases	1,709	2,505	3,358
	<u>\$ 89,803</u>	<u>\$ 81,883</u>	<u>\$ 71,742</u>
Payments to owners of leased and managed hotels	<u>\$233,571</u>	<u>\$182,656</u>	<u>\$135,233</u>

CAPITAL STOCK

One hundred million shares of common stock, with a par value of \$1 per share, are authorized. Treasury shares aggregated 3,657,664 and 2,545,230 at December 28,

1984 and December 30, 1983, respectively. One million shares of unissued preferred stock, without par value, are authorized.

Total common shares reserved at December 28, 1984 are:

Employee stock option plan	2,360,731
Deferred stock compensation programs (529,237 shares fully vested)	944,939
Employee qualified stock purchase plan	447,900
Restricted stock plan for key employees	25,000
Conversions of convertible subordinated debt	1,498
Total shares reserved	<u>3,780,068</u>

Under the employee stock option plan, options to purchase shares of common stock may be granted to key employees at not less than 100% of the fair market value on the date of grant. All options expire ten years after the date of grant and are exercisable in cumulative installments of one-fourth at the end of each of the first four years. Activity under the plan is summarized below:

	Shares Under Option	
	Number of Shares	Option Price Per Share
Balance, January 1, 1982	1,338,632	\$ 9.31-41.56
Granted	355,290	36.25-60.94
Exercised	(247,639)	9.31-33.44
Canceled	(62,728)	9.69-49.56
Balance, December 31, 1982	1,383,555	9.69-60.94
Granted	341,565	51.38-76.13
Exercised	(199,929)	9.69-49.56
Canceled	(50,332)	10.74-73.25
Balance, December 30, 1983	1,474,859	9.69-76.13
Granted	351,055	59.75-73.75
Exercised	(236,626)	9.69-73.25
Canceled	(61,277)	9.94-76.13
Balance, December 28, 1984	<u>1,528,011</u>	9.69-76.13

At December 28, 1984 options for 725,684 shares were exercisable and 832,720 shares were available for granting of additional options. No accounting is made for options until they are exercised.

Shares of deferred bonus stock may be granted to key employees and generally vest in annual pro rata installments commencing one year after grant and continuing until retirement. However, upon termination all non-vested shares are forfeited. The company accrues compensation expense for the fair market value of the shares on the date of grant, less estimated forfeitures.

The purchase price for the shares reserved under the employee qualified stock purchase plan is the lower of market value at the beginning or end of the plan year.

BUSINESS SEGMENT INFORMATION

Results of operations by principal business segment are included in the Income Statement. Net assets employed, identifiable assets, capital expenditures and acquisitions, and depreciation and amortization by principal business segment are (in millions):

	Net Assets Employed*			Identifiable Assets			Capital Expenditures and Acquisitions			Depreciation and Amortization		
	1984	1983	1982	1984	1983	1982	1984	1983	1982	1984	1983	1982
Lodging	\$1,491.9	\$1,031.7	\$ 729.9	\$1,786.3	\$1,264.6	\$ 909.7	\$566.4	\$377.2	\$371.5	\$31.3	\$27.4	\$22.7
Contract Food												
Services	310.6	290.6	274.8	417.5	391.6	373.3	61.7	43.8	127.7	30.3	26.1	22.9
Restaurants	405.1	424.5	401.5	483.1	483.0	452.2	66.2	61.4	199.6	34.1	30.7	25.1
Corporate**	123.1	260.7	228.3	217.8	362.2	327.4	9.9	17.0	22.5	3.5	12.1	15.1
Total	<u>\$2,330.7</u>	<u>\$2,007.5</u>	<u>\$1,634.5</u>	<u>\$2,904.7</u>	<u>\$2,501.4</u>	<u>\$2,062.6</u>	<u>\$704.2</u>	<u>\$499.4</u>	<u>\$721.3</u>	<u>\$99.2</u>	<u>\$96.3</u>	<u>\$85.8</u>

*Net assets employed represent identifiable assets less identifiable current liabilities.

