Marriott Corporation

Annual Report 1971

"We are in the service business,
providing hospitality, institutional,
travel, and leisure services
to away-from-home markets."

. . . from Marriott's five-year Corporate Strategic Plan

Marriott
CORPORATION

Marriott In-Flite Services

Marriott Restaurant Operations

Marriott Hotels

Financial Highlights 1971

For the 52 Weeks Ended July 30, 1971 and the 53 Weeks Ended July 31, 1970

	1971	1970	Increase
Sales	**$347,346,000**	$314,986,000	10.3%
Earnings before income taxes	**25,030,000**	19,268,000	29.9%
Per sales dollar	**7.2%**	6.1%	
Net income	**13,707,000**	11,012,000	24.5%
Per sales dollar	**3.9%**	3.5%	
Per share	**1.02**	.86	18.6%
Cash flow from operations	**32,046,000**	25,469,000	25.8%
Per share	**2.38**	2.00	19.0%
Stock dividends			
Percent	**2.5%**	2.5%	
Cash equivalent	**11,943,000**	9,947,000	
Per share	**.89**	.78	
Shareholders' investment	**126,993,000**	89,333,000	
Per share	**9.21**	6.99	
Working capital	**8,233,000**	4,658,000	
Shares outstanding	**13,790,560**	12,771,111	
Shareholders	**27,900**	26,500	
Employees	**27,300**	26,000	
Operating Units	**419**	382	

Notes:

(1) *Amounts per share are based on the weighted average number of shares outstanding during the year (except for shareholders' investment which is based on the total shares outstanding at the end of the year). Weighted average shares and shares outstanding for 1970 have been adjusted for the 2½% stock dividend in 1971.*

(2) *Cash flow from operations consists of income before extraordinary items plus depreciation, deferred taxes and other non-cash expense provisions.*

FROM THE CHAIRMAN AND PRESIDENT:

Company Sales and Profit Growth Continues Despite Lag In Economy

J. Willard Marriott

J. W. Marriott Jr.

Your company continued to increase both sales and profits in fiscal 1971, despite the slowdown in our nation's economy.

To be sure, it wasn't an easy year for us. It was a period, in fact, when we had to "manage" our way out of one difficulty after another. How well we succeeded—how our management and employee group responds to adversity—can be seen by the results.

Net income rose 24 per cent, to $13.7 million from $11.0 million in fiscal 1970. This equaled $1.02 per share on more shares outstanding, or 19 per cent over the 86 cents of a year ago (adjusted to account for our annual stock dividend).

Total number of company-owned units—restaurants, hotels and airline catering kitchens—reached 419 at year end. The year before it was 382. This rate of growth was not quite up to the previous few years. But with an uncertain economy and a readjustment in the restaurant industry, we deliberately slowed our pace in some areas.

MARRIOTT IN-FLITE SERVICES bounced back in fiscal 1971 after two difficult years. Lingering problems in the U.S. airline industry continued to plague our North American operations, but our spreading overseas ventures are making a substantial contribution.

MARRIOTT RESTAURANT OPERATIONS also had a fine year. Almost every major component in this diverse group was up materially over the year before. Among the major gainers were Big Boy Restaurants, Hot Shoppes Cafeterias, and food service management activities.

MARRIOTT HOTELS felt the sting of the sluggish economy most severely, and were unable to contribute as much to our profit growth as we had hoped. Most hotels, however, held up well under the circumstances. In their markets, they still rate at the top with business and pleasure travelers.

All three operating groups had an outstanding record during the year in holding down costs. New internal controls, special profit improvement ideas, and a much-improved employee safety record were just a few of their accomplishments.

It was a particularly good year for us in employee relations, and in a year when unemployment has risen, we have employed 5 per cent more. We are grateful for the tireless dedication shown by our more than 27,000 employees. Without their continued interest in serving our customers well, 1971 would have had entirely different results.

Entering the new fiscal year, we are enthusiastic about the future. And we are stepping up our growth program. Capital expenditures this year will be about $65 million, or 15 per cent more than our previous high.

We possess a fine reputation for serving the away-from-home public. This is the market we have identified as our target, and we are planning new directions to capture a larger share of it. In the pursuit of this objective, we acknowledge with deep appreciation the support of our many loyal shareholders.

J. Willard Marriott
Chairman of the Board

J. W. Marriott Jr.
President

September 17, 1971


American
DC10 LuxuryLiner
Marriott
IN·FLITE
SERVICES

Marriott In-Flite Services

- *Growth in World Markets Up Sharply*
- *New Efficiencies Make A Difference*
- *Drop In U.S. Sales Offset*
- *Expansion For Future Accelerates*

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

Some observers might consider this a rather unfortunate time to be involved in the air passenger industry.

The airlines of the United States have had a difficult time this past year. And every large airline and many smaller ones are customers of ours at one airport or another.

Excess seats, heavy debt, and deep losses have made 1970-71 an economic disaster for this vital industry. And for those of us who serve it, the need for belt-tightening, for harder work, for patience and understanding has never been more pressing.

The first and most difficult consequence of the airline situation for Marriott was a cut in domestic U.S. food service. Some meals were eliminated or reduced to help lower costs.

Our sales to airlines in this country, therefore, were not as high as we had hoped for in fiscal 1971.

But thanks to (1) our increasing penetration of world markets, and (2) the ability of our people to consistently discover more efficient ways to operate, we can report an improved year overall for the In-Flite Services Group.

Marriott In-Flite has become, in a few short years, the only major airline caterer anywhere to function globally. Acquisitions and new construction of kitchens in Europe and Latin America have propelled us to international ranking and respect as the leading provider of airline food service.

Today we serve all of the principal airlines of the United States in at least one station—but of new importance, we now supply most of the airlines of other free world nations as well.

In fiscal 1971, our sales to international flights originating in the U.S. and overseas accounted for almost 50 per cent of our In-Flite volume.

Overseas, we go to market through two divisions: European and South American airline catering.

Travel between nations in both of these sectors of the world, and between these nations and North America, continues to increase steadily—and these two divisions have had a fine year.

EUROPEAN OPERATIONS

Marriott In-Flite at London . . .
Marriott at Athens . . .
Marriott at Rome . . .
Marriott at Madrid . . .
Marriott at Lisbon . . .

This is the picture today in famed cities across Europe as our network of kitchens expands to serve a rapidly-developing market. In fact, Europe is the fastest-growing air travel market in the world.

The position of leadership we hold can be seen by developments at Heathrow Airport in London. We opened a large new kitchen there late in fiscal 1970—with just one account on the books and several local competitors already established on the field. In the following months, moving into fiscal 1971, a succession of carriers awarded us their business, and we now serve TWA, Austrian, Air France, Finnair, Icelandic,

Marriott In-Flite . . . first again in serving new jets with catering for inaugural DC-10 flight (left)

"Marriott In-Flite has become, in a few short years, the only major airline caterer anywhere to function globally."

Iberia, Olympic, TAP of Portugal, Varig, and JAT of Yugoslavia.

The same story can be told at Athens, where we have just opened another new kitchen and are now serving several new accounts. Or in Paris, where we have begun planning for in-flight services at the new Paris airport.

In all, sales in Europe in fiscal 1971 were up more than 40 per cent.

Kitchen capacity jumped by 60 per cent. Major capital expansions included new kitchens replacing older facilities at Lisbon and Palma de Majorca, and an addition to the Barcelona kitchen—in addition to the new unit at Athens.

SOUTH AMERICAN OPERATIONS

The Marriott name is becoming just as much a fixture with airlines "south of the border" as it is in Europe.

Sales increased over 25 per cent in fiscal 1971. Volume was up in each of our kitchens in most major cities of South America: Buenos Aires, Lima, Rio de Janeiro, Santiago, and Caracas—a clear reflection of the growth being experienced throughout the continent.

Accounting for some of the increase is the greater direct traffic between South America and Europe—and our good relationships with airlines on both ends of these long routes.

The airline industry in South America, as in Europe, is strong and growing stronger. We are in most major markets, and are enlarging and upgrading facilities wherever appropriate.

Kitchen capacity in fiscal 1971 alone was increased 40 per cent. Major projects

Marriott In-Flite Services

	Units Ending Fiscal 1971			
	North America	Europe	South America	Total
In-Flite Kitchens	28	12	6	46
Terminal Restaurants	3	4	1	8
Other Restaurants	—	1	—	1
Employee Food Service	3	—	1	4
Food Service Management	—	10	1	11
Total, July 30, 1971	34	27	9	70
Total, July 31, 1970	34	27	10	71
Airports Served, July 30, 1971	23	12	6	41
Airports Served, July 31, 1970	22	12	6	40

American Airlines is first with giant DC-10 tri-jet, and Marriott brings fine food to a colorful setting

"In famed cities across Europe . . . our network of kitchens expands to serve a rapidly-developing market."

include large additions at Buenos Aires and Rio de Janeiro. These are South America's two major markets, and Marriott is well-situated with three fine kitchens.

