

Annual Report 1979

Marriott





Annual Report 1979

Marriott
corporation

Highlights: Another Year of Growth

		1979	1978
SALES	+21%	\$1,509,957,000	\$1,249,595,000
PRE-TAX INCOME	+29%	123,145,000	95,299,000
Per sales dollar		8.2%	7.6%
NET INCOME	+31%	71,000,000	54,300,000
Per sales dollar		4.7%	4.3%
EARNINGS PER SHARE	+36%	1.95	1.43
FUNDS FROM OPERATIONS	+16%	140,934,000	121,588,000
SHAREHOLDERS' EQUITY PER SHARE	+13%	12.88	11.40
RETURN ON EQUITY	+22%	17.0%	13.9%

CASH DIVIDEND raised again ...

HOTEL ROOMS increase 17% to 21,000 ...

BIG BOY, ROY ROGERS restaurants add 42 new units ...

10-YEAR PROFIT GROWTH climbs to 22% ...

RETURN ON EQUITY heading for 20% range ...

LEFT: The new Bethesda Marriott Hotel, in the Maryland suburbs of Washington, D.C.

Profits, Return on Equity Jump Again Under New Marriott Strategic Plan; Growth Exceeds 20% for 10 Years

That shift in strategy we adopted five years ago continues to prove itself, as we close the 1970s with another excellent year—and open the '80s with great momentum.

Operating under a new corporate strategy since the mid-'70s, we now have produced four successive years of substantial improvement:

- Profits have almost tripled in the four years since 1975, accelerating our growth rate to 31% for the period and 22% for 10 years.
- Return on equity has jumped to 17% from the 1975 low of 9.5%.
- Net profit margin is up over 50% since 1975.

In 1979 alone, net income rose 31% to \$71 million. Earnings per share increased 36% to \$1.95. Sales were up 21% to \$1.5 billion. Return on equity rose more than three percentage points. New hotels—both those opened and those under development—set a record. Special pro-

grams in management development were strengthened.

Our strategy since 1975 has focused on four broad areas:

1. Priority Businesses

With 13 separate businesses, diversification has always been our strength. But five of them provide over 80% of total sales and earnings:

Marriott Hotels now contribute half the profits of the company. The Marriott Hotel name is at the top of the lodging industry. Customer acceptance multiplies as we expand rapidly, and operating profits have increased almost threefold in five years—and 30% in 1979 alone.

Shareholders can expect hotels to be the company's primary growth vehicle of the future. Our strategy provides for 20% to 25% annual increases in the number of rooms through the mid-'80s. That will put

us over 50,000 rooms—vs. 13,000 when our mid-'70s strategy began.

Marriott In-Flite is the leading independent food caterer to the world's airlines. This division will have steady opportunities in the 1980s for new business. But our primary focus will be on improving operating margins. With a solid position in the world's most vital form of transportation, In-Flite will give us a firm base of profits long term.

Big Boy and **Roy Rogers** are strong restaurant concepts. While the industry weakened some in 1979, the coffee-shop and fast-food market segments have bright futures. Our Big Boys and Roy Rogers will show good unit expansion in the 1980s.

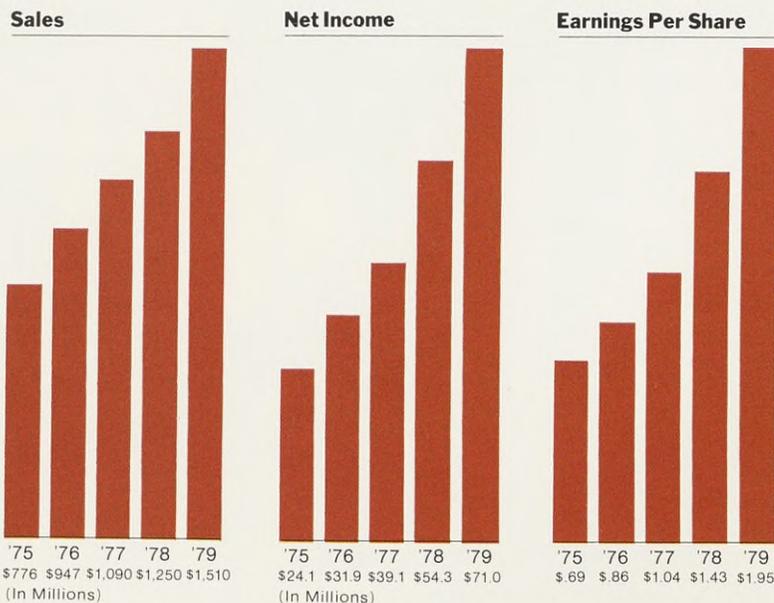
Great America theme parks near Chicago and San Francisco have been the entertainment successes we anticipated. And now, in their fourth year, profitability also matched expectations. We can see more contributions in the future from this business.

Our other restaurant divisions and Food Service Management operations continue to do well in their markets. Sun Line's cruise ships are unequaled for Mediterranean and Caribbean luxury cruises. We will continue to stress operating efficiencies and cash flows for these operations.

2. Financial Condition

We have made excellent progress in improving return on equity (ROE), through an aggressive program to turn around unprofitable operations . . . sell owned hotels to reduce debt, while keeping operational control under management agreements . . . pursue new operating contracts for an even faster rate of hotel growth without over-loading the balance sheet . . . eliminate over \$90 million of idle or marginally profitable assets.

We also felt it would be a good use of company funds to buy back shares



of our stock. Shares were purchased in 1979 and a tender offer was made in early 1980. (See pages 18 and 30.)

3. Management Strength

There are many business opportunities in the '80s for your company. We must be sure we have capable people to manage them. And so management development is now a much higher priority for us.

We are structuring a sound manpower-planning system . . . expanding and accelerating our training programs . . . identifying and preparing our brightest talent for rapid advancement . . . reorganizing functions . . . adopting new incentives to encourage and reward outstanding results.

4. External Pressures

Some major issues are essentially out of our control. But we are working hard to minimize their impact.

Inflation certainly is the nation's most critical economic problem today. But we have had excellent results in holding down labor and other operating costs under tight new control systems. Also, a corporatewide eval-

uation of all staff activities late in 1978 produced savings of over \$10 million in 1979 administrative expenses.

In considering inflation's impact on Marriott, it is also important to note that our assets are heavily real estate based . . . with current replacement cost far in excess of their present value on the books. Appreciation of these assets is an important inflation hedge which adds underlying strength to the balance sheet.

Energy is a serious issue everywhere today. While we are concerned, we do not believe that our operations are exposed to major risk.

Shortages of gasoline are troublesome but not deeply threatening to our businesses. Most of our hotels are in major air-traffic centers. Business people who must travel continue to reach us—just as we saw during the '74-'75 energy crisis when our occupancy remained high. Most of our restaurants are in neighborhoods serving patrons within a three-mile area. Our theme parks are less than half-a-tankful away from the vast majority of their customers.

Internally our conservation programs are helping to offset rising energy costs. Consumption declined about 10% in 1979—the fourth straight year of improvement.

Government expansion and interference are affecting all of Free Enterprise. We believe that it is time for Americans to insist on less government in our lives and more freedom in the marketplace. In 1979, we launched a new Good Government program to enlist management in an ongoing appeal for government attitudes and actions that support—not obstruct—Free Enterprise.

Our four-part strategy has produced profit gains the last four years of 32%, 22%, 39%, 31%. We can't expect to continue growing at this rapid rate, but we do believe we can



attain average earnings increases of 20% annually over the next five years—barring any major disruption in the economy.

Marriott Corporation in the '80s should be one of a very few billion-dollar companies whose profit gains and return on investment both are running in the area of 20%.

We've got great confidence as we head into the new decade. We are especially encouraged by the tremendous support we receive from our 66,000 employees and 44,000 shareholders.

J. Willard Marriott
Founder and
Chairman of the Board

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

New Directors

Two new directors have joined the Board: Frederick Deane, Jr., chairman of the board and chief executive officer of the Bank of Virginia Company, Richmond, and Richard E. Marriott, group vice president—corporate.

They replace two directors who have retired from the Board: Jorge Bird, advisor on tourist development, Puerto Rico, and Woodrow D. Marriott, senior vice president.



Frost National Bank
191 South
Spring Street, St.

Handicapped
Parking

NO
LEFT TURN

Marriott Hotels' Occupancy, Profits Continue Strong in '79; Expansion Sets One-Year Record

In 1979, Marriott Hotels had still another outstanding year. Sales grew 31%, profits increased 30%, and new rooms opened set a record as the company moves rapidly to meet growth opportunities for Marriott lodging services.

Lodging Business Healthy

The hotel industry today is strong. Demand for rooms is high, especially in the quality range. And the industry has been somewhat restrained in new construction because of high interest rates, selective institutional lending and rising construction costs. These factors have prevented the over-building problems of the early 1970s and created a favorable supply-demand balance in available rooms. In this climate, Marriott Hotels are doing well. The company has located its hotels in some of the most desirable city, suburban and airport locations in America. It is developing a network of outstanding resorts.

Occupancy Rate Rises Again

Especially important, the company knows the services and amenities travelers appreciate most. This is evident in the occupancy rate which rose again in 1979—ending well above 80%.

This combination of high occupancy, and room rates which rise in



Tan-Tar-A Resort, Lake of the Ozarks, Missouri

response to inflation, translates into solid profitability. Hotel operating profits were \$87 million in 1979, almost tripling in just five years.

Also contributing materially to profits in 1979 was a stringent cost-control program:

- Energy consumption dropped for comparable hotels—those with identical facilities in both years.
- Rigid new staffing controls kept manhours constant at comparable hotels even though more guests were served—and high quality of service was maintained.
- Computerization of front office systems was completed, with not only favorable effects on costs, but greater efficiency in serving guests.

Hotel results also were aided in 1979 by virtual completion of the

program to sell condominiums at the Essex House in New York City, and by a good contribution from franchised Marriott Inns.

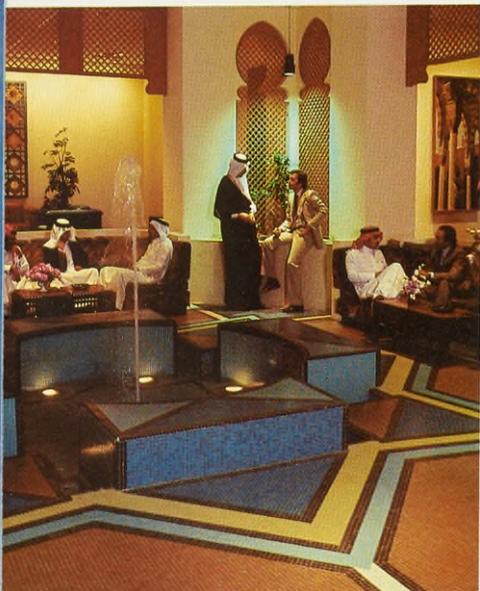
'79 Expansion a Record

Expansion of the Marriott Hotels system in 1979 reached a new peak with 3,000 new rooms added. This is a one-year high and a 17% increase over 1978. Expansion included seven new hotels, also a record for one year.

