1927

1937

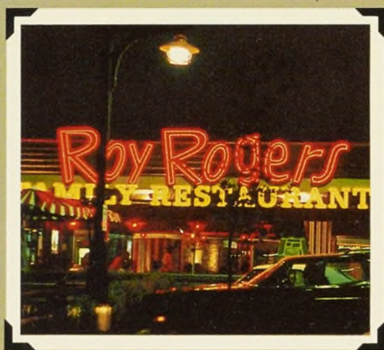
1940

1955

1957

1966

1967



1968

1971

1973

1976

From
nickel root beer
to a billion dollars
in 50 years

Marriott

Annual Report
1977

Marriott
CORPORATION

Financial Highlights of a Record Year

	1977	1976
• **Sales** increase 15.3%	$1,026,313,000	$890,403,000
• **Pre-tax Income** increases 18.4%	61,304,000	51,764,000
Per sales dollar	6.0%	5.8%
• **Net Income** increases 17.0%	36,087,000	30,845,000
Per sales dollar	3.5%	3.5%
• **Net Income Per Share** increases 12.5%	.99	.88
• **Funds from Operations*** increase 8.2%	94,696,000	87,543,000
• **Working Capital** increases 3.5%	16,417,000	15,866,000
• **Shareholders' Investment** increases 12.4%	354,584,000	315,344,000
Per share	9.67	8.65

Results are for 52 weeks ended July 29, 1977 and 53 weeks ended July 30, 1976.
*See Note B, page 34.

A MESSAGE TO SHAREHOLDERS ON FISCAL '77:

$1 Billion in Sales and Record Profits—50th Anniversary Year is "Best Ever"

We have just completed our 50th year of growth . . . our first half century of serving the public.

And in this Golden Anniversary Year—fiscal 1977—our sales surpassed one billion dollars for the first time.

We are very proud of these milestones. But further, we are especially pleased to emphasize that fiscal '77 was a year of other significant accomplishments:

- **Profits** of $36.1 million were up 17% to the highest level ever.
- **Cash flow** hit a new high of $95 million.
- **Number of company operations** advanced to 843 from 825.
- **Disposition of assets** not meeting our profit objective totaled a one-year record $24 million.
- **Our ratio of debt to equity** dropped to a 10-year low.
- **Management/lease contracts** were announced for 1700 future domestic hotel rooms.

In short, the year was our best ever.

Marriott Hotels continued to lead the lodging industry with an overall occupancy in excess of 80%. With their strong customer appeal, higher room rates and continued gains in employee productivity, Marriott Hotels reached new peaks in sales and earnings in fiscal '77.

Restaurant Operations finished the year strongly and some divisions closed with record highs. But this Group bore the brunt of the coldest winter in the history of the company, more government-mandated wage increases, and difficulties in restoring one of its divisions, Farrell's, to profitability. For the full year, the Group was unable to equal its record of fiscal '76.

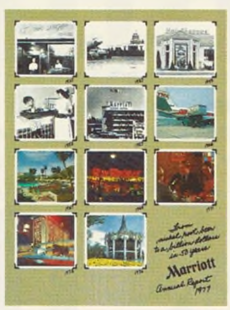
Contract Food Services also encountered several obstacles, especially in obtaining price increases from airline customers to cover our rising costs for wages and food. However, the Group was almost level with its year-earlier record profits.

Sun Line Cruises returned to profitability. Bookings for our luxury cruises were at good levels, cost controls were effective, and a major turn-around has been achieved for this division.

Great America Theme Parks completed their first full year of operation, and were a key factor in our fine results. Annual attendance at each of the two parks is in the 2.5 million-range and per capita spending continues to increase. The public is clearly demonstrating its appreciation for these high-quality parks in the Greater Chicago and San Francisco areas.

In all, we realized a 24% gain in profits from operations in fiscal '77. And this compares against a year that had included one more week of operating results.

However, some of the operating gain was offset, as expected, by higher interest expense, primarily due to financing for the theme



From Nickel Root Beer to a Billion Dollars in 50 Years

1927	J. Willard Marriott (in door) opens nine-seat stand in Washington, D.C. Root beer—5¢.
1937	Marriott pioneers in airline catering—at old Hoover Airport in Washington.
1940	Hot Shoppes popularity grows—five restaurants opened in one year.
1955	New Market: Food service management for hospitals, starting with Children's Hospital in Washington.
1957	Twin Bridges Hotel, company's first entry in lodging industry, opens in nation's capital.
1966	Marriott goes international—begins airline catering kitchen acquisitions in South America, Europe.
1967	Famous luxury resort added—Camelback Inn in Arizona . . . Big Boy restaurant chain acquired.
1968	Roy Rogers Family Restaurants established, bringing quality to fast-growing fast food business.
1971	Company's first Dinner House, The Joshua Tree, is instant success in Virginia.
1973	Spectacular Los Angeles Hotel opens: 1020 rooms—largest yet.
1976	Great America theme parks debut near San Francisco, Chicago with record-setting attendance.
1977	Sales reach $1 billion—in 50th Anniversary Year!

parks. Also, our investment tax credit, which rose sharply in fiscal '76 due to the opening of the two parks, dropped by $1.8 million or 5 cents per share in '77. These unfavorable comparisons will not exist in fiscal '78.

• • •

We've come a long way since our original nine-seat root beer stand in 1927. We're in the billion-dollar ranks now. Building on a strong foundation of quality food and service, our sales have grown from less than $100 million just since 1965. In the same period our number of facilities has grown from 127 to 843 nationwide and in many foreign countries.

As we address the future we are truly enthusiastic about your company's prospects. And we have launched a thorough, realistic planning effort to guide us to continued profitable growth.

Our optimism is founded in an assessment of where Marriott is today . . . of how management has positioned your company over the years:

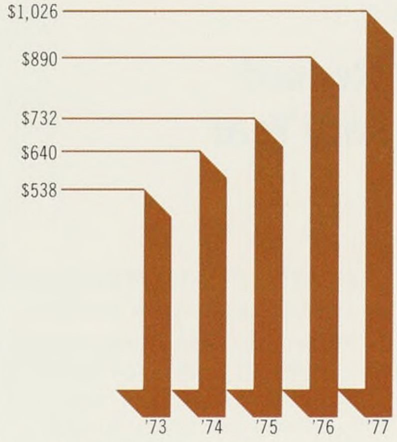
- Marriott in 1977 is a large family of operations . . . diverse yet focused on what it has proven it knows best: Food, lodging, travel and leisure time services.
- We serve growth businesses. Advances in transportation are "shrinking" the world, and personal income is improving. We believe that opportunities in the away-from-home hospitality, recreation, travel markets are almost unlimited.
- Marriott is recognized for its industry leadership. We have built an outstanding reputation for predictable quality and value . . . an enviable record for attracting repeat customers.
- We have greater financial vitality than at any time in our history, with the resources to continue to build on our strengths. We have demonstrated a consistent ability to grow and improve profits.
- The key to these strengths is our sound management and employee team. We are proud to boast of a professional and productive employee organization that is unsurpassed in our industry.

We expect these strengths to enable us to achieve the two primary objectives in our long-range plan:

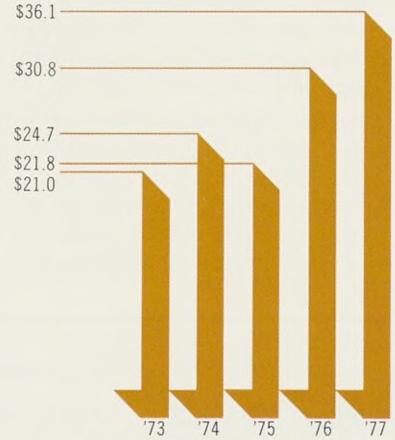
1. Our objective the past 10 years has been to grow by a minimum 15% annually in sales and earnings. On average we have exceeded this goal, and we are organizing and planning at least to meet it for the next five years.

In Hotels . . . We will step up our rate of room expansion. New rooms to be opened in fiscal 1978 alone will exceed 2400—a 16% jump over '77's year-end total. Another 9500 are in the "pipeline" for development by 1982. We will maintain the appeal to group meetings, business and leisure travelers... the mix of suburban, city and resort properties.

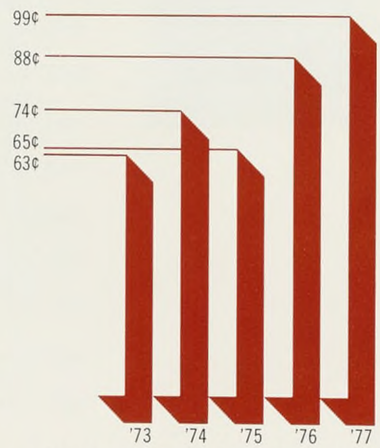
In Restaurant Operations... The pace of unit growth in existing and new markets will be quickened,



SALES (in $ Millions)



NET INCOME (in $ Millions)



EARNINGS PER SHARE

especially through our Roy Rogers, Dinner House and Big Boy divisions. These concepts offer good customer value and enjoy broad acceptance. They have strong appeal among the growing group of young adults in the nation.

In Contract Food Services... Marriott In-Flite Services is Number 1 in its field, and will continue to benefit from real growth in airline traffic, by increasing market share for existing kitchens, and by improving kitchen productivity by adding, during non-peak hours, new ground-based customers such as hospitals. Food service management for businesses and institutions is a multi-billion-dollar business, and we are becoming substantially more active in it with stress on the burgeoning health care market.

In Theme Parks... Two parks are open and on their way to major profit contributions, giving rise to plans for a third park in the Washington, D.C. area.

2. We also are dedicated to an aggressive long-range plan to improve asset productivity. Our goal is 15% return on equity by the early 1980's. To reach it, we are working on several programs, but two are fundamental:

Disposition of assets that yield marginal or no returns is proceeding well. In fiscal '77, we disposed of two European flight kitchens, our small security services business, our idle cruise ship, and a substantial number of restaurants. We are making headway in selling idle real estate.

