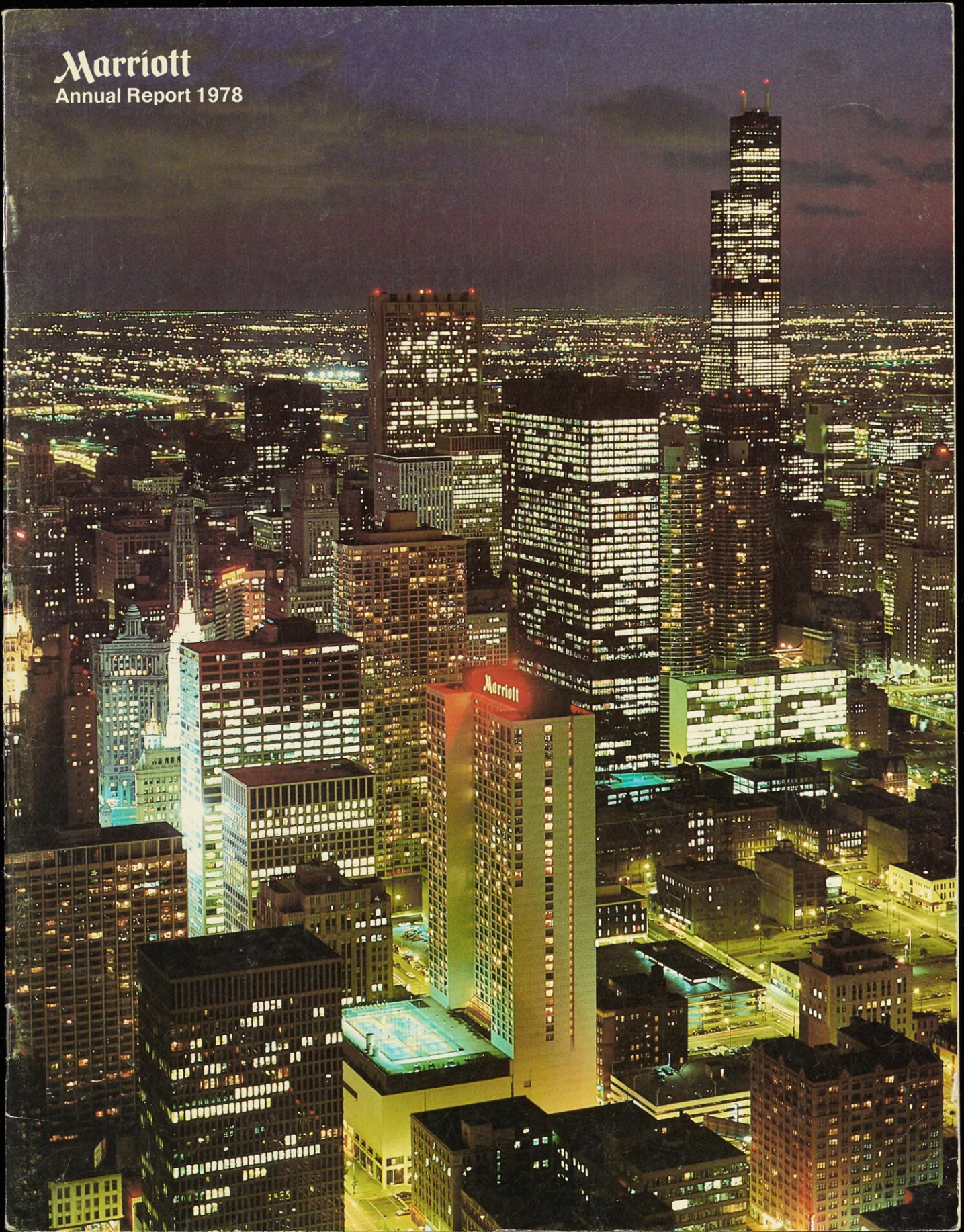


Marriott
Annual Report 1978



IN CALIFORNIA...THE POPULAR
NEWPORT BEACH MARRIOTT HOTEL



Annual Report 1978

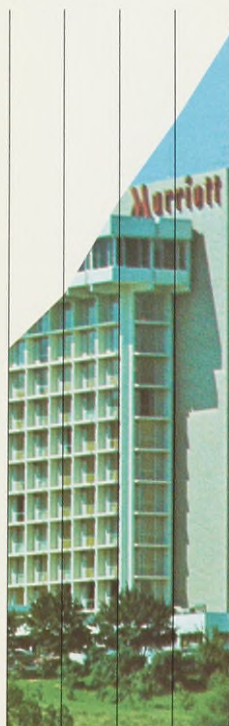
Marriott
corporation

A RECORD YEAR AT A GLANCE

	1978	1977
Sales increase 15%	\$1,176,541,000	\$1,026,313,000
Pre-tax Income up 33%	79,780,000	60,139,000
Per sales dollar	6.8%	5.9%
Net Income up 30%	46,123,000	35,505,000
Per sales dollar	3.9%	3.5%
Net Income Per Share up 30%	1.26	.97
Fully diluted	1.22	.95
Funds from Operations up 19%	113,741,000	95,665,000
Shareholders' Investment up 13%	396,489,000	351,573,000
Per share	10.76	9.59
Return on Investment improves	13.1%	11.3%
Number of company-operated units in food service-lodging-leisure markets nears 900.	892	843
Cash Dividends instituted		
Compound Growth in profits, sales is 20% for 10 years		
Expansion program gaining speed in U.S., foreign markets		

COVER: America's most outstanding new hotel, the 1,214-room Marriott in the very center of dynamic Chicago — one of the world's great hotel markets. The Windy City's tallest hotel at 46 stories, the Chicago Marriott opened in May of 1978 on vibrant North Michigan Avenue — the "Magnificent Mile."

1978: A Year of Great News... On Profits, Margins, ROI, Debt Ratio, Cash Flow, Dividends, Expansion



'74 '75 '76 '77 '78
\$640 \$732 \$890 \$1,026 \$1,177

Sales (In Millions)



'74 '75 '76 '77 '78
\$24.2 \$21.1 \$30.2 \$35.5 \$46.1

Net Income (In Millions)

We are proud to report an exceptional fiscal 1978.

We set high goals for your company last year as we embarked on our second 50 years. And 1978 was better than expected. We met or exceeded a long list of specific objectives:

Sales were up 15%, to almost \$1.2 billion.

Profits increased 30%—reaching \$46 million.

Profit margins improved.

Cost controls made a great contribution.

High-profit operations were expanded.

More non-productive or marginal assets were disposed of.

A \$92 million transaction improved our financial structure and helped assure dramatic expansion into the 1980s.

Return on investment jumped to 13.1% from 11.3%—on its way to our goal of 15% by 1982.

Debt dropped to 38% of total capital, from 45%.

Cash flow exceeded \$100 million for the first time.

And cash dividends were instituted.

MARRIOTT HOTELS finished an outstanding year with profits up 29% over '77. Our systemwide occupancy rate of over 80% remains at the top of the hotel industry.

One distinction continues to tell the story of Marriott's leadership in lodging. We now have 23 hotels honored with the prestigious Mobil Travel Guide's "4-Star" rating. This is more than twice as many awards as any other hotel system.

RESTAURANT OPERATIONS also had a very good '78 despite severe winter weather, higher food

costs, and the first of a series of recently legislated increases in the federal minimum wage.

The Group slowed in the second half but finished the year with an increase in profits of 21%.

CONTRACT FOOD SERVICES' profits were up 8%. International In-Flite Services and the Highway and Terminal Restaurant divisions did well, and Food Service Management improved. But an airline strike and cutbacks in meal service by airlines penalized catering profits in the United States.

THEME PARKS are concluding their third season as this is written. The season started slowly, but attendance came along well in the summer of '78. On the fiscal year basis ending July, however, profits were off slightly. Higher property taxes and depreciation hurt comparisons. And the prior year did not bear the full burden of off-season expenses.

SUN LINE CRUISES almost doubled earnings from operations. The ships have had quite a rebound the past three years. They're making a good contribution today.

Two high-priority areas in which management had remarkable results the

past year deserve special mention:

• **Cost Controls**

We made major savings in how we schedule labor and in how much energy we consume. We introduced new divisional safety programs that helped employees avoid injuries on their jobs and cut our costs for employee accidents. We began an intensive effort to subject administrative activities and costs to more rigid scrutiny.

• **Asset Management**

We made excellent progress in our program to improve shareholders' return on investment and other key measures of capital productivity.

The most important factor in our corporate strategy of the 1970s has been the shift in emphasis from *ownership* of hotels — which puts a heavy debt load on the company and limits our ability to expand — to *operating* hotels owned by other investors.

In fiscal '78 we sold five of our existing hotels to The Equitable Life Assurance Society of the United States. We will continue normal operation of these hotels under the Marriott name and with Marriott management — and earn significant fees. The transaction, worth \$92 million, also enables us to reduce debt and plan for growth in higher-return projects.

We will continue to own properties as our financial capacity permits. But more than half our 17,000 hotel rooms today are owned by other investors.

A second major factor in our asset management program has been the disposition or redeployment of

non-productive or marginal assets. In 1978 we disposed of \$22 million worth of assets not meeting our new higher profit objectives. This brings the total amount of dispositions the past four years to \$67 million.

The 1980s promise to be a tremendous era for our industry. And your company is gearing up for explosive growth.

Our organization, first of all, is ready. Shareholders can be proud of the tremendous abilities, hard work and spirit of the personnel in your company.

In a major organizational change in 1978, we consolidated our Contract Food Services and Sun Line operations under Frederic V. Malek, who was promoted to Executive Vice President.

Our business policy is to attack rising costs, much of which results from too much government in our lives... to phase out operations with uncertain futures... to give up sales volume if the profit yield is poor... to improve the balance sheet... to be creative in our sources of financing for the future.

Our strategic plan stresses expansion from within. We will leverage our premier reputation in lodging with rapid room growth. We also will expand other existing high-profit operations such as Roy Rogers and Big Boy restaurants. But we will

not pass up sound opportunities for acquisitions in our established businesses.

The 1980s are exciting to contemplate. With more two-income families, there will be greater discretionary spending power than ever before. And we know that people who earn more travel more... dine out more... spend more for recreation.

Airlines today are carrying record numbers of people. Good hotels are in demand. Restaurants before too long may be getting half of the wage-earner's food dollar. Theme parks are now well established as a fun-filled escape for millions. Luxury cruise ships are often booked to capacity.

And an enthusiastic Marriott Corporation is right in the middle of it all. There are very good times ahead for your company.



