



PROFILE

Marriott Corporation is a diversified company involved in lodging, food service and entertainment.

Founded in 1927 by J. Willard Marriott, the company began as a small root beer stand in Washington, D. C. Today it has operations and franchises in 49 states and 25 countries. The company has over 109,000 employees and serves more than two million meals a day.

Principal businesses include:

Hotels and resorts. The Hotel Group, Marriott's largest operation, has more than doubled in size in the past four years. There are 131 luxurious Marriott hotels and resorts with approximately 55,000 guest rooms. These are located in 79 cities in the United States, as well as in Mexico, Central America, the Caribbean, Europe and the Middle East.

Contract food services. Marriott's airline catering operations involve 80 flight kitchens serving more than 150 carriers around the world. Airport terminal concessions include food, beverage and/or merchandise facilities at 39 domestic airports. Marriott also provides food service management for over 275 clients in business, education and health care, and operates non-airport merchandise shops and turnpike restaurants.

Restaurants. The company operates or franchises over 1,800 popularly priced restaurants in 47 states, Canada and Japan. These include Roy Rogers fast food restaurants; Big Boy family restaurants; Casa Maria Mexican restaurants, Charley Brown's/Charley's Place dinner houses and other Host specialty restaurant concepts; and Hot Shoppes cafeterias and service restaurants.

Theme parks. Marriott's Great America theme parks in Gurnee, Illinois (between Chicago and Milwaukee), and Santa Clara, California (near San Francisco) provide a wide variety of family entertainment for millions of guests each year.

Cruise ships. A fleet of three cruise ships, operated by Marriott's Sun Line affiliate, offers luxurious sailing in the Caribbean and Mediterranean.

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Cover—In recent years, Marriott has continued to expand its presence in medium-sized cities and suburban areas around America. The luxurious, 504-room Irvine (California) Marriott is typical of the company's new hotels in these areas. Marriott added 14 hotels to its system in 1983.

Financial Highlights

	1983	1982	Percent Change
Sales	\$3,036,703,000	\$2,541,353,000	+19%
Operating Income	287,681,000	252,150,000	+14
Net Income	115,245,000	94,342,000	+22
Earnings Per Share	4.15	3.44	+21
Funds Provided from Operations	294,065,000	230,554,000	+28
Shareholders' Equity Per Share	23.37	19.43	+20
Return on Equity	20.0%	20.0%	

Total Sales
(\$ in millions)



Earnings Per Share
(in dollars)



Return on Equity
(percent)



Marriott Corporation achieved significant growth again in 1983, despite the delay in the lodging industry recovery until late in the year.

Sales exceeded \$3 billion. Net income increased 22%, earnings per share rose 21%, and return on equity remained at 20%. Over the last five years, Marriott has compounded its earnings per share growth at a 24% annual rate.

Marriott's primary objective is to be the premier company in lodging, food service and related areas.

Our growth strategy takes advantage of the company's distinctive strengths to:

- Expand established businesses.
- Internally develop new hospitality and service-related businesses.
- Acquire companies which add real economic value and are compatible with existing businesses.

Distinctive Strengths

Marriott's strengths can be categorized in five major areas:

Values and systems. Marriott's principal assets are its operating systems and associated values. The core of Marriott's success is the relationship between guests and employees, and the company provides an environment which stimulates employee pride and performance. Each employee is encouraged to have the friendly, hospitable spirit that has become a Marriott trademark.

Leadership position. In 1984, Marriott will become the largest chain of company-operated (as opposed to franchised) hotel rooms in America. Strong management training systems and controls help our hotels maintain an unsurpassed reputation for quality, service and profitability.

We are leaders in both airline catering and airport terminal food and beverage businesses. In restaurants, Roy Rogers holds a strong regional position in fast food, and our Big Boy family restaurants comprise the largest chain in the coffee shop market.

Business synergies. Marriott's success in a variety of service businesses offers many opportunities for new business development, for integrating experience across existing operations, and for developing broad-gauged general management.

One example of these synergies is the blending of lodging and fast food skills in the development of Courtyard, our new moderately priced hotel concept. Another example is our experience in different segments of the travel industry, which broadens our knowledge of traveling executives and their needs.

Technical skills. In addition to Marriott's obvious operating emphasis, the company has developed specialized skills during the past decade to implement its aggressive hotel expansion. These skills are being applied increasingly to other established businesses as well as to new ones.

Strategic planning, market research and business development staffs work closely with senior operating executives to develop new opportunities. This effort produced the Host and Gino's acquisitions, as well as the internal development of Courtyard hotels.

Creative, sophisticated financial skills have been used to repurchase the company's stock, dispose of nearly \$200 million in under-productive assets, and finance \$3 billion in hotels since 1978.

Real estate expertise is another key skill. Marriott is one of the largest developers in the country. Each year, we develop hotels and restaurants valued at over \$1 billion, and design and construct them through a fully integrated department engineered for our special needs.

Strong management. Marriott's management is stable, entrepreneurial and aggressive. Most of the senior management group have worked together for 10 years. The top 100 executives average 12 years company experience, and have an average age of 45.

Growth Strategy

Our growth strategy is designed to capitalize on these distinctive strengths:

Expand established businesses. We will add a total of 26,000 Marriott rooms in the quality end of the U.S. lodging market over the next three years. More than two-thirds of these rooms already are under construction.

We will continue to expand company-owned restaurants selectively, and will put renewed emphasis on strengthening our Big Boy franchising network.

We plan to continue expansion of airport terminal operations, flight kitchens and the food service management business.

Acquire and develop new businesses. We must augment Marriott's established businesses to sustain the company's long-term growth. We will continue to move into new areas as we have since our inception. Our growth pattern over the last 56 years shows that:

□ We have entered a series of closely related new businesses, particularly from 1957-1970. During that time, we entered the lodging business, acquired the rights to Big Boy restaurants, developed Roy Rogers restaurants, and began international expansion. Today these operations account for two-thirds of our operating income.

□ We have invested heavily in the internal growth of our best businesses during the 1970s and early 1980s. For example, we have developed 41,000 hotel rooms since 1970.

□ We have used acquisitions such as Host and Gino's (both completed in 1982) to supplement internal development and consolidate market positions.

Over the next five years, the company intends to develop, test and expand a series of new, yet related, business opportunities such as Courtyard. Early results from Courtyard are promising. We will make an expansion decision on that lodging concept later this year.

Successful new businesses will have a material impact on the company. We look for business opportunities which can each contribute a minimum of 50 cents to \$1.00 in earnings per share when fully established. The business development process at Marriott is described on page 25.

Outlook

We believe that expansion of our established businesses, combined with their ability to pass on inflation, will allow us to maintain a 20% earnings growth rate and 20% return on equity through the late 1980s.

Longer term, growth in our present businesses will be supplemented by the new business development and acquisition base we establish over the next five years. We are excited about these growth prospects, which make the company's future even brighter than its past.



J. Willard Marriott



J. W. Marriott, Jr.

Obviously, such growth depends on people. In the following pages, we have chosen several employees to illustrate a few of Marriott's shared values and characteristics. We are very proud of our people and their contributions to the company's continued success.

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

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

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

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

March 9, 1984

Results for Marriott Hotels and Resorts were solidly improved in 1983. They reflected recovery of demand in the second half, as well as continuing expansion, aggressive sales efforts and tight cost controls. Operating income increased 12% over 1982, excluding gains on asset sales in both years and the effect of hotels syndicated in 1982.

Sales rose 21%, helped by the addition of 14 hotels and expansion at eight existing properties. However, the new hotels did not contribute significantly to profits, because they opened in a relatively weak economy and generally require a year or more to become established in the marketplace.

Marriott's occupancy continued to be among the industry's highest, with average occupancy rates for comparable hotels up three percentage points in 1983. Increases in the company's average room rates were approximately the same as inflation.

Key Success Factors

Our achievements in 1983 were enhanced by several key factors which continue to position the company well for 1984 and the years to come:

Balanced market distribution. Marriott's hotels and resorts are widely dispersed throughout the United States, with a carefully balanced mix of property types—including downtown, suburban, airport and resort sites. Such broad geographic distribution helps soften the overall impact of localized market conditions.

Aggressive marketing. We continued the aggressive marketing program which began in 1982 and includes strong ties with airline frequent flier promotions, re-emphasis of sales skills and extensive promotions at the property level.



Greg Boyd
Assistant Bell Captain
Marriott Crystal Gateway

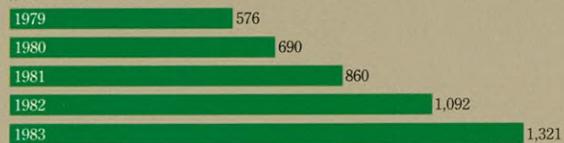
One of Marriott's trademarks is the friendly, hospitable spirit of its employees. From the bell stand to the front desk, from banquet service to housekeeping, an efficient, well trained staff demonstrates its caring in each guest contact.

Right—The 1,200-room Cairo Marriott is one of the industry's most dramatic new international hotels. The property's focal point is a palace built for the Empress of France in 1869.



Sales

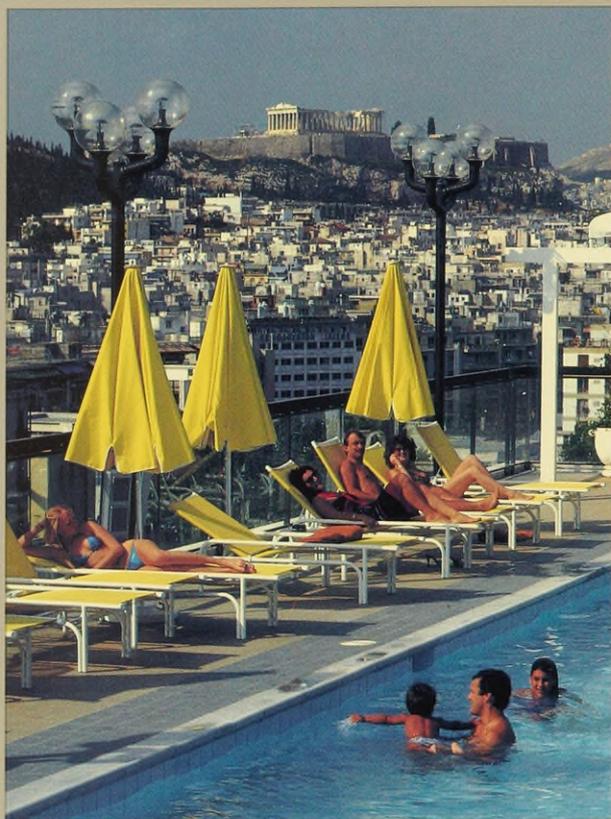
(\$ in millions)



Operating Income

(\$ in millions)





Above—The rooftop pool area of the new Athens Marriott offers a splendid view of the Acropolis and the city. This elegant 270-room hotel opened in 1983.

Several specific developments in 1983 should yield strong future benefits:

□ Major networks of similar Marriott properties were established—one for convention hotels and one for resorts. Each network is being marketed as a group to key target customers such as business meeting planners and other travel packagers.

□ Membership doubled in Marriott's Club Marquis in 1983, aided by significantly expanded benefits available to club members. This gives Marriott a solid core group of loyal repeat guests.

□ Development was completed for the exciting new Marriott Honored Guest award program, which began early in 1984. The program is the most extensive in the lodging industry, rewarding frequent guests with free vacations, airline tickets and car rentals. It is expected to generate substantial new and repeat business.

Comprehensive operating strengths. Marriott's operating strengths are based on a firm commitment to our traditional values—superior guest services, unmatched employee relations, and strong management training and development systems. Coupled with strong sales and marketing skills, these values have helped the Hotel Group achieve consistent profit gains, despite recessionary conditions which have prevailed during most of the past three years.

During 1983, this commitment was further strengthened by the addition of a number of services and amenities to enhance guest satisfaction. Marriott completely refurbished 7,300 guest rooms. Under a continuing commitment to keep facilities fresh and competitive, 73% of Marriott rooms are new or have been refurbished since 1981. Among other additions in 1983 were the installation of complimentary in-room entertainment (including Home Box Office, cable news and sports programming), establishment of concierge levels in many hotels, and implementation of a rapid check-out system at virtually all properties.

With nearly 50,000 employees, our hotel business depends on the success of millions of contacts between employees and guests each week. The company reinforces its employees' positive attitudes with recognition and development programs, strong advancement opportunities and technological support systems. Marriott's relationship with its hourly employees has long been one of the best in the industry, and approximately one-third of all new managers in 1983 were promoted from hourly ranks.

