

Marriott

ANNUAL REPORT 1982



M

Marriott Corporation is a diversified company in the lodging, food service and entertainment 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 48 states and 25 countries.

Principal businesses include hotels, resorts and franchised inns; airline catering; airport terminal restaurants and shops; food service management; restaurants (fast food, coffee shop and specialty concepts); theme parks; and cruise ships.

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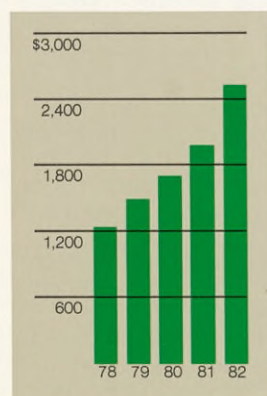
Cover

The Marriott Crystal Gateway Hotel in Arlington, Virginia was one of 20 hotels added to our system in 1982. This elegant 452-room hotel has three restaurants, including the glittering Veronique's, which features continental cuisine.

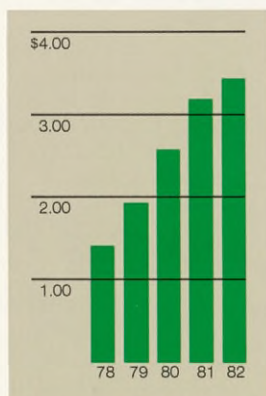
FINANCIAL HIGHLIGHTS

	1982	1981	Percent Change
Sales	\$2,541,353,000	\$2,000,314,000	+27%
Operating Income	252,150,000	219,360,000	+15
Net Income	94,342,000	86,136,000	+10
Earnings Per Share	3.44	3.20	+ 8
Funds from Operations	230,554,000	186,641,000	+24
Shareholders' Equity Per Share	19.43	16.12	+21
Return on Equity	20.0%	23.4%	

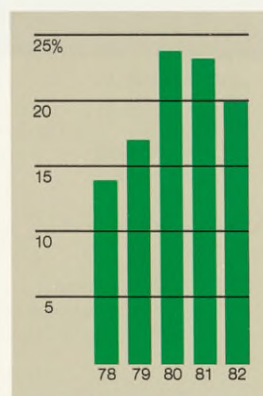
Total Sales
(\$ in millions)



Earnings Per Share



Return on Equity



M



J. Willard Marriott

J. W. Marriott, Jr.

Marriott Corporation's strategy and attention to management fundamentals served it well in 1982, during one of the most difficult business environments in recent memory.

Real gross national product in the United States declined 1.8%—the largest drop in nearly 40 years. Unemployment reached 10.8%. Business travel declined and airlines lost over \$600 million. International travel was disrupted by economic instability. Earnings of U.S. corporations, as measured by the Standard & Poor's 500 index, declined an estimated 14% during the year.

Despite these conditions, Marriott was able to increase net income by 10% and earnings per share by 8%, and to maintain its return on equity at the 20% level. Over the last five years, the company's earnings per share have compounded at an annual rate of 27%, while return on equity has nearly doubled. We continue to believe Marriott can average 20% earnings per share growth through the 1980s, increase dividends commensurately and maintain a return on equity of over 20%.

Underlying Strategy Proves Sound

Despite considerable pressure on short-term earnings, in 1982 we reaffirmed several aspects of our underlying business philosophy and strategy:

Operational strengths demonstrated. Marriott's principal assets are its people and their operating expertise. In 1982, cost controls and productivity improvement enabled Marriott generally to perform well. For example, the company's hotel occupancy held up better than most of its competi-

tors. The Hotel Group was able to substantially offset the impact of reduced business travel through cost reduction efforts as well as increased contract business.

Hotel growth financed. During the last three years, Marriott has added over 23,000 hotel rooms, nearly doubling the size of its system. The company will add another 25,000 rooms in the next three years. By the end of 1985, our system will include over 75,000 rooms worldwide, and Marriott will have a presence in 80 of the 100 largest U.S. markets. Most of these new hotels already have been financed and are under construction.

In 1982, Marriott raised approximately \$1 billion to finance hotel expansion, releasing corporate investment capacity to fund the Gino's and Host acquisitions, as well as capital improvements in other operations. Part of 1982's financing included \$383 million raised through an innovative syndication package involving bank debt and the public sale of limited partnership interests.

Acquisitions well integrated. Results for Host International, acquired in March 1982, have exceeded expectations. Host has significantly enhanced our management capabilities and has made positive contributions to both earnings and cash flow. The operational integration of the two companies is nearly complete, and full realization of economies in overhead, procurement and other systems will begin in 1983.

The Gino's acquisition also has exceeded expectations. It demonstrated that Roy Rogers

can obtain real estate in tough, mature markets at reasonable cost. To date, over 100 Gino's units have been converted to Roy Rogers restaurants and are performing better than planned.

Product development increased. Three years ago, Marriott began to fund substantially higher levels of product development activity. The results of this commitment are becoming increasingly visible. They include:

- New menu items for most restaurant divisions.
- Improved room decor, expanded in-room entertainment and faster checkout for existing hotels.
- Experimental hotel prototypes designed to explore additional segments of the U.S. lodging market.

Continued Emphasis On Fundamentals

We continue to refine our execution of a successful strategy built on three principles that stem from Marriott's fundamental strengths:

Controlled expansion within existing lines of business. As Marriott has steadily expanded its share of the U.S. lodging market, it has realized the benefits of increased national awareness, as well as economies in operating multiple properties within common market areas. By the end of 1985, the Marriott system will encompass approximately 150 hotels.

In addition, Marriott will continue to expand its existing businesses in those areas where it can maintain a significant competitive advantage. In contract feeding, we plan continued expansion of airport terminal operations, airline

catering and food service management. We also plan continued growth for Roy Rogers, Big Boy coffee shops and Host's specialty restaurants.

Application of operating expertise to deliver superior products and services efficiently. In 1982, Marriott passed the \$2.5 billion mark in sales and employed more than 109,000 people. Despite the company's constantly increasing size and complexity, successful performance still depends on well trained and well motivated employees. We rely on millions of face-to-face customer contacts each day to convey the Marriott philosophy, "We do it right." Continuing refinement of our operating systems and a strong commitment to management development also are essential elements of our operating philosophy.

Full commitment of investment capacity to opportunities offering attractive returns. Marriott constantly seeks investment opportunities that offer attractive returns. In 1979 and 1980, we spent \$259 million to repurchase approximately one-third of our stock, which we believed to have been undervalued. In 1982, we invested approximately \$300 million in the acquisition of Host and Gino's, including assumed debt. Because of these transactions, the company's balance sheet is now at its target debt levels. It will show substantial investment capacity again beginning in 1984.

Marriott's balance sheet does not fully reflect the extent of the company's investment capacity. It does not show

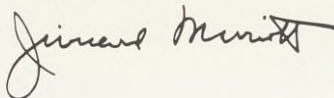
\$438 million in value derived from existing hotel management agreements. Nor does it indicate that most of our owned hotels, currently valued at \$799 million, could be converted to long-term management agreements.

Outlook

Looking ahead, we believe the company's earnings will improve in 1983, aided by recovery in both the economy and overall business travel. For the long term, we believe Marriott's growth will be enhanced by its continuing emphasis on operating excellence, unit growth and a lasting commitment to quality and value.

We remain enthusiastic about the company's prospects for long-term profit growth and its ability to build on its strengths throughout the 1980s. For a brief look at the makeup of Marriott's businesses today, we call your attention to the special section beginning on page 4.

Our people performed well again in 1982. As always, we are very proud of them and are grateful for their outstanding ability and dedication.

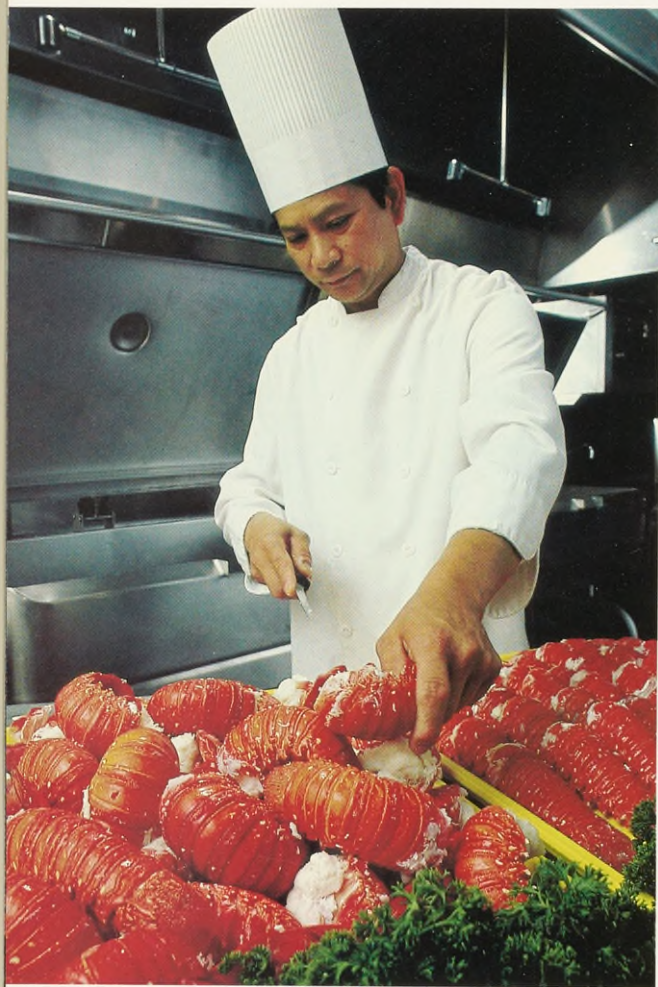


J. Willard Marriott
Founder and
Chairman of the Board



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

March 7, 1983



We began in 1927 as a family enterprise with two employees selling nickel root beer in Washington, D.C. Today, Marriott is a diversified, publicly held corporation employing more than 109,000 people in the United States and abroad.

Our business has changed with the world around us, but our commitment to quality, value and service has remained constant. We reaffirm this commitment through an estimated six million customer contacts every day.

Marriott is now one of the largest, most profitable companies in the hospitality field. We have contributed significantly to the development of our industry over the years. The company helped pioneer drive-in restaurants, coffee shops, airline catering and airport terminal restaurants, and in more recent years has made a number of innovations in management of the lodging business.

During 1982, we took significant steps that strengthened our current operations and enhanced our prospects for continued growth. A look at what Marriott is today shows that we are unusually well positioned for the future.

Now we are involved in three basic business areas: lodging, food service and entertainment. Operations include: hotels, resorts and franchised inns; airline catering; airport terminal restaurants and shops; food service management; restaurants (fast food, coffee shop and specialty concepts); theme parks; and cruise ships. These businesses encompass more than 2,400 units located in 48 states and 25 countries.

Marriott will continue to benefit from the growing mobility and affluence of our society. Our unique group of businesses provides a service that is increasingly in demand in our hectic world . . .

We take special care of people away from home.

Right — Expanding at an average rate of 20% a year, Marriott is the fastest growing major hotel chain in America. *Below* — Our Roy Rogers restaurants provide high quality fast food for people on the go. *Above* — Marriott is well known for the consistent quality of its food, made possible by its efficient management and procurement systems.







O



Our lodging business began in 1957 with one hotel in the Washington, D.C. area. Today, lodging is the company's fastest growing business, and represents more than half of Marriott's overall operating profits.

Now there are 118 Marriott hotels, resorts and franchised inns operating in 81 cities in the United States, Mexico, Central America, the Caribbean, Europe and the Middle East. These properties, which have been highly rated by the Mobil Travel Guide and other recognized authorities, make Marriott a leader among chain operators in the quality segment of the lodging industry.

Strong financial resources and operating expertise have enabled us to grow both rapidly and successfully. We are now one of America's largest lodging systems.

As the Marriott system continues to grow, so does its visibility and prestige among business travelers, our key market. The target guest for our hotels is a professional or a middle or upper level manager between 35 and 55 years old, who takes 10 or more business trips a year. Typical family income for this segment exceeds \$40,000 annually. This affluent group will continue to grow faster than the overall population in the 1980s, and Marriott stands ready to serve them

whether they travel alone for business or pleasure, or in groups to conferences and conventions.

Left—Marriott is one of America's leading operators of downtown hotels such as the new Boston/Long Wharf hotel. *Below*—Group meetings of all sizes, like this seminar at our new Omaha hotel, are an important part of our business. *Above*—Our growing number of select international hotels includes the luxurious new El Marriott Panama in Panama City.





M

Marriott can handle internally every aspect of hotel development and management — from feasibility and design to construction and operations. We are the only company in the lodging industry with complete vertical integration.

One of the most important factors in the success of any hotel is its location. Our development staff has an excellent record of identifying good sites in promising markets, then bringing them on stream. In every case, we try to locate our hotels where at least two of the three primary market segments — individual business, group or pleasure travelers — appear in depth.

We also diversify our hotels both by location and by type of facility. In this way, we can better serve our customers, while minimizing our exposure to adverse economic conditions that might temporarily affect any one area. Marriott hotels are geographically dispersed and well balanced among downtown, suburban, airport and resort locations. We are the nation's leading operator of resorts and airport hotels, and our expansion efforts soon will make us one of the largest operators of downtown convention hotels.

