MARRIOTT INTERNATIONAL INC /MD/
Form 10-K
February 20, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2013

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No. 1-13881

MARRIOTT INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	52-2055918
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
10400 Fernwood Road, Bethesda, Maryland	20817
(Address of Principal Executive Offices)	(Zip Code)

Registrant’s Telephone Number, Including Area Code (301) 380-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, $0.01 par value	Nasdaq Global Select Market
(294,823,291 shares outstanding as of February 7, 2014)	Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

The aggregate market value of shares of common stock held by non-affiliates at June 30, 2013, was $9,242,186,286

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement prepared for the 2014 Annual Meeting of Shareholders are incorporated by reference into
Part III of this report.

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MARRIOTT INTERNATIONAL, INC.

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FISCAL YEAR ENDED DECEMBER 31, 2013

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Throughout this report, we refer to Marriott International, Inc., together with its subsidiaries, as "we," "us," or "the Company." Unless otherwise specified, each reference to a particular year means the fiscal year ended on the date shown in the table below:

Fiscal Year	Fiscal Year-End Date	Fiscal Year	Fiscal Year-End Date
2013	December 31, 2013	2008	January 2, 2009
2012	December 28, 2012	2007	December 28, 2007
2011	December 30, 2011	2006	December 29, 2006
2010	December 31, 2010	2005	December 30, 2005
2009	January 1, 2010	2004	December 31, 2004

Beginning with our 2013 fiscal year, we changed our financial reporting cycle to a calendar year-end reporting cycle and an end-of-month quarterly reporting cycle. Accordingly, our 2013 fiscal year began on December 29, 2012 and ended on December 31, 2013. Historically, our fiscal year was a 52-53 week fiscal year that ended on the Friday nearest to December 31. As a result, our 2013 fiscal year had 4 more days than the 2012 and 2011 fiscal years. We have not restated and do not plan to restate historical results. Beginning in 2014, our fiscal years will be the same as the corresponding calendar year (each beginning on January 1 and ending on December 31).

In order to make this report easier to read, we also refer throughout to (i) our Consolidated Financial Statements as our "Financial Statements," (ii) our Consolidated Statements of Income as our "Income Statements," (iii) our Consolidated Balance Sheets as our "Balance Sheets," (iv) our properties, brands or markets in the United States and Canada as "North America" or "North American," and (v) our properties, brands or markets outside of the United States and Canada as "International." References throughout to numbered "Footnotes" refer to the numbered Notes to our Financial Statements that we include in the Financial Statements section of this report.

PART I

Item 1. Business.

We are a worldwide operator, franchisor, and licensor of hotels and timeshare properties under numerous brand names at different price and service points. Consistent with our focus on management, franchising, and licensing, we own very few of our lodging properties. We also operate, market, and develop residential properties and provide services to home/condominium owner associations.

We were organized as a corporation in Delaware in 1997 and became a public company in 1998 when we were "spun off" as a separate entity by the company formerly named "Marriott International, Inc." We operate, franchise, or license 3,916 properties worldwide, with 675,623 rooms as of year-end 2013 inclusive of 40 home and condominium products (4,228 units) for which we manage the related owners' associations. We believe that our portfolio of brands is the broadest of any lodging company in the world. Our brands are listed in the following table:

- Marriott Hotels®
- JW Marriott®
- Renaissance® Hotels
- Gaylord Hotels®
- Autograph Collection® Hotels
- Moxy Hotels℠ *
- Courtyard by Marriott® ("Courtyard®")
- Fairfield Inn & Suites by Marriott® ("Fairfield Inn & Suites®")
- SpringHill Suites by Marriott® ("SpringHill Suites®")
- TownePlace Suites by Marriott® ("TownePlace Suites®")
- Marriott Executive Apartments®
- The Ritz-Carlton®
- Bulgari Hotels & Resorts
- EDITION®
- AC Hotels by Marriott℠
- Marriott Vacation Club®
- The Ritz-Carlton Destination Club®
- The Ritz-Carlton Residences®

- Residence Inn by Marriott® (“Residence Inn®”)
- Grand Residences by Marriott℠

* At year-end 2013, no Moxy properties were yet open.

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Our operations are grouped into four business segments: North American Full-Service, North American Limited-Service, International, and Luxury. Financial information by segment and geographic area for 2013, 2012, and 2011 appears in Footnote No. 14, “Business Segments.”