Management Contracts for hotels are being signed in greater numbers. With investor-partners, we can generate growth in hotel rooms and earnings, and improve our return on assets, yet minimize demands for costly new debt. We now have contracts on an additional $170 million in U.S. hotels, and $200 million in foreign hotels—all to open in the next two to three years. In addition, we recently announced an agreement in principle to sell seven existing hotels to The Equitable Life Assurance Society of the United States—while continuing to operate the hotels under contract. This will increase the resources we have available to speed up hotel and other development. Soon more than 50% of our hotel rooms are expected to be under management agreement.

• • •

We are realistic about our future. Our corporate plan takes into consideration the problems of inflation ... energy ... government impingement on business ... increasing competition ... and others.

But we are excited about the positive factors we have in our favor: Leadership . . . reputation . . . an unequaled employee and management team ... proven results ... untapped markets ... solid consumer demand ... higher consumer income.

It all points clearly to a bright future for Marriott Corporation. We deeply appreciate the support of shareholders as we build on our proud heritage ... as we plan for the good years to come.

J. Willard Marriott
Chairman of the Board

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

J. Willard Marriott, Founder and Chairman of the Board, and President J.W. Marriott, Jr. at celebrations commemorating the 50th Anniversary of the company—May, 1977.

The Five Businesses of Marriott—1977

Hotels

Leader in luxury hotels and resorts in Western Hemisphere, and expanding Marriott name to foreign business centers . . . resort and luxury hotel condominiums.

	Fiscal '77	Fiscal '76
Sales:	$309 million	$270 million
Company-operated Hotels:	34	35
Rooms:	14,695	14,510
Employees:	15,200	14,400
Franchised Inns:	14	13
Franchised Rooms:	3,561	3,085

Hotels and Resorts: 34 properties in 28 cities of the United States, Mexico, Caribbean and Europe.

Location and Fiscal Year Opened		Rooms
Washington, D.C.		
Twin Bridges	'57	450
Key Bridge	'59	372
Dallas	'60	477
Philadelphia	'61	712
Atlanta, Downtown	'66	761
Saddle Brook, N.J.	'66	281
Scottsdale, Ariz.— Camelback Inn	'68	423
Chicago—O'Hare Airport	'68	706
Houston	'69	339
New York City— Essex House	'69	865
Acapulco-Paraiso	'69	435
Boston	'70	433
Washington, D.C.		
Crystal City	'70	301
Dulles Airport	'70	213
Bloomington, Minn.	'71	493
St. Louis Airport	'72	426
Miami Airport	'72	405
New Orleans	'72	924
Barbados—Sam Lord's Castle	'73	186
Dallas Inn	'73	447
Los Angeles Airport	'74	1,020
Kansas City Airport	'75	266
Denver	'75	463
Amsterdam	'75	391
Lincolnshire, Ill.	'75	393
Newport Beach	'75	377
Springfield, Mass.	'76	257
Tucson	'76	307
Atlanta, Perimeter Center	'76	307
Santa Barbara, Calif.	'76	176
Santa Clara, Calif.	'76	302
Hunt Valley, Md.*	'77	180
Houston West Loop	'77	302
Stamford, Conn.	'77	305

*Sales and operating expenses at this managed property are not included in consolidated statements.

Franchised Inns

Fourteen Inns with 3,561 rooms opened since 1970 in Cincinnati, Columbus, Fort Wayne, Louisville, Cleveland, Berkeley, Ann Arbor, Pittsburgh, Blacksburg (Va.), Milwaukee, Indianapolis, Rochester, Providence and Syracuse.

Resort/Hotel Condominiums

- World-famous Camelback Inn near Phoenix. All existing units now sold.
- Luxury Essex Towers on Central Park South in New York. Suites available for sale or lease.

Restaurant Operations

Five categories of public restaurants: Big Boy Coffee Shops, Roy Rogers Family Restaurants, Dinner Houses, Farrell's Ice Cream Parlour Restaurants, Hot Shoppes Service Restaurants and Cafeterias.

	Fiscal '77	Fiscal '76
Sales:	$308 million	$299 million
Company-operated units:	427	421
Employees:	23,400	22,800
Franchised units:	908	846

427 COMPANY OPERATIONS	Units
Coffee Shops	
Big Boy (East Coast, West Coast, Ohio, Hawaii)	147
Limited Menu Restaurants	
Roy Rogers Family Restaurants (Eastern U.S. and Texas)	112
Jr. Hot Shoppes (Maryland, Washington, D.C.)	10
Big Boy Jrs. (California)	14
Dinner Houses	
"Joshua Tree," "Phineas Prime Rib" and other Dinner Houses (Eastern U.S.)	14
Ice Cream Parlour Restaurants	
Farrell's (26 states)	92
Service Restaurants and Cafeterias	
Hot Shoppes Service Restaurants (East Coast)	9
Hot Shoppes Cafeterias (East Coast, Midwest, France)	29

908 FRANCHISED OPERATIONS	Units
Big Boy Restaurants of America (Nationwide and Canada)	806
Roy Rogers Family Restaurants (Nationwide and Canada)	80
Farrell's Ice Cream Parlour Restaurants (Nationwide and Canada)	22

Contract Food Services

Largest independent caterer to the world's airlines, serving 134 U.S. and foreign carriers . . . manages food service facilities for business and industry, and educational and health care institutions . . . operates airline terminal and highway restaurants.

	Fiscal '77	Fiscal '76
Sales:	$320 million	$278 million
Flight Kitchens:	63	63
Management Contract Accounts:	206	181
Employees:	14,700	13,700

Flight Kitchens—North America
46 Kitchens in 34 cities of the United States, Mexico, Caribbean

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

Flight Kitchens—Overseas
17 Kitchens in Europe, South America, Africa, Mideast

Barcelona	Johannesburg	Malaga
Buenos Aires (2)	Lima, Peru	Palma de Mallorca
Cairo	Lisbon	Paris
Caracas	London (2)	Rio de Janeiro
Gerona, Spain	Madrid	Santiago

206 Management Contracts

Business and Industry 91
Health Care 80
Education 19
Automatic Food Service 8
Highway Restaurants 8

8 Airline Terminal Restaurants—North America

New York	Kennedy International Airport	Eastern Air Lines Terminal
New York	Kennedy International Airport	Pan American World Airways Terminal
New York	Kennedy International Airport	National Airlines Terminal
New York	La Guardia Airport	Eastern Air Lines Terminal
Salt Lake City	International Airport	
Boston	Logan International Airport	Eastern Air Lines Terminal
Washington, D.C.	Dulles International Airport	
San Juan	Isla Verde International Airport	

Special Services

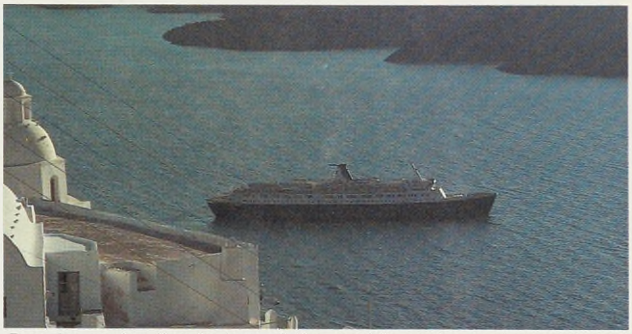
Food service for Amtrak and unique Auto-Train, round-trip passenger/auto railservice to Florida from Washington, D.C. Institutional catering from flight kitchens—total of 21 special activities.

Theme Parks

Two "Marriott's GREAT AMERICA" family entertainment centers with spectacular live entertainment . . . thrilling rides . . . quaint shops . . . arcades and games . . . and the widest variety of food service in the theme park industry . . . set in five authentically recreated eras of America's past.

Sales:	$69 million (first full fiscal year)
Locations:	• San Francisco region in Santa Clara, California • Chicago region in Gurnee, Illinois
Employees:	6,500 (91% seasonal)
Full Season Operating Days:	149 (Calif.) 117 (Ill.)

Sun Line Cruises



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

Stella Solaris—650 passengers
Stella Oceanis—310 passengers
Stella Maris—180 passengers

1977-'78 Cruise Schedule

- Caribbean Sailings, Winter of '77-'78—Solaris from Galveston, Texas . . . Oceanis from San Juan.
- Mediterranean Sailings, '78 Season—Solaris and Oceanis from Athens . . . Maris from Venice and Nice.


Marriott

Marriott Hotels Have Strongest Year Ever; Demand High...New Room Growth Stepped Up

Marriott Hotels had a record year in fiscal '77 to commemorate its first two decades in lodging. The Group achieved a 47% increase in profits on a sales gain of 15%.

Occupancy for both comparable and total hotels continued above 80%, a high for the industry. With traditional low occupancies during some weekend and holiday periods, this occupancy level is difficult to improve on. Profit margins for hotel operations were expanded by more than a percentage point as room rates strengthened and productivity gains continued.

More than 1200 new rooms were added to the Marriott system in fiscal '77. Three new properties and three hotel additions opened. The net increase in total rooms was held to 185 at year-end, however, due to the termination of four unsatisfactory management/lease contracts.

Profits from the Group's franchising division showed another strong increase in '77. Condominium division profits exceeded '76, and the small travel division continued profitable.

The Marriott Hotel at Miami Airport—responding to strong demand with a new addition in '77, bringing total rooms to 405.

"EXCELLENT" HOTEL RESULTS

Demand for Marriott's quality accommodations has been strong, and average room rates improved in most properties during fiscal '77. Of 34 company-operated Marriott Hotels, all but four improved on their year-earlier profits.

Despite rising labor costs, productivity continued to improve as management found new techniques to fine-tune operations. Better forecasting of room demand and analysis of employee work-routines have reduced manhours. Yet quality of service has been upgraded at a number of properties.

New hotels added in fiscal '77 in Houston; Stamford, Connecticut; and at Hunt Valley near Baltimore all were profitable in the year.

The division's excellent performance was achieved despite several obstacles that primarily affected the first half of fiscal '77. Softened demand for lodging in Philadelphia and Atlanta plus reduced tourism to Acapulco held back results. The devaluation of the Mexican peso and, later, abnormally severe winter weather in the United States also had negative effects.