"Front-line" managers receive continuing management development as well as strong support from the entire organization, including the latest in technological equipment. At year-end, several related programs were in various stages of completion: a new automated national reservation system,

and—at the property level—new computerized front-desk property management and personal computer-based budgeting systems, as well as a new automated labor scheduling system.

Aggressive expansion in promising markets. A significant portion of revenues in 1983 came from new hotels added since 1980. Our growing presence in key markets provides strong prospects for continued profit growth and increased consumer visibility. The rate of expansion also gives the company a very contemporary hotel product—about 60% of Marriott hotel rooms are less than five years old, and 26% are less than two years old.

The capital intensity of this business has been reduced dramatically by our strategy of concentrating hotel ownership among outside investors, with the company operating the hotels under long-term agreements. This has allowed Marriott to build a system which will encompass more than 80,000 rooms by the end of 1986.

Marriott continues to be able to fund its expansion program effectively through creative financial transactions. For example, the new 1,878-room New York Marriott Marquis Hotel recently was refinanced by a syndicate composed primarily of savings and loan associations. This was the largest lodging industry project ever financed by such institutions.



Above—Groups represent about 40% of the market for Marriott's hotels and resorts. Meeting facilities range from large ballrooms to luxurious suites, such as this one at Dallas/Quorum.

Expansion

In 1983, the Marriott hotel system grew by approximately 5,600 rooms or 11%. New hotels opened in 1983 include (rooms in parentheses): Boston/Burlington (420), Charleston, S.C. (297), Chicago/Schaumburg (401), Columbia, S.C. (302), Denver/West (306), Irvine, Calif. (504), Greensboro, N.C. (302), Miami/Biscayne Bay (605) and Tulsa (336). Franchised inns were opened in Charlotte, N.C. (300) and Orlando, Fla. (484). International hotels were opened in Athens, Greece (270) and Jeddah, Saudi Arabia (217), and one was acquired in London, England (270).

Approximately 7,300 rooms are scheduled to open in 1984. In 1985, approximately 10,400 rooms will be added to the Marriott system, including major new hotels in New York and Atlanta.



James Hughes
Executive Chef
J. W. Marriott Hotel

The company's comprehensive system of food standards ensures consistent quality. In the Hotel Group, a computerized system of 6,000 recipes, tied to procurement programs, helps Marriott maintain the industry's highest food and beverage profit margins.

Courtyard

Marriott continues to seek ways to build on its hotel development and operating strengths, and to extend its coverage to new segments of the lodging market. In October 1983, we opened our first two Courtyard hotels, designed to compete directly with mid-priced national lodging chains. The initial properties are in Atlanta, and three more Courtyard hotels will open in Georgia in early 1984 to explore the growth potential for Marriott in this segment—the largest in the industry.

After extensive research, we designed Courtyard to include the elements travelers in its segment value most: a superior guest room for work and leisure; a small, intimate



Charlene Nagel
General Manager
Marriott's Santa Barbara
Biltmore

We develop our hotel general managers from within, through rigorous cross-training in virtually every facet of hotel operation. The career path requires a variety of assignments progressing through increasingly larger and more complex hotels, as well as regional staff departments.

hotel with a secure residential atmosphere (only 125 to 150 rooms)—including in-room sprinklers, smoke detectors, special locks and lush landscaping. Most important, these elements are offered at very competitive prices.

A central management team will operate all three properties in Atlanta plus two outlying units in Augusta and Columbus now under construction. Costs are reduced by sharing management functions among the properties, extensive computerization and an efficient construction program.

Customer response to the initial properties has been very favorable. Guests are enthusiastic about the high quality of Courtyard's facilities and the moderate price. By mid-1984, management expects to have sufficient experience with the concept to make a decision about further development.

Outlook

During 1984, Marriott's lodging operations should begin to realize the full benefit of the recovery in business travel. The company's effective management team, coupled with an increasingly attractive and diversified product mix, should provide a strong basis for continued growth.



Above— Looking more like a contemporary country inn than a traditional motel, Courtyard is Marriott's exciting new mid-priced lodging concept. The Courtyard test market involves five properties in Georgia.

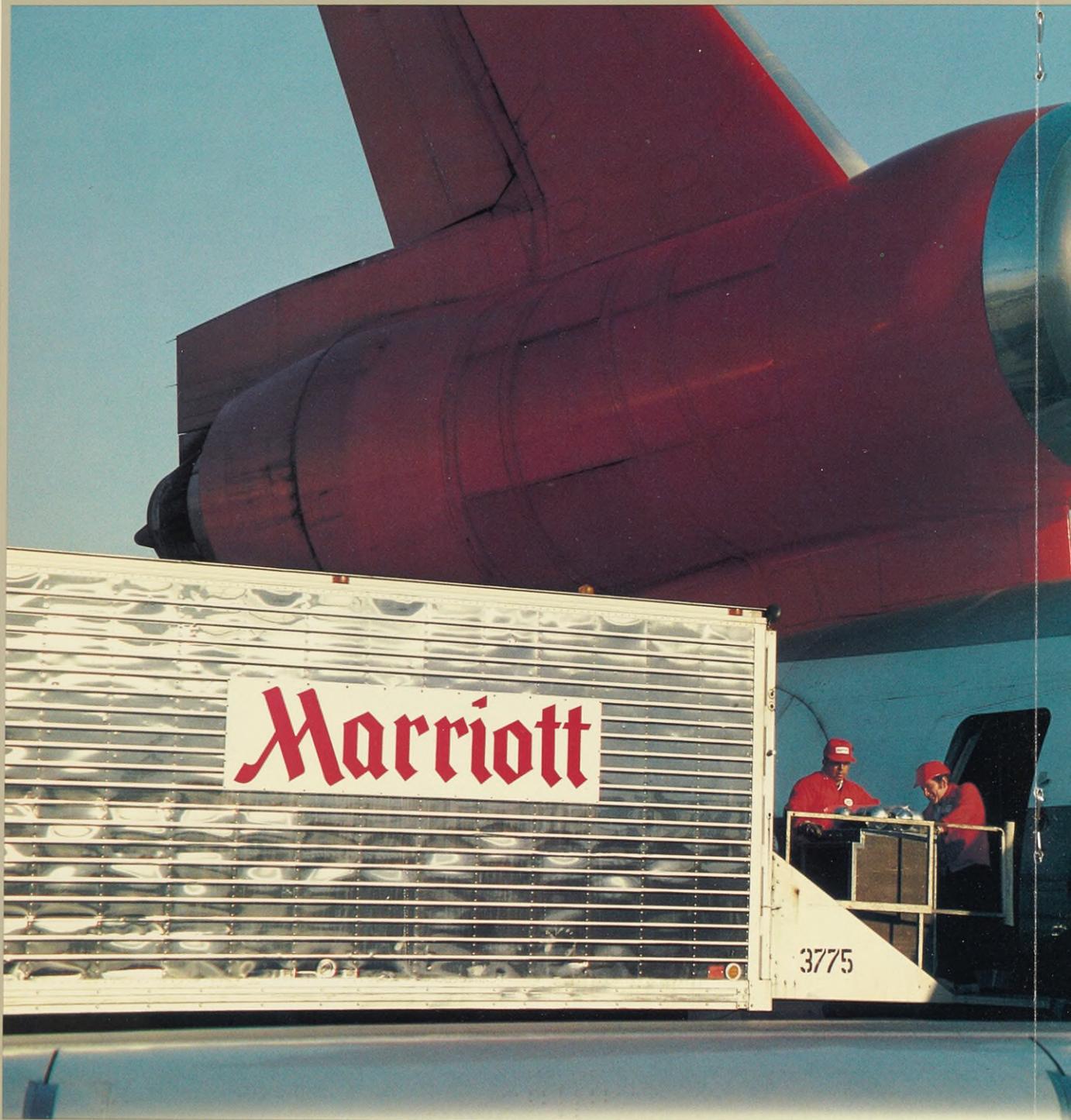


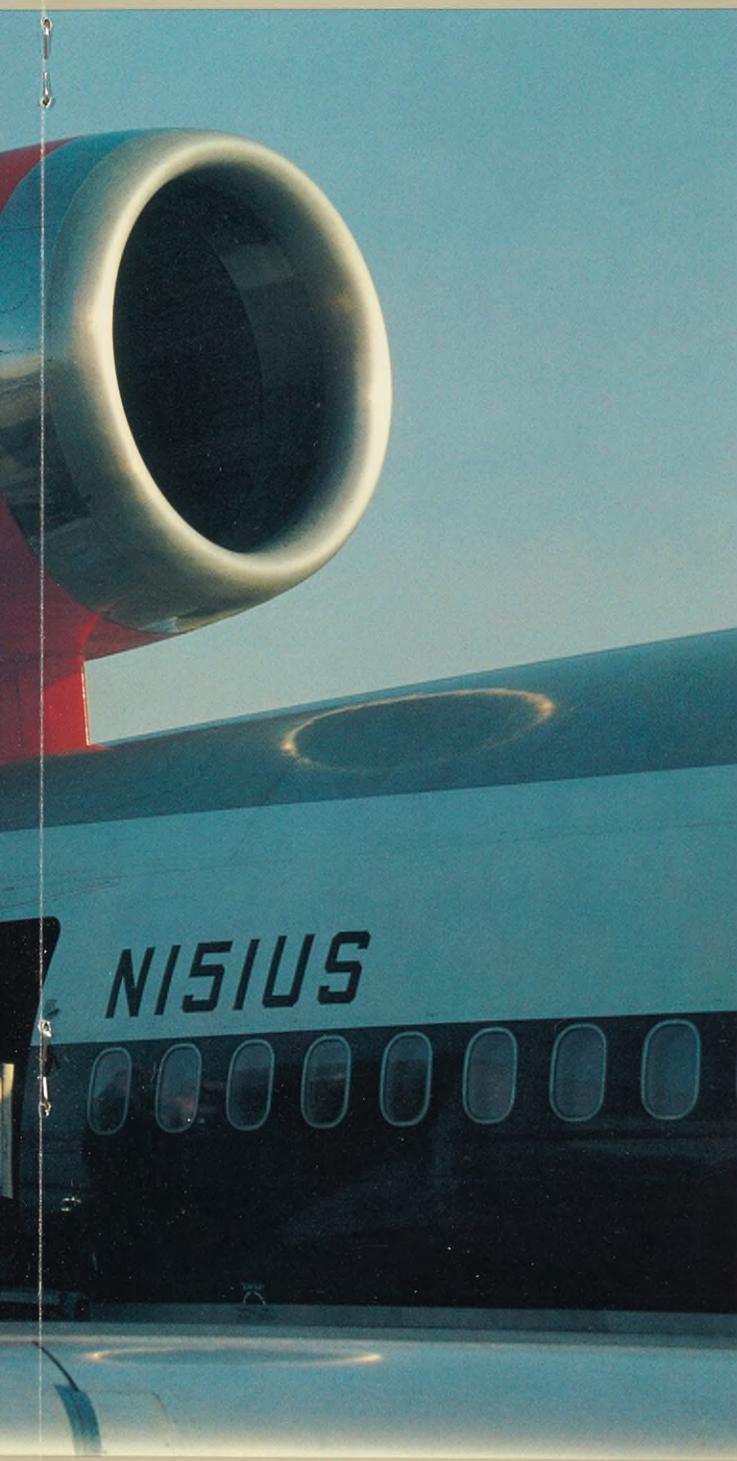
Above—Marriott is the largest operator of resort hotels, with 18 properties totaling over 7,000 rooms. Overlooking Mobile Bay, the company's gracious Grand Hotel in Point Clear, Alabama was expanded in 1983. Leisure activities at this historic property include polo, golf and yachting.

Sales
(\$ in millions)



Operating Income
(\$ in millions)





Sales for contract food services increased 16% in 1983, while operating income rose 30% excluding a non-recurring write-off in 1982. Profits improved in all major divisions. An estimated 6% increase in U.S. airline passenger enplanements directly benefited domestic airline catering and airport terminal operations.

Operations

Airline catering. The strengthening of the airline industry in 1983 favorably affected Marriott's results, and a strong marketing effort yielded several major new contracts. The domestic airline catering business remains highly competitive, and airlines continue to be cost-conscious. Marriott is working with them to hold costs and prices down.