**Corporate includes discontinued theme park operations.

Supplemental operating data for the lodging segment follows (in millions):

	1984	1983	1982
Sales			
Rooms	\$ 880.2	\$ 704.2	\$ 570.6
Food and beverage	573.8	497.2	397.9
Other	186.8	119.1	123.2
	<u>1,640.8</u>	<u>1,320.5</u>	<u>1,091.7</u>
Costs and Expenses			
Departmental direct costs			
Rooms	189.6	153.9	119.7
Food and beverage	413.8	357.9	287.9
Other, including undistributed operating expenses and fixed charges	876.2	669.0	551.5
	<u>1,479.6</u>	<u>1,180.8</u>	<u>959.1</u>
Operating Income	<u>\$ 161.2</u>	<u>\$ 139.7</u>	<u>\$ 132.6</u>

ACQUISITIONS AND DISPOSITIONS

In 1982, subsidiaries of the company acquired the outstanding common stock of Host International, Inc. (Host) and Gino's Inc. (Gino's) for cash in transactions accounted for as purchases. The aggregate purchase price, including long-term liabilities assumed, was \$204.7 million for Host and \$112.7 million for Gino's.

The results of Host's operations are included in the company's financial statements from the date of acquisition. On an unaudited pro forma basis, results of operations for 1982, as if Host had been acquired at the beginning of 1982, would include sales of \$2,508.1 million, net income of \$93.2 million, and fully diluted earnings per share of \$3.39.

Gino's was acquired primarily to obtain prime real estate sites to be converted into Roy Rogers restaurants. Units acquired that were to be divested were recorded at their estimated net realizable values as of the acquisition date.

In separate transactions, Host has completed definitive agreements to sell its specialty restaurants. The sales of the Casa Maria and Dinner House restaurants are expected to close during 1985. Gains on these sales will be recognized as payments are received over two and four years, respectively; however, the amount of the gains is not presently determinable. Sales of these specialty restaurants were \$122.8 million and operating income was \$14.2 million in 1984.

On December 28, 1984, the company entered into a definitive agreement to sell its Essex House hotel in New York City. Upon satisfaction of certain conditions, the sale is to be completed in July 1985. Although a gain is expected to be realized upon completion of the sale, the amount is not presently determinable.

Subsequent to December 28, 1984, the company completed the acquisitions of Gladieux Corporation and Service Systems Corporation, diversified food service companies, for \$64.4 million cash in the aggregate. Combined sales and operating income (unaudited) of the acquired businesses for the year 1984 were \$419.5 million and \$15.2 million, respectively.

DISCONTINUED THEME PARK OPERATIONS

In May 1984, the company sold for \$114.5 million in cash the property, equipment and certain other assets directly associated with its Great America theme park in Gurnee, Illinois.

In August 1983, the company entered into an option to sell land under the Santa Clara theme park (the Park) for \$86.5 million. The option was subordinated to the right of the City of Santa Clara, California (the City) to buy the Park. During January 1984, the City agreed to buy the Park land and improvements. The original option holders commenced legal action to invalidate the sale to the City, and in September 1984 the Superior Court of California ruled in their favor on one element of the suit. The company has appealed the Court's decision and settlement negotiations are now in process. Although a gain is expected to be realized upon completion of the sale, the amount is not presently determinable.

Combined sales of the discontinued theme parks were \$40.1 million in 1984, \$86.2 million in 1983 and \$82.5 million in 1982. Income from operations of the parks was \$2.6 million (after income tax of \$2.6 million) in 1984, \$6.8 million (after income tax of \$6.2 million) in 1983 and \$10.9 million, including a gain on the sale of excess land, (after income tax of \$9.1 million) in 1982. The net gain on the sale of the Gurnee theme park in 1984 was \$1.9 million.