NORTH AMERICAN OPERATIONS

We didn't make quite the same progress in North America last year—with United States airlines obviously in such difficulty.

But we did manage to overcome the sales decline by working more proficiently . . . we spent long hours with the airlines themselves, contributing what we could to helping them cut costs . . . and we continued our investment in new and better facilities—for we have supreme confidence in the future of the industry.

Under the circumstances of a reduced market, our North American operations fought hard during the year to prevent a serious erosion in margins.

At the same time, we dedicated ourselves to maintaining quality service for our customers, who were already having enough problems of their own.

Internally we improved substantially our methods for maintaining controls, and our ability to react to warning signals on costs and prices.

We also developed for our customers the most advanced cost reporting system in the industry. Airlines considering reducing a meal to a snack, or simply using one pat of butter instead of two . . . can readily see the effects on their costs by consulting our detailed cost analyses.

These analyses are done for all airlines, and for the thousands of menus in existence. At this particular time, with airlines putting

Famous foreign airlines and employees in many lands—all part of today's scene at Marriott In-Flite

"The airline industry in South America is strong and growing stronger. We are in most major markets . . ."

Eastern Airlines 747 is served by new 'high-rise' truck developed for jumbo jets by Marriott research

all expenses to the test, our service has been especially helpful.

This is the kind of contribution that demonstrates our interest in working with and thinking like the airlines. To be recognized as the finest airline food experts in the world, we consider it imperative to look at quality and service demands through the eyes of airline managements. Their demands for high performance have been particularly severe in recent times. We have been especially alert to them, and responsive to any new requirements or standards.

The difficulties in the U.S. airline industry have not deterred our growth program in North America. We consider the industry's problems short term. When the airlines begin to experience the growth we know is coming, we will be ready to serve their greater needs.

A new kitchen was opened in Seattle, a new market for Marriott. Seattle is the 23rd U.S. airport with at least one Marriott kitchen.

We also opened a new kitchen in Mexico City, replacing an older facility.

Existing kitchens at four other airports were expanded during the year—Miami, Dallas, Kennedy Airport in New York, and Dulles Airport in Virginia.

A major new kitchen was started during the year at San Francisco International Airport, and will be opened to new accounts

"Difficulties in the U. S. airline industry have not deterred our growth program . . . we consider the industry's problems short term."

in the first quarter of fiscal 1972.

It should also be pointed out that our investment in research prior to introduction of the giant 747 jet has also had good long-range implications.

Last year was the first full year for operation of these wide-bodied planes. Our procedures for serving them, our new trucks, and a rigid employee training program have given us a leading edge in handling 747's properly and promptly in locations around the world.

This edge carried over into the second stage of wide-bodied jets—the DC-10—in fiscal 1971. Just as we were the first commercial caterer to serve the 747 the year before, we were ready for DC-10 loading and unloading when American Airlines flew the first flight in the summer of 1971.

AIRPORT TERMINAL RESTAURANTS

The three restaurants operated at Kennedy Airport in New York and at San Juan airport were transferred during the year to In-Flite Services from the Restaurant Operations Group. Our results for last year reflect this change.

Economies can be realized by this consolidation, and while two of these three restaurants are not presently doing well, we believe all three will improve considerably this year.

The move also points our group in another direction. We plan to pursue airport terminal business in the future, as part of our In-Flite Services strategy to expand in transportation and food services around the world.

Dining is elegant on Air Canada, Los Angeles to Montreal, with elaborate airborne cuisine (above) . . . Overseas traffic continues to grow, and Pan Am readies another 747 international flight (right)


joshua Tree
PRIME RIB · STEAK · LOBSTER

Marriott Restaurant Operations

- *Dining Out Business Grows Healthier*
- *Rising Costs, Static Prices A Dilemma*
- *Stress Placed on Finding 'A Better Way'*
- *Group Rebounds . . . To A Record*

By G. M. Hostage
President
Marriott Restaurant Operations

The people of Marriott Restaurant Operations rebounded from a somewhat depressed fiscal 1970 and produced excellent results in fiscal 1971.

The 12 months just prior to the start of fiscal 1971 were probably the most volatile and difficult period in memory for the restaurant industry.

We entered fiscal 1971 with a disappointing level of consumer demand, a necessity to hold prices at or near 1970 levels, and continued inflationary cost pressures in raw materials, labor and supplies.

As a result, we felt compelled to look inward . . . to reduce overhead, increase labor productivity, and find new operating techniques that would help both short and long term profitability.

Early in the year several important measures were taken internally to sharpen our operations. At the same time, a broad-based sales recovery developed—a recovery which started to gain momentum about mid-year.

The combined effect of more efficiencies and better sales gave us the leverage to turn in a record performance.

Marriott Restaurant Operations was divided into five separate groups during the year. Each is headed by a senior executive who is experienced enough in the industry to know it well . . . young enough to shift readily with it.

Marriott Restaurant Operations . . . introducing the exciting new 'Joshua Tree' (left)

RESTAURANT GROUP

A highlight of its year was the Restaurant Group's development of The Joshua Tree. This colorful dinner house concept was opened at the start of fiscal '72 in McLean, Virginia, a Washington suburb, and reception to it has been outstanding.

Menu of The Joshua Tree features steak, roast beef, lamb, and lobster, and a do-it-yourself salad bar. It has highly-styled Western decor, and sparkling, youthful service.

A leading Washington restaurant editor wrote of The Joshua Tree: "A genteel simplicity and quality ingredients that set it apart . . . as fine a cut (of beef) as I've ever encountered . . . whiskey pie—a dining out adventure . . . the setting is smart."

This new specialty restaurant gives us a unique entry into the moderate price dinner house market, proving to be even more popular with the young dining-out crowd. Its early success encourages us to plan a second Joshua Tree, probably in the Philadelphia area—and hopefully several more thereafter.

The original Hot Shoppes service restaurants, foundation-stone of our company, had a much-improved performance over the previous two years, especially during the third and fourth quarters.

The phasing out of unprofitable units is largely complete, and present ones are doing increasingly well. Some properties have been converted to Big Boy coffee shops.

One of our strongest performers continues to be the Hot Shoppes Cafeterias division. Well-located in large regional shopping centers throughout the Northeast, each of

"A highlight of its year was the Restaurant Group's development of The Joshua Tree."

Marriott's cafeterias draws ten to fifteen thousand customers each week with good food at moderate prices, served quickly and in an attractive atmosphere.

The self-service cafeteria line introduced the year before has been so successful in customer acceptance we are returning to all units to "retrofit."

New cafeterias were opened during the year in enclosed shopping malls at Harrisburg, Pa., and Minneapolis, Minn.

Finally, our toll road restaurants, on the New York Thruway, Sunshine Parkway in Florida, and Delaware Memorial Highway, had a good 1971.

BIG BOY RESTAURANTS OF AMERICA

With a heavy commitment in Southern California, where unemployment far exceeds the national average, our Big Boy Group might have been expected to sag in fiscal 1971. But it didn't.

With a well-entrenched name in California and throughout the country, the Big Boy system set all-time highs. This acquisition of four years ago continues rewarding.

Average sales for company-owned Big Boy units did drop slightly from the previous year. But strong internal controls and rapid "Deliberate Change" to new operating methods were major offsetting factors and average profit levels were actually increased a bit as a result.

One change that is proving worthwhile is the development of Big Boy Jrs. Started the year before with one unit, these combined coffee shop-fast food units have been crowd-pleasers, and 17 are now operating or are in advanced planning stages.

Eager hands pick fresh dishes from direct kitchen-to-customer cafeteria line, another Marriott first

Marriott Restaurant Operations

	Ending Fiscal '71	Ending Fiscal '70	Increase (Decrease)
Company-Operated Units			
Big Boy Coffee Shops	50	45	5
Fast Food Operations	81	73	8
Food Service Management	84	63	21
Hot Shoppes Restaurants	25	28	(3)
Cafeterias	37	37	—
Toll Road Restaurants	15	14	1
Vending Routes	6	6	—
Specialty Restaurants	2	3	(1)
	300	269	31
Franchised Units			
Big Boy Coffee Shops	592	579	13
Roy Rogers Family Restaurants	98	131	(33)
	690	710	(20)

"With a well-entrenched name in California and throughout the country, the Big Boy system set all-time highs."

The famed "Big Boy" figure, of course, is known across the country through our more than six hundred franchised operations. Most major markets are well-covered and franchisees are opening new units at a moderate but steady pace.

FAST FOODS GROUP

The pressures on fast food service in our industry have been well publicized, but Jr. Hot Shoppes survived the competitive squeeze with only a minor reversal in profit growth—one that we have already seen to be temporary.