At year-end there were 47 company-operated hotels and 21,000 rooms—both almost twice the levels of 1974.

Two new downtown sites were added in 1979. One was in St. Louis,

Pavilion Hotel in St. Louis, now under Marriott management



Riyadh Marriott—Saudi Arabia

with the acquisition of the 341-room Breckenridge Pavilion. Work already is under way to double the size of this successful property. The other was a 502-room hotel introduced to the San Antonio market at year-end.

Two Major Resorts Added

Another suburban property was added in a well-established Marriott market: metropolitan Washington, D.C. The area's fifth Marriott Hotel opened in Bethesda, Maryland with 354 rooms.

Two major resorts were added, giving the company eight. All are located in areas that remain attractive even in economic downturns and are convenient to airline travelers.

As the year began, the spectacular new Rancho Las Palmas Resort near Palm Springs opened. And the popular Marco Beach Hotel & Villas on the southwest tip of Florida came under Marriott management at mid-year.

In the Middle East, where the first Marriott Hotel opened in 1978, two more hotels began operations under management contract. They are in Dhahran, Saudi Arabia and in Kuwait City, Kuwait.

It is important to note that of the 3,000 rooms new in 1979, 15% were additions to existing hotels. Expanding established hotels with the basic physical plant in place significantly enhances profits.

1980s Outlook Bright

There will be more growth in the 1980s as the company keeps up the expansion pace. For at least the early

years of the new decade, Marriott Hotels' number of rooms is forecast to grow at 20% to 25% annually.

The company will pass the 50,000-room mark by the mid-'80s and now has 50 hotels in various stages of development. More than half of these will be opened under management contract and owned by other investors—a strategy that facilitates expansion, improves return on capital and minimizes debt.

Focus on Management

To ensure skilled management of this aggressive growth, Marriott Hotels have intensified human resource development. Expenditures for training and recruiting are being increased markedly. Sophisticated programs are aimed toward developing hotel managers of the future. Certain executives are being chosen to participate in advanced studies, such as Harvard and Stanford Business School programs.

Marriott Hotels continue to earn more Mobil Guide "4-Star" awards, signifying "Outstanding," than any other hotel system. It is on this foundation-for-excellence that Marriott Hotels head into a very bright future.

Fabulous Marco Beach Hotel & Villas at Marco Island, southwest tip of Florida





Contract Group Results Good As Airline Traffic Climbs, Marketing Efforts Increase

Contract Food Services had a good year in 1979, as profits improved 34% on a 24% increase in sales.

Airline catering—largest of the Group's businesses—took the lead in profit improvement. Volume rose on a double-digit increase in passenger enplanements . . . much-needed price relief from airline clients . . . more aggressive marketing. And erosion of U.S. In-Flite Services' margins was arrested.

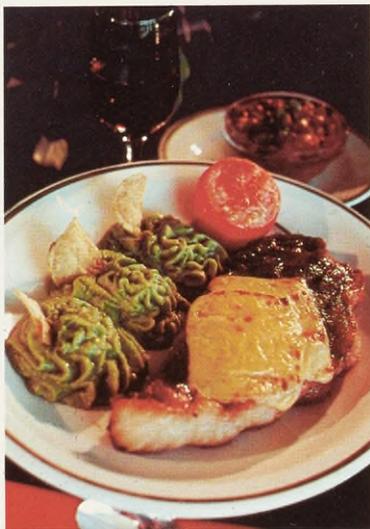
The Contract Group's Food Service Management division reported another profit gain. And higher profits from airline terminal restaurants more than offset a decline for highway restaurants.

Air Traffic Up Further

U.S. In-Flite sales increased 25% in 1979. Domestic air travel continued to gain over its record 1978 level, and the division added new business at several airports.

Profit margins, which had been severely compressed for four years, were strengthened by modest price relief in 1979. But further progress in obtaining more equitable pricing formulas remains a top priority.

Major new airline accounts were attracted to existing flight kitchens, and new kitchens were added in the



First class food—by Marriott

growing air-traffic centers of Honolulu, San Jose and, at year-end, Oklahoma City.

Airline catering abroad continues to be a major growth area for the company. In 1979, International In-Flite results showed another strong gain—for the fourth straight year.

The division's 23 flight kitchens in South America, Mexico, the Caribbean, Europe, the Middle East and Africa have benefited from favorable trends in international air travel—and from stepped-up marketing programs by the division staff.

Productivity Improving

Group management worked especially hard to reduce its overhead expense in 1979, laying the foundation for future productivity improvements.

In-Flite is investing heavily in new computer systems to improve

customer service and tighten its own controls in this complex business. Renewed efforts have been launched to conserve more energy and to counteract spiraling food costs.

FSM Profits Up Again

Profits from Food Service Management increased again on top of major improvement in 1978. Effective cost controls and the addition of new accounts highlighted the year.

Among new clients of Business Food Service are the Federal Reserve Bank of Atlanta and the Organization of American States, Washington, D.C.

Educational institutions served now include Wheeling (W. Va.) College, Spring Hill in Alabama, and West Texas State College.

Health Care Services attracted 12 select accounts including Houston's large Memorial Hospital and Children's Hospital in New Orleans.

Terminal Division Grows

New airline terminal restaurant and gift shop operations came under Marriott management in 1979, and division results showed a good gain. Operations were added at Cleveland Hopkins, Portland and Honolulu International Airports and at Lihue Airport on Kauai.

Highway Restaurant sales increased from the addition of six units in late 1978. But profits were off for 1979 as gasoline shortages reduced traffic on toll roads.

**"There's a change in the air"—the new
USAir—with service by Marriott**

Restaurant Group Manages Way Through Difficult Year for Industry . . . Has Slight Gain

The restaurant industry had a disappointing year in 1979—but Marriott's Restaurant Group was able to hold its own.

The year started with another government-mandated increase in the minimum wage. This, combined with a record rise in the cost of beef, forced menu prices higher. Extreme snowfalls and gasoline shortages further aggravated the business climate.

By mid-year industry customer counts turned downward—and stayed soft much of the year.

Marriott's Restaurant Group did not escape the problems, but managed a 4% profit gain over 1978. Sales increased 9%. Importantly, the Group held its decline in traffic below that experienced by the industry in general.

Big Boy coffee shops—the Group's largest business—improved moderately on 1978 sales and earnings. But profits from Roy Rogers were off materially. The entire fast-

food industry saw volume drop significantly and marketing costs climb.

The Restaurant Group made good progress during the year in strategic positioning for the 1980s. Its two most popular restaurant concepts added 42 units. Roy Rogers grew by 25 units to a total of 176. And 17 new Big Boy coffee shops opened—for a total of 180.

The Group sold or closed 38 restaurants during the year. This included the profitable disposition of the 16-unit dinner house division which further streamlined operations.

Steady Growth for Big Boy

At year-end, total units numbered 476 versus 461 the year before. It is significant that the successful Roy Rogers and Big Boy concepts now represent 75% of the total.

Year after year, Big Boy Restaurants of America prove their customer appeal. The strength of this family restaurant chain was particularly gratifying considering the difficulties of 1979.

The division continued to expand in Southern California—where almost 70% of the company's units are located. It acquired new West Coast franchise rights. And it opened seven more franchised units in Japan—where the first two overseas Big Boys started operating in late 1978.

Roy Rogers Appeal High

Consumer appreciation of the discernible quality in Roy Rogers' fast food was demonstrated again in 1979. Average expenditure per

customer continued to lead the fast-food industry.

Division margins suffered in 1979 as fast-food patronage declined nationwide. But careful labor scheduling and tight operating procedures helped to minimize the impact of another increase in the minimum wage and other higher costs.

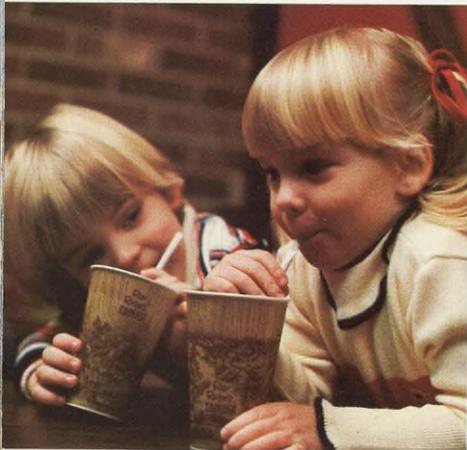
Units in the Long Island market more than doubled in 1979—to 24. Another 22 units were added in the Northeast, and plans were made for entry into the contiguous—and promising—Connecticut market.

Division strategy for the '80s concentrates growth in established market areas. This enables Roy Rogers to market effectively and compete strongly against larger national chains.

Other Divisions Contribute

Farrell's was a bright spot for 1979. It reported another excellent profit gain for the third straight year. The division continues to strengthen operations in satisfactory markets and has eliminated several unprofitable locations. There are now 77 of these ice cream parlour restaurants—down from 89 two years ago.

Hot Shoppes—with 16 cafeterias and 7 restaurants—continue to make a steady contribution to Group profits, and had a good gain in 1979.



Double fun at Roy Rogers

Big Boy . . . Leader in coffee shops, famous for outstanding food





Great America: Best Year Yet in Profits, Margins

Marriott's Great America theme parks turned in record results in their fourth season of operation. Improved cost controls, higher labor productivity and increased marketing efforts widened profit margins. Profits jumped 48% on an 11% sales gain.

Importantly, higher per-person spending was reported at both parks—near Chicago and in Santa Clara, California, south of San Francisco. This key measure of guest satisfaction rose 13% for the Group to more than \$16.

In-Park Spending Up

Part of the gain came from a small rise in the single-price admission for a full day of rides and live musical productions. But there was a gratifying increase in discretionary expenditures inside the parks for food and beverages, games and merchandise.

Total attendance in excess of 5.1 million for both parks matched the 1978 level—despite gasoline shortages and fewer operating days in 1979. Attendance was off in Santa Clara due to a slow spring start. But

the Chicago park turned in another attendance gain, as it has each year since opening. Great America is firmly established as a "must see" attraction in the populous Chicago-Milwaukee region.

Steady Gains Forecast

Return on theme park investment gained four percentage points in 1979. More improvement is ahead as the parks continue to draw five-million-plus guests and as cost controls improve with maturity of the parks.