OTHER PAYABLES AND ACCRUED LIABILITIES

Other payables and accrued liabilities consist of:

	1984	1983
	(in thousands)	
Income taxes payable	\$ 30,276	\$ 15,800
Construction contract accruals	33,006	42,526
Other taxes payable	27,505	23,496
Other	61,867	67,486
	<u>\$152,654</u>	<u>\$149,308</u>

CHANGES IN SHAREHOLDERS' EQUITY

Changes in Shareholders' Equity for the last three fiscal years were (in thousands):

	Shares Outstanding	Common Stock	Capital Surplus	Deferred Stock Compensation and Other	Retained Earnings	Treasury Stock
Balance, January 1, 1982	26,159	\$29,424	\$131,549	\$ 8,208	\$303,515	\$ (50,967)
Net income	—	—	—	—	94,342	—
Common stock issued for employee stock purchase and stock option plans	333	—	2,842	—	—	5,207
Cash dividends (\$.315 per share)	—	—	—	—	(8,333)	—
Deferred stock compensation	86	—	1,057	967	—	1,342
Foreign currency translation adjustment	—	—	—	(2,504)	—	—
Other	(23)	—	141	—	—	(785)
Balance, December 31, 1982	26,555	29,424	135,589	6,671	389,524	(45,203)
Net income	—	—	—	—	115,245	—
Common stock issued for employee stock purchase and stock option plans	293	—	4,763	—	—	4,627
Cash dividends (\$.38 per share)	—	—	—	—	(10,184)	—
Deferred stock compensation	41	—	598	1,963	—	641
Foreign currency translation adjustment	—	—	—	(4,474)	—	—
Other	(13)	(2)	(68)	—	—	(910)
Balance, December 30, 1983	26,876	29,422	140,882	4,160	494,585	(40,845)
Net income	—	—	—	—	139,765	—
Common stock issued for employee stock purchase and stock option plans	326	—	4,037	—	—	8,274
Cash dividends (\$.465 per share)	—	—	—	—	(12,067)	—
Deferred stock compensation	47	—	972	2,647	—	866
Foreign currency translation adjustment	—	—	—	(3,666)	—	—
Purchase of stock for treasury	(1,486)	—	—	—	—	(93,380)
Other	(2)	(3)	(135)	—	—	46
Balance, December 28, 1984	<u>25,761</u>	<u>\$29,419</u>	<u>\$145,756</u>	<u>\$ 3,141</u>	<u>\$622,283</u>	<u>\$ (125,039)</u>

QUARTERLY FINANCIAL RESULTS (Unaudited)

A summary of selected quarterly financial data for fiscal years 1984 and 1983 follows (in thousands, except per share amounts):

	First	Second	Third	Fourth	Fiscal Year
1984					
Sales	\$743,861	\$824,602	\$834,246	\$1,122,228	\$3,524,937
Income before income taxes	40,525	60,305	62,453	72,820	236,103
Income from continuing operations	23,080	33,965	35,542	42,668	135,255
Income (loss) from discontinued operations	(47)	2,679	2,713	(835)	4,510
Net income	23,033	36,644	38,255	41,833	139,765
Earnings per share:					
Continuing operations	.83	1.28	1.34	1.60	5.01
Net income	.83	1.38	1.44	1.57	5.18
1983					
Sales	\$634,633	\$682,785	\$691,293	\$ 941,816	\$2,950,527
Income before income taxes	34,118	49,278	48,520	53,145	185,061
Income from continuing operations	19,743	27,980	28,865	31,826	108,414
Income (loss) from discontinued operations	(504)	351	7,805	(821)	6,831
Net income	19,239	28,331	36,670	31,005	115,245
Earnings per share:					
Continuing operations	.72	1.01	1.04	1.14	3.90
Net income	.70	1.02	1.32	1.11	4.15

The company uses a 52-53 week fiscal year ending on the Friday closest to December 31. Each of the first three quarters consists of 12 weeks while the fourth quarter includes 16 weeks.

The sum of the earnings per share for the four quarters may differ from the annual earnings per share due to the required method of computing the quarterly and annual amounts of the weighted average number of shares in the respective periods.