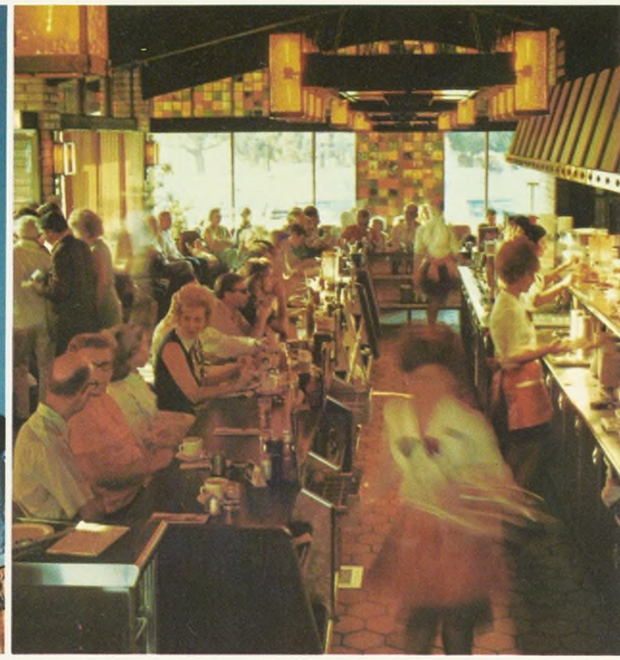
The proliferation of fast food units on almost every street corner caught up with itself last year. There was an effective, if over-due, retrenchment in the industry, and we look forward to the future with a healthy network of over 50 Jr. Hot Shoppes in sound local markets.

With the marketing characteristics of suburban shopping centers . . . and the wide acceptance of our cafeterias in these malls . . . some of our attention towards fast foods in the future will be on accommodating busy shoppers with Jr. "Snack Shoppes." New units have been opened in Springfield, Youngstown, and Mentor, Ohio, and Cherry Hill, N.J. Leases are being negotiated in other territories as the Fast Foods Group plans a broader scope of operation geographically.

The Roy Rogers Family Restaurants, at the upper end of the fast food scale, have also gone through a consolidation phase. Our company-owned units on the East Coast had a good year, but some units in the highly competitive Southern California market have

Luxury food service highlights deluxe suites of progressive Washington (D.C.) Hospital Center

"We look forward to the future with over 50 Jr. Hot Shoppes in sound local markets."



'Big Boy We Love You'—Affection continues to increase for America's leading system of coffee shops

been converted to the more locally popular Big Boy Jr.

Nationally the franchised Roy Rogers has shaken out to about 100 operations. Expansion from this base will be on a limited scale during the next year, but over the long haul we expect Roy Rogers to prove a viable national concept.

FOOD SERVICE MANAGEMENT GROUP

Marriott has a unique professional competency to manage the food service requirements for health care, educational, and business office complexes—and this dimension of our corporate picture is becoming more significant every year.

In fiscal 1971 we had our greatest expansion by far in Food Service Management, and our strategy for the 70's provides for the continuation of that pace of growth.

Especially attractive to clients are our food quality standards, motivational employee relations policies, and rigid "commercial restaurant" methods of cost control.

During the year, offering a "package" like this, our Hospital Division added such major accounts as the University of Maryland Hospital, the Medical College of Virginia, and Medical Park Hospital in Winston-Salem, N.C.

The Business and Industry Division began serving such new and prestige clients as Eastman Kodak, Burlington Industries, and Fairchild-Hiller.

"In fiscal 1971 we had our greatest year by far in Food Service Management . . ."

In the School and College Division we added such names as Marymount and Dunbarton Colleges in the Washington, D.C. area, and the North Carolina School of Arts.

The Automatic Food Service Division, organized two years ago, has begun to make a material contribution to profits, and a great many new accounts in the Washington area were signed last year.

FAIRFIELD FARM KITCHENS

Four years ago Marriott opened the most advanced multi-purpose food production and distribution center in the industry.

It was meant to serve our hundreds of varied facilities . . . it was deliberately built on a grand scale to fulfill our needs for years to come . . . it was expected to become profitable only after years of product research and market development.

In fiscal 1971, Fairfield Farm Kitchens had its most promising year.

The big fleet of Fairfield Farm Kitchens trucks visited a record number of our restaurants, hotels, and flight kitchens last year, and "internal" sales were up substantially. A marketing program introduced during the year to customers outside our company gives promise of new volume orders and better plant usage in the future (see page 20 for more on this program).

Losses were cut considerably and in fact we turned a profit in two of our last four reporting periods.

Fairfield Farm Kitchens management team is confident of a still better performance in 1972.

Career Progression program identifies valued promotable employees like Doris McCoy (left), Helen Fielding and offers new responsibility (above) . . . Marriott's quality fast food service spreads to thriving suburban shopping malls (right)


Marriott

Marriott Hotels

- *Occupancy Rates Continue High*
- *Travel Off As Economy Lags*
- *Industry Down But Marriott Slippage Avoided*
- *Many New Hotels Coming*

By James E. Durbin
President
Marriott Hotels

A prominent Travel Guide, recognized as a highly respected reference source for travelers and the travel industry, recently gave Marriott Hotels the highest overall rating in the industry. "Outstanding, worth a special trip," the Guide says.

Again in fiscal 1971, Marriott Hotels were in greater demand overall than any other hotel system in the country. Although our occupancy rates were down less than 2 per cent in 1971, we believe Marriott continues to lead the industry, which generally suffered occupancy declines exceeding 5 per cent.

We added 938 rooms in 1971, including acquisition of the 327-room Marriott Inn near Minneapolis. These new rooms and the new Port O'Georgetown Restaurant enabled us to increase Hotel Group sales by 16 per cent. In terms of profits, we were able to hold at, and even exceed slightly, 1970 levels.

Early recognition of the effect of the nation's economic plight on our industry enabled your management to adjust operating expenditures, step up sales promotional programming and take other steps to offset the problems that seemed to be coming.

We obtain about 40 per cent of our business from convention and group meetings, about 30 per cent from transient commercial travelers, and about 30 per cent from leisure time customers. That we were able to avoid a slippage in profits in fiscal 1971 attests to the wide acceptance of Marriott Hotels across these three spectrums. It is a proud reputation we have developed, one that holds us as the most complete lodging concept in America.

We didn't rest on our reputation during this difficult year, however. We got out and sold. And sold hard. We attracted new customers with some interesting promotional packages. Programs to build more weekend business and to attract last minute visitors to our cities who otherwise might not have checked our room status, brought us significant new business.

Also worthy of note was our intensive behind-the-scenes work at improving operations. We struck hard at a variety of costs, strengthened procurement procedures, and took many other steps to increase further our efficiency.

HOTEL EXPANSION IN 1971

PHILADELPHIA—With 316 net additional guest rooms, new indoor-outdoor pool, miniature golf course, ice-skating rink in winter, ten restaurants and lounges under one roof, and the largest ballroom and convention facility in the State, the new 736-room Philadelphia Marriott has become one of the nation's first in-city resorts.

CHICAGO—The Chicago Marriott, near O'Hare airport, has added 220 rooms, another outdoor pool, complete health club and recreation center, to give it a total of 706 rooms and the ability to add to its reputation as one of the most successful airport hotels in the nation.

NEW YORK—Marriott's Essex House, overlooking Central Park, added 67 rooms.

Marriott Hotels . . . offering the finest in airport lodging at Chicago's O'Hare Field (left)

"Again in fiscal 1971, Marriott Hotels were in greater demand overall than any other hotel system in the country."

By renovating existing suites to new transient rooms, we are now offering 705 rooms to the public, plus a large range of luxury residential and corporate suites. This property, formerly leased, was purchased by the company during the year.

MINNEAPOLIS-ST. PAUL—We have completed expansion of the Marriott Inn at Bloomington, Minnesota to 327 rooms after acquiring it in mid-fiscal year from our franchisee.

HOTEL EXPANSION IN 1972

DULLES AIRPORT, VIRGINIA—The 97-room addition to the Dulles Marriott will be completed this fall—a little more than a year after the first 125 rooms were introduced at this fast-growing international airport.

ST. LOUIS—The new St. Louis Marriott, a 433-room hotel at St. Louis Municipal Airport (Lambert Field) will open in spring of 1972.

NEW ORLEANS—The New Orleans Marriott, a 956-room, 42-story skyscraper overlooking the French Quarter and the Mississippi River will open in the spring of 1972.

MIAMI—Another airport hotel, the Miami Marriott, will bring 260 rooms to the busy Miami International Airport area in the spring of 1972 .

Total expansion in 1972 will be 1746 rooms, which is a 26 per cent increase.