It is important to add that park profits combined with high depreciation generate excellent cash flow which is of considerable value to the rapidly expanding company as a whole.

In 1980 both Great America parks will augment their broad appeal for all ages with a variety of new features: Original live musical productions, an old-fashioned ferris wheel, a new coaster ride and more.

Both parks are recognized for their top-quality entertainment value. They are located in excellent population centers. The Group will continue to emphasize innovative market strategies to deepen penetration, and effective cost controls to increase profits.

Sun Line: Cruise Bookings Increase Again

Demand for Sun Line's luxury cruises remained high in 1979. Profits for this operator of three cruise ships advanced strongly as occupancy—already near capacity—gained by almost three percentage points.

Prices were forced up to offset steep increases in fuel costs. Despite the higher prices, many sailings were booked full for both the Mediterranean and Caribbean seasons.

More Improvement Seen

Sun Line's excellent reputation for quality and service promises continued profit gains in the new year and beyond.

The ships and their crews enjoy a leadership position in the world's two largest cruise markets: Around the Greek and Caribbean Islands.



Stella Solaris, cruising the beautiful Aegean

Great Fun at Great America—
near Chicago and San Francisco

Behind All the Growth: "Our People"; And Now a New Headquarters . . . "To Make Us Even More Competitive"

A Special Message from the President:

Marriott Corporation is 52 years old now. International. Diversified. Billion-dollar class — with profit growth of over 20% for more than 10 years.

I think it's also appropriate to highlight for shareholders another very special feature of your company: Our people.

The company has gone through the Great Depression . . . wars . . . inflation . . . recessions . . . energy crises. Growing all the way.

Sales should reach \$2 billion next year. They were less than \$100 million only 15 years ago.

And behind it all: Our people.

We're in the service business — where quality employees clearly make the difference. And I'm proud to report that my office gets more complimentary letters about our employees than anything else.

It's the consistent way they treat their guests and their clients. They're

glad to see you. They're glad to serve you. They smile. They care.

And there's more. There's a great corporate team behind the employees who serve our customers. It's a group that ties all our efforts together centrally and makes a tremendous contribution to our success.

Now the corporate group has just completed its first full year in our new International Headquarters.

Corporate Group Together

The new facility brings together all our staff people who had been scattered in various locations as our growth accelerated in the 1970s.

Our corporate management and employees have always had outstanding energy, professionalism, spirit. They work to serve, too.

And now we've got more teamwork at headquarters than ever before. That makes us even stronger. More efficient. More competitive.

Marriott Corporation's International Headquarters, in the pleasant Maryland suburbs of Washington, D.C., is the center for our operations worldwide. It has several features:

- **FOOD RESEARCH**—Laboratories for development of new recipes, menus and restaurant concepts and for testing equipment of the future. Four complexes serve separate operating divisions with test kitchens, food demonstration sections, and test panel areas — all staffed by teams of dieticians and other food specialists.
- **COMPUTER CENTER**—Management information complex for communications nationwide. Here we have the latest in systems

design capability and computer technology for 'round the clock processing of Marriott Hotel reservations, of food and supply orders for some 500 company restaurants, hotels, airline kitchens and Food Service Management accounts, and for many other functions.

- **LEARNING CENTER**—Classrooms, training kitchens and related facilities for management orientation and self-development workshops. Educators present ongoing programs for management — often using such aids as closed-circuit television and other audio-visual presentations. Programs are developed for use by operations worldwide.
- **DESIGN DEPARTMENT**—In-house facilities for complete design of Marriott Hotels and other operations. Architects, interior designers and other highly trained professionals work in teams to put new projects on the drawing boards and follow them through to reality, and to keep existing units everywhere in up-to-the-minute condition.

The skills are varied and the experience is deep in other corporate offices:

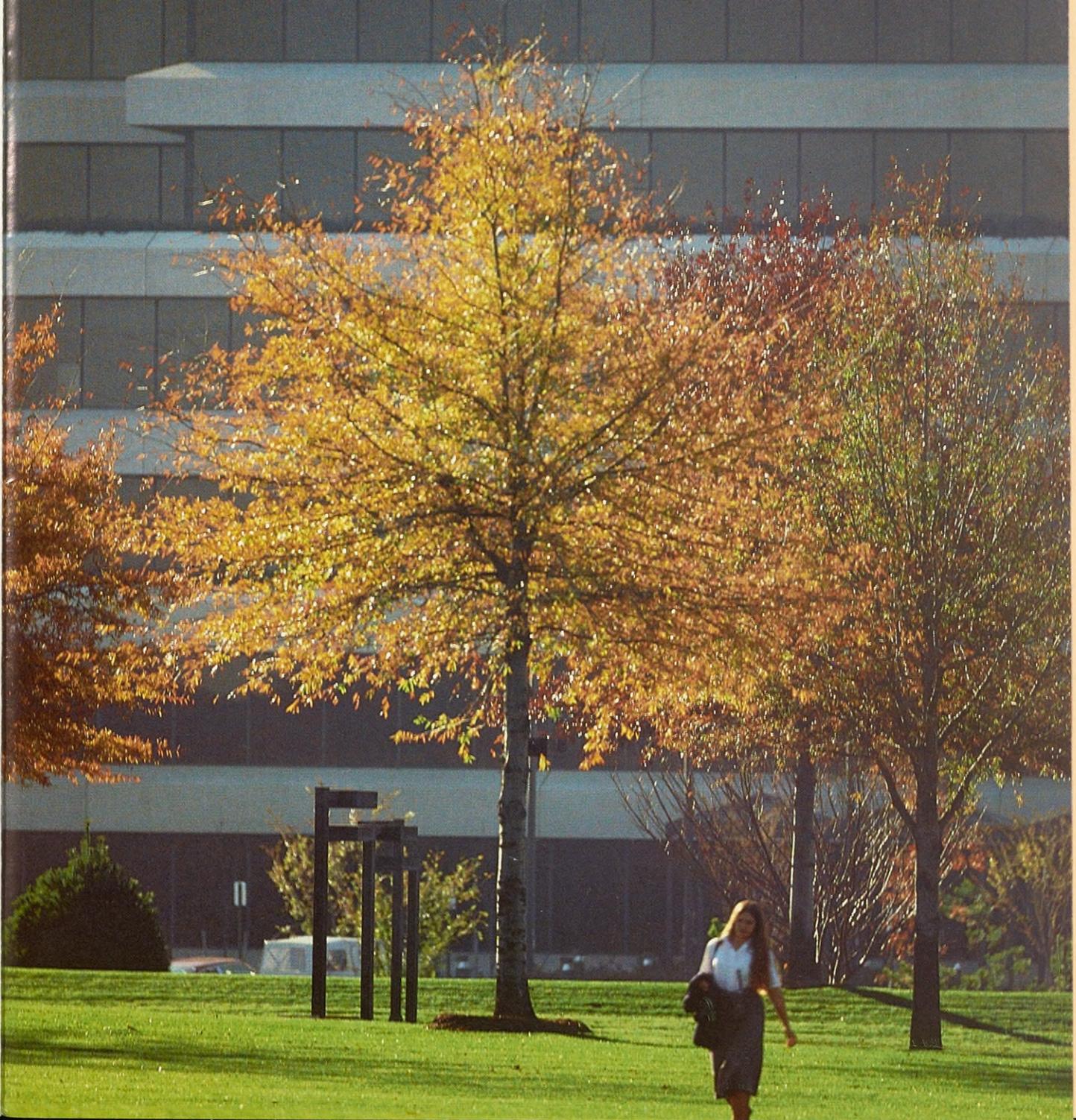
Accounting . . . Auditing . . . Strategic Planning . . . Property Development . . . Market Research . . . Payroll . . . Taxes . . . Law . . . Treasury . . . Procurement . . . Personnel . . . Public and Government Relations . . . Marketing . . . and many other disciplines.

Uniting this varied organization at the top, and coordinating company



International Headquarters,
Washington, D.C. suburbs

Marriott corporation



activities everywhere, is the Management Committee (photo, right). This is the policy-making body of the corporation, composed of the president and our eight senior line and staff officers.

At the Committee's direction, the company is concentrating particularly hard on the work environment for managers and employees. We want to enhance even further a climate which stimulates performance, rewards results and permits personal growth and development.

The new International Headquarters will be important to this long-term effort. It will help make us an even stronger "people" company in the future.

J. W. Marriott, Jr.



MANAGEMENT COMMITTEE

- 1. J.W. Marriott, Jr.**, President and Chief Executive Officer **2. Sterling D. Colton**, Senior Vice President, General Counsel
3. Clifford J. Ehrlich, Senior Vice President, Personnel and Organization Development
4. James E. Durbin, President, Marriott Hotels **5. Thomas E. Burke**, Senior Vice President, Corporate Affairs and Assistant to the President **6. Gary L. Wilson**, Senior Vice President, Finance and Development
7. Frederic V. Malek, Executive Vice President **8. Richard E. Marriott**, Group Vice President—Corporate **9. Francis W. Cash**, Senior Vice President, Corporate Services



Capital Productivity Up Sharply Again in 1979; More Records Set in Earnings, Cash Flow, Interest Coverage

In 1979 Marriott Corporation continued to meet its financial goals of improving capital productivity and maintaining 20% annual profit growth. Cash flow from operations also continued its historical growth, and interest coverage substantially exceeded target.

- Net income grew 31% to \$71 million, bringing the 10-year earnings growth rate to 22% annually.
- Earnings per share rose 36% to \$1.95.
- Return on average equity and average capital increased to 17% and 18% from 14% and 15%, respectively.
- Cash flow from operations increased 16% to \$141 million.
- Interest coverage reached a decade high of seven times.
- Capital expenditures and acquisitions increased 14% to \$159 million.
- The company repurchased five million shares of stock.
- The cash dividend increased.

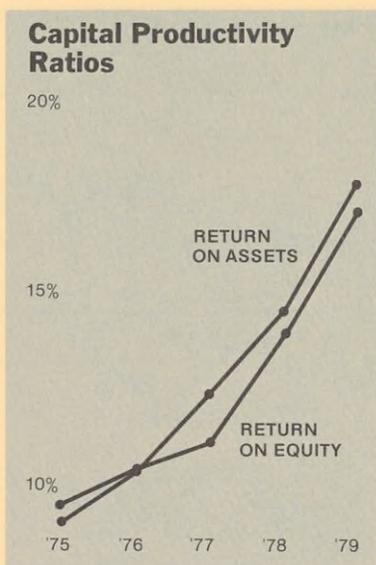
Financial Returns Improve

In 1975 return on capital bottomed out at an unacceptable 9%—and management announced that improving financial returns would be the principal objective for the remainder of the decade.