CURRENT COST INFORMATION (Unaudited)

The following tables are required by Statement of Financial Accounting Standards No. 33 (SFAS 33). They adjust historical cost financial information for changes in the specific prices of resources utilized in the company's operations. However, this information distorts economic performance because historical cost depreciation is further increased for changes in the company's current costs, whereas the company's real estate-based assets require less annual capital reinvestment than is provided by historical cost depreciation. Accordingly, the Current Value information on page 24 is more meaningful in evaluating the company's performance and financial condition.

Income Statement Adjusted for Changing Costs for the year ended December 28, 1984 (in thousands of average 1984 dollars)

Income from continuing operations, as reported	\$135,255
Current cost adjustments for depreciation and amortization of property and equipment	(11,899)
Current cost income from continuing operations	123,356
Gain from decline in purchasing power of net amounts owed	58,456
Adjusted income from continuing operations	\$181,812
Increase in current cost of property and equipment held during the year	\$ 66,954
Effect of increase in general price level	65,535
Increase in current costs excluding increase in general price level	\$ 1,419

At December 28, 1984, current cost of inventories was \$111.8 million and current cost of property and equipment (excluding construction in progress), net of accumulated depreciation, was \$1.4 billion.

Current cost is based on the company's estimate of the cost of reproducing selected representative major facilities. Current cost of leasehold improvements is estimated using appropriately indexed historical costs. Current cost for the balance of the company's service potential, primarily furniture and equipment, is derived from vendor

quotations, published price lists or indexed historical costs. The company's inventory turns over rapidly and thus its cost is current; accordingly, cost of sales already is stated in average 1984 dollars.

In accordance with SFAS 33, no adjustment has been made to the provision for income taxes. Accordingly, the effective income tax rate increases from 42.7%, as reported in the financial statements, to 45.0% in the 1984 current cost calculations.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

	1984	For Fiscal Years			
		1983	1982	1981	1980
(in thousands of average 1984 dollars, except per share amounts)					
Sales	\$3,524,937	\$3,076,102	\$2,646,018	\$2,176,397	\$2,059,578
Income from continuing operations	123,356	97,516	72,043	74,614	70,693
Fully diluted earnings per share from continuing operations	4.57	3.51	2.63	2.78	2.52
Shareholders' equity at year end	1,140,570	1,075,359	914,733	829,529	706,640
Increase in current costs excluding increases in general price level	1,419	38,259	9,490	(36,239)	(106,157)
Gain from decline in purchasing power of net amounts owed	58,456	51,910	38,132	74,574	88,337
Cash dividends declared per common share	.46	.40	.34	.29	.26
Market price per common share at year end	72.52	73.03	62.24	39.66	38.22
Average consumer price index	311.1	298.4	289.1	272.4	246.8

Management is responsible for the integrity and objectivity of the financial statements and other financial information presented in this annual report. In meeting this responsibility, the company maintains a highly developed system of internal controls, policies and procedures, including an internal auditing function that continually evaluates the adequacy and effectiveness of its control system. Management believes this system provides reasonable assurance that transactions are properly authorized and recorded to adequately safeguard the company's assets and to permit preparation of the financial statements in accordance with generally accepted accounting principles.

The financial statements have been examined by Arthur Andersen & Co., independent public accountants. The auditors' report expresses an informed judgment as to whether management's financial statements, considered in their entirety, present fairly the company's financial position and operating results in conformity with generally accepted accounting principles.

The Board of Directors pursues its responsibility for the financial statements through its Audit Committee, composed of three directors not otherwise employed by the company, headed by the Vice Chairman. The committee meets a minimum of three times during the year with the independent public accountants, representatives of management and the internal auditors to review the scope and results of the internal and external audits, the accounting principles applied in financial reporting, and financial and operational controls. The independent public accountants and internal auditors have full and free access to the Audit Committee with or without the presence of management.