No individual hotel or chain can prosper in today's competitive environment without effective marketing, and Marriott has more marketing staff per room than any other major hotel operator. These professionals use sophisticated techniques at both the property

and national levels to keep Marriott's occupancy rates consistently among the highest in the industry.

Another area where the company has long out-paced its competition is in hotel food and beverage profitability. Our computerized menu, procurement and preparation systems ensure consistently high returns without compromising quality.

Left — One of our 18 luxurious resort properties, the Maui Marriott features three restaurants and two lounges, including the popular Nikko Steak House, which offers Japanese cuisine. *Below* — Marriott is constantly broadening the range of guest services and amenities available. Nearly all of our properties now have health clubs. *Above* — We have a growing presence in dynamic, medium-sized cities such as Raleigh, North Carolina, where we opened a hotel in 1982. Soon we will have hotels in 80 of the nation's top 100 markets.





F

Food service is Marriott's corporate heritage. Our company began as a single small restaurant, and the ability to serve quality meals to our customers has been a major factor in our growth.

Today, approximately 70% of our business still involves food service in one form or another. In 1982, we spent over \$650 million on "groceries" alone, making us the fourth largest private purchaser of such items in the United States.

Marriott employees now serve approximately two million meals a day. While many of these meals are enjoyed in our different hotels and restaurants, others are provided on a contract basis to domestic and international airline flights, in company cafeterias and dining rooms, at schools and hospitals, and in turnpike facilities.

This contract food service got its start when Marriott pioneered the airline catering business in 1937. Now Marriott is the leading in-flight caterer, serving more than 100 airlines from 75 flight kitchens in the United States and abroad.

In the early days, we assembled box lunches for departing flights. Today, we use sophisticated techniques to prepare a wide variety of meals to airline specifications, loading them aboard aircraft by special high-lifter trucks.

Frequently, our kitchens are tied into the airlines' own reservation systems by computer terminals, to provide up-to-the-minute information on load factors, schedule changes and special requirements.

Another part of our contract food service involves supplying meals to business, health care and educational institutions. Beginning in 1941 with five defense plants around Washington, D.C., the Food Service Management Division now has more than 250 clients in 27 states. Services range from management supervision to facilities design and complete turn-key operations. The approach varies with the needs of the individual client, but all can count on the uniform quality and high food standards that have been a Marriott trademark for more than half a century.

Left—Marriott provides a wide range of first class cuisine for intercontinental flights. *Below*—Alaska Airlines is a major client of our Seattle in-flight operations. *Above*—Food service for health care institutions is a rapidly growing Marriott business.



B



Before the turn of the century, the company that became Host International began serving America's travelers at railroad station restaurants, gift shops and newsstands. By 1982, when it was acquired by Marriott, Host's strong management team had built the company into the nation's leading operator of airport food, beverage and merchandise concessions.

The combination of Host with Marriott's existing airport terminal operations gives us concessions under long-term contracts at 40 of America's airports. While the extent of these services may vary at each airport, our full-service restaurants, cafeterias, snack bars, cocktail lounges, gift shops and newsstands all should benefit significantly from the long-term growth of air travel. These operations also provide a high degree of predictable cash flow.

Among the largest airports served by Marriott/Host are Los Angeles, San Francisco, Honolulu, Seattle/Tacoma, Denver, Minneapolis/St. Paul, Detroit, St. Louis, Las Vegas, Boston, LaGuardia, Kennedy, Newark, Baltimore/Washing-

ton, Dulles, Tampa and Miami.

In addition to its airport concessions, the company also operates a number of attractive merchandise shops in major hotels in Las Vegas, Reno and Atlantic City. An experienced buying staff selects a variety of jewelry, luggage, and other luxury gifts and specialty items for these locations. The hotels include the MGM Grand in Reno; the Aladdin, Caesar's Palace, Las Vegas Hilton and Tropicana in Las Vegas; and Bally's Park Place, Caesar's Boardwalk, Claridge's and The Sands in Atlantic City.

Right— The North Beach Deli is one of the newest restaurants at San Francisco International, where Host began its airport terminal operations in 1954. *Below*— Los Angeles International is the largest contributor to our airport volume. The Hollywood Bar is one of six cocktail lounges among our concessions there. *Above*— Our airport gift shops, like this one at Baltimore/Washington International, feature a wide selection of attractive merchandise.







W

When our original Hot Shoppe opened, it sold good food at reasonable prices. That philosophy remains at the core of our restaurant operations, which now provide popularly priced food in 46 states, Canada and Japan.

While Marriott still operates Hot Shoppes cafeterias and service restaurants, primarily in the Washington, D.C. area, today our two largest restaurant divisions are Roy Rogers fast food restaurants and Bob's Big Boy coffee shops.

There are currently 438 company-owned and franchised Roy Rogers restaurants, located primarily in the Mid-Atlantic region, and oriented to adults and families who place a premium on quality fast food. The rapid expansion of Roy Rogers was further accelerated with the acquisition of Gino's, Inc. in 1982. This acquisition provided 175 units in existing Roy's markets (Philadelphia, northern New Jersey, Baltimore and Washington) which were suitable for conversion to Roy Rogers.

Located in California and selected Eastern markets, Bob's Big Boy coffee shops feature a widely varied menu. There are 197 company-operated units and 980 franchised units, making Big Boy Restaurants of America the nation's largest coffee shop chain.

Marriott gained 50 specialty restaurants in California and the Mid-Atlantic area with the acquisition of Host in 1982. Offering quality fare, these operations include Casa Maria Mexican restaurants, Charley Brown's/Charley's Place dinner houses, and other concepts.



Left—A visit to the neighborhood Roy Rogers is a great way to top off a Saturday morning shopping trip. *Below*—Bob's Big Boy coffee shops have been part of the California life style for more than 40 years. *Above*—Colorful Casa Maria restaurants offer tasty Mexican food in a relaxing atmosphere.



E



Entertainment is our third major line of business. From flights of fantasy at Marriott's Great America theme parks to fantastic voyages aboard Sun Line cruise ships, we provide wonderful diversions for about five million people a year.

Marriott's Great America theme parks are located in Gurnee, Illinois (between Chicago and Milwaukee) and Santa Clara, California (near San Francisco), and primarily serve those regional areas. Since their opening in 1976, these 200-acre parks have offered wholesome family entertainment through a variety of attractions set in five sections, each representing a colorful era in American history.

Visitors to the parks find thrill and family rides, live entertainment, stage shows, games, merchandise and tempting restaurants. From the world's largest two-level carousel and exciting coaster rides to Looney Tunes characters and movies on a seven-story IMAX screen . . . there's something for everyone at Great America!

Sun Line's fleet of three cruise ships offers luxurious sailing in both the Caribbean and the Aegean/Mediterranean.

Operated under the Greek flag, Sun Line's *Stella Oceanis*, *Stella Maris* and *Stella Solaris* make a total of approximately 140 cruises each year.

In the winter season, the Sun Line fleet operates in the waters of the Caribbean, South America and Mexico, with voyages originating from Galveston, Texas; Fort Lauderdale, Florida; Willemstad, Curaçao; and San Juan, Puerto Rico. From spring through fall, the vessels operate in the Mediterranean and Aegean Seas, departing from Venice, Italy; Nice, France; and Piraeus, Greece. The latter itineraries include the Greek Islands, Cyprus, Egypt, Israel and Turkey, as well as other Mediterranean ports.

Right—Stage shows at Great America feature Marriott's own talented troupes of singers and dancers, as well as concerts by nationally recognized stars. *Below*—*Stella Oceanis* and her two sister ships visit many exotic ports of call. *Above*—Bugs Bunny* is one of a host of lovable Warner Brothers characters who delight young visitors to Marriott's theme parks.

**Warner Bros. Inc. 1983





Top—The 494-room Dallas Marriott Hotel/Airport, opened in December 1982, is one of 11 properties owned by Potomac Hotel Limited Partnership and managed under long-term agreements. Above—First class room service and beautifully designed rooms show Marriott hotel guests how “We do it right.”

In recent years, Marriott has continued to strengthen its position as the lodging industry's leading performer, as measured by occupancy and profitability rates.

In 1982, Marriott Hotels became a billion dollar operation. Over the past five years, sales and operating income from this business have grown at compound rates of 26% and 19%, respectively. At the same time, Marriott has more than doubled the total number of rooms in its system. There are sufficient other hotels under development to continue this rate of growth in the years ahead.

Performance in 1982

Hotel results in 1982 were strong considering the depressed economy and reduced levels of business travel which hurt the entire lodging industry. Operating income rose 13% over 1981, and sales were up 27%.

The addition of 20 hotels and expansion at five existing properties helped boost overall sales. However, these new hotels did not contribute significantly to profits because new properties normally need a year or more to fully establish themselves in the marketplace.

Reported operating income margins declined slightly due to the new hotels, and a higher proportion of managed (vs. owned) hotels opened in 1982. Marriott receives management fees for the operation of the properties owned by others. While managed hotels provide lower operating profits, the company benefits from lower

risk and interest expense, and receives a higher return on capital because these hotels do not require significant investment by Marriott.

Marriott's occupancy for comparable hotels was two percentage points below 1981 levels, relatively stable compared to declines in the overall lodging industry. In recent years, the company consistently has outperformed the industry's reported average occupancy rates by as much as 10 percentage points.

Key Strengths

Marriott's achievements in 1982 demonstrated the benefit of several strategic strengths:

Balanced market distribution. Marriott hotels are well dispersed geographically throughout the United States, with a balanced mix of property types (including downtown, suburban, airport and resort sites). This broad distribution of market exposure helps soften the overall impact of temporary or localized market conditions.

Strong management and marketing systems. The Marriott system has far more comprehensive management involvement and control than is typical in the industry, particularly in the areas of food and beverage, and marketing. Thus, the company can bring strong capabilities to bear in problem solving.

The key problem for Marriott in 1982 was responding to the decision by many businesses to reduce travel and to minimize the expense of any travel that was required. This condition reduced hotel occupancies.

Marriott approached this problem in two ways: First, ongoing cost reduction programs at both property and division headquarters levels helped support profit margins. These programs included installation of automatic call accounting systems that reduced telephone costs for each hotel. Also, refinements in the company's forecasting and labor management systems improved the accuracy of guest traffic forecasts, significantly reducing labor costs.

Second, Marriott implemented an aggressive program to improve sales and sustain occupancy. Contract business—with companies that use hotels seven days a week—was increased substantially. Pleasure travel volume was stimulated by special promotion and advertising efforts, such as tie-ins with product and rental car promotions, and with airline and travel industry packages. Business travelers were reached through a new advertising campaign in the financial press and tie-ins with several airline frequent flyer programs. Food and beverage programs were supported at the property level with over 140 different promotions.

Continued improvement in products and services. The company constantly seeks to maximize the marketability of Marriott hotels, through refinements in available guest services and improvements in operating efficiency.

In 1982, such changes included the introduction of teleconferencing (initially involving 14 Marriott hotels) and direct linkage of computer terminals at each property with

Marriott's national reservation center in Omaha. A new generation of more appealing room decor schemes was introduced in many hotels. Also implemented was a popular rapid checkout system that provides guests with a bill under their room door early on departure day, eliminating the need for checkout at the front desk.

In 1983, a new computer-based front office system will be installed in up to 30 properties to fully automate reservations, registration, guest accounting, housekeeping and rooms control. Also to be introduced widely in 1983 is a complimentary in-room entertainment package—including Home Box Office and national cable news and sports network programming.

Aggressive expansion in promising markets. A significant portion of revenue growth in 1982 came from new hotels added since January 1981. The accelerated expansion program that began in 1980 has given Marriott an increasingly vital presence in key markets, affording strong prospects for continued growth in both profits and consumer visibility.

Since the mid-1970s, Marriott has pursued a strategy of concentrating ownership of its hotel rooms among outside investors, with the company managing the hotels under long-term agreements. The high proportion of managed hotels—currently 78%—has dramatically reduced the capital requirements for this business, thus freeing up cash for alternative investments. This change has allowed Marriott

to build a system that will include more than 75,000 rooms by the end of 1985.

Even in the tight financial markets of the 1980s, Marriott has been able to fund its continued expansion program. For example, in 1982 the company completed a syndication of 11 hotels financed by a consortium of major banks with participation by individual investors through the public sale of limited partnership interests. Marriott may pursue the syndication of other properties where feasible.

Expansion in 1982 and 1983

The total number of rooms in the Marriott hotel system increased by approximately 9,000, or 22%, in 1982.

New hotels opened in 1982 included (rooms in parentheses): Albuquerque (414), Boston/Long Wharf (400), Charleston, W. Va. (354), Arlington, Va./Crystal Gateway (452), Dallas/Airport (494), Dallas/Quorum (563), Dayton (299), Denver/City Center (612), El Paso (300), Hartford/Farmington (305), Long Island (391), Omaha (303), and Raleigh, N.C. (310). New franchised inns were opened in San Antonio (302), and Worcester, Mass. (250). The Philadelphia/Airport hotel (333) was acquired, and two hotels were added to the Marriott system as a result of the Host acquisition—Houston/Airport (569), and Tampa/Airport (299). New international hotels were opened in Panama City, Panama (391), and Cairo, Egypt (initially 680).

Approximately 5,200 rooms are scheduled to be opened in 1983, of which 4,500

will come from 12 new hotels. The remainder will include expansion at four existing locations.