International airline catering profits were ahead of 1982, aided by productivity improvements and contributions from two new flight kitchens. However, traffic remained soft in Latin America and Europe.

We continued to refine our organization to facilitate future development of this key business. A comprehensive new strategy study highlighted areas of greatest potential opportunity. The consolidation of management for domestic and international operations into one group, begun at year-end, was completed early in 1984.

Airport operations. Sales and profits for the Marriott/Host food, beverage and merchandise operations in domestic airport terminals reflected the overall traffic improvements in 1983.

Two major developments during the year were the expansion and extensive remodeling of facilities at 10 major airports served by Marriott/Host, and the continued growth of the airline "hubbing" concept. The company serves an increasing number of airports that are hubs for rapidly growing regional carriers, which requires changes in facility

Henry Taylor
*Vice President-Operations
 Marriott In-Flite Services*

In his more than 25 years with the company, Henry Taylor has seen annual sales grow from \$46 million to over \$3 billion, while profits have compounded at nearly 20% a year.

Left—Marriott's airline catering operations serve more than 150 carriers through 80 flight kitchens around the world. Service to Northwest Orient Airlines will be expanded significantly in 1984.



design and location, as well as greater service flexibility.

Food service management. Results for food service management operations improved in 1983, despite highly competitive industry conditions which restricted development opportunities, particularly in the corporate and health care sectors.

An intensive new marketing campaign in 1984 will be aimed at increasing growth in all business segments, and providing clients the full benefit of Marriott's basic strengths. One thrust will be continued expansion of the corporate food services segment in major cities where we already operate.

Other operations. Our non-airport merchandise shops benefited from the improved economy. Results also were higher for turnpike restaurants, reflecting the introduction of Marriott fast food and family restaurant concepts in some locations.



Daniel Radovan
General Manager
Marriott Host Facilities
Delta Flight Center
LaGuardia Airport

Acquisitions such as Host International have been integrated smoothly into Marriott. One element of this success is management mobility, providing solid advancement opportunities. Daniel Radovan transferred from another operation to the Delta facility when it opened in 1983.

Key Success Factors

The overall growth and strategic changes in the contract food service business in 1983 underscore several factors which will continue to contribute to Marriott's future success:

Reputation for quality. Our consistent reputation for quality management, food service and facilities has been built carefully over many years. Coupled with the company's organizational depth and procurement capabilities, this combination is especially attractive to clients.

Productivity. Marriott's size and sophistication position it well to be a low-cost producer. Continued organization and systems development in all areas will yield even greater efficiency and productivity.

Selected expansion. The company's size, experience and strength continue to make it attractive to organizations moving away from self-operated food service, especially in airline catering and food service management. The expansion of several key airports also should provide significant growth opportunities.

Outlook

Continued expansion in air travel and strategic changes in several of our contract food service operations should yield solid growth in this area for the coming years.



Above— Food service management for business is a growing operation. Marriott serves many corporate headquarters, such as Nabisco Brands in central New Jersey, a long-time client.



Above—The Marriott/Host division operates food, beverage and merchandise facilities at many of America's major airports. CK's Restaurant is one of several food service facilities in the new Delta Flight Center at New York's LaGuardia Airport.

RESTAURANTS

The company posted a 24% sales gain for its restaurant businesses in 1983, with a 27% increase in operating income.

Performance was strong in Roy Rogers, Big Boy and the Host specialty restaurant division, reflecting gains in both customer counts and average checks. Results benefited from effective marketing programs, plus the addition of 100 company-operated and franchised units — primarily in Roy Rogers. Food and labor costs were relatively stable.

Operations

Roy Rogers. The strongest performance gains were in Roy Rogers. Sixty-six company-operated and franchised units were added during the year, mostly through conversion of former Gino's restaurants. These additions gave Roy Rogers increased marketing leverage and consumer awareness. Growth was especially strong in Philadelphia and greater New York.

Product development efforts centered around breakfast. A new breakfast bar and breakfast menu items, tested in 1983, will be "rolled out" in the Baltimore and Washington, D.C. markets by April 1984.

Disposition of Gino's units not scheduled for conversion to Roy Rogers was nearly completed in 1983, helped by the sale of 108 Rustler steak houses—a former Gino's concept.

Big Boy. In East Coast operations, a new breakfast bar was introduced successfully in all units. Results also were helped by the first full year's contribution from a new lighter menu for other meal periods. A "greenhouse" addition, tested at several locations, will be introduced where appropriate in 1984. In the West, testing of new salad bar and breakfast bar concepts continued during 1983.

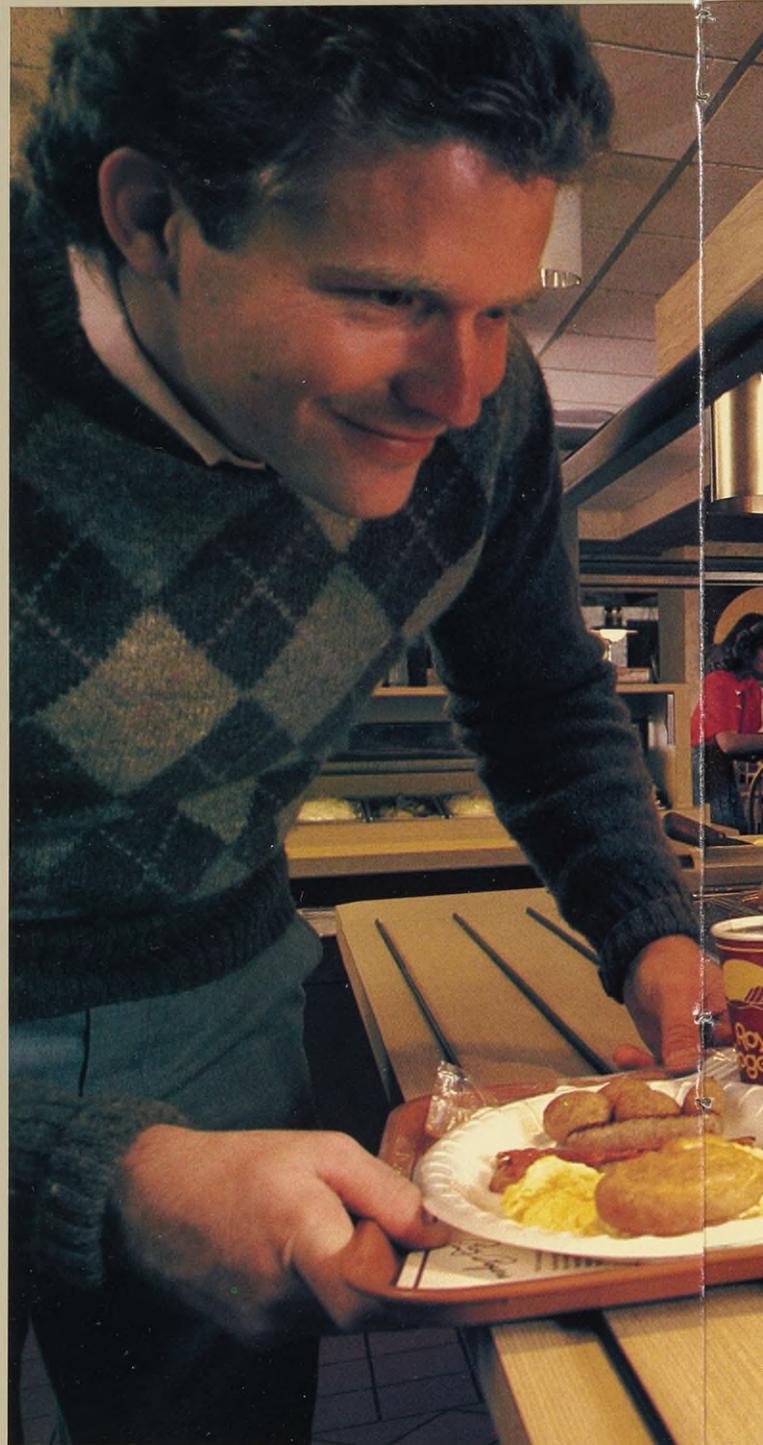


Ab Chaloeicheep

Manager
Casa Maria restaurant

Staying in close contact with customers is an important task of the unit manager. A successful manager at Marriott must have an entrepreneurial spirit, and must be versatile, dedicated and familiar with all aspects of operations.

Right—Tempting new breakfast bars were introduced in Roy Rogers units in Washington, D.C. and Baltimore in late 1983.



Sales
(\$ in millions)



Operating Income
(\$ in millions)



The Big Boy franchise system received new emphasis in 1983. Cooperative national programs in marketing, menu development and procurement now are underway, aimed at maintaining Big Boy's leadership in family restaurants.

Host specialty restaurants. The Charley Brown's/Charley's Place dinner houses had the strongest performance among Host specialty concepts in 1983. Charley's customer counts and average checks were boosted by special menu promotions, and several California restaurants were remodeled. Competition in the Mexican restaurant segment was strong in 1983, particularly on the West Coast. The Casa Maria concept has been well received in the East, where three new units are planned for 1984.



Odell Jones
Manager
Roy Rogers restaurant

Odell Jones, who began in the fast food business as an hourly employee, manages one of the largest Roy Rogers units in Washington, D.C. Advancement at Marriott is based solely on ability, and the company's guarantee of fair treatment for all employees has been in effect since 1927.

Right—Charley Brown's and Charley's Place are highly successful dinner house concepts for Host specialty restaurants. Their menu features a variety of innovative stir-fried, seafood and beef items.

Key Success Factors

Our gains in the restaurant business in 1983 were influenced by several factors which will continue to play a role in future growth:

Strong quality/value perception. Marriott is differentiated from competitors in restaurant segments by its strong reputation for outstanding product quality at moderate prices. Strict food procurement and preparation standards as well as other controls help ensure both quality and productivity.

Experienced management. The company has a large organization of experienced managers, and intensive management development programs are geared to correspond with projected growth.

Concentration in favorable markets. Our restaurant operations are concentrated in geographic markets and market segments where they are well established, with solid growth opportunities. Existing concepts fit well with the demographics of these principal market areas.

Flexibility. Restaurant products and concepts are constantly refined to suit changing consumer preferences. We have the resources to move quickly on attractive acquisitions which could broaden our market participation.

Outlook

The superior performance of Marriott's restaurant operations, coupled with their attractive market position, reinforces prospects for continued growth in this business.





Above—An airy “greenhouse” addition is one way existing Bob’s Big Boy family restaurants have been enhanced. This modification has dramatically increased volume and profitability in the East Coast units tested to date.

Sales

(\$ in millions)



Operating Income

(\$ in millions)





Overall attendance at the two Great America theme parks rose 9% in 1983, aided by lower admission prices and aggressive marketing and promotion, as well as a new "free fall" ride at each park. Sales increased 5% from 1982. Operating income was up substantially, excluding the 1982 gain on the sale of excess land in Santa Clara.

New attractions to be added in the 1984 season include an exciting river rapids ride at Gurnee, and a new 70-mm IMAX film for both parks.

Sale of Santa Clara Park

Due primarily to the growth of high technology businesses, real estate values have increased dramatically in Santa Clara since we purchased land for our park in the early 1970s. Coupled with lower-than-expected profits from operations, this influenced the company to consider an offer to buy the park.

On January 31, 1984, the City of Santa Clara agreed to purchase the park land and all improvements for \$101 million, under a transaction to be completed in September 1984. The selling price exceeds our investment in the park, but the net gain to be realized upon the sale has not been fully determined. This sale supersedes an option granted by Marriott to a private developer in August 1983.

The company will continue to operate the park through the 1984 season. Operations at the Gurnee park will not be affected by the Santa Clara sale.

Outlook

Marriott will realize substantial benefits from the Santa Clara sale, and Gurnee park operations should continue to provide strong cash flow.

Beth Mueller
Park Ambassador
Marriott's Great America

The company's 109,000 employees show Marriott's values and strengths in millions of customer contacts daily. "Park ambassadors" help maintain good community relations and welcome key visitors.

Left—"The Edge," a thrilling new ride which simulates a 10-story "free fall," made its debut at both Marriott's Great America theme parks in 1983. New stage shows were added at both parks.