A handwritten signature in dark ink that reads "J. Willard Marriott".

J. Willard Marriott
*Founder and
Chairman of the Board*

A handwritten signature in dark ink that reads "J. W. Marriott, Jr.".

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

The Five Businesses of Marriott—1978

Hotels

	'78	'77
Sales:	\$372 million	\$309 million
Company-operated Hotels:	38	34
Rooms:	16,993	14,695
Employees:	18,000	15,200
Franchised Inns:	16	14
Franchised Rooms:	4,666	3,561

HOTELS AND RESORTS

38 properties in 31 cities of the United States, Mexico, Caribbean and Europe:

Location	Fiscal Year Opened	Rooms
Washington, D.C.		
Twin Bridges	'57	450
Key Bridge	'59	372
Dallas—Stemmons	'60	476
Philadelphia	'61	714
Atlanta—Downtown	'66	761
Saddle Brook, NJ	'66	281
Scottsdale, AZ—Camelback Inn	'68	423
Chicago—O'Hare Airport	'68	706
Houston—Astrodome	'69	339
New York City—Essex House	'69	854
Acapulco—Paraiso	'69	435
Boston	'70	433
Washington, D.C.		
Crystal City	'70	301
Dulles Airport	'70	213
Bloomington, MN	'71	494
St. Louis Airport	'72	426
Miami Airport	'72	425
New Orleans	'72	924
Barbados—Sam Lord's Castle	'73	186
Dallas—LBJ Fwy.	'73	447
Los Angeles Airport	'74	1,020
Kansas City Airport	'75	265
Denver	'75	464
Amsterdam	'75	391
Lincolnshire, IL	'75	393
Newport Beach, CA	'75	377
Springfield, MA	'76	257
Tucson	'76	311
Atlanta—Perimeter Center	'76	307
Santa Barbara, CA	'76	176
Santa Clara, CA	'76	302
Hunt Valley, MD	'77	280
Houston—West Loop	'77	302
Stamford, CT	'77	305
Tan-Tar-A, MO	'78	387
Marina del Rey, CA	'78	281
Austin, TX	'78	301
Chicago—Downtown	'78	1,214

FRANCHISED INNS

Sixteen Inns with 4,666 rooms have opened since 1970 in Cincinnati, Columbus, Fort Wayne, Louisville, Cleveland, Berkeley, Ann Arbor, Pittsburgh, Blacksburg (VA), Milwaukee, Indianapolis, Rochester, Providence, Syracuse and in '78, Beechwood (OH), and Orlando.



Restaurant Operations

	'78	'77
Sales:	\$331 million	\$308 million
Company-operated Units:	455	427
Employees:	24,700	23,400
Franchised Units:	941	908

COFFEE SHOPS

Bob's Big Boy (East Coast, West Coast, Ohio, Hawaii)	157
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LIMITED-MENU RESTAURANTS

Roy Rogers Family Restaurants (Eastern U.S., Texas)	143
Jr. Hot Shoppes (Maryland, Washington, D.C.)	8
Big Boy Jrs. (California)	13

DINNER HOUSES

"Joshua Tree," "Phineas Prime Rib" and others (Eastern U.S.)	19
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ICE CREAM PARLOUR RESTAURANTS

Farrell's (In 24 states)	86
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SERVICE RESTAURANTS AND CAFETERIAS

Hot Shoppes Service Restaurants (East Coast)	7
Hot Shoppes Cafeterias (East Coast, Midwest)	22

FRANCHISED OPERATIONS

Big Boy Restaurants of America (In 41 states and Canada)	850
Roy Rogers Family Restaurants (In 12 states and Canada)	65
Farrell's Ice Cream Parlour Restaurants (In 8 states and Canada)	26

Contract Food Services

	'78	'77
Sales:	\$368 million	\$320 million
Flight Kitchens:	62	63
Management Contract Accounts:	206	206
Employees:	16,400	14,700

FLIGHT KITCHENS—NORTH AMERICA

45 kitchens in 33 cities of the United States, Mexico, Caribbean:

Acapulco, Albuquerque, Antigua, Atlanta, Baltimore, Barbados, Boston, Chicago (2), Denver, Dallas/Fort Worth (2), Fort Lauderdale (2), Honolulu, Houston, Kansas City, Las Vegas, Los Angeles (2), Mexico City, Miami (3), Minneapolis, Newark (2), New Orleans, New York (4), Oakland, Orlando, Phoenix, St. Croix, Salt Lake City, San Francisco (2), San Juan, Seattle, Tampa, Washington, D.C. (2), West Palm Beach

FLIGHT KITCHENS—INTERNATIONAL

17 kitchens in Europe, South America, Africa, Mideast:
Barcelona, Buenos Aires (2), Cairo, Caracas, Gerona (Spain), Johannesburg, Lima (Peru), Lisbon, London (2), Madrid, Malaga, Palma de Mallorca, Paris, Rio de Janeiro, Santiago

MANAGEMENT CONTRACTS

Business and Industry	95
Health Care	83
Education	20
Highway Restaurants	8

9 AIRLINE TERMINAL RESTAURANTS

At *Kennedy International* (NY) terminals for Eastern Air Lines, Pan American World Airways, and National Airlines.

At *La Guardia* (NY) and at *Logan* (Boston) terminals, both for Eastern.

At *Salt Lake City*, *Dulles* (Washington, D.C.), *Isla Verde* (San Juan), and *Honolulu International* airports.

Theme Parks

	'78	'77
Sales:	\$76 million	\$69 million
Employees:	7,500	6,500
Operating Days:		
California	153	149
Illinois	117	117

MARRIOTT'S GREAT AMERICA

- San Francisco region in Santa Clara, California
 - Chicago region in Gurnee, Illinois
- Spectacular live entertainment . . . thrilling rides . . . quaint shops . . . arcades and games . . . and the widest variety of food services in the theme park industry . . . set in five authentically recreated eras of America's past.

Sun Line Cruises

	Capacity
Stella Solaris	650
Stella Oceanis	310
Stella Maris	180

Premier cruise line in two of the world's major cruise markets: Mediterranean in summer, Caribbean in winter.

1978-79 CRUISE SCHEDULE

- Caribbean Sailings, Winter of '78-'79—Solaris from Galveston, Texas . . . Oceanis from San Juan.
- Mediterranean Sailings, '79 Season—Solaris and Oceanis from Athens . . . Maris from Venice and Nice.

THE EXPANDING
NEW ORLEANS MARRIOTT



Hotels Break All Records; Industry-Leading Occupancy Rate Up Again; Productivity Improves

- Profits soar 29%; sales up 20%.
- Occupancy rises another point—far exceeds industry average.
- Expansion adds 2,300 rooms.
- Chicago Marriott is largest hotel to open in United States in 1978.
- Marriott Hotels win more than twice as many “4-Star” awards for excellence as any competitor.
- Efficiency hits new peak as controls on manpower and energy add to profits.

Fiscal '78 was an outstanding year for Marriott Hotels. Operating profit jumped 29% on higher occupancy, continued expansion, improved productivity and stronger prices. Sales increased 20%.

The Group improved on its 80%-plus occupancy rate in '78—consistently the highest in the industry. The occupancy rate rose a full percentage point, including 2,300 new rooms.

The company's most rapidly growing Group now has 38 company-operated hotels and 16 franchised properties bearing the Marriott name in 46 cities of the world. The number of company-operated rooms rose 16% in 1978 to almost 17,000. Franchised rooms, owned and operated by others, increased 31% to 4,666.

Lodging Demand High

Favorable market conditions prevailed throughout the lodging industry for most of the year. A healthy economy, high levels of corporate and personal travel, and good demand for group meeting accommodations combined to make it a particularly good year for Marriott Hotels.

The company's system-wide room rate increased more than 10% during the year in line with the lodging industry as a whole.

Awards Lead Industry

The successful financial performance of Marriott Hotels was matched by the quality of service offered to guests. The highly respected Mobil Travel Guide gave Marriott more than twice as many “4-Star” ratings as any other hotel

system. Six more Marriott Hotels and Inns received the “4-Star” ratings signifying “Outstanding, worth a special trip.” Twenty-three Marriott properties now display the “4-Star” rank—more than any two major competitors combined.

Labor Savings Large

A key factor in the Hotels Group's expanded profit margins was better productivity. New and more sophisticated approaches to labor scheduling saved \$2 million in expenses—and improved service at the same time. Computerized front office systems being installed in larger hotels cut costs, improve accuracy and speed reservations, billing and other functions.

Profit margins also benefited from more efficient energy use. The latest in controls and data-gathering techniques are in place. Outlays for equipment, systems and maintenance are the highest yet. But they have proved highly cost-effective.

New Hotels Aid Profits

New Marriott hotels opened in fiscal years '77 and '78 contributed over \$2 million to operating profits. Added in fiscal '78 were the Tan-Tar-A Resort, in the Missouri Ozarks, acquired early in the year; two 300-room hotels under lease/management in Austin, Texas, and

Marina del Rey, California; and the 1,214-room Chicago Marriott on North Michigan Avenue.

The Chicago Marriott is the company's largest property—as well as the largest hotel to open in the United States in 1978. The hotel opened to a full house in May, and already is matching the occupancy rate of established competitors in the city.

At fiscal year-end, 57% of the company's 17,000 rooms were operated by Marriott for other owners. This is after the completion of the sale of five properties to a major insurance company. These five hotels continue with the Marriott name, Marriott management and Marriott standards—and will provide good fees in the future. They are in Los Angeles, Philadelphia, St. Louis, Dallas (Stemmons Freeway) and Washington, D.C. (Twin Bridges).