Projects scheduled to be completed in 1983 include new hotels in Boston/Burlington (414), Charleston, S.C. (300), Chicago/Schaumburg (390), Columbia, S.C. (300), Irvine, Calif. (506), Greensboro, N.C. (308), Miami (605), and Tulsa (338). New franchised inns are scheduled to open in Charlotte, N.C. (300), and Orlando (500). International hotels are expected to open in Athens, Greece (300), and Jeddah, Saudi Arabia (217).

A greater number of rooms is scheduled to be opened in both 1984 and 1985 than in 1983, including large "flagship" properties in Washington, D.C., Boston, New York and Atlanta.

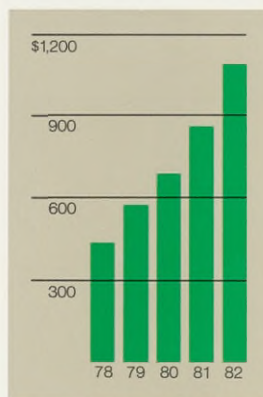
A complete list of Marriott hotels appears on page 46.

Outlook

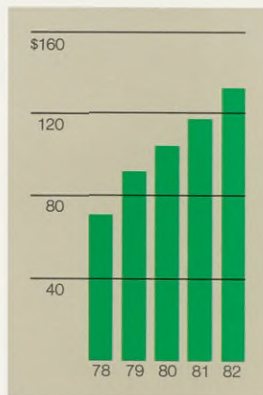
For 1983, Marriott's continued cost controls, expanded marketing programs and greater contributions from hotels opened since 1981 should generate solid earnings gains. However, the timing and extent of these increases will be influenced greatly by the timing of recovery in overall business travel.

The high quality of our hotel product, management team and service, plus our constantly expanding room base, underscore our optimism for strong long-term growth.

Sales
(\$ in millions)



Operating Income
(\$ in millions)

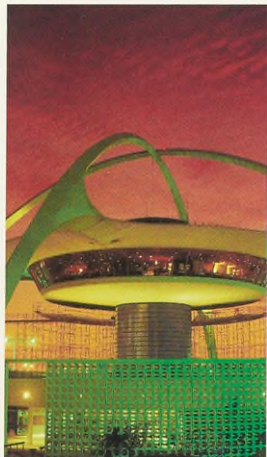


D

Difficult economic conditions affected most segments of Marriott's contract food service business again in 1982.

The recession aggravated the continued financial problems of a number of airlines, three of which declared bankruptcy. As a whole, the airline industry suffered operating losses estimated at over \$600 million in 1982.

Business cost cutting and consumer caution meant that airline and airport terminal traffic did not recover to the extent originally expected. Moreover, modest traffic gains were distorted by intense fare discounting that placed additional profit pressures on carriers. Reduced food service levels and increased competition for available accounts also put pressure on profits.



Top—The Theme Building at Los Angeles International is a West Coast landmark, featuring an elegant Host restaurant. Los Angeles is one of six key airports served by Host that are being expanded in 1983. Above—An automatic tray conveyor helps increase productivity at Marriott's new flight kitchen in Seattle.

Performance in 1982

Despite these frustrating economic conditions, Marriott increased its operating profit for this line of business by 12% on a 37% sales gain. The improvement resulted from the addition of the Host airport terminal operations in March, and from gains in existing terminal operations and the food service management business.

Operations

Airline catering. Profits for Marriott's airline catering operations were below 1981 levels. They were hurt by a \$5.5 million write-off of receivables from Braniff International, which ceased operation in May 1982, as well as by the loss of approximately 7% of domestic airline catering sales represented by the Braniff account. Intense price competition limited Marriott's ability to completely pass along to customers its increased operating costs.

International travel continued to be disrupted by economic instability. Travel was off substantially in Europe and Latin America, with traffic in the latter area particularly hurt by uncertainty over the Falklands war and the economic crises in Mexico and Argentina.

Marriott has strengthened management with the recent restructuring of its airline catering organization. This change should enable the company to intensify its marketing and business development efforts during 1983.

Terminal operations. Overall profits from airport terminal operations were ahead of 1981 levels, and were augmented by contributions from Host food, beverage and merchandise concessions. Integration of the Marriott and Host operations has gone well. Traffic in airports served by Marriott/Host remained generally more stable than overall U.S. airline passenger traffic during 1982, although some declines in food and beverage volume were experienced in the fall. Consumer spending in airport merchandise shops also was affected by the economy.

The company added airport concessions at Greensboro, N.C. and renewed its concession at Ontario, Calif. during 1982. Concessions were obtained for the new Delta terminal at LaGuardia, which is scheduled to begin operation in 1983. Also in 1983, significant terminal expansion will take place at the Los Angeles International, Las Vegas, Newark, San Francisco,

Detroit and Seattle airports, where the company also will expand and/or refurbish its facilities.

Operating profits for tollway restaurants were off slightly due to lower customer counts during peak summer periods. New restaurant concepts are being introduced in New Jersey and Delaware units that will significantly improve operations.

Food service management. Profits in all three food service management divisions were up in 1982, with strong gains coming in both health care and business food services. Overall, the group's client roster was expanded by 28 accounts, despite heavy competition for new business.

Significant new accounts included J. C. Penney headquarters and Mount Sinai Hospital, New York City; GTE Conference Center, Norwalk, Conn.; Toledo Hospital, Toledo, Ohio; and Lamar University, Beaumont, Tex.

Improved management emphasis and training in the area of productivity helped maintain profit margins. This effort should benefit from a pilot program begun in 1982, under which microcomputers were introduced at the unit level to improve unit management and food production systems. If results prove satisfactory, this innovation will be offered to all clients in the coming years.

Key Strengths

Several key strengths helped Marriott's various contract food service businesses weather the unusually severe economic problems of 1982. These same attributes will enhance future profitability as the economy turns around.

Reputation for outstanding quality. Marriott's consistent reputation for quality food service, facilities and management has been carefully built over many years. This reputation, coupled with the company's procurement and organizational strengths, enhances Marriott's attractiveness to clients.

Effective productivity and cost controls. The company's comprehensive management organization, system of tight cost controls and effective productivity improvement programs help it to sustain profit margins, and to be a low-cost producer. These factors should help profits to grow meaningfully when more favorable economic conditions permit increased sales at existing units.

Strong marketing effort. A strong marketing effort throughout this business line generally has helped Marriott to capitalize on its quality reputation and to attract profitable new business. In most years, new business has been gained in sufficient volume to more than offset temporary fluctuations in some markets.

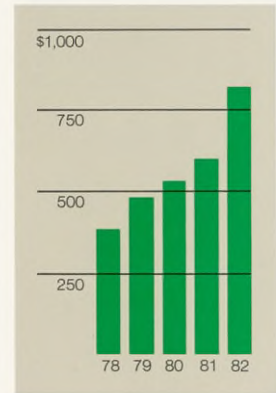
Management depth.

Marriott's contract food services organization is generally characterized by a great depth of management. With the addition of the Host management team and the restructuring of airline catering management, the company is in a strong position to broaden its profitability and improve its leadership in this business.

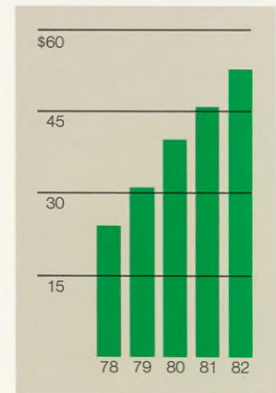
Outlook

While economic problems and soft air travel will continue into 1983, Marriott's broadened participation in this business should provide solid long-term growth once economic recovery is realized.

Sales
(\$ in millions)



Operating Income
(\$ in millions)



T

The company's foundation for continued restaurant growth was strengthened significantly in 1982. Marriott's optimism for this key business line has been enhanced by the implementation of new strategies for Roy Rogers and Big Boy's Eastern operations, expansion resulting from two major acquisitions, and successful performance in a difficult economic and competitive environment.

Performance in 1982

The restaurant businesses had a good year in 1982. Operating income was up 26% on a 23% sales improvement. Results were helped by strong productivity, aggressive marketing, and stable food and labor costs. Profits improved in all divisions.

Adding to the year's gains were strong profits from the Roy Rogers restaurants converted from Gino's units, and contributions from the Host specialty restaurants. Results included a total of 178 new or converted units.

Operations

Roy Rogers. Profits for the Roy Rogers division were significantly higher in 1982, as income from new units, heavy promotion and stringent cost controls more than offset the adverse economy.

Fiscal 1982 was marked by the application of a new strategy which included expansion of Roy Rogers in attractive markets through acquisition of existing restaurant sites. The acquisition of Gino's in early 1982 closely fit this strategy, enhancing our existing position in four key Mid-Atlantic areas—Washington, Baltimore, Philadelphia and northern New Jersey.

Marriott converted 101 of the former Gino's units to Roy Rogers during 1982, with the program running ahead of schedule and in line with original cost estimates. This program will be completed with the conversion of another 74 units in 1983. Forty-three of the 175 total units are being franchised.

Since 1981, the company has been updating the interior furnishings and fittings of older Roy Rogers units through "Operation Cookin'." This effort was completed in 104 units during 1982 and has improved their sales.

Three new product developments were successfully completed during 1982. A large roast beef sandwich and expanded salad bar were introduced in the first quarter, and a hot ham and swiss on rye sandwich was introduced in September. New package designs for all products also were completed in 1982. Currently, product development efforts are focused on a new breakfast menu to be introduced in late 1983 or early 1984.

Big Boy. Results for the Bob's Big Boy division were significantly ahead of 1981. Performance was led by the West Coast operations, where continued emphasis on value helped increase volume and profits. Two major changes helped stimulate sales in Eastern operations—a new menu was introduced which features a wide selection of sandwiches and new hot entrees, and a new breakfast bar was successfully added at a number of units.

Host specialty restaurants. Overall results for Host's specialty restaurants were significantly ahead of 1981, despite reduced discretionary spending by consumers in areas hard hit by the recession. This growth benefited from strong improvement in profitability of the East Coast dinner houses after a 1981 remodeling program. Sales also were increased by two new Casa Maria restaurants opened on the East Coast, and two large Charley Brown's restaurants remodeled in California during 1982.



Top—Roy Rogers restaurants are testing breakfast menus that will be installed in all appropriate units by 1984. Above—Great value and friendly service have been a Bob's Big Boy tradition for more than 40 years.

Key Strengths

The ability of all Marriott restaurant operations to deal successfully with the economic problems of 1982 was enhanced by several key strengths common to these operations. These attributes are important to the company's future growth and performance.

Strong quality/value positioning. Over the years, Marriott's restaurant operations have built a solid reputation for providing outstanding product quality in the moderately priced segments where they compete. Close adherence to exacting standards in food procurement and preparation has yielded consistent value for the customer. These strengths have helped effectively differentiate Marriott from its competitors in each segment.

Experienced operating management. Marriott's management experience in the restaurant business spans more than half a century. Intensive management development programs have helped build strong management teams from the unit level up. With the addition of experienced managers through the Host and Gino's acquisitions in 1982, Marriott has enhanced its human resources.

Effective cost controls. Marriott's comprehensive management systems, centralized procurement and emphasis on productivity have produced effective cost controls. These controls have helped offset recessionary pressures on profits.

Concentration in favorable markets. Marriott's restaurant units are located predominantly in growing markets. Roy Rogers and Host's East Coast specialty restaurants are in key Mid-Atlantic markets, including the Baltimore/Washington area, where Eastern Big Boys and Hot Shoppes also are located. Big Boy's Western and Host's West Coast specialty restaurant operations are concentrated in Southern California, where Big Boy pioneered the coffee shop concept.

Favorable markets and financial strength. Marriott's restaurants participate in several large, dynamic market segments that offer meaningful growth opportunities. Expansion strategies are tightly focused on major markets with the most promising demographics. The company's financial resources and skills enable it to quickly pursue sizeable, complex acquisitions to take advantage of favorable opportunities.

Positioning for Growth

We took several major steps in 1982 to position Marriott for productive expansion in the restaurant area:

Gino's acquisition. With the acquisition of Gino's, Inc., the Roy Rogers division gained 175 restaurant units for conversion to the Roy Rogers concept by the end of 1983. This will increase the size of Roy Rogers by 50% in less than two years and strengthen its position in four key markets. The absorption of Gino's will enable Roy Rogers to pursue acquisitions in other promising markets.

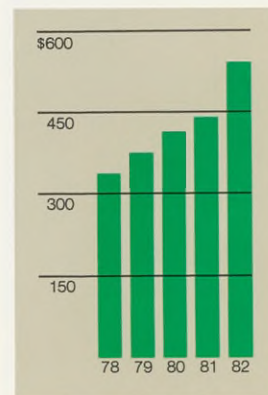
Another 365 units formerly operated by Gino's are being sold. Under this disposition program, 69 units were sold to KFC Corp. in August 1982, and an agreement for the sale of 108 Rustler steak houses was signed in December 1982. The Rustler sale is expected to be closed by mid-1983, and we expect to make strong progress on the remainder of the dispositions during 1983.

Host specialty restaurants. Marriott broadened its participation in the moderately priced segment of the restaurant business with the addition of the 50 Host specialty restaurants. This group includes Casa Maria, Charley Brown's and other profitable restaurant concepts on the West and East Coasts. Current expansion plans involve the popular Casa Maria Mexican restaurants, which have been successful in California and are attracting customers in high volume in Eastern units. The company plans to add three to four Casa Maria units on the East Coast in 1983, and may accelerate expansion somewhat in 1984.