Company-Operated Properties

At year-end 2013, we operated 1,057 properties (283,029 rooms) under long-term management agreements with property owners, 35 properties (8,542 rooms) under long-term lease agreements with property owners (management and lease agreements together, “the Operating Agreements”), and 9 properties (1,960 rooms) as owned. The figures noted for properties operated under long-term management agreements include 40 home and condominium products (4,228 units) for which we manage the related owners’ associations.

Terms of our management agreements vary, but we earn a management fee that is typically composed of a base management fee, which is a percentage of the revenues of the hotel, and an incentive management fee, which is based on the profits of the hotel. Our management agreements also typically include reimbursement of costs of operations (both direct and indirect). Such agreements are generally for initial periods of 20 to 30 years, with options for us to renew for up to 50 or more additional years. Our lease agreements also vary, but may include fixed annual rentals plus additional rentals based on a percentage of annual revenues in excess of a fixed amount. Many of our Operating Agreements are subordinated to mortgages or other liens securing indebtedness of the owners. Many of our Operating Agreements also permit the owners to terminate the agreement if we do not meet certain performance metrics and financial returns fail to meet defined levels for a period of time and we have not cured such deficiencies. In certain circumstances, some of our management agreements allow owners to convert company-operated properties to franchised properties under our brands.

For lodging facilities that we operate, we generally are responsible for hiring, training, and supervising the managers and employees required to operate the facilities and for purchasing supplies, and owners are required to reimburse us for those costs. We provide centralized reservation services and national advertising, marketing, and promotional services, as well as various accounting and data processing services, and owners are also required to reimburse us for those costs.

Franchised, Licensed, and Unconsolidated Joint Venture Properties

We have franchising, licensing, and joint venture programs that permit other hotel owners and operators and Marriott Vacations Worldwide Corporation ("MVW") to use many of our lodging brand names and systems. Under our franchising program, we generally receive an initial application fee and continuing royalty fees, which typically range from four percent to six percent of room revenues for all brands, plus two percent to three percent of food and beverage revenues for certain full-service hotels. We are a partner in unconsolidated joint ventures that manage hotels. Some of these unconsolidated joint ventures also provide services to franchised hotels. We recognize our share of these joint ventures' net income or loss. Franchisees and joint ventures contribute to our national marketing and advertising programs and pay fees for use of our centralized reservation systems. Under license agreements with us, MVW is both the exclusive developer and operator of timeshare, fractional, and related products under the Marriott brand and the exclusive developer of fractional and related products under The Ritz-Carlton brand. We receive license fees under licensing agreements with MVW consisting of a fixed annual fee of $50 million plus two percent of the gross sales price paid to MVW for initial developer sales of interests in vacation ownership units and residential real estate units and one percent of the gross sales price paid to MVW for resales of interests in vacation ownership units and residential real estate units, in each case that are identified with or use the Marriott or Ritz-Carlton marks.

At year-end 2013, we had 2,673 franchised properties (360,451 rooms), 80 unconsolidated joint venture properties (8,839 rooms), and 62 licensed timeshare, fractional, and related properties (12,802 units).

Residential

We use or license our trademarks for the sale of residential real estate, typically in conjunction with hotel development and receive branding fees for sales of such branded residential real estate by others. Residences are typically constructed and sold by third-party owners with limited amounts, if any, of our capital at risk. We have used or licensed our The Ritz-Carlton, EDITION, Autograph Collection Hotels, JW Marriott, and Marriott Hotels brand names and trademarks for residential real estate sales. While the worldwide residential market is very large, we believe the luxurious nature of our residential properties, the quality and exclusivity associated with our brands, and the hospitality services that we provide, all serve to make our residential properties distinctive.

Seasonality

In general, business at company-operated and franchised properties fluctuates only moderately with the seasons and is relatively stable. Business at some resort properties may be seasonal depending on location.

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Relationship with Major Customer

We operate a number of properties under long-term management agreements that are owned or leased by Host Hotels & Resorts, Inc. ("Host"). In addition, Host is a partner in several partnerships that own properties operated by us under long-term management agreements. See Footnote No. 19, "Relationship with Major Customer," for more information.

Intellectual Property

We operate in a highly competitive industry and our brand names, trademarks, service marks, trade names, and logos are very important to the sales and marketing of our properties and services. We believe that our brand names and other intellectual property have come to represent the highest standards of quality, caring, service, and value to our customers and the traveling public. Accordingly, we register and protect our intellectual property where we deem appropriate and otherwise protect against its unauthorized use.