FUTURE HOTEL EXPANSION

A number of other new hotels are in the offing, beyond fiscal 1972. Five are under construction or in design, and are scheduled

A superb city resort: The enlarged Philadelphia Marriott, (also see cover photo)

Marriott Hotels

	Opened Fiscal Year	Rooms At 7/30/71	Rooms Added Fiscal 1971
Washington, D. C.			
(Twin Bridges)	*1957*	*451*	—
(Key Bridge)	*1959*	*374*	*11*
Dallas	*1960*	*477*	—
Philadelphia	*1961*	*736*	*316*
Atlanta	*1966*	*777*	—
Saddlebrook, N.J.	*1966*	*246*	—
Scottsdale (Camelback Inn)	*1968*	*284*	—
Chicago	*1968*	*706*	*220*
Houston	*1969*	*339*	—
New York (Essex House)	*1969*	*705*	*67*
Acapulco	*1969*	*435*	—
Boston	*1970*	*433*	—
Washington, D. C.			
(Crystal City)	*1970*	*301*	—
(Dulles Int'l Airport)	*1970*	*122*	*(3)*
Bloomington, Minn.	*1971*	*327*	*327*
		6,713	*938*

In addition to the above 15 hotels, Marriott operates 33 specialty restaurants, an increase of six over fiscal 1970, and the Camelback Golf Course in Scottsdale, Ariz.

"We didn't rest on our reputation during this difficult year . . . we got out and sold."

to open in fiscal 1974. These five alone total over 2400 rooms.

LOS ANGELES—1,018 rooms now being built at Los Angeles International Airport for what will become our largest hotel.

DENVER—345 rooms to be started next summer in an important suburb of this fast-growing residential and commercial area.

TORONTO—Our first Canadian hotel and second international hotel will offer 400 rooms in a unique architectural structure at the entrance to Toronto International Airport.

KANSAS CITY—258 rooms will be started next summer at the new international airport now under construction.

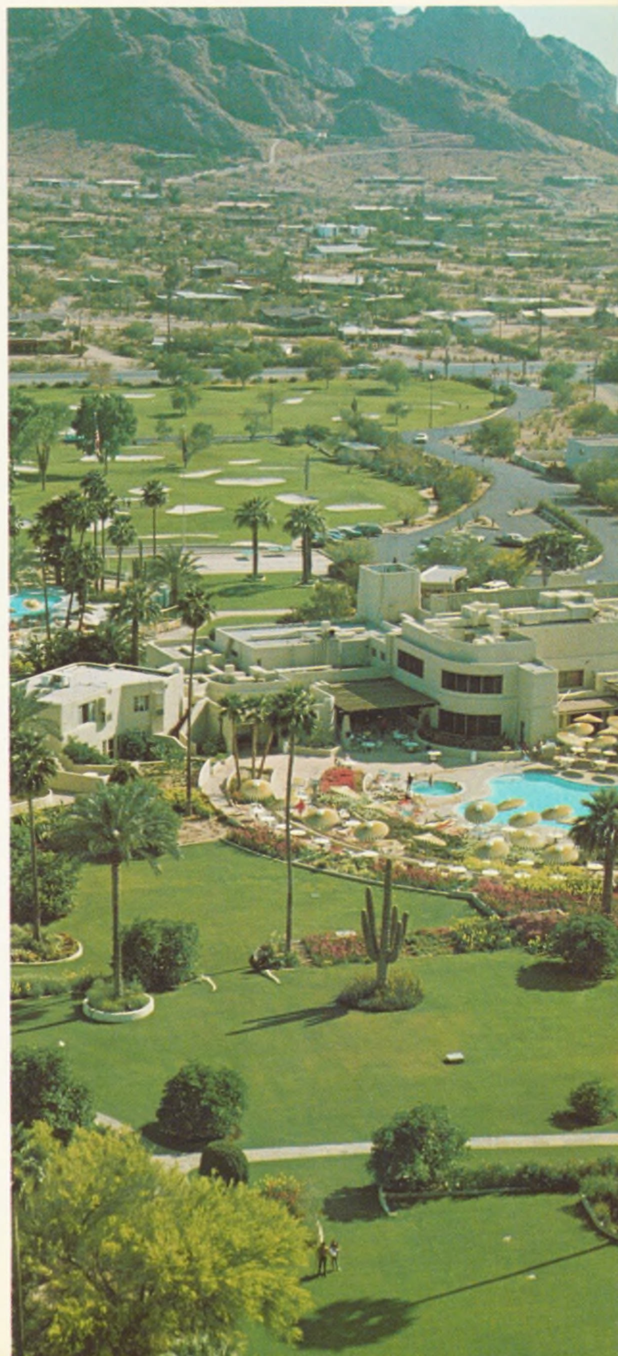
LINCOLNSHIRE—In suburban Chicago, ground will be broken for a 400-room resort hotel next fall.

The Lincolnshire Marriott will typify the Marriott facility of the future. We believe travelers of the '70's will rank recreational features as importantly as they now list good food. Q-S-R—Quality-Service-Recreation—will become the byword of both the pleasure and business traveler.

At the village of Lincolnshire, not far from O'Hare Field Airport, we are building a development on 180 acres of countryside that has not only a hotel, but an 18-hole championship golf course, legitimate theater, ski-slope, bicycle trails, health club, swimming pool, ice skating and tennis.

THEME RESTAURANTS

One of the real strengths of our hotel system is the consistent quality of restaurant service. In recent years, we have stressed theme restaurants such as the Harbour



Record numbers in fiscal '71 enjoyed famous hospitality of magnificent Camelback Inn

"We believe travelers of the '70's will rank recreational features as importantly as they now list good food."

Port O'Georgetown, with great food and a lively mood, adds spark to Washington dining scene

House Sea Food Restaurant at our Atlanta Hotel and the Capriccio Mediterranean style restaurant at our Crystal City Marriott in Washington. A nautical theme restaurant was added atop the Acapulco Marriott at the end of fiscal 1970, and it has brought a new concept of dining to this important vacation resort.

In fiscal 1971, two new theme restaurants not connected with hotel properties were announced by our Specialty Restaurant Division. Both are large and will make a solid contribution to our development.

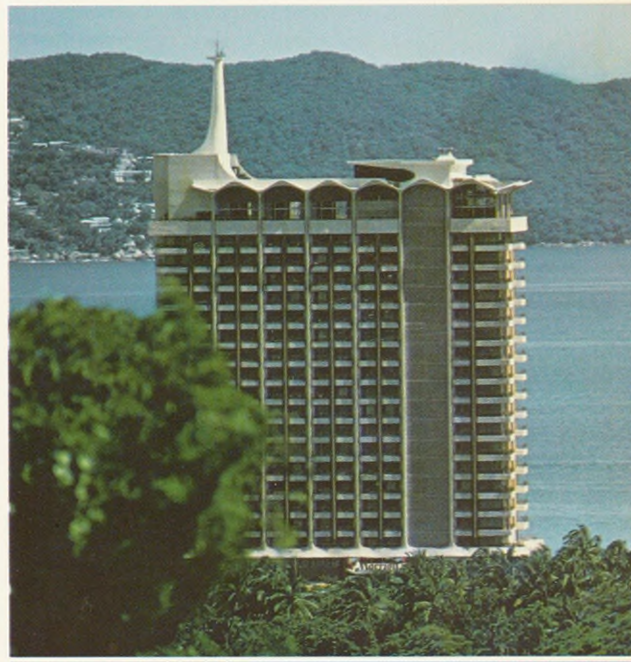
Port O'Georgetown, a luxury restaurant with nautical theme, was opened in historic Georgetown in Washington. We have been gratified with good support from the Capital's dining-out crowd and special awards from professionals in our industry.

Also in Washington ground was broken for a large new Hogate's seafood restaurant on the Potomac River waterfront. The Hogate name has been known to residents and tourists since the 1930's, and we are pleased to join with the founders in this new venture. Opening is scheduled for early 1972.

MARRIOTT INNS

Acquisition of the Bloomington Inn at the Minneapolis-St. Paul airport, as previously described, and sale of the Inn in Belmont, California by the franchisees have reduced

"Marriott World Travel . . . another outlet of our strategic plan to cut a wider swath in the growing leisure market."



our franchised Inns to five. This reduction is consistent with our deliberate plans to go slow, with emphasis on development of well-qualified operators who are dedicated to maintaining the high standards associated with the Marriott name. At present we have five additional Marriott Inns under construction or in final planning stages:

Berkeley, California;
Dallas, Texas;
Milwaukee, Wisconsin;
Pittsburgh, Pa.,
Blacksburg, Virginia.

These Inns are due to open in fiscal 1972 and 1973. They will bring more than 1000 new rooms to the Marriott system.

MARRIOTT WORLD TRAVEL

We believe we know something about the dimensions of traveling, about the movement of people and the handling of groups and the leisure tastes of those on the go. We also see a sharp increase in travel in the 1970's. Against this background, we formed a new Division, Marriott World Travel, as another outlet of our strategic plan to cut a wider swath in the growing leisure market.

Several trips to the Greek islands and the Caribbean have been scheduled. In addition an innovative cruise of the majestic Rhine River through Holland, Germany, France and Switzerland is included in the 1972 program.

In Fiscal 1972, its first full year, Marriott World Travel will move more than 10,000 people from professional societies, private clubs, civic organizations and other groups.