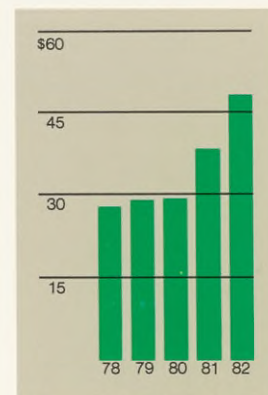
Outlook

Marriott has reshaped its restaurant operations to better position them for solid growth. Their continuing success in the current economic and competitive environment reinforces the company's enthusiasm for their long-term profit potential.

Sales
(\$ in millions)



Operating Income
(\$ in millions)





Above—Castle Rapids is one of the most popular attractions at the new Kid Kingdom area in our Santa Clara theme park.

America's theme park industry experienced a difficult year in 1982, as economic conditions in many areas hurt attendance. According to a recent study, most of the nation's largest parks experienced lower attendance than in 1981. Generally, those parks that exceeded 1981 attendance had major new attractions in 1982, or had weak attendance in the prior year.

Performance in 1982

Theme park sales and profits from operations were off substantially because of a 20% drop in overall attendance from strong 1981 levels. However, total income rose 13% due to the disposition of approximately 36 acres of excess land adjacent to our Great America theme park in Santa Clara, California.

The company did not add any major new attractions in 1982, compared to the addition of a major new roller coaster in its Gurnee, Illinois park in 1981.

Operational Changes

Several operating changes and developments which occurred during 1982 should enhance prospects for the coming year:

□ Management of theme park operations was restructured during the fourth quarter, and the division should benefit from an improved emphasis on marketing.

□ Children's rides at Santa Clara were centralized in a new area called "Kid Kingdom," and a picnic grove area was added in Gurnee. Both changes were well received.

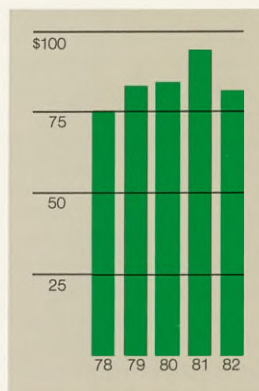
□ A two-year management agreement for Rye Playland in Westchester County, New York expired at year-end, and Marriott elected not to pursue a new agreement with the county. This decision allows the company to focus management resources on its two existing parks.

□ Both the Santa Clara and Gurnee parks will receive new attractions in 1983. "The Edge," which allows riders to experience the weightlessness of zero gravity in a simulated "free fall" from a height equal to 10 stories, will be installed at both parks. The new ride is similar to others introduced successfully in the industry during 1982. Other Great America changes include new stage shows for both parks, and a revised pricing plan that will offer improved value to park guests.

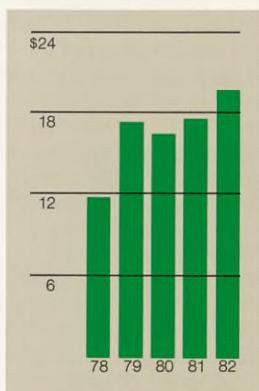
Outlook

The company believes that steps taken in the latter part of 1982 will improve theme park attendance and profitability in the coming year. The parks should continue to be a valuable source of cash flow for Marriott.

Sales
(\$ in millions)



Operating Income
(\$ in millions)



M

Marriott Corporation achieved record earnings and continued its high capital productivity despite the impact of the recession and the continuing problems of the airline industry:

- Earnings Per Share (EPS) increased to \$3.44.
- Discretionary Cash Flow increased 20% to \$7.00 per share.
- Return on Shareholders' Equity (ROE) was 20%.

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 at right.

Profit Growth Continues

Sales and operating income increased 27% and 15%, respectively, primarily as a result of sales gains from unit growth and inflation.

Hotel sales rose 27%, driven by an additional 9,000 rooms and room rate increases that kept pace with inflation. Operating income increased a disproportionate 13%, principally because most new hotels are managed and occupancy rates decreased by 2% from 1981.

Marriott reports total sales of managed hotels yet earns only management fees. The owner's share of operating income, which must cover capital cost, is recorded as an operating expense. Thus an increasing element of ownership capital cost is present in Marriott's operating expenses. Capital cost for owned hotels is reflected as "interest expense," not operating expense.

The top chart on page 26 shows that if Marriott reported

only its management fees as sales, hotel profit margins would increase to 37% for 1982.

Contract Food Services sales increased 37%, reflecting units gained in the Host acquisition. Operating income increased 12% as the contribution from Host units, together with improved profits in existing terminal operations and food service management, were offset by a decline in domestic and international airline catering profits. Airline catering profits were lower because of the impact of the depressed economy on the airline industry and the non-recurring loss resulting from the Braniff International bankruptcy.

Restaurant sales and operating income increased 23% and 26%, respectively, fueled by 103 new Roy Rogers units and the 50 specialty restaurants acquired from Host. Operating income was particularly strong in Roy Rogers and Big Boy. Overall, customer counts and costs stabilized in 1982.

Theme Park sales and profits from operations were off substantially because of a 20% drop in park attendance. However, total theme park operating income increased 13% due to the sale of excess land contiguous to the Santa Clara park.

Net income increased 10%, primarily because of improved operating income, offset somewhat by higher interest costs on debt incurred to finance the company's acquisition and development programs.

Discretionary Cash Flow per share increased 20% to \$7.00

as reflected in the Current Value Statement. Discretionary Cash Flow represents the company's economic profit. It reports Funds 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 80% higher than accounting earnings since 1978.

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

Year	Cash Flow	Net Income
1982	\$192	\$94
1981	157	86
1980	125	72
1979	118	71
1978	100	54

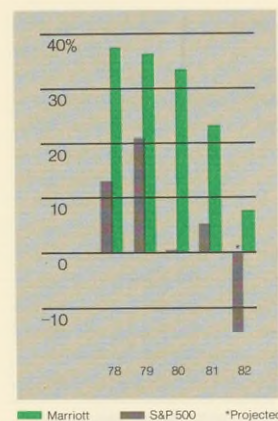
Capital Productivity Remains High

Return on Shareholders' Equity (ROE) was 20%, and return on total capital was 15%. Since 1975, ROE has more than doubled in response to Marriott's aggressive program to improve capital efficiency.

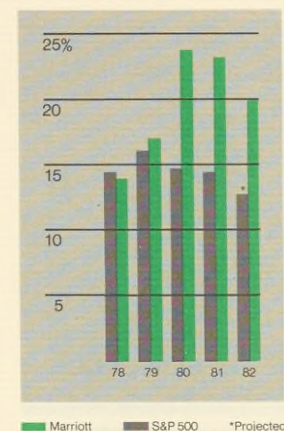
Marriott plans to continue performing at these levels through the 1980s by carefully managing the balance sheet and continuing to expand hotels—primarily under management agreements. Several major transactions in 1982 boosted this program:

□ Potomac Hotel Limited Partnership (PHLP) was publicly syndicated, eliminating Marriott's capital investment in 11 hotels with a total

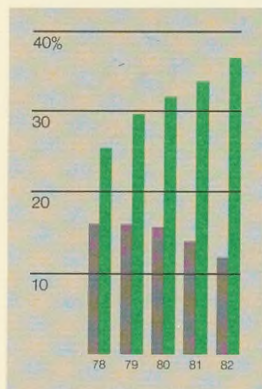
EPS Growth
Marriott vs. Standard & Poor's 500



Return on Equity
Marriott vs. Standard & Poor's 500

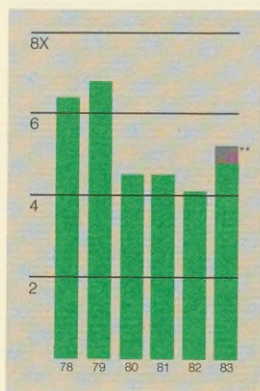


Hotel Profit Margins



■ Margins including sales of non-owned hotels.
 ■ Margins excluding sales of non-owned hotels.

Net Interest Coverage*



* The ratio of earnings before net interest, taxes and non-cash charges, less required capital replacements, divided by net interest expense.

** Estimated range

cost of \$365 million. A wholly owned Marriott subsidiary will earn substantial long-term management fees and Marriott, as general partner, will enjoy substantial tax benefits from the properties.

□ Financings totaling \$750 million were negotiated on eight hotels. The properties will be publicly syndicated similar to the PHLP transaction, largely eliminating Marriott's capital commitment to these hotels. Marriott will obtain lucrative management agreements.

□ The Host and Gino's acquisitions, totaling \$300 million, were successfully completed.

□ The Farrell's Ice Cream Parlour Restaurants Division, excess theme park land and Marriott's equity interest in a downtown Denver hotel were sold for a total of \$38 million.

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 prime rates.

Despite aggressive expansion, Marriott's financing techniques maintained coverage at targeted levels, as shown at left. The Gino's and Host acquisitions plus 1982 inter-

nally developed expansion totaling \$667 million were financed primarily from internal cash flow and hotel dispositions. The 1983 capital program of about \$500 million will be financed in a similar manner.

The ability to grow aggressively yet maintain planned coverage demonstrates once again that Marriott's high Discretionary Cash Flow (\$7.00 per share versus EPS of \$3.44), combined with the declining capital intensity of the company's hotel business, allows Marriott to expand hotel rooms 20% annually without commensurate capital requirements. As a result, investment capacity can be released to fund additional corporate growth—such as the Host and Gino's acquisitions. This is the prime reason that the company's compound five-year EPS growth of 27% has exceeded its target by one-third.

Marriott's objective is to increase the proportion of fixed-rate debt in its capital structure when the fixed long-interest rates return to economic levels. Long-term debt with floating interest rates averaged 36.8% of capitalization during 1982, because Marriott's policy is to finance construction in progress with floating rate debt and the company judged fixed interest rates too expensive. This judgment proved correct as interest rates fell precipitously during 1982, with floating rates leading the decline. Marriott's floating borrowing rates fell from a high of 16% in February to a low of 9.7% in December. Marriott's 1982 capital costs were minimized by this strategy.

Long fixed rates also fell during 1982, in response to the recession and reduced inflation expectations. With inflation at 6%, the chart at right shows that today's real economic returns of 6%—while lower than last year—remain high relative to historical levels. Marriott's investments are in stable, long-term real estate-related assets. It is difficult for these assets to produce sufficient profits to justify such high real returns to debt holders without either applying an unrealistically high inflation rate to projected profits or reducing returns to Marriott shareholders.

Interest rates should decline commensurately with the reduction in inflation. There is a reasonable probability that inflation will continue to stabilize in the 1980s, considering present trends and the government's focus on this important economic issue. However, inflation probably will remain high by historical standards.

Marriott's profits are inflation-hedged and vary directly with the inflation rate. If inflation declines, Marriott's profit increases should moderate and interest rates should decline. For these reasons, until lenders' return requirements reach much more normal levels, Marriott will not add non-prepayable, fixed-rate, long-term debt that could present an expensive fixed-cost element in the company's capital structure.

Meanwhile, to protect against extreme floating rate fluctuations, the company has negotiated rate ceilings of 12% on a significant portion of floating rate debt.

Debt Maturity Schedule
(\$ in millions)

Year	1982	1981	1980	1979	1978
1	\$ 23	\$ 16	\$ 9	\$ 9	\$ 11
2	28	17	18	18	20
3	36	22	18	24	20
4	42	40	34	27	26
5	48	43	38	35	25
Total	<u>\$177</u>	<u>\$138</u>	<u>\$117</u>	<u>\$113</u>	<u>\$102</u>
Funds Provided from Operations	<u>\$231</u>	<u>\$187</u>	<u>\$150</u>	<u>\$141</u>	<u>\$122</u>

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 1978, as shown above.

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. The company instituted a program to aggressively reduce current asset investment during 1982. As a result, Marriott increased its negative working capital to \$46 million during 1982 and plans further improvement in 1983.

Dividends and Stock Price Increase

In November 1982, the Board of Directors increased the cash dividend 20% to 36 cents annually. This is consistent with Marriott's goal to increase dividends with planned long-term earnings growth.

The company has a good record of reinvesting cash flow in growth businesses at high returns. Marriott will continue this investment strategy to support planned profit growth averaging at least 20% annually through the mid-1980s. If management is successful, shareholders should continue to profit through share appreciation taxed at advantageous capital gains rates, rather than through higher dividends taxed at ordinary rates.

The range of Marriott stock prices by quarter was:

Quarter Ended in	1982		1981	
	High	Low	High	Low
March	39	33	35	29 $\frac{1}{4}$
June	40 $\frac{1}{4}$	33 $\frac{1}{4}$	47	33 $\frac{1}{4}$
September	50 $\frac{1}{4}$	32	43 $\frac{3}{8}$	33 $\frac{3}{8}$
December	61 $\frac{1}{8}$	44 $\frac{5}{8}$	38 $\frac{1}{2}$	31 $\frac{1}{2}$

Marriott's stock price has increased over five-fold during the past five years to a total market value of \$1.5 billion. We believe this has occurred because:

□ The company has maintained high real earnings growth and high capital productivity in a difficult economic environment.

□ Marriott's aggressive unit expansion program has a high probability of continued success, considering units presently under construction for opening through the mid-1980s.

