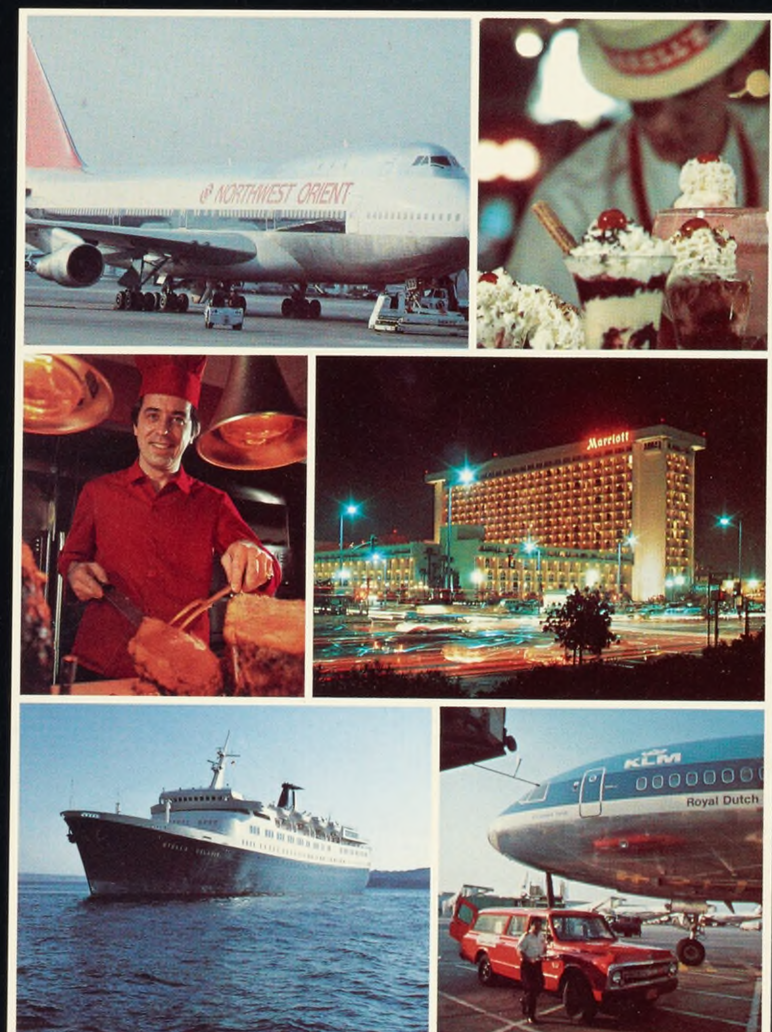
Annual Report 1973

Marriott




Marriott

Marriott
CORPORATION

Annual Report Highlights—Fiscal 1973

NET INCOME is up 22% over fiscal '72

NET PER SHARE increases 20%

SALES jump 27%, pass $½ billion

COMPANY OPERATIONS rise by 62 to 570

	1973	1972
Sales	**$538,193,000**	$422,928,000
Income before income taxes	**36,278,000**	30,635,000
Per sales dollar	**6.7%**	7.2%
Net income	**21,640,000**	17,734,000
Per sales dollar	**4.0%**	4.2%
Per share	**.72**	.60
Funds provided from operations	**52,079,000**	43,531,000
Shareholders' investment	**200,623,000**	174,493,000
Per share	**6.63**	5.81
Working capital	**9,771,000**	9,592,000
Shares outstanding	**30,272,896**	30,019,939
Shareholders	**37,000**	32,400
Employees	**38,700**	34,100
Operating units	**570**	508

NOTES: Results are for the 52 Weeks Ended July 27, 1973 and July 28, 1972

Amounts per share are based on the weighted average shares outstanding during the year (except for shareholders' investment which is based on the total shares outstanding at the end of the year). Weighted average shares and shares outstanding for 1972 have been adjusted for the 2½% stock dividend in March, 1973.

Funds provided from operations consist of net income plus depreciation, deferred taxes and other non-cash expense provisions. These funds are available for capital expenditures and debt maturities.

Left: The new Los Angeles Marriott Hotel at Los Angeles International Airport

The Chairman and President Report to Shareholders

J. WILLARD MARRIOTT

J.W. MARRIOTT, JR.

Marriott Corporation became a half-a-billion dollar company and set new earnings records in fiscal 1973.

Earnings per share are up another 20 percent, to 72 cents from 60 cents a year ago. Net income jumped 22 percent to $21,640,000 from the $17,734,000 of last year. Sales hit $538,193,000, a 27 percent bulge over 1972's total of $442,928,000.

This year much of our nation's food supply picture changed drastically, and strict government controls were imposed. With the sale of food so much a part of our business, it was a difficult challenge achieving these good results.

In the past we have experienced continual increases in costs of wages, interest, real estate taxes and utilities, but we have not seen anything like the recent food-cost situation. Prices at the farm level floated freely all year, and in January our bills for purchased food began to spiral upward markedly.

It is a tribute to our strong management and employee teams at all levels of the organization that we were able to continue our historic growth trend.

All three of our operating groups—Hotels, Restaurant Operations, and In-Flite Services—produced increases in sales and earnings.

RESTAURANT OPERATIONS tightened up internally, set new volume marks in all its major divisions and produced our largest earnings increase.

HOTELS had the biggest sales gains and enjoyed record occupancy rates. The Group's Sun Line cruise ships and Camelback Inn condominium program also made significant contributions.

IN-FLITE SERVICES suffered from disappointing growth in U.S. airline traffic and certain expansion costs but continued to turn in good results both at home and abroad.

* * *

Again in 1973, we continued to expand in new units, new markets, and new businesses in away-from-home services. We now operate 570 facilities of various types in 35 states and 14 foreign countries. In addition, our franchisees operate almost 800 units.

Growth also means jobs—4,600 more in fiscal 1973 alone. We now have almost 39,000 employees. This is a 100 per cent increase over five years ago.

Diversity, we believe, is one of our great strengths. Entering the 1970's we re-cast our strategic plan to broaden our base in leisure-time services. Our ambitious program now encompasses cruise ships, group travel, resort condominiums, and family entertainment centers—three "Marriott's Great America" theme parks to open across the United States starting in the mid-1970's. We have carefully structured ourselves uniquely within the travel, tourism and leisure-time field. We will do only what we know best.

* * *

Although there are major challenges to be met in the economy in the year ahead, we are confident that the demand for quality food, lodging and leisure-time activities will continue to grow rapidly, and we expect a good 1974.

J. Willard Marriott
Chairman of the Board

J. W. Marriott, Jr.
President

September 28, 1973

This is Marriott . . . 1973

MARRIOTT RESTAURANT OPERATIONS

Most diverse food service organization in United States . . . large food manufacturing plant . . . expanding into family entertainment centers—East Coast, Midwest, West Coast

SALES: $221 million, fiscal 1973
UNITS: 406 (up 37 in fiscal 1973)
SCOPE: 23 States and D.C.
EMPLOYEES: 18,100 (up 2,400)
FRANCHISES: 786 (up 65)

Restaurants, Cafeterias, Fast Food Units

294 Company-owned facilities in Eastern U.S., Southern California

Hot Shoppes Service Restaurants (23)
Hot Shoppes Cafeterias (39)
Big Boy Coffee Shops (65)
Tollroad Restaurants (18)
Farrell's Ice Cream Parlour Restaurants (30)
Specialty Restaurants (5)
Roy Rogers Family Restaurants (49)
Jr. Hot Shoppes, Snack Shoppes (50)
Big Boy Jr. Units (15)

786 Franchised units across U.S. and in Canada

Big Boy Restaurants of America (677)
Farrell's Ice Cream Parlour Restaurants (41)
Roy Rogers Family Restaurants (68)

Food Service Management

112 contracts for food service with businesses, hospitals, and schools and colleges, and for food vending routes, all in the Eastern U.S.

Fairfield Farm Kitchens

Food research and production center in Washington, D.C., serving Marriott restaurants, hotels, flight kitchens in Eastern half of U.S. . . . manufacturer of food for external sale to food service industry and food retail chains.

Family Entertainment Centers

Three major theme park complexes (rides, live entertainment, restaurants, specialty shops, etc.) now being developed for three of country's largest regions—Washington, D.C./Baltimore, Chicago/Milwaukee, and San Francisco/Santa Clara—with first "Marriott's Great America" park to open in Santa Clara in 1975.

MARRIOTT HOTELS

Most diverse lodging-travel-tourism group in U.S.: Hotels and resorts, specialty restaurants, Sun Line cruise ships, resort condominiums, world travel services

SALES: $175 million, fiscal 1973
UNITS: 70 (up 8 in 1973)
SCOPE: Hotels: U.S., Mexico, Caribbean
Ships: Mediterranean, Caribbean
EMPLOYEES: 11,100 (up 800)
FRANCHISES: 10 Marriott Inns (up 4)

Hotels and Resorts

20 Properties in U.S., Mexico, Caribbean

City	Fiscal Year Opened	Rooms at 7/27/73
Washington, D.C.		
Twin Bridges	1957	451
Key Bridge	1959	374
Dallas	1960	477
Philadelphia	1961	720
Atlanta	1966	777
Saddlebrook, N.J.	1966	245
Scottsdale		
Camelback Inn *	1968	328
Chicago	1968	706
Houston	1969	339
New York		
Essex House	1969	701

City	Fiscal Year Opened	Rooms at 7/27/73
Acapulco	1969	435
Boston	1970	433
Washington, D.C.		
Crystal City	1970	301
Dulles Int'l Airport	1970	215
Bloomington, Minn.	1971	327
St. Louis	1972	426
Miami	1972	258
New Orleans	1972	923
Barbados	1973	59
Dallas Inn *	1973	277
Total		8772

* Managed by Marriott

Specialty Restaurants in above 20 hotels now number 42 plus famous Hogate's Seafood Restaurant and Port O'Georgetown in Washington, D.C.