RECORD EXPANSION AHEAD

The outlook for Marriott Hotels is reflected in its plan for room expansion. Over 2400 rooms are scheduled to open in fiscal '78. This will bring the Marriott name to about 17,100 quality hotel rooms operated by the company in the United States and other markets. The number has tripled since the beginning of the 1970's and should double from the current base of 14,695 by the early 1980's.

Late in fiscal '78, a 1214-room hotel on North Michigan Avenue in downtown Chicago will open. Marriott will manage the hotel and holds a 49% interest in the joint venture which owns it. The new Chicago Marriott will be a major addition to the heart of this great business and convention city, and advance bookings are strong.

OZARKS RESORT ADDED

As '78 began, the company acquired the highly popular 387-room Tan-Tar-A Resort on The Lake of the Ozarks in Missouri. With its extensive recreational facilities, Tan-Tar-A strengthens Marriott's competitive position in both group meeting and travel markets.

Two 300-room managed properties also will be added in '78 in

Marina del Rey, California and Austin, Texas.

In fiscal '79 new owned properties will open in Bethesda, Maryland (300 rooms), and near Palm Springs, California—where a 350-room luxury resort is planned. Marriott will operate another 300-room hotel in Somerset, New Jersey and a 506-room hotel scheduled to open in downtown Portland, Oregon toward the end of fiscal '79. The company is expanding the outstanding New Orleans Marriott Hotel by 430 rooms in '79 to bring this property to 1354 rooms, largest in the system.

LEVERAGING HOTEL EXPERTISE

These new hotels characterize the flexibility of Marriott's approach to expansion. Higher returns on capital and quicker contributions to profits are promised from the mix of company-developed and owned projects, joint ventures, acquisitions, additions to successful existing hotels, and management/lease contracts in which income is derived from a percentage of sales and/or profits. The company will continue to own and construct hotel properties that meet its stringent ROI requirements. But emphasis will be on high returns through management contracts, where needs for Marriott's investment capital are minimal yet substantial earnings from assets owned by others can help meet the company's earnings objectives.

In 1977 the Mobil Travel Guide awarded Marriott Hotels and Inns three times as many four-star ratings as any other company. With this mark of leadership, the company has developed an aggressive plan to expand the system of Marriott Hotels.

Currently in advanced negotiations are another 2900 domestic rooms in addition to those specific projects set to open. Preliminary market studies are now being conducted on almost three times that number.

Overseas markets will provide a good proportion of future growth. Up to 2200 rooms under management contract are being considered, in addition to the 2300 rooms now announced for Middle East commercial centers including projects under development in Kuwait City, Cairo, Tehran, Amman, and, in Saudi Arabia, Dhahran and Riyadh.

MORE GAINS FROM INNS

Good increases in occupancy and average room rate, the addition of 226 rooms in Pittsburgh and a new 250-room Syracuse Marriott Inn were factors in continued

The charming King's Wharf Restaurant at Marriott's Lincolnshire Resort north of Chicago...one of the high spots for guests, dining-out residents of the area, theatre-goers at the Resort's popular Drury Lane Theatre.

profit improvement from franchised Marriott Inns. The Inns numbered 14 at year-end. For fiscal '78 gains are expected to be even greater as a second Inn is added in Cleveland and the Marriott name is introduced in the Orlando, Florida market. Three existing Inns will be expanded in Rochester, New York; Ann Arbor, Michigan; and Blacksburg, Virginia.

CONDOMINIUM RESULTS IMPROVE

The first half of fiscal '77—like the second half of fiscal '76—was unfavorably affected by last year's completion of the highly successful condominium sales program at Camelback Inn in Arizona. In 1976, 96 units had been sold, leaving only five new units for sale in '77. The second condominium project, the Essex Towers in New York City, improved on its '76 results. By year-end, profit contribution from the division was ahead of 1976, aided by the absence of sales development costs expensed last year for the Essex Towers project.


Roy Rogers.
FAMILY

Restaurant Group Hit by Severe Winter, Other Problems, But Ends Year Strongly

Marriott Restaurant Operations overcame major hurdles to finish fiscal '77 strongly on the upswing. But the 29% profit improvement in the second half—39% in the fourth quarter—did not totally offset declines incurred earlier in the year. For all of '77, Group sales increased 5%. But profits lagged record '76 earnings by 8%.

WORST WINTER HURTS

In the first half of the year, Restaurant Operations suffered from the coldest winter in the history of the company. With 60% of the total of 427 facilities located in the eastern half of the United States, effects on customer counts were severe. Increasing losses in the Farrell's Ice Cream Parlour division made it an especially difficult first half. But profits improved in most divisions in the second half.

For the full year, Roy Rogers Restaurants had excellent results. Big Boy operations in total missed last year's results primarily because of the Eastern U.S. weather, but Big Boy Restaurants on the West Coast, largest of the Big Boy components, were ahead of '76. Dinner Houses continued their good performance. Most importantly, while Farrell's had a loss year, it broke even in the fourth quarter of '77.

The freshness of a smile and the freshness of the food—all part of the scene at Roy Rogers Family Restaurants, where the public is clearly showing preference for quality in limited menu service and the company is expanding rapidly.

RISING COSTS UNDER ATTACK

New product development and centralized procurement procedures helped moderate rises in food costs during the year.

Margins also were compressed, however, by labor costs that continued to rise sharply. Average wage rates for almost every restaurant division increased substantially more in '77 than in '76. The federal minimum wage has increased 15% over the past two years. In California, where 30% of the restaurant facilities are located, the state minimum wage is even higher than federal—and that state also has repealed the tip credit allowance which is important to restaurant operators employing tipped personnel. All of this has put wage costs in an upward spiral for two years. The Restaurant Group is concentrating intensely on revised manpower scheduling and other labor-saving moves and has creatively effected a broad range of change without sacrificing service to customers.

ENERGY PROGRAMS WORKING

The Restaurant Group is holding its own in the face of soaring energy costs. Controlling energy consumption has been a critical objective of the entire company for four years—and the Restaurant Group's consumption decreased for the second straight year. But utility expense as a percent of sales continued to increase in fiscal '77 as utility rates climbed. Sixteen Big Boy Restaurants were recognized by the Southern California Gas utility for recording substantial savings this year. Also in '77, the Roy Rogers division developed a new energy-efficient prototype building. And the Federal Energy Research and Development Administration authorized and funded a solar hot water demonstration project at the Group's largest restaurant—Hogate's in Washington, D.C. In the autumn of 1977 the sun will begin to heat 55% of all hot water for this 950-seat facility.

ROY ROGERS RESTAURANTS

Roy Rogers Family Restaurants had an excellent fiscal '77. The increase in division earnings was even better than the sales gain of 13%. Year after year this fine chain of popular limited menu restaurants comes through with an outstanding performance.

Eleven new units were opened, bringing the division total to 122. Importantly, customer counts were up for the year despite the negative weather factors. And a gain in the "average check" at Roy Rogers out-stripped a modest price increase during the year—another tribute to Roy Rogers' outstanding menu appeal.

All of these gains underscore the growing popularity of the Roy Rogers concept. The emphasis is on quality, all-fresh food—served in a pleasant Western decor. With its excellent customer acceptance, Roy Rogers ranks today as the major growth division of the Group.

BIG BOY RESTAURANTS

Faced with the largest single increase in wage rates in recent years, Bob's Big Boy Family Restaurants in California raised prices during fiscal '77. Big Boy West profits were ahead of last year on a sales gain of 11%—with particular improvement in the last few months of the fiscal year.

On the West Coast seven coffee shops were added in the year for a total of 96 units. Results from 14 Big Boy Jr. fast food units improved markedly under close management attention and the benefits of an expanded menu.

In the Midwest and along the East Coast, Big Boy operations overall were not profitable for the year. This compared with a profit contribution from these units in 1976. Weather-reduced customer counts during the slowest part of the year could not be overcome. However, improvement is expected from Big Boy East in the new year.

DINNER HOUSES

The Dinner House operations turned in another profit gain in fiscal '77, and sales increased 16%.

Of the division's 14 units, three were added in fiscal '77. The company's first Joshua Tree in New Jersey opened in Ramsey as the year began, followed by another near Philadelphia and the first

Franklin Stove for the metropolitan Washington, D.C. area.

Seven more dinner houses will open in fiscal '78. The company's growth plans for the division are aggressive based on dinner houses' high acceptance with the public and good profitability.

FARRELL'S RESTAURANTS

Farrell's broke even in the last quarter of fiscal '77. But for the full year, losses were substantially greater than in '76 when the division first became unprofitable.

Increased labor and food costs had a serious impact, and customer counts were a problem. Also, expenses were incurred by the division as it concluded its management reorganization, relocated its division base to Washington, D.C. and deployed a Group-wide task force to improve operations.

New efficiencies from improved manpower scheduling and controls are having a good impact. Marketing efforts are being emphasized. And Farrell's Ice Cream Parlour Restaurants should show a marked improvement in fiscal '78.

HOT SHOPPES

The weather and the closing of nine Hot Shoppes service restaurants and cafeterias affected results from this division in fiscal '77. Profits are still improved from the level of two years ago, however.

Hot Shoppes, like Big Boy East, were hard hit by the severe winter. But excellent control of manhours—especially in cafeterias—was helpful during the year. And in the second half, profits were almost even with last year.

BETTER YEAR COMING

The momentum of the strong second half performance of fiscal '77 is expected to carry into the coming year, which should be an outstanding one for Marriott Restaurant Operations. Increased marketing, advertising and consumer research activities in all divisions should have an impact. Real estate staffing has been increased substantially to enable the Group to achieve a large increase in new unit openings. Efforts designed to improve the development time in opening new units are now taking effect and should alleviate delays in obtaining building permits. As a result, the Group's most profitable divisions will now penetrate more deeply into established market areas and will move into several promising new ones.

Bob's Big Boy—Grand-daddy of the coffee shops and a West Coast "institution"—gaining East Coast popularity.


Western
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Marriott
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Contract Food Services Profits Near Prior Record; Worldwide Sales Up

Contract Food Services sales rose 15% in fiscal 1977. But profits fell just short of the record high of the preceding year.

This Group—which provides food service to airlines and business and institutional clients—divested several unprofitable or marginal operations during the year which improved earnings. This included the disposition of security and alarm operations and two kitchens in Europe which had held back prior-year profits.