Summary of Properties by Brand

At year-end 2013, we operated, franchised, or licensed the following properties by brand:

	Company-Operated		Franchised / Licensed		Other [3]	
Brand	Properties	Rooms	Properties	Rooms	Properties	Rooms
U.S. Locations						
Marriott Hotels	130	67,762	182	55,534	—	—
Marriott Conference Centers	10	2,915	—	—	—	—
JW Marriott	15	9,735	7	2,914	—	—
Renaissance Hotels	33	15,035	41	11,805	—	—
Renaissance ClubSport®	—	—	2	349	—	—
Gaylord Hotels	5	8,098	—	—	—	—
Autograph Collection	—	—	32	8,410	—	—
The Ritz-Carlton	37	11,040	—	—	—	—
The Ritz-Carlton-Residential [1]	30	3,598	—	—	—	—
Courtyard	274	43,200	562	74,493	—	—
Fairfield Inn & Suites	4	1,197	687	61,724	—	—
SpringHill Suites	29	4,582	277	31,306	—	—
Residence Inn	122	17,653	507	58,403	—	—
TownePlace Suites	22	2,440	200	19,599	—	—
Timeshare [2]	—	—	47	10,506	—	—
Total U.S. Locations	711	187,255	2,544	335,043	—	—
Non-U.S. Locations						
Marriott Hotels	137	40,456	37	10,757	—	—
JW Marriott	37	13,812	4	1,016	—	—
Renaissance Hotels	55	17,991	22	6,720	—	—
Autograph Collection	2	395	17	2,310	5	348
The Ritz-Carlton	47	13,950	—	—	—	—
The Ritz-Carlton-Residential [1]	9	575	1	55	—	—
The Ritz-Carlton Serviced Apartments	4	579	—	—	—	—
EDITION	2	251	—	—	—	—
Bulgari Hotels & Resorts	2	117	1	85	—	—
Marriott Executive Apartments	27	4,295	—	—	—	—
AC Hotels by Marriott	—	—	—	—	75	8,491
Courtyard	61	12,958	56	9,898	—	—
Fairfield Inn & Suites	1	148	16	1,896	—	—
SpringHill Suites	—	—	2	299	—	—
Residence Inn	6	749	18	2,600	—	—
TownePlace Suites	—	—	2	278	—	—
Timeshare [2]	—	—	15	2,296	—	—
Total Non-U.S. Locations	390	106,276	191	38,210	80	8,839
Total	1,101	293,531	2,735	373,253	80	8,839

(1) Represents projects where we manage the related owners' association. We include residential products once they possess a certificate of occupancy.

(2) Timeshare properties licensed by MVW under the Marriott Vacation Club, The Ritz-Carlton Destination Club, The Ritz-Carlton Residences, and Grand Residences by Marriott brand names. Includes products that are in active sales

as well as those that are sold out. MVW's property and room counts are reported on a fiscal year basis for the MVW year ended January 3, 2014.

(3) Properties operated by unconsolidated joint ventures that hold management agreements and also provide services to franchised properties.

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Summary of Properties by Country

At year-end 2013, we operated, franchised or licensed properties in the following 72 countries and territories:

Country	Properties	Rooms
Americas		
Aruba	5	1,955
Bahamas	1	17
Barbados	1	118
Brazil	5	1,243
British Virgin Islands	1	58
Canada	80	15,749
Cayman Islands	5	772
Chile	2	485
Colombia	3	673
Costa Rica	7	1,222
Curaçao	2	484
Dominican Republic	2	445
Ecuador	2	401
El Salvador	1	133
Honduras	1	153
Mexico	23	5,561
Panama	5	1,001
Peru	2	453
Puerto Rico	9	2,226
Saint Kitts and Nevis	2	541
Suriname	1	140
Trinidad and Tobago	1	119
United States	3,255	522,298
U.S. Virgin Islands	5	1,095
Venezuela	3	688
Total Americas	3,424	558,030
United Kingdom and Ireland		
Ireland	2	454
United Kingdom (England, Scotland, and Wales)	64	12,191
Total United Kingdom and Ireland	66	12,645

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Middle East and Africa		
Algeria	1	204
Bahrain	3	537
Egypt	8	3,763
Jordan	3	644
Kuwait	2	577
Oman	2	495
Pakistan	2	508
Qatar	6	1,509
Saudi Arabia	7	1,800
United Arab Emirates	10	3,058
Total Middle East and Africa	44	13,095
Asia		
China	67	25,140
Guam	1	436
India	23	5,752
Indonesia	10	2,261
Japan	12	3,684
Malaysia	7	3,070
Philippines	2	657
Singapore	3	1,059
South Korea	5	1,751
Thailand	18	3,815
Vietnam	2	786
Total Asia	150	48,411
Australia	5	1,527
Continental Europe		
Azerbaijan	1	243
Armenia	2	326
Austria	8	1,922
Belgium	5	881
Czech Republic	6	1,088
Denmark	1	402
France	21	4,266
Georgia	2	245
Germany	28	6,481
Greece	1	314
Hungary	4	891
Israel	3	539
Italy	23	3,677
Kazakhstan	5	634
Netherlands	3	946
Poland	2	759
Portugal	5	1,150
Romania	1	401
Russia	13	3,013
Spain	75	9,590
Sweden	2	406
Switzerland	6	1,181