MARRIOTT CORPORATION

*Washington, D.C.,
February 28, 1985*

AUDITORS' REPORT

To the Shareholders of Marriott Corporation

We have examined the balance sheet of Marriott Corporation (a Delaware corporation) and Subsidiaries as of December 28, 1984 and December 30, 1983, and the related statements of income and changes in financial position for each of the three fiscal years in the period ended December 28, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Marriott Corporation and Subsidiaries as of December 28, 1984 and December 30, 1983, and the results of their operations and the changes in their financial position for each of the three fiscal years in the period ended December 28, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

*Washington, D.C.,
February 28, 1985*

FINANCIAL HISTORY

Marriott Corporation and Subsidiaries
(dollars in thousands, except per share amounts)

Years	1984	1983	1982	1981
Summary of Operations*				
Sales	3,524,937	2,950,527	2,458,900	1,905,659
Earnings before interest and taxes	284,794	240,331	200,345	173,339
Interest cost, net	48,691	55,270	66,666	52,024
Income before income taxes	236,103	185,061	133,679	121,315
United States and foreign income taxes	100,848	76,647	50,224	45,176
Income from continuing operations	135,255	108,414	83,455	76,139
Net income	139,765	115,245	94,342	86,136
Funds provided from continuing operations**	322,485	272,655	203,556	160,770
Capital expenditures and acquisitions net of hotel sales	286,289	499,439	483,498	247,999
Capitalization and Returns				
Total assets	2,904,669	2,501,428	2,062,648	1,454,876
Total capital***	2,330,683	2,007,507	1,634,504	1,167,458
Shareholders' equity	675,560	628,204	516,005	421,729
Debt and capital lease obligations	1,115,287	1,071,611	889,325	607,743
Percent to total capital	47.9%	53.4%	54.4%	52.1%
Return on average shareholders' equity	22.1%	20.0%	20.0%	23.4%
Return on average total capital (before interest and taxes)	14.1%	14.4%	14.8%	17.6%
Per Share and Other Data				
Fully diluted earnings per share:				
Continuing operations	5.01	3.90	3.04	2.83
Net income	5.18	4.15	3.44	3.20
Cash dividends	.465	.38	.315	.255
Shareholders' equity	26.22	23.37	19.43	16.12
Quoted market price at year-end	73.50	71.25	58.50	35.88
Shares outstanding	25,760,968	26,876,344	26,554,692	26,158,762
Hotel rooms:				
Total	60,873	54,986	49,432	40,419
Company-operated	50,930	45,909	41,126	33,088
Employees	120,100	109,400	109,200	81,800

* Operating results have been restated for theme park operations discontinued in 1984. See Notes to Financial Statements for summary of significant accounting policies and additional information.

** Funds provided from continuing operations consist of income from continuing operations plus depreciation, deferred taxes and other items not currently affecting working capital.

*** Total capital represents total assets less current liabilities.

1980	1979	1978	1977	1976	1975	5-Year Compound Growth Rate	10-Year Compound Growth Rate
(53 weeks)							
1,633,892	1,426,004	1,174,073	1,018,376	882,580	775,866	19.8%	17.7%
150,278	133,452	107,145	89,322	64,925	63,160	16.4%	16.5%
46,820	27,840	23,688	30,206	26,772	23,017		
103,458	105,612	83,457	59,116	38,153	40,143	17.5%	18.9%
40,567	43,779	35,381	25,834	16,556	15,995		
62,891	61,833	48,076	33,282	21,597	24,148	16.9%	18.8%
72,030	71,000	54,300	39,050	31,948	24,148	14.5%	19.2%
125,790	117,526	101,156	80,212	69,272	75,486	22.4%	16.8%
168,289	158,516	49,208	98,387	119,182	132,500	13.2%	6.2%
1,214,264	1,080,365	1,000,255	949,510	886,865	830,975		
977,690	891,866	826,883	823,645	785,540	739,311		
311,505	413,503	418,656	365,796	326,473	263,730		
536,607	365,279	309,899	369,514	378,252	405,658		
54.9%	41.0%	37.5%	44.9%	48.2%	54.9%		
23.8%	17.0%	13.9%	11.1%	10.4%	9.5%		
18.0%	17.7%	14.5%	12.4%	10.3%	9.1%		
2.27	1.70	1.26	.89	.59	.69	24.1%	21.8%
2.60	1.95	1.43	1.04	.86	.69	21.6%	22.2%
.21	.17	.13	.03	—	—	22.3%	
12.43	12.88	11.40	10.02	8.95	7.68		
31.75	17.38	12.13	11.75	13.54	15.46	33.4%	27.4%
25,061,265	32,098,333	36,714,645	36,506,969	36,464,651	34,358,503		
30,169	26,284	22,658	19,231	17,850	16,072	18.3%	15.7%
23,704	20,956	17,987	15,383	14,765	12,987	19.4%	16.1%
67,300	65,700	63,600	56,100	52,900	47,600	12.8%	10.5%