Franchised Marriott Inns

City	Opened	Rooms
Cincinnati	1970	170
Columbus	1970	165
Fort Wayne	1970	228
Louisville	1970	205
Cleveland	1971	219
Berkeley, Calif.	1972	243

City	Opened	Rooms
Ann Arbor	1973	169
Pittsburgh	1973	241
Blacksburg, Va.	1973	105
Milwaukee	1973	254
Total		1999
Dallas (Managed by Marriott)	1973	277

Resort Hotel Condominiums

World - famous Camelback Inn, luxury "Five-Star" resort at Scottsdale, Arizona, now offering units for purchase as resort condominiums.

Cruise Ships

Sun Line fleet cruising in Aegean and Caribbean—new Stella Solaris (650 passengers), Stella Oceanis (310), Stella Maris (180) . . . Stella Polaris under construction.

World Travel Services

Marriott World Travel Division providing special tours to unique world destinations.

MARRIOTT IN-FLITE SERVICES

Broadest system of airline catering kitchens in world, serving 88 U.S. and foreign carriers, scheduled and supplemental—plus terminal restaurants, special services

SALES: $142 million, fiscal 1973
UNITS: 94 (up 17 in 1973)
SCOPE: North and South America, Europe, Pacific, South Africa
EMPLOYEES: 8,800 (up 1,300)

North America Flight Kitchens

33 kitchens in U.S., Mexico, Caribbean

Acapulco (1)
Albuquerque (1)
Baltimore (1)
Barbados (1)
Boston (1)
Chicago (2)
Dallas (1)
Ft. Lauderdale (1)
Honolulu (1)
Houston (1)
Kansas City (1)
Los Angeles (1)
Mexico City (1)
Miami (4)
Minneapolis (1)
Newark (1)
New York (3)
Oakland (1)
St. Croix (1)
Salt Lake City (1)
San Francisco (2)
San Juan (1)
Seattle (1)
Tampa (1)
Washington, D.C. (2)

Overseas Flight Kitchens

Europe—18 kitchens

Alghero, Sardinia (1)
Athens (1)
Barcelona (1)
Cagliari, Sardinia (1)
Faro (1)
Frankfurt (1)
Gerona (1)
Lisbon (1)
London (2)
Madrid (1)
Malaga (1)
Milan (2)
Palma de Mallorca (1)
Rome (2)
Torino (1)

South America—6 kitchens

Buenos Aires (2)
Caracas (1)
Lima (1)
Rio de Janiero (1)
Santiago (1)

South Africa—Johannesburg (1)

Pacific—Guam (1)

Airline Terminal Restaurants

18 restaurants in airline terminals: five in United States/Caribbean, 11 in Europe, two in South America.

Special Services

Catering for Auto-Train, East Coast; Kaiser Hospitals, West Coast . . . Hallmark Security Services . . . total of 17 ground accounts.

Restaurant Operations:
Excellent Year Despite Food Cost Problem

By G. M. Hostage
President
Marriott Restaurant Operations

Marriott Restaurant Operations had an excellent 1973—and this in the face of sharply higher raw food costs and severe restrictions on obtaining menu price increases.

Greater numbers of people are eating away from home, and sales of all major divisions set records.

Our major problem last year was sharply rising food costs and our inability to increase prices proportionately—either because of Government controls or concern about consumer resistance. Our fresh meat cost index alone rose 27 percent last year, and the index for other purchased items rose 32 percent. These numbers had risen only a few points in each of the past several years.

However, despite the pressures of 1973, we are proud to report that earnings for our Group hit new highs, and for the second year in a row our profit margin from operations improved slightly.

DINNER HOUSES were opened in Rockville, Maryland and in suburban Philadelphia and both are exceeding sales projections.

FARRELL'S ICE CREAM PARLOUR RESTAURANTS, with whom we merged just a year ago, has been a very strong addition to our family of food service facilities. There are now 30 company-owned units, compared with 24 a year ago.

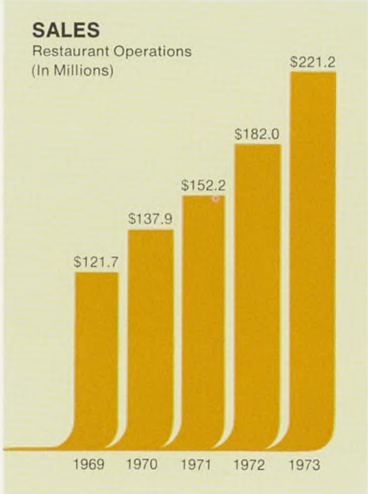
HOT SHOPPES CAFETERIAS increased their profits and sales per unit. A combination of tight management controls, improved efficiencies, and flexibility in menu presentation aided in combating the dramatic increase in food costs.

HOT SHOPPES RESTAURANTS, although profitable, had a difficult year due to continuing increased competition from fast-food operations and dinner houses.

BIG BOY coffee shop sales increased substantially and total division profits improved. However, delays in granting of price relief following higher raw food costs slowed the growth in profits.

TOLLROAD RESTAURANTS appeared to suffer only negligible impact from gasoline shortages this past summer. Sales showed good gains but profits were unsatisfactory due to higher food costs, restrictions on price adjustments which require tollroad authority approval, and opening costs for The Pier, a new attraction in St. Petersburg, Florida.

ROY ROGERS fast foods units have been one of the bright spots of the year. Nineteen new Roy Rogers units were opened, including 13 successful conversions from Jr. Hot Shoppes. The Roy Rogers concept has a unique place in the fast-food market—with a strong adult appeal, as well as good acceptance by young families.



JR. HOT SHOPPES remaining in the system are doing well. Sales per unit were ahead of comparable units last year by 16 percent. After 13 conversions to Roy Rogers, there remain 32 units, primarily in the Washington metropolitan area, where further expansion is planned.

FOOD SERVICE MANAGEMENT continued to gain new accounts. The Business and Industry Division added to our growing metropolitan New York account list such major corporations as American Telephone and Telegraph, Avon and Mercedes-Benz. Our Hospital Division added six new accounts, and our Automatic Food Service Division continued its good growth.

FAIRFIELD FARM KITCHENS had the first profitable year in its six-year history, and external sales increased by more than one third.

* * *

We made important progress on our entry into the theme park business during the year. Rezoning of land was granted by local governments in all three areas where we plan to build—in Virginia near Washington, D.C., in the Chicago area and in Santa Clara, California, south of San Francisco. We have begun staffing for the park in Santa Clara and expect to break ground this fall, with opening scheduled for 1975. We hope to begin construction in either Washington or Chicago next spring.

In 1974 we'll see continued expansion in all areas, but especially in Farrell's, Dinner Houses, Big Boy, Roy Rogers, and Food Service Management.

We are confident that the great public appeal of our restaurants will enable us to have another good year in 1974.

NEW DOUBLE-R-BAR BURGER PLATTER IS MAJOR ADDITION TO MENU AT ROY ROGERS FAMILY RESTAURANTS.

Fast Foods Division posts a 31 per cent sales gain and a sharp increase in profits in fiscal 1973, with Roy Rogers out in front. Nineteen new units were opened during year, attracting young and old with upgraded fast food menu that captures an ever-increasing share of eating-out market wherever "Roy Rogers" is located.

MORE AND MORE PEOPLE ARE FLOCKING TO SUBURBAN SHOPPING MALLS, AND TO NEW BIG BOY JRS.

Units provide shoppers in Southern California with quality fast food service at economy prices. Big Boy Restaurants and Jrs. both show good 1973 sales increases. Colorful Big Boy Jrs., another new Marriott concept, opened in two shopping malls last year. Several more will be added in fiscal '74 as demand grows.

"A HORN OF PLENTY KEYED TO GOOD EATING," ONE NEWSPAPER REPORTS ABOUT ST. PETERSBURG PIER.