Programs designed to eliminate underproductive assets, to reduce the capital intensity of Marriott's hotel business, and to increase the return requirements for new investment were announced and implemented.

Return on capital has doubled since 1975 to 18% and is expected to exceed 20% in the early 1980s.

Return on equity (ROE) rose from 9.5% in 1975 to 17% in 1979—well



above the 15% goal originally targeted for 1982. The goal was re-set in 1978 to reach 20% by 1983. The company is well ahead of schedule again and should achieve 20% ROE in 1980.

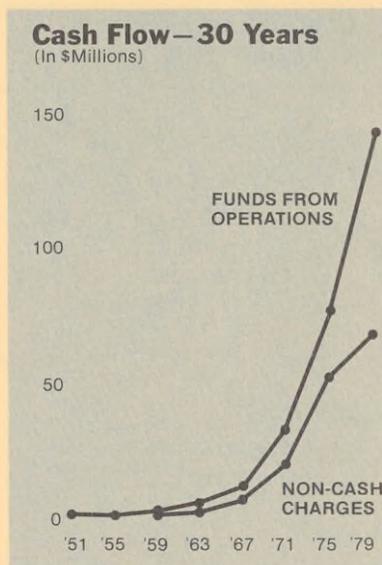
It should be noted that in 1979 the company converted to measuring capital productivity based on "average" capital and equity which is more conservative and comparable with other companies.

Growth Capacity Enhanced

As a major benefit of the program to increase capital productivity, Marriott significantly improved its posture for growth in the 1980s.

In 1979 dispositions, including the profitable sale of dinner houses and the travel division, totaled about \$26 million. This brings the four-year divestiture total to \$92 million. The program has simplified Marriott's businesses in addition to freeing substantial capital for more productive investment.

The process of reducing the capital intensity of Marriott's hotel business



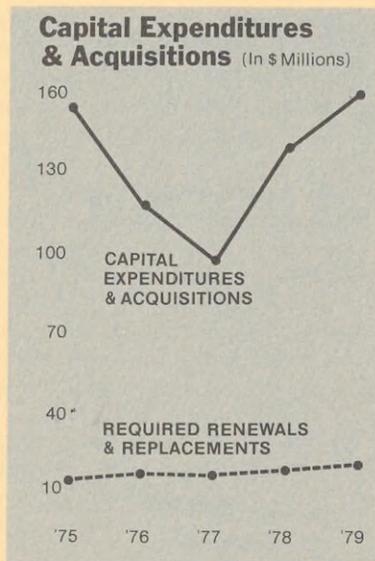
has resulted in the establishment of significant financial relationships. Investors presently own more than 12,000 Marriott-operated hotel rooms—or 60% of the total. They have signed contracts for 6,700 additional rooms to be developed over the next three years.

All investor-owned hotels are performing profitably—many at levels substantially above original expectations. A major proportion of these rooms is owned by large life insurance companies which represent substantial sources of expansion capital for Marriott Hotels in the 1980s.

Cash Flow Maintains Growth

Marriott's cash flow from operations continues to grow and is both stable and predictable due to the nature of the company's assets and businesses.

The 1979 increase to \$141 million extends the record of uninterrupted cash flow growth to more than 30

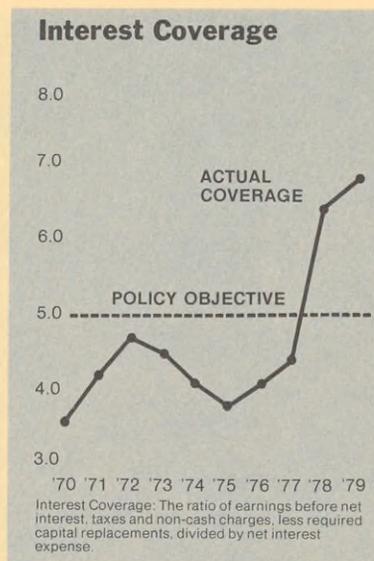


years—attesting to the stability of these inflows. Marriott's cash flow is highly predictable because non-cash charges comprise about half the annual cash flow from operations. And these charges, primarily depreciation and deferred taxes, are unrelated to operating performance.

Expansion Outlays Higher

Capital expenditures and acquisitions increased 14% to \$159 million in 1979. These investments are highly discretionary. Less than 20% of Marriott's annual capital expenditures is required to maintain existing facilities. Expenditures to add new operating units—and expand the productive asset base—comprise the remainder of capital investment.

This substantial and highly predictable cash inflow combined with



limited requirements for cash expenditures yield Marriott a large, free cash flow for discretionary investment.

Interest Coverage Rises

In establishing debt policy, management determined that free cash flow should cover net interest five times—providing prudent protection given the stability of cash inflows and the discretionary nature of cash outflows. In 1979, due to the extraordinary rise in capital productivity, coverage rose to seven times, indicating that Marriott presently has substantial unutilized debt capacity.

Shares Repurchased

The company repurchased five million shares of stock for \$75 million during 1979 to prevent dilution from issuance of shares under various employee stock option and benefit

programs and for convertible subordinated debt.

Repurchase of the shares at an average cost of \$15.16 represented a good investment of company funds. Further, without the share repurchase, Marriott's coverage and the resulting excess debt capacity would have risen to even higher levels.

The company continued to possess substantial excess debt capacity and utilized a portion of it to make a cash tender offer, early in 1980, for shares of its common stock. As of February 28, approximately 7.5 million shares were purchased at \$23.50 per share. This recapitalization of the company improves earnings per share and ROE and is expected to benefit shareholders long term.

Dividend Increases

In November, 1979 the Board of Directors declared an increase in the cash dividend to 20¢ annually.

The company will continue to seek profitable investment opportunities capable of sustaining earnings growth at the 20% level on average for at least the next five years. However, the Board also intends to increase cash dividends at least at the rate of planned earnings growth.

Yearly Comparisons Reviewed

Earnings per share increased in 1979 at a faster rate than net income as a result of the stock repurchase.

Net interest expense increased for 1979 as a result of the stock

(continued on page 20)

Summary of Operations By Principal Business Segment

Fiscal Years (In millions) (a)

	(Unaudited) (a)									
	1979		1978		1977		1976		1975	
	\$	%	\$	%	\$	%	\$	%	\$	%
Sales										
Hotel Group	535.0	35	408.3	33	334.7	31	281.3	30	238.3	31
Contract Food Services	479.8	32	388.0	31	342.6	31	289.4	30	256.3	33
Restaurant Group	377.3	25	347.2	28	316.9	29	295.4	31	267.3	34
Theme Parks	83.9	6	75.5	6	71.9	7	64.1	7	—	—
Cruise Ships and Other	34.0	2	30.6	2	24.2	2	16.5	2	14.0	2
Total Sales	1,510.0	100	1,249.6	100	1,090.3	100	946.7	100	775.9	100
Operating Profit (b)										
Hotel Group	86.6	51	66.5	49	54.1	47	38.1	41	33.3	47
Contract Food Services	31.6	18	23.5	17	21.2	18	19.2	20	18.7	26
Restaurant Group	28.5	17	27.6	21	26.1	23	20.2	22	21.7	31
Theme Parks (c)	17.5	10	11.8	9	10.0	9	14.7	16	—	—
Cruise Ships and Other	6.4	4	4.8	4	4.0	3	0.9	1	(2.6)	(4)
Total Operating Profit	170.6	100	134.2	100	115.4	100	93.1	100	71.1	100
Interest, net	27.8		23.7		30.2		26.8		23.0	
Corporate Expenses and Income (d)	19.7		15.2		16.1		13.4		8.0	
Income Before Income Taxes	123.1		95.3		69.1		52.9		40.1	
	Net Assets Employed (e)		Identifiable Assets		Capital Expenditures & Acquisitions		Depreciation & Amortization			
	1979	1978	1979	1978	1979	1978	1979	1978		
Hotel Group	\$371.9	\$303.6	\$ 434.3	\$ 351.2	\$ 80.6	\$ 62.9	\$16.0	\$15.4		
Contract Food Services	124.0	99.3	163.2	138.6	20.3	10.8	7.6	7.9		
Restaurant Group	175.4	161.7	198.8	184.9	45.0	34.1	14.7	12.5		
Theme Parks	158.0	161.4	162.9	167.5	6.3	9.2	9.2	8.6		
Cruise Ships and Other	32.0	32.0	45.3	43.9	1.2	.4	1.4	1.8		
Corporate	30.6	68.9	75.9	114.2	5.1	21.7	1.7	.9		
Total	\$891.9	\$826.9	\$1,080.4	\$1,000.3	\$158.5	\$139.1	\$50.6	\$47.1		

(a) The Company changed its year-end in 1978 to the Friday closest to December 31. The segment results are presented on the new fiscal year basis. The unaudited data for 1975 and 1976 as restated were prepared using the same procedures employed to obtain the audited 1977 and 1978 results.

(b) Operating profit represents total operating results before interest, corporate administrative expense, unallocated corporate

charges and dispositions of businesses and idle property.

(c) Theme Park operating results for 1976 are not comparable with subsequent years because the initial year did not bear the full burden of off-season costs and included charges for depreciation and real estate taxes only from the opening of the parks.

(d) Corporate expenses and income represents corporate administrative expense, capital

gains and other items that are not of an operating nature. Capital gains net of losses on dispositions and write-downs of idle property were \$0.5, \$(1.4), \$(1.0), \$3.0 and \$1.9 million in 1975 through 1979, respectively.

(e) Net assets employed represent identifiable assets less identifiable current liabilities.

Financial Strategy Helps Marriott Withstand Effects Of Inflation In 1980s

purchase and higher interest rates. In the prior year, interest expense decreased because debt was reduced, primarily by the sale of five hotels.

Capital gains on dispositions in '79 did not match the '78 gains recorded on sales of land adjacent to the California theme park. Also, the company recorded a \$1 million reserve in 1979 for possible losses on foreign hotel investments.

Advertising and sales promotion expense increased at a faster rate than sales in both '78 and '79 due to expanded marketing programs. Increases in other costs and expenses in both years resulted primarily from increased sales, operating units and employees.

In 1979, the effective income tax rate declined slightly as lower capital gains moderated the effect of a reduction in the statutory rate. The 1978 effective income tax rate decreased from '77 primarily because of the favorable effect of higher capital gains.

Sales in 1978 increased 15% and net income gained 39% over 1977, primarily from the opening of new units, higher occupancies, improved productivity and higher prices.

Stock Information

The range of Marriott stock prices by quarters is:

Quarters Ended In	1979		1978	
	High	Low	High	Low
March	\$14¼	\$11½	\$13¼	\$10½
June	15½	12¾	14	12½
September	17	13	15¾	10¾
December	18¾	15¾	16¾	10¾

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

Inflation looms as the most significant external economic force that will impact business in the 1980s.