MARRIOTT LOCATIONS**

LODGING

Marriott Hotels and Resorts**

United States

Alabama

Point Clear
Grand Hotel

Arizona

Scottsdale
Camelback Inn
Mountain Shadows Resort

California

Anaheim
Irvine
La Jolla†
Los Angeles area
Airport
Marina del Rey
Torrance†
Woodland Hills/Warner
Center†

Newport Beach

Palm Springs

Rancho Las Palmas Resort

San Francisco area

Airport†
Berkeley Marina
Fisherman's Wharf

Santa Barbara

Biltmore

Santa Clara

Colorado

Denver
City Center
Southeast
West

Fort Collins†

Vail

Mark Resort

Connecticut

Hartford/Farmington

Stamford

Trumbull†

Florida

Fort Lauderdale
Harbor Beach Resort
Marina

Key West

Casa Marina Resort

Marco Island

Marco Beach Resort

Miami

Airport
Biscayne Bay

Orlando

Airport
International Drive

Tampa

Airport
Westshore

Georgia

Atlanta
Airport
Downtown
Marriott Marquis†
Northwest
Perimeter Center

Hawaii

Maui
Maui Resort

Illinois

Chicago area
Downtown
Lincolnshire Resort
Oak Brook
O'Hare
Schaumburg

Indiana

Fort Wayne
Indianapolis
South Bend

Iowa

Des Moines

Kansas

Overland Park

Kentucky

Lexington
Griffin Gate Resort
Louisville/Clarksville

Louisiana

New Orleans

Maryland

Baltimore
Hunt Valley Inn

Massachusetts

Boston area
Burlington
Copley Place
Long Wharf
Newton
Springfield
Worcester

Michigan

Ann Arbor
Detroit area
Airport
Grand Rapids

Minnesota

Minneapolis/Bloomington

Missouri

Kansas City
Airport
Osage Beach
Tan-Tar-A Resort
St. Louis
Airport
Pavilion

Nebraska

Omaha
New Jersey
Absecon
Seaview Resort and
Country Club

Newark

Airport

Saddle Brook

Somerset

New Mexico

Albuquerque

New York

Albany†
Buffalo/Amherst
New York City area
Essex House
La Guardia
Long Island
Marriott Marquis†
Westchester

Rochester

Airport

Thruway

Syracuse

North Carolina

Charlotte
City Center
Executive Park
Greensboro/High Point
Raleigh

Ohio

Cincinnati
Cleveland
Airport
East
Columbus

East

North

Dayton

Oklahoma

Oklahoma City†
Tulsa

Oregon

Portland

Pennsylvania

Harrisburg
Philadelphia
Airport
City Line

Pittsburgh

Greentree
Monroeville

Rhode Island

Providence

South Carolina

Columbia
Hilton Head Island
Hilton Head Resort

Tennessee

Nashville

Texas

Austin
Corpus Christi
Dallas
Dallas/Fort Worth Airport
Market Center
Park Central
Quorum

El Paso

Galveston

Hotel Galvez

Houston

Airport

Astrodome

Brookhollow

Galleria

Greenspoint

Medical Center

San Antonio

North

Riverwalk

Utah

Salt Lake City

Virginia

Blacksburg

Richmond

Roanoke

Washington

Seattle

Washington, D.C. area

Bethesda
Crystal City
Crystal Gateway
Dulles
Gaithersburg
J.W. Marriott
Key Bridge
Twin Bridges
Tysons Corner
Washington