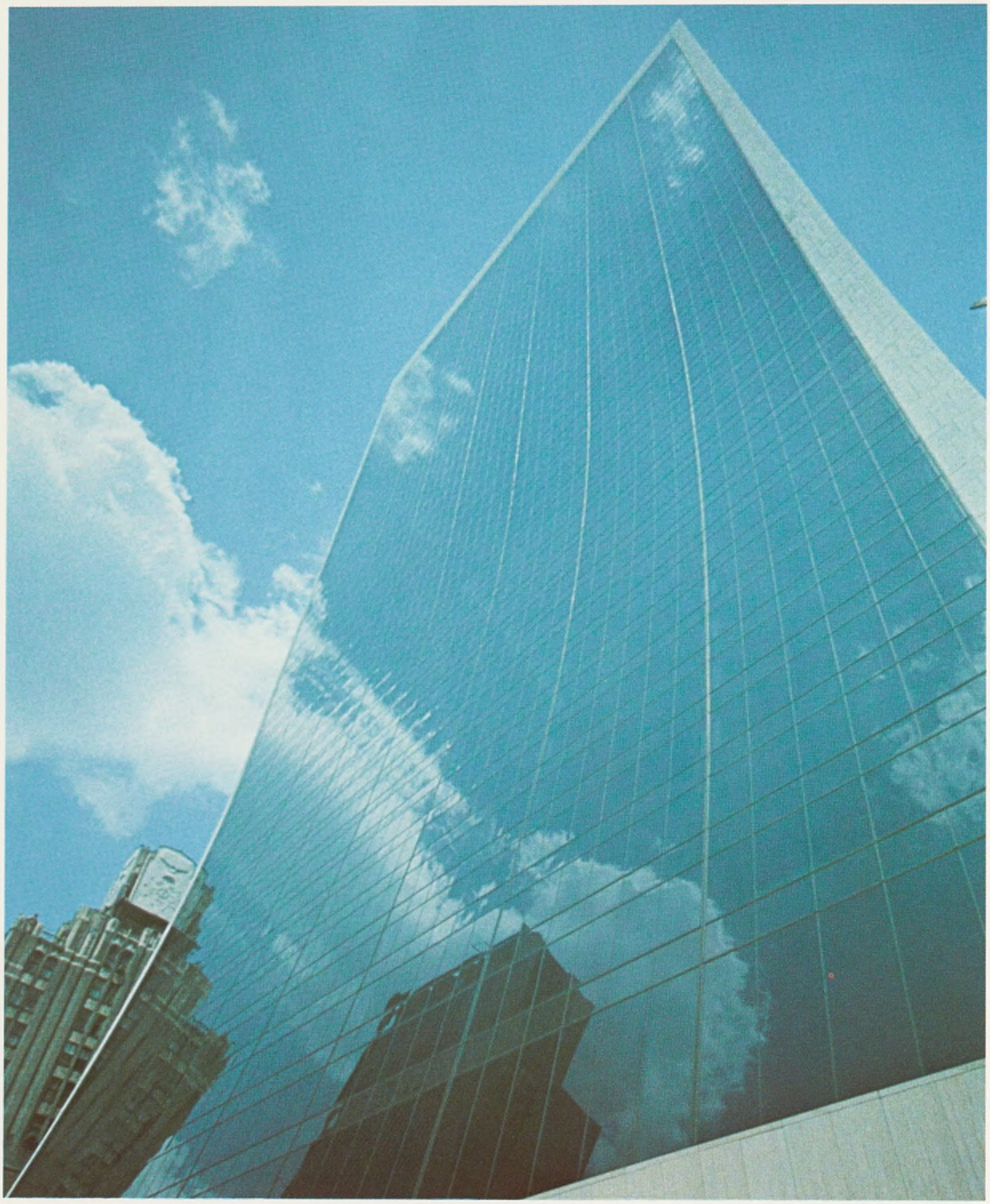
All of the "good eating" is provided by Marriott, which won contract to operate restaurants and shops at new, unique $4 million tourist attraction. "The Front Porch," "The Lookout" and "The Brassaloon" lounge are among The Pier's creative facilities attracting natives and tourists in the famous city on Florida's Sun Coast.

TWO FINE DINNER HOUSE RESTAURANTS OPEN IN CAREFULLY-SELECTED SUBURBAN MARKETS LAST YEAR.

Marriott continues successful entry into specialty dining business with this "Phineas Prime Rib" near Washington . . . opens "Franklin Stove" near Philadelphia Marriott Hotel. Company goes to Pittsburgh this fall with its third Joshua Tree dinner house, and other strong market sites are now under consideration.

FARRELL'S ICE CREAM PARLOUR RESTAURANTS GROW IN POPULARITY, AND EXPANSION IS STEPPED UP.

Six new units are opened, including first ones on the East Coast starting in Washington, D.C. area. Total in operation is now 30, and expansion plans are ambitious for fiscal '74 and beyond. Spectacular ice cream treats highlight a varied menu offered with fun and flair—the most unique such operation in America.



MARRIOTT INTRODUCES MORE EXECUTIVE DINING SERVICE TO MAJOR NEW YORK COMPANIES LIKE AVON.

More companies turn to Marriott to handle employee feeding—from executive dining room service to industrial cafeterias. Company meets quick success in penetration of New York headquarters market. Other divisions in the group—Hospitals, Schools and Colleges and Automatic Food Service—also set growth records.

IT'S "HAWAIIAN DAY"—ANOTHER SPECIAL TREAT BY MARRIOTT'S HOSPITAL FOOD SERVICE MANAGEMENT.

Food Service Management is one of company's fastest growing groups. As part of quality cafeteria service, Marriott creates special "days" to brighten serving lines and offer hospital employees something different. Sales of Hospital Food Service and other Divisions of expanding Group jumped total of 22 per cent last year.

"MARRIOTT CARAVAN" DISTRIBUTES FREE SAMPLES OF SEVEN NEW SALAD DRESSINGS TO HOUSEWIVES.

Dressings are Fairfield Farm Kitchens' new retail products, and reception has been good in greater Washington, D.C. as major grocery chains add them to their shelves. Program helps FFK become profitable operation for first time. In the West, Big Boy salad dressings and sauces continue to set the pace in their markets.

Hotels Group:
Major Gains In Occupancies, Leisure Activities

By James E. Durbin
President
Marriott Hotels Group

The Marriott Hotels Group enjoyed a successful fiscal 1973. Although our food costs were markedly higher, the Group had a good earnings gain. Sales, including the three new hotels opened late in fiscal 1972, jumped over 35 percent. Hotel occupancy rates were strong. And our new diversified operations such as cruise ships and resort condominiums made excellent progress.

Sales improved at all 20 Marriott hotels, most notably the Essex House in New York, Paraiso Marriott in Acapulco and Marriott Inn at Bloomington, Minnesota.

We are especially pleased that all three hotels which opened toward the end of fiscal 1972—Miami, St. Louis and New Orleans—contributed to profits in 1973.

LEADERSHIP OF HOTELS

We are also proud to report that the occupancy rate for all Marriott Hotels is comfortably in the 80 percent range, and is up about three percentage points from last year. Again, Marriott leadership in lodging is demonstrated by this impressive statistic. The strongest gains in occupancy were registered at our Washington hotels, at Essex House in New York and at Houston and Bloomington, Minnesota. Occupancy also was strong at our major resort hotels—Camelback Inn at Scottsdale, Arizona, and Acapulco.

Fewer new rooms were opened this past year. We assumed management of the 277-room Dallas Marriott Inn, and we acquired Sam Lord's Castle, a famous resort property in Barbados. A 300-room resort hotel is planned there.

We resume our new rooms growth pattern in fiscal 1974 with the largest hotel in our system—and the largest airport hotel anywhere—at Los Angeles International Airport. This is a luxury facility with 1020 rooms, seven restaurants, and extensive ballroom and meeting space.

NEW HOTELS COMING

We now have under construction five new hotels with a total of over 2,000 rooms. All will open in fiscal 1975: at Denver, Kansas City and Newport Beach, California; at Lincolnshire, Illinois, north of Chicago, and in Amsterdam—our first European Hotel.

A number of other hotel projects in the United States are in preliminary stages of development. We are shifting strategy somewhat and will operate many future hotels under management fee contracts, rather than own them ourselves. This will conserve capital investment and open us up to a number of fine opportunities. Currently we are negotiating actively for contracts to manage foreign-owned hotels in several major markets in Europe and North Africa.

SALES
Hotels Group
(In Millions)

Marriott franchising operations exceeded our expectations and last year's performance by wide margins. Franchised Inns were opened during the year at Dallas, Milwaukee, Pittsburgh, Ann Arbor, Michigan, and Blacksburg, Virginia. There are now 10 Inns with 1,999 rooms run by franchisees.

This past year marked conversion of the Camelback Inn to a resort-hotel condominium, and first-year sales were on target. At fiscal year-end 96 units were sold and we held purchase contracts for 22 more.

Marriott World Travel substantially trimmed its losses last year, but it did not make the profit we had anticipated. The division is gearing itself to our growing overseas operations, particularly the Sun Line cruise ships and the newly-acquired Barbados resort.

NEW CRUISE SHIP

The new "super ship" Stella Solaris made its maiden voyage in the Greek Islands in June, bringing to three the number of ships in the Sun Line fleet. This winter the Solaris will debut for two-week cruises in the Caribbean and sales already are running high. We also have developed an exciting new itinerary this winter for the Stella Oceanis, which will cruise along the east coast of South America. Affiliation with the Sun Line and its excellent management has been an important step for Marriott.

Assuming no major downturn in the economy, fiscal 1974 should be an excellent year for the Marriott Hotels Group.

SUN LINE'S NEW LUXURY SHIP, STELLA SOLARIS—CRUISING AEGEAN IN SUMMER, CARIBBEAN IN WINTER.