Airline catering, the mainstay of the Group, increased sales worldwide 20% even after the disposition of the two European kitchens. Profits worldwide were slightly ahead of last year, but profit margins were squeezed in '77.

Of particular difficulty was a general reduction in margins caused by increases in food and labor costs without adequate price relief from airlines. This problem, which surfaced in the first half of the year, lingered through the second half.

Earnings growth for the Group over fiscal '76 also was held back by the impact of pre-opening costs and anticipated lower initial productivity at two new flight kitchens, by an unfavorable comparison caused by cancellation of a contract to operate eight New York Thruway restaurants in 1976, and by lower profits from the Food Service Management division.

In-Flite Services, world's largest airline caterer with 63 flight kitchens—adding in '77 its second facility at the Los Angeles International Airport, to serve Western Airlines.

MARRIOTT IN-FLITE SERVICES

In-Flite's largest division—North America—increased sales by 21%. But profits were off from fiscal '76.

Substantial sales gains resulted from the addition of two major new flight kitchens. In-Flite's largest single-account unit, serving Eastern Air Lines, was opened in Atlanta and set a record as the biggest individual transfer of airline catering business in the history of the industry. At mid-year, a kitchen to serve Western Airlines began operations out of Los Angeles—In-Flite's second at that important airport. The new, high-capacity kitchens at Atlanta and Los Angeles are among the four largest ever built by the company. At year-end In-Flite was servicing 36 airports in the United States, Mexico and the Caribbean from 46 flight kitchens.

The two new kitchens reduced the division's results by more than $500,000 in pre-opening expenses which are absorbed during the first year of operation. Relocation and training expenses of personnel to staff these new kitchens and low margins on initial sales compounded the negative effect on the North American division. In fiscal '78, however, expansion costs will decline, as no new domestic kitchens are presently scheduled.

Favorable factors which aided both sales and profits in fiscal '77 included those airline catering kitchens opened in 1976. The continuing positive trend in passenger enplanements also helped. And, late in fiscal '77, two existing airline catering facilities were expanded at Seattle and Las Vegas.

NEW U.S. BUSINESS ADDED

New high-volume accounts were added at several existing flight kitchens in fiscal '77. Service began for United Airlines in Kansas City and New Orleans, and for American Airlines in Baltimore. Catering for Alaska Airlines started in Seattle, for Delta Air Lines in Denver and for Northwest Airlines in New Orleans.

But profit margins narrowed in the face of rising costs that could not be passed along to domestic airlines. Seasonal increases in food costs hurt, especially for produce. So did sudden menu changes which immediately boosted labor costs. This cost squeeze especially affected the second half of fiscal '77, compared to a particularly strong six-month period the prior year which had included an additional week of operations.

FOREIGN RESULTS GOOD

Overseas airline and industrial catering operations improved significantly in fiscal 1977 in both Europe and South America. Overall traffic increased and pricing actions, prompted by inflationary pressures, allowed profit margins to remain stable in most areas. The disposition in fiscal '77 of two flight kitchens in Frankfurt and Athens and of 18 Italian units at mid-year in fiscal '75 will help improve future return on investment.

Continuing operations in Europe boosted profits and this trend should continue in the new year. In South America, the addition of several new In-Flite accounts and an increased number of industrial catering clients enhanced both sales and profits.

The outlook for foreign operations in fiscal 1978 is good. A new kitchen is planned in Rio de Janeiro to replace one which no longer can accommodate the large volume of business at this location. And, a major expansion is scheduled in Lima.

TERMINAL AND HIGHWAY UNITS

Two new terminal units began operation in fiscal 1977—at Salt Lake City's International Airport and at Union Station in the nation's capital. The division's profit contribution increased over fiscal '76.

Profits from the Highway Restaurant division, now comprised of eight units, were down in 1977 primarily because the contract to operate eight New York Thruway restaurants was terminated in

fiscal 1976 at mid-year. Also, authorized price increases have not kept pace with rising costs on the New Jersey Turnpike where seven of the division's eight units are located.

FOOD SERVICE MANAGEMENT

Food Service Management sales advanced by 18% in fiscal '77. It was the second year of the division's aggressive expansion program to increase its share of this multi-billion dollar market.

New business and institutional clients for Marriott's Food Service Management division were attracted during the year, bringing the total number of units to 198.

However, earnings were off for the division as a whole from the year before due to increased marketing and administrative costs. Also, the time lag between the start of new contracts and normal profit levels has been longer than anticipated.

The division will continue to grow in all three segments of the food service management market—for business and industry, for health care institutions, and for schools and colleges. Marketing efforts will be targeted in geographic areas already served by the division including the East Coast, Midwest and Southwest. Management of the division and regional sales teams have been strengthened with experienced personnel.

Marriott at Children's Hospital National Medical Center in Washington, where managers and dietitians continue to bring their expertise to bear in the critical area of patient care and recovery—as well as in providing the ultimate in on-site cafeteria, dining and catering services.

Business Food Service improved profits modestly. Continued penetration of new market areas included such new accounts as The Art Institute of Chicago, The Mountain States Telephone and Telegraph Company in Colorado, Martin Marietta Corporation in Maryland and, in New York City, Irving Trust Company and The Continental Insurance Companies. Excellent growth opportunities exist in this segment of the food service industry and heavy emphasis is being placed on building new sales.

Health Care Services expanded its operations in the important Sun Belt area and added 16 new accounts nationwide, largely in major U.S. cities. Included were the Toledo Mental Health Center in Ohio, Baptist Hospital in Pensacola and Mercy Hospital in New Orleans. Health-related services are seen as a major market by the company. Concentrated sales efforts are being implemented to effect deeper penetration into this area.

Educational Services added a number of clients during fiscal 1977. Hood College, The University of Rochester and The State University of New York, Plattsburgh, were among new contracts awarded during the year.


WELCOME

Great America: Bright and Lively Family Fun For Millions In California, Illinois

The company's two "Marriott's Great America" family entertainment parks hosted nearly five million guests during fiscal 1977, representing an impressive attendance level for two new theme parks. The parks are located just north of Chicago and south of San Francisco.

Attendance at the Great America parks places each of them among the top five of the nation's more than 20 major seasonal parks.

Division sales were $69 million, and profits of $4.7 million in the first full fiscal year of operation were almost double 1976. Per person spending was over $14 on admission, games, food and merchandise—believed to be an industry record.

Total attendance for the second season as this report is written is running about 4% above the 1976 season. The record heat in midsummer together with an unusual amount of rain adversely affected the Illinois park's plan for attendance growth in July—the prime time of the season. There also was a moderate early summer softening at the California park after spring promotions got it off to a fast start. But for August of '77, attendance at both parks picked up, aided by community-wide sales promotion campaigns.

Great America—a mosaic of bands and balloons, streetcars of the past and thrill rides of the future, cartoon characters and live musicals and great food and unique gifts and—everywhere—people having fun.

NEW RIDES, SHOWS FEATURED

To expand capacity for future attendance growth, and to stimulate both new and repeat business, a spectacular "Tidal Wave" roller coaster was introduced in California for the 4th of July. Also, a 300-foot high "Sky Trek Tower" was opened in Illinois in late June. Both attractions have been well accepted.

In addition to these two "headliner" attractions, both parks further enhanced their established reputation for quality live entertainment with the introduction of all-new family-oriented stage shows for the '77 season.

The musicals at the parks continue to earn the praises of theater critics and the appreciation of enthusiastic guests. Many visitors comment that these shows alone are "worth the price of admission." Other live entertainment features such as a large circus show, outdoor theater with dolphins and other specialty acts, "Bugs Bunny" and other strolling cartoon characters, and various live bands and singers make the parks an excellent value based on entertainment alone.

Guest ratings are obtained daily, and confirm high price/value satisfaction for the parks' total entertainment package and quality of service.

MORE EXPANSION COMING

The Theme Park Group looks to 1978 with optimism—with a veteran management team, an excellent entertainment product and a strong foundation of public acceptance in the Midwest and in Northern California—two of the nation's most substantial population and income markets.

The San Francisco-area park will open for its 1978 season on March 11 for 153 operating days—and Chicago on May 6 for 117 days.

The highly marketable "Tidal Wave" thrill attraction will be added in the Illinois park, and a unique IMAX film will be introduced in California in a new 1,000-seat theater, featuring the world's largest movie screen.

Plans are still being discussed for a third park in the Greater Washington, D.C. market. This would be a major added investment to give Marriott Corporation another important profit opportunity in the growing leisure time/family recreation business.

Sun Line Returns to Profits as Bookings Improve, Cost Control Programs Take Effect

As forecast a year ago, Sun Line continued its turn-around in fiscal '77. The division posted earnings of $643,000 for the year—compared to losses in '76 and '75.

Cruise demand, which improved in fiscal '76, remained brisk throughout the '76-'77 season. A healthy U.S. economy aided Caribbean cruise sales and heavy tourist interest in Greece bolstered the Aegean program. Sun Line again increased its share of both these markets, primarily as a result of three continuing programs:

- The North American and European sales teams were strengthened further with experienced personnel.
- Productive new alliances were developed with leading travel agents and wholesalers throughout the world—including the prestigious TWA "Getaway" program.
- Another prime cruise was launched successfully—in the Mediterranean between Nice and Venice.

Several other arrangements effected in 1977 not only contributed to this year's results, but also will improve earnings for fiscal '78. Carrying costs for the idle Stella Polaris were eliminated when the ship was sold to a joint venture, in which Marriott has an interest, for emplacement in Kuwait as a Marriott-managed hotel ship. Several favorable charters were consummated with U.S. and European firms, including an eight-month charter of Sun Line's smallest ship.

Continued attention to stringent controls have kept costs in line, and modest price increases helped offset rising crew and fuel expenses.

With high occupancies at year-end and an impressive booking outlook, Sun Line expects to continue its profit improvement in fiscal '78.

Fairfield Farm Kitchens

Fairfield Farm Kitchens sales of food and supplies increased 10% in fiscal '77. Operated primarily to service Marriott units, FFK is central to the company's cost reduction program through its volume purchasing, production and distribution capabilities. Included in the gain were external retail and institutional sales which improved modestly in '77.