West Virginia

Charleston

Wisconsin

Milwaukee

International

Austria
Vienna†
Egypt
Cairo
France
Paris
Prince de Galles

Greece
Athens
Jordan
Amman
Kuwait
Kuwait City
The Netherlands
Amsterdam
Panama
Panama City
Caesar Park

Saudi Arabia
Jeddah
Riyadh
United Kingdom
London
West Indies
Barbados
Sam Lord's Castle

Future Hotels

Bermuda
Castle Harbour Resort '86
California
Palm Desert
Desert Springs Resort '86
San Francisco
Moscone Center '88
Canada
Toronto '86
Florida
Orlando
World Center Resort '86
Panama City
Bay Point Resort '86
Texas
Austin
Downtown '86

For Reservations
Call Toll-Free
800/228-9290

Courtyard by Marriott

Alabama
Birmingham†
Georgia
Atlanta area
Northlake
Peachtree Corners†
Peachtree-Dunwoody
Windy Hill

Augusta
Columbus
Savannah†
Illinois
Chicago area
Arlington Heights†
Deerfield†
Washington, D.C. area
Fairfax†
Landover†

Future Courtyards††

California
Fresno
Los Angeles
Sacramento
San Francisco

Florida
Tampa
Illinois
Chicago area
Oakbrook Terrace

Rockford
Maryland
Baltimore
Michigan
Detroit area
Southfield
Troy
Warren

New Jersey
Lincroft
New York
Tarrytown

Pennsylvania
Philadelphia
Tennessee
Nashville

Texas
Austin
Dallas

Washington, D.C. area
Rockville

For Reservations
Call Toll-Free
800/321-2211

Vacation Ownership Resorts

South Carolina
Hilton Head Island
Monarch at Sea Pines

For Information
Call Toll-Free
800/845-4226

Cruise Ships
(Sun Line luxury cruises in the Mediterranean and Caribbean)

Stella Solaris
Stella Oceanis
Stella Maris

For Reservations
Call Toll-Free
800/872-6400

CONTRACT FOOD SERVICES

Airline Catering
United States
62 flight kitchens at 40 airports
International
28 flight kitchens at 25 airports

Airport Operations
(Food, beverage and/or merchandise facilities)

66 units at 41 U.S. and 5 foreign airports

Food Service

Management Contracts
(Business, educational and health care institutions)

290 accounts in 28 states

Highway Restaurants
21 tollway units in 2 states

Merchandise Shops
(Non-airport)
19 shops in 4 states

RESTAURANTS

Company-Operated Units

641 units in 13 states
Bob's Big Boy Family Restaurants
(Coffee shops) 209
Roy Rogers Restaurants
(Fast food) 388
Hot Shoppes Cafeterias
and Restaurants 16
Big Boy Jrs. 13
Others 15

Franchised Units

767 units in 36 states
and 2 foreign countries
Big Boy 636
Roy Rogers 131

Legend

*Except where noted, locations are listed as of December 28, 1984. List excludes certain operations held for sale.

**Includes franchised units.

†Opening in 1985.

††All opening in 1986. Some cities may include multiple locations.