Winter ports of call will include popular stops like St. Maarten, Martinique, Barbados and Trinidad. Most advanced cruise ship at sea has record 110 staterooms with sitting rooms, large theater for group meetings and movies, closed-circuit TV, fine dining facilities, outstanding crew for pampering passengers.

BEAUTIFUL SETTING FOR SWIMMING IS JUST ONE FEATURE OF NEW 1,020-ROOM LOS ANGELES MARRIOTT.

Company's largest hotel is introduced at International Airport as fiscal 1974 begins. Other features include two main ballrooms for 2,000 and 1,800 persons, large exhibit space, 131 parlors and meeting rooms, and already popular dining attractions. First company-owned hotel on West Coast has had excellent early reception.

MARRIOTT'S FAMED CAMELBACK INN AT SCOTTSDALE, ARIZONA—ONE OF TOP 11 RESORTS IN U.S.

Inn gets coveted "Five Stars" from latest Mobil Travel Guide. Units at the luxurious desert resort are for sale as condominiums and almost 100 contracts were completed in fiscal '73. Objective for '74 is to book remaining 150 units. Camelback is a complete resort, including tennis, golf, fine restaurants, great climate.

BIG CHANGES, NEW EXCITEMENT COME TO RESTAURANTS, LOUNGES, IN MARRIOTT HOTELS NATIONWIDE.

King's Wharf Restaurant (left) at Marriott's Essex House in New York helps bring new look to this famous Central Park address, reflects trend to new dining concepts in Marriott Hotels. Vocal, musical entertainment picks up tempo too—at Bloomington Marriott Inn and popular lounges of Marriott Hotels everywhere.

DINING AT "THE ROOF TOP" 42 STORIES ABOVE NEW ORLEANS—ADDED ATTRACTION IN A GREAT CITY.

Marriott's large new hotel completes its first full year of operation "in the black," as did other Marriott hotels which opened late in fiscal 1972—St. Louis and Miami. Luxury hotel restaurants throughout system are being streamlined to meet new customer interests, improve efficiencies and overcome current food-cost problems.

MARRIOTT ACQUIRES FIRST CARIBBEAN RESORT—FAMOUS SAM LORD'S CASTLE ON ISLAND OF BARBADOS.

Old castle grounds will soon be site of a new 300-room luxury hotel, now being designed by company architects working on drawings and this model. Marriott is growing in resort hotels. Underway near Chicago is the Marriott/Lincolnshire convention-resort complex with a wide variety of recreation attractions.

In-Flite Services:
Greatest Growth Yet At International, U.S. Airports

By J. O. Jarrard
President
Marriott In-Flite Services

Record expansion was the keynote for Marriott In-Flite Services in fiscal 1973 as the group broadened its reach into new foreign and domestic markets. We opened flight kitchens at 11 additional airports and expanded several existing units during the year. Marriott is now serving 88 airlines at 53 airports throughout the world.

Our new airport expansion more than recovered the loss in sales and profits resulting from the closing of a large unit in Chicago when our long-term contract with a major account expired.

In spite of less than expected growth in airline traffic, plus increased costs in all areas, Marriott In-Flite Services had an outstanding year.

INTERNATIONAL EXPANSION

Intensive penetration of international markets has been a strategy of ours for several years. International airline traffic continues to grow much faster than domestic traffic as the standard of living and desire for travel increases around the world.

In the past year, we achieved two major entries into new global areas with the establishment of kitchens in the Pacific, at Guam —and in South Africa, at Johannesburg. Marriott In-Flite Services is now positioned in five of the major regions of the world.

In Europe, new kitchens have been opened at the important airports of Frankfurt, Germany and Gatwick, England, which serves primarily the many charter flights of supplemental airlines. The Frankfurt facility accumulated heavy pre-opening and start-up expenses but promises to become one of our most successful new ventures.

We also began operating for the first time in the markets of Milan and Torino, Italy, and on the increasingly popular resort island of Barbados near South America.

Sales in Europe for fiscal 1973 were up strongly, but the earnings gain was affected by the Frankfurt start-up, increased labor costs in Italy, and other expansion costs.

Sales in South America were good and earnings were up materially. Airline traffic in South America has been increasing, and more favorable monetary exchange conditions in 1973 helped contribute to the earnings growth.

Our biggest expansion project to be completed in fiscal 1974 will be a major flight kitchen and commissary at the new Roissy Airport, near Paris. This 300,000 square foot facility will open next Spring. Marriott will operate it under a management contract with Air France.

Expansion activity in the United States also has been intense with more new flight kitchens opened than in any year in our history.

NEW DOMESTIC KITCHENS

We entered promising new markets in Albuquerque, New Mexico and at Kansas City's spectacular new International Airport. We added a fourth kitchen in Miami, and will add one kitchen this fall in Boston and two kitchens at the new Dallas/Ft. Worth airport. We made major additions at La Guardia in New York, Chicago (O'Hare), and Washington (National).

We also acquired The Hallmark Corporation, a small loss-prevention firm, which is expanding into the commercial and residential security market.

Our domestic airline sales were on target for the year, aided by a strong new-sales program. However, higher food and start-up costs moderated our earnings although they exceeded last year.

We are especially pleased to report that our airport terminal restaurants registered a substantial improvement over fiscal 1972 and losses were reduced considerably at our San Juan operation.

The program to serve non-airline accounts, begun in 1972, made a good contribution last year. Auto-Train on the East Coast and the Kaiser Hospitals on the West Coast are now among our major customers.

We are optimistic about the long-range future growth of air travel at home and abroad and feel our major expansion program of 1973 will produce a satisfactory increase in profits for the group as a whole in fiscal 1974.

NEW INTERNATIONAL AIRPORT COMES TO DALLAS/FORT WORTH, AND MARRIOTT IN-FLITE SERVICES IS THERE.

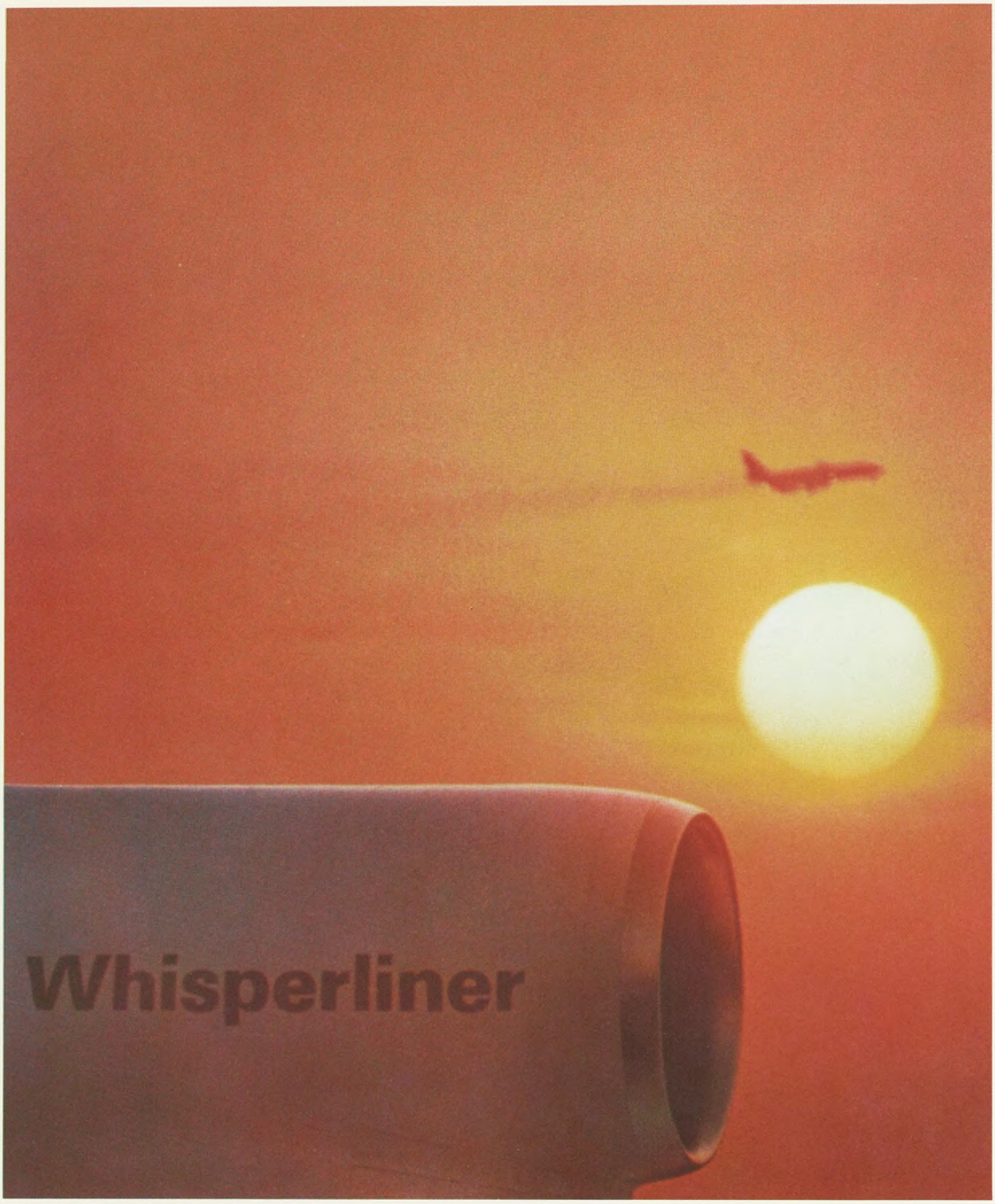
Braniff and other major airlines are among accounts as two new Marriott kitchens go into action at the giant new air traffic complex. In-Flite had 49 kitchens at 42 airports in the United States, Europe and South America at the end of fiscal 1972 . . . now has 59 kitchens at 53 airports, including Guam and Johannesburg.