Architecture & Construction

During fiscal '77, the company's Architecture and Construction division was established as a profit center and made a small profit contribution. It is now offering quality technical services to developers and owners of managed properties while continuing to design and construct most Marriott facilities.

A FINANCIAL SUMMARY FOR SHAREHOLDERS:

Programs to Improve Balance Sheet, Financial Strength Highlight Fiscal '77

Fiscal 1977 was a year of continued and broad-based progress in the attainment of Marriott's financial objectives.

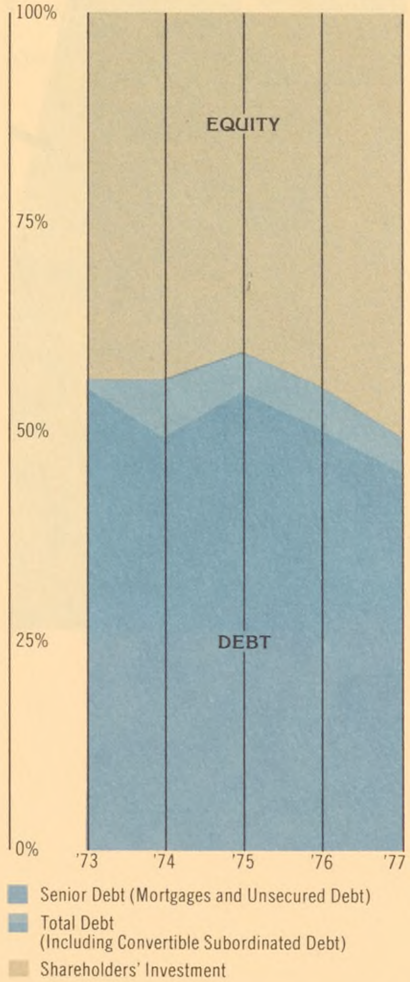
As summarized in the preceding operating sections, net income increased a solid 17% from $30.8 million to $36.1 million. This increase was achieved despite a $1.8 million decline in the investment tax credit, a $5.3 million increase in pre-tax interest expense, and one less week of reported earnings in fiscal 1977 than in the 53-week fiscal 1976. Earnings per share (up 13%) were diluted by a 3.8% increase in average shares outstanding primarily due to the equity offering in fiscal '76.

As summarized below, further gains were made in improving the balance sheet and strengthening the financial condition of the company:

SENIOR DEBT RATIO DROPS

Shareholders' investment increased $39.2 million to $354.6 million in fiscal 1977, while long-term debt declined by $40.2 million to $342.1 million. Thus total capital employed remained about the same in both years, but there was a major shift in its composition. Senior debt as a percent of total capital, 54% in 1975 and 50% in 1976, declined further to 45% in '77. This is the first time since 1967 that equity has exceeded debt at year-end.

DEBT RATIO



MATURITY SCHEDULE IMPROVES

Cash flow from operations continued its nearly two decades of annual growth and broadened even further Marriott's coverage of its conservative debt maturity schedule. Cash flow increased from $87.5 million in fiscal 1976 to a record $94.7 million in fiscal 1977. For the second consecutive year, annual debt maturities for the succeeding five fiscal years are less than cash flow from operations for the latest fiscal year:

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

Year	1977	1976	1975	1974
1	$ 8.8	$10.1	$11.4	$ 12.8
2	8.7	17.7	14.7	18.7
3	14.9	18.2	14.1	14.8
4	21.0	19.1	20.3	27.7
5	32.7	18.0	23.9	27.2
Total	$86.1	$83.1	$84.4	$101.2
Cash Flow from Operations	$94.7	$87.5	$70.3	$ 63.6
Ratio of Cash Flow to 5-year Maturities	1.10	1.05	.83	.63

CAPITAL EXPENDITURES SHIFTING

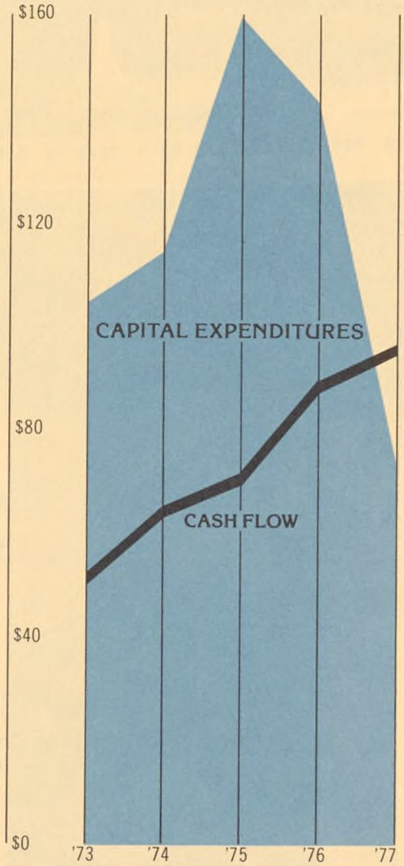
Reflecting the completion of theme park construction and the concentration on new hotel development through management contracts, capital expenditures declined from $143 million in fiscal 1976 to $73 million in fiscal 1977. The expenditures were somewhat lower than expected for '77 due primarily to delays in hotel and restaurant construction and acquisitions. Approximately $30 million of expansion projects originally planned for '77 will, therefore, carry over into early fiscal 1978.

ROI PROGRAM INTENSIFIES

Marriott's long-term program to increase return on investment produced another year of significant activity. Emphasis on management rather than ownership of hotels, redeployment of marginal or non-earning assets and application of stringent new ROI criteria for all projects will benefit fiscal 1978 and later years.

Management/lease contracts were announced in 1977 on 1,700 new domestic hotel rooms valued at over $70 million. These hotels are located in Hunt Valley, Maryland; Austin, Texas; Marina del Rey, California; Somerset, New Jersey; and Portland, Oregon. Also now under construction are the $100 million of additional rooms in Chicago and New Orleans that were negotiated in fiscal 1976. These projects will bring significant new assets under Marriott management as construction is completed during the next two years. In fiscal '78 and '79, 4,400 new domestic hotel rooms will open, of which 3,350 will be managed. Contracts were

CAPITAL EXPENDITURES AND CASH FLOW FROM OPERATIONS
(In $ Millions)



announced in 1977 for the management of an additional 1,100 rooms in the Middle East and development is progressing on another 1,200 rooms announced in previous years. At completion of construction, signed foreign contracts will add over $200 million of assets under Marriott management.

During fiscal '77 dispositions of assets not meeting Marriott's profit objective totaled a record $24 million. This followed dispositions in fiscal '75 and '76 which totaled $21 million. The '77 divestments included the Security Services division, two European flight kitchens, and a substantial number of individual restaurant units. Also, a large amount of excess land adjacent to the California theme park was sold, as was an idle cruise ship purchased by a joint venture in which Marriott has an interest.

MORE IMPROVEMENT COMING

Looking long range, new management contracts, continued pruning of marginal operations, and additional property sales are forecast to further improve the company's return on investment through the early 1980's.

Also, continued profit improvement in the Sun Line and Farrell's divisions and steady growth in the maturing theme parks, with no major added investment, will contribute to the attainment of targeted corporate returns.

With a strong balance sheet, final documentation is in process to close Marriott's first long-term unsecured private domestic debt placement—a 20-year, 8-3/4%, $40 million issue to be funded in mid-December 1977. This issue is the culmination of a financial strategy, implemented two years ago, to broaden the company's sources of external debt financing and shift to unsecured credit as the principal source of future debt financings. Funds will be applied to reduce medium- and short-term unsecured debt now outstanding, thus extending the company's debt maturity schedule.

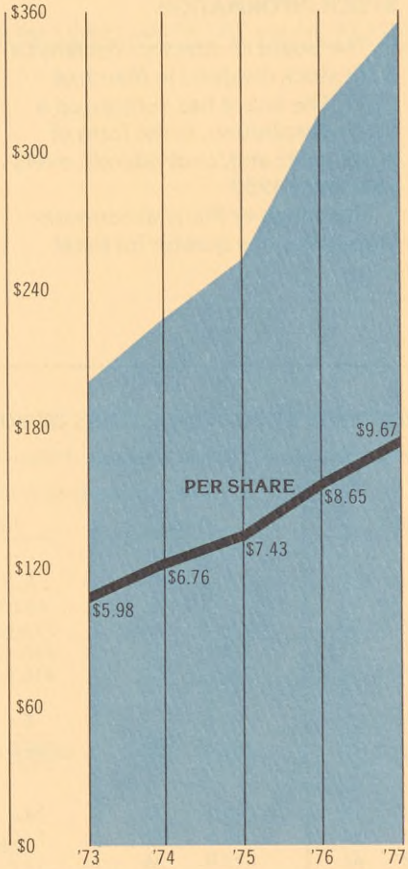
SALE OF HOTELS PROPOSED

As fiscal '78 began, an agreement in principle was reached to sell seven hotels for $119 million to The Equitable Life Assurance Society of the United States. Marriott would operate the properties under long-term contracts which provide for the company to share substantially in future hotel profits. The transaction would materially improve return on assets and further reduce the ratio of senior debt to equity from the current 45% to 38%. Its immediate effect would be a modest earnings improvement, but more importantly it would give the company the financial capacity to reinvest the proceeds in additional productive assets. This will enable the company to increase earnings on its existing equity base without increasing financial leverage. Finalization is contingent upon satisfaction of several conditions beyond the company's control and, if successful, will not occur until well into fiscal 1978.

TAX CREDIT ALLOCATION CHANGES

For the second year in a row, quarterly earnings reports will show a modest distortion in fiscal '78 in comparison with the prior year. The '77 shift in comparisons related to the seasonality of theme park operations in their first full year. The '78 distortion will result from a new

SHAREHOLDERS' INVESTMENT
(In $ Millions, Except Per Share Amounts)



accounting interpretation regarding accrual of the investment tax credit (ITC). Currently allocated equally throughout the year, the change requires that the ITC must be allocated in relation to income tax provisions in the future. This will shift the credits from low profit quarters to high profit quarters. The new interpretation does not permit restatement of 1977 quarters. Investors, therefore, should anticipate the impact on 1978 comparisons. ITC gains in the first, third and fourth quarters will be offset by a charge in the second quarter. If the new change had been applied in fiscal 1977, second quarter profits would have been reduced by about 2.5¢ per share while the other three quarters would have increased.