Turkey	10	2,560
Total Continental Europe	227	41,915
Total	3,916	675,623

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Descriptions of Our Brands

North American Full-Service Segment, North American Limited-Service Segment,
International Segment Products

Marriott Hotels is our global flagship premium brand, primarily serving business and leisure upper-upscale travelers and meeting groups. Marriott Hotels properties seek to be "brilliant hosts" to global, mobile guests who blend work and play, demand seamless connectivity and seek style with substance. Properties are located in downtown, urban, and suburban areas, near airports, and at resort locations.

Typically, properties contain 300 to 700 well-appointed guest rooms, convention and banquet facilities, destination-driven restaurants and lounges, room service, concierge lounges, fitness centers, swimming pools, wireless Internet access in public spaces, and parking facilities. Sixteen properties have over 1,000 rooms. Many resort properties have additional recreational facilities, such as tennis courts, golf courses, additional restaurants and lounges, and spa facilities. New and renovated properties typically showcase the Marriott Greatroom lobby experience, which features dynamic public spaces that flex to meet a wide variety of the social, mobile, and collaborative behaviors of today's traveler. Properties feature luxurious guest rooms, contemporary residential designs with rich woods and architectural detail, flat-screen high-definition televisions, in-room high-speed Internet access, and bathrooms embodying spa-like luxury. The Marriott Hotels brand is also leading the industry with the deployment of Mobile Guest Services that allows customers to check in and check out of a hotel on their mobile device. At year-end 2013, there were 486 Marriott Hotels properties (174,509 rooms), excluding JW Marriott and Marriott Conference Centers.

At year-end 2013, there were 10 Marriott Conference Centers (2,915 rooms) throughout the United States. Some of the centers are used exclusively by employees of sponsoring organizations, while others are marketed to outside meeting groups and individuals. In addition to the features found in a typical Marriott Hotels property, conference centers include expanded meeting room space, banquet and dining facilities, and recreational facilities.

JW Marriott is a global luxury brand made up of a collection of beautiful properties and resorts that cater to accomplished, discerning travelers seeking an elegant environment with discreet personal service. JW Marriott's elegant yet approachable positioning provides a differentiated offering in the luxury hotel market, bridging the gap between full service hotel brands and the super luxury brands at the top of the tier. At year-end 2013, there were 63 properties (27,477 rooms) primarily located in gateway cities and upscale locations throughout the world. JW Marriott offers anticipatory service and exceptional amenities, many with world-class golf and spa facilities. In addition to the features found in a typical Marriott Hotels property, the facilities and amenities at JW Marriott properties normally include larger guest rooms, higher-end décor and furnishings, upgraded in-room amenities, upgraded executive lounges, business centers and fitness centers, and 24-hour room service.

Marriott Hotels, Marriott Conference Centers, and JW Marriott Geographic Distribution at Year-End 2013	Properties	
United States (43 states and the District of Columbia)	344	(138,860 rooms)
Non-U.S. (58 countries and territories)		
Americas	50	
Continental Europe	41	
United Kingdom and Ireland	51	
Asia	50	
Middle East and Africa	19	

Australia	4	
Total Non-U.S.	215	(66,041 rooms)

Renaissance Hotels is a global, full-service brand that targets lifestyle-oriented business travelers who are "discoverers at heart" and who value business travel as a way to explore the world. Each Renaissance hotel offers its own personality, local flavor, and distinctive style and provides guests the opportunity to discover something new at every turn. Two innovations include the Navigator program, which helps guests discover authentic establishments in the locale, and RLife® LIVE, which helps guests discover emerging talent in music, films, arts, and more in the comfort of the hotel lobby bars and lounges. For group customers, Renaissance offers R.E.N. Meetings, which includes Renaissance sensory meeting space and table settings, Entertainment with RLife LIVE, and Navigator local experts, all built on our company's trusted meetings expertise and heritage.