MARRIOTT DE MONTIS NOW SERVING MAJOR AIRLINES AT FRANKFURT, LIKE TWA, FROM NEW KITCHEN.

Fiscal 1973 was In-Flite's biggest year ever in international expansion. Through deMontis S.p.A. acquisition and addition of new kitchens and accounts, Marriott is now at 18 growing European airports, versus 12 the year before. Tourist arrivals on Continent, a record in 1972, continue rising in 1973 as world travel expands.

MARRIOTT IN-FLITE WORKS CLOSELY WITH GREAT AIRLINES LIKE WESTERN, NOW SERVED AT SIX AIRPORTS.

Objective is to continually improve quality of food service and efficiency of operations. Marriott helps with menu planning, training classes for food and beverage supervisors, sophisticated cost reporting systems and other details to support air carriers in major regions in the United States and around the world.



MARRIOTT AND FAMOUS EASTERN WHISPERLINERS JOIN TO BRING FINE SERVICE TO AIR TRANSPORTATION.

Eastern Airlines is among the many airlines specifying quality in-flight dining, and turning to Marriott for service at various airports. New kitchens have just been opened, others have been expanded, still others are planned, as Marriott builds for long-range future of air travel and needs for in-flight food service in U.S.

MARRIOTT SERVICE NOW FEATURED BY CONTINENTAL AIRLINES IN THREE LOCATIONS, INCLUDING GUAM.

In-Flite opens first kitchen in Far East. Service also begins at Albuquerque, a new market for Marriott, and at Kansas City's just-opened International Airport. Addition of new accounts and new locations, plus growth in present accounts, has been heavy, includes large Miami kitchen to serve popular Delta Air Lines.

AUTO-TRAIN HAS A SUCCESSFUL YEAR TRANSPORTING PASSENGERS AND CARS TO AND FROM FLORIDA.

Marriott readies new kitchen in Virginia to serve this growing venture. In-Flite's special services, such as this, totaled 17 accounts in fiscal 1973. Recent additions include five Kaiser Foundation hospitals in Northern California, making it now 11 Kaiser Hospitals served from Marriott's flight kitchens in San Francisco.

A SPECIAL MESSAGE FROM THE PRESIDENT:

What About This Business of Social Responsibility?

The National Rehabilitation Association has honored Marriott Corporation with its 1973 Organizational Award for our record in employing the physically and mentally handicapped.

We have had a practice of hiring the handicapped for many years. They are very good workers . . . very loyal workers. With us they get equal pay, equal benefits, and a lot of understanding. Many have had richer lives for years because we welcome them.

We understand Marriott is the first corporation to earn the NRA award. We're very proud.

Which brings up the subject of corporate social responsibility. You read quite a bit about this today. It's time, I think, we speak out, too.

We've had a story to tell about profit growth, new investment, new jobs created, more taxes paid, etc. The business purists say *this* is social responsibility. And of course it is.

But we run a little deeper at this company. There's more to us than those results at the bottom line. Let me tell you about a few things . . .

- We created our own advancement program tailored essentially to lower-ranked employees, and have now moved more than 2,100 people, mostly minorities, upward into more challenging, better-paying positions—many into management.
- Minorities today make up a relatively high 13% of our management.
- Women have an expanding role in our management too—they now comprise 14% of our supervisory and professional category.
- All entries in our management training program spend 40% of their class time on "The Real Issues"—our own course stressing sensitivity to minority groups.
- Policing the nutritional value of the food we serve is the full-time job of our Vice President for Food Standards and her staff, who know about profits but give it to us straight about food quality too.
- Citations were awarded us this year for our beautification efforts at the Philadelphia and Miami Marriott Hotels and our Joshua Tree Restaurant in McLean, Virginia—the latest in civic honors for that extra measure of attention we give to environmental impact.
- Special recognition has come our way as one of the first companies to shift deposits into several minority-owned banks trying to get a foothold and needing only a little encouragement from business.

Is this what they mean by "social responsibility?" Is the good of the people in focus when we bring construction of a Big Boy Restaurant to a costly halt so that a Little League has a place to hold its carnival . . . when we make employee safety so vital that one of our units this year sets the National Safety Council "World Record for the Eating and Drinking Places Industry" . . . when we contribute executives for job counseling of Viet Nam veterans and for finding summer jobs for disadvantaged youth?

I could go on. There is much more to tell. But I'm sure you get the point.

Now we don't think for a minute we're solving—or even working on—all the pressing needs of society. Who is?

Nor do we hold ourselves up as the most public-spirited enterprise in America. Many other companies are doing so much more. Frankly, we keep asking ourselves if we shouldn't be doing more too.

But Marriott Corporation hasn't just been standing around either, saying "Somebody *do* something!" We've been *doing* something.

And I think shareholders should know that there are individuals and groups who are a little better off today—in their own particular way—not only because your company exists and prospers, but because it cares and shares.

J. W. Marriott, Jr.

Financial Review: Capital Expenditures Set Record As Growth Program Steps Up

Marriott's consistent growth record, which now spans 41 consecutive fiscal quarters, is a tribute to its strength as a diversified and flexible organization. During the year the company had a net gain of 62 new operations, bringing to 570 the number of restaurants, hotels, airline catering kitchens, cruise ships, and other units in the Marriott system.

Sustained expansion does not come without cost, and in 1973, as in prior years, the company absorbed many special charges resulting from development, pre-opening and start-up of new units. In addition, certain costs were incurred from the routine pruning of obsolete and unsuccessful units. Pre-opening and development costs alone (excluding start-up costs) increased 79 percent in 1973. They are budgeted to rise only 12 percent further in 1974.

Pretax profit margins declined in 1973 but were better than 1970 or 1969. Income taxes, on the other hand, were lower as a result of foreign tax rates and higher investment tax credits. The tax rate before investment credit was 45.1% in 1973 versus 46.5% in 1972. The net profit margin after tax compares favorably with the 10-year record.

EQUITY DOUBLES IN 3 YEARS

Shareholders' investment now exceeds $200 million—up 116 percent in just three years. This is leveraged with $5 million of subordinated convertible notes and $252 million of long-term debt to provide the funds for our operating facilities and working capital as well as for a large amount of non-operating assets.

Non-operating assets, including land purchased for resale or future operations, construction in progress, and receivables from prior asset sales amounted to $88 million at July 27, 1973, versus $41 million a year ago. These investments, which yield no present profit return, result from or are required to sustain our expansion program. Some are financed by interim construction loans, others by long-term debt and shareholders' investment. To a large extent, their rising burden has been a major factor in the declining return on beginning shareholders' investment which in 1973 was 12.4% versus 13.6% last year. Obviously, if investments for the future were stopped and all current non-operating assets were fully developed into profit-making ventures, the company's return on investment would improve markedly. However, just as obviously, the company's growth pattern would soon come to a halt.

CAPITAL OUTLAY: NEW HIGH

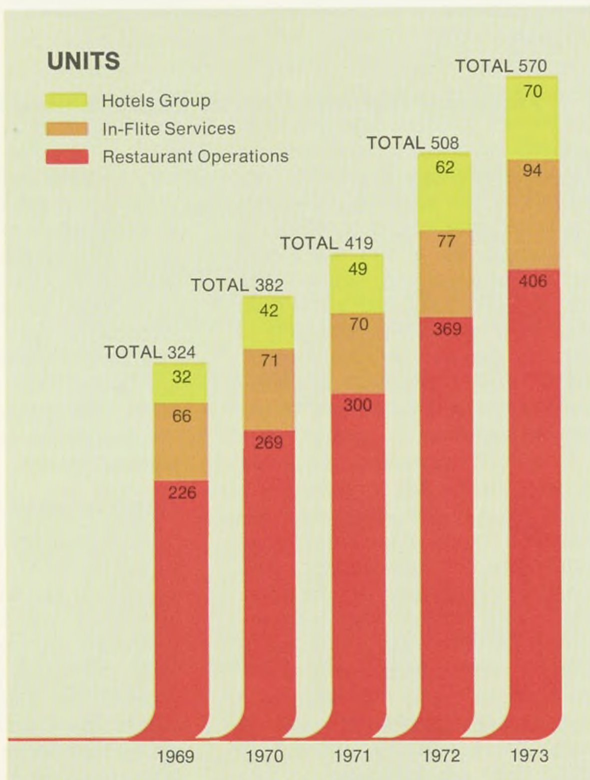
Capital expenditures in fiscal 1973 were a record $105 million, including $1.3 million for purchases of businesses, $6 million to acquire the leasehold interest in the Houston hotel and $16 million for theme park land (of which $10 million has been identified for resale). Also acquired during the year, on a pooling of interests basis, was deMontis S.p.A., an Italian company having airline catering, airport terminal and industrial feeding operations based in Milan, Italy.