Acapulco Marriott adds still another pleasure-time feature: Windjammer Supper Club (above) . . . Travelers enjoy Grecian wonders as Marriott World Travel introduces unique tour programs (right)

New Marketing Program Takes Marriott Products Nationwide

Marriott Corporation has embarked on an ambitious program to sell the quality products of its Fairfield Farm Kitchens to the food industry.

This giant food production facility was opened in 1967 in suburban Washington, D.C., to meet the internal needs of the company. Now it is launching an external marketing program aimed at both food service and retail customers.

The objective is wider distribution of the fine food and exclusive recipes being used in Marriott restaurants, hotels, and airline catering kitchens.

A wide range of prepared entrees and a broad selection of bakery products and other desserts are offered—packaged with freshness and shipped frozen to an unlimited number of distant points.

For sales to the food service industry a distributor network is being established across the country. Distributors have begun selling to hospitals, colleges, department stores, hotels, and other mass-feeding operations not otherwise served by Marriott.

Initial accounts have been obtained in such widespread locations as Phoenix, Chicago, Jacksonville and Boston.

In addition to sales to food service customers, Fairfield Farm Kitchens has begun limited testing with some of its products in the retail food chain field. This has started in the Washington, D.C. area.

From the strong early reception to the new Fairfield Farm Kitchens marketing program, Marriott is encouraged that its products can become a major factor in competing with other national food brands.

Marriott introduces frozen prepared entrees and desserts for food service industry, packaged products for retail sale in broad new program.

FINANCIAL REVIEW 1971:

Gains Continue, Financial Position Strong, Record Capital Expenditures Set

The sales and profits gains in fiscal 1971 extend Marriott Corporation's growth record for another year (see Ten-Year History on Page 30).

Marriott's 10-year compound growth rates are now 19 per cent for sales, 23 per cent for net income, and 21 per cent for earnings per share. On a quarterly basis, year-to-year gains have been achieved for 33 consecutive quarters—or more than eight years.

Today the company is in the strongest financial position in its history. Cash and short term investments total almost $20 million—and working capital is at a healthy $8 million.

Cash flow from operations, which is net income plus non-cash charges, has again grown faster than net income. In fiscal 1971 it amounted to $32 million, an increase of almost 26 per cent, and equal to $2.38 per share.

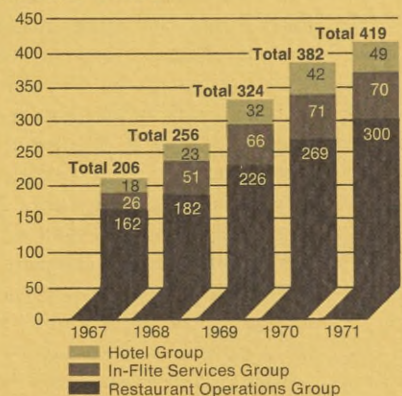
All of these funds are retained for expansion. A 2.5 per cent common stock dividend, equivalent to 89 cents per share, was paid to stockholders of record March 19, 1971. This is the 14th consecutive year that a stock distribution has been made. The stock also has been split on a two-for-one basis three times since 1960.

The company's financial position was also strengthened in 1971 by a $28 million net increase in long-term debt, and $20.6 million proceeds from a public offering of 900,000 shares of common stock.

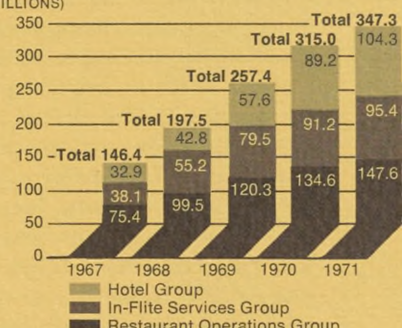
Shareholders' investment at year end was $127 million, or $9.21 per share. The ratio of equity (including subordinated convertible debt) to long-term debt was thus maintained at the one-to-one level, which is considered comfortable in light of the company's extensive real estate interests.

Capital expenditures decreased slightly in

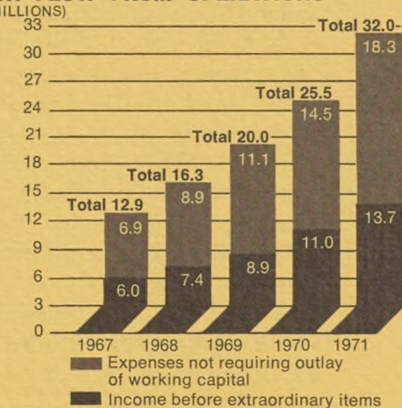
OPERATING UNITS



SALES
(IN MILLIONS)



CASH FLOW FROM OPERATIONS
(IN MILLIONS)



1971 to $48.2 million, but acquisitions of the Essex House real estate in New York City and the Marriott Inn at Minneapolis-St. Paul required almost $36 million of funds.

Total assets at year end were $370 million, an increase of 24 per cent over the year before. Included are real estate, leasehold improvements, and equipment—all depreciated to a conservative book value of $283 million.

For fiscal 1972 the company's growth program anticipates capital expenditures of $65 million, up 34 per cent over the year earlier and 15 per cent above our previous high.

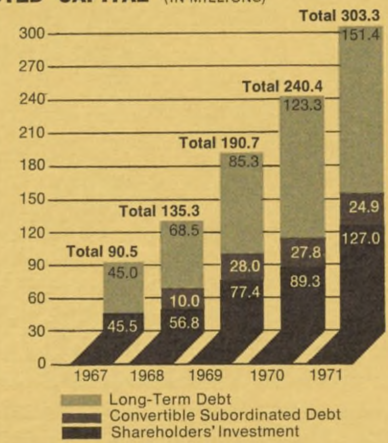
Capital expenditures will be financed by an estimated $38 million cash flow from operations and a $31 million net increase in long-term debt. Arrangements have been completed for the long-term debt.

Profit return on beginning shareholders' investment gained in 1971 to 15.3 per cent. The company does not consider the consolidated figure to be a realistic measurement of investment performance, because it mixes negative and low-rate investments ($24 million construction in progress, $14 million goodwill, $11 million short-term investments, etc.) with true investment return on operating units for which standards are established and results are carefully measured internally.

Aside from the dilutive effect of pre-investment for aggressive growth, Marriott's return on shareholders' investment also is held down by its extensive real estate investments. While these provide relatively low investment yields after depreciation, they are an important stabilizing factor in the company's consistent history of year-to-year profit gains.

Marriott uses sophisticated financial controls and profit planning techniques, which are of significant help to management in sustaining future growth.

INVESTED CAPITAL (IN MILLIONS)



AUDITORS' REPORT

To the Shareholders and Board of Directors of Marriott Corporation:

We have examined the consolidated balance sheet of MARRIOTT CORPORATION (a Delaware corporation) and Consolidated Subsidiaries as of July 30, 1971, and the related statements of consolidated income, shareholders' investment and changes in financial position for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income, shareholders' investment and changes in financial position present fairly the financial position of Marriott Corporation and Consolidated Subsidiaries as of July 30, 1971, and the results of their operations and the changes in their financial position for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Washington, D.C., September 1, 1971.

Consolidated Income

Marriott Corporation and Consolidated Subsidiaries
For the 52 Weeks Ended July 30, 1971 and the 53 Weeks Ended July 31, 1970

	1971	1970
	52 Weeks	*53 Weeks*
Sales		
Restaurant operations	**$147,638,296**	$134,627,569
In-flite services	**95,373,086**	91,183,112
Hotels and specialty restaurants	**104,335,113**	89,175,243
Total sales	**347,346,495**	314,985,924
Deductions		
Cost of sales and operating expenses	**245,240,766**	227,053,978
Administrative and general expenses	**14,907,280**	15,087,581
Rent (Note 3)	**17,644,777**	16,695,094
Depreciation and amortization (Note 7)	**14,400,716**	11,061,741
Taxes—payroll, real estate and other	**12,404,470**	10,760,557
Interest expense net of interest income	**9,747,746**	8,415,484
Less interest captialized during construction	**(1,273,000)**	(1,252,000)
Advertising and sales promotion expenses	**5,806,704**	5,172,680
Pre-opening expenses (Note 7)	**1,402,826**	1,035,886
Profit sharing retirement contributions	**2,034,306**	1,687,128
	322,316,591	295,718,129
Income Before Income Taxes	**25,029,904**	19,267,795
United States and Foreign Income Taxes (Notes 2 & 7)		
Current	**8,025,000**	5,646,000
Investment tax credit	**(35,000)**	(795,000)
Federal tax surcharge	**—**	500,000
Deferred	**3,333,000**	2,905,000
	11,323,000	8,256,000
Net Income	**$ 13,706,904**	$ 11,011,795
Earnings Per Share of Common Stock (Note 6)	**$ 1.02**	$ .86

The accompanying notes to consolidated financial statements are an integral part of this statement.