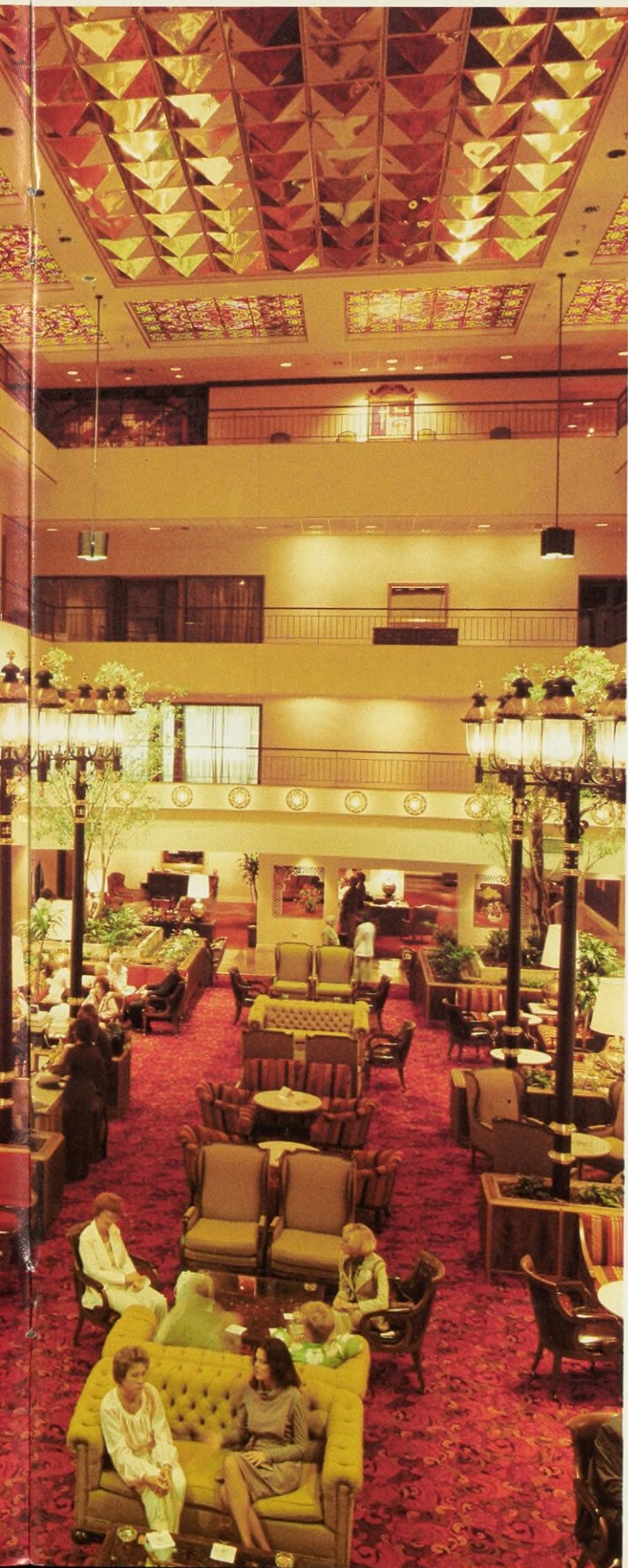
Expansion at Record Pace

Aggressive expansion is ahead for the Hotels Group. Profits should grow 15% annually over the next five years on the basis of new rooms alone.

By the end of 1979, 3,200 more company-operated rooms will be added to the system.

The existing New Orleans Marriott will be expanded by 430 rooms, making it the company's





largest property with 1,354 rooms when the addition opens in December of 1978. The successful Santa Clara, California, hotel will be expanded by 200 rooms, to a total of 502. And Marriott will open at eight new locations in the United States and Mideast: An important new resort at Rancho Mirage, near Palm Springs, California... hotels in Somerset, New Jersey; Bethesda, Maryland; San Antonio, Texas; and Portland, Oregon... and the first three Middle East Marriott Hotels in Riyadh and Dhahran, Saudi Arabia, and in Kuwait City, Kuwait.

Company-operated Marriott Hotels will have more than 20,000 quality hotel rooms as the decade of the '80s begins. The number will be more than double the 10,000 rooms operated at the end of 1974.

Mideast Growth Seen

The company's foreign expansion currently is focused in the Middle East where there is a serious lack of adequate hotel space. Marriott is the fastest-growing hotel system in the Middle East today. Seven properties already have been announced, and several more projects will be under development by 1982. All the hotels will be financed by foreign

interests, and managed by Marriott for fees.

Franchises Expand

In fiscal '78, two new franchised Marriott Inns opened including the largest Inn of all — with 652 rooms — in Orlando, Florida, and a second near Cleveland. Additions were made at several other Inns, which now total 16. Expansion contributed materially to the 33% rise in franchise profits. In 1979 a 250-room Marriott Inn will open in Key West, Florida.

Service: Faster, Better

Quality and friendly service — the hallmarks of Marriott Hotels — require constant management attention. In 1978 new standards of service were implemented in customer-contact positions. Better employee scheduling has resulted in improved service, even at peak business periods. A new retraining program is emphasizing an attitude of assertive hospitality. And, to insure that our guests' final impressions are favorable ones, a new procedure for rapid check-out is being instituted.

NEW SHOWPLACE OF CHICAGO — Dramatic atrium lobby of Chicago Marriott Hotel, surrounded by three levels of fashionable shops under a sky-lighted ceiling of dazzling panels and pyramids.

MAGNIFICENT
BOB'S BIG BOY
DESSERTS



Restaurants Overcome Higher Costs; Farrell's Division Turned Around; Group Profits Increase in '78

- Profit margins expand at established Roy Rogers and Hot Shoppes.
- Farrell's regains profitability.
- Fifty-three restaurants opened or converted.
- Special new manpower scheduling helps hold the line on labor costs.
- Energy consumption per unit declines for third straight year.

Marriott Restaurant Operations turned in a substantial profit gain of 21% for fiscal '78. Much of the improvement for the Group was based on a major swing in the Farrell's division which made money after prior-year losses. Roy Rogers, Hot Shoppes, and Big Boy also registered good increases. Only Dinner House profits declined.

Group sales were up 8% — which was more than the rate of price increases. New and converted units — 53 in all — aided results. But most of these were added near year-end, including an acquisition of 13 formerly franchised Roy Rogers units.

The closing of 25 marginal units in '78, although limiting sales increases, improved profitability for '78 and beyond.

Controls Help Margins

Increased efficiency offset much of the Group's higher costs for food, energy and labor — and helped to improve margins.

Costs of purchased food spiraled 12% during fiscal '78. The increase for the meat/poultry/seafood category alone was 22%. Higher menu prices partially covered these increases — and new controls and menu changes more than offset the balance.

Energy consumption per unit declined for the third consecutive year. New control equipment and constant monitoring by management is producing the year-to-year reductions

needed to offset the continuous rise in utility rates.

Labor costs overall declined as a percent of sales. Part of the burden of last January's 15% increase in the federal minimum wage was passed along to customers through higher prices. More importantly, effective new ways to reduce the total number of hours worked were developed. Fine-tuning work schedules, and switching to less labor-intensive procedures helped hold the line on labor expense.

Continued Growth Ahead

At year-end, after both pruning and expanding, the Restaurant Group totaled a strong base of 455 units. Future growth will focus on Marriott's most popular and most profitable restaurant concepts — Roy Rogers and Big Boys. The Roy Rogers division plans to almost double its 143-unit total by 1982.

Development costs increased in fiscal '78 to meet the Group's aggressive growth goals. Market studies were completed on all targeted growth markets. Real estate searches and acquisitions are on track to meet the 1979 expansion goal.

Further modification of prototype building designs

should help offset construction costs that are escalating at almost 10% annually.

ROY ROGERS

Profits from Roy Rogers Family Restaurants increased 15%—even after heavy development expenses for its substantial expansion effort. More customers and better cost controls broadened profit margins at established units in fiscal '78. The average customer's check increased substantially more than prices.

Thirty-one new units were added during '78, almost triple the additions in '77. Of these, 24 were in the fourth quarter including 13 acquired from a Baltimore franchisee. Thirty more units are planned for 1979.

BOB'S BIG BOYS

Profits for the 170 company-owned Big Boy Restaurants in California, Ohio and the East Coast were ahead of last year.

Sales for 118 units in California, including 13 Big Boy Jrs., increased strongly in '78. Prices were up and 10 new coffee shops were added. But profits were only slightly ahead of last year, primarily because of higher labor costs.

On the East Coast, 21 Big Boys turned in a sizeable profit gain, but in the Cleveland area results were down. Twenty-one Ohio units are undergoing an extensive renovation program. Major improvement is expected in 1979

as the Ohio units begin operations under the Bob's name.

Income from the Big Boy franchise division increased significantly over 1977. At the close of fiscal '78, a new licensing agreement for expansion into Japan was completed—the first foreign penetration for Big Boy except for Canada.

HOT SHOPPES

Hot Shoppes cafeterias and table-service restaurants continued to benefit from disposal of unsatisfactory units. Seven more were closed in fiscal '78. But division profits from the remaining 29 operations posted good gains.

DINNER HOUSES

Dinner House sales increased, primarily from the addition of five new units including the division's first in Connecticut. But profit margins contracted as customer counts declined due to increased competition. Earnings were further penalized by higher advertising and development costs.

At year-end progress had been made in efforts to reduce menu prices, update concepts, and attract more customers to these still-popular, high-quality dining-out units.

FARRELL'S

As forecast last year, fiscal '78 saw a major turnaround in Farrell's Ice Cream Parlour Restaurants. The division was in the black in the first and fourth quarters, and closed the year with a profit—after two years of losses.

Tight controls on manpower produced much of the improvement. Also, six units were closed, and several others are being sold as franchises.





ROY ROGERS FAMILY RESTAURANTS—Fastest-growing restaurant division is industry leader... with appealing design such as this customized new unit in McLean, Virginia— and a high-quality fresh-food menu.

THE PROFESSIONAL TOUCH
BY MARRIOTT



Contract Group Ahead of '77, But Catering to U.S. Airlines Hit by Changes in Industry

- U.S. In-Flite wrestles with changes in airline menus.
- International In-Flite profits advance; market share and margins improve.
- Terminal and Highway Restaurants generate excellent results.
- Food Service Management has '78 profit gain.
- Terminal concession awarded at Honolulu International Airport.

Contract Food Services had a mixed year but ended fiscal '78 with earnings up 8% and sales ahead 15%.

Airline catering, the mainstay of this Group, also improved sales 15% on a worldwide basis. Profits from international operations were up strongly, and more than offset declines for U.S. In-Flite Services, which suffered setbacks during a trying year.

Terminal and Highway Restaurants together doubled their operating income in fiscal '78. And Food Service Management showed a modest increase at year-end compared to 1977.

U.S. Profits Reduced

Fiscal '78 was difficult for U.S. In-Flite. Sales increased but profits declined. Profit margins were eroded by a series of unfortunate developments:

- Food, labor and other costs increased sharply.
- The worst winter on record closed northern airports at times, simultaneously reducing volume at other locations.
- "No-frills" service by some airlines affected several of the largest domestic flight kitchens.
- A strike suffered by a major customer hurt fourth quarter earnings.

Airlines Change Menus

Above all, results were penalized severely by changes in the airline industry's meal requirements.

While airline passenger load factors rose dramatically in 1978 thanks to steep airfare discounts, meals ordered by the carriers were downgraded

to a large extent. A new focus was put on easier-to-serve, lower-cost snacks rather than full meals.