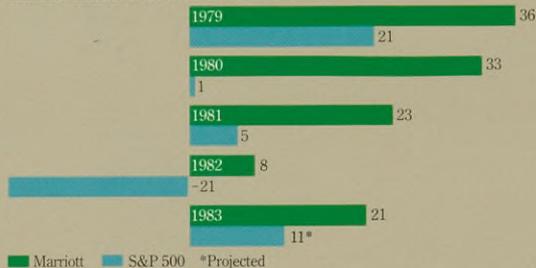


FINANCIAL TRENDS

Marriott has continued to meet its financial objectives, and the company's performance keeps it among the top 20% of Standard and Poor's 500 firms.

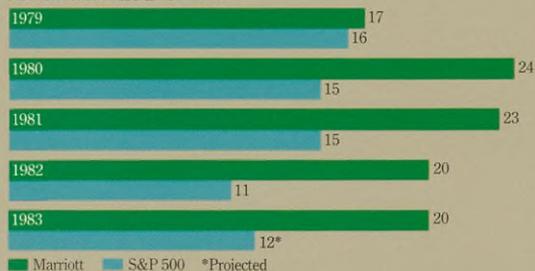
Earnings Per Share Growth (percent)

Marriott vs. Standard & Poor's 500



Return on Equity (percent)

Marriott vs. Standard & Poor's 500



Discretionary cash flow has increased 20% annually since 1979, and has averaged over 90% higher than accounting earnings.

Discretionary Cash Flow Growth

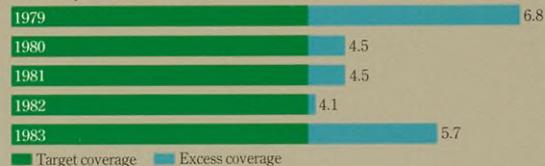
(\$ in millions)



High interest coverage reflects Marriott's controlled debt levels, despite heavy investment in expansion.

Net Interest Coverage

(ratio to expense)



Marriott Corporation continued to meet its principal goal of maintaining 20% average annual earnings per share (EPS) growth and high capital productivity.

- EPS grew 21% to \$4.15, producing a five-year compound annual growth rate of 24%.
- Discretionary Cash Flow increased 26% to \$8.85 per share.
- Return on Shareholders' Equity (ROE) was 20%.

Earnings and ROE performance maintain Marriott among the top 20% of Standard & Poor's 500 firms. Comparisons of Marriott's performance to the S&P indices are shown in the charts on page 20.

Profit Growth Continues

Sales and operating income increased 19% and 14%, respectively, reflecting overall improvement in all major lines of business, primarily as a result of sales gains from unit growth and increased customers.

Hotel sales rose 21%, driven by an additional 5,600 rooms, a three percentage point improvement in comparable unit occupancy rates and room rate increases that kept pace with inflation. Operating income increased a disproportionate 12%, excluding gains on asset sales and reduced operating income from five hotels transferred to a syndication in 1982, principally because most new hotels are managed rather than owned. The new hotels did not contribute significantly to profits because a new property normally requires a year or more to fully establish itself in the marketplace.

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

Contract food services sales increased 16% and operating income rose 30%, excluding the 1982 write-off of airline receivables. Increased airline passenger traffic was reflected in the significantly higher profits for both airline catering and airport terminal restaurant operations. Food service management profits also improved over the prior year.

Restaurant sales and operating income increased 24% and 27%, respectively, fueled primarily by 66 new Roy Rogers units and improved customer counts and average checks in all divisions, while food costs remained stable. Operating income gains were particularly strong in Roy Rogers, Bob's Big Boy and Host specialty restaurant operations.

Theme park sales were 5% above 1982. Excluding the 1982 gain on the sale of excess land at one park, operating income for 1983 was up substantially. Attendance rose 9%, aided by lower admission prices, aggressive promotion and a major new ride at both parks.

Net income increased 22% because of improved operating income and reduced interest costs offset by a higher effective 1983 tax rate. Interest expense declined 17%, primarily due to lower interest rates and the effects of Potomac Hotel Limited Partnership (PHLP) which publicly syndicated 11 hotels costing \$365 million, thus eliminating a major capital investment.

Discretionary Cash Flow per share increased 26% to \$8.85, as reflected in the Current Value Statement. Discretionary Cash Flow represents the company's economic profit. It reports Funds Provided from Operations less actual capital expenditures (rather than accounting depreciation) required to maintain the competitive position of existing fixed assets. The table below shows that Discretionary Cash Flow has averaged over 90% higher than accounting earnings since 1979. A major contribution to 1982 and 1983 cash flow was \$29 million from Marriott's allocation for these years of tax benefits from PHLP.

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

Year	Cash Flow	Net Income
1983	\$246	\$115
1982	192	94
1981	157	86
1980	125	72
1979	118	71

Capital Productivity Remains High

Return on Shareholders' Equity (ROE) was 20%, and return on total capital was 14%. Since 1975, ROE has more than doubled in response to Marriott's aggressive program to improve capital efficiency.

Marriott plans to continue performing at these levels through the 1980s by carefully managing the balance sheet and continuing to expand hotels—primarily under management agreements. Several major transactions in 1983 boosted this program:

□ Financings totaling \$609 million were negotiated on eight hotels, including a \$329 million non-recourse loan that will provide both construction and permanent financing for the 1,878-room New York Marriott Marquis Hotel. These properties will be syndicated, thereby largely eliminating Marriott's capital commitment to these hotels. Marriott will retain profitable management agreements.

□ Roy Rogers successfully completed the sale of 108 Rustler steak house restaurants, and has sold 137 of the former Gino's units to date. The sale or conversion of the remaining units is anticipated in 1984.

□ The company entered into an agreement to sell the Santa Clara theme park land and improvements to the City of Santa Clara for \$101 million, with closing to take place in September 1984. The Santa Clara theme park will continue in operation through the 1984 season.

Capitalization Optimized

Marriott's ambitious capital investment and acquisition program is financed by a combination of retained Discretionary Cash Flow, incremental debt on an expanding asset base and sales of hotels with management agreements. Disciplined management of Marriott's highly liquid hotel assets and debt structure enables the company to maintain targeted leverage and minimize capital costs.

Marriott bases target debt levels on cash flow coverage of four times interest expense. Marriott's coverage objective is what lenders require to provide the company debt financing at prime rates.

Despite aggressive expansion, Marriott financing techniques maintained coverage at targeted levels, as shown on page 20. Total capital spending of \$499 million in 1983 and \$667 million in 1982 (including the Gino's and Host acquisitions) was financed primarily from internal cash flow and hotel dispositions. The 1984 capital program of about \$800 million will be financed in a similar manner.

The ability to grow aggressively yet maintain planned coverage demonstrates once again that Marriott's high Discretionary Cash Flow (\$8.85 per share versus EPS of \$4.15), combined with the declining capital intensity of the company's hotel business, has allowed Marriott to expand hotel rooms 20% annually without commensurate capital requirements. As a result, investment capacity can be released to fund additional corporate growth such as the successful 1982 Host and Gino's acquisitions. This is the prime reason that the company's compound five-year EPS growth of 24% has exceeded its target of 20%.

Marriott's objective is to minimize the cost of capital by optimizing the mix of fixed and floating interest rate debt obligations. Marriott's operating cash flows have a high correlation with inflation and short interest rates. Thus, an optimal debt structure requires a significant quantity of floating rate debt to minimize capital cost and risk. In addition, the company requires that construction in progress be financed in the traditional manner with floating rate debt. Excluding construction financing, long-term debt with floating interest rates averaged 58% of total debt capitalization in 1983, compared to 60% in 1982.

Marriott's policy of avoiding new commitments of non-prepayable, fixed-rate, long-term debt since 1980 has served the company well. Rather than speculate on fixed interest rates at relatively high levels, the company has matched capital costs with cash flows, thus minimizing capital cost and risk. The company expects to increase the proportion of fixed-rate debt in its capital structure when appropriate.

Debt maturity will remain well within Marriott's conservative policy limits, which require that total debt amortizing in the subsequent five-year period not exceed Funds Provided from Operations of the prior year. The company has met this policy constraint by wide margins since 1979, as shown below.

Debt Maturity Schedule
(\$ in millions)

Year	1983	1982	1981	1980	1979
1	\$ 25	\$ 23	\$ 16	\$ 9	\$ 9
2	36	28	17	18	18
3	43	36	22	18	24
4	50	42	40	34	27
5	62	48	43	38	35
Total	<u>\$216</u>	<u>\$177</u>	<u>\$138</u>	<u>\$117</u>	<u>\$113</u>
Funds Provided from Operations	<u>\$294</u>	<u>\$231</u>	<u>\$187</u>	<u>\$150</u>	<u>\$141</u>

Marriott has no requirement for positive working capital, since it principally sells services (rather than goods) for cash. Therefore, the company maintains relatively low receivable and cash balances. Negative working capital is a source of interest-free financing. As a result of a company-instituted program to aggressively reduce current asset investment, Marriott increased its negative working capital to \$93 million at year-end 1983.

Dividends and Stock Price Increase

In December 1983, the Board of Directors increased the cash dividend 22% to 44 cents annually. This is consistent with Marriott's goal to increase dividends with planned long-term earnings growth.

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

The range of Marriott stock prices by quarter was:

Quarter Ended in	1983		1982	
	High	Low	High	Low
March	63½	50¼	39	33
June	78¾	58¾	40¼	33¼
September	81	72¾	50¼	32
December	77¼	68½	61½	44½

Marriott's stock price has increased over five-fold during the past five years to a total market value of nearly \$2 billion. We believe this has occurred because:

- The company has maintained high real earnings growth and high capital productivity in a difficult economic environment.
- Marriott's aggressive unit expansion program has a high probability of continued success, considering units presently under construction or development.
- The investment community has a favorable market outlook for hotels—the company's principal business—in which Marriott's market share is rapidly growing.

Current Value Increases

Shareholders' equity per share, expressed on a Current Value basis, increased to \$70.66 in 1983 from \$62.15 in 1982. This compares favorably with the historical cost book value of \$23.37 per share.

Historical cost accounting understates both the value of Marriott's real estate-based assets and its investment capacity. The company's Current Value balance sheet restates historical cost assets and liabilities to reflect 1983 year-end valuations as well as the value of hotel management agreements. Current Value is based on the company's productive capacity and does not include anticipated growth. Therefore, it does not reflect the intrinsic value of Marriott. As shown, Current Value shareholders' equity increased 15% during 1983, primarily from strong discretionary cash flow and new hotel management agreements.

The \$1.3 billion increase in restated shareholders' equity, from \$628 million at historical cost to \$1.9 billion at Current Value, results from a consistent policy of owning and managing real estate assets prudently financed with debt.

Changes in Current Value Shareholders' Equity

	Millions	Per Share
Current Value at December 31, 1982	\$1,650	\$62.15
Discretionary Cash Flow	246	8.85
New Hotel Management Agreements	38	1.37
Deferred Taxes and Other	(35)	(1.71)
Current Value at December 30, 1983	<u>\$1,899</u>	<u>\$70.66</u>

Condensed Consolidated Current Value Balance Sheet

as of December 30, 1983

(in thousands)

	Current Value	Historical Cost
Current Assets	\$ 401,370	\$ 401,370
Property and Equipment, net	2,642,302	1,791,782
Hotel Management and Lease Agreements	462,432	—
Investments in and Advances to Affiliates	127,581	68,412
Other Assets	222,951	239,864
	<u>\$3,856,636</u>	<u>\$2,501,428</u>
Current Liabilities	\$ 493,921	\$ 493,921
Debt and Capital Lease Obligations	1,023,954	1,071,611
Other Long-Term Liabilities	60,009	60,009
Deferred Income Taxes	379,646	247,683
Shareholders' Equity	1,899,106	628,204
	<u>\$3,856,636</u>	<u>\$2,501,428</u>

Percentage of Debt and Capital

Lease Obligations to Total Capital	30.5%	53.4%
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Basis of Valuations

Property and equipment, hotel management agreements and investments in affiliates are valued on the basis of the present worth of estimated future cash flows after certain deductions, primarily anticipated asset maintenance requirements. Goodwill and deferred costs are assigned no value. Debt and capital lease obligations are discounted to present value. Discount rates reflect current market rates.

Deferred income taxes are provided to reflect the present value of projected income tax payments arising from the difference between assets' current value and net tax value.

Marriott is a quality-oriented growth company. For the last 20 years, our earnings growth has averaged 20% a year. Over the last five years, sales have grown from \$1.5 billion to \$3 billion, and earnings have compounded at 24% while maintaining a 20% return on equity. This was accomplished despite one of the most severe and prolonged business recessions in 40 years.