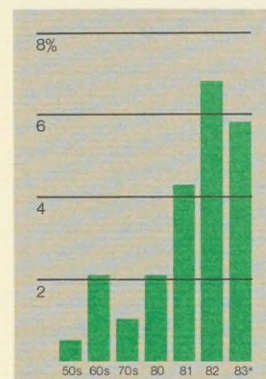
□ The investment community has a favorable market outlook for hotels — the company's principal business — in which Marriott's market share is rapidly growing through its aggressive expansion program.

Current Value Increases

Shareholders' equity per share, expressed on a Current Value basis, increased to \$62.15 in 1982 from \$54.90 in 1981. This compares favorably with the historical cost book value of \$19.43 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 to reflect 1982 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 intrinsic value of Marriott. As shown, Current Value shareholders' equity increased 15% during 1982, primarily

Real Rate of Return
Interest Rates vs. Inflation Rates



Interest rate on 20-year gov. bonds (%)
3.1 4.6 7.6 11.4 13.7 12.9 11.8*
Inflation rate (GNP deflator, %)
2.6 2.5 6.6 9.3 9.4 6.1 6.0*
*Estimated

from strong discretionary cash flow, new hotel management agreements and value added through the acquisitions of Host and Gino's.

The \$1.1 billion increase in restated shareholders' equity, from \$516 million at historical cost to over \$1.6 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

	Millions	Per Share
Current Value at January 1, 1982	\$1,436	\$54.90
Discretionary Cash Flow	192	7.00
New Hotel Management Agreements	61	2.22
Acquisitions	29	1.06
Deferred Taxes and Other	(68)	(3.03)
Current Value at December 31, 1982	\$1,650	\$62.15

Condensed Consolidated Current Value Balance Sheet

as of December 31, 1982
(in thousands)

	Current Value	Historical Cost
Current Assets	\$ 381,672	\$ 381,672
Property and Equipment, net	2,316,695	1,494,227
Hotel Management and Lease Agreements	438,118	—
Investments in and Advances to Affiliates	100,390	42,961
Other Assets	99,144	143,788
	<u>\$3,336,019</u>	<u>\$2,062,648</u>
Current Liabilities	\$ 428,144	\$ 428,144
Debt and Capital Lease Obligations	841,984	889,325
Other Long-Term Liabilities	61,420	61,420
Deferred Income Taxes	354,125	167,754
Shareholders' Equity	1,650,346	516,005
	<u>\$3,336,019</u>	<u>\$2,062,648</u>
Percentage of Debt and Capital Lease Obligations to Total Capital	<u>29.0%</u>	<u>54.4%</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 deducting 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.

M

Marriott's goal is to increase shareholder wealth primarily through increasing common stock values. Marriott's stock has shown an average annual gain of 19% since becoming publicly held in 1954, while Earnings Per Share (EPS) growth has averaged 18% per year during the same period.

Marriott's strategy for increasing share value in the 1980s will continue to be based upon profitable growth through unit expansion within existing lines of business. Unit expansion will be accomplished through an aggressive internal development program and acquisitions of closely related businesses. Unit growth is the key element for achieving the corporate goal of 20% average annual profit increases during the 1980s.

The company's growth should continue to produce unusually high returns on capital because of the strong mixture of management and franchise fee income on assets owned by others. About 78% of Marriott-operated hotels are owned by third parties and managed by the company under long-term agreements. We believe the company is the industry leader in creative finance, which is the critical element underlying the successful management fee program. Please refer to Marriott's 1981 Annual Report for a full discussion of "Financing Hotel Growth."

Hotel Expansion Key to Growth

Hotels are Marriott's most important growth vehicle. Hotel room expansion averaged 21% annually since 1978 and should average about 20% annually during the next five

years. Aggressive unit expansion, combined with real demand growth and full inflation pass-through of costs, enables the Hotel Group to provide a significant base for Marriott's corporate growth goals through the 1980s. Expansion also will enable Marriott to become the world's largest manager—as distinct from franchisor—of hotels. This gives the company significant competitive advantages in maintenance of quality and marketing concentration that will become increasingly important in the hotel industry of the future.

For several important reasons, Marriott is expanding its hotels while competitive chains are not aggressively growing in the lodging business:

□ Marriott is still a relatively young chain with only a small market share, which provides an unusual opportunity for growth.

□ Marriott is not burdened by a high percentage of independent franchisees that have limited the growth ability of larger chains due to territorial and other restrictive agreements.

□ Marriott is one of the few major chains that has focused its financial and management resources on the lodging industry, rather than diverting energies to the capital and management-intensive gaming business.

□ Marriott has committed substantial resources to establish itself as the world's leading hotel developer and financier. The company spends about \$5 million annually—charged against earnings rather than capitalized—to support this development effort.

The expansion program projected through 1986 has a high probability of success because many of the projects either are financed and under construction or in the advanced stages of development as shown on the chart below. The number of rooms opening in 1985 will be high because two large projects—the New York Marriott Marquis (1,887 rooms) and the Atlanta Marriott Marquis (1,670 rooms)—are scheduled for completion. Major acquisitions have not been projected, but are being pursued and could augment planned expansion.

Development Process Is Unique in Hotel Industry

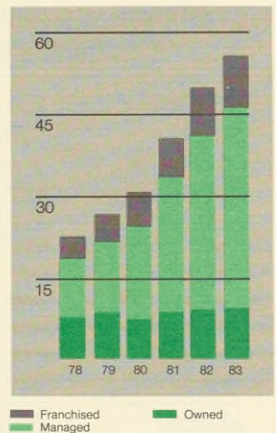
Marriott has built the expertise and organizational structure to site, design and construct large numbers of complex hotel projects simultaneously. We are now the industry's only major, totally vertically integrated hotel developer, creating about \$1 billion of product annually. Marriott has internally developed over half of its company-operated rooms.

The development process is complex and requires a total team effort among the Corporate Planning, Real Estate Development, Architecture and Construction (A&C), Hotel Operations, Legal and Finance functions.

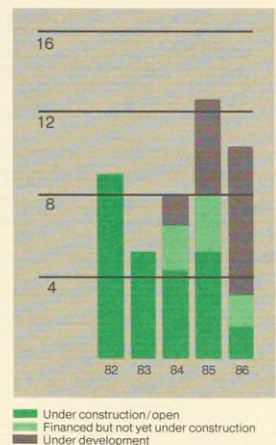
Understanding this unique process is important in assessing Marriott's ambitious expansion program.

The first step in the process is Hotel Feasibility (organized within Corporate Planning), together with Hotel Operations, biennially updating the hotel development plan which determines Marriott's target metro

Hotel Rooms
(total rooms in thousands)



Planned Hotel Growth
(additional rooms in thousands)



markets and submarkets for the ensuing decade. This plan provides the overall direction to guide Marriott's 10 development executives in expanding their designated markets.

Marriott's developers are entrepreneurial, sophisticated negotiators who have wide latitude in creating real estate transactions. For any specific project, their efforts generally follow one of three approaches:

- The most common development method is to acquire a site and develop the hotel as a corporate project. The hotel then can be financed with investors when financial markets are favorable.

- Frequently, an outside developer controls a desired site or project. Marriott will then negotiate to manage the hotel, often joint venturing the ownership. Many of America's best-known developers and financial institutions are owners or joint venturers of Marriott-operated hotel projects.

- Acquisitions of select existing hotels in target markets are actively pursued.

Once a hotel in a target market appears feasible, A&C prepares a preliminary site layout, schematics and cost estimates. This data forms the basis of a detailed economic study of the project by Feasibility and Operations to determine economic viability. Feasibility work is performed on managed hotel projects even if they do not involve Marriott investment.

Marriott's philosophy is that successful hotels create satisfied owners who are the key to Marriott's long-term expansion program. The company has declined many invitations to manage hotels that, in its judgment, would not succeed

economically. The combination of development and operational feasibility planning lends objectivity to the financial projections, and provides the best marketing basis for developing hotel criteria (e.g., food and beverage seats, ballroom space and amenities) that best fit the local market.

When the feasibility process indicates the hotel meets Marriott's stringent economic standards, the company's developer is then authorized to conclude negotiating the business structure of the transaction. This involves substantial input from Marriott's Finance, Tax and Legal departments. Concurrently, A&C and Operations establish detailed hotel criteria, and A&C performs more detailed architectural work to further refine cost estimates.

Once the transaction is finally negotiated, it is reviewed by Marriott's Finance Committee before being presented to the Board of Directors for approval. If a hotel project survives this rigorous and demanding approval process, the owner can be confident that the project has a high probability of economic success.

The Architecture & Construction Division supervises construction of all Marriott-developed projects and most joint venture transactions. Through technical service agreements, A&C also participates to varying degrees in Marriott hotels developed by others. This gives Marriott the assurance that agreed upon product quality is actually delivered by independent developers.

Construction normally takes from 14 to 36 months,

depending on the size and complexity of the project. The development executive and A&C remain actively involved during this critical development period to ensure the hotel is built on time, on budget, and to Marriott quality standards. During this same period, Operations is pre-selling room nights and selecting the hotel management team. Large convention hotels frequently will open with the equivalent of several years of occupancy pre-sold. An aggressive pre-opening effort by Operations allows Marriott generally to produce positive cash flow from the hotel's opening day.

Permanent financing is unique to each project, but is generally arranged while the hotel is under construction. The Treasury department is active in all segments of the financial markets, attempting to negotiate the most economically attractive package possible for Marriott and/or its joint venture partners. Marriott has the financial capacity to underwrite hotels during development, so financing is not required to begin a project. This gives the company a major competitive advantage in the development process.

Once the property is open, Hotel Operations assumes control and the development process is complete. Operations has opened a hotel at a rate averaging nearly one every two weeks during the 1980s, while maintaining Marriott's high performance and quality. This attests to the depth of Marriott's management talent and the effectiveness of its operating system.

CONSOLIDATED INCOME

Marriott Corporation and Subsidiaries
Fiscal years ended December 31, 1982, January 1, 1982 and January 2, 1981

	1982	1981	1980
	(in thousands except per share amounts)		
Sales			
Hotels	\$1,091,673	\$ 860,134	\$ 690,038
Contract Food Services	819,824	599,050	529,768
Restaurants	547,403	446,475	414,086
Theme Parks	82,453	94,655	84,833
Total Sales	<u>2,541,353</u>	<u>2,000,314</u>	<u>1,718,725</u>
Operating Income			
Hotels	132,648	117,561	106,832
Contract Food Services	51,006	45,552	39,875
Restaurants	48,492	38,533	29,697
Theme Parks	20,004	17,714	16,630
Total Operating Income	<u>252,150</u>	<u>219,360</u>	<u>193,034</u>
Interest Expense, net	66,666	52,024	46,820
Corporate Expenses	31,801	28,307	26,126
Income before Income Taxes	153,683	139,029	120,088
Provision for Income Taxes	59,341	52,893	48,058
Net Income	\$ 94,342	\$ 86,136	\$ 72,030
Earnings Per Share			
Primary	\$ 3.46	\$ 3.21	\$ 2.61
Fully Diluted	\$ 3.44	\$ 3.20	\$ 2.60

The accompanying notes are an integral part of this statement.

CONSOLIDATED BALANCE SHEET

Marriott Corporation and Subsidiaries
December 31, 1982 and January 1, 1982

	1982	1981
	(in thousands)	
ASSETS		
Current Assets		
Cash and temporary cash investments	\$ 89,811	\$ 41,166
Accounts receivable	167,173	140,690
Inventories, at lower of average cost or market	89,071	65,224
Prepaid expenses	35,617	20,210
Total current assets	<u>381,672</u>	<u>267,290</u>
Property and Equipment, at cost		
Land	153,528	106,632
Buildings and improvements	419,634	376,465
Leasehold improvements	564,284	379,564
Furniture and equipment	446,133	379,680
Property under capital leases	89,297	35,894
Construction in progress	200,808	122,834
	<u>1,873,684</u>	<u>1,401,069</u>
Depreciation and amortization	(379,457)	(328,299)
	<u>1,494,227</u>	<u>1,072,770</u>
Other Assets		
Investments in and advances to affiliates	42,961	41,309
Notes receivable	36,786	18,741
Assets from acquisitions held for sale	27,979	—
Cost in excess of net assets of businesses acquired	26,929	19,700
Other	52,094	35,066
	<u>186,749</u>	<u>114,816</u>
	<u>\$2,062,648</u>	<u>\$1,454,876</u>

The accompanying notes are an integral part of this balance sheet.