Many of the new food orders, unfortunately, involve substantially more labor-intensive preparation. As a result, traditional meal-pricing formulas—structured basically on food costs more than on labor content—do not permit a fair return. Consequently, Marriott's margins were reduced.

Fair Returns Required

The solution to the problem rests in renegotiation of marginal or unprofitable arrangements with clients. Marriott In-Flite is working closely with its airline customers at this difficult time, and some success has already occurred.

To help offset the difficulties, management has intensified its efforts to build sound volume and find solid efficiencies. Several new and profitable accounts were added in 1978; labor productivity in two major kitchens added in '77 was improved; and energy usage was cut. In-Flite Services received the Association of Energy



Engineers' 1978 Corporate Energy Conservation Award.

International Does Well

For the second straight year, profits from airline and industrial catering overseas achieved excellent gains. Sales advanced substantially in both hemispheres.

Expansion continued in South America — where airline traffic is strong. Marriott has opened South

America's largest and most modern flight kitchen in Rio de Janeiro, and has expanded its kitchen in Lima. Expansion in 1979 will include new kitchens in Buenos Aires and Caracas.

In Europe, significant increases in volume and productivity, and the strengthening of European currencies against the dollar contributed to increased profits. Gatwick Airport, near London, is growing rapidly as additional traffic is transferred from Heathrow Airport and

new airline customers are obtained.

The Contract Group operated nine restaurants at major airline terminals and eight highway restaurants at year-end. Due to greatly increased airline travel and more adequate pricing, these units almost doubled their profit contribution in '78.

Division Expands

The Terminal Restaurant division is currently bidding for several attractive contracts at various locations. A major facility was added at year-end as Marriott took over food and beverage operations at Honolulu International — 12th busiest airport in the United States. In 1979, the division will provide fast-



MARRIOTT IN-FLITE SERVICES—First in catering to the airline industry, from the Ford Tri-motors of the 1930s to the jets and superjets of today, including Eastern Air Lines' A300.

food service at Cleveland Hopkins International Airport.

Business Service Up

Food Service Management (FSM) for businesses and institutions increased operating profits modestly for fiscal '78. The division continued to add new units, and sales advanced more than 20% for the year.

Business Food Service recorded the FSM division's largest gain. New volume added included accounts with Rockwell International, Texas Instruments, and Western Electric.

Health Care Services' profits declined in '78. But with profitable new ac-

counts added and the elimination of marginal or unprofitable locations throughout the year, prospects for the future are much improved.

Educational Services improved profits in '78, and continued profit growth is expected in the new year. The division is now serving the State University of New York campuses at both Plattsburgh and Potsdam plus 18 other institutions.

EXCITING
"GREAT AMERICA"



Over Five Million Guests Enjoy "Great America," Parks Are Top Attractions in Two Major Markets

- Chicago, San Francisco theme parks maturing.
- GREAT AMERICA attendance passes five million mark in '78 season.
- Employee productivity continues to improve.
- Major new features being added in '79.

Key signs of success continue to unfold in the company's newest business — theme parks.

Attendance at MARRIOTT'S GREAT AMERICA in the Chicago and San Francisco markets in 1978 passed the five million mark for the first time.

Among the largest operating companies in the industry, Marriott — the newest — is in the first five in total attendance. Its GREAT AMERICA parks, today, are established as top leisure-time attractions in their Midwest and California markets.

The parks are also established as solid entertainment values. Guests in 1978 spent an average of more than \$14 per person in the parks. For their expenditures visitors received a full day of value: rides, live entertainment and shows, games, merchandise and food.

Three Strengths Clear

The company's theme park business is still maturing. But its basic strengths are clear:

- Location is excellent — in two of the country's largest metropolitan markets. And the parks are one of a kind in both markets.
- Design and quality is outstanding. The parks were built to please — and built to last. They offer "something for everyone" in a landscaped environment that grows richer with each season.
- Recognition and reputation of the parks are widespread in their markets. Advertising, sales promo-

tion, and publicity efforts have been highly effective.

With any major investment it takes time to reach full profit objectives. GREAT AMERICA has not yet attained the levels projected for the business long-range. In fiscal '78, Group profits ending July were off slightly from the year before. Substantial increases in property taxes and depreciation hurt comparisons. In particular, the prior year did not bear the full burden of off-season costs.

Starting in '79, the parks will be on a fully comparable accounting basis for the first time. Major labor-saving economies which improved productivity-per-guest in 1978 will be even more beneficial in '79. A more aggressive advertising and marketing program is being developed.

New Features Coming

And importantly, new attractions will increase attendance. Two major features already proven in one of the GREAT AMERICA parks are being added at the other: PICTORIUM, the world's largest movie screen, is being added in the Illinois park, and the 200-foot "Sky Trek" Observation Tower in Santa Clara. Live shows even more lavish than the highly acclaimed 1978 productions will be ready for both parks in 1979.



Sun Line Profits Up Again As Luxury Cruises of Greek Islands, Caribbean Jump in Popularity

- Occupancies higher; sales up 19%.
- Management continues to stress efficiencies.
- Repositioning in Mediterranean and Caribbean aids results.

The Sun Line cruise ship division increased its operating profits by \$1 million in fiscal '78—almost double its 1977 earnings. Sales increased by 19%.

Sun Line has settled into a stable pattern of programs featuring three-, four- and seven-day Greek Island cruises from April through October, and winter cruises in the Caribbean departing Galveston and San Juan.

Customer satisfaction with Sun Line's programs and high standards of service has led to higher occupancies and rates—and to much better profits.

Also contributing were:

- The repositioning of the larger Stella Oceanis in the popular Greek Island market, and in a unique Caribbean winter program.
- Vigorous promotion in the United States and Europe, including programs serving leading travel agents and wholesalers.
- The continued popularity of Greece as a tourist destination, and the travel industry's recognition of

Sun Line as the leader in this market.

Demand for Sun Line programs remains high. With more operating efficiencies from a highly effective management group, the division looks for more gains in the future.

FAIRFIELD FARM KITCHENS

The Washington-based food production and distribution center—operated primarily to serve Marriott facilities—showed an increase in sales of food and supplies in '78. Recent food cost inflation underscored the importance of large-scale economies achieved for the company by Fairfield Farm Kitchens.

ARCHITECTURE AND CONSTRUCTION

During fiscal '78 the Architecture and Construction division completed over \$100 million worth of Marriott hotel and restaurant projects—a one-year record. In addition, it broadened the sale of its technical services to developers and owners of properties to be managed by Marriott.

Financial Results, Asset Productivity Continue Significant Improvement

- Net income rises 30%, or double the corporate growth objective of 15% per year.
- ROI improves to 13.1% from 11.3% in '77; nearing 1982 goal of 15%.
- Five hotels sold for \$92 million; Marriott continues to operate for substantial future fees.
- Debt drops to 38% of capital from 45% in '77, and high of 54% in '75.
- Cash flow exceeds \$100 million for first time.

Fiscal '78 was another significant year in management's long-range strategy to improve shareholders' return on investment (ROI) as well as to maintain steady profit growth.

All measures of asset productivity improved, and profits rose 30% to \$46 million. The gain is double the corporate growth objective of minimum 15% annual growth in earnings—and maintains the 10-year compound growth rate of 20%.

More Progress for ROI Program

Four years ago, in fiscal 1975, the company commenced an aggressive program to improve asset productivity. It announced plans to dispose of or redeploy non-productive or marginal assets, and to leverage through hotel management contracts its management expertise rather than its balance sheet. The program has achieved significant results in both areas.

In fiscal 1978, almost \$22 million in non-productive assets were liquidated. This included idle land, a number of restaurants and other assets. Since 1975, \$67 million of such assets have been liquidated. And over the same four-year span, 41 restaurants have been converted to more profitable concepts.

Hotel Assets Controlled

Major progress also was made in 1978 in the company's plan to operate a greater proportion of hotels owned by other investors. In just one year, the number of such hotel rooms under management jumped from 5,685 to 9,651 rooms, or from 39% to 57% of total rooms. Managed hotels are expected to grow to at least 15,000 rooms—or more than 60% of the total rooms—by 1981 when most of the foreign hotels now under construction will open.

By fiscal 1981, over \$750 million of hotel assets owned by others will be controlled by Marriott under long-

term agreements, compared with about \$100 million at the beginning of fiscal 1975.

Sale of Hotels Completed

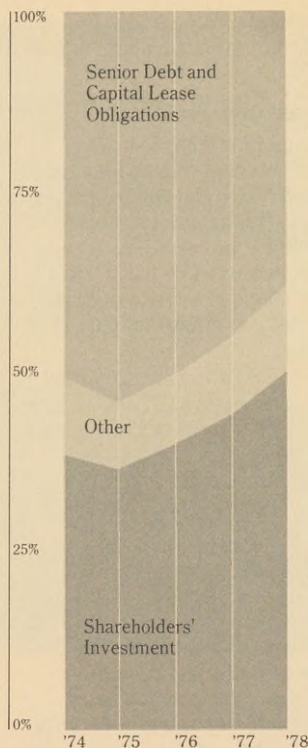
The company will continue to acquire and develop selected hotels on an owned basis. But the bulk of expansion in this capital-intensive industry will be financed with capital provided by others. The fiscal '78 sale of five hotels to a major financial institution was an important part of this strategy.

In June, 1978, Marriott completed the sale of five hotels to The Equitable Life Assurance Society of the United States for \$92 million. Under the terms of this sale, Marriott continues to operate the hotels for 75 years.

Multiple Benefits from Sale

The transaction has several advantages for Marriott:

- It improves all the key financial balance sheet ratios and therefore enhances Marriott's position as an unsecured borrower and broadens its sources of capital.
- Under the agreement Marriott will continue to participate substantially in future profits from these five properties. Yet it has no fixed-rent obligation if the hotels are not productive.
- Most importantly, the transaction gives Marriott increased financial capacity to reinvest in additional productive assets and thereby increase



DEBT RATIO IMPROVES AGAIN

Senior debt and capital lease obligations declined to 38% of invested capital in 1978 from 54% in 1975.

(*Other* includes deferred income taxes, convertible subordinated debt, deferred income and other liabilities.)

earnings on its existing equity base without increasing financial leverage.

Balance Sheet Improves

Marriott's senior debt and capital leases declined to 38% of total capital in '78 from 45% in 1977 and a high of 54% in 1975.

This decline facilitated the funding of Marriott's first unsecured private domestic debt placement. The \$40 million placement at 8-3/4% and a 20-year term was an important step in the company's transition from secured to unsecured debt as the principal source of future debt financing.