Renaissance Hotels' diverse portfolio includes historic icons, modern boutiques, exotic resorts, and convention hotels. Most properties contain 250 to 500 rooms, featuring modern chic design, lively bars and lounges, and creative meeting and banquet facilities. At year-end 2013, there were 153 Renaissance Hotels properties (51,900 rooms), including two Renaissance ClubSport properties (349 rooms).

Renaissance Hotels Geographic Distribution at Year-End 2013	Properties	
United States (28 states and the District of Columbia)	76	(27,189 rooms)
Non-U.S. (33 countries and territories)		
Americas	9	
Continental Europe	31	
United Kingdom and Ireland	4	
Asia	29	
Middle East and Africa	4	
Total Non-U.S.	77	(24,711 rooms)

Autograph Collection Hotels. The Autograph Collection is a growing portfolio of luxury independent hotels located in desired destinations around the world. Each hotel in the Collection is selected for its distinction as an iconic landmark, its cultural significance, remarkable design or for its best-in-class resort amenities. Autograph Collection provides our company the opportunity to attract new guests who prefer original and varying hotel experiences that other brands do not offer. The Collection provides owners of high-quality hotels with a compelling consumer offering through our leading reservations and marketing platforms and Marriott Rewards®, our award winning loyalty program. Every hotel in the Collection has its own character and unique sense of place. At year-end 2013, there were 56 Autograph Collection properties (11,463 rooms) operating in 15 countries and territories.

Autograph Collection Hotels Geographic Distribution at Year-End 2013	Properties	
United States (15 states)	32	(8,410 rooms)
Non-U.S. (14 countries and territories)		
Americas	3	
Continental Europe	15	
United Kingdom and Ireland	4	
Asia	2	
Total Non-U.S.	24	(3,053 rooms)

Gaylord Hotels. With its world-class group and convention-oriented hotels, Gaylord Hotels is a leader in the group and meetings business and complements our existing network of large convention hotels. Gaylord Hotels properties are located in Prince George's County, Maryland near Washington, D.C. (Gaylord National®), in Nashville, Tennessee (Gaylord Opryland® and The Inn at Opryland), in Kissimmee, Florida near Orlando (Gaylord Palms®) and in Lake Grapevine, Texas, near Dallas (Gaylord Texan®). Gaylord Hotels properties are designed to celebrate the heritage of their destinations. Properties typically have between approximately 1,400 rooms and 2,900 rooms, extensive meeting and convention space ranging from 400,000 to 600,000 square feet, from 4 to 15 restaurants, eateries and bars, and retail outlets serving groups and leisure travelers. Fueled by the brand’s hallmark "Everything in one place" concept, each Gaylord Hotels resort blends magnificent settings, luxurious rooms, and world-class dining and entertainment offerings. Gaylord Hotels properties invite their guests to experience live music, dining, dancing, sporting activities, shopping, golf, movies, and more, all in one place. We also manage Gaylord Springs Golf Links, Wildhorse Saloon, and General Jackson Showboat located at or near the Gaylord Opryland in Nashville. At year-end 2013, there were five Gaylord Hotels properties (8,098 rooms, including the 303 room Inn at Opryland) operating in the United States.

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AC Hotels by Marriott. We are a partner with AC Hoteles, S.A. of Spain in joint ventures that created the “AC Hotels by Marriott” co-brand. AC Hotels by Marriott is designed to attract the upper-moderate design-conscious guest looking for a cosmopolitan hotel in a great city location. The brand features stylish, sleek designs with limited food and beverage offerings. Room counts vary by continent and can range from 50 to175 rooms. AC by Marriott hotels are typically located in destination, downtown, and lifestyle centers. Each hotel has its own unique style and character, but all feature the signature “AC Bed” with four large pillows and built-in reading light. AC Hotels by Marriott also features the “AC Lounge” offering cocktails, appetizers and sharable plates where guests can relax and unwind, and "AC Fitness" centers with state-of-the-art exercise equipment. Small meeting rooms can be found in most hotels for private board meetings or intimate social gatherings. Based on location, other hotel amenities include a mini-bar, 24-hour room service, laundry service, exclusive bathroom amenities, writing desk, and Wi-Fi. At year-end 2013, there were 75 AC Hotels by Marriott properties (8,491 rooms) in Spain, Italy, France, and Portugal. In 2013, we announced that we plan to import the AC Hotels brand into the U.S. and the rest of the Americas.

Moxy Hotels. In 2013, we announced a collaboration with Inter IKEA to develop our newest brand, Moxy Hotels, a design-led, lifestyle budget hotel developed around the needs of Generation X and Y travelers. Moxy offers a new way of traveling in which smaller is concentration, not reduction, and in which affordability is not a sacrifice of style, nor a loss of comfort. The brand offers a vibrant, communal and stylish public space and a fun, energetic and edgy personality. The brand will debut in Italy, with the first Moxy expected to open in Milan in mid-2014.