It impacts various industries and individual companies differently. While the effect is largely negative for most firms, certain factors in Marriott's business profile enable the company to largely offset and even benefit from inflation.

Inflation's Financial Impact On American Business

One of the principal economic impacts of inflation is that a firm's cost of capital increases with the expected inflation rate. Lenders add anticipated inflation to required real returns to arrive at interest rates. Likewise, equity investors require increased returns from dividends and capital appreciation to protect them from inflation.

A firm must either increase profits sufficiently to cover these increased capital costs, or seek capital cost reductions. Failure to do so results in both a deteriorating financial position due to reduced interest coverage, and declining stock market values.

Tax Law Affects Strategy

The U.S. tax structure in large part accounts for the significant difference between the after-tax cost of debt and equity financing. For example, studies indicate that investors currently seek a 17%-18% return on their investment in Marriott stock (dividends plus capital appreciation). This is nearly three times the approx-

imately 6% after-tax cost of the company's debt.

Both the cost of equity and the cost of debt increase with inflation. However, as inflation accelerates, tax deductibility partially offsets the rising cost of debt. On the other hand, business absorbs the full inflationary impact of equity cost increases.

A firm which prudently utilizes its full debt capacity substitutes marginally cheaper debt for more expensive equity, thus optimizing the weighted cost of capital. This strategy requires less incremental profits to offset inflation-induced increases in capital costs.

Furthermore, after-tax cash flows do not benefit from proportionate increases in allowable tax depreciation deductions in an inflationary environment. Inflation diverts proportionately more funds toward taxes and makes coverage of capital costs more difficult. In addition, since depreciation expense based on historical costs does not increase directly with inflation, asset replacement at inflated prices may require additional capital infusion.

In this economic environment, raising prices at rates exceeding inflation is generally the only realistic strategy to maintain cash profit margins; but few companies have the market leverage to sustain this strategy.

Performance Measurement Changing

Traditionally the inflation problem has been exacerbated by a performance measurement system based on historical costs that ignores inflation and gives management, providers of capital, and government a distorted

picture of economic performance. This may lead to poor strategic and investment decisions.

The Financial Accounting Standards Board (FASB) has recently addressed the problem of financial reporting during inflationary periods. Beginning in 1979 firms are required to present supplemental financial information that reflects the effects of general inflation. This Constant Dollar information required by the FASB is included in the Notes to Consolidated Financial Statements on page 30.

'Current Value' Presented

Each industry and company is impacted differently by inflation. In 1980, the FASB will require additional information which adjusts a company's balance sheet accounts and certain expenses to reflect specific changes caused by inflation.

Management believes Current Value is the best method for tracking Marriott's economic performance. The accompanying table shows management's analysis of 1979 performance on a Current Value basis which differs from the present FASB definition.

The company's Current Value statement eliminates much inflation- and accounting-induced distortion:

- It values most fixed assets on a discounted cash flow basis, net of anticipated future capital requirements, thereby eliminating the valuation distortions caused by conventional depreciation accounting.
- It reports an improved measure of annual economic profit — "Discretionary Cash Flow" — which disregards accounting depreciation and substitutes the actual required capital expenditures made for

Current Value Statement

(Dollars in thousands)

CHANGES IN SHAREHOLDERS' EQUITY

Current Value, December 29, 1978	\$ 767,719
Discretionary cash flow	99,123
Reduction in current value of debt	25,287
Increase in current value of assets	77,227
Purchase of treasury stock	(74,187)
Cash dividends	(5,776)
Common stock issued and other	3,810
Current Value, December 28, 1979	<u>\$ 893,203</u>

SHAREHOLDERS' EQUITY

	Historical Cost	Current Value
Non-monetary Assets (primarily property and equipment)	\$927,287	\$1,356,244
Less: Net Monetary Liabilities —		
Senior debt and capital leases	365,279	320,736
Convertible debt	26,918	20,718
Other monetary liabilities, net	121,587	121,587
	513,784	463,041
Shareholders' Equity, December 28, 1979	<u>\$413,503</u>	<u>\$ 893,203</u>

SENIOR DEBT AND CAPITAL LEASES TO TOTAL CAPITAL

41% 24%

GAIN FROM DECLINE IN PURCHASING POWER OF NET MONETARY LIABILITIES

Negative working capital	\$ 6,322
Debt and other monetary liabilities	48,787
	<u>\$ 55,109</u>

maintenance of property, plant, and equipment.

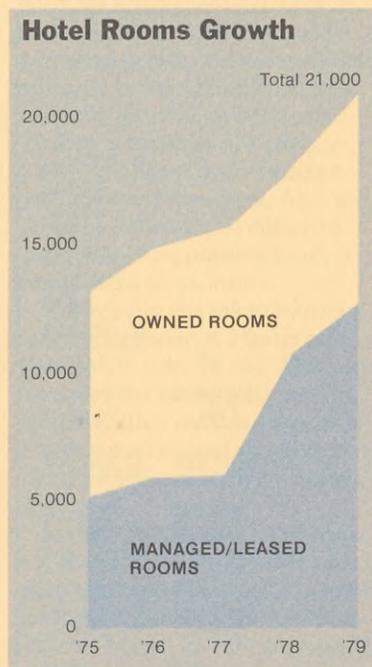
- It recognizes annual gains in purchasing power from repaying debt in cheaper, inflated dollars. Accounting convention charges the inflation component of interest against current earnings, but does not reflect the benefits of debt.
- It reflects the gains from reductions in the current value of debt

previously committed at comparatively low interest rates.

Inflation and Marriott's Business Profile

Marriott is well positioned to weather inflation:

1. The company's businesses — led by hotels — have demonstrated the ability to at least maintain operating profit margins in response to inflation. Well-located real estate assets with no long-term pricing commitments afford Marriott the market leverage and flexibility to increase selling prices in response



to rising costs—including increasing capital costs.

- Marriott's real estate-based assets with their large building component, unlike industrial assets, actually require less annual capital reinvestment than is provided by annual depreciation charged at historical rates. In contrast with manufacturing facilities, Marriott's high quality building structures, properly maintained, do not physically wear out at the depreciation rates assumed by industry accounting standards. For example, Marriott's Essex House Hotel is 50 years old, yet it remains one of America's finest real estate values due to its location in New York City and its excellent maintenance program.

Marriott's real estate assets actually increase in value during

inflation, as demonstrated by actual transactions. However, book depreciation assumes all assets decline in value and reduces stated asset values on the balance sheet.

- Well-located hotels and theme parks (55% of Marriott's assets) are long life assets in industries not subject to rapid technological changes. Marriott therefore need not replace these assets at inflated costs to remain competitive, as is often the case with special-purpose industrial facilities.
- Marriott's real estate assets produce high and stable net cash flow which justifies relatively high levels of long-term, fixed-rate debt. At prudent levels, tax-deductible debt—as mentioned previously—helps the firm combat the marginal cost of inflation and reduces the overall weighted cost of capital.
- Marriott has no requirement for net working capital since it principally sells services (rather than goods) for cash. The company therefore maintains relatively low receivable and cash balances—monetary assets that decline in value during inflation. Actually, for Marriott these depreciating monetary assets are more than offset by monetary liabilities which produce a net inflation benefit as shown in the table.

Inflation and Marriott's Strategy for the '80s

Management believes the 1980s will experience continued high inflation and has formulated its strategy accordingly:

- Growth will be concentrated in the hotel business—an excellent and proven inflation hedge. Planned annual hotel room growth for the

1980s has been increased to the 20% to 25% range.

- Capital will be conserved and new hotel growth will be financed by increasing rooms under management. All management contracts provide at minimum a constant percentage of inflation-driven profits. In addition, most new contracts will provide Marriott an increased share in profits after achieving certain targeted levels.
- Marriott's financial return requirements on new investment will be continually adjusted to reflect anticipated inflation and capital costs.
- The company will take advantage of prudent tax-deductible leverage to reduce capital costs. In setting its target debt structure the company will focus primarily on cash flow coverage of interest as the principal determinant of debt capacity. Marriott is now achieving high returns on invested capital which increase its ability to service debt. The resulting debt levels may appear high by traditional balance sheet ratios based on historical costs. However, when computed on a Current Value basis, which reflects the effects of inflation, these ratios assume more traditional proportions.
- The company will endeavor to maintain a large negative net working capital position to maximize monetary liabilities that benefit from inflation.

These strategies should enable Marriott to continue increasing real returns to shareholders as the company advances into the 1980s.

Consolidated Income

Marriott Corporation and Subsidiaries for the Fiscal Years Ended December 28, 1979 and December 29, 1978

	1979	1978
	(In thousands except per share amounts)	
Sales	\$1,509,957	\$1,249,595
Costs and Expenses		
Cost of sales and operating expenses	1,135,855	935,504
Administrative and general expenses	53,616	50,182
Taxes — payroll, real estate and other	56,495	50,300
Depreciation and amortization of property and equipment	50,623	47,144
Advertising and sales promotion expenses	46,535	34,901
Interest, net of capitalized interest of \$4,705,000 and \$4,766,000	27,840	23,688
Profit sharing retirement contributions	10,337	7,792
Pre-opening and development expenses	5,511	4,785
	1,386,812	1,154,296
Income Before Income Taxes	123,145	95,299
Provision for Income Taxes	52,145	40,999
Net Income	\$ 71,000	\$ 54,300
Primary Earnings Per Share	\$1.96	\$1.43
Fully Diluted Earnings Per Share	\$1.95	\$1.43

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

Marriott Corporation and Subsidiaries, December 28, 1979 and December 29, 1978

	1979	1978
	(In thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 12,445	\$ 14,747
Marketable securities, at cost which approximates market	8,825	38,510
Accounts receivable	99,955	76,774
Inventories, at lower of average cost or market	46,629	41,108
Prepaid expenses	9,868	9,571
Total current assets	177,722	180,710
Property and Equipment, at cost		
Land	103,009	100,053
Buildings and improvements	323,059	264,038
Leasehold improvements	251,409	213,791
Furniture and equipment	284,733	250,265
Property under capital leases	29,724	29,243
Cruise ships	11,903	11,814
Construction in progress	62,501	88,270
	1,066,338	957,474
Depreciation and amortization	(241,160)	(212,430)
	825,178	745,044
Other Assets		
Investments in and advances to affiliates	27,160	25,506
Cost in excess of net assets of businesses acquired	19,106	19,257
Notes receivable	16,284	17,805
Other	14,915	11,933
	77,465	74,501
	\$1,080,365	\$1,000,255