Return On Capital Rises

Reflecting the effects of the program initiated in 1975, all measures of capital productivity increased during the year. Return on beginning shareholders' investment climbed to 13.1% from 11.3% in 1977 and 9.3% in 1975. The company is closing in on its 1982 objective of 15%.

With debt leverage declining the past three years, however, return on shareholders' investment distorts the real gains achieved in asset productivity. Two return-on-capital measurements eliminate distortions caused by comparing years with different financial leverage—and more fully reflect the progress in the company's asset management program.

One measurement is earnings before interest and taxes (EBIT) as a percent of capital. In 1978, EBIT provided a 13.6% return on beginning capital versus 10.1% when management embarked on the program in 1975.

Similarly, after-tax cash flow, before tax-adjusted interest expense, in-

creased from 14% of total capital in 1975 to 16.1% in 1978.

Measured in either manner, 1978 return on capital has reached its highest level of the past seven years.

Maturity Schedule Strengthens

Continued cash flow growth and a reduction of debt levels have improved even further Marriott's debt maturity coverage. Cash flow from operations increased to \$114 million from \$96 million in 1977 and cash flow coverage of five-year debt maturities increased to 115%.

Debt Maturity Schedule at Fiscal Year-end
(Dollars in millions)

Year	1978	1977	1976	1975
1	\$ 10.4	\$ 8.8	\$10.1	\$11.4
2	15.6	8.7	17.7	14.7
3	20.0	14.9	18.2	14.1
4	24.1	21.0	19.1	20.3
5	28.7	32.7	18.0	23.9
Total	\$ 98.8	\$86.1	\$83.1	\$84.4
Cash Flow from Operations	\$113.7	\$95.7	\$88.3	\$70.8
Ratio of Cash Flow to 5-year Maturities	1.15	1.11	1.06	.84

Capital Outlay Climbs

Capital expenditures of \$104 million plus acquisitions and investments in joint ventures required an aggregate of \$137 million of corporate funds in fiscal '78.

The company's strategic plan provides for continued substantial outlays for growth in high-return hotels and restaurants. Management also anticipates acquisitions of attractive operations in the company's present lines of business.

Cash Dividends Declared

In a departure from past policy, the company commenced payment of cash dividends in January of 1978. The initial dividend of 12 cents per share annually amounted to 10% of net income.

The company will continue its policy of reinvesting its cash flow substantially in new growth areas. But the

Board of Directors intends also to increase the cash dividend as earnings grow.

Fiscal Year Changed

The company announced a change in its fiscal reporting to a year ending on the Friday closest to December 31. The new fiscal year approximates the calendar year and will permit full-season reporting of Theme Park Group results on an annual basis.

The company will release in November, 1978, the results for the 12 weeks ending October 20, 1978. A subsequent announcement in February, 1979, will cover the 52 weeks ending December 29, 1978 and December 30, 1977.

New FASB Requirements Met

Commencing in fiscal 1978, Marriott is reporting operating profits by business segments in accordance with new Financial Accounting Standards Board (FASB) requirements. Accordingly, corporate administrative expense, unallocated corporate charges, net interest expense, and gains and losses on the disposition of operations and idle property have been excluded.

Also in 1978, the company capitalized all outstanding capital leases to conform with an FASB requirement. Prior years have been restated, increasing total capital and debt. The accounting change reduced earnings per share by 2 cents in 1977 and by about 1.5 cents in 1978.

Yearly Comparisons Reviewed

In fiscal 1977, company sales increased 15% and net income gained 17% over 1976, primarily from improved productivity in some divisions, the first full season of theme park operations, higher prices in most divisions, the opening of new facilities and high occupancies in hotels and on cruise ships.

Advertising and sales promotion expense in both 1978 and 1977 in-

creased at a faster rate than sales due to expanded marketing programs in almost all Groups. The increase in other costs and expenses in fiscal '78 and '77 was generally due to increases in sales, operating units and employees.

Net interest expense declined in 1978 as a result of reduction in debt. The increase in net interest in 1977 was due to the financing for the theme parks; interest on these borrowings was capitalized prior to the parks' opening.

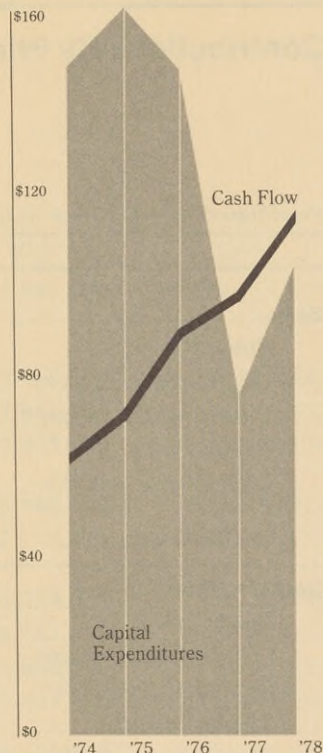
In fiscal 1978, the effective net income tax rate increased primarily because favorable tax benefits had been recorded on dispositions in 1977. This was partially offset by an increase in '78 investment tax credits (ITC). In fiscal 1977 the tax benefits from dispositions substantially offset the effects of lower ITC compared to 1976 when the two theme parks had opened.

Stock Information

The range of Marriott stock prices by fiscal quarters has been as follows:

Fiscal Quarters Ended During	1978		1977	
	High	Low	High	Low
October	\$10 ⁵ / ₈	\$ 9 ¹ / ₄	\$14 ⁵ / ₈	\$12 ¹ / ₈
February	11 ⁷ / ₈	8 ³ / ₄	14	9 ⁷ / ₈
May	14	10 ⁵ / ₈	10 ³ / ₄	9 ¹ / ₄
July	14	10 ³ / ₄	11 ¹ / ₄	9 ¹ / ₄

Marriott common stock (MHS) is listed on the New York, Pacific, Midwest and Philadelphia Stock Exchanges.



CASH FLOW TOPS \$100 MILLION

Cash flow from operations hits a record \$114 million in 1978, or almost double 1974 figure. Capital expenditures total \$104 million excluding acquisitions.

Contributions By Principal Business Segments

Fiscal Years Ended in July (Dollars in Millions)

Sales	1978		1977		1976 (53 Weeks)		1975		1974	
	\$	%	\$	%	\$	%	\$	%	\$	%
Hotels Group	372.3	32	309.3	30	269.6	30	216.5	30	190.4	30
Contract Food Services	367.8	31	320.2	31	278.1	31	256.4	35	236.2	37
Restaurant Operations	330.9	28	307.5	30	299.2	34	253.1	34	203.7	32
Theme Parks	76.4	7	68.7	7	36.0	4	—	—	—	—
Cruise Ships and Other	29.1	2	20.6	2	7.5	1	6.4	1	10.1	1
Total sales	<u>1,176.5</u>	<u>100</u>	<u>1,026.3</u>	<u>100</u>	<u>890.4</u>	<u>100</u>	<u>732.4</u>	<u>100</u>	<u>640.4</u>	<u>100</u>
Operating Profit (a)										
Hotels Group	60.3	48	46.6	45	35.7	41	31.2	47	29.4	46
Contract Food Services	21.8	18	20.2	19	20.0	23	19.0	29	17.5	27
Restaurant Operations	27.0	22	22.3	21	23.6	27	21.2	32	18.7	29
Theme Parks (b)	11.5	9	12.1	12	8.0	9	—	—	—	—
Cruise Ships and Other	4.2	3	3.2	3	(0.5)	—	(5.2)	(8)	(1.0)	(2)
Total operating profit	<u>124.8</u>	<u>100</u>	<u>104.4</u>	<u>100</u>	<u>86.8</u>	<u>100</u>	<u>66.2</u>	<u>100</u>	<u>64.6</u>	<u>100</u>
Interest, net	28.2		30.2		24.8		21.8		19.1	
Corporate Expenses and Income (c)	16.8		12.2		11.5		7.0		4.5	
Income Before Dispositions and Income Taxes	79.8		62.0		50.5		37.4		41.0	
Dispositions of Businesses (d)	—		(1.9)		—		(0.4)		—	
Income Before Income Taxes	<u>79.8</u>		<u>60.1</u>		<u>50.5</u>		<u>37.0</u>		<u>41.0</u>	

() Indicates loss

(a) Operating profit represents total operating results before interest, corporate administrative expense, unallocated corporate charges and dispositions. Years prior to 1978 have been restated to conform with the requirements of Statement of Financial Accounting Standards No. 14 in regards to Contributions by Principal Business Segments as well as to give effect to the retroactive capitalization of leases as required by Statement of Financial Accounting Standards No. 13.

(b) Theme Parks operating results for fiscal 1978 are not comparable with fiscal 1977 primarily because the prior year did not bear the full burden of off-season costs.

(c) Corporate expenses and income represents corporate administrative expense, capital gains and other items which are not of an operating nature. Fiscal 1978 includes the write-off of \$3.4 million of costs related to a proposed third theme park in the Washington, D.C. area. This was substantially offset by gains on the sale of excess land adjacent to the California theme park.

(d) The loss on dispositions in 1977 reflects the net pre-tax loss on the divestment of the Frankfurt and Athens flight kitchens and the security alarm business. After tax, the dispositions resulted in a minor net gain due to realization of previously unaccrued tax benefits on prior operating losses.