The company consistently has performed among the top 20% of the Standard & Poor's 500 in both returns and growth.

Commitment to Growth

Marriott's strong financial performance results from a tightly focused, conservative, long-term growth strategy.

We enter only closely related businesses which utilize our marketing, operating and financial skills, and whose economics we understand well.

We tightly manage these businesses, emphasizing unit-level performance. Marriott is not a holding company managing only through financial controls. It is a series of interlocking operating units which stresses hands-on management.

Marriott adjusts the expansion rate of its businesses according to their current performance and long-term prospects. For example, in the mid-1970s, we greatly stepped up hotel expansion—investing substantial corporate energies to develop hotel management and real estate expertise to accomplish this objective.

In another recent case, we were faced with declining customer counts in Eastern markets for Big Boy family restaurants. We suspended expansion until new programs for menus, marketing and operations could be implemented. Expansion of that division was resumed in 1983, after strong increases in customer counts and operating profits.

The risks we take in developing new businesses are mitigated somewhat because most of our investment is in readily marketable real estate assets whose appreciation potential does not depend entirely on the particular business being developed. This is true for hotels and restaurants, and recently was demonstrated in theme parks in a transaction involving the sale of our Santa Clara park for substantial profit.

We look for businesses which offer meaningful long-term profit growth potential, and generally dispose of those which do not. We sold a security division (1976), a travel agency and some dinner houses (1979), and Farrell's Ice Cream Parlours (1982)—all at relatively early stages of

development (and all at a profit). We currently are developing new business opportunities which can each contribute a minimum of 50 cents to \$1.00 in earnings per share when fully established.

Historically, we have evolved into related business lines. During the 1950s and 1960s, we entered the lodging business, acquired Big Boy restaurants, developed Roy Rogers, and began international expansion. Today, these businesses account for two-thirds of Marriott's operating income.

During the 1970s, we focused resources primarily on expansion of the Hotel Group. We have developed and financed over \$4 billion in hotels since 1970.

By 1980, management began to direct increasing attention to the internal development of new businesses to sustain Marriott's growth through the 1990s. Our corporate planning and market research departments, formed during the late 1970s, began to shift their attention to new business opportunities. The most obvious areas for development were related to Marriott's lodging skills. The project to launch a new moderately priced hotel was begun in 1980.

Development of Courtyard

This effort resulted in the development of Courtyard hotels. Early results from units operating in Atlanta are promising. Marriott will decide later this year whether to expand the concept.

Courtyard is an example of a deliberate, research-based process to develop a new service business. The process involves controlled risks, and is similar to the approach packaged goods companies take when test marketing new products.

The business of innovation is considerably different than the operation of established businesses, so we decided to organize differently for new product development. In late 1980, we carefully selected a small team for hotel product development. They had no other responsibilities and had access to all corporate resources.

The team studied all aspects of the U.S. lodging industry, from the \$25-a-night budget category to the luxury market. It focused on the large, moderately priced segment. Analysis confirmed the long-term vitality of business and pleasure travel demand within that segment.

Our extensive consumer research of this business revealed few surprises. It indicated clearly that most travelers in the moderate segment wanted:

- An attractive, comfortable, functional room.
- A relaxing, secure environment.
- A relatively simple restaurant with good food.
- A well managed operation with friendly, helpful employees.
- All at an affordable price.

The research also showed that most moderately priced hotels and motels in America did not adequately deliver these benefits. Many travelers in the moderate segment were dissatisfied.

Therefore, our goal was to design a better product and support it with a specially designed, integrated "business system." This "system" would encompass operations, marketing, procurement, management information systems and management development.

By mid-1981, the team had developed the basic concept framework for the product:

- Courtyard would be a tightly focused product which targeted transients, not groups, in the moderate price segment.
- The hotel would be 150 rooms or less, to maintain a residential feel and facilitate development in small pockets of demand.
- It would serve a limited breakfast, lunch and dinner.
- Courtyard would be a standardized product managed in "clusters," using computerization and market management teams to reduce operating costs and simplify property management tasks.

Next, our architectural design and consumer research groups worked jointly to develop, test and refine the product. We borrowed from our experience and research in the luxury end of the market. Dozens of room sizes and layouts were tested to create a room with the feeling of distinct areas for sleeping, working, relaxing and bathing/dressing.

We found product features could be simple if they were well executed. These included individual room climate controls, large workable desks, phones usable at bed and desk, inside corridors and stairs, and extra security systems.

By early 1982, consumer research indicated that our prototype had strong appeal, but we were not satisfied with the projected staffing levels and investment costs. The project team worked to simplify design, construction and operations. Unit investment levels and staffing hours

were reduced by an additional 25%, with minimal impact on guest areas. Further research confirmed that this was an appealing and very competitive product for the middle market.

In May 1982, the Board of Directors approved a test market consisting of five units in Georgia. The markets were carefully selected to maximize our learning about the product. We wanted to go against strong competitors and to test the product's appeal in a variety of site and market conditions.

Marriott's hotel development resources have been used in the project, in anticipation of favorable test market results. The process of evaluating expansion markets and selecting sites is underway.

Performance of the initial units, which opened in October 1983, has met our expectations. Moreover, we continue to search for opportunities to further reduce investment as well as strengthen product appeal.

Other Business Development

Courtyard is more than a new product in a test market. It reflects our management process and commitment to the development of new businesses within the company.

This process begins with a climate which encourages "product champions." Peter Drucker has observed, "Money does not produce innovations; people do." We have a small group of full-time product champions within Marriott, and are working hard to create an environment in which anyone can feel free to propose a new idea.

The company spends several million dollars annually on research and development for new business opportunities. Dozens of reasonable business propositions are analyzed in depth for every one or two that ultimately will be marketed.

The process requires close, frequent interaction between each product development team and senior operating management. Planning at Marriott is not an "ivory tower" exercise.

For competitive reasons, Marriott's policy is not to publicly discuss products under development. But beyond Courtyard, dozens of ideas have been carefully analyzed in the last two years. Several are in advanced stages of development. They promise to make a material contribution to our profitability during the 1990s.

I N C O M E S T A T E M E N T

Marriott Corporation and Subsidiaries
 Fiscal years ended December 30, 1983, December 31, 1982 and January 1, 1982

	1983	1982	1981
(in thousands except per share amounts)			
Sales			
Hotels	\$1,320,535	\$1,091,673	\$ 860,134
Contract Food Services	950,617	819,824	599,050
Restaurants	679,375	547,403	446,475
Theme Parks	86,176	82,453	94,655
Total sales	\$3,036,703	\$2,541,353	\$2,000,314
Operating Income			
Hotels	\$ 139,706	\$ 132,648	\$ 117,561
Contract Food Services	73,300	51,006	45,552
Restaurants	61,634	48,492	38,533
Theme Parks	13,041	20,004	17,714
Total operating income	287,681	252,150	219,360
Interest expense, net	55,270	66,666	52,024
Corporate expenses	34,309	31,801	28,307
Income before Income Taxes	198,102	153,683	139,029
Provision for income taxes	82,857	59,341	52,893
Net Income	\$ 115,245	\$ 94,342	\$ 86,136
Earnings Per Share			
Primary	\$ 4.15	\$ 3.46	\$ 3.21
Fully diluted	\$ 4.15	\$ 3.44	\$ 3.20

The accompanying notes are an integral part of this and related statements.

BALANCE SHEET

Marriott Corporation and Subsidiaries
December 30, 1983 and December 31, 1982

	1983	1982
	(in thousands)	
ASSETS		
Current Assets		
Cash and temporary cash investments	\$ 92,279	\$ 89,811
Accounts receivable	169,630	167,173
Inventories, at lower of average cost or market	95,806	89,071
Prepaid expenses	43,655	35,617
Total current assets	<u>401,370</u>	<u>381,672</u>
Property and Equipment, at cost		
Land	171,984	153,528
Buildings and improvements	373,593	419,634
Leasehold improvements	716,461	564,284
Furniture and equipment	475,003	446,133
Property under capital leases	86,539	89,297
Construction in progress	388,025	200,808
	<u>2,211,605</u>	<u>1,873,684</u>
Depreciation and amortization	<u>(419,823)</u>	<u>(379,457)</u>
	<u>1,791,782</u>	<u>1,494,227</u>
Other Assets		
Investments in and advances to affiliates	68,412	42,961
Assets held for sale	81,312	27,979
Cost in excess of net assets of businesses acquired	26,380	26,929
Other	132,172	88,880
	<u>308,276</u>	<u>186,749</u>
	<u>\$2,501,428</u>	<u>\$2,062,648</u>

The accompanying notes are an integral part of this and related statements.

	1983	1982
	(in thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term loans	\$ 8,895	\$ 9,155
Accounts payable	194,499	183,043
Accrued wages and benefits	111,420	91,145
Other payables and accrued liabilities	149,308	116,903
Current portion of debt and capital lease obligations	29,799	27,898
Total current liabilities	493,921	428,144
Debt		
Mortgage notes payable	491,999	182,455
Unsecured notes payable	509,144	627,854
	1,001,143	810,309
Capital Lease Obligations		
	70,468	79,016
Other Long-Term Liabilities		
	60,009	61,420
Deferred Income Taxes		
	247,683	167,754
Shareholders' Equity		
Common stock	29,422	29,424
Capital surplus	140,882	135,589
Deferred stock compensation and other	4,160	6,671
Retained earnings	494,585	389,524
Treasury stock, at cost	(40,845)	(45,203)
Total shareholders' equity	628,204	516,005
	\$2,501,428	\$2,062,648

CHANGES IN FINANCIAL POSITION

Marriott Corporation and Subsidiaries
Fiscal years ended December 30, 1983, December 31, 1982 and January 1, 1982

	1983	1982 (in thousands)	1981
Operations			
Net income	\$ 115,245	\$ 94,342	\$ 86,136
Add expenses not requiring current outlay of working capital:			
Depreciation and amortization of property and equipment	96,296	85,786	66,437
Deferred income taxes	71,109	43,198	26,626
Other	11,415	7,228	7,442
Funds provided from operations	294,065	230,554	186,641
Less refurbishment of existing operations	(47,994)	(38,423)	(29,950)
Discretionary Cash Flow	246,071	192,131	156,691
Financing Activities			
New financing	349,255	427,899	176,783
Maturities and prepayments of debt	(166,969)	(245,750)	(95,256)
	182,286	182,149	81,527
Investing Activities			
Investment in property and equipment	432,418	416,919	247,931
Investment in and advances to affiliated companies	25,584	4,372	124
Acquisitions of businesses	19,027	211,982	80,020
Proceeds from hotel dispositions (after tax) and syndication	—	(183,826)	(109,902)
Disposals of other property and equipment	(30,752)	(43,406)	(3,552)
Other	27,235	(5,069)	25,128
	473,512	400,972	239,749
Capital and Other Transactions			
Cash dividends	10,184	8,333	6,571
Issuance of stock, net	(9,215)	(8,681)	(30,807)
Conversion of debt	(45)	—	24,415
	924	(348)	179
Increase in Negative Working Capital	\$ 46,079	\$ 26,344	\$ 1,710
Summary of Decrease (Increase) in Working Capital:			
Cash and temporary cash investments	\$ (2,468)	\$ (48,645)	\$ (13,730)
Accounts receivable	(2,457)	(26,483)	(16,236)
Inventories	(6,735)	(23,847)	(12,517)
Prepaid expenses	(8,038)	(15,407)	(6,651)
Short-term loans	(260)	5,782	120
Accounts payable and accrued liabilities	64,136	124,255	44,111
Current portion of debt and capital lease obligations	1,901	10,689	6,613
Increase in Negative Working Capital	\$ 46,079	\$ 26,344	\$ 1,710

The accompanying notes are an integral part of this and related statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements include the accounts of Marriott Corporation, its subsidiaries and other majority-owned affiliates, except Marriott Financial Services, Inc., a wholly-owned finance subsidiary. The investment in the finance subsidiary, and investments in less than 50%-owned affiliates over which the company has the ability to exercise significant influence, are accounted for under the equity method. All material intercompany transactions and balances have been eliminated.

Fiscal Year

The company's fiscal year ends on the Friday closest to December 31 for domestic operations and on November 30 for foreign operations.

Managed and Leased Hotel Operations

The company operates 79 hotels under management and lease agreements whereby payments to owners are based primarily on hotel profits. Sales, expenses and operating working capital of managed and leased hotels operated with the company's employees are included in the accompanying financial statements. Payments to owners are included in rent expense.