	1982	1981
	(in thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term loans	\$ 9,155	\$ 3,373
Accounts payable	183,043	119,622
Accrued wages and benefits	91,145	68,145
Other payables and accrued liabilities	116,903	79,069
Current portion of debt and capital lease obligations	27,898	17,209
Total current liabilities	<u>428,144</u>	<u>287,418</u>
Debt		
Mortgage notes payable	182,455	139,824
Unsecured notes payable	627,854	440,519
	<u>810,309</u>	<u>580,343</u>
Capital Lease Obligations		
	79,016	27,400
Other Long-Term Liabilities		
	61,420	25,745
Deferred Income Taxes		
	167,754	112,241
Shareholders' Equity		
Common stock	29,424	29,424
Capital surplus	135,589	131,549
Deferred stock compensation and other	6,671	8,208
Retained earnings	389,524	303,515
Treasury stock, at cost	(45,203)	(50,967)
Total shareholders' equity	<u>516,005</u>	<u>421,729</u>
	\$2,062,648	\$1,454,876

CONSOLIDATED CHANGES IN FINANCIAL POSITION

Marriott Corporation and Subsidiaries
Fiscal years ended December 31, 1982, January 1, 1982 and January 2, 1981

	1982	1981 (in thousands)	1980
Operations			
Net income	\$ 94,342	\$ 86,136	\$ 72,030
Add expenses not requiring current outlay of working capital:			
Depreciation and amortization of property and equipment	85,786	66,437	55,863
Deferred income taxes	43,198	26,626	11,510
Other	7,228	7,442	10,889
Funds provided from operations	230,554	186,641	150,292
Less refurbishments of existing operations	(38,423)	(29,950)	(24,972)
Discretionary Cash Flow	192,131	156,691	125,320
Financing Activities			
New financing	427,899	176,783	202,199
Maturities and prepayments of debt	(245,750)	(95,256)	(24,994)
	182,149	81,527	177,205
Investing Activities			
Investment in property and equipment	416,919	247,931	208,973
Acquisitions	211,982	80,020	5,142
Proceeds from hotel dispositions (after tax) and syndication	(183,826)	(109,902)	(70,798)
Disposals of other property and equipment	(43,406)	(3,552)	(8,102)
Other	(697)	25,252	(403)
	400,972	239,749	134,812
Capital and Other Transactions			
Issuance of stock	9,477	31,032	14,654
Cash dividends	(8,333)	(6,571)	(5,252)
Purchase of treasury stock	(796)	(225)	(184,756)
Conversion of debt	—	(24,415)	—
	348	(179)	(175,354)
Increase in Negative Working Capital	\$ 26,344	\$ 1,710	\$ 7,641
Summary of Decrease (Increase) in Working Capital:			
Cash and temporary cash investments	\$ (48,645)	\$ (13,730)	\$ (6,166)
Accounts receivable	(26,483)	(16,236)	(24,499)
Inventories	(23,847)	(12,517)	(6,078)
Prepaid expenses	(15,407)	(6,651)	(3,691)
Short-term loans	5,782	120	(801)
Accounts payable and accrued liabilities	124,255	44,111	48,777
Current portion of debt and capital lease obligations	10,689	6,613	99
Increase in Negative Working Capital	\$ 26,344	\$ 1,710	\$ 7,641

The accompanying notes are an integral part of this statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Marriott Corporation and all subsidiaries. Investments in less than 50% owned affiliates in which the company possesses significant influence are accounted for under the equity method. All material intercompany transactions and balances have been eliminated. The results of Cruise Ships and other minor operations were combined into Hotels and certain other reclassifications were made to prior year amounts to conform to the 1982 presentation.

Fiscal Year

The company's fiscal year ends on the Friday closest to December 31 for domestic operations and November 30 for foreign operations. Fiscal year 1980 includes 53 weeks. All other years presented contain 52 weeks.

Managed and Leased Hotel Operations

The company operates 72 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 consolidated financial statements. Payments to owners are included in rent expense.

Foreign Operations

The consolidated financial statements include net assets of foreign subsidiaries and affiliates of \$74,063,000 at December 31, 1982 and \$76,253,000 at January 1, 1982. Foreign net income was \$3,446,000 in 1982, \$8,177,000 in 1981 and \$11,389,000 in 1980.

Property and Equipment

The cost of new units includes interest, rent charges and real estate taxes incurred during development. Capitalized interest totaled \$32,768,000 in 1982, \$24,168,000 in 1981 and \$12,546,000 in 1980. Replacements and improvements, including most costs of converting units, are capitalized.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of asset or lease life.

Upon sale or retirement of property and equipment (excluding normal sales or retirements of theme park rides and equipment), the costs less accumulated depreciation and salvage are charged or credited to income. Theme park rides and equipment are depreciated using the composite method, and no gain or loss is recognized on normal sales or retirements.

Cost in Excess of Net Assets of Businesses Acquired

Of the cost in excess of net assets of businesses acquired, \$11,765,000 relates to acquisitions prior to October 31, 1970 (at which time amortization became mandatory) and is not being amortized because, in the opinion of management, it has continuing value. The remaining \$15,164,000 at December 31, 1982 is being amortized over periods of up to 40 years.

Pre-Opening and Off-Season Costs

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

Theme park costs incurred during the off-season are deferred (included in prepaid expenses) and charged to expense during the operating season.

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 \$11,983,000 in 1982, \$12,698,000 in 1981 and \$10,621,000 in 1980.

Income Taxes

The provision for income taxes is based on income recognized for financial reporting and includes 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.

Provision for income taxes has not been made on unremitted earnings of foreign subsidiaries (\$32,958,000 as of December 31, 1982) 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. Fully diluted earnings per share prior to 1982 further assumes the conversion of all convertible debt. Primary and fully diluted shares were 27,281,612 and 27,447,623, respectively, for 1982.

Discretionary Cash Flow

Discretionary Cash Flow reports funds provided from operations less capital expenditures which, in management's opinion, were required to maintain the competitive position of existing fixed assets.

INVESTMENTS IN AFFILIATES

The company's investments in and advances to less than 50%-owned affiliates include:

	1982	1981
	(in thousands)	
Hotel joint ventures	\$31,488	\$28,705
Sun Line Greece Special Shipping Company	9,758	9,377
Other joint ventures	1,715	3,227
	<u>\$42,961</u>	<u>\$41,309</u>

The company has interests in eight joint ventures that own hotels operated by the company under long-term agreements. Payments by the company to the ventures are based primarily on profits of the hotels. At December 31, 1982, combined assets and liabilities of the operating hotels were \$486,730,000 and \$425,016,000, respectively. Liabilities include mortgages of \$406,458,000 which are secured solely by venture assets, generally without recourse to the company, except as described below.

On July 16, 1982, an \$18 million public offering of interests in Potomac Hotel Limited Partnership (the Partnership) was completed. The company is the sole general partner of the Partnership, which will develop, own and operate 11 hotels. The company contributed five operating hotels and the "work to date" with respect to six additional hotels under development to the Partnership, and received \$184 million from the Partnership for costs incurred to date on these hotels and as reimbursement of organizational and financing costs. The hotels will be managed by a subsidiary of the company, as part of the Marriott hotel system.

A group of commercial banks has committed to loan the Partnership, on a limited recourse basis (discussed below), a total of \$456 million to provide financing for the \$365 million estimated cost of the hotels and to meet certain required interest payments (up to \$91 million) on indebtedness, if needed. As of December 31, 1982, \$205,200,000 has been borrowed under this commitment. The company has agreed to advance up to \$45,600,000 to the Partnership to cover shortfalls in certain Partnership debt service. Any such advances by the company are recoverable from subsequent Partnership cash flows after Partnership debt service. Additionally, the company has agreed to advance up to \$38,500,000 to cover construction cost overruns, if any, in excess of the budgeted construction costs. To date, no amounts have been advanced under these guarantees.

The company also has investments in six other joint ventures presently constructing hotels that will be operated by the company.

The excess of the company's investment over its equity in the underlying net assets of less than 50%-owned affiliates is \$2,046,000 and is being amortized over periods of up to 40 years.

INCOME TAXES

Income tax expense consists of:

	1982	1981	1980
	(in thousands)		
Current—Federal	\$26,670	\$31,844	\$34,810
—State	4,390	5,043	5,577
—Foreign	2,530	4,673	6,620
Deferred	43,198	26,626	11,510
Tax credits			
Investment tax credit	(13,630)	(10,400)	(7,200)
Salaried employee stock ownership plan	(1,363)	(1,560)	(1,065)
Jobs tax credit	(2,221)	(2,300)	(2,194)
Income from investment tax credit purchased under "safe harbor" tax leases	(233)	(1,033)	—
Provision for income taxes	<u>\$59,341</u>	<u>\$52,893</u>	<u>\$48,058</u>

The deferred provision is primarily attributable to the tax effect of excess tax over book depreciation equal to \$14,632,000 in 1982, \$12,629,000 in 1981 and \$7,100,000 in 1980; the tax effect of capitalized interest equal to \$10,863,000 in 1982, \$11,518,000 in 1981 and \$5,526,000 in 1980; and the tax effect of partnership interests of \$9,198,000 in 1982. Tax credits arising from the company's contributions to a salaried employee stock ownership plan offset a corresponding charge to corporate expenses.

Reconciliation of the United States statutory tax rate and the company's consolidated income tax rate follows:			
	1982	1981	1980
United States statutory tax rate	46.0%	46.0%	46.0%
State income taxes, net of U.S. tax benefit	3.6	3.6	3.7
Foreign earnings and losses subject to aggregate tax rates less than U.S. rate	(.6)	(1.6)	(1.8)
Other items, net	1.0	1.0	.8
Effective gross income tax rate	50.0	49.0	48.7
Tax credits and other	(11.4)	(11.0)	(8.7)
Effective income tax rate	<u>38.6%</u>	<u>38.0%</u>	<u>40.0%</u>

DEBT

Maturities of debt at December 31, 1982 are:

	(in thousands)
1984	\$ 27,735
1985	35,615
1986	42,097
1987	48,358
to 2012	656,504
	<u>\$810,309</u>

The company has debt of \$603,141,000 as of December 31, 1982, at interest rates which vary based on the prime lending rate, London Euro-dollar interbank rate or negotiated rates based on the banks' cost of funds. Interest rates on other debt range from 5.2% to 12.0%.

The company's loan agreements require it to meet certain requirements including, among other things, maintaining minimum net worth, asset-to-debt and debt-to-equity ratios. The loan agreements also have restrictions on cash dividends, other payments and the pledging of certain assets. At December 31, 1982, retained earnings of \$211,766,000 are unrestricted and \$446,637,000 of owned property and equipment, at net book value, is pledged or mortgaged.

Unsecured debt at year-end consists of:

	(in thousands)
Senior notes payable with interest at 10 $\frac{7}{8}$ % and maturing 1984 to 1997	\$ 32,200
Notes payable with interest at 5.25% to 12.0% and maturing 1984 to 2010	38,736
Revolving bank loans with average interest at 10.0% and maturing through 1992 (includes short-term debt of \$63,672,000 borrowed against revolving bank loans)	556,918
	<u>\$627,854</u>

The company has \$680,000,000 of revolving loan commitments at December 31, 1982. A commitment fee of up to one-half of one percent is payable on the unused portion. The company uses revolving loan commitments, short-term loans and commercial paper for its interim financing. Such financing is classified as noncurrent to the extent the company has funds available under its revolving loan agreements maturing beyond one year. The above maturity table reflects the maturities of unsecured debt on the basis of 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. All compensating balance agreements are informal and do not legally restrict withdrawal of funds. The average compensating balance during 1982 was \$17,181,000.

LEASES

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

Fiscal Year	Capital Leases	Operating Leases	Operations Held for Sale
	(in thousands)		
1983	\$ 13,198	\$ 43,114	\$ 11,737
1984	13,051	41,299	10,823
1985	12,732	38,246	9,949
1986	12,393	38,017	9,753
1987	11,775	37,952	9,547
Thereafter	102,816	313,055	71,930
Total minimum lease payments	165,965	<u>\$511,683</u>	<u>\$123,739</u>
Amount representing interest	(81,934)		
Present value of net minimum lease payments	84,031		
Current portion of capital lease obligations	(5,015)		
Long-term capital lease obligations	<u>\$ 79,016</u>		

The above stated amounts have not been reduced by minimum sublease rentals of \$20,416,000, payable to the company in the future under non-cancelable subleases.

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

"Operations Held for Sale" include all leases related to operations acquired as part of the Gino's acquisition which are being held for sale, pursuant to the company's merger plan to divest of certain acquired units. It is the company's intent to assign or sublease these lease commitments.

Rent expense consists of:

	1982	1981	1980
	(in thousands)		
Minimum rentals on operating leases	\$ 47,907	\$19,470	\$17,982
Additional rentals based on sales			
— operating leases	20,477	11,818	10,956
— capital leases	3,358	1,698	1,140
	<u>\$ 71,742</u>	<u>\$32,986</u>	<u>\$30,078</u>
Payments to owners of leased and managed hotels based primarily on profits	<u>\$135,233</u>	<u>\$97,124</u>	<u>\$68,155</u>

During the past three years the company has disposed of hotels through sales and syndication. The company continues to operate the hotels under long-term agreements (75 years including renewal options) with rentals and management fees based primarily on hotel profits.

CAPITAL STOCK

Sixty million shares of common stock, with a par value of \$1 per share, are authorized, of which 29,423,664 were issued at December 31, 1982 and at January 1, 1982, including treasury stock of 2,868,972 at December 31, 1982 and 3,264,902 at January 1, 1982, respectively. One million shares of preferred stock, without par value, are authorized. As of December 31, 1982, no preferred shares have been issued.

Total common stock shares reserved at December 31, 1982 are:

Employee stock option plan	2,047,286
Deferred stock compensation program (494,309 shares fully vested)	934,860
Employee qualified stock purchase plan	624,418
Restricted stock plan for key employees	75,000
Conversions of convertible subordinated debt	3,122
Total shares reserved	<u>3,684,686</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 10 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, December 28, 1979	1,332,073	\$ 9.31—16.69
Granted	355,050	18.44—34.50
Exercised	(456,169)	9.69—16.69
Canceled	(52,936)	9.69—28.69
Balance, January 2, 1981	1,178,018	9.31—34.50
Granted	291,160	33.13—41.56
Exercised	(85,954)	9.69—28.69
Canceled	(44,592)	9.69—33.44
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	<u>1,383,555</u>	9.69—60.94

At December 31, 1982, options for 628,252 shares were exercisable and 663,731 shares were available for granting of additional options. No accounting is made for options until they are exercised.