Consolidated Income

Marriott Corporation and Subsidiaries for the Fiscal Years Ended July 28, 1978 and July 29, 1977

	1978	1977
Total Sales	\$1,176,541,000	\$1,026,313,000
Costs and Expenses		
Cost of sales and operating expenses	878,150,000	768,296,000
Administrative and general expenses	47,911,000	41,853,000
Taxes—payroll, real estate and other	50,305,000	42,736,000
Depreciation and amortization of property and equipment	48,440,000	45,679,000
Advertising and sales promotion expenses	32,174,000	25,547,000
Interest cost, less capitalized interest of \$3,618,000 and \$1,938,000	28,224,000	30,193,000
Profit sharing retirement contributions	6,727,000	5,291,000
Pre-opening and development expenses	4,830,000	4,694,000
	<u>1,096,761,000</u>	<u>964,289,000</u>
Income Before Dispositions and Income Taxes	79,780,000	62,024,000
Dispositions of Businesses	—	(1,885,000)
Income Before Income Taxes	79,780,000	60,139,000
Provision for Income Taxes	33,657,000	24,634,000
Net Income	\$ 46,123,000	\$ 35,505,000
Earnings Per Share—assuming no dilution	<u>\$1.26</u>	<u>\$.97</u>
Earnings Per Share—assuming full dilution	<u>\$1.22</u>	<u>\$.95</u>

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

Marriott Corporation and Subsidiaries, July 28, 1978 and July 29, 1977

ASSETS	1978	1977
Current Assets		
Cash	\$ 14,099,000	\$ 24,726,000
Marketable securities, at cost which approximates market	44,708,000	—
Accounts receivable	71,164,000	55,549,000
Inventories, at lower of average cost or market	40,374,000	43,635,000
Prepaid expenses	10,815,000	10,559,000
Total current assets	<u>181,160,000</u>	<u>134,469,000</u>
Property and Equipment, at cost		
Land	97,005,000	105,628,000
Buildings and improvements	258,950,000	280,353,000
Leasehold improvements	206,481,000	210,338,000
Furniture and equipment	239,374,000	244,437,000
Property under capital leases	27,198,000	52,475,000
Cruise Ships	11,614,000	11,441,000
Construction in progress	56,620,000	20,836,000
	<u>897,242,000</u>	<u>925,508,000</u>
Depreciation and amortization	<u>(197,803,000)</u>	<u>(195,708,000)</u>
	<u>699,439,000</u>	<u>729,800,000</u>
Other Assets		
Investments in and advances to affiliates	27,797,000	15,010,000
Cost in excess of net assets of businesses acquired	19,351,000	17,622,000
Notes receivable	18,505,000	4,448,000
Other	11,763,000	13,252,000
	<u>77,416,000</u>	<u>50,332,000</u>
	<u><u>\$958,015,000</u></u>	<u><u>\$914,601,000</u></u>

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

LIABILITIES AND SHAREHOLDERS' INVESTMENT		1978	1977
Current Liabilities			
Short term loans		\$ 2,951,000	\$ 3,542,000
Accounts payable		56,765,000	46,259,000
Accrued liabilities		67,352,000	50,834,000
Income taxes payable		25,214,000	8,632,000
Current portion of debt and capital lease obligations		11,325,000	9,876,000
Total current liabilities		<u>163,607,000</u>	<u>119,143,000</u>
Debt, excluding convertible subordinated debt			
Mortgage notes payable		179,164,000	224,091,000
Unsecured notes payable		101,804,000	88,481,000
		<u>280,968,000</u>	<u>312,572,000</u>
Capital Lease Obligations			
		22,187,000	47,623,000
Deferred Income and Other Liabilities			
		10,010,000	1,138,000
Deferred Income Taxes			
		55,839,000	53,032,000
Convertible Subordinated Debt			
		28,915,000	29,520,000
Shareholders' Investment			
Common stock		36,855,000	36,668,000
Capital surplus		224,611,000	222,749,000
Net deferred compensation payable in common stock		5,925,000	4,775,000
Retained earnings		129,098,000	87,381,000
Total shareholders' investment		<u>396,489,000</u>	<u>351,573,000</u>
		<u>\$958,015,000</u>	<u>\$914,601,000</u>

Consolidated Changes in Financial Position

Marriott Corporation and Subsidiaries for the Fiscal Years Ended July 28, 1978 and July 29, 1977

	1978	1977
Sources of Funds		
Net income	\$ 46,123,000	\$ 35,505,000
Add expenses not requiring current outlay of working capital—		
Depreciation and amortization of property and equipment	48,440,000	45,679,000
Deferred income taxes	11,976,000	8,462,000
Other	7,202,000	6,019,000
From operations	113,741,000	95,665,000
New financing	46,171,000	17,341,000
Net funds after tax from sale of five hotels	20,463,000	—
Common stock issued	1,765,000	2,628,000
Disposals of property and equipment	21,846,000	20,298,000
Total sources	<u>203,986,000</u>	<u>135,932,000</u>
Applications of Funds		
Additions to property and equipment	103,759,000	74,613,000
Acquisitions of businesses	20,838,000	—
Maturities and prepayments of mortgages and notes	47,293,000	57,169,000
Investments in and advances to affiliates	12,056,000	4,543,000
Net increase in notes receivable	14,057,000	66,000
Other	3,756,000	(885,000)
Total applications	<u>201,759,000</u>	<u>135,506,000</u>
Increase in Working Capital	<u>\$ 2,227,000</u>	<u>\$ 426,000</u>
Summary of Changes in Working Capital		
Increase (decrease) in current assets		
Cash and marketable securities	\$ 34,081,000	\$ 3,973,000
Accounts receivable	15,615,000	5,256,000
Inventories	(3,261,000)	8,131,000
Prepaid expenses	256,000	2,979,000
(Increase) decrease in current liabilities		
Short term loans	591,000	(553,000)
Accounts payable, accrued liabilities and income taxes payable	(43,606,000)	(20,569,000)
Current portion of debt and capital lease obligations	(1,449,000)	1,209,000
Increase in Working Capital	<u>\$ 2,227,000</u>	<u>\$ 426,000</u>

The accompanying notes are an integral part of this statement.

Consolidated Shareholders' Investment

Marriott Corporation and Subsidiaries for the Fiscal Years Ended July 28, 1978 and July 29, 1977

	Common Stock (\$1.00 par value)	Capital Surplus	Net Deferred Stock Compensation	Retained Earnings
Balance, July 30, 1976, as previously reported	\$35,567,000	\$212,250,000	\$3,952,000	\$63,575,000
Cumulative effect of restatement of capital leases	—	—	—	(2,429,000)
Balance, July 30, 1976, as restated	35,567,000	212,250,000	3,952,000	61,146,000
Net income, as restated	—	—	—	35,505,000
Common stock issued—				
2½% Stock dividend at market	870,000	8,085,000	—	(9,270,000)
Employee stock purchase and stock option plans	213,000	2,390,000	—	—
Other	18,000	24,000	823,000	—
Balance, July 29, 1977, as restated	36,668,000	222,749,000	4,775,000	87,381,000
Net income	—	—	—	46,123,000
Common stock issued—				
Employee stock purchase and stock option plans	150,000	1,488,000	—	—
Acquisition of franchisee	175,000	1,631,000	—	—
Repurchase of shares from profit sharing plan	(160,000)	(1,480,000)	—	—
Cash dividends	—	—	—	(4,406,000)
Other	22,000	223,000	1,150,000	—
Balance, July 28, 1978	<u>\$36,855,000</u>	<u>\$224,611,000</u>	<u>\$5,925,000</u>	<u>\$129,098,000</u>

The accompanying notes are an integral part of this statement.

Notes to Consolidated Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

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

Foreign Operations:

The consolidated financial statements include net assets of foreign subsidiaries of \$42,979,000 at July 28, 1978 and \$39,305,000 at July 29, 1977. Foreign sales and net income after interest, intercompany charges and foreign tax, as a percent of consolidated sales and net income were 8% and 15% in 1978 and 8% and 13% in 1977, respectively.

Financial statements of foreign subsidiaries are translated into U.S. dollars in accordance with the provisions of Statement of Financial Accounting Standards No. 8. Translation losses were \$538,000 in 1978 and \$594,000 in 1977.

Theme Parks:

The two theme parks operate primarily during the summer season. Operating costs incurred during the off-season are deferred (included in prepaid expenses). These deferred costs and annual depreciation are charged to expense during the operating season based on budgeted sales. Interest and general and administrative costs are expensed as incurred.

Property and Equipment:

Depreciation and amortization are calculated on the straight-line method for financial statement purposes based on the following lives:

Buildings and improvements	—25 to 45 years
Leasehold improvements	—shorter of life of lease or asset
Furniture and equipment	—2 to 15 years
Cruise Ships	—20 years

Maintenance and repairs are expensed. New unit costs include interest, rent charges and real estate taxes incurred during construction. Replacements and improvements, including most costs of converting units, are capitalized.

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 under 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, \$12,936,000 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 \$6,415,000 at July 28, 1978 is being amortized over periods of up to 40 years.

Pre-Opening Costs:

Costs 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.

Capitalized Interest:

Interest cost is capitalized as part of construction costs or carrying costs of land to properly reflect the total costs of property. Interest is capitalized by applying the effective interest rate on the related borrowings to costs incurred. If all interest had been expensed when incurred, net income as reported would have been increased by \$858,000 (\$.02 per share) in 1978 and \$213,000 (\$.01 per share) in 1977.

Income Taxes:

United States and foreign income taxes are based on reported income. Deferred income taxes are provided for timing differences between book and taxable income, principally depreciation, interest and stock compensation. Investment tax credits are accounted for using the "flow-through" method.

Provision for United States taxes has not been made on unremitted earnings of foreign subsidiaries because management considers these earnings to be permanently invested. Total unremitted earnings were \$13,445,000 as of July 28, 1978.

Computations of Earnings Per Share:

Earnings per share assuming no dilution are based on the weighted average number of shares outstanding during each year, which was 36,667,663 for 1978 and 36,568,300 for 1977.

Earnings per share assuming full dilution assumes the conversion of convertible debentures and includes the dilutive effect of employee stock options and deferred stock compensation.

INVESTMENTS

The Company has a 49% interest, with an option to purchase the remaining 51% after 1985, in a limited partnership which owns the New Orleans Marriott Hotel. The hotel is leased to the Company for 55 years including renewal options, with rentals based solely on profits. The partnership is constructing a 430-room addition and, at various times during the year, the Company advanced the partnership funds for this addition. The maximum advanced at any time during the year was \$14,316,000. The Company also has guaranteed to complete the project at the estimated cost of \$20,500,000 and to obtain or provide the permanent mortgage financing. The partnership has a permanent mortgage commitment of \$46,000,000, secured only by the property to finance this addition and refinance the existing mortgage. At July 28, 1978, \$15,766,000 has been spent on this project. At July 28, 1978, the partnership has total assets of \$48,412,000 and total liabilities of \$39,752,000.

The Company has a 49% interest in a limited partnership which owns the 1,214-room Downtown Chicago Marriott Hotel. The hotel is leased to the Company for 80 years including renewal options, with rentals based solely on profits. At July 28, 1978, the partnership has total assets of \$78,059,000 and total liabilities of

\$57,389,000 including a mortgage of \$53,948,000, secured only by the property.

The Company has a 45% equity interest in Sun Line Greece Special Shipping Company, Inc., the owner of the cruise ship M.S. Stella Solaris. At its fiscal year-end (December 31, 1977), Sun Line Greece had total assets of \$22,377,000 and total liabilities of \$15,126,000 including \$9,061,000 of debt. The Company has guaranteed 45% of this debt.

The Company sold an idle ship in October, 1976 at its book value to a joint venture in which the Company has a 19% interest. The venture is converting the ship to a hotel which will be managed by the Company. At June 30, 1978, the joint venture had total assets of \$20,168,000 and total liabilities of \$13,721,000 including \$12,627,000 advanced by the partners, of which \$2,399,000 was the Company's share.