Foreign Operations

The financial statements include net assets of foreign subsidiaries and affiliates of \$76,200,000 at December 30, 1983 and \$74,063,000 at December 31, 1982. Net income of these operations was \$12,102,000 in 1983, \$3,446,000 in 1982 and \$8,177,000 in 1981.

Property and Equipment

Costs incurred in developing real estate, including interest, rent and real estate taxes during the construction period, are capitalized. Capitalized interest totaled \$38,100,000 in 1983, \$32,768,000 in 1982 and \$24,168,000 in 1981. Replacements and improvements, including most costs of converting units, are capitalized.

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

Upon sale or retirement of property and equipment (excluding theme park rides and equipment), the costs

less accumulated depreciation and salvage are charged or credited to income. Theme park rides and equipment are depreciated using the composite method and no gain or loss is recognized on normal sales or retirements.

Cost in Excess of Net Assets of Businesses Acquired

The cost in excess of net assets of businesses acquired prior to October 31, 1970 (at which time amortization became mandatory) of \$11,765,000 is not being amortized because, in management's judgment, it has continuing value. The remaining \$14,615,000 at December 30, 1983 is being amortized over periods of up to 40 years.

Pre-Opening and Off-Season Costs

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

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

Profit Sharing Plan

The company contributes to a profit sharing plan for the benefit of employees meeting certain eligibility requirements and electing participation in the plan. Company contributions are a specified percentage of the company's pre-tax income as defined by the plan and were \$18,025,000 in 1983, \$11,983,000 in 1982 and \$12,698,000 in 1981.

Income Taxes

The provision for income taxes is based on income recognized for financial reporting purposes and includes the effect of timing differences between such income and that recognized for tax purposes, principally depreciation, interest and partnership interests. Investment tax credits are accounted for using the "flow-through" method.

No provision for income taxes has been made on the unremitted earnings of foreign subsidiaries (\$37,286,000 as of December 30, 1983) because management considers these earnings to be permanently invested.

Earnings Per Share

Primary and fully diluted earnings per share are based on the weighted average number of shares outstanding during each year, adjusted for the dilutive effect

of employee stock option and purchase plans and deferred stock compensation. Primary and fully diluted shares for 1983 were 27,771,541 and 27,790,909, respectively.

Discretionary Cash Flow

Discretionary Cash Flow represents funds provided from operations less capital expenditures that, in management's judgment, were required to maintain the competitive position of existing property and equipment.

INVESTMENTS IN AFFILIATES

Investments in and advances to affiliates consist of:

	1983	1982
	(in thousands)	
Hotel joint ventures	\$44,956	\$31,488
Marriott Financial Services, Inc.	12,013	—
Sun Line Greece Special Shipping Company	8,505	9,758
Other joint ventures	2,938	1,715
	<u>\$68,412</u>	<u>\$42,961</u>

The company has minority interests in eight joint ventures that own hotels operated by the company under long-term agreements. Amounts retained by the company for management services are based primarily on profits of the hotels. At December 30, 1983, combined assets and liabilities of these joint ventures were \$574,853,000 and \$537,335,000, respectively. Liabilities include mortgages of \$516,539,000 which are secured solely by venture assets, generally without recourse to the company, except as described below. The company also has investments in six other joint ventures presently constructing hotels that will be operated by the company.

The company is the sole general partner in a partnership formed in July 1982 to develop, own and operate 11 hotels. As of December 30, 1983, 10 hotels were in operation and one was under construction. The hotels are managed by a subsidiary of the company as part of the Marriott hotel system. A group of commercial banks has committed to loan this partnership, on a limited recourse basis, a total of \$456 million to provide financing for the \$365 million original estimated cost of the hotels and to meet certain required interest payments (up to \$91 million) on indebtedness, if needed. As of December 30, 1983, \$305,455,000 has been borrowed under this commitment.

The company has agreed to advance up to \$45,625,000 to the partnership to cover shortfalls in certain partnership debt service and, as of December 30, 1983, \$9,100,000 has been advanced. Any such advances by the company are recoverable from subsequent partner-

ship cash flows after partnership debt service. Additionally, the company has agreed to advance up to \$39,838,000 to cover construction costs in excess of the budgeted amounts, but does not anticipate having to advance any funds under this guarantee.

In the fourth quarter of 1983, the company sold \$57,573,000 of notes and trade accounts receivable to Marriott Financial Services, Inc. ("MFS"). The company has guaranteed borrowings by MFS of \$46,675,000 at December 30, 1983 under a revolving credit arrangement.

INCOME TAXES

Income tax expense consists of:

	1983	1982	1981
	(in thousands)		
Current—Federal	\$19,631	\$26,670	\$31,844
—State	3,952	4,390	5,043
—Foreign	4,854	2,530	4,673
Deferred	71,109	43,198	26,626
Tax credits			
Investment tax credit	(11,529)	(13,863)	(11,433)
Employee stock ownership plan	(2,600)	(1,363)	(1,560)
Jobs tax credit	(2,560)	(2,221)	(2,300)
Provision for income taxes	<u>\$82,857</u>	<u>\$59,341</u>	<u>\$52,893</u>

The deferred provision is primarily attributable to the tax effects of excess tax over book depreciation (\$22,907,000 in 1983, \$14,632,000 in 1982 and \$12,629,000 in 1981), capitalized interest (\$14,011,000 in 1983, \$10,863,000 in 1982 and \$11,518,000 in 1981) and partnership interests (\$28,819,000 in 1983 and \$9,198,000 in 1982). Tax credits arising from contributions to employee stock ownership plans offset a corresponding charge to corporate expenses.

A reconciliation of the United States statutory tax rate and the company's consolidated effective income tax rate follows:

	1983	1982	1981
United States statutory tax rate	46.0%	46.0%	46.0%
State income taxes, net of U.S. tax benefit	4.3	3.6	3.6
Foreign earnings and losses subject to aggregate tax rates less than U.S. rate	(1.8)	(.6)	(1.6)
Other items, net	1.7	1.0	1.0
Effective gross income tax rate	50.2	50.0	49.0
Tax credits	(8.4)	(11.4)	(11.0)
Effective income tax rate	<u>41.8%</u>	<u>38.6%</u>	<u>38.0%</u>

DEBT

Maturities of debt at December 30, 1983 are:

	(in thousands)
1985	\$ 36,081
1986	43,064
1987	50,234
1988	62,192
to 2024	809,572
	<u>\$1,001,143</u>

The company has debt of \$801,607,000 as of December 30, 1983, at interest rates which vary based on the prime lending rate, the Treasury bill rate, the London Euro-dollar interbank rate or negotiated rates based on the lenders' cost of funds. The weighted average interest rate on this debt was 10% in 1983.

The company's loan agreements require, among other things, the maintenance of minimum net worth, asset-to-debt and debt-to-equity ratios. The loan agreements also include restrictions on cash dividends, other payments and the pledging of certain assets. At December 30, 1983, retained earnings of \$276,231,000 are unrestricted and \$670,348,000 of owned property and equipment, at net book value, is pledged or mortgaged.

Mortgage notes of \$491,999,000 bear interest at rates ranging from 5.5% to 13.1% and mature serially through 2024. Of the total mortgage debt outstanding, \$371,512,000 is secured, generally without recourse to the company, by specific assets with a net book value that approximates the outstanding loan balance.

Unsecured debt at December 30, 1983 consists of:

	(in thousands)
Senior notes payable with interest at 10% and maturing 1985 to 1997	\$ 29,900
Notes payable with interest at 5.2% to 12.0% and maturing 1985 to 2010	60,819
Bank and other loans with average interest at 10.4% and maturing through 1993 (includes short-term debt of \$182,508,000)	418,425
	<u>\$509,144</u>

The company has \$617,000,000 of revolving loan commitments at December 30, 1983. A commitment fee of up to .5% is payable on the unused portion. Revolving loan commitments, short-term loans and commercial paper are used for interim financing. Such financing is classified as noncurrent to the extent funds are available under revolving loan agreements maturing beyond one year. The above maturity table reflects the maturities of unsecured

debt based on the permanent loan repayment schedule, the maturity schedule of revolving bank loans and management's estimation of prepayments.

Under certain bank agreements, the company maintains average compensating balances equal to a percentage (3%-5%) of the amounts available or borrowed. All compensating balance agreements are informal and do not legally restrict withdrawal of funds. The average compensating balance during 1983 was \$12,918,000.

LEASES

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

Fiscal Year	Capital Leases	Operating Leases	Operations Held for Sale
		(in thousands)	
1984	\$ 11,735	\$ 48,533	\$ 3,382
1985	11,515	45,547	3,363
1986	11,145	44,370	3,275
1987	10,820	41,906	3,184
1988	10,392	37,938	3,180
Thereafter	89,240	322,020	16,569
Total minimum lease payments	144,847	<u>\$540,314</u>	<u>\$32,953</u>
Amount representing interest	(69,526)		
Present value of net minimum lease payments	75,321		
Current portion of capital lease obligations	(4,853)		
Long-term capital lease obligations	<u>\$ 70,468</u>		

These future rentals have not been reduced by minimum sublease rentals of \$51,786,000, payable to the company under non-cancelable subleases.

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

Minimum rentals under leases related to units acquired as part of the Gino's acquisition, which the company intends to divest under the original merger plan, are shown separately in the table above.

The company operates certain hotels under long-term agreements (up to 75 years including renewal options) with rentals and management fees based primarily on hotel profits.

Rent expense consists of:

	1983	1982	1981
	(in thousands)		
Minimum rentals on operating leases	\$ 50,428	\$ 47,907	\$ 19,470
Additional rentals based on sales			
operating leases	28,950	20,477	11,818
capital leases	2,505	3,358	1,698
	<u>\$ 81,883</u>	<u>\$ 71,742</u>	<u>\$ 32,986</u>
Payments to owners of leased and managed hotels	<u>\$ 182,656</u>	<u>\$ 135,233</u>	<u>\$ 97,124</u>

CAPITAL STOCK

Sixty million shares of common stock, with a par value of \$1 per share, are authorized, of which 29,421,574 and 29,423,664 were issued at December 30, 1983 and December 31, 1982, respectively, including treasury stock of 2,545,230 and 2,868,972, respectively. One million shares of preferred stock, without par value, are authorized. As of December 30, 1983, no preferred shares have been issued.

Total common stock shares reserved at December 30, 1983 are:

Employee stock option plan	1,781,581
Deferred stock compensation program (516,875 shares fully vested)	931,686
Employee qualified stock purchase plan	531,444
Restricted stock plan for key employees	25,000
Conversions of convertible subordinated debt	1,952
Total shares reserved	<u>3,271,663</u>

Under the employee stock option plan, options to purchase shares of common stock may be granted to key employees at not less than 100% of the fair market value on the date of grant. All options expire 10 years after the date of grant and are exercisable in cumulative installments of one-fourth at the end of each of the first four years. Activity under the plan is summarized below:

	Shares Under Option	
	Number of Shares	Option Price Per Share
Balance, January 2, 1981	1,178,018	\$ 9.31—34.50
Granted	291,160	33.13—41.56
Exercised	(85,954)	9.69—28.69
Canceled	(44,592)	9.69—33.44
Balance, January 1, 1982	1,338,632	9.31—41.56
Granted	355,290	36.25—60.94
Exercised	(247,639)	9.31—33.44
Canceled	(62,728)	9.69—49.56
Balance, December 31, 1982	1,383,555	9.69—60.94
Granted	341,565	51.38—76.13
Exercised	(199,929)	9.69—49.56
Canceled	(50,332)	10.74—73.25
Balance, December 30, 1983	<u>1,474,859</u>	9.69—76.13

At December 30, 1983 options for 688,230 shares were exercisable, and 306,722 shares were available for granting of additional options. No accounting is made for options until they are exercised.

Shares of deferred stock may be granted to key employees and generally vest in annual pro rata installments commencing one year after grant and continuing until retirement. However, upon termination all non-vested shares are forfeited. The company accrues compensation expense for the fair market value of the shares on the date of grant, less estimated forfeitures.