Consolidated Balance Sheet

Marriott Corporation and Consolidated Subsidiaries
July 30, 1971 and July 31, 1970

	1971	1970
ASSETS		
Current Assets		
Cash and certificates of deposit	**$ 8,553,194**	$ 3,395,935
Short-term investments, at cost (approximates market)	**11,039,237**	6,845,337
Accounts receivable	**22,746,164**	22,537,736
Inventory of food and supplies, at lower of average cost or market	**12,702,490**	11,029,217
Prepaid expenses	**1,400,871**	2,138,872
Total current assets	**56,441,956**	45,947,097
Investments in and Advances to Unconsolidated Finance Subsidiary and Affiliate (Note 1)		
Unconsolidated finance subsidiary	**3,594,375**	10,099,779
Landlord of New Orleans Marriott Hotel	**1,827,600**	1,500,600
	5,421,975	11,600,379
Fixed Assets, at cost (Note 3)		
Land	**41,183,267**	24,046,389
Buildings and improvements	**63,454,991**	28,847,843
Leasehold improvements	**43,685,194**	41,714,983
Furniture and equipment	**73,986,902**	64,567,595
Construction in progress	**24,044,401**	15,035,144
	246,354,755	174,211,954
Depreciation and amortization (Note 7)	**(40,935,056)**	(36,379,208)
	205,419,699	137,832,746
Leasehold Interest, at cost, in property, including improvements thereon, and in equipment under lease-purchase obligations (Note 3)	**90,094,333**	82,750,308
Construction in progress	**—**	4,579,370
	90,094,333	87,329,678
Amortization (Note 7)	**(12,155,459)**	(9,564,790)
	77,938,874	77,764,888
Other Assets		
Cost in excess of net assets of businesses acquired, not being amortized	**13,940,078**	13,748,625
Escrow and lease deposits	**1,709,000**	1,920,096
Deferred charges (Note 7)	**5,231,949**	5,008,808
Miscellaneous (Note 7)	**3,832,895**	3,899,052
	24,713,922	24,576,581
	$369,936,426	$297,721,691

The accompanying notes to consolidated financial statements are an integral part of this balance sheet.

	1971	1970
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities		
Bank loans	**$ 2,039,589**	$ 1,057,942
Accounts payable	**12,358,171**	10,600,340
Accrued liabilities	**15,716,177**	14,985,589
Construction contract accruals	**5,878,714**	5,822,266
Federal and state income taxes (Notes 2 & 7)	**4,220,264**	2,389,712
Current portion of debt: Mortgages and notes	**5,092,867**	3,607,992
Lease-purchase obligations	**2,903,536**	2,825,636
Total current liabilities	**48,209,318**	41,289,477
Debt, excluding convertible subordinated debt (Note 3)		
Interim construction financing covered by mortgage loan commitments and bank lines of credit	**7,680,000**	19,850,000
Mortgages and notes, excluding current portion	**86,578,733**	50,132,759
Lease-purchase obligations, excluding current portion	**57,152,859**	53,350,657
	151,411,592	123,333,416
Deferred Credits and Other Liabilities		
Deferred income taxes (Note 7)	**15,581,000**	13,241,000
Deferred management stock compensation (Notes 4 & 7)	**2,306,000**	2,063,000
Minority interest in subsidiaries	**556,329**	621,519
	18,443,329	15,925,519
Commitments and Contingent Liabilities (Notes 1 & 3)		
Convertible Subordinated Debt (Note 5)	**24,879,000**	27,840,000
Shareholders' Investment (Notes 4 & 5)		
Preferred stock—without par value; 1,000,000 shares authorized; none issued	**—**	—
Common stock—$1.00 par value; 30,000,000 shares authorized; 13,830,060 shares issued in 1971 and 12,498,157 shares issued in 1970, including shares in treasury	**13,830,060**	12,498,157
Capital surplus	**100,862,665**	66,368,576
Retained earnings	**13,071,898**	11,308,481
	127,764,623	90,175,214
Common stock in treasury, at cost, 39,500 shares in 1971 and 38,537 in 1970	**(301,554)**	(301,554)
Unamortized compensation related to restricted stock agreements (Note 7)	**(469,882)**	(540,381)
	126,993,187	89,333,279
	$369,936,426	$297,721,691

Consolidated Shareholders' Investment

Marriott Corporation and Consolidated Subsidiaries
For the 52 Weeks Ended July 30, 1971 and the 53 Weeks Ended July 31, 1970

	Common Stock ($1.00 par value)	*Capital Surplus*	*Retained Earnings*	*Treasury Stock At Cost*	*Unamortized Compensation*
Balance, July 27, 1969	$12,140,064	$ 55,673,603	$10,243,855	$(301,554)	$(387,687)
Net income	—	—	11,011,795	—	—
2½% stock dividend at quoted market	304,353	9,642,816	(9,947,169)	—	—
Common stock issued upon redemption of convertible debt	3,901	149,945	—	—	—
Shares issued in connection with 1969 Employee Stock Purchase Plan	23,442	766,007	—	—	—
Quoted market value of 25,000 restricted shares of common stock sold under employment contracts	25,000	188,150	—	—	(188,150)
Deferred stock compensation plans and stock issuance expenses	1,397	(51,945)	—	—	35,456
Balance, July 31, 1970	$12,498,157	$ 66,368,576	$11,308,481	$(301,554)	$(540,381)
Net income	—	—	13,706,904	—	—
2½% stock dividend at quoted market	335,397	11,608,090	(11,943,487)	—	—
Public offering of common stock	900,000	19,724,663	—	—	—
Common stock issued upon redemption of convertible debt	78,008	2,781,191	—	—	—
Shares issued in connection with 1970 Employee Stock Purchase Plan	12,878	417,762	—	—	—
Deferred stock compensation plans and stock issuance expenses (Note 4)	5,620	(37,617)	—	—	70,499
Balance, July 30, 1971	$13,830,060	$100,862,665	$13,071,898	$(301,554)	$(469,882)

The accompanying notes to consolidated financial statements are an integral part of this statement.

Consolidated Changes in Financial Position

Marriott Corporation and Consolidated Subsidiaries *For the 52 Weeks Ended July 30, 1971 and the 53 Weeks Ended July 31, 1970*	**1971**	1970
Source of Funds:		
Net income	**$13,706,904**	$11,011,795
Add expenses not requiring current outlay of working capital:		
Depreciation and amortization of fixed assets and leasehold interest	**14,400,716**	11,061,741
Deferred income taxes	**3,333,000**	2,905,000
Deferred stock compensation	**605,015**	490,121
From operations	**32,045,635**	25,468,657
New Financing:		
Mortgages and notes	**48,141,867**	24,720,546
Lease-purchase obligations	**7,125,000**	10,635,000
Interim construction financing, net change	**(12,170,000)**	10,130,000
	43,096,867	45,485,546
Less maturities:		
Mortgages and notes	**(11,695,893)**	(4,623,672)
Lease-purchase obligations	**(3,322,798)**	(2,741,045)
From financing	**28,078,176**	38,120,829
Net proceeds from public offering of common stock	**20,624,663**	—
Common stock, at quoted market, issued under Employees Stock Purchase Plan	**430,640**	789,449
Disposals of fixed assets and leasehold interest	**1,516,457**	834,317
Common stock issued upon redemption of convertible debt	**2,961,000**	160,000
Miscellaneous	**144,926**	364,189
Total Sources	**85,801,497**	65,737,441
Application of Funds:		
Acquisition of Essex House Hotel	**28,834,157**	—
Other additions to fixed assets	**45,302,307**	43,649,884
Additions to leasehold interest	**2,878,982**	10,755,708
Acquisition of businesses	**7,047,702**	1,328,991
Advances to (repayments by) finance subsidiary and affiliate	**(6,178,404)**	8,287,657
Increase in other assets	**1,380,735**	3,050,041
Redemption of convertible debt	**2,961,000**	160,000
Total Applications	**82,226,479**	67,232,281
Increase (Decrease) in Working Capital	**$3,575,018**	$(1,494,840)
Summary of Changes in Working Capital:		
Increase (decrease) in current assets:		
Cash and short-term investments	**$9,351,159**	$(10,611,984)
Accounts receivable	**208,428**	4,065,807
Inventory	**1,673,273**	2,636,581
Prepaid expenses	**(738,001)**	1,142,609
(Increase) decrease in current liabilities:		
Bank loans	**(981,647)**	(1,057,942)
Accounts payable and accrued liabilities	**(2,544,867)**	(163,473)
Federal and state income taxes	**(1,830,552)**	109,359
Current portion of debt	**(1,562,775)**	2,384,203
Increase (decrease) in Working Capital	**$3,575,018**	$(1,494,840)

The accompanying notes to consolidated financial statements are an integral part of this statement.