Courtyard is our hotel product designed for the upper-moderate price tier. Focused primarily on transient business travel, Courtyard hotels are designed to offer a refreshing environment to help guests stay connected, productive, and balanced, while accommodating their need for choice and control when traveling. The hotels typically contain 90 to 150 rooms in suburban locales and 140 to 340 rooms in downtown domestic and international locales. Well-landscaped grounds typically include outdoor social areas. Hotels feature functionally designed guest rooms and meeting rooms, free in-room high-speed Internet access, free wireless high-speed Internet access (Wi-Fi) in the lobby (in North America), a swimming pool, an exercise room, and The Market (a self-serve food store open 24 hours a day). At year-end 2013, over 80 percent of our North American Courtyard hotels completed the Courtyard Refreshing Business lobby design, a state-of-the-art lobby design we began implementing in 2008. The Bistro is the centerpiece of the lobby and is a "paid for" food and beverage concept that offers guests fresh and healthy meals for both breakfast and dinner along with Starbucks® Coffee, specialty espresso drinks, and a full evening bar service. The multifunctional lobby space enables guests to work, relax, eat, drink, and socialize at their own pace, taking advantage of enhanced technology and The Bistro’s offerings. At year-end 2013, there were 953 Courtyard properties (140,549 rooms) operating in 38 countries and territories.

Courtyard Geographic Distribution at Year-End 2013	Properties	
United States (49 states and the District of Columbia)	836	(117,693 rooms)
Non-U.S. (37 countries and territories)		
Americas	43	
Continental Europe	42	
United Kingdom and Ireland	2	
Asia	24	
Middle East and Africa	5	
Australia	1	
Total Non-U.S.	117	(22,856 rooms)

Fairfield Inn & Suites (which includes Fairfield Inn, Fairfield Inn & Suites and Fairfield by Marriott℠) is an established leader in the moderate-price tier segment and is targeted primarily at value-conscious business travelers. Fairfield Inn & Suites’ new prototype provides owners and investors with options and flexibility to meet specific market needs. Whether the hotel is located in an urban, secondary, or tertiary market, this innovative design allows owners to adapt the model based on location and site requirements. A typical Fairfield Inn & Suites or Fairfield Inn property has 60 to 140 rooms in suburban locations and up to 200 rooms in urban destinations. Fairfield Inn & Suites offers a wide range of amenities, including free in-room high-speed Internet access and free Wi-Fi access in the lobby, on-site business services (copying, faxing, and printing), a business center/lobby computer with Internet access and print capability, free hot breakfast, The Market (a self-serve food store open 24 hours a day, at most locations), exercise facilities (at most locations), and a swimming pool. Additionally, suite rooms (approximately 25 percent of the rooms at a typical Fairfield Inn & Suites) provide guests with separate areas for sleeping, working, and relaxing as well as in-room amenities including a microwave and refrigerator. At year-end 2013, there were 511

Fairfield Inn & Suites properties and 197 Fairfield Inn properties (64,965 rooms combined total) operating in the United States, Canada, Mexico and India.

Fairfield Inn & Suites and Fairfield Inn Geographic Distribution at Year-End 2013	Properties	
United States (48 states and the District of Columbia)	691	(62,921 rooms)
Non-U.S. Americas (3 countries and territories)		
Americas	16	
Asia	1	
Total Non-U.S.	17	(2,044 rooms)

Residence Inn is North America's leading upscale extended-stay hotel brand designed for frequent and extended stay business and leisure travelers staying five or more nights. Residence Inn provides upscale design and style with spacious suites that feature separate living, sleeping, and working areas, as well as kitchens with full-size appliances. Building on the brand's innovative spirit, Residence Inn is evolving to better support our guests with our new guest room designs, featuring a new desk design that offers room to spread out and work in comfort, a signature sofa that offers a place to work and relax, and an updated bath area with thoughtful storage. Additionally, we have created a fresh, stylish, residential design for the lobby space to encourage guests to enjoy time with friends and family outside their suites. Guests can maintain their own pace and routines through free in-room high-speed Internet access and free Wi-Fi access in the lobby, on-site exercise options, and comfortable places to work and relax. Additional amenities include free hot breakfast and evening social events, free grocery shopping services, 24-hour friendly and knowledgeable staffing, and laundry facilities. At year-end 2013, there were 653 Residence Inn properties (79,405 rooms) operating in 6 countries and territories.