YEARLY COMPARISONS REVIEWED

In 1976, company sales increased 22%, and net income gained 41% over 1975, primarily on the strength of a $4.8 million turn-around in Sun Line cruise operations, strong business in hotels and most restaurant divisions, the successful opening of two Great America parks, and a gain in non-operating income, due essentially to imputed rent charged on a larger base of owned real estate. Advertising and sales promotion expense in both '76 and '77 increased at a faster rate than sales due to expanded marketing programs. The increase in other costs and expenses in both fiscal '76 and '77 was generally due to increases in sales, operating units and employees. The company's effective net income tax rate declined in fiscal '76 primarily because of the ITC accrued for the theme parks. In fiscal '77 favorable tax benefits recorded on dispositions substantially offset the effects of a lower ITC.

RECORD '78 FORECAST

For the full fiscal year, 1978 is expected to be another record-breaker. New highs in sales and earnings and unit expansion are anticipated, continuing the growth pattern Marriott has sustained for almost all of its history.

STOCK INFORMATION

The board of directors declared a 2.5% stock dividend in March of 1977. The board has authorized a stock distribution, in the form of stock splits and/or dividends, every year since 1957.

The range of Marriott common stock prices by quarter for fiscal 1977 and 1976 is as follows:

	1977 Quarters		1976 Quarters	
	High	Low	High	Low
1st	$14-5/8	$12-1/8	$12-7/8	$ 9-7/8
2nd	14	9-7/8	16-1/2	11-7/8
3rd	10-3/4	9-1/4	18-1/4	15-1/2
4th	11-1/4	9-1/4	16-3/8	12-7/8

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

CONTRIBUTIONS BY PRINCIPAL LINES OF BUSINESS

Fiscal Years Ended in July (Dollars in Millions)

	1977		1976 (53 Weeks)		1975		1974		1973	
	$	%	$	%	$	%	$	%	$	%
SALES										
Restaurant Operations	307.5	30	299.2	34	253.1	34	203.7	32	165.4	31
Contract Food Services	320.2	31	278.1	31	256.4	35	236.2	37	204.0	38
Hotels Group	309.3	30	269.6	30	216.5	30	190.4	30	161.9	30
Theme Parks (b)	68.7	7	36.0	4	—	—	—	—	—	—
Cruise Ships and Other (c)	20.6	2	7.5	1	6.4	1	10.1	1	6.9	1
Total Sales	1,026.3	100	890.4	100	732.4	100	640.4	100	538.2	100
OPERATING PROFIT (a)										
Restaurant Operations	14.3	25	15.1	32	14.2	40	12.9	34	8.9	29
Contract Food Services	14.2	24	14.5	31	14.0	39	13.1	34	10.5	33
Hotels Group	23.5	41	15.9	34	13.0	37	13.7	36	11.7	37
Theme Parks (b)	4.7	8	2.4	5	—	—	—	—	—	—
Cruise Ships and Other (c)	1.4	2	(1.0)	(2)	(5.8)	(16)	(1.6)	(4)	0.2	1
Total Operating Profit	58.1	100	46.9	100	35.4	100	38.1	100	31.3	100
Non-Operating Income (a)	5.1		4.9		3.4		4.0		4.3	
Income Before Dispositions and Income Taxes	63.2		51.8		38.8		42.1		35.6	
Dispositions of Businesses	(1.9)		—		(0.4)		—		—	
Income Before Income Taxes	61.3		51.8		38.4		42.1		35.6	

( ) Indicates loss

(a) Operating profit reflects the allocation of administrative, advertising and other overhead costs, including an imputed rent charged on owned real estate. It does not include financial and non-operating items such as imputed and actual rent profit on owned real estate; interest expense; capital gains; and other miscellaneous items which are reported as non-operating income.

(b) The two Great America theme parks opened in March and May, 1976. The operating results for the initial period in fiscal 1976 are not comparable with the results for fiscal 1977 because they include only part of an operating season, the impact of short-term variations, the incurrence of initial start-up costs and because the results for 1976 include charges for interest, depreciation and real estate taxes only from the opening of the parks.

(c) Includes operating results of the company's Architecture and Construction Division and Fairfield Farm Kitchens which are treated as separate profit centers for external reporting beginning in fiscal 1977.

(d) The above figures include results of operating units outside the United States. Relative contributions of foreign operations to total sales and operating profit were respectively, 8% and 8% in 1977, 8% and 1% in 1976, 10% and (10%) in 1975, 11% and 8% in 1974 and 10% and 11% in 1973.

Consolidated Income

Marriott Corporation and Subsidiaries for the Fiscal Years Ended July 29, 1977 and July 30, 1976

	1977	1976 (53 Weeks)
Sales by Operating Groups		
Restaurant Operations	$ 307,512,000	$299,244,000
Contract Food Services	320,180,000	278,135,000
Hotels Group	309,283,000	269,573,000
Theme Parks	68,696,000	35,975,000
Cruise Ships and Other	20,642,000	7,476,000
Total sales	1,026,313,000	890,403,000
Costs and Expenses		
Cost of sales and operating expenses	736,147,000	645,086,000
Administrative and general expenses	41,081,000	35,023,000
Rent	38,075,000	34,146,000
Depreciation and amortization of property and equipment	43,545,000	36,119,000
Taxes—payroll, real estate and other	42,736,000	35,929,000
Interest cost	27,946,000	31,187,000
Less interest capitalized	(1,938,000)	(10,432,000)
Advertising and sales promotion expenses	25,547,000	20,816,000
Pre-opening and development expenses	4,694,000	6,183,000
Profit sharing retirement contributions	5,291,000	4,582,000
	963,124,000	838,639,000
Income Before Dispositions and Income Taxes	63,189,000	51,764,000
Dispositions of Businesses	(1,885,000)	—
Income Before Income Taxes	61,304,000	51,764,000
United States and Foreign Income Taxes		
Current—U.S. and State	17,786,000	10,164,000
—Foreign	2,486,000	2,536,000
Deferred	9,045,000	14,119,000
Investment tax credit—Theme Parks	(850,000)	(3,250,000)
—Other	(3,250,000)	(2,650,000)
	25,217,000	20,919,000
Net Income	$ 36,087,000	$ 30,845,000
Earnings Per Share	$.99	$.88

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

Marriott Corporation and Subsidiaries July 29, 1977 and July 30, 1976

	1977	1976
ASSETS		
Current Assets		
Cash and cash equivalents	$ 24,726,000	$ 20,753,000
Accounts receivable	55,549,000	50,293,000
Inventories, at lower of average cost or market	43,635,000	35,504,000
Prepaid expenses	10,559,000	7,580,000
Total current assets	134,469,000	114,130,000
Property and Equipment, at cost		
Land	81,203,000	73,784,000
Buildings and improvements	280,353,000	270,686,000
Leasehold improvements	210,338,000	198,280,000
Furniture and equipment	244,437,000	228,401,000
Cruise Ships	11,441,000	11,367,000
Land purchased for future operations or resale	24,425,000	37,610,000
Construction in progress	20,836,000	16,483,000
	873,033,000	836,611,000
Depreciation and amortization	(185,920,000)	(155,218,000)
	687,113,000	681,393,000
Other Assets		
Cost in excess of net assets of businesses acquired	17,622,000	18,656,000
Investments in and advances to affiliates	15,010,000	10,467,000
Deferred pre-opening costs	3,533,000	5,388,000
Other	14,167,000	14,192,000
	50,332,000	48,703,000
	$871,914,000	$844,226,000

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

	1977	1976
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities		
Short term loans	$ 3,542,000	$ 2,989,000
Accounts payable	46,259,000	41,503,000
Accrued liabilities	59,466,000	43,653,000
Current portion of debt	8,785,000	10,119,000
Total current liabilities	118,052,000	98,264,000
Debt, excluding convertible subordinated debt		
Mortgage notes payable	224,091,000	219,906,000
Unsecured notes payable	88,481,000	131,022,000
	312,572,000	350,928,000
Deferred Income Taxes	56,048,000	47,343,000
Other Liabilities	1,138,000	1,007,000
Convertible Subordinated Debt	29,520,000	31,340,000
Shareholders' Investment		
Common stock	36,668,000	35,567,000
Capital surplus	222,749,000	212,250,000
Net deferred compensation payable in common stock	4,775,000	3,952,000
Retained earnings	90,392,000	63,575,000
Total shareholders' investment	354,584,000	315,344,000
	$871,914,000	$844,226,000

Consolidated Changes in Financial Position

Marriott Corporation and Subsidiaries for the Fiscal Years Ended July 29, 1977 and July 30, 1976

	1977	1976 (53 Weeks)
Sources of Funds		
Net income	$ 36,087,000	$ 30,845,000
Add expenses not requiring current outlay of working capital—		
Depreciation and amortization of property and equipment	43,545,000	36,119,000
Deferred income taxes	9,045,000	14,119,000
Other	6,019,000	6,460,000
From operations	94,696,000	87,543,000
New financing—		
Mortgages and notes	16,993,000	60,323,000
Lincolnshire Hotel—Sale/leaseback, net assets	—	7,282,000
From financing	16,993,000	67,605,000
Common stock issued	2,628,000	30,135,000
Disposals of property and equipment	20,298,000	7,890,000
Total sources	134,615,000	193,173,000
Applications of Funds		
Additions—Theme Park property and equipment	16,828,000	68,573,000
—Other property and equipment	56,343,000	74,662,000
Acquisitions of businesses	—	6,124,000
Maturities and prepayments of mortgages and notes	57,169,000	40,319,000
Other	3,724,000	3,054,000
Total applications	134,064,000	192,732,000
Increase in Working Capital	$ 551,000	$ 441,000
Summary of Changes in Working Capital		
Increase (decrease) in current assets		
Cash and cash equivalents	$ 3,973,000	$ (4,055,000)
Accounts receivable	5,256,000	6,705,000
Inventories	8,131,000	7,837,000
Prepaid expenses	2,979,000	3,088,000
(Increase) decrease in current liabilities		
Short term loans	(553,000)	(237,000)
Accounts payable and accrued liabilities	(20,569,000)	(14,202,000)
Current portion of debt	1,334,000	1,305,000
Increase in Working Capital	$ 551,000	$ 441,000

The accompanying notes are an integral part of this statement.