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

		1979	1978
LIABILITIES AND SHAREHOLDERS' EQUITY		(In thousands)	
Current Liabilities			
	Short-term loans	\$ 4,054	\$ 3,473
	Accounts payable	71,528	66,960
	Accrued liabilities	79,909	72,509
	Income taxes payable	22,511	18,672
	Current portion of debt and capital lease obligations	10,497	11,758
	Total current liabilities	188,499	173,372
Senior Debt			
	Mortgage notes payable	163,520	175,565
	Unsecured notes payable	178,075	110,457
	Total senior debt	341,595	286,022
Capital Lease Obligations			
		23,684	23,877
Deferred Income Taxes			
		65,597	59,903
Deferred Income and Other Liabilities			
		20,569	10,260
Convertible Subordinated Debt			
		26,918	28,165
Shareholders' Equity			
	Common stock	36,900	36,891
	Capital surplus	224,533	224,915
	Net deferred compensation payable in common stock	7,670	6,350
	Retained earnings	217,779	152,555
	Treasury stock, at cost	(73,379)	(2,055)
	Total shareholders' equity	413,503	418,656
	Total liabilities and equity	\$1,080,365	\$1,000,255

Consolidated Changes In Financial Position

Marriott Corporation and Subsidiaries for the Fiscal Years Ended December 28, 1979 and December 29, 1978

	1979	1978
	(In thousands)	
Sources of Funds		
Net income	\$ 71,000	\$ 54,300
Add expenses not requiring current outlay of working capital—		
Depreciation and amortization of property and equipment	50,623	47,144
Deferred income taxes	8,786	13,837
Other	10,525	6,307
From operations	140,934	121,588
New financing	70,972	20,550
Net funds after tax from sale of five hotels	—	20,463
Disposals of property and equipment	25,788	14,851
Total sources	237,694	177,452
Applications of Funds		
Additions to property and equipment	149,000	134,738
Acquisitions	9,516	4,338
Purchase of treasury stock	74,187	2,055
Maturities and prepayments of debt	17,002	25,179
Cash dividends	5,776	4,782
Other	328	2,573
Total applications	255,809	173,665
Increase (Decrease) in Working Capital	\$ (18,115)	\$ 3,787
Summary of Changes in Working Capital		
Increase (decrease) in working capital		
Cash and cash equivalents	\$ (2,302)	\$ (2,243)
Marketable securities	(29,685)	38,510
Accounts receivable	23,181	15,290
Inventories	5,521	(390)
Prepaid expenses	297	127
Short-term loans	(581)	503
Accounts payable, accrued liabilities and income taxes payable	(15,807)	(47,065)
Current portion of debt and capital lease obligations	1,261	(945)
Increase (decrease) in working capital	\$ (18,115)	\$ 3,787

The accompanying notes are an integral part of this statement.

Consolidated Shareholders' Equity

Marriott Corporation and Subsidiaries for the Fiscal Years Ended December 28, 1979 and December 29, 1978

	(In thousands)				
	Common Stock (\$1.00 par value)	Capital Surplus	Net Deferred Stock Compensation	Retained Earnings	Treasury Stock
Balance, December 30, 1977	\$36,674	\$222,785	\$4,967	\$103,037	\$ (1,667)
Net income	—	—	—	54,300	—
Common stock issued—					
Employee stock purchase and stock option plans	175	1,729	—	—	—
Acquisition of franchisee	7	132	—	—	1,667
Purchase of treasury stock	—	—	—	—	(2,055)
Cash dividends (\$.13 per share)	—	—	—	(4,782)	—
Other	35	269	1,383	—	—
Balance, December 29, 1978	36,891	224,915	6,350	152,555	(2,055)
Net income	—	—	—	71,000	—
Common stock issued—					
Employee stock purchase and stock option plans	—	(326)	—	—	2,616
Purchase of treasury stock	—	—	—	—	(74,187)
Cash dividends (\$.17 per share)	—	—	—	(5,776)	—
Other	9	(56)	1,320	—	247
Balance, December 28, 1979	\$36,900	\$224,533	\$7,670	\$217,779	\$(73,379)

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 the 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 and affiliates of \$60,755,000 at December 28, 1979 and \$56,574,000 at December 29, 1978. Foreign sales and net income after interest, intercompany charges and foreign taxes, as a percent of consolidated sales and net income, were 9% and 18% in 1979 and 8% and 17% in 1978, respectively. Foreign exchange translation losses were \$13,000 in 1979 and \$302,000 in 1978.

Theme Parks:

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

Property and Equipment:

Depreciation and amortization are calculated on the straight-line method for financial statement purposes as follows:

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 \$6,170,000 at December 28, 1979 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.

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 \$25,611,000 as of December 28, 1979.

Computations of Earnings Per Share:

Primary earnings per share are based on the weighted average number of shares outstanding during each year, adjusted for the dilutive effect of employee stock options and deferred stock compensation and the conversion of convertible debentures which are common stock equivalents. Fully diluted earnings per share also assumes the conversion of all convertible debt. Primary and fully diluted shares totaled 36,435,693 and 36,757,983, respectively, in 1979.

INVESTMENTS

The Company's investments in and advances to less than 50% owned affiliates include the following:

	1979	1978
Hotel ventures	\$16,708,000	\$16,863,000
Sun Line Greece Special Shipping Company	7,270,000	5,869,000
Other ventures	3,182,000	2,774,000
	<u>\$27,160,000</u>	<u>\$25,506,000</u>

The Company has interests in four ventures that own hotels operated by the Company under long-term agreements. Rental payments by the Company to the ventures are based solely on profits of the hotels. At December 28, 1979, combined assets and liabilities of these hotel ventures were \$188,080,000 and \$143,655,000, including mortgages of \$130,857,000. The mortgages are secured solely by venture assets without recourse to the Company. The Company also has investments in five other ventures presently constructing hotels that will be operated by the Company.

At November 30, 1979, Sun Line Greece Special Shipping Company had total assets of \$22,520,000 and liabilities of \$11,357,000, including \$6,075,000 of debt. The Company has guaranteed 45% of this debt.

The excess of the Company's investment over its equity in the underlying net assets of less than 50% owned affiliates is \$2,523,000 and is being amortized over periods up to 40 years.

INCOME TAXES

	1979	1978
Current—U.S. and State	\$45,746,000	\$29,138,000
—Foreign	4,347,000	3,359,000
Deferred	8,786,000	13,837,000
Tax credits		
Investment tax credit	(5,300,000)	(4,850,000)
Salaried Employee Stock Ownership Plan	(833,000)	(485,000)
Jobs tax credit	(601,000)	—
Provision for income taxes	<u>\$52,145,000</u>	<u>\$40,999,000</u>

The deferred provision is primarily attributable to the tax effect of excess tax over book depreciation which amounted to \$9,529,000 and \$11,304,000 in 1979 and 1978, respectively.

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

	1979	1978
United States income tax rate	46.0%	48.0%
State income taxes, net of U.S. tax benefit	3.6	3.4
Foreign earnings and losses subject to aggregate tax rate less than U.S. rates	(3.3)	(2.6)
Other items, net	1.5	(0.2)
Effective gross income tax rate	47.8	48.6
Tax credits	(5.5)	(5.6)
Effective income tax rate	42.3%	43.0%

DEBT

Maturities of debt at December 28, 1979 are:

1981	\$ 17,909,000
1982	23,645,000
1983	27,327,000
1984	34,581,000
to 2010	265,051,000
	<u>\$368,513,000</u>

The Company has debt of \$123,900,000 as of December 28, 1979 at interest rates which vary based on the prime lending rate or London Euro-dollar interbank rate. Interest rates on other 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 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 December 28, 1979 retained earnings of \$52,477,000 are unrestricted and \$292,985,000 of property and equipment, at net book value, is pledged or mortgaged. See Subsequent Event footnote for a discussion of these restrictions subsequent to fiscal year-end.

Unsecured debt at year-end consists of the following:

Senior Notes Payable with interest at 8¾% and maturing 1983 to 1997	\$ 40,000,000
Notes Payable with interest at 8% to 10% and maturing 1981 to 2010	12,775,000
Short-term debt, primarily commercial paper, with average interest at 13.8% and borrowed against \$129,000,000 of available revolving credit agreements maturing through 1989	125,300,000
	<u>\$178,075,000</u>

The Company uses revolving loan commitments, short-term loans and commercial paper for its 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 unsecured debt on the basis of the permanent loan repayment schedule, the maturity schedule of revolving credit agreements discussed below and management's estimation of prepayments.

Borrowings against all revolving loan agreements averaged \$69,531,000 during 1979 and \$32,800,000 during 1978 (at weighted average interest rates of 11.8% in 1979 and 8.2% in 1978) with a maximum balance of \$125,300,000 in 1979 and \$58,900,000 in 1978. Additionally, a commitment fee of up to one-half of one percent is payable on the unused portion. The Company has unused bank credit lines aggregating \$27,500,000.

Under certain bank agreements the Company maintains average compensating balances equal to a percentage (3%-10%) of the

amounts available or borrowed. All compensating balance agreements are informal and do not legally restrict withdrawal of funds. The average compensating balance during 1979 was \$6,303,000.

LEASES

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

Fiscal Year	Capital Leases	Operating Leases
1980	\$ 3,025,000	\$ 14,982,000
1981	3,014,000	14,742,000
1982	3,000,000	14,817,000
1983	2,976,000	15,025,000
1984	2,970,000	14,099,000
Thereafter	31,052,000	137,478,000
Total minimum lease payments	46,037,000	\$211,143,000
Amounts representing interest	(21,371,000)	
Present value of net minimum lease payments	24,666,000	
Current portion of capital lease obligations	(982,000)	
Long-term capital lease obligations	<u>\$ 23,684,000</u>	

Rent expense consists of:

	1979	1978
Minimum rentals on operating leases	\$17,410,000	\$17,479,000
Additional rentals based on sales		
— operating leases	10,928,000	10,868,000
— capital leases	836,000	557,000
	<u>\$29,174,000</u>	<u>\$28,904,000</u>
Rentals on operating leases based solely on hotel profits	<u>\$47,981,000</u>	<u>\$22,032,000</u>

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

CAPITAL STOCK

Sixty million shares of common stock, with a par value of \$1 per share, are authorized, of which 36,900,144 were issued at December 28, 1979 and 36,891,073 were issued at December 29, 1978, including treasury stock of 4,801,811 and 176,428, respectively. One million shares of preferred stock, without par value, are authorized. As of December 28, 1979 no preferred shares have been issued.

Total common stock shares reserved at December 28, 1979:

Employee stock option plans	1,837,048
Conversions of convertible subordinated debt, at prices ranging from \$29.26 to \$38.44 per share	899,643
Deferred stock compensation program (467,128 shares fully vested)	934,321
Employee qualified stock purchase plan	1,036,496
Restricted stock plan for key employees	76,000
Exercise of warrant, at \$22.10 per share (expires 1981)	13,576
Total shares reserved	<u>4,797,084</u>

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 at the end of each of the first four years. Activity under the plans is summarized below.