Residence Inn Geographic Distribution at Year-End 2013	Properties	
United States (48 states and the District of Columbia)	629	(76,056 rooms)
Non-U.S. (5 countries and territories)		
Americas	21	
Continental Europe	1	
United Kingdom and Ireland	1	
Middle East and Africa	1	
Total Non-U.S.	24	(3,349 rooms)

SpringHill Suites is our all-suite brand in the upper-moderate-price tier primarily targeting business and leisure travelers who are looking for extra space and style with a great value. Fusing form and function with modern décor and creature comforts like great bedding, good food, and fitness options, SpringHill Suites delivers a stimulating and enriching experience for its target guests, who are "independent social explorers" looking for extra space and style with a great value. SpringHill Suites properties typically have 90 to 165 suites that have approximately 25 percent more space than a traditional hotel guest room with separate areas for sleeping, working, and relaxing. The brand offers a broad range of amenities, including free in-room high-speed Internet access and free Wi-Fi access in the lobby, The Market (a self-serve food store open 24 hours a day), complimentary hot breakfast buffet, lobby computer and on-site business services (copying, faxing, and printing), exercise facilities, and a swimming pool. At year-end 2013, there were 306 properties (35,888 rooms) operating in the United States (45 states) and two properties (299 rooms) in Canada.

TownePlace Suites is a moderately priced extended-stay hotel brand designed to appeal to business and leisure travelers who stay for five nights or more. Created for the value smart traveler who has a preference for a comfortable, uncomplicated and convenient hotel experience, each suite provides functional spaces for living and working, including a full kitchen and a home office. TownePlace Suites associates provide insightful local knowledge, and each hotel specializes in delivering service that helps guests settle in, maintain their day-to-day routine, and connect to the local area. Additional amenities include daily housekeeping services, breakfast, exercise facilities, a pool, 24-hour staffing, laundry facilities, free high-speed Internet and Wi-Fi access in the lobby and guest suites. At year-end 2013, there were 222 properties (22,039 rooms) operating in the United States (44 states) and two properties (278 rooms) operating in Canada.

Marriott Executive Apartments provides luxury serviced apartments with five-star amenities and services for business executives and those on leisure who require accommodations outside their home country, usually for 30 or more days. These full-service apartments are designed with upscale finishes and a wide variety of amenities including food and beverage options,

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a 24-hour front desk, daily and weekly housekeeping services, laundry facilities within the apartment, and recreational facilities. With all the space of a luxury apartment and the services of our skilled staff, Marriott Executive Apartments offer a truly unique solution for long-term guests seeking an opportunity to live, connect, and explore their new city. At year-end 2013, 25 Marriott Executive Apartments and two other Serviced Apartments properties (4,295 rooms total) were located in 16 countries and territories. All Marriott Executive Apartments are located outside the United States.

Luxury Segment Products

The Ritz-Carlton is one of the world's leading global luxury lifestyle brands, with hotels and resorts renowned for their extraordinary locations, inspired design, and legendary service. The brand, designed to appeal to the guest who enjoys genuine care and comfort, seeks to provide unique, memorable, and personal experiences that transcend luxury hospitality and create indelible marks in guests' lives. The Ritz-Carlton properties typically include elegant spa and wellness facilities, restaurants led by celebrity chefs, championship golf courses (at resort properties), 24-hour room service, twice-daily housekeeping, fitness and business centers, meeting and banquet facilities, concierge services, and The Ritz-Carlton Club® Level. The Ritz-Carlton is a highly reputable, award-winning organization and the only service company to have twice earned the prestigious Malcolm Baldrige National Quality Award. At year-end 2013, there were 88 The Ritz-Carlton hotel properties (25,569 rooms) and 40 home and condominium projects (4,228 units) for which we manage the related owners' associations operating in 29 countries and territories.

The Ritz-Carlton Geographic Distribution at Year-End 2013 (1)	Properties	
United States (17 states and the District of Columbia)	67	(14,638 rooms)
Non-U.S. (29 countries and territories)		
Americas	15	
Continental Europe	12	
United Kingdom and Ireland	—	
Asia	24	
Middle East and Africa	10	
Total Non-U.S.	61	(15,159 rooms)

(1) Includes 40 home and condominium projects (4,228 units) for which we manage the related owners' associations.