Consolidated Shareholders' Investment

Marriott Corporation and Subsidiaries for the Fiscal Years Ended July 29, 1977 and July 30, 1976

	Common Stock ($1.00 par value)	Capital Surplus	Net Deferred Stock Compensation	Retained Earnings
Balance, July 25, 1975	**$32,507,000**	**$169,974,000**	**$3,256,000**	**$47,999,000**
Net income	—	—	—	30,845,000
Common stock issued—				
Public offering	1,250,000	20,535,000	—	—
2-1/2% Stock dividend at market	865,000	14,331,000	—	(15,196,000)
Employee stock purchase and stock option plans	588,000	3,391,000	—	—
Contribution to profit sharing plan	260,000	3,655,000	—	—
Other	97,000	364,000	696,000	(73,000)
Balance, July 30, 1976	**35,567,000**	**212,250,000**	**3,952,000**	**63,575,000**
Net income	—	—	—	36,087,000
Common stock issued—				
2-1/2% 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	**$36,668,000**	**$222,749,000**	**$4,775,000**	**$90,392,000**

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 29, 1977, and July 30, 1976, 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 aforementioned consolidated financial statements present fairly the financial position of Marriott Corporation and Subsidiaries as of July 29, 1977, and July 30, 1976, 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 consistently applied during the periods.

ARTHUR ANDERSEN & CO.

Washington, D.C.,
September 1, 1977.

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.

In 1977, Cruise Ships and Other sales include $11,891,000 for the Architecture and Construction Division and Fairfield Farm Kitchens, which are treated as separate profit centers for external reporting beginning in fiscal 1977.

Foreign Operations:

The consolidated financial statements include net assets of foreign subsidiaries of $39,305,000 at July 29, 1977 and $40,111,000 at July 30, 1976. Foreign sales and net income after interest, intercompany charges and foreign tax, as a percent of consolidated sales and net income were 8% and 13% in 1977 and 8% and 7% in 1976, respectively.

Financial statements of foreign subsidiaries are translated into U.S. dollars in accordance with the provisions of Financial Accounting Standards Board Statement No. 8. Translation losses amounted to $594,000 in 1977 and $471,000 in 1976.

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.

The theme parks opened in March and May, 1976. The operating results for the initial period in fiscal 1976 are not comparable with the results for fiscal 1977 because they include only part of an operating season, the impact of short term variations, the incurrence of initial start-up costs and because the results for 1976 include charges for interest, depreciation and real estate taxes only from the opening of the parks.

Property and Equipment:

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

Building 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.

In connection with the development of properties, land was acquired to be used for future operations and/or for eventual resale. Carrying costs are capitalized to the extent that estimated realizable value exceeds the initial and accumulated carrying costs.

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 $4,686,000 at July 29, 1977 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 $213,000 ($.01 per share) in 1977 and reduced by $4,375,000 ($.12 per share) in 1976.

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.

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 the date awarded.

Computations of Earnings Per Share:

Earnings per share are based on the weighted average number of shares outstanding during each year, which was 36,568,300 for 1977 and 35,222,603 for 1976 (adjusted for stock dividends). Distribution of shares reserved would not have a material effect on earnings per share.

DISPOSITIONS OF BUSINESSES

During fiscal 1977, the Frankfurt and Athens flight kitchens and security alarm business were divested. The pre-tax loss on these dispositions is reflected separately in the financial statements. After tax, the dispositions resulted in a minor net gain due to realization of previously unaccrued tax benefits on prior operating losses.

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 partnership is constructing a 430-room addition. The Company has guaranteed to complete the project at the estimated cost of $20,500,000 and to obtain or provide the financing. The partnership has a permanent mortgage loan commitment of $46,000,000, secured only by the property, to finance this addition and refinance the existing facility. As of July 29, 1977, $4,100,000 has been spent on this project. The hotel is leased to the Company for 55 years including renewal options, with rentals based solely on profits. At July 29, 1977, the partnership has total assets of $35,834,000 and total liabilities of $29,601,000.

The Company has a 49% interest in a limited partnership which is constructing a 1,214-room hotel in downtown Chicago. The hotel will be leased to the Company for 80 years including renewal options, with rentals based solely on profits. As of July 29, 1977, $24,800,000 has been spent on construction of this project. A commitment for permanent financing of $54,000,000 has been obtained, to be secured only by the property. At July 29, 1977, the partnership has total assets of $36,571,000 and total liabilities of $25,542,000.

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, 1976), Sun Line Greece has total assets of $22,563,000 and total liabilities of $13,936,000 including $10,699,000 of debt. The Company has guaranteed 45% of the debt.

The Company sold an idle ship in October, 1976 at its book value to a joint venture in which the Company has a 29% interest. The venture is converting the ship to a hotel which will be managed by the Company. At June 30, 1977, the joint venture has total assets of $11,750,000 and total liabilities of $4,831,000.

The excess of the Company's investment over the underlying net assets of minority-owned affiliates is $2,948,000 and is being amortized over periods of up to 40 years.

INCOME TAXES

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

	1977	1976
United States income tax rate	48.0%	48.0%
State income taxes, net of U.S. tax benefit	3.7	3.5
Foreign earnings and losses subject to aggregate tax rate less than 48%	(2.6)	(0.6)
Tax benefit on dispositions of businesses	(2.1)	—
Other items, net	0.8	0.9
Effective gross income tax rate	47.8	51.8
Investment tax credit—		
Theme Parks	(1.4)	(6.3)
Other	(5.3)	(5.1)
Effective net income tax rate	41.1%	40.4%

Deferred income tax provisions are attributable to:

	1977	1976
Excess of tax over book deduction—		
Depreciation	$8,140,000	$ 7,522,000
Interest	424,000	3,953,000
Other items, net	481,000	2,644,000
	$9,045,000	$14,119,000

DEBT

Maturities of Debt at July 29, 1977 are:

Fiscal Year	
1979	$ 8,722,000
1980	14,891,000
1981	20,975,000
1982	32,716,000
to 2005	264,788,000
	$342,092,000

The Company has debt of $76,000,000 as of July 29, 1977 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%.

As of July 29, 1977, $359,600,000 of property and equipment, at cost, is pledged or mortgaged.

Revolving Loan Agreements:

The Company uses revolving loan commitments, short term loans and commercial paper for interim financing, primarily for construction. Such financing is classified in the consolidated balance sheet as noncurrent indebtedness to the extent that the loans and commercial paper mature beyond the permanent loan take-out or 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.

As of July 29, 1977, the Company has unsecured revolving loan agreements of $40,000,000 which mature on May 1, 1980, and bear interest based on the prime rate. An aggregate of $19,000,000 has been borrowed against these loan agreements and is included in unsecured notes payable. The average effective rate on these borrowings was 8.4% at July 29, 1977.

The Company also 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 29, 1977, an aggregate of $54,000,000 in the form of short term debt has been borrowed against these revolving credit agreements and is included in unsecured notes payable (including $49,000,000 of commercial paper). The average effective rate on these borrowings was 6.1% at July 29, 1977.

As of July 29, 1977, the Company has $57,000,000 remaining funds available under its aggregate of $130,000,000 revolving loan commitments. In addition, the Company has unused bank credit lines aggregating $6,500,000.

Borrowings against all revolving loan agreements averaged $71,400,000 during 1977 and $91,500,000 during 1976 (at weighted average interest rates of 7.2% in 1977 and 7.9% in 1976) with a maximum balance of $77,900,000 in 1977 and $106,600,000 in 1976.

The revolving loan agreements require the Company to meet certain requirements including, among other things, maintaining minimum working capital, net worth, and a debt-to-equity ratio (as defined). A commitment fee of up to a maximum of one half of one percent is payable on the unused portion.

Short Term Loans:

The short term loans of $3,542,000 at July 29, 1977 and $2,989,000 at July 30, 1976 are foreign overdraft accounts. Short term bank loans, including U.S. borrowings for working capital purposes, averaged $4,600,000 during 1977 and $4,500,000 during 1976, at weighted average interest rates of 7% and 8.5%, respectively. The maximum outstanding balance was $11,000,000 during 1977 and $13,000,000 during 1976.

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 $6,600,000 after adjustment for an estimated bank float of $2,600,000. The balances maintained are equal to a percentage (10%-20%) of the amounts available or borrowed.

Convertible Subordinated Debt:

4-1/4% Convertible Subordinated Notes due 1992, convertible at $38.44 per share	$ 4,970,000
5-1/2% Convertible Subordinated Note due 1988, convertible at $29.26 per share	15,000,000
5% Convertible Subordinated Debentures due 1988, convertible at $29.91 per share	9,550,000
	$29,520,000

Conversion prices are subject to anti-dilution provisions. The agreements have cash dividend restrictions, but at July 29, 1977, all retained earnings are unrestricted.

LEASES

The Company has 537 non-cancelable leases (primarily real estate and shopping center space) which have not been capitalized. Most leases contain one or more renewal options, generally for five or ten year periods. Minimum future rentals under non-cancelable leases are as follows:

Fiscal Year	Financing Leases (as defined by the SEC)	Operating Leases
1978	$ 10,738,000	$ 8,509,000
1979	10,718,000	7,806,000
1980	10,684,000	7,528,000
1981	10,629,000	7,103,000
1982	10,610,000	6,830,000
1983-1987	52,316,000	26,864,000
1988-1992	45,335,000	14,779,000
1993-1997	28,423,000	8,289,000
Thereafter	22,127,000	9,725,000
	$201,580,000	$97,433,000

Total rent expense was:

	1977	1976
Minimum rentals:		
Financing leases	$ 9,950,000	$ 9,691,000
Operating leases	10,688,000	10,579,000
	20,638,000	20,270,000
Additional rentals based on sales:		
Financing leases	1,542,000	1,547,000
Operating leases	7,011,000	6,090,000
	8,553,000	7,637,000
Additional rentals based on profits (as defined) for operating leases	8,884,000	6,239,000
Total rent expense	$38,075,000	$34,146,000

If non-capitalized financing leases were capitalized, the present values of the minimum lease commitments would be $96,920,000 at July 29, 1977 and $93,011,000 at July 30, 1976. Present values are computed by discounting net lease payments at the interest rate implicit at the time of entering into the lease. These rates ranged from 4.4% to 9.9%, with a weighted average rate of 8.4%.