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

BUSINESS SEGMENT INFORMATION

Results of operations by principal business segment are included in the Income Statement. Net assets employed, identifiable assets, capital expenditures and acquisitions, and depreciation and amortization by principal business segment are (in millions):

	Net Assets Employed*			Identifiable Assets			Capital Expenditures and Acquisitions			Depreciation and Amortization		
	1983	1982	1981	1983	1982	1981	1983	1982	1981	1983	1982	1981
Hotels	\$1,031.7	\$ 729.9	\$ 543.2	\$1,264.6	\$ 909.7	\$ 675.2	\$377.2	\$371.5	\$247.8	\$27.4	\$22.7	\$20.6
Contract Food Services	290.6	274.8	182.3	391.6	373.3	239.8	43.8	127.7	42.6	26.1	22.9	13.1
Restaurants	424.5	401.5	238.3	483.0	452.2	274.4	61.4	199.6	54.1	30.7	25.1	19.1
Theme Parks	161.2	160.9	166.4	167.7	169.0	172.0	9.9	10.6	10.8	9.1	12.4	11.3
Corporate	99.5	67.4	37.3	194.5	158.4	93.5	7.1	11.9	2.6	3.0	2.7	2.3
Total	\$2,007.5	\$1,634.5	\$1,167.5	\$2,501.4	\$2,062.6	\$1,454.9	\$499.4	\$721.3	\$357.9	\$96.3	\$85.8	\$66.4

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

ACQUISITIONS AND DISPOSITIONS

In 1982, subsidiaries of the company acquired the outstanding common stock of Host International, Inc. ("Host") and Gino's Inc. ("Gino's") for cash in transactions accounted for as purchases. The aggregate purchase price, including long-term liabilities assumed, was \$204,725,000 for Host and \$112,725,000 for Gino's. The excess of cost over values assigned (goodwill) of \$8,576,000 for Host is being amortized on a straight-line basis over 40 years.

The results of operations of Host's airline terminal, specialty restaurant and retail merchandising facilities are included in the company's financial statements from the date of acquisition, March 3, 1982, and are reported within the Contract Food Services and Restaurant segments. On an unaudited pro forma basis, results of operations for 1982 and 1981, as if Host had been acquired at the beginning of 1981, would include sales of \$2,590,555,000 and \$2,294,448,000, net income of \$93,175,000 and \$79,988,000 and fully diluted earnings per share of \$3.39 and \$2.97, respectively. These pro forma results include adjustments to reflect the interest expense on funds borrowed to finance the acquisition, additional depreciation on assets acquired and the elimination of results from discontinued operations.

Gino's was a fast food and restaurant company acquired primarily to obtain prime real estate sites to be converted into Roy Rogers restaurants. Units acquired that

were to be sold were recorded at their estimated net realizable values as of the acquisition date, February 5, 1982, and remaining units have been reported as "Assets Held for Sale." Operating profits for Gino's units are being recorded as a reduction in the cost of those units being converted.

In August 1983, the company entered into an option to sell land under the Santa Clara theme park for \$86.5 million. The option was subordinated to the right of the City of Santa Clara, California to buy the park. On January 31, 1984, the City agreed to buy the park land and improvements for \$101 million in a transaction to be completed in September 1984. The original option holders have commenced legal actions to stop the sale and recover damages. Management does not believe the suit has merit, and intends to contest it vigorously. The assets of the park have been reported as "Assets Held for Sale" at their net book value on the date the option was granted. Although a gain is expected to be realized upon completion of the sale, the amount is not presently determinable. The Santa Clara theme park will continue in operation through the 1984 season.

CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity for the last three fiscal years were:

	Common Stock (\$1.00 par value)	Capital Surplus	Deferred Stock Compensation and Other	Retained Earnings	Treasury Stock
	(in thousands)				
Balance, January 2, 1981	\$29,424	\$117,587	\$ 8,507	\$223,950	\$(67,963)
Net income	—	—	—	86,136	—
Common stock issued	—	—	—	—	—
Employee stock purchase and stock option plans	—	73	—	—	4,127
Conversion of convertible subordinated debentures	—	12,356	—	—	12,664
Cash dividends (\$.255 per share)	—	—	—	(6,571)	—
Deferred stock compensation	—	348	1,601	—	428
Cumulative foreign currency translation adjustment	—	—	(1,900)	—	—
Other	—	1,185	—	—	(223)
Balance, January 1, 1982	29,424	131,549	8,208	303,515	(50,967)
Net income	—	—	—	94,342	—
Common stock issued for employee stock purchase and stock option plans	—	1,022	—	—	5,207
Cash dividends (\$.315 per share)	—	—	—	(8,333)	—
Deferred stock compensation	—	1,057	967	—	1,342
Foreign currency translation adjustment	—	—	(2,504)	—	—
Other	—	1,961	—	—	(785)
Balance, December 31, 1982	29,424	135,589	6,671	389,524	(45,203)
Net income	—	—	—	115,245	—
Common stock issued for employee stock purchase and stock option plans	—	2,441	—	—	4,627
Cash dividends (\$.38 per share)	—	—	—	(10,184)	—
Deferred stock compensation	—	598	1,963	—	641
Foreign currency translation adjustment	—	—	(4,474)	—	—
Other	(2)	2,254	—	—	(910)
Balance, December 30, 1983	\$29,422	\$140,882	\$ 4,160	\$494,585	\$(40,845)

QUARTERLY FINANCIAL RESULTS (Unaudited)

A summary of selected quarterly financial data for fiscal years 1983 and 1982 follows (in thousands except per share amounts):

	Sales	Income Before Income Taxes	Net Income	Earnings Per Share
1983				
First	\$ 635,045	\$ 33,151	\$ 19,239	\$.70
Second	705,721	49,953	28,331	1.02
Third	747,154	63,420	36,670	1.32
Fourth	948,783	51,578	31,005	1.11
Year	<u>\$3,036,703</u>	<u>\$198,102</u>	<u>\$115,245</u>	4.15
1982				
First	\$ 516,209	\$ 28,812	\$ 16,942	\$.63
Second	600,861	36,705	22,370	.82
Third	631,660	47,068	29,895	1.10
Fourth	792,623	41,098	25,135	.91
Year	<u>\$2,541,353</u>	<u>\$153,683</u>	<u>\$ 94,342</u>	3.44

Each of the first three quarters consists of 12 weeks, while the fourth quarter includes 16 weeks.

The sum of the earnings per share for the four quarters may differ from the annual earnings per share due to the required method of computing the quarterly and annual amounts on the weighted average number of shares in the respective periods.

In the fourth quarter of 1982, the company disposed of approximately 35 acres of excess land at the Santa Clara theme park, resulting in a pre-tax gain of \$16,874,000. In addition, various write-offs and reserves also were recorded, primarily related to airline receivables and foreign operations. The net effect of the foregoing items was to increase earnings per share for the fourth quarter of 1982 by \$.07 per share.

CONSTANT DOLLAR AND CURRENT COST INFORMATION (Unaudited)

The following tables are required by Statement of Financial Accounting Standards No. 33. They adjust historical cost financial information for changes in the general purchasing power of the dollar as measured by the Consumer Price Index and for changes in the specific prices of resources utilized in the company's operations. However, this information distorts economic performance because historical cost depreciation is further increased for changes in general price levels and the company's current costs, whereas the company's real estate-based assets require less annual capital reinvestment than is provided by historical cost depreciation. Accordingly, Current Value information on page 24 is more meaningful in evaluating the company's performance and financial condition.

Income Statement Adjusted for Changing Costs for the year ended December 30, 1983 (in thousands of average 1983 dollars)

Net income as reported	\$115,245
Constant dollar adjustment for depreciation and amortization of property and equipment	<u>(30,461)</u>
Constant dollar net income	84,784
Current cost adjustments for depreciation and amortization of property and equipment	<u>13,563</u>
Current cost net income	98,347
Gain from decline in purchasing power of net amounts owed	<u>47,873</u>
Adjusted net income	<u>\$146,220</u>
Increase in current cost of property and equipment held during the year	\$100,004
Effect of increase in general price level	<u>63,307</u>
Increase in current costs excluding increase in general price level	<u>\$ 36,697</u>

At December 30, 1983, current cost of inventories was \$95,806,000 and current cost of property and equipment (excluding construction in progress), net of accumulated depreciation, was \$1,781,737,000.

Current cost is based on the company's estimate of the cost of reproducing selected representative major facilities. Current cost of leasehold improvements is estimated using appropriately indexed historical costs. Current cost for the balance of the company's service potential, primarily furniture and equipment, is derived from vendor quo-

tations, published price lists or indexed historical costs. The company's inventory turns over rapidly and thus its cost is current; accordingly, cost of sales already is stated in average 1983 dollars.

In accordance with Financial Accounting Standard No. 33, no adjustment has been made to the provision for income taxes. Accordingly, the effective income tax rate increases from 41.8%, as reported in the financial statements, to 45.7% in the 1983 current cost calculations.

Five-Year Comparison of Selected Supplementary Financial Data*

Adjusted for Effects of Changing Prices

(in thousands of average 1983 dollars except per share amounts)

	1983	1982	For Fiscal Years 1981	1980	1979
Sales					
Adjusted for constant dollars	\$3,036,703	\$2,623,105	\$2,191,240	\$2,078,070	\$2,072,544
Net income					
Adjusted for constant dollars	84,784	62,419	60,018	58,223	73,069
Adjusted for current costs	98,347	72,831	78,407	75,098	86,172
Fully diluted earnings per share					
Adjusted for constant dollars	3.05	2.27	2.22	2.12	2.01
Adjusted for current costs	3.54	2.65	2.91	2.70	2.37
Shareholders' equity at year end					
Adjusted for constant dollars	1,109,272	1,024,301	953,032	825,958	958,015
Adjusted for current costs	1,029,441	869,883	791,553	674,034	853,298
Increase (decrease) in current costs excluding increases in general price level	36,697	9,103	(34,760)	(101,823)	(134,067)
Constant dollar gain from decline in purchasing power of net amounts owed	47,873	36,575	71,530	84,731	75,641
Cash dividends declared per common share adjusted for constant dollars	.38	.32	.28	.25	.23
Market price per common share at year end adjusted for constant dollars	70.05	59.70	38.04	36.66	22.55
Average consumer price index	298.4	289.1	272.4	246.8	217.4

*Financial data for Host and Gino's are reflected from respective dates of acquisition in 1982.

MANAGEMENT'S REPORT

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

The financial statements have been examined by Arthur Andersen & Co., independent public accountants. The auditors' report expresses an informed judgment as to whether management's 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 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.
February 14, 1984*

AUDITORS' REPORT

To the Shareholders of Marriott Corporation

We have examined the balance sheet of Marriott Corporation (a Delaware corporation) and Subsidiaries as of December 30, 1983 and December 31, 1982, and the related statements of income and changes in financial position for each of the three fiscal years in the period ended December 30, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Marriott Corporation and Subsidiaries as of December 30, 1983 and December 31, 1982, and the results of their operations and the changes in their financial position for each of the three fiscal years in the period ended December 30, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

*Washington, D.C.
February 14, 1984*

FINANCIAL HISTORY

(dollars in thousands except per share amounts)

Years	1983	1982	1981	1980 (53 weeks)
Summary of Operations*				
Sales	3,036,703	2,541,353	2,000,314	1,718,725
Earnings before interest and taxes	253,372	220,349	191,053	166,908
Interest cost, net	55,270	66,666	52,024	46,820
Income before income taxes	198,102	153,683	139,029	120,088
United States and foreign income taxes	82,857	59,341	52,893	48,058
Net income	115,245	94,342	86,136	72,030
Funds provided from operations**	294,065	230,554	186,641	150,292
Capital expenditures and acquisitions net of hotel sales	499,439	483,498	247,999	168,289
Capitalization and Returns				
Total assets	2,501,428	2,062,648	1,454,876	1,214,264
Total capital***	2,007,507	1,634,504	1,167,458	977,690
Shareholders' equity	628,204	516,005	421,729	311,505
Debt and capital lease obligations	1,071,611	889,325	607,743	536,607
Percent to total capital	53.4%	54.4%	52.1%	54.9%
Return on average shareholders' equity	20.0%	20.0%	23.4%	23.8%
Return on average total capital (before interest and taxes)	14.4%	14.8%	17.6%	18.0%
Per Share and Other Data				
Fully diluted earnings per share	4.15	3.44	3.20	2.60
Percent increase for the year	20.6%	7.5%	23.1%	33.3%
Cash dividends	.38	.315	.255	.21
Shareholders' equity	23.37	19.43	16.12	12.43
Quoted market price at year-end	71.25	58.50	35.88	31.75
Shares outstanding	26,876,344	26,554,692	26,158,762	25,061,265
Hotel rooms:				
Total	54,986	49,432	40,419	30,169
Company-operated	45,909	41,126	33,088	23,704
Employees	109,400	109,200	81,800	67,300

*See Notes to Financial Statements for summary of significant accounting policies and additional information.