OFFICERS AND DIRECTORS

Executive Officers

J. Willard Marriott
Founder and
Chairman of the Board

J. W. Marriott, Jr.
President and
Chief Executive Officer

Francis W. Cash
Executive Vice President

Frederic V. Malek
Executive Vice President

Richard E. Marriott
Executive Vice President

Gary L. Wilson
Executive Vice President and
Chief Financial Officer

Senior Staff Executives

Sterling D. Colton
Senior Vice President and
General Counsel

Clifford J. Ehrlich
Senior Vice President-
Human Resources

Corporate Officers

Daniel J. Altobello
Executive Vice President
Marriott In-Flite Services

John Bacanskas
Vice President-
Development

William J. Bailey
Senior Vice President-Operations
Marriott In-Flite Services

Stephen F. Bollenbach
Senior Vice President, Finance-
Treasurer

A. Bradford Bryan, Jr.
Vice President and
General Manager
Courtyard Hotels

Raymond P. Caldiero
Vice President and
Assistant to the President

A. Thomas Curren
Senior Vice President-
Corporate Planning and
Business Development

John H. Dasburg
Senior Vice President, Finance-
Planning and Control

Ronald E. Eastman
Vice President-
Development

Randall L. Frazier
Vice President and Controller
Marriott Hotels and Resorts

John J. Graves
Executive Vice President
Architecture and Construction

Lowell E. Gutzler
Vice President and
General Manager
Food Service Management

Ronald P. Johnson
President
Host International

William O. Kafes
Vice President, Secretary and
Assistant General Counsel

Karl Kilburg
Vice President-Food and Beverage
Marriott Hotels and Resorts

W. Donald Ladd
Vice President-
Government Affairs

Alvin W. LeFaivre
Executive Vice President
Marriott Hotels and Resorts

Steven R. Leipsner
Vice President
Toll Road Operations

Richard R. Lipsky
Vice President-
Airport Operations
Host International

Alice S. Marriott
Co-Founder and Vice President

Robert B. Morris
Vice President

Stephen L. Norris
Vice President-Taxes

Thomas E. Petika
Executive Vice President
Big Boy West

Robert T. Pras
Executive Vice President
Fairfield Farm Kitchens
and Corporate Procurement

R. A. Rankin, Jr.
Vice President-
Corporate Relations

Paul T. Reed
Executive Vice President
Marriott Hotels and Resorts

M. O. Ryan
Regional Vice President
Marriott Hotels and Resorts

Ira F. Schechter
Vice President-
Merchandise Operations
Host International

William J. Shaw
Vice President-Finance and
Corporate Controller

Arthur T. Spring
Senior Vice President-
Corporate Development
Host International

William R. Tiefel
Executive Vice President
Marriott Hotels and Resorts

Fletcher C. Waller, Jr.
Senior Vice President-Marketing
Marriott Hotels and Resorts

Donald A. Washburn
Vice President-
Market Development

Stephen A. West
Vice President and
Associate General Counsel

James R. Yoakum
Vice President-
Information Systems

Directors

J. Willard Marriott¹
Founder and
Chairman of the Board

Don G. Mitchell^{1 2 3}
Vice Chairman of the Board
and director of other
corporations

Frederick Deane, Jr.³
Chairman of the Board and
Chief Executive Officer,
Bank of Virginia Company

Alice S. Marriott
Co-Founder and Vice President

J. W. Marriott, Jr.¹
President and
Chief Executive Officer

Richard E. Marriott
Executive Vice President

Thomas R. Piper²
Senior Associate Dean
and Professor,
Harvard University
Graduate School of
Business Administration

Harry L. Vincent, Jr.^{1 2 3}
Vice Chairman,
Booz, Allen & Hamilton, Inc.

¹ Executive Committee

² Audit Committee

³ Compensation Policy
Committee

CORPORATE INFORMATION

International Headquarters

Marriott Corporation
Marriott Drive
Washington, D.C. 20058
301/897-9000

Stock Exchange Listings

New York Stock Exchange
Midwest Stock Exchange
Pacific Stock Exchange
Philadelphia Stock Exchange
Ticker Symbol: MHS

Registrar and Transfer Agent

The Riggs National Bank of
Washington, D.C.
1120 Vermont Avenue, N.W.
Washington, D.C. 20005
202/835-4083

Auditors

Arthur Andersen & Co.
Washington, D.C.

Annual Meeting

The 1985 annual meeting of
shareholders will be held at 10:30
a.m., Friday, April 26, 1985, in the
Grand Ballroom of the J.W. Marriott
Hotel at National Place. The hotel
is located at 1331 Pennsylvania
Avenue, N.W., Washington, D.C.
Doors will open at 10:00 a.m.

Number of Shareholders

28,033 at December 28, 1984



Marriott Drive
Washington, D.C. 20058