	Shares Under Option	
	Number of Shares	Option Price Per Share
Balance, December 30, 1977	1,208,790	\$ 9.31-17.32
Granted	185,600	11.00-16.31
Exercised	(42,208)	9.69-12.44
Canceled	(108,631)	9.69-17.32
Balance, December 29, 1978	1,243,551	9.31-16.31
Granted	270,900	12.75-16.69
Exercised	(80,263)	9.69-12.44
Canceled	(102,115)	9.69-16.69
Balance, December 28, 1979	1,332,073	9.31-16.69

At December 28, 1979 options for 742,315 shares were exercisable and 504,975 shares were available for granting of additional options. No accounting is made for options until they are exercised.

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

BUSINESS SEGMENT INFORMATION

A summary of operations by principal business segment for the five fiscal years ended December 28, 1979 appears on page 19. Also presented are net assets employed, identifiable assets, capital expenditures and acquisitions, and depreciation and amortization by principal business segment.

QUARTERLY FINANCIAL RESULTS (Unaudited)

The following is a summary of selected quarterly financial data for the years ended December 28, 1979 and December 29, 1978 (in thousands except per share amounts).

1979	Sales	Income Before Income Taxes	Net Income	Primary	Fully Diluted
				Earnings Per Share	Earnings Per Share
First	\$ 302,643	\$ 21,294	\$ 11,767	\$.31	\$.31
Second	353,346	30,205	17,025	.45	.45
Third	396,303	43,352	24,872	.70	.70
Fourth**	457,665	28,294	17,336	.51	.51
Year	\$1,509,957	\$123,145	\$71,000	\$1.96*	\$1.95*
1978					
First	\$ 249,704	\$ 15,348	\$ 8,764	\$.23	\$.23
Second	283,504	20,687	11,785	.31	.31
Third	332,698	34,403	19,602	.51	.51
Fourth**	383,689	24,861	14,149	.37	.37
Year	\$1,249,595	\$ 95,299	\$54,300	\$1.43*	\$1.43*

*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 weighted average number of shares in the respective periods.

**Each of the first three quarters consists of 12 weeks and the fourth quarter includes 16 weeks.

CONSTANT DOLLAR INFORMATION (Unaudited)

The accelerating rate of inflation and the rapid changes in prices of goods and services have focused attention on the inadequacies of traditional measures of income and assets. Financial statements prepared under generally accepted accounting principles report the actual number of dollars received or ex-

pendent without regard to changes in the purchasing power of the currency or changes in the cost of goods consumed. Investments made over extended periods of time are added together as though the dollars involved were common units of measurement. Amortization of these prior-period costs is deducted from current revenues in calculations of net income even though the dollars involved represent different amounts of purchasing power.

The following Constant Dollar information presents historical cost financial information which has been adjusted for changes that have occurred in the general purchasing power of the dollar as measured by the Consumer Price Index. Therefore, it is the traditional financial information restated to a common unit of measurement, average 1979 dollars.

Summary of Consolidated Income Adjusted for Changing Prices for the Year Ended December 28, 1979

(Average 1979 dollars)

Net income as reported	\$71,000,000
Constant dollar adjustments	
Cost of sales	(5,203,000)
Depreciation and amortization of property and equipment	(18,427,000)
	(23,630,000)
Constant dollar net income	\$47,370,000
Constant dollar gain from decline in purchasing power of net amounts owed	\$55,109,000

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

(Average 1979 dollars)

Fiscal Years Ended	Net sales and other operating revenue	Cash dividends declared per common share	Market price per common share at year-end	Average Consumer Price Index
1979	\$1,509,957,000	\$.17	\$16.53	217.4
1978	1,389,647,000	.14	12.99	195.4
1977	1,305,371,000	.04	13.73	181.5
1976	1,206,576,000	—	16.88	170.5
1975	1,045,878,000	—	20.17	161.2

Constant Dollar net income per share was \$1.31 for 1979, excluding the gain from the decline in purchasing power of net amounts owed. Shareholders' equity is \$703,598,000 in average 1979 dollars.

In accordance with Statement of Financial Accounting Standards No. 33, no adjustment has been made to the provision for income taxes. Accordingly, the effective income tax rate increases from 42.3% as reported in the financial statements to 52.4% in the 1979 Constant Dollar calculations.

REPLACEMENT COST (Unaudited)

The Company's annual report on Form 10-K contains unaudited information with respect to estimated replacement cost of productive capacity as of December 28, 1979 and December 29, 1978 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.

SUBSEQUENT EVENT

On January 30, 1980, the Company announced an offer to purchase up to 10,600,000 shares of its outstanding common stock for \$23.50 per share. At the close of the offer on February 28, 1980, approximately 7,500,000 shares had been tendered.

The total cost of shares purchased pursuant to the offer, including estimated fees and expenses, will approximate \$178,750,000. The stock repurchase will be financed through the sale of six hotels and the incurrence of additional debt.

The Equitable Life Assurance Society of the United States has approved, subject to the execution of definitive agreements, the purchase of six hotels (three existing and three under development) from the Company. Net proceeds to the Company from the sale will approximate \$159,000,000 after payment of related mortgage indebtedness and before giving effect to the development costs of the three hotels under development. Approximately \$60,000,000 will be received in 1980 and the remainder through 1982. The Company will continue to operate these hotels under long-term lease agreements with rentals based solely on future profits. In addition, on February 29, 1980, the Company signed a term loan agreement with The Equitable for \$146,000,000 maturing between 1986 and 1988 and bearing interest at 13 $\frac{7}{8}$ %. The Company is required to make prepayments of the loan out of the entire proceeds of the hotel sale discussed above.

The Company will borrow the balance of approximately \$32,750,000 required to consummate the Offer pursuant to lines of credit from a group of major commercial banks. The Company has obtained letters of commitment from these banks under which existing Revolving Credit Agreements may be amended or superseded to permit the stock repurchase and to increase the aggregate available lines of credit up to \$554,000,000 from the \$129,000,000 which existed at December 28, 1979. These amended lines of credit substantially mature from 1984 to 1989. The Company anticipates that certain covenants of its 8 $\frac{3}{4}$ % Senior Notes due 1983-1997 of which \$40,000,000 principal amount remains outstanding will be amended to permit the stock repurchase. If an amendment cannot be obtained, the Senior Notes will be refinanced through borrowings under the Revolving Credit facilities.

The pro forma effects of the stock repurchase, assuming the entire transaction occurred on December 30, 1978, and excluding the effects of the anticipated sale of six hotels to The Equitable, are summarized below (dollars in thousands except per share amounts).

	At and for the Fiscal Year- Ended December 28, 1979	
	As Reported	Pro Forma Purchase of 7,500,000 Shares (unaudited)
Balance Sheet Items		
Working capital	\$ (10,777)	\$ (10,777)
Senior debt and capital lease obligations	\$ 365,279	\$ 555,324
Convertible subordinated debt	26,918	26,918
Deferred income taxes and other liabilities	86,166	86,166
Shareholders' equity	413,503	223,458
Total capital	\$ 891,866	\$ 891,866
Income Statement Items		
Sales	\$ 1,509,957	\$ 1,509,957
Cost of sales and other expenses	1,358,972	1,356,802
Net interest expense	27,840	54,965
Income before income taxes	123,145	98,190
Provision for income taxes	52,145	39,760
Net income	\$ 71,000	\$ 58,430
Earnings per share		
—primary	\$1.96	\$2.04
—fully diluted	\$1.95	\$2.02
Shares outstanding		
—weighted average	34,628,818	27,128,818
—at fiscal year-end	32,098,333	24,598,333

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 December 28, 1979 and December 29, 1978, and the related statements of consolidated income, shareholders' equity and changes in financial position for the fiscal years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Marriott Corporation and Subsidiaries as of December 28, 1979 and December 29, 1978, and the results of their operations and the changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Washington, D.C.,

January 30, 1980 (the date with respect to the Subsequent Event discussed in the Notes to Consolidated Financial Statements is February 29, 1980).

Management Report

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

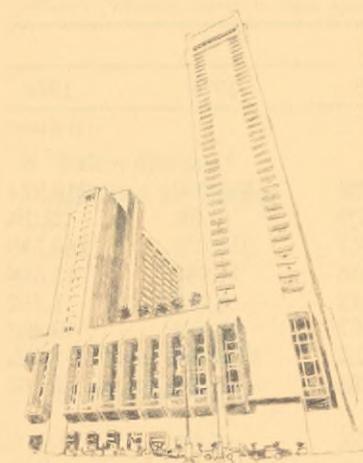
The consolidated financial statements have been examined by Arthur Andersen & Co., independent public accountants. The auditors' report expresses an informed judgment as to whether management's consolidated financial statements, considered in their entirety, present fairly the Company's financial position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

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

MARRIOTT CORPORATION

Washington, D.C.,
January 30, 1980.

The Five Businesses Of Marriott — 1979



Marriott Hotels

- 47 Company-operated Hotels and Resorts, and 18 franchised Inns—by location, year opened, and number of rooms:

U.S. Hotels

ATLANTA—	
Downtown ('65)	761
Perimeter Center ('76)	408
AUSTIN ('78)	301
BALTIMORE—	
Marriott's Hunt Valley Inn ('77)	280
BOSTON ('69)	433
CHICAGO—	
Downtown ('78)	1,212
O'Hare Airport ('67)	706
DALLAS—	
Downtown ('60)	476
North ('72)	447
DENVER ('74)	603
HOUSTON—	
Astrodome ('68)	339
West Loop ('76)	302
KANSAS CITY ('74)	265
LOS ANGELES—	
Airport ('73)	1,019
Marina del Rey ('77)	281
MIAMI ('72)	425
MINNEAPOLIS/ST. PAUL ('71)	494
NEW ORLEANS ('72)	1,354
NEW YORK CITY—	
Marriott's Essex House ('69)	805
NEWPORT BEACH ('75)	377
PHILADELPHIA ('61)	705