Notes to Consolidated Financial Statements

1. Principles of Consolidation:

The accompanying consolidated financial statements include accounts of the Company and all majority-owned domestic and foreign subsidiaries except for its wholly-owned finance subsidiary, Marriott Financial Services, Inc. (MFS). The accounts of foreign subsidiaries are included after translation into U.S. dollars. All material intercompany transactions have been eliminated.

MFS provides leasing and financing for the Company's franchisees. Net income of MFS included in the accompanying statement of Consolidated Income for 1971 was $209,000 and for 1970 was $210,000. At July 30, 1971, MFS had assets of $5,206,089 and indebtedness of $1,162,719. The Company has guaranteed the indebtedness of MFS.

The Company has a 25% non-voting equity interest (with 50% voting rights) in the landlord of the New Orleans Marriott Hotel and has a right to convert $1,000,000 of debentures for an additional 24% non-voting equity interest. The hotel is currently under construction for which the Company has guaranteed $16,080,000 of interim construction loans of the landlord at July 30, 1971 and is committed to guarantee an additional $9,920,000. The landlord has a commitment for $20,000,000 of permanent financing and commitments for an additional $6,000,000 are in process.

2. Federal Income Taxes:

The Company and its subsidiaries file separate income tax returns. An Internal Revenue Agent's Report covering the tax returns filed for the years 1964 through 1967 has been received and certain deficiencies are being contested. In the opinion of management, adequate provision has been made for all known assessments applicable to these years. Returns for 1968 through 1970 are currently being reviewed by the Internal Revenue Agents and, in the opinion of management, any adjustment for such years will not have a material adverse effect on the accompanying consolidated financial statements. See Note 7 for tax accounting policies.

3. Debt (Excluding Convertible Subordinated Debt) and Commitments:

Maturities of mortgages, notes and lease-purchase obligations at July 30, 1971:

Fiscal Year	Secured Mortgage Loans	Unsecured Notes	Lease—Purchase Obligations
Interest rates	4½-10%	5-9¼%	5⅛-7⅜%
1973	$ 8,685,296	$ 215,632	$ 2,605,165
1974	11,754,103	2,075,042	2,703,574
1975	29,831,675	12,563,042	2,865,360
1976	2,934,353	63,042	2,933,732
to 1995	17,524,486	932,062	46,045,028
Total	$70,729,913	$15,848,820	$57,152,859

Summary of Pledging of Assets:

The Company's investment in real estate and equipment, at cost and excluding construction in progress, is $312,404,687. Of this amount, $94,808,907 is pledged under mortgage loans, $127,501,447 is free of lien and $90,094,333 represents the investment in property under lease-purchase obligations.

Construction Financing:

As of July 30, 1971, the Company has commenced major construction projects aggregating $65,000,000, to be completed over the next three years, of which $19,000,000 has been expended. The Company has obtained permanent mortgage loan commitments of $41,700,000 on certain of these projects. In addition, on completed projects, the Company has $16,000,000 of mortgage loan commitments which will be closed in the next 60 days. During the construction period, the Company uses interim construction financing consisting of short-term bank loans and commercial paper (whose maturity averages 90 days) that is to be refinanced by mortgage loan commitments upon completion of the projects. Until completion of such projects, the interim construction financing must be refinanced or replaced by use of the Company's regular bank credit lines which aggregate $76.5 million with 22 commercial banks.

Lease-purchases and Other Leases:

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

In addition to the foregoing leases, the Company has other leases which are not installment purchases and which have an average remaining term of 17 years as of July 30, 1971. Minimum annual rentals amount to approximately $5,300,000 as of July 30, 1971. Most of these leases have renewal privileges and require additional rentals under percentage clauses relating to sales.

4. Stock Compensation and Stock Purchase Plan:

The Company has deferred compensation programs represented by deferred stock bonus awards and contract agreements. Certain of the agreements have restrictions which are released each year dependent upon the increase in consolidated earnings per share each year over the prior year. Under these plans, 319,785 shares of common stock have been awarded of which 69,589 shares are fully vested at July 30, 1971.

The Company has a qualified stock purchase plan for employees to purchase up to 69,860 shares of common stock under a Payroll Deduction Plan. The purchase price is the quoted market value at January 4, 1971 ($28.42 per share, adjusted for the 2½% stock dividend paid in 1971) or 100%

of the quoted market value at January 31, 1972, whichever is less. The number of shares reserved for issuance and the purchase price under the plan are both subject to adjustment as a result of antidilution provisions. Under the fiscal 1970 plan employees purchased 12,878 shares in 1971.

5. Convertible Subordinated Debt:

The following convertible subordinated debt was issued in 1969 and is due in 1989:

Amount July 30, 1971	Interest Rate	Current Conversion Price	Unissued Common Stock Reserved
$ 5,000,000	5½%	$34.18	146,284
14,900,000	5½%	36.58	407,326
4,979,000	6¼%	38.00	131,026
$24,879,000			684,636

During 1971, $2,961,000 of convertible subordinated debt was converted into 78,008 shares. On August 12, 1971 the $5,000,000 of 5½% notes were converted into 146,284 shares of common stock at the conversion price of $34.18 per share. After November 1, 1971, the $14,900,000 of 5½% notes may be called for redemption at 104¼. All conversion prices are subject to antidilution provisions and the debt is convertible into common stock at any time. Annual principal payments of $1,500,000 begin May, 1980 on the $14,900,000 of 5½% notes. Annual principal payments of $400,000 on the 6¼% debentures begin June, 1979; however, conversions prior to that date may be offset against the annual payments.

The 5½% note agreements require the Company to limit cash dividends to an amount not in excess of cumulative net income after July 28, 1968, plus $3,000,000.

6. Earnings Per Share:

Earnings per share of common stock have been calculated based on weighted average shares outstanding during the year, 13,458,639 in 1971 and 12,737,660 in 1970.

Conversion of the outstanding subordinated debt and distribution of the total shares reserved under the stock purchase plan and awarded under deferred stock compensation agreements would have no material effect on earnings per share for fiscal 1970 or 1971.

7. Accounting Policies:

Depreciation and Amortization:

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

Buildings and Improvements .... 20 to 40 Years
Leasehold Improvements .... Shorter of Life of Lease or Asset
Furniture and Equipment .... 4 to 20 Years
Automotive Equipment .... 2 to 8 Years
Leasehold interest under lease-purchase obligations:
Equipment .... 4 to 20 Years
Buildings and Improvements 20 to 45 Years

Income Taxes:

Deferred income taxes are recognized primarily for differences between book and tax accounting for depreciation, interest during construction, pre-opening expenses, payments to individuals for covenants not to compete obtained in connection with acquisitions, and deferred stock compensation.

U.S. taxes are not accrued on undistributed profits of foreign subsidiaries because management considers such profits to be permanently invested.

Deferred Management Stock Compensation:

Compensation for deferred stock bonus awards is recorded in the year in which the bonus is earned, adjusted for anticipated forfeitures of unvested amounts, based on the quoted market price on the date awarded. Compensation for deferred stock contracts is recorded for the shares contingently vested in each fiscal year based on the quoted market price as of the date of contracts, adjusted for subsequent stock dividends and splits. Stock compensation which is subject to restrictions is expensed as the restrictions are released.

Deferred Charges:

Deferred charges consist of the following:

	July 30, 1971	July 31, 1970
Pre-opening Expenses	$2,393,932	$2,064,698
Deferred Financing Expenses	1,351,865	1,701,221
Other Deferred Charges	1,486,152	1,242,889
	$5,231,949	$5,008,808

Deferred financing expenses are amortized over the life of the loans and are considered part of the interest expense.

Employee costs, supplies and services required to make ready new hotels and major hotel additions are deferred until the property is open for business, after which the pre-opening expenses are amortized over three years. Pre-opening expenses of other operations are expensed as incurred.

The costs of establishing operations of the new Marriott World Travel Division, which arranges group tours, are included in pre-opening expenses and will be amortized over three years beginning in fiscal 1972.