The excess of the Company's investment over the underlying net assets of minority-owned affiliates is \$2,754,000 and is being amortized over periods of up to 40 years.

INCOME TAXES

A comparative summary of the provision for income taxes follows:

	1978	1977
Current—U.S. and state	\$23,439,000	\$17,786,000
—Foreign	3,302,000	2,486,000
Deferred	11,976,000	8,462,000
Investment tax credit	(5,060,000)	(4,100,000)
	<u>\$33,657,000</u>	<u>\$24,634,000</u>

The deferred tax provision is primarily attributable to excess tax over book depreciation which amounted to \$11,042,000 and \$8,140,000 in 1978 and 1977, respectively.

The Company established a Salaried Employee Stock Ownership Plan in 1978 and as a result recorded an additional 1% investment tax credit. This additional credit of \$460,000 in 1978 offsets a corresponding charge to operating expenses.

Reconciliation of the United States statutory tax rate of 48% and the Company's consolidated income tax rate follows:

	1978	1977
United States income tax rate	48.0%	48.0%
State income taxes, net of U.S. tax benefit	3.4	3.7
Foreign earnings and losses subject to aggregate tax rate less than 48%	(2.6)	(2.6)
Tax benefit on dispositions of businesses	—	(2.1)
Other items, net	(0.3)	0.8
Effective gross income tax rate	48.5	47.8
Investment tax credit	(6.3)	(6.8)
Effective net income tax rate	<u>42.2%</u>	<u>41.0%</u>

DEBT

Maturities of debt at July 28, 1978 are:

12 Months Ended July,	
1980	\$ 15,555,000
1981	20,049,000
1982	24,078,000
1983	28,697,000
to 2005	<u>221,504,000</u>
	<u>\$309,883,000</u>

The Company has debt of \$47,000,000 as of July 28, 1978 at interest rates which vary based on the prime lending rate or

London Euro-dollar interbank rate. Interest rates on debt range from 4.25% to 10.25%.

The Company's loan agreements require the Company to meet certain requirements including, among other things, maintaining minimum working capital, net worth, and 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 July 28, 1978, retained earnings of \$67,592,000 are unrestricted and \$285,211,000 of property and equipment, at net book value, is pledged or mortgaged.

Private Debt Placement:

On December 20, 1977, the Company issued 8¾% Unsecured Senior Notes for \$40,000,000 to a group of lenders, primarily insurance companies. These notes are for 20 years with equal principal payments beginning in 1983.

Revolving Loan Agreements:

The Company uses revolving loan commitments, short term loans and commercial paper for interim financing. Such financing is classified as noncurrent indebtedness to the extent that the Company has funds available under its revolving loan agreements maturing beyond one year. The above maturity table reflects the maturities of such financing on the basis of the maturity schedule of the revolving credit agreements discussed below plus management's estimation of prepayments.

As of July 28, 1978, the Company has commitments of \$90,000,000 under revolving credit agreements which mature through fiscal 1988. These agreements bear interest based on the prime rate or the London Euro-dollar interbank rate. At July 28, 1978, an aggregate of \$44,000,000 in the form of short term debt has been borrowed against these revolving credit agreements and is included in unsecured notes payable (including \$39,000,000 of commercial paper). The average effective interest rate on these borrowings was 9.0% at July 28, 1978. In addition, the Company has unused bank credit lines aggregating \$37,500,000.

Borrowings against all revolving loan agreements averaged \$53,200,000 during 1978 and \$71,400,000 during 1977 (at weighted average interest rates of 8.1% in 1978 and 7.2% in 1977) with a maximum balance of \$76,800,000 in 1978 and \$77,900,000 in 1977. A commitment fee of up to a maximum of one-half of one percent is payable on the unused portion.

Compensating Balances:

All compensating balance agreements are informal and do not legally restrict withdrawal of funds. Under certain bank agreements the Company maintains average compensating balances of \$5,100,000 after adjustment for an estimated bank float of \$3,200,000. The balances maintained are equal to a percentage (10%-20%) of the amounts available or borrowed.

LEASES

In 1978, the Company retroactively changed its method of accounting for leases in accordance with Statement of Financial

Accounting Standards No. 13. The accompanying financial statements have been restated to reflect the change.

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

12 Months Ended July,	Capital Leases	Operating Leases
1979	\$ 2,803,000	\$ 15,542,000
1980	2,803,000	15,438,000
1981	2,798,000	15,042,000
1982	2,793,000	14,700,000
1983	2,737,000	14,812,000
Thereafter	29,569,000	141,165,000
Total minimum lease payments	43,503,000	\$216,699,000
Amounts representing interest	(20,431,000)	
Present value of net minimum lease payments	23,072,000	
Current portion of capital lease obligations	(885,000)	
Long term capital lease obligations	\$22,187,000	

Rent expense consists of:

	1978	1977
Minimum rentals on operating leases	\$16,031,000	\$15,411,000
Additional rentals based on sales		
— operating leases	9,766,000	7,723,000
— capital leases	454,000	457,000
	\$26,251,000	\$23,591,000
Rentals on operating leases based solely on hotel profits	\$13,894,000	\$ 8,452,000

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

On June 30, 1978, the Company sold five hotels to The Equitable Life Assurance Society of the United States. The Equitable assumed a mortgage of \$31,811,000 and existing mortgages of \$32,018,000 were retired, resulting in net proceeds of \$27,591,000 after selling costs. The Company will continue to operate the five hotels under a long term agreement. In accordance with Statement of Financial Accounting Standards No. 13, the excess of the purchase price over the carrying costs of these properties (approximately \$6 million before income taxes) is being amortized over the initial terms of the agreement (approximately 25 years). The long term agreement with The Equitable may be renewed for an additional 50 years. Payments to The Equitable are based solely on hotel profits.

CAPITAL STOCK

1,000,000 shares of preferred stock, without par value, are authorized. As of July 28, 1978, no preferred shares have been issued.

60,000,000 shares of common stock, with a par value of \$1 per share, are authorized, of which 36,855,351 and 36,668,489

were issued and outstanding at July 28, 1978 and July 29, 1977, respectively.

Total common stock shares reserved at July 28, 1978:

Employee stock option plan	1,947,139
Conversions of convertible subordinated debt, at prices ranging from \$29.26 to \$38.44 per share	941,780
Deferred stock compensation program (401,742 shares fully vested)	915,567
Employee qualified stock purchase plan	161,587
Restricted stock plan for key employees	89,500
Exercise of warrant, at \$22.10 per share	13,576
Total shares reserved	4,069,149

Options to purchase shares of common stock may be granted to key employees, under the 1974 and 1976 employee stock option plans, at not less than 100% of the fair market value on the date of grant. All options expire ten years after the date of grant and are exercisable in cumulative installments of one-fourth each year after a one-year waiting period. Activity under the plan is summarized below.

	Shares Under Option	
	Number of Shares	Option Price Per Share
Balance, July 30, 1976	739,680	\$10.11 — 17.32
Granted	296,911	9.69 — 12.44
Exercised	(10,622)	10.11 — 10.74
Canceled	(104,626)	10.11 — 14.04
Balance, July 29, 1977	921,343	9.69 — 17.32
Granted	363,650	9.31 — 11.44
Exercised	(12,380)	10.11 — 10.74
Canceled	(100,806)	9.69 — 14.04
Balance, July 28, 1978	1,171,807	9.31 — 17.32

At July 28, 1978, options for 458,465 shares were exercisable and 775,332 shares were available for granting of additional options. No accounting is made for options until they are exercised, at which time the proceeds from the options are credited to common stock and capital surplus.

The purchase price for the shares reserved under the employee qualified stock purchase plan is the market value on January 3, 1978 (\$11.44 per share) or the purchase date (January 31, 1979), whichever is less.

REPLACEMENT COST (Unaudited)

In recent years inflation has had a material impact on the Company's operating expenses and cost of replacing productive capacity. However, the Company has generally been able to offset the impact of inflation by improved design of facilities and equipment, price increases and emphasis on improved cost and expense controls.

The Company's annual report on Form 10-K contains unaudited information with respect to estimated replacement cost of productive capacity as of July 28, 1978 and July 29, 1977 and the approximate effect which replacement cost would have had on the computation of depreciation expense for the years then ended. Replacement cost of inventories would be essentially the same as historical cost.

BUSINESS SEGMENT INFORMATION

Summarized on page 24 are sales and operating profit for the five fiscal years ended July 28, 1978 by business segment. Net assets employed, identifiable assets, capital expenditures and acquisitions, and depreciation and amortization for each business segment for 1978 are as follows:

Segment	(Dollars in Thousands)			
	Net Assets Employed*	Identifiable Assets	Capital Expenditures & Acquisitions	Depreciation & Amortization
Hotels Group	\$283,616	\$324,145	\$ 58,376	\$17,822
Contract Food Services	94,073	130,688	9,204	7,515
Restaurant Operations	151,176	171,830	33,134	11,991
Theme Parks	161,726	174,172	7,741	8,562
Cruise Ships and Other	41,420	44,986	907	1,702
Corporate	62,397	112,194	15,235	848
Total	<u>\$794,408</u>	<u>\$958,015</u>	<u>\$124,597</u>	<u>\$48,440</u>

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

QUARTERLY FINANCIAL RESULTS (Unaudited)

The following is a summary of selected quarterly financial data for the years ended July 28, 1978 and July 29, 1977, as restated to give effect to the retroactive capitalization of leases as required by Statement of Financial Accounting Standards No. 13.

(Dollars in Thousands, Except Per Share Amounts)

1978	Sales	Income Before Income Taxes	Net Income	Earnings Per Share	
				No Dilution	Full Dilution
First	\$ 275,878	\$23,139	\$12,823	\$.35	\$.34
Second	312,623	11,280	6,623	.18	.18
Third	269,468	20,630	11,504	.31	.30
Fourth	318,572	24,731	15,173	.41	.40
Year	<u>\$1,176,541</u>	<u>\$79,780</u>	<u>\$46,123</u>	<u>\$1.26*</u>	<u>\$1.22</u>
1977					
First	\$ 238,903	\$18,480	\$10,034	\$.28	\$.27
Second	273,999	5,572	5,163	.14	.14
Third	239,634	16,753	9,234	.25	.25
Fourth	273,777	19,334	11,074	.30	.30
Year	<u>\$1,026,313</u>	<u>\$60,139</u>	<u>\$35,505</u>	<u>\$.97</u>	<u>\$.95*</u>

*The sum of the earnings per share for the four quarters is different from the annual earnings per share as a result of computing the quarterly and annual amounts on the weighted average number of shares in the respective periods.