SADDLE BROOK, NJ ('66)	281	LOUISVILLE ('70)	366
ST. LOUIS—		MILWAUKEE ('72)	253
Airport ('72)	425	ORLANDO ('78)	647
Marriott's Pavilion Hotel ('79)	341	PITTSBURGH ('72)	487
SAN ANTONIO ('79)	502	PROVIDENCE, RI ('75)	244
SANTA CLARA ('76)	502	ROCHESTER—	
SOMERSET, NJ ('78)	306	Airport ('79)	211
SPRINGFIELD, MA ('76)	257	Thruway ('74)	307
STAMFORD ('77)	305	SYRACUSE ('77)	250
TUCSON ('76)	311	Hotels, Inns New in 1980	
WASHINGTON, D.C.—		ATLANTA—	
Bethesda ('79)	354	Airport	650
Crystal City ('70)	340	Interstate North	304
Dulles Airport ('70)	213	FT. LAUDERDALE	423
Key Bridge ('59)	325	GALVESTON (INN)	225
Twin Bridges ('56)	450	GRAND RAPIDS (INN)	250
Resorts		HARRISBURG (INN)	300
ACAPULCO—		HOUSTON—	
Marriott's Paraiso ('69)	435	Brookhollow	400
BARBADOS—		PITTSBURGH	198
Sam Lord's Castle ('72)	177	PORTLAND	506
CHICAGO—		RIYADH II	400
Lincolnshire Resort ('75)	393	Hotel Reservations	
LAKE OF THE OZARKS, MO—		CALL TOLL FREE: 800-228-9290	
Tan-Tar-A Resort ('77)	369		
MARCO ISLAND, FL—		Sun Line Cruises	
Marco Beach Hotel & Villas ('79)	527	• Premier line in the world's two major cruise markets:	
PALM SPRINGS, CA—		MEDITERRANEAN: April through October—from Athens, Venice, and Nice.	
Rancho Las Palmas Resort ('79)	348	CARIBBEAN: December through March—from Galveston, Texas, and San Juan.	
SANTA BARBARA, CA—		• Stella Solaris	
Santa Barbara Biltmore ('76)	176	• Stella Oceanis	
SCOTTSDALE, AZ—		• Stella Maris	
Camelback Inn ('67)	423	CALL TOLL FREE: 800-223-5760	

Resorts

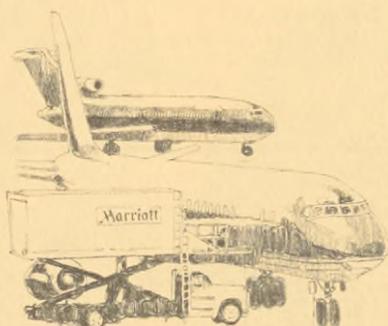
ACAPULCO—	
Marriott's Paraiso ('69)	435
BARBADOS—	
Sam Lord's Castle ('72)	177
CHICAGO—	
Lincolnshire Resort ('75)	393
LAKE OF THE OZARKS, MO—	
Tan-Tar-A Resort ('77)	369
MARCO ISLAND, FL—	
Marco Beach Hotel & Villas ('79)	527
PALM SPRINGS, CA—	
Rancho Las Palmas Resort ('79)	348
SANTA BARBARA, CA—	
Santa Barbara Biltmore ('76)	176
SCOTTSDALE, AZ—	
Camelback Inn ('67)	423

International Hotels

AMSTERDAM,	
THE NETHERLANDS ('75)	391
DHAHRAN, SAUDI ARABIA ('78)	303
KUWAIT CITY, KUWAIT ('79)	213
RIYADH I, SAUDI ARABIA ('78)	296

Franchised Inns

ANN ARBOR ('72)	227
BERKELEY, CA ('72)	241
BLACKSBURG, VA ('73)	148
CINCINNATI ('70)	348
CLEVELAND—	
Airport ('70)	379
East ('77)	279
COLUMBUS, OH ('70)	213
FORT WAYNE ('70)	227
INDIANAPOLIS ('74)	250
KEY WEST ('79)	251



Contract Food Services

Airline Catering—Domestic

- 39 Flight Kitchens at 30 principal U.S. airports:

Albuquerque	Minneapolis/St. Paul
Atlanta	New Orleans
Baltimore	New York (3)
Boston	Newark
Chicago (2)	Oklahoma City
Dallas/Fort Worth (2)	Orlando
Denver	Phoenix
Ft. Lauderdale (2)	Salt Lake City
Honolulu (2)	San Francisco (2)
Houston	San Jose
Kansas City	Seattle
Las Vegas	Tampa
Los Angeles (2)	Washington, D.C. (2)
Miami (3)	West Palm Beach

Catering—International

- 23 Flight Kitchens in Europe, South America, the Caribbean, Mexico, Africa and the Mideast:

Acapulco	London (2)
Antigua	Madrid
Barbados	Malaga
Barcelona	Mexico City
Buenos Aires (2)	Palma de Mallorca
Cairo	Paris
Caracas	Rio de Janeiro
Gerona, Spain	St. Croix
Johannesburg	San Juan
Lima	Santiago
Lisbon	

Management Contracts

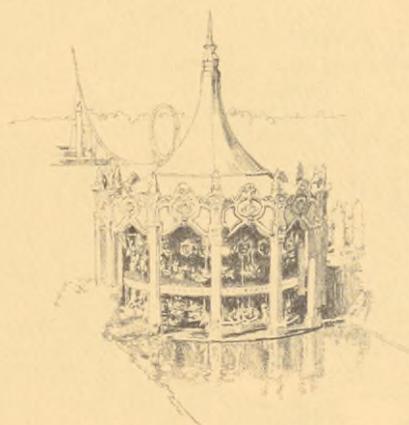
- 208 Contracts to manage food services, and 9 environmental services accounts:

BUSINESS and INDUSTRY— Executive Dining Rooms, Cafeterias, Snack Shops	98
HEALTH CARE—Hospitals, Nursing Homes, Retirement Homes	84
EDUCATION—Schools, Colleges, Universities	21
HIGHWAY RESTAURANTS	14

Airline Terminal Contracts

- 12 Contracts to manage restaurants and shops at 10 airports:

J.F. KENNEDY (Eastern, Pan American and National Terminals), LA GUARDIA (Eastern), DULLES, BOSTON LOGAN (Eastern), SALT LAKE CITY, PORTLAND, CLEVELAND HOPKINS, SAN JUAN, HONOLULU, KAUAI.



Theme Parks

Marriott's Great America

- 2 Major Theme Parks, operated seasonally, serving the San Francisco region at Santa Clara and the Chicago/Milwaukee region at Gurnee, Illinois:

Family entertainment centers with spectacular live shows, thrilling rides, arcades and games, quaint shops and the widest variety of food service in the theme park industry... set in five dramatic re-creations of America's past.



Restaurant Operations

- 476 Company-operated Units:

Bob's Big Boy

COFFEE SHOPS—East and West Coasts, Ohio, Hawaii 180

Roy Rogers Restaurants

FAST FOOD—7 Eastern States, District of Columbia 176

Other Restaurant Units

FARRELL'S ICE CREAM PARLOUR RESTAURANTS	77
HOT SHOPPES CAFETERIAS	16
HOT SHOPPES RESTAURANTS	7
JR. HOT SHOPPES	4
BIG BOY JRS.	14
HOGATE'S SEAFOOD RESTAURANT and PORT O'GEORGETOWN— Washington, D.C.	2

- 1,013 Franchised Units:

BIG BOY—40 States, Canada and Japan	901
ROY ROGERS—13 States and Canada	80
FARRELL'S—12 States	32

Board of Directors

J. Willard Marriott¹

Chairman of the Board

Don G. Mitchell^{1, 2, 3}

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

¹ Executive Committee

² Audit Committee

³ Compensation Policy Committee

Frederick Deane, Jr.³

*Chairman of the Board and
Chief Executive Officer
Bank of Virginia Company*

Alice S. Marriott

Vice President

J. W. Marriott, Jr.¹

President and Chief Executive Officer

Richard E. Marriott

Group Vice President—Corporate

Harry L. Vincent, Jr.^{1, 2, 3}

*Vice Chairman
Booz, Allen & Hamilton, Inc.*

C. Robert Yeager²

*Retired Chairman of the Board
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 President

Frederic V. Malek*

Senior Operating and Staff Executives

Thomas E. Burke*

*Senior Vice President, Corporate Affairs
and Assistant to the President*

Francis W. Cash*

Senior Vice President, Corporate Services

Sterling D. Colton*

Senior Vice President, General Counsel

James E. Durbin*

President, Marriott Hotels

Clifford J. Ehrlich*

*Senior Vice President, Personnel and
Organization Development*

Jerald O. Jarrard

Senior Vice President

Robert E. Koehler

*Senior Vice President,
Corporate Administration*

Richard E. Marriott*

Group Vice President—Corporate

Gary L. Wilson*

*Senior Vice President,
Finance and Development*

Corporate Officers

William J. Bailey

*Vice President, U.S. Operations
In-Flite/Terminals/Highways*

Robert Barrie

*Executive Vice President
Marriott Hotels*

Joseph McD. Burke

*Vice President, Marketing
Restaurants and Theme Parks*

Alfred A. Checchi

*Vice President, Corporate Development
and Treasurer*

A. Thomas Curren

Vice President, Corporate Planning

J. Robert Droege

Vice President, Corporate Real Estate

Elmo L. Geoghegan

*Executive Vice President
Big Boy Restaurants of America*

John J. Graves

*Executive Vice President
Architecture and Construction*

Lowell E. Gutzler

*Vice President and Controller
Contract Food Services*

Foster M. Kunz

Vice President, Government Affairs

Alvin W. LeFaivre

Vice President, Marriott Hotels

Alice S. Marriott

Vice President

Robert B. Morris

Vice President, Taxes

Richard J. Niederriter

Corporate Secretary

James H. Pflaging

*Vice President, Marketing
In-Flite Services*

Robert T. Pras

*Executive Vice President
Fairfield Farm Kitchens*

M. O. Ryan

Vice President, Marriott Hotels

J. Robert Schultz

*Executive Vice President
Theme Parks*

William J. Shaw

Corporate Controller

William R. Tiefel

Vice President, Marriott Hotels

Richard H. Vent

*Vice President, International
Contract Food Services*

William B. Virts

Vice President, Corporate Procurement

Stephen A. West

*Vice President
Associate General Counsel*

* Management Committee

Shareholder Information

International Headquarters

Marriott Corporation
Marriott Drive
Washington, D.C. 20058
Area Code (301) 897-9000

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

Annual Meeting

The 1980 Annual Meeting of
Shareholders will be held on
Tuesday, May 6, at 3:30 p.m.
in the auditorium of Walter
Johnson High School, 6400
Rock Spring Drive, Bethesda,
Maryland—a short distance
from the new International
Headquarters. Doors will open
at 3 p.m.

For Toll-free Reservations

Marriott Hotels, Inns (800) 228-9290
Sun Line Cruises (800) 223-5760

**RIGHT: Marriott is chosen for
management of food service at
"Sky Court," the employees'
cafeteria of new Xerox Head-
quarters, Stamford, Conn.**



Marriott
corporation

Marriott Drive,
Washington, D.C. 20058