Miscellaneous Assets:

Miscellaneous assets consist of the following:

	July 30, 1971	July 31, 1970
Long-term Notes Receivable–		
Secured	$1,163,500	$ 840,000
Unsecured	916,547	1,014,999
Other Long-term Receivables	614,015	904,476
Franchise Rights, Copyrights and Trademarks	919,842	949,842
Miscellaneous Investments	218,991	189,735
	$3,832,895	$3,899,052

10 Year Financial History
(Dollars in thousands)

	1971	1970	1969	1968
		53 Weeks		
Operations (Note A)				
Sales	**347,346**	314,986	257,385	197,498
% Increase for the year	**10.3%**	22.4%	30.3%	35.0%
Income before income taxes	**25,030**	19,268	15,956	13,362
Per sales dollar	**7.2%**	6.1%	6.2%	6.8%
United States and foreign income taxes	**(11,358)**	(8,551)	(7,385)	(6,441)
Additional surtax	**—**	(500)	(655)	(329)
Investment tax credit	**35**	795	988	827
Income before extraordinary items (Note D)	**13,707**	11,012	8,904	7,419
% Increase for the year	**24.5%**	23.7%	20.0%	22.6%
Per sales dollar	**3.9%**	3.5%	3.5%	3.8%
Return on beginning shareholders' investment	**15.3%**	14.2%	15.7%	16.3%
Cash flow from operations	**32,046**	25,469	20,043	16,302
Assets Employed				
Net working capital	**8,233**	4,658	6,152	7,579
Fixed assets	**205,420**	137,833	103,506	68,792
Leasehold interest (Note B)	**77,939**	77,765	69,582	55,718
Other assets	**30,136**	36,177	23,601	12,159
Debt and Equity				
Mortgages and notes	**86,579**	50,133	30,036	24,808
Lease-purchase obligations (Note B)	**57,153**	53,351	45,456	41,168
Construction financing	**7,680**	19,850	9,720	2,500
Deferred taxes and compensation	**17,887**	15,304	11,978	8,816
Convertible subordinated debt	**24,879**	27,840	28,000	10,000
Minority interest in subsidiaries	**556**	622	282	181
Shareholders' investment	**126,993**	89,333	77,368	56,775
Per Share Data (Notes A & C)				
Income before extraordinary items (Note D)	**1.02**	.86	.72	.61
Cash flow from operations	**2.38**	2.00	1.63	1.34
Stock dividends				
Percent	**2.5%**	2.5%	2.5%	3.0%
Cash equivalent	**.89**	.78	.77	.58
Shareholders' investment	**9.21**	6.99	6.08	4.64
Quoted market price at year end	**43.88**	23.66	29.63	27.40
Other Data (Note C)				
Weighted average shares outstanding	**13,458,639**	12,737,660	12,309,824	12,144,899
Shares outstanding	**13,790,560**	12,771,111	12,715,154	12,241,212
Number of shareholders	**27,900**	26,500	24,000	20,700
Number of employees	**27,300**	26,000	24,300	19,700
Number of operating units	**419**	382	324	256

	1967	1966 *53 Weeks*	1965	1964	1963	1962	10 Year Compound Growth
98	146,349	123,933	98,843	84,726	74,597	71,516	19.4%
%	18.1%	25.4%	16.7%	13.6%	4.3%	21.5%	
62	10,820	9,121	7,394	5,555	4,158	3,929	23.1%
%	7.4%	7.4%	7.5%	6.6%	5.6%	5.5%	
41)	(5,233)	(4,391)	(3,388)	(2,510)	(1,754)	(1,657)	
29)	—	—	—	—	—	—	
27	462	380	169	155	67	—	
19	6,049	5,110	4,175	3,200	2,471	2,272	23.0%
%	18.4%	22.4%	30.5%	29.5%	8.8%	31.7%	
%	4.1%	4.1%	4.2%	3.8%	3.3%	3.2%	
%	19.6%	19.5%	19.0%	17.0%	15.1%	16.1%	
02	12,920	10,759	7,510	6,658	5,725	5,314	22.6%
79	4,559	6,872	9,576	10,247	9,209	7,123	
92	44,671	26,319	23,192	21,788	17,513	16,376	
18	42,046	33,409	18,178	—	—	—	
59	6,810	1,066	864	520	563	1,136	
08	11,286	5,212	5,992	6,895	5,814	6,404	
8	33,679	25,878	15,249	—	—	—	
00	—	—	—	—	—	—	
6	7,667	5,697	4,388	3,659	2,649	1,879	
0	—	—	—	—	—	—	
1	—	—	—	—	—	—	
5	45,454	30,879	26,181	22,001	18,822	16,352	24.6%
	.54	.46	.37	.28	.22	.20	21.1%
	1.15	.96	.67	.59	.51	.47	20.4%
	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
	.48	.60	.32	.18	.17	.18	
	3.79	2.76	2.34	1.96	1.68	1.46	
	15.00	11.49	10.21	4.60	4.34	4.45	24.6%
)	11,219,954	11,183,486	11,214,660	11,233,501	11,235,733	11,235,733	
2	11,981,184	11,168,920	11,198,053	11,231,268	11,235,733	11,235,733	
)	15,767	13,150	9,668	7,572	6,150	5,812	19.6%
)	15,600	12,500	10,000	9,600	9,100	8,800	12.2%
5	206	150	127	120	111	103	15.3%

Notes:

A. *Data exclude special gains on sale of properties in 1969 ($1,274,000 net of $483,000 tax or $.10 per share).*

B. *Leasehold interest and lease-purchase obligations, which previously had been accounted for as leased operations, were capitalized as of July 25, 1965.*

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

D. *In 1969, the Company changed its method (to other acceptable methods) of accounting for deferred stock contracts and hotel pre-opening expenses. If these changes, which resulted partly from new operating conditions, had not been made, income before extraordinary items for 1969, 1970, and 1971 would have been $500,000, $640,000, and $46,000 less, respectively.*

BOARD OF DIRECTORS

J. Willard Marriott
Chairman of the Board

Don G. Mitchell
Vice Chairman of the Board

Jorge Bird
Legislator and Advisor on Tourist Development, Puerto Rico

Alice S. Marriott
Vice President

J. W. Marriott, Jr.
President

Woodrow D. Marriott
Senior Vice President

Louis W. Prentiss
Major General, USA (ret.)

Harry L. Vincent, Jr.
Vice President
Booz, Allen & Hamilton, Inc.

OFFICERS OF THE CORPORATION

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Chairman of the Board

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President

Alice S. Marriott
Vice President

Woodrow D. Marriott
Senior Vice President

James E. Durbin
Vice President and
President, Marriott Hotels, Inc.

G. Michael Hostage
Vice President and
President, Marriott Restaurant Operations

Jerald O. Jarrard
Vice President and
President, Marriott In-Flite Services

Fred Boulineau
Vice President
Operations Research and Development

Robert P. Bryant
Vice President and
Group Vice President, Restaurant Operations

Sterling D. Colton
Vice President and
General Counsel

Angus Cotton
Vice President and
Vice President, Marriott Hotels, Inc.

J. Robert Droege
Vice President and
Vice President, Marriott Hotels, Inc.

Elmo Geoghegan
Vice President and
Executive Vice President, Big Boy Restaurants of America

W. W. Grice
Vice President and
Vice President, Marriott Hotels, Inc.

Robert E. Koehler
Vice President
Finance

Foster M. Kunz
Vice President
Industrial Relations

Leonard W. Lefeve
Vice President

Richard E. Marriott
Vice President
Architecture and Construction

Fred J. Martin
Vice President and
Vice President, In-Flite Services

James H. Pflaging
Vice President and
Vice President, In-Flite Services

Peter H. Plamondon
Vice President and
Group Vice President, Restaurant Operations

M. O. Ryan, Jr.
Vice President and
Vice President, Marriott Hotels, Inc.

George A. Stewart
Vice President and
Executive Vice President, Fairfield Farm Kitchens

Calvin B. Andringa
Treasurer

Robert B. Morris
Secretary and Assistant Vice President

Robert A. Seubert
Controller

SHAREHOLDER INFORMATION

Marriott Corporation
Executive Offices
5161 River Road
Washington, D.C. 20016

Registrars
Morgan Guaranty Trust Company of New York
30 W. Broadway
New York, New York 10006

American Security & Trust Company
15th Street & Pennsylvania Avenue N.W.
Washington, D.C. 20013

Transfer Agents
Bankers Trust Company
485 Lexington Avenue
New York, New York 10017

The Riggs National Bank of Washington, D.C.
800 17th Street, N.W.
Washington, D.C. 20013

Annual Meeting
Shareholders are cordially invited to attend the 1971 Annual Meeting, which will take place at 10 a.m. Tuesday, November 16 at the Indian Spring Country Club, Layhill Road, Silver Spring, Maryland.

Auditors
Arthur Andersen & Co.
815 Connecticut Avenue N.W.
Washington, D.C. 20006

Marriott
CORPORATION

Marriott In-Flite Services

North American Operations

European Operations

South American Operations

Airline Terminal Restaurants

Marriott Restaurant Operations

Restaurant Group
Hot Shoppes
Hot Shoppes Cafeterias
Toll Road Restaurants
Specialty Restaurants
Big Boy (Co.-owned, East)

Fast Foods Group
Jr. Hot Shoppes
Snack Shoppes
Roy Rogers (Co.-owned, East)
Roy Rogers Franchising

Food Service Management Group
Business & Industry
Hospitals & Nursing Homes
Schools & Colleges
Automatic Food Service

Big Boy Restaurants of America
Big Boy (Co.-owned, West)
Big Boy Franchising

Fairfield Farm Kitchens
Internal Sales—
Marriott Corporation

External Sales—
Food Service Industry and
Retail

Marriott Hotels

Hotels and Motor Hotels

Resorts

Specialty Restaurants

Marriott World Travel

Marriott
CORPORATION

Marriott
In-Flite
Services

Marriott
Restaurant
Operations

Marriott
Hotels