Projections call for capital expenditures of about $120 million in fiscal 1974, of which $25 million will relate to theme parks. This will be financed by cash flow from operations (about one half), increased interim construction financing and additional long-term debt. The year-end ratio of long-term debt to shareholders' investment will probably rise slightly from 1.25 to 1 at July 27, 1973—which is not an imprudent amount considering the extent of Marriott's real estate investments.

Level payment mortgage loans are the company's preferred financing vehicle, but intermediate-term bank loans and privately placed subordinated convertible notes provide flexible sources of funds to supplement cash flow from operations. The company maintains substantial bank lines to support its growing credit demands.

FINANCIAL POSITION STRONG

Net working capital increased slightly to $9.8 million, and at year-end the company had $12.6 million of short-term investments. Management believes strongly that the company's resources are more than sufficient to sustain its agressive expansion program.



Consolidated Income

Marriott Corporation and Subsidiaries *For the 52 Weeks Ended July 27, 1973 and July 28, 1972*	**1973**	1972
SALES BY OPERATING GROUPS		
Restaurant operations	**$221,184,791**	$181,967,564
In-flite services	**142,254,686**	113,831,531
Hotels and related operations, including condominium sales of $5,036,000 in 1973 (Note 1)	**174,753,043**	127,128,650
Total sales	**538,192,520**	422,927,745
DEDUCTIONS (Note 1)		
Cost of sales and operating expenses	**383,949,469**	301,438,570
Administrative and general expenses	**23,185,208**	18,353,592
Rent (Note 4)	**25,509,581**	18,699,730
Depreciation and amortization of property, improvements and equipment	**21,705,441**	17,594,005
Taxes—payroll, real estate and other	**19,280,047**	14,673,277
Interest expense, net of interest income	**13,260,468**	10,085,124
Advertising and sales promotion expenses	**8,254,529**	6,843,159
Pre-opening and development expenses	**3,661,278**	2,046,352
Profit sharing retirement contributions	**3,108,613**	2,559,320
	501,914,634	392,293,129
INCOME BEFORE INCOME TAXES	**36,277,886**	30,634,616
UNITED STATES AND FOREIGN INCOME TAXES (Note 1)		
Current	**13,227,000**	7,975,000
Deferred	**3,126,000**	6,276,000
Investment tax credit	**(1,715,000)**	(1,350,000)
	14,638,000	12,901,000
NET INCOME	**$ 21,639,886**	$ 17,733,616
EARNINGS PER SHARE OF COMMON STOCK (Note 1)	**$ .72**	$ .60

The accompanying notes are an integral part of this statement.

Auditors' Report

To The Shareholders Of Marriott Corporation:

We have examined the consolidated balance sheet of MARRIOTT CORPORATION (a Delaware corporation) and Subsidiaries as of July 27, 1973, and the related statements of consolidated income, shareholders' investment and changes in financial position for the fifty-two weeks then ended. Our examination was 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. We have previously examined and reported on the consolidated financial statements for the preceding year.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Marriott Corporation and Subsidiaries as of July 27, 1973, and the results of their operations and changes in their financial position for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Washington, D. C.
September 7, 1973.

Consolidated Balance Sheet

Marriott Corporation and Subsidiaries July 27, 1973 and July 28, 1972	**1973**	1972
ASSETS		
CURRENT ASSETS		
Cash and certificates of deposit	**$ 10,321,648**	$ 8,164,572
Marketable securities, at cost (approximates market)	**12,601,558**	6,540,250
Accounts receivable	**36,023,851**	29,557,053
Inventories, at lower of average cost or market	**21,216,114**	15,675,201
Prepaid expenses	**3,312,286**	2,045,063
Total current assets	**83,475,457**	61,982,139
CONDOMINIUM UNITS HELD FOR SALE, at cost, including deferred marketing costs (Note 1)	**5,284,591**	656,137
PROPERTY, IMPROVEMENTS AND EQUIPMENT, at cost (Notes 1 & 4)		
Land	**45,702,996**	42,578,772
Buildings and improvements	**109,851,499**	78,669,900
Leasehold interest in property and equipment under lease-purchase obligations	**70,573,611**	88,072,279
Leasehold improvements	**71,367,966**	61,168,289
Furniture and equipment	**111,241,594**	94,300,904
Cruise ships	**11,000,000**	11,000,000
Land purchased for resale or future operations	**22,932,140**	3,785,187
Construction in progress	**63,507,409**	36,346,274
	506,177,215	415,921,605
Depreciation and amortization	**(84,844,075)**	(68,411,078)
	421,333,140	347,510,527
OTHER ASSETS (Note 1)		
Cost in excess of net assets of businesses acquired	**15,030,278**	14,972,602
Investments in and advances to minority owned affiliates (Note 3)	**9,295,308**	6,991,753
Receivables, deposits and other assets	**11,390,014**	8,742,874
Deferred pre-opening costs	**4,783,233**	4,664,332
Deferred financing costs	**2,725,020**	2,878,528
Other deferred charges	**2,747,178**	2,033,885
	45,971,031	40,283,974
	$556,064,219	$450,432,777

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

	1973	1972
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
CURRENT LIABILITIES		
Bank loans	**$ 3,808,322**	$ 1,290,024
Accounts payable	**20,302,134**	16,816,011
Accrued liabilities	**34,830,241**	26,631,600
Accrued income taxes (Note 1)	**4,893,814**	1,637,243
Current portion of debt	**9,869,965**	6,015,733
Total current liabilities	**73,704,476**	52,390,611
DEBT, excluding convertible subordinated debt (Note 4)		
Interim construction financing covered by mortgage loan commitments (Note 4)	**34,383,000**	18,569,000
Mortgages and notes, excluding current portion	**173,802,450**	119,505,792
Lease-purchase obligations, excluding current portion	**43,897,523**	54,547,696
	252,082,973	192,622,488
DEFERRED INCOME TAXES (Note 1)	**21,132,000**	22,898,000
MINORITY INTEREST AND OTHER LIABILITIES	**3,521,721**	1,962,566
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 3 & 4)		
CONVERTIBLE DEBT AND SHAREHOLDERS' INVESTMENT		
Convertible subordinated debt (Note 5)	**5,000,000**	6,066,000
Shareholders' Investment (Notes 5, 6 & 7)		
Common stock	**30,272,896**	29,336,745
Capital surplus	**139,406,786**	111,893,872
Net deferred management compensation payable in common stock	**2,718,489**	2,238,022
Retained earnings	**28,224,878**	31,211,513
Treasury stock, at cost	**—**	(187,040)
Total shareholders' investment	**200,623,049**	174,493,112
	205,623,049	180,559,112
	$556,064,219	$450,432,777

Consolidated Shareholders' Investment

Marriott Corporation and Subsidiaries
For the 52 Weeks Ended July 27, 1973 and July 28, 1972

	Common Stock ($1.00 par value)	Capital Surplus	Net Deferred Management Stock Compensation	Retained Earnings	Treasury Stock
BALANCE, JULY 30, 1971	$14,094,910	$101,717,467	$1,836,118	$13,477,897	$ (301,554)
Net income	—	—	—	17,733,616	—
Common stock issued—					
2 for 1 common stock split	14,501,842	(14,501,842)	—	—	—
Redemption of convertible debt	702,768	22,968,296	—	—	—
Employee stock purchase plan	30,764	843,549	—	—	—
Treasury shares issued in satisfaction of a portion of profit sharing contribution (30,000 shares)	—	912,986	—	—	114,514
Deferred stock compensation plans and stock issuance expenses	6,461	(46,584)	401,904	—	—
BALANCE, JULY 28, 1972	$29,336,745	$111,893,872	$2,238,022	$31,211,513	$ (187,040)
Acquisitions of companies recorded as poolings of interests (Note 2)	52,153	290,306	—	(538,583)	52,682
Net income	—	—	—	21,639,886	—
Common stock issued—					
2½ % stock dividend at market	737,085	23,350,853	—	(24,087,938)	—
Redemption of convertible debt	57,307	971,612	—	—	—
Employee stock purchase plan	74,542	1,836,048	—	—	—
Treasury shares issued—					
Satisfaction of a portion of profit sharing contribution (25,213 shares)	—	765,584	—	—	96,187
Acquisition of interest in company (10,000 shares)	—	309,829	—	—	38,171
Deferred stock compensation plans and stock issuance expenses	15,064	(11,318)	480,467	—	—
BALANCE, JULY 27, 1973	$30,272,896	$139,406,786	$2,718,489	$28,224,878	$ —

The accompanying notes are an integral part of this statement.