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 28, 1978, and July 29, 1977, and the related statements of consolidated income, shareholders' investment and changes in financial position for the fiscal years 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.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Marriott Corporation and Subsidiaries as of July 28, 1978, and July 29, 1977, and the results of their operations and changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change (with which we concur) in the method of accounting for leases as required by Statement of Financial Accounting Standards No. 13 and explained in the Notes to Consolidated Financial Statements.

ARTHUR ANDERSEN & CO.

Washington, D.C.,
August 31, 1978.

Management Report

The consolidated financial statements were prepared by management, which is responsible for their integrity and objectivity. In meeting this responsibility, the Company maintains systems of internal controls, policies and procedures to ensure that its accounting, administrative procedures and reporting practices are of the highest standards. The Company also maintains an internal auditing function which constantly evaluates the adequacy and effectiveness of such internal controls, policies and procedures.

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 a year with the independent public accountants, representatives of management and the internal auditors. It reviews 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 have full and free access to the Audit Committee with or without the presence of management.

MARRIOTT CORPORATION

Washington, D.C.,
September 29, 1978.

Financial History — 1978 to 1968

<i>(Dollars in Thousands, Except Per Share Amounts)</i>	1978	1977	1976	1975
			(53 Weeks)	
Summary of Operations (Note A)				
Sales	1,176,541	1,026,313	890,403	732,396
Percent increase for the year	14.6%	15.3%	21.6%	14.4%
Cost of sales and other expenses	1,068,537	935,981	815,080	673,542
Interest cost	31,842	32,131	35,224	32,194
Interest capitalized	3,618	1,938	10,432	10,353
Income before income taxes	79,780	60,139	50,531	37,013
Per sales dollar	6.8%	5.9%	5.7%	5.1%
United States and foreign income taxes	38,717	28,734	26,202	18,867
Percent to income before income taxes	48.5%	47.8%	51.9%	51.0%
Investment tax credit	5,060	4,100	5,900	2,975
Net income	46,123	35,505	30,229	21,121
Percent increase (decrease) for the year	29.9%	17.5%	43.1%	(12.6%)
Per sales dollar	3.9%	3.5%	3.4%	2.9%
Funds provided from operations (Note B)	113,741	95,665	88,309	70,821
Capital expenditures	103,759	74,613	146,560	161,488
Capitalization and Returns				
Total capital (Note C)	794,408	795,458	788,379	692,734
Shareholders' investment	396,489	351,573	312,915	251,913
Senior debt and capital lease obligations	303,155	360,195	398,210	374,997
Percent to total capital	38.2%	45.3%	50.5%	54.1%
Return on beginning shareholders' investment (after-tax)	13.1%	11.3%	12.0%	9.3%
Return on beginning total capital				
Based on earnings before interest and taxes	13.6%	11.5%	10.9%	10.1%
Based on funds from operations and after-tax interest	16.1%	14.1%	14.6%	14.0%
Per Share Data (Note D)				
Earnings — assuming no dilution	1.26	.97	.86	.62
— assuming full dilution	1.22	.95	.84	.61
Dividends (stock: 1977 — 1968)	.12	2.5%	2.5%	2.5%
Shareholders' investment	10.76	9.59	8.58	7.38
Quoted market price at year-end	13.38	9.88	13.90	12.49
Other Data (Note D)				
Weighted average shares outstanding	36,667,663	36,568,300	35,222,603	33,911,237
Shares outstanding	36,855,351	36,668,489	36,456,203	34,152,496
Shareholders	52,200	52,800	47,000	43,200
Full- and part-time employees	68,500	61,700	60,600	46,200
Operating units	892	843	825	774
Company-operated hotel rooms	16,993	14,695	14,510	13,393

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

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

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

							Compound Growth
1974	1973	1972	1971	1970	1969	1968	10 Years
(53 Weeks)							
640,439	538,193	422,928	351,929	318,324	258,741	197,498	Sales +19.5%
19.0%	27.3%	20.2%	10.6%	23.0%	31.0%	35.0%	
580,330	488,800	381,847	315,882	288,788	237,579	180,592	
24,273	16,811	12,236	11,985	11,386	6,056	4,046	
5,144	2,802	1,612	1,273	1,252	792	428	Pre-tax Income
40,980	35,384	30,457	25,335	19,402	15,898	13,288	+19.6%
6.4%	6.6%	7.2%	7.2%	6.1%	6.1%	6.7%	
18,855	16,220	14,162	11,661	9,164	7,981	6,733	
46.0%	45.8%	46.5%	46.0%	47.2%	50.2%	50.7%	
2,050	1,715	1,350	35	795	988	827	Net Income
24,175	20,879	17,645	13,709	11,033	8,905	7,382	+20.1%
15.8%	18.3%	28.7%	24.3%	23.9%	20.6%	23.1%	
3.8%	3.9%	4.2%	3.9%	3.5%	3.4%	3.7%	Cash Flow (B)
63,934	51,696	43,736	34,640	26,388	20,685	16,414	+21.4%
147,696	105,705	71,263	77,396	57,230	58,936	42,782	
585,597	489,513	405,909	330,405	264,038	208,251	148,032	Shareholders' Investment
225,984	199,175	173,807	129,923	92,019	79,725	58,417	+21.1%
295,254	261,236	201,596	158,637	130,464	90,269	72,539	
50.4%	53.4%	49.7%	48.0%	49.4%	43.4%	49.0%	
12.1%	12.0%	13.6%	14.9%	13.8%	15.2%	16.3%	
12.3%	12.2%	12.4%	13.7%	14.2%	14.3%	16.5%	
15.1%	14.5%	14.8%	15.1%	15.1%	15.8%	18.0%	
.72	.63	.54	.45	.38	.32	.27	Earnings Per Share
.71	.62	.53	.44	.37	.31	.26	+16.7%
2.5%	2.5%	—	2.5%	2.5%	2.5%	3.0%	
6.73	5.96	5.25	4.13	3.15	2.75	2.11	
16.13	27.07	31.16	19.39	10.46	13.09	12.11	
33,481,337	33,294,909	32,422,306	30,724,816	29,093,372	28,125,258	27,481,677	Operating Units
33,580,749	33,415,613	33,136,395	31,475,892	29,169,065	29,042,445	27,699,615	+13.3%
38,900	37,000	32,400	27,900	26,500	24,000	20,700	
43,400	38,700	34,100	27,300	26,000	24,300	19,700	
688	570	508	419	382	324	256	Rooms
10,187	8,772	8,403	6,713	5,790	4,770	2,957	+19.1%

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

Board of Directors

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Chairman of the Board

Don G. Mitchell*†
*Vice Chairman of the Board and
Director, several other corporations*

* Executive Committee of the Board
† Audit Committee

Jorge Bird
*Advisor on Tourist
Development, Puerto Rico*

Alice S. Marriott
Vice President

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

Woodrow D. Marriott
Senior Vice President

Harry L. Vincent, Jr.*†
*Vice Chairman of
Booz, Allen & Hamilton, Inc.*

C. Robert Yeager†
*Retired Chairman of the Board
of L. G. Balfour Company*

Officers of the Corporation

Chairman of the Board

J. Willard Marriott

President and Chief Executive Officer

J. W. Marriott, Jr.

Executive Vice Presidents

G. Michael Hostage

Frederic V. Malek

Senior Operating Officers

James E. Durbin

President, Marriott Hotels

David L. Brown, III

Group Vice President, Theme Parks

Richard E. Marriott

*Group Vice President, Restaurant
Operations*

Corporate Officers

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Vice President

Sterling D. Colton

Senior Vice President, General Counsel

Jerald O. Jarrard

*Senior Vice President, Special Assistant
to the President*

Robert E. Koehler

Senior Vice President, Finance

Woodrow D. Marriott

Senior Vice President

William J. Bailey

*Vice President, Sales and
Services—North America,
In-Flite Services,
Contract Food Services*

Robert Barrie

*Executive Vice President,
Marriott Hotels*

Thomas E. Burke

Vice President, Corporate Affairs

Francis W. Cash

Vice President, Corporate Controller

J. Robert Droegge

Vice President, Corporate Real Estate

Clifford J. Ehrlich

*Vice President, Personnel and
Organization Development*

Elmo L. Geoghegan

*Executive Vice President,
Big Boy Restaurants of America,
Restaurant Operations*

John J. Graves

*Vice President, Architecture and
Construction*

Peter R. Grimm

Vice President, Fairfield Farm Kitchens

Lowell E. Gutzler

*Vice President and Controller,
Contract Food Services*

Foster M. Kunz

Vice President, Government Affairs

Alvin W. LeFaivre

*Vice President, Marketing,
Marriott Hotels*

Robert B. Morris

Vice President, Taxes

Richard J. Niederriter

Corporate Secretary

James H. Pflaging

*Vice President, Marketing,
In-Flite Services,
Contract Food Services*

Peter H. Plamondon

*Executive Vice President,
Restaurant Operations*

M. O. Ryan

*Vice President,
Marriott Hotels*

Robert A. Seubert

*Vice President and Controller,
Marriott Hotels*

Paul G. Sheppard

*Vice President, Sales and
Services—International,
Contract Food Services*

William R. Tiefel

*Vice President,
Marriott Hotels*

Richard H. Vent

*Vice President,
Food Service Management,
Contract Food Services*

William B. Virts

Vice President, Corporate Procurement

Stephen A. West

Vice President, Associate General Counsel

Gary L. Wilson

*Vice President, Corporate Development,
and Treasurer*

Shareholder Information

International Headquarters

Marriott Corporation
Washington, D.C. 20058
Area Code (301) 986-5000

Registrar and Transfer Agent

The Riggs National Bank of
Washington, D.C.
1510 H Street, N.W.
Washington, D.C. 20013
Area Code (202) 624-2628

Auditors

Arthur Andersen & Co.
1666 K Street, N.W.
Washington, D.C. 20006

1978 Annual Meeting

The 1978 Annual Meeting of
Shareholders will be held
on Tuesday, November 21
*at a new time and a new
location.* The meeting will
begin at 2 p.m. (instead of
the traditional morning
meeting) in the Regency
Ballroom of the Shoreham
Americana Hotel and Motor
Inn, Calvert Street and
Connecticut Avenue, N.W.,
Washington, D.C.

For Toll-Free Reservations

Marriott Hotels, Inns (800) 228-9290
Sun Line Cruises (800) 223-5760
Executive World
Travel (800) 424-1177

ALLIE'S BAKERY— AT THE
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Marriott
corporation

Washington, D.C. 20058