Shares of deferred 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 market value at the beginning or end of the plan year, whichever is less.

BUSINESS SEGMENT INFORMATION

Results of operations by principal business segment are included in the Statement of Consolidated Income. 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		
	1982	1981	1980	1982	1981	1980	1982	1981	1980	1982	1981	1980
Hotels	\$ 729.9	\$ 543.2	\$435.3	\$ 909.7	\$ 675.2	\$ 533.6	\$371.5	\$247.8	\$132.9	\$22.7	\$20.6	\$18.3
Contract Food Services	274.8	182.3	142.2	373.3	239.8	191.4	127.7	42.6	27.1	22.9	13.1	9.8
Restaurants	401.5	238.3	204.5	452.2	274.4	239.8	199.6	54.1	57.1	25.1	19.1	15.7
Theme Parks	160.9	166.4	164.2	169.0	172.0	170.4	10.6	10.8	16.3	12.4	11.3	10.1
Corporate	67.4	37.3	31.5	158.4	93.5	79.1	11.9	2.6	5.7	2.7	2.3	2.0
Total	\$1,634.5	\$1,167.5	\$977.7	\$2,062.6	\$1,454.9	\$1,214.3	\$721.3	\$357.9	\$239.1	\$85.8	\$66.4	\$55.9

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

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. Both acquisitions were financed through the company's available revolving bank loan commitments and were accounted for as purchases. The aggregate purchase price and long-term liabilities assumed were \$151,300,000 and \$53,425,000 for Host and \$48,119,000 and \$64,606,000 for Gino's, respectively. Excess of cost over values assigned (goodwill) of \$8,576,000 for Host is being amortized on a straight line basis over 40 years.

Host is a diversified company operating a number of airline terminals, specialty restaurants and retail merchandising facilities. In connection with the acquisition, the company honored option agreements granted by Host to DFS Group Limited and sold certain of Host's duty-free operations for \$20,000,000 plus \$11,857,000 for inventories. The results of operations for Host are included in the consolidated financial statements from the date of acquisition, March 3, 1982. Operating results of Host have been identified with the company's existing businesses and are included within the Contract Food Services and Restaurant segments. Summarized below are the unaudited pro forma consolidated results from continuing operations as if Host had been acquired at the beginning of 1981 (in thousands except per share amounts):

	1982	1981
Sales	\$2,590,555	\$2,294,448
Net Income	93,175	79,988
Earnings Per Share (fully diluted)	3.39	2.97

The above unaudited pro forma results of operations pertaining to the periods prior to the acquisition include adjust-

ments to reflect the interest expense on borrowed funds used to finance the acquisition, additional depreciation on revalued purchased assets and the elimination of results from discontinued operations.

Gino's was a fast food and restaurant company acquired primarily to obtain prime real estate sites and to convert them into Roy Rogers Restaurants. Operating profits for Gino's are recorded as a reduction in the cost of units being converted to Roy Rogers. Gino's assets that will be sold have been recorded at their estimated net realizable value as of the acquisition date, February 5, 1982. By the end of 1983, the company plans to convert 175 of Gino's 540 restaurants into Roy Rogers and to sell a significant portion of the remaining Gino's restaurants and operations. On August 6, 1982, the company sold 69 Gino's units to KFC Corporation for \$15,077,000. Additionally, an agreement in principle was signed on December 10, 1982 for the sale of 108 of Gino's Rustler Restaurants. Closing on the sale is anticipated in 1983.

"Assets from acquisitions held for sale" at fiscal year-end includes primarily Gino's restaurants to be disposed of, at net realizable value, net of related capital lease obligations of \$27,357,000.

On March 9, 1982, the company sold its Farrell's Ice Cream Parlour Restaurant Division for \$15,000,000 plus \$1,886,000 for inventories. Farrell's sales and operating income for 1982 through the disposition date were \$8,376,000 and \$970,000 (including gain on sale) and were \$50,531,000 and \$3,646,000 for 1981, and \$51,646,000 and \$2,770,000 for 1980.

CONSOLIDATED SHAREHOLDERS' EQUITY

Changes in consolidated shareholders' equity for the fiscal years ended December 31, 1982, January 1, 1982 and January 2, 1981, were as follows:

	Common Stock (\$1.00 par value)	Capital Surplus	Deferred Stock Compensation and Other (in thousands)	Retained Earnings	Treasury Stock
Balance, December 28, 1979	\$36,900	\$224,533	\$7,670	\$217,779	\$ (73,379)
Net income	—	—	—	72,030	—
Common stock issued for employee stock purchase and stock option plans	—	(2,407)	—	—	9,303
Purchase of treasury stock	—	—	—	—	(184,756)
Retirement of treasury stock	(7,475)	(109,431)	—	(60,607)	177,513
Cash dividends (\$.21 per share)	—	—	—	(5,252)	—
Deferred stock compensation	(1)	75	837	—	727
Other	—	4,817	—	—	2,629
Balance, January 2, 1981	29,424	117,587	8,507	223,950	(67,963)
Net income	—	—	—	86,136	—
Common stock issued —					
Employee stock purchase and stock option plans	—	73	—	—	4,127
Conversion of convertible subordinated debentures	—	12,356	—	—	12,664
Cash dividends (\$.255 per share)	—	—	—	(6,571)	—
Deferred stock compensation	—	348	1,601	—	428
Cumulative foreign currency translation adjustment	—	—	(1,900)	—	—
Other	—	1,185	—	—	(223)
Balance, January 1, 1982	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	—	1,022	—	—	5,207
Cash dividends (\$.315 per share)	—	—	—	(8,333)	—
Deferred stock compensation	—	1,057	967	—	1,342
Foreign currency translation adjustment	—	—	(2,504)	—	—
Other	—	1,961	—	—	(785)
Balance, December 31, 1982	\$29,424	\$135,589	\$6,671	\$389,524	\$ (45,203)

QUARTERLY FINANCIAL RESULTS (Unaudited)

The following is a summary of selected quarterly financial data for fiscal years 1982 and 1981 (in thousands except per share amounts):

	Sales	Income Before Income Taxes	Net Income	Fully Diluted Earnings Per Share
1982				
First	\$ 516,209	\$ 28,812	\$16,942	\$.63
Second	600,861	36,705	22,370	.82
Third	631,660	47,068	29,895	1.10
Fourth	792,623	41,098	25,135	.91
Year	<u>\$2,541,353</u>	<u>\$153,683</u>	<u>\$94,342</u>	3.44
1981				
First	\$ 412,536	\$ 23,784	\$14,367	\$.54
Second	463,624	36,497	21,823	.81
Third	503,431	45,365	28,210	1.05
Fourth	620,723	33,383	21,736	.81
Year	<u>\$2,000,314</u>	<u>\$139,029</u>	<u>\$86,136</u>	3.20

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 is different from the annual earnings per share due to the required method of computing the quarterly and annual amounts on the weighted average number of shares in the respective periods.

In the fourth quarter, the company's Theme Parks segment disposed of approximately 35 acres of excess land at the Santa Clara park, resulting in a pre-tax gain of \$16,874,000. In addition, various other write-offs and reserves were recorded, primarily related to airline receivables and foreign operations. The net effect of all of the foregoing items was to increase earnings per share for the fourth quarter seven cents per share.

CONSTANT DOLLAR AND CURRENT COST INFORMATION (Unaudited)

The following tables are required by Statement of Financial Accounting Standards No. 33. They adjust historical cost financial information for changes in the general purchasing power of the dollar as measured by the Consumer Price Index, and 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 increased for changes in general price levels and 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, management believes that the Current Value information on page 28 is more meaningful in evaluating the company's performance and financial condition.

Statement of Consolidated Income Adjusted for Changing Costs for the year ended December 31, 1982 (in thousands of average 1982 dollars)

Net income as reported	\$ 94,342
Constant dollar adjustment for depreciation and amortization of property and equipment	(33,868)
Constant dollar net income	60,474
Current cost adjustment for depreciation and amortization of property and equipment	10,087
Current cost net income	70,561
Gain from decline in purchasing power of net amounts owed	35,435
Adjusted net income	<u>\$105,996</u>
Increase in current cost of property and equipment held during the year	\$ 66,885
Effect of increase in general price level	58,066
Increase in current costs excluding increase in general price level	<u>\$ 8,819</u>

At December 31, 1982, current cost of inventories was \$89,071,000 and current cost of property and equipment (excluding construction in progress), net of accumulated depreciation, was \$1,626,052,000.

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 increase in current cost of property and equipment in excess of the increase in the general price level is primarily the result of increased land values. The company's inventory turns over rapidly and thus, its cost is current. Accordingly, cost of sales is already stated in average 1982 dollars.

In accordance with Statement of Financial Accounting Standards No. 33, no adjustment has been made to the provision for income taxes. Accordingly, the effective income tax rate increases from 38.6% as reported in the

financial statements to 45.7% in the 1982 current cost calculations. The following table is consistent with the primary financial statements, in that the financial data for Host and Gino's are included on a consolidated basis for 1982 only.

Five-Year Comparison of Selected Supplementary Financial Data
Adjusted for Effects of Changing Prices
(in thousands of average 1982 dollars except per share amounts)

	1982	1981	For Fiscal Years 1980	1979	1978
Sales					
Adjusted for constant dollars	\$2,541,353	\$2,122,947	\$2,013,304	\$2,007,951	\$1,848,812
Net income					
Adjusted for constant dollars	60,474	58,147	56,408	70,792	
Adjusted for current costs	70,561	75,963	72,757	83,486	
Fully diluted earnings per share					
Adjusted for constant dollars	2.20	2.15	2.05	1.95	
Adjusted for current costs	2.57	2.82	2.62	2.30	
Shareholders' equity at year end					
Adjusted for constant dollars	992,377	923,330	800,216	928,157	
Adjusted for current costs	842,772	766,883	653,027	826,704	
Increase (decrease) in current costs excluding increases in general price level	8,819	(33,677)	(98,650)	(129,889)	
Constant dollar gain from decline in purchasing power of net amounts owed	35,435	69,301	82,090	73,284	
Cash dividends declared per common share					
Adjusted for constant dollars	.31	.27	.24	.22	.19
Market price per common share at year end					
Adjusted for constant dollars	57.84	36.85	35.52	21.85	17.28
Average consumer price index	289.1	272.4	246.8	217.4	195.4

Management is responsible for the integrity and objectivity of the consolidated 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 consolidated financial statements in accordance with generally accepted accounting principles.

The consolidated financial statements have been examined by Arthur Andersen & Co., independent public accountants. The auditors' report expresses an informed judgment as to whether management's consolidated 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 consolidated 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.
January 31, 1983*

To the Shareholders of Marriott Corporation

We have examined the consolidated balance sheet of Marriott Corporation (a Delaware corporation) and Subsidiaries as of December 31, 1982 and January 1, 1982, and the related statements of consolidated income and changes in financial position for each of the three fiscal years in the period ended December 31, 1982. 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 31, 1982 and January 1, 1982, 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 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

*Washington, D.C.
January 31, 1983*

FINANCIAL HISTORY

(dollars in thousands except per share amounts)

Years (Note A)	1982	1981	1980	1979
			(53 Weeks)	
Summary of Operations (Note B)				
Sales	2,541,353	2,000,314	1,718,725	1,509,957
Earnings before interest and taxes	220,349	191,053	166,908	150,985
Interest cost, net	66,666	52,024	46,820	27,840
Income before income taxes	153,683	139,029	120,088	123,145
United States and foreign income taxes	59,341	52,893	48,058	52,145
Net income	94,342	86,136	72,030	71,000
Funds provided from operations (Note C)	230,554	186,641	150,292	140,934
Capital expenditures and acquisitions net of hotel sales	483,498	247,999	168,289	158,516
Capitalization and Returns				
Total assets	2,062,648	1,454,876	1,214,264	1,080,365
Total capital (Note D)	1,634,504	1,167,458	977,690	891,866
Shareholders' equity	516,005	421,729	311,505	413,503
Debt and capital lease obligations	889,325	607,743	536,607	365,279
Percent to total capital	54.4%	52.1%	54.9%	41.0%
Return on average shareholders' equity	20.0%	23.4%	23.8%	17.0%
Return on average total capital (before interest and taxes)	14.8%	17.6%	18.0%	17.7%
Per Share and Other Data				
Fully diluted earnings per share	3.44	3.20	2.60	1.95
Percent increase for the year	7.5%	23.1%	33.3%	36.4%
Cash dividends	.315	.255	.21	.17
Shareholders' equity	19.43	16.12	12.43	12.88
Quoted market price at year-end	58.50	35.88	31.75	17.38
Shares outstanding	26,554,692	26,158,762	25,061,265	32,098,333
Hotel rooms:				
Total	49,432	40,419	30,169	26,284
Company-operated	41,126	33,088	23,704	20,956
Employees	109,200	81,800	67,300	65,700

NOTES

(A) In 1978, the company changed its fiscal year-end from the last Friday in July to the Friday closest to December 31. Years 1982 to 1974 are presented on a calendar year basis, 1973 is presented on the former July fiscal year-end basis.

(B) See Notes to Consolidated Financial Statements for summary of significant accounting policies and additional information.

(C) Funds provided from operations consist of net income plus depreciation, deferred taxes and other items not requiring current outlay of working capital.