Consolidated Changes in Financial Position

Marriott Corporation and Subsidiaries *For the 52 Weeks Ended July 27, 1973 and July 28, 1972*	**1973**	1972
SOURCES OF FUNDS		
Net income	**$ 21,639,886**	$ 17,733,616
Add expenses not requiring current outlay of working capital—		
Depreciation and amortization of property, improvements and equipment	**21,705,441**	17,594,005
Deferred income taxes	**3,126,000**	6,276,000
Cost of condominium units sold (Note 1)	**2,868,765**	—
Other	**2,739,306**	1,927,652
From operations	**52,079,398**	43,531,273
New financing		
Mortgages and notes	**85,199,017**	50,026,081
Convertible subordinated notes	**—**	5,000,000
Interim construction financing, net change	**15,814,000**	10,889,000
	101,013,017	65,915,081
Less maturities		
Mortgages and notes	**(39,157,730)**	(17,123,696)
Lease-purchase obligations	**(2,394,801)**	(2,605,163)
From financing	**59,460,486**	46,186,222
Common stock issued	**2,796,311**	24,992,133
Treasury shares issued	**1,246,614**	1,027,500
Disposals of property, improvements and equipment	**2,060,560**	1,613,189
Total sources	**117,643,369**	117,350,317
APPLICATIONS OF FUNDS		
Acquisition of Houston Hotel	**6,282,119**	—
Additions to property, improvements and equipment	**81,958,127**	67,951,958
Land acquired for theme parks or resale	**15,628,475**	—
Acquisitions of businesses	**1,276,076**	17,880,289
Investments in and advances to affiliates	**2,303,555**	2,466,761
Increase in other assets, net	**8,949,564**	4,231,561
Redemption of convertible notes	**1,066,000**	23,813,000
Total applications	**117,463,916**	116,343,569
INCREASE IN WORKING CAPITAL	**$ 179,453**	$ 1,006,748
SUMMARY OF CHANGES IN WORKING CAPITAL		
Increase (decrease) in current assets		
Cash and marketable securities	**$ 8,218,384**	$ (5,061,987)
Accounts receivable	**6,466,798**	6,627,255
Inventories	**5,540,913**	2,676,222
Prepaid expenses	**1,267,223**	400,647
(Increase) decrease in current liabilities		
Bank loans	**(2,518,298)**	899,565
Accounts payable and accrued liabilities	**(11,684,764)**	(8,507,509)
Accrued income taxes	**(3,256,571)**	1,921,678
Current portion of debt	**(3,854,232)**	2,050,877
Increase in Working Capital	**$ 179,453**	$ 1,006,748

The accompanying notes are an integral part of this statement.

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation:

The consolidated financial statements include accounts of the Company and all subsidiaries. Investments representing 20% to 50% interests in companies are accounted for under the equity method. All material intercompany transactions have been eliminated.

Foreign Operations:

The consolidated financial statements include net assets in foreign countries of $12,806,000 at July 27, 1973, and $11,326,000 at July 28, 1972. Foreign sales and net income, as a percent of consolidated sales and net income, in 1973 were 10% and 11% and in 1972 were 9% and 11%, respectively.

Financial statements of foreign subsidiaries have been translated into U. S. dollars as follows: liabilities and current assets at year end rates; property, equipment and depreciation reserves and expense at historical rates; and sales and expenses (except depreciation) at the approximate average monthly rates. Net results of translation of construction loans are credited or charged to the related property account; other gains or losses relating to translations and exchange transactions are included in net income.

Construction Financing:

Interest on construction financing of $2,802,000 in 1973 and $1,612,000 in 1972 was capitalized as part of the construction costs. See Note 4 for description of accounting for construction financing.

Condominium Sales:

During fiscal 1973, the Company began selling condominium units. Sales of condominium units are recorded when both parties are bound by terms of the contract and all conditions precedent to closing have been performed, including receipt of 25% down payment. On closing, the full purchase price is received in cash. Cost of condominium sales, including costs of units sold and related selling expenses, amounted to $3,307,000.

Income Taxes:

Deferred income taxes are recorded for timing differences between book and taxable income, principally depreciation, interest during construction, and deferred stock compensation. As a result of a Revenue Agent's Report received in 1973, several differences between book and tax income were eliminated. This has caused a reduction in deferred income taxes and in the deferred portion of the provision for United States taxes. In some foreign locations the tax rate is lower than the effective tax rate in the United States. Provision for United States taxes has not been made on unremitted earnings of foreign subsidiaries as these earnings are considered to be permanently invested. The Company's approximate equity in unremitted earnings of foreign subsidiaries, which are intended to be permanently invested, aggregated $3,167,000 at July 27, 1973. If this amount was distributed, United States taxes would be reduced by a substantial foreign tax credit.

Investment tax credits are on the "flow-through" method, and are recognized in the year the related property and equipment are placed in service.

U. S. income tax returns have been examined through 1970.

Deferred Management Stock Compensation:

Compensation for deferred stock bonus awards is recorded in the year in which the bonus is earned, adjusted for anticipated forfeitures, and is based on quoted market price at date awarded.

Computation of Earnings Per Share:

Earnings per share of common stock are based on the weighted average number of shares of common stock outstanding during each year, which was 30,163,544 for 1973 and 29,373,010 for 1972 (adjusted for 1973 2½% stock dividend).

Conversion of subordinated debt and distribution of shares reserved for warrant, stock purchase plans and deferred stock compensation agreements would not have a material effect on earnings per share.

Cost in Excess of Net Assets of Businesses Acquired:

Of the cost in excess of net assets of businesses acquired, $11,277,627 relates to companies acquired prior to October 31, 1970 and is not being amortized. The remaining $3,752,651 is being amortized over periods up to 40 years.

Deferred Charges:

Costs incurred prior to the opening of certain operations are deferred and amortized, following dates of opening, as follows: hotels—three years; theme parks—five years; and other major operations—one year. Such expenses for smaller operations are expensed as incurred.

Deferred financing expenses are amortized over the term of the loan. Deferred lease expenses are amortized over the term of the lease. Miscellaneous deferred charges are amortized over periods up to 8 years.

Carrying costs on land not currently used in operations are capitalized as land cost.

Costs of developing data processing systems and research and development costs are expensed as incurred.

Land Purchased for Resale or Future Operations:

In connection with the development of properties, the Company often acquires extra land which is held for later disposition. The cost of carrying these properties is capitalized if the estimated realizable value is greater than the accumulated cost.

Depreciation and Amortization:

Depreciation and amortization are calculated on the straight-line method for financial statement purposes and, where permitted, on accelerated methods for tax purposes. The following lives are used for financial statement purposes:

Buildings and improvements	20 to 40 Years
Leasehold improvements	Shorter of Life of Lease or Asset
Furniture and equipment	2 to 20 Years
Cruise ships	20 Years
Leasehold interest under lease-purchase obligations:	
Equipment	4 to 20 Years
Buildings and improvements	25 to 45 Years

Franchise Fees:

Royalty fees are accrued on a monthly basis. Initial franchise fees are not significant.

Long-Term Receivables, Deposits and Other Assets:

	July 27, 1973	July 28, 1972
Long-term receivables	$ 6,341,422	$4,762,724
Escrow and lease deposits	2,709,771	2,192,591
Franchise rights, copyrights and trademarks	1,028,572	941,764
Other	1,310,249	845,795
	$11,390,014	$8,742,874

2. ACQUISITIONS:

During 1973, the Company acquired two companies (accounted for as poolings of interests) for 65,969 shares of common stock. The companies had combined sales of $7,826,000 and net income of $160,000 for 1973 and total assets of $3,608,000 at dates of acquisition. Results of operations for years prior to 1973 are not significant.

3. INVESTMENTS IN AND ADVANCES TO AFFILIATES:

The Company has a 49% equity interest (with 50% voting rights) in Duman Investments, Inc., the landlord of the New Orleans Marriott Hotel, which is leased to the Company for 55 years including renewal options. At July 27, 1973, Duman had total assets of $32,-111,000 and total liabilities of $28,875,000 of which $1,422,000 are current liabilities. The Company has guaranteed a $5,000,000 bank loan due in 1977 for Duman.

The Company has a 45% equity interest in Sun Line Greece Special Shipping Company, Inc., the owner of a cruise ship presently chartered to the Company on a short-term basis. At its fiscal year end (March 31, 1973), Sun Line had total assets of $16,977,000 and total liabilities of $12,731,000. Liabilities included $2,000,000 advanced by the stockholders, of which $900,000 was the Company's share. The Company has advanced an additional $450,000 since March 31, 1973.

The excess of the Company's investment over the underlying net assets of minority owned affiliates is $3,516,497 and is being amortized over periods up to 40 years.

4. DEBT (EXCLUDING CONVERTIBLE SUBORDINATED DEBT):

Maturities of Mortgages, Notes and Lease-Purchase Obligations at July 27, 1973:

Fiscal Year	*Secured Mortgage Loans*	*Unsecured Notes*	*Lease-Purchase Obligations*
Interest rates	*4½%-10%*	*6%-9¼%*	*5%-7⅜%*
1975	$ 32,732,227	$23,316,015	$ 2,466,526
1976	7,173,750	7,951,895	2,508,547
1977	26,054,383	190,457	2,417,149
1978	7,409,818	338,457	2,529,197
To 1997	67,492,286	1,143,162	33,976,104
	$140,862,464	$32,939,986	$43,897,523

The above debt includes $71,240,215 at interest rates which vary based on the prime lending rate.

Summary of Pledging of Assets:

As of July 27, 1973, property, improvements and equipment, at cost, excluding construction in progress, is $442,669,806 of which $189,128,314 is pledged under mortgage loans, $70,573,611 under lease-purchase obligations, and $182,967,881 is free of lien.