If non-capitalized financing leases were capitalized and related property was amortized on a straight-line basis and interest was accrued on the basis of the outstanding lease liability, net income would have been reduced $979,000 ($.03 per share) in 1977 and $978,000 ($.03 per share) in 1976.

CAPITAL STOCK

1,000,000 shares of preferred stock, without par value, are authorized. As of July 29, 1977, 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 36,668,489 and 35,567,027 were issued and outstanding at July 29, 1977 and July 30, 1976, respectively.

Total common stock shares reserved at July 29, 1977:

Employee stock option plan	1,959,519
Conversions of convertible subordinated debt	961,228
Deferred stock compensation program	833,533
Employee qualified stock purchase plan	299,330
Restricted stock plan for key employees (none issued to date)	100,000
Exercise of warrant, at $22.10 per share	13,576
Total shares reserved	4,167,186

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 and option prices have been adjusted for stock dividends.

	Shares Under Option	
	Number of Shares	Option Price Per Share
Balance, July 25, 1975	643,243	$10.74-12.31
Granted	182,840	10.11-17.32
Exercised	(24,059)	10.74
Canceled	(62,344)	10.11-14.04
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

At July 29, 1977, options for 280,885 shares were exercisable and 1,038,176 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 at January 3, 1977 ($13.54 per share, adjusted for the 1977 stock dividend) or 100% of the market value at the purchase date (January 31, 1978), whichever is less.

The Company has a number of deferred stock compensation programs. Contracts for 833,533 shares have been awarded of which 381,867 shares are fully vested at July 29, 1977. Under some programs, shares are issued after the period earned; under other programs, restricted shares are issued prior to the period earned.

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 29, 1977 and the approximate effect which replacement cost would have had on the computation of depreciation expense for the year then ended. Replacement cost of inventories would be essentially the same as historical cost.

QUARTERLY FINANCIAL RESULTS (Unaudited)

(Dollars in Thousands, Except Per Share Amounts)

1977	Sales	Income Before Income Taxes	Net Income	Earnings Per Share
1st Quarter	$ 238,903	$18,749	$10,158	$.28
2nd Quarter	273,999	5,930	5,343	.15
3rd Quarter	239,634	17,022	9,373	.26
4th Quarter	273,777	19,603	11,213	.31
Year	$1,026,313	$61,304	$36,087	$.99*
1976				
1st Quarter	$ 187,993	$12,328	$ 7,381	$.22
2nd Quarter	242,855	10,582	6,869	.20
3rd Quarter	203,939	13,172	7,587	.21
4th Quarter	255,616	15,682	9,008	.25
Year	$ 890,403	$51,764	$30,845	$.88

*The sum of the earnings per share for the four quarters in fiscal 1977 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.

Financial History—1967 to 1977

(Dollars in Thousands, Except Per Share Amounts)	1977	1976 (53 Weeks)	1975	1974
Summary of Operations (Note A)				
Sales	**1,026,313**	890,403	732,396	640,439
Percent increase for the year	**15.3%**	21.6%	14.4%	19.0%
Cost of sales and other expenses	**939,001**	817,884	676,014	582,227
Interest cost	**27,946**	31,187	28,328	21,236
Interest capitalized	**1,938**	10,432	10,353	5,144
Income before income taxes	**61,304**	51,764	38,407	42,120
Per sales dollar	**6.0%**	5.8%	5.2%	6.6%
United States and foreign income taxes	**29,317**	26,819	19,564	19,425
Percent to income before income taxes	**47.8%**	51.8%	50.9%	46.1%
Investment tax credit	**4,100**	5,900	2,975	2,050
Net income	**36,087**	30,845	21,818	24,745
Percent increase (decrease) for the year	**17.0%**	41.4%	(11.8%)	17.8%
Per sales dollar	**3.5%**	3.5%	3.0%	3.9%
Return on beginning shareholders' investment	**11.4%**	12.2%	9.6%	12.4%
Funds provided from operations (Note B)	**94,696**	87,543	70,320	63,592
Capital expenditures	**73,171**	143,235	159,178	114,153
Assets Employed				
Net working capital	**16,417**	15,866	15,425	14,518
Fixed assets	**687,113**	681,393	578,050	481,858
Other assets	**50,332**	48,703	57,905	47,979
Debt and Equity				
Mortgages and notes	**312,572**	350,928	330,024	251,783
Deferred income taxes	**56,048**	47,343	34,514	28,392
Convertible subordinated debt	**29,520**	31,340	32,240	34,300
Shareholders' investment	**354,584**	315,344	253,736	227,110
Per Share Data (Note C)				
Net income	**.99**	.88	.64	.74
Stock dividends				
Percent	**2.5%**	2.5%	2.5%	2.5%
Cash equivalent	**.26**	.43	.36	.45
Shareholders' investment	**9.67**	8.65	7.43	6.76
Quoted market price at year-end	**9.88**	13.90	12.49	16.13
Other Data (Note C)				
Weighted average shares outstanding	**36,568,300**	35,222,603	33,911,237	33,481,337
Shares outstanding	**36,668,489**	36,456,203	34,152,496	33,580,749
Number of shareholders	**52,800**	47,000	43,200	38,900
Number of employees (including seasonal)	**61,700**	60,600	46,200	43,400
Number of operating units	**843**	825	774	688
Hotel rooms	**14,695**	14,510	13,393	10,187

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.

1973	1972	1971	1970	1969	1968	1967	10-Year Compound Growth
			(53 Weeks)				
538,193	**422,928**	351,929	318,324	258,741	197,498	**146,349**	**Sales +21.5%**
27.3%	**20.2%**	10.6%	23.0%	31.0%	35.0%	**18.1%**	
489,283	**382,208**	316,191	289,067	237,811	180,755	**133,772**	
16,063	**11,697**	11,539	10,975	5,707	3,809	**2,324**	**Pre-tax Income**
2,802	**1,612**	1,273	1,252	792	428	**567**	
35,649	**30,635**	25,472	19,534	16,015	13,362	**10,820**	**+19.0%**
6.6%	**7.2%**	7.2%	6.1%	6.2%	6.8%	**7.4%**	
16,353	**14,251**	11,730	9,230	8,040	6,770	**5,233**	
45.9%	**46.5%**	46.1%	47.3%	50.2%	50.7%	**48.4%**	
1,715	**1,350**	35	795	988	827	**462**	**Net Income**
21,011	**17,734**	13,777	11,099	8,963	7,419	**6,049**	**+19.6%**
18.5%	**28.7%**	24.1%	23.8%	20.8%	22.6%	**18.4%**	
3.9%	**4.2%**	3.9%	3.5%	3.5%	3.8%	**4.1%**	
12.1%	**13.6%**	14.9%	13.9%	15.3%	16.3%	**19.6%**	**Cash Flow (B)**
51,450	**43,531**	34,455	26,224	20,548	16,302	**12,920**	**+22.0%**
103,937	**67,952**	77,204	56,042	57,912	41,882	**26,024**	
9,771	**9,592**	8,585	12,008	7,376	7,579	**4,559**	
427,572	**349,398**	286,348	218,473	174,374	124,510	**86,717**	
42,834	**38,789**	30,236	28,173	21,976	12,159	**6,810**	
250,792	**192,623**	152,736	124,552	85,348	68,476	**44,965**	
21,132	**22,898**	17,297	13,978	10,454	7,215	**7,667**	
5,000	**6,066**	24,879	27,840	28,000	10,000	—	**Shareholders' Investment**
199,731	**174,230**	130,257	92,284	79,924	58,557	**45,454**	**+22.8%**
.63	**.55**	.45	.38	.32	.27	**.24**	**Net Income Per Share +15.2%**
2.5%	—	2.5%	2.5%	2.5%	3.0%	**4.0%**	**Shareholders' Investment Per Share**
.74	—	.39	.34	.34	.26	**.21**	
5.98	**5.26**	4.14	3.16	2.75	2.11	**1.68**	**+19.1%**
27.07	**31.16**	19.39	10.46	13.09	12.11	**6.62**	
33,294,909	**32,422,306**	30,724,816	29,093,372	28,125,258	27,481,677	**25,388,697**	
33,415,613	**33,136,395**	31,475,892	29,169,065	29,042,445	27,699,615	**27,111,220**	**Operating Units**
37,000	**32,400**	27,900	26,500	24,000	20,700	**15,767**	
38,700	**34,100**	27,300	26,000	24,300	19,700	**15,600**	**+15.1%**
570	**508**	419	382	324	256	**206**	**Rooms**
8,772	**8,403**	6,713	5,790	4,770	2,957	**2,323**	**+20.3%**

(C) 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

J. Willard Marriott *
Chairman of the Board

Don G. Mitchell *†
Vice Chairman of the Board and Director, Several Other Corporations

* Executive Committee
† 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

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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
5161 River Road
Washington, D.C. 20016
Area Code (301) 986-5000
Telex: 892767—MARCORP BHDA

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

1977 Annual Meeting
The 1977 Annual Meeting of Shareholders will take place at 10 a.m., Tuesday, November 15 at Shady Grove Music Fair in Gaithersburg, Maryland. The theatre is located at the Shady Grove Road Exit off Interstate Highway 270 (formerly 70-S).

For Toll Free Reservations:

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

"HOLIDAY!"—one of the most popular live musicals to be staged in 1977 in the entire San Francisco and Chicago regions . . . and just part of the solid entertainment value at the two Marriott's Great America theme parks.

Marriott
CORPORATION
5161 River Road
Washington, D.C. 20016

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STERLING D COLTON

Marriott Corporation
1927–1977
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An Unlimited Future
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