(D) Total capital represents total assets less current liabilities.

1978	1977	1976	1975	1974	1973	5-year Compound Growth Rate	10-year Compound Growth Rate
				(53 Weeks)			
1,249,595	1,090,313	946,715	775,866	691,174	538,193	18.4	18.6
118,987	99,329	79,658	63,160	61,933	49,393	17.3	17.3
23,688	30,206	26,772	23,017	20,259	14,009		
95,299	69,123	52,886	40,143	41,674	35,384	17.3	16.6
40,999	30,073	20,938	15,995	17,576	14,505		
54,300	39,050	31,948	24,148	24,098	20,879	19.3	17.3
121,588	99,834	92,180	77,605	68,310	51,696	18.2	17.1
49,208	98,387	119,182	132,500	161,713	113,263	37.5	17.4
1,000,255	949,510	886,865	830,975	726,146	563,504		
826,883	823,645	785,540	739,311	635,996	489,513		
418,656	365,796	326,473	263,730	234,860	199,175		
309,899	369,514	378,252	405,658	336,155	261,236		
37.5%	44.9%	48.2%	54.9%	52.9%	53.4%		
13.9%	11.1%	10.4%	9.5%	10.6%	11.2%		
14.5%	12.4%	10.3%	9.1%	10.9%	11.0%		
1.43	1.04	.86	.69	.70	.62	27.0	19.5
37.5%	20.9%	24.6%	(1.4%)	12.9%	17.0%		
.13	.03	—	—	—	—		
11.40	10.02	8.95	7.68	6.95	5.96		
12.13	11.75	13.54	15.46	6.50	27.07		
36,714,645	36,506,969	36,464,651	34,358,503	33,788,105	33,415,613		
22,658	19,231	17,850	16,072	14,110	11,048	20.8	16.9
17,987	15,383	14,765	12,987	11,435	8,772	21.7	16.3
63,600	56,100	52,900	47,600	44,400	38,700	14.2	11.7

MARRIOTT LOCATIONS*

MARRIOTT HOTELS**

United States

Alabama

Point Clear
Grand Hotel

Arizona

Scottsdale
Camelback Inn
Mountain Shadows Resort
Tucson

California

Anaheim
Irvine***
Los Angeles
Airport
Marina del Rey
Newport Beach
Rancho Mirage
Rancho Las Palmas Resort
San Francisco Bay
Berkeley Marina
Santa Barbara
Biltmore
Santa Clara

Colorado

Denver
City Center
Southeast

Vail

Mark Resort

Connecticut

Hartford/
Farmington
Stamford

Florida

Fort Lauderdale
Key West
Casa Marina Resort
Marco Island
Marco Beach Resort
Miami
Airport
Biscayne Bay***
Orlando
Orlando Inn
Orlando Airport***
Tampa
Airport
Westshore

Georgia

Atlanta
Airport
Downtown
Interstate North
Perimeter Center

Hawaii

Maui Resort

Illinois

Chicago area
Downtown
Oak Brook
O'Hare
Schaumburg***
Lincolnshire Resort

Indiana

Fort Wayne
Indianapolis
South Bend

Iowa

Des Moines

Kentucky

Lexington
Griffin Gate Resort
Louisville/Clarksville

Louisiana

New Orleans

Maryland

Baltimore
Hunt Valley Inn

Massachusetts

Boston
Burlington***
Long Wharf
Newton
Springfield
Worcester

Michigan

Ann Arbor
Grand Rapids

Minnesota

Minneapolis

Missouri

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

Nebraska

Omaha

New Jersey

Saddle Brook
Somerset

New Mexico

Albuquerque

New York

Buffalo
New York City area
Essex House
LaGuardia
Nassau, Long Island
Westchester

Rochester

Airport
Thruway
Syracuse

North Carolina

Charlotte***
Greensboro***
Raleigh

Ohio

Cincinnati
Cleveland
Airport
East
Columbus
East
North
Dayton

Oklahoma

Tulsa***

Oregon

Portland

Pennsylvania

Harrisburg
Philadelphia
Airport
City Line
Pittsburgh
Greentree
Monroeville

Rhode Island

Providence

South Carolina

Charleston***
Columbia***
Hilton Head Resort

Tennessee

Nashville

Texas

Austin
Dallas
Airport
Market Center
Park Central
Quorum
El Paso
Galveston
Hotel Galvez
Houston
Airport
Astrodome
Brookhollow
Galleria
Greenspoint
San Antonio
Downtown
North

Utah

Salt Lake City

Virginia

Blacksburg

Washington

Seattle
Sea-Tac Airport

Washington, D.C. area

Bethesda
Crystal City
Crystal Gateway
Dulles
Gaithersburg
Key Bridge
Twin Bridges
Tysons Corner
Washington, D.C.

West Virginia

Charleston

Wisconsin

Milwaukee

International

Egypt

Cairo

Greece

Athens***

Jordan

Amman

Kuwait

Kuwait City

Mexico

Acapulco
Paraiso

The Netherlands

Amsterdam

Panama

Panama City

Saudi Arabia

Dhahran
Jeddah***
Riyadh
Khurais
Riyadh

West Indies

Barbados
Sam Lord's Castle Resort

Future Hotels

Colorado

Denver
West '84

Florida

Orlando
Epcot Resort '86
Fort Lauderdale
Beach Resort '85

Georgia

Atlanta
Marriott Marquis '85

Kansas

Overland Park '84

Massachusetts

Boston
Copley Place '84

New Jersey

Newark Airport '84

New York

New York City
Marriott Marquis '85

North Carolina

Charlotte '84

Texas

Houston
Medical Center '84
Town & Country '85

Virginia

Richmond '84
Roanoke '84

Washington, D.C.

National Place '84

For Hotel Reservations

Call Toll-Free
800/228-9290

CONTRACT FOOD SERVICES

Airline Catering

U. S. Flight Kitchens

Alaska

Anchorage

Arizona

Phoenix

California

Los Angeles (2)

Ontario

San Diego
San Francisco (2)
San Jose

Colorado

Denver

Florida

Fort Lauderdale (2)
Miami (5)
Orlando
Tampa
West Palm Beach

Georgia

Atlanta (2)

Hawaii

Hilo
Honolulu

Illinois

Chicago (2)

Louisiana

New Orleans

Maryland

Baltimore (2)

Massachusetts

Boston (2)

Michigan

Detroit

<i>Minnesota</i> Minneapolis/St. Paul	<i>Venezuela</i> Caracas	<i>New York</i> New York City area Kennedy International LaGuardia	<i>Health Care</i> (hospitals, nursing homes, retirement homes) 99	Other Restaurant Operations
<i>Missouri</i> Kansas City St. Louis	<i>Virgin Islands</i> St. Croix	<i>North Carolina</i> Greensboro	Florida	<i>Hot Shoppes</i> <i>Cafeterias and Service Restaurants</i> 23 <i>Big Boy Jrs.</i> 14
<i>Nevada</i> Las Vegas	<i>West Indies</i> Antigua Barbados	<i>Ohio</i> Cincinnati Cleveland Columbus	Georgia	Host Specialty Restaurants
<i>New Jersey</i> Newark	Airport Terminal Concessions	<i>Oregon</i> Portland	Indiana	<i>Casa Maria</i> 22
<i>New Mexico</i> Albuquerque	<i>Alaska</i> Anchorage	<i>Utah</i> Salt Lake City	Kentucky	California
<i>New York</i> New York City area (3)	<i>Arizona</i> Phoenix	<i>Washington</i> Seattle	Louisiana	New Jersey
<i>Oklahoma</i> Oklahoma City	<i>California</i> Los Angeles Ontario	<i>Washington, D.C. area</i> Dulles International	Maryland	Pennsylvania
<i>Texas</i> Dallas/Fort Worth Houston (2)	<i>Colorado</i> Denver	<i>Panama</i> Panama City	Massachusetts	Virginia
<i>Utah</i> Salt Lake City	<i>Florida</i> Miami Tampa	<i>Puerto Rico</i> San Juan	New Jersey	Washington, D.C.
<i>Washington</i> Seattle (3)	<i>Hawaii</i> Hilo Honolulu Kahului Kailua Lihue Maui	<i>Saudi Arabia</i> Jeddah	New York	<i>Charley Brown's/Charley's Place</i> 22
<i>Washington, D.C. area (2)</i>	<i>Illinois</i> Chicago	<i>West Indies</i> Barbados	North Carolina	California
International Flight Kitchens	<i>Indiana</i> Indianapolis	Merchandise Shops (Non-Airport)	Ohio	Pennsylvania
<i>Argentina</i> Buenos Aires	<i>Louisiana</i> New Orleans	<i>California</i> San Francisco	Pennsylvania	Virginia
<i>Brazil</i> Rio de Janeiro	<i>Maryland</i> Baltimore	<i>Nevada</i> Lake Tahoe Las Vegas Reno	Texas	Washington, D.C.
<i>Chile</i> Santiago	<i>Massachusetts</i> Boston	<i>New Jersey</i> Atlantic City	Virginia	<i>Other Concepts</i> 7
<i>England</i> London (3)	<i>Michigan</i> Detroit Grand Rapids	Management Contracts	Washington, D.C.	Connecticut
<i>Jamaica</i> Kingston Montego Bay	<i>Minnesota</i> Minneapolis/St. Paul	<i>Business</i> (executive dining rooms, cafeterias, conference centers, snack shops) 140	West Virginia	Maryland
<i>Mexico</i> Acapulco Mexico City	<i>Missouri</i> St. Louis	Arizona	Jordan	Pennsylvania
<i>Panama</i> Panama City	<i>Nevada</i> Las Vegas Reno	Connecticut	United Arab Emirates	Virginia
<i>Peru</i> Lima	<i>New Jersey</i> Newark	Florida	<i>Education</i> (schools, colleges, universities) 20	Washington, D.C.
<i>Portugal</i> Lisbon	<i>New Mexico</i> Albuquerque	Georgia	Alabama	Franchised Units
<i>Puerto Rico</i> San Juan		Illinois	Maryland	Big Boy 980 Roy Rogers 112
<i>South Africa</i> Johannesburg		Maryland	Massachusetts	THEME PARKS
<i>Spain</i> Barcelona Gerona Madrid Malaga Palma de Mallorca		Massachusetts	New Hampshire	Marriott's Great America
		Michigan	New York	<i>California</i> Santa Clara (serves San Francisco area)
		New Jersey	Texas	<i>Illinois</i> Gurnee (serves Chicago/Milwaukee area)
		New York	Virginia	SUN LINE CRUISES
		North Carolina	Washington, D.C.	(luxury cruises in the Mediterranean and Caribbean)
		Pennsylvania	West Virginia	<i>Stella Solaris</i> <i>Stella Oceanis</i> <i>Stella Maris</i>
		Tennessee	<i>Highway restaurants</i> 14	For Reservations and Information Call Toll-Free 800/223-5760
		Texas	Delaware	
		Utah	New Jersey	*Except where noted locations are listed as of December 31, 1982.
		Virginia	New Orleans	**Includes hotels, resorts, and franchised inns.
		Washington, D.C.	RESTAURANTS	***Opening in 1983.
		Wisconsin	Company-Operated Units	
			<i>Bob's Big Boy</i> <i>Coffee Shops</i> 197	
			California	
			Hawaii	
			Maryland	
			Nevada	
			New Jersey	
			Ohio	
			Oregon	
			Virginia	
			<i>Roy Rogers Restaurants</i> 326	
			Connecticut	
			Delaware	
			Maryland	
			New Jersey	
			New York	
			Pennsylvania	
			Virginia	
			Washington, D.C.	

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J. Willard Marriott

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J. W. Marriott, Jr.

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Gary L. Wilson*

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General Counsel*

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Corporate Secretary*

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*Group Vice President—
Corporate*

Howard E. Varner
Group President—Host

* Chief Financial Officer

Corporate Officers

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Food Service Management*

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Government Affairs*

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Vice President

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Vice President, Taxes

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*Vice President, Marketing
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*Vice President
International In-Flite*

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and Corporate Procurement*

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Marriott Hotels*

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Marriott Hotels*

J. Robert Schultz
Senior Vice President

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Corporate Controller*

William R. Tiefel
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*Vice President
Corporate Procurement*

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*Senior Vice President,
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Associate General Counsel*

James R. Yoakum
*Vice President,
Information Systems*

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Chairman of the Board

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*Vice Chairman of the Board
and Director, several
other corporations*

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

Alice S. Marriott
Vice President

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

Richard E. Marriott
*Group Vice President—
Corporate*

Thomas R. Piper²
*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

*Design: Invisions, Ltd.
Principal photography:
Jeff Zaruba
Other photography:
Bob Cohen, Jim Burnette,
Bill Weems
Printing: Stephenson, Inc.*

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
1510 H Street, N.W.
Washington, D.C. 20013
202/624-2628

Auditors

Arthur Andersen & Co.
Washington, D.C.

Annual Meeting

The 1983 annual meeting of shareholders will be held at 10:00 a.m., Thursday, April 21, 1983, in the Grand Ballroom of the Marriott Crystal Gateway Hotel, Arlington, Virginia. The hotel is located at 1700 Jefferson Davis Highway, Arlington, Virginia. Doors will open at 9:30 a.m.

Number of Shareholders

28,827 at December 31, 1982

Marriott
corporation

Marriott Drive
Washington, D.C. 20058