Construction Financing:

As of July 27, 1973, the Company has commenced major construction projects, aggregating $97,781,000 to be completed over the next two years, of which $45,741,000 has been expended. The Company has obtained permanent mortgage loan commitments of $63,200,000 on projects aggregating $78,107,000. During construction of major projects, the Company uses interim construction financing, consisting of short-term bank loans and commercial paper, which is to be refinanced by mortgage loan proceeds upon completion of the projects. During the construction period of such projects (2 to 3 years), the interim construction financing must be refinanced, replaced by use of the Company's regular bank credit lines (which as of July 27, 1973, aggregate $86 million with 26 commercial banks) or replaced by use of funds under bank credit agreements.

As of July 27, 1973, the Company has $34,383,000 of interim construction financing. The Company has obtained commitments for long-term financing of $37,000,000 on the new Los Angeles hotel (opened in August, 1973) which are scheduled for settlement in October, 1973. Such interim construction financing ($3,000,000 commercial paper and $31,383,000 bank notes) has been classified as long-term debt in the consolidated balance sheet since $14,500,000 of bank notes mature (including maturity extension agreements) on or after October 31, 1973, and the remainder ($19,883,000) is covered by a bank commitment to refinance to October 31, 1973.

Lease-Purchases and Other Leases:

Lease-purchase obligations are in substance installment purchases and are recorded as leasehold interest at the discounted amount of future rentals. These leases are made with corporations owned by the Marriott Foundation and provide for the recovery of principal and interest and a nominal profit.

In addition to the foregoing leases, the Company has other leases which are not installment purchases and which have an average remaining term of 12 years as of July 27, 1973. Minimum annual rentals amount to approximately $12,600,000 as of July 27, 1973. Most of the leases require additional rentals under percentage clauses relating to sales and have renewal privileges.

5. CONVERTIBLE SUBORDINATED DEBT:

As of July 27, 1973, the Company has outstanding $5,000,000, 4¼% convertible subordinated notes due 1992. The conversion price ($43.90 per share) is subject to anti-dilution provisions. The notes have cash dividend restrictions, but at July 27, 1973, all retained earnings are unrestricted. Annual principal payments of $500,000 begin July, 1983.

6. STOCK COMPENSATION, STOCK PURCHASE PLAN AND OTHER RESERVED SHARES:

The Company has a number of deferred stock compensation programs. Under these programs, contracts for 681,692 shares of common stock have been awarded of which 136,136 shares are fully vested at July 27, 1973.

Under some programs, shares are issued after the period earned; under other programs, restricted shares are issued prior to the period earned. The amounts payable in the future in stock and the unamortized compensation for shares already issued are as follows:

	July 27, 1973	*July 28, 1972*
Stock payable in future	$3,093,569	$2,656,000
Unamortized compensation	(375,080)	(417,978)
Net	$2,718,489	$2,238,022

The Company has a qualified stock purchase plan for employees to purchase up to 249,741 shares of common stock. The purchase price for the shares to be purchased on January 31, 1974, is the market value at January 2, 1973 ($36.10 per share, adjusted for the 1973, 2½% stock dividend) or 100% of the market value at January 31, 1974, whichever is less.

As of July 27, 1973, there was one warrant outstanding, expiring in 1981, to purchase 12,300 shares of common stock at $24.39 per share.

7. CAPITAL STOCK:

1,000,000 shares of preferred stock, without par value, are authorized. As of July 27, 1973, none has been issued.

45,000,000 shares of common stock with a par value of $1 per share are authorized, of which 30,272,896 were issued and outstanding at July 27, 1973, and 29,336,745 were issued at July 28, 1972, including treasury shares of 49,000. Total common stock shares reserved at July 27, 1973, for exercise of options, warrant and conversions of debt are 1,057,628.

10 Year Financial History

(Dollars in Thousands)

	1973
OPERATIONS	
Sales	538,193
% Increase for the year	27.3%
Income before income taxes	36,278
Per sales dollar	6.7%
United States and foreign income taxes	(16,353)
% to income before income taxes	45.1%
Investment tax credit	1,715
Net income	21,640
% Increase for the year	22.0%
Per sales dollar	4.0%
Return on beginning shareholders' investment	12.4%
Funds provided from operations (Note C)	52,079
Capital expenditures	103,869
ASSETS EMPLOYED	
Net working capital	9,771
Fixed assets	421,333
Other assets	51,256
DEBT AND EQUITY	
Mortgages and notes	173,802
Lease-purchase obligations	43,898
Construction financing	34,383
Deferred income taxes	21,132
Convertible subordinated debt	5,000
Shareholders' investment	200,623
PER SHARE DATA (Note A)	
Net income	.72
Stock dividends	
Percent	2.5%
Cash equivalent	.82
Shareholders' investment	6.63
Quoted market price at year end	29.88
OTHER DATA (Note A)	
Weighted average shares outstanding	30,163,544
Shares outstanding	30,272,896
Number of shareholders	37,000
Number of employees	38,700
Number of operating units	570

1972	1971	1970	1969	1968	1967	1966	1965	1964	10 Year Compound Growth
		(53 weeks)				(53 weeks)			
422,928	351,929	318,324	258,741	197,498	146,349	123,933	98,843	84,726	21.8%
20.2%	10.6%	23.0%	31.0%	35.0%	18.1%	25.4%	16.7%	13.6%	
30,635	25,472	19,534	16,015	13,362	10,820	9,121	7,394	5,555	24.2%
7.2%	7.2%	6.1%	6.2%	6.8%	7.4%	7.4%	7.5%	6.6%	
(14,251)	(11,730)	(9,230)	(8,040)	(6,770)	(5,233)	(4,391)	(3,388)	(2,510)	
46.5%	46.1%	47.3%	50.2%	50.7%	48.4%	48.1%	45.8%	45.2%	
1,350	35	795	988	827	462	380	169	155	
17,734	13,777	11,099	8,963(B)	7,419	6,049	5,110	4,175	3,200	24.2%
28.7%	24.1%	23.8%	20.8%	22.6%	18.4%	22.4%	30.5%	29.5%	
4.2%	3.9%	3.5%	3.5%	3.8%	4.1%	4.1%	4.2%	3.8%	
13.6%	14.9%	13.8%	15.3%	16.3%	19.6%	19.5%	19.0%	17.0%	
43,531	34,294	26,224	20,548	16,302	12,920	10,759	7,510	6,658	24.7%
67,952	77,204	56.042	57,912	41,882	26,024	24,815	7,133	5,915	
9,592	8,585	12,008	7,376	7,579	4,559	6,872	9,576	10,247	
347,510	286,348	218,473	174,374	124,510	86,717	59,728	41,370	21,788	
40,940	30,499	28,436	22,239	12,159	6,810	1,066	864	520	
119,506	87,903	51,351	30,171	24,808	11,286	5,212	5,992	6,895	
54,548	57,153	53,351	45,457	41,168	33,679	25,878	15,249	—	
18,569	7,680	19,850	9,720	2,500	—	—	—	—	
22,898	17,297	13,978	10,454	7,215	7,667	5,697	4,388	3,659	
6,066	24,879	27,840	28,000	10,000	—	—	—	—	
174,493	130,520	92,547	80,187	58,557	45,454	30,879	26,181	22,001	26.6%
.60	.50	.42	.35(B)	.30	.26	.22	.18	.14	20.7%
—	2.5%	2.5%	2.5%	3.0%	4.0%	4.0%	4.0%	4.0%	
—	.44	.38	.38	.28	.23	.29	.16	.09	
5.81	4.58	3.50	3.05	2.33	1.85	1.35	1.14	.96	
34.39	21.40	11.54	14.46	13.37	7.32	5.61	4.99	2.24	30.4%
29,373,010	27,835,167	26,357,160	25,480,096	24,897,043	23,000,906	22,926,146	22,990,053	23,028,677	
30,019,939	28,515,605	26,425,734	26,311,022	25,094,485	24,561,427	22,896,286	22,956,009	23,024,099	
32,400	27,900	26,500	24,000	20,700	15,767	13,150	9,668	7,572	19.7%
34,100	27,300	26,000	24,300	19,700	15,600	12,500	10,000	9,600	15.6%
508	419	382	324	256	206	150	127	120	17.8%

Notes:

A. Per share data is based on weighted average shares outstanding during the year (except for shareholders' investment which is based on the total shares outstanding), adjusted for stock dividends and for 2-for-1 splits in April 1965, March 1968, and March 1972.

B. Net income in 1969 excludes extraordinary gains on sales of properties ($1,274,000 net of $483,000 tax or $.05 per share).

C. Funds provided from operations consist of net income plus depreciation, deferred taxes and other non-cash expense provisions. These funds are available for capital expenditures and debt maturities.

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Washington, D.C. 20013

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Arthur Andersen & Co.
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Washington, D.C. 20006

1973 ANNUAL MEETING

The 1973 Annual Meeting will take place at 10 a.m. Tuesday, November 20 at Tysons I Theatre in the Tysons Corner Center, McLean, Virginia. Access from the Capital Beltway (Rt. 495) northbound, via Rt. 7 and Tysons Corner exit; southbound exit 11-S. The theatre is nearest the "Fashion Court" entrance.

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