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

***Total capital represents total assets less current liabilities.

1979	1978	1977	1976	1975	1974	5-Year Compound Growth Rate	10-Year Compound Growth Rate
(53 weeks)							
1,509,957	1,249,595	1,090,313	946,715	775,866	691,174	19.4	17.9
150,985	118,987	99,329	79,658	63,160	61,933	16.3	16.8
27,840	23,688	30,206	26,772	23,017	20,259		
123,145	95,299	69,123	52,886	40,143	41,674	15.8	17.8
52,145	40,999	30,073	20,938	15,995	17,576		
71,000	54,300	39,050	31,948	24,148	24,098	16.2	17.6
140,934	121,588	99,834	92,180	77,605	68,310	19.3	18.0
158,516	49,208	98,387	119,182	132,500	161,713	59.0	15.2
1,080,365	1,000,255	949,510	886,865	830,975	726,146		
891,866	826,883	823,645	785,540	739,311	635,996		
413,503	418,656	365,796	326,473	263,730	234,860		
365,279	309,899	369,514	378,252	405,658	336,155		
41.0%	37.5%	44.9%	48.2%	54.9%	52.9%		
17.0%	13.9%	11.1%	10.4%	9.5%	10.6%		
17.7%	14.5%	12.4%	10.3%	9.1%	10.9%		
1.95	1.43	1.04	.86	.69	.70	23.7	19.8
36.4%	37.5%	20.9%	24.6%	(1.4%)	12.9%		
.17	.13	.03	—	—	—		
12.88	11.40	10.02	8.95	7.68	6.95		
17.38	12.13	11.75	13.54	15.46	6.50		
32,098,333	36,714,645	36,506,969	36,464,651	34,358,503	33,788,105		
26,284	22,658	19,231	17,850	16,072	14,110	19.4	16.5
20,956	17,987	15,383	14,765	12,987	11,435	20.6	17.0
65,700	63,600	56,100	52,900	47,600	44,400	11.5	10.4

MARRIOTT LOCATIONS *

MARRIOTT HOTELS AND RESORTS**

United States

Alabama

Point Clear
Grand Hotel

Arizona

Scottsdale
Camelback Inn
Mountain Shadows Resort
Tucson

California

Anaheim
Irvine
Los Angeles area
Airport
Marina del Rey
Newport Beach
Palm Springs
Rancho Las Palmas Resort
San Francisco area
Berkeley Marina
Fisher's Wharf***
Santa Barbara
Biltmore
Santa Clara
Colorado

Denver area
City Center
Southeast
West

Vail
Mark Resort

Connecticut

Hartford/
Farmington
Stamford

Florida

Fort Lauderdale
Hotel/Marina
Harbor Beach Resort***
Key West

Casa Marina Resort
Marco Island
Marco Beach Resort

Miami
Airport
Biscayne Bay

Orlando
Airport
Orlando Inn

Tampa
Airport
Westshore

Georgia

Atlanta
Airport
Downtown
Northwest
Perimeter Center

Hawaii

Maui
Maui Resort

Illinois

Chicago area
Downtown
Lincolnshire Resort
Oak Brook
O'Hare
Schaumburg

Indiana

Fort Wayne
Indianapolis
South Bend

Iowa

Des Moines

Kansas
Overland Park***

Kentucky

Lexington
Griffin Gate Resort
Louisville/Clarksville

Louisiana

New Orleans

Maryland

Baltimore
Hunt Valley Inn

Massachusetts

Boston area
Burlington
Copley Place***

Long Wharf
Newton
Springfield
Worcester

Michigan

Ann Arbor
Detroit
Airport
Grand Rapids

Minnesota

Minneapolis/Bloomington

Missouri

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

Nebraska

Omaha

New Jersey

Newark
Airport***
Saddle Brook
Somerset

New Mexico

Albuquerque
New York
Buffalo/Amherst
New York City area

Essex House
LaGuardia
Long Island
Westchester

Rochester

Airport
Thruway
Syracuse

North Carolina

Charlotte
City Center***
Executive Park
Greensboro
Raleigh

Ohio

Cincinnati
Cleveland
Airport
East

Columbus
East
North
Dayton

Oklahoma

Tulsa

Oregon

Portland

Pennsylvania

Harrisburg
Philadelphia
Airport
City Line
Pittsburgh area
Greentree
Monroeville

Rhode Island

Providence

South Carolina

Charleston
Columbia
Hilton Head Island
Hilton Head Resort

Tennessee

Nashville

Texas

Austin
Corpus Christi***
Dallas

Airport
Market Center
Park Central
Quorum

El Paso
Galveston
Hotel Galvez
Houston

Airport
Astrodome
Brookhollow
Galleria
Greenspoint
Medical Center***

San Antonio
Downtown
North

Utah

Salt Lake City

Virginia

Blacksburg
Richmond***
Roanoke***

Washington

Seattle
Airport

Washington, D.C. area

Bethesda
Crystal City
Crystal Gateway
Dulles
Gaithersburg
J.W. Marriott
at National Place***
Key Bridge
Twin Bridges
Tysons Corner
Washington

West Virginia

Charleston

Wisconsin

Milwaukee

International

Egypt
Cairo

England

London

France

Paris***

Greece

Athens

Jordan

Amman

Kuwait

Kuwait City

Mexico

Acapulco
Paraiso

The Netherlands

Amsterdam

Panama

Panama City

Saudi Arabia

Jeddah
Riyadh

West Indies

Barbados
Sam Lord's Castle Resort

Future Hotels

Austria

Vienna '85

California

Los Angeles
Warner Center '85
Palm Desert '86

San Diego/

La Jolla '85

San Francisco

Airport '85

Torrance '85

Florida

Orlando
World Center '86

Georgia

Atlanta
Marriott Marquis '85

New York

New York City
Marriott Marquis '85

Oklahoma

Oklahoma City '85

For Reservations

Call Toll-Free
800/228-9290

COURTYARD HOTELS

Georgia

Atlanta area
Northlake***
Peachtree-Dunwoody
Windy Hill

Augusta***

Columbus***

For Reservations

Call Toll-Free
800/321-2211

**CONTRACT
FOOD SERVICES**

**Flight Kitchens and
Airport Concessions†**

United States

Alaska
Anchorage

Arizona
Phoenix

California
Los Angeles
Ontario
Sacramento
San Diego
San Francisco
San Jose

Colorado
Denver

Florida
Fort Lauderdale
Miami
Orlando
Tampa
West Palm Beach

Georgia
Atlanta

Hawaii
Hilo
Honolulu
Kahului
Kailua
Lihue
Maui

Illinois
Chicago

Indiana
Indianapolis

Louisiana
New Orleans

Maryland
Baltimore

Massachusetts
Boston

Michigan
Detroit
Grand Rapids

Minnesota
Minneapolis/St. Paul

Missouri
Kansas City
St. Louis

Nevada
Las Vegas
Reno

New Jersey
Newark

New Mexico
Albuquerque

New York
New York City area

North Carolina
Greensboro

Ohio
Cincinnati
Cleveland
Columbus

Oklahoma
Oklahoma City

Oregon
Portland

Texas
Dallas/Fort Worth
Houston

Utah
Salt Lake City

Washington
Seattle

Washington, D.C. area

International

Argentina
Buenos Aires

Brazil
Rio de Janeiro

Chile
Santiago

England
London
Manchester

Jamaica
Kingston
Montego Bay

Mexico
Acapulco
Mexico City

Panama
Panama City

Peru
Lima

Portugal
Lisbon

Puerto Rico
San Juan

Saudi Arabia
Jeddah

South Africa
Johannesburg

Spain
Barcelona
Gerona
Madrid
Mahon
Malaga
Palma de Mallorca

Venezuela
Caracas

Virgin Islands
St. Croix

West Indies
Antigua
Barbados

**Merchandise Shops
(Non-Airport)**

California
San Francisco

Nevada
Lake Tahoe
Las Vegas
Reno

New Jersey
Atlantic City

**Food Service Management
Contracts**
(with business, health care
and educational
institutions) 276

Alabama
Arizona
Connecticut
Delaware
Florida
Georgia
Illinois
Indiana
Kentucky
Louisiana
Maryland
Massachusetts
Michigan
Missouri
New Hampshire
New Jersey
New York
North Carolina
Ohio
Pennsylvania
Rhode Island

South Carolina
Tennessee
Texas
Utah
Virginia
Washington, D.C.
West Virginia
Wisconsin

Jordan
United Arab Emirates

Highway Restaurants 14
Delaware
New Jersey

RESTAURANTS

Company-Operated Units

Bob's Big Boy
Family Restaurants 203

Arizona
California
Hawaii
Maryland
Nevada
New Jersey
Ohio
Oregon
Virginia

Roy Rogers Restaurants 380

Connecticut
Delaware
Maryland
New Jersey
New York
Pennsylvania
Virginia
Washington, D.C.

Other Restaurant Operations
Hot Shoppes Cafeterias and
Service Restaurants 20
Big Boy Jrs. 13

Host Specialty Restaurants

Casa Maria 21
California
New Jersey
Pennsylvania
Virginia
Washington, D.C.

*Charley Brown's/
Charley's Place* 23
California
Pennsylvania
Virginia
Washington, D.C.

Other Concepts 7
Connecticut
Maryland
Pennsylvania
Virginia
Washington, D.C.

Franchised Units
Big Boy 1,012
Roy Rogers 124

THEME PARKS

Marriott's Great America

California
Santa Clara
(serves San Francisco area)

Illinois
Gurnee
(serves Chicago/Milwaukee
area)

CRUISE SHIPS

(Sun Line luxury cruises in
the Mediterranean and
Caribbean)

Stella Solaris
Stella Oceanis
Stella Maris

**For Reservations
Call Toll-Free
800/872-6400**

Legend

*Except where noted,
locations are listed as of
December 30, 1983.

**Includes hotels, resorts
and franchised inns.

***Opening in 1984.

†Includes food and beverage
and/or merchandise
facilities.

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Airport Operations
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*Vice President-
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General Manager
Roy Rogers Restaurants*

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*Regional Vice President
Marriott Hotels and Resorts*

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Merchandise Operations
Host International*

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*Vice President and
Corporate Controller*

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*Senior Vice President-
Corporate Development
Host International*

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*Executive Vice President
Marriott Hotels and Resorts*

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Corporate Procurement*

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*Senior Vice President-Marketing
Marriott Hotels and Resorts*

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*Vice President-
Organization Development
Marriott Hotels and Resorts*

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*Vice President and
Associate General Counsel*

James R. Yoakum
*Vice President-
Information Systems*

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*Founder and
Chairman of the Board*

Don G. Mitchell ^{1 2 3}
*Vice Chairman of the Board
and director of other corporations*

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

Alice S. Marriott
Co-Founder and Vice President

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

Richard E. Marriott
Executive Vice President

Thomas R. Piper ²
*Senior Associate Dean
and Professor,
Harvard University
Graduate School of
Business Administration*

Harry L. Vincent, Jr. ^{1 2 3}
*Vice Chairman,
Booz, Allen & Hamilton, Inc.*

¹ Executive Committee

² Audit Committee

³ Compensation Policy Committee

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C O R P O R A T E I N F O R M A T I O N

International Headquarters

Marriott Corporation
Marriott Drive
Washington, D.C. 20058
301/897-9000

Stock Exchange Listings

New York Stock Exchange
Midwest Stock Exchange
Pacific Stock Exchange
Philadelphia Stock Exchange
Ticker Symbol: MHS

Registrar and Transfer Agent

The Riggs National Bank
of Washington, D.C.
1120 Vermont Avenue, N.W.
Washington, D.C. 20005
202/835-4083

Auditors

Arthur Andersen & Co.
Washington, D.C.

Annual Meeting

The 1984 annual meeting of shareholders will be held at 10:00 a.m., Thursday, May 10, 1984, in the Grand Ballroom of the J.W. Marriott Hotel at National Place. The hotel is located at 1331 Pennsylvania Avenue, N.W., Washington, D.C. Doors will open at 9:30 a.m.

Number of Shareholders

27,764 at December 30, 1983

Marriott
corporation

Marriott Drive
Washington, D.C. 20058