Bulgari Hotels & Resorts. Bulgari Hotels & Resorts is the product of a joint venture between us and Italian jeweler and luxury goods designer Bulgari SpA. The Bulgari Hotels & Resorts brand offers distinctive luxury hotel properties located in gateway cities and exclusive resorts around the world. These innovative hotels combine Bulgari style with incredible service in an informal yet impeccable setting, providing a flawless experience sought by the most discriminating guests. At year-end 2013, there were three Bulgari properties: the Bulgari Milan Hotel (58 rooms), in Milan, Italy, the Bulgari Bali Resort (59 private villas, two restaurants, and comprehensive spa facilities), and the Bulgari Hotel in London, England (85 rooms) overlooking Hyde Park and Knightsbridge. We also operate two restaurants in Tokyo, Japan, which are co-located with two Bulgari retail stores. The hotels are designed by renowned Italian designer Antonio Citterio and the furnishings and detailing embody the idea of contemporary luxury. We operate all of the Bulgari Hotels & Resorts brand properties and restaurants other than the hotel in London, which is franchised. Other projects are currently in various stages of development in Europe, Asia, the Middle East, and North America.

EDITION. In collaboration with hotel innovator Ian Schrager, EDITION combines the personal, intimate, individualized, and unique hotel experience that Ian Schrager is known for, with the global reach, operational expertise and scale of Marriott. The brand's approach and attitude toward modern lifestyle provides a unifying aesthetic, blending groundbreaking innovation, great design, outstanding dining and entertainment with personal, friendly and modern service. The heightened experience, authenticity and originality that Ian Schrager brings to the brand coupled with the global reach of Marriott results in a truly distinct product that sets itself apart from anything else currently in the marketplace. EDITION showcases the finest dining and entertainment offerings for guests and locals in the know. At year-end 2013, the brand operated The Istanbul EDITION, an award-winning 78-room property in Istanbul, Turkey, and recently opened the 173-room London EDITION to great acclaim. Planned openings are also scheduled in international gateway cities including Miami Beach (2014), New York-Madison Square Park (2015), Gurgaon, India (2015), Sanya, China (2015), Bangkok, Thailand (2016), Abu Dhabi (2016), Shanghai, China (2016), Wuhan, China (2017), West Hollywood (2017), and New York-Times Square (2017), along with other projects under development in key locations around the world. The EDITION hotels in Miami Beach and New York-Madison Square Park are currently under construction and development with our own funds. Early in the 2014 first quarter, we sold The London

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EDITION to a third party and simultaneously entered into definitive agreements to sell The Miami Beach and The New York EDITION hotels to the same third party when construction is complete. We will retain long-term management agreements for each of these three EDITION hotels. See Footnote No. 7, "Acquisitions and Dispositions" for additional information on this transaction.

Licensed Timeshare Brands

On November 21, 2011 ("the spin-off date"), we completed a spin-off of our timeshare operations and timeshare development business through a special tax-free dividend to our shareholders of all of the issued and outstanding common stock of our then wholly owned subsidiary MVW. Before the spin-off date, we developed, operated, marketed, and sold timeshare interval, fractional ownership, and residential properties as part of our former Timeshare segment under four brand names - Marriott Vacation Club, The Ritz-Carlton Destination Club, The Ritz-Carlton Residences, and Grand Residences by Marriott. In conjunction with the spin-off, we entered into licensing agreements with MVW for MVW’s use of the Marriott timeshare and Ritz-Carlton fractional brands. See Footnote No. 15, "Spin-off," for more information on the spin-off.

Under the licensing agreements, MVW is the exclusive worldwide developer, marketer, seller, and manager of vacation ownership and related products under the Marriott Vacation Club and Grand Residences by Marriott brands. MVW is also the exclusive global developer, marketer, and seller of vacation ownership and related products under The Ritz-Carlton Destination Club brand. Ritz-Carlton generally provides on-site management for Ritz-Carlton branded properties. We receive license fees under the licensing agreements with MVW.

Many resorts are located adjacent to hotels we operate, such as Marriott Hotels and The Ritz-Carlton, and owners have access to certain hotel facilities during their vacation.

We license the following brands to MVW:
Marriott Vacation Club is MVW's signature offering in the upscale tier of the vacation ownership industry. Marriott Vacation Club resorts typically combine many of the comforts of home, such as spacious accommodations with one-, two- and three-bedroom options, living and dining areas, and in-unit kitchens and laundry facilities, with resort amenities such as large feature swimming pools, restaurants and bars, convenience stores, and fitness facilities and spas, as well as sports and recreation facilities appropriate for each resort's unique location.
Grand Residences by Marriott is an upscale tier vacation ownership and whole ownership residence brand. MVW's vacation ownership products under this brand include multi-week ownership interests. The ownership structure and physical products for these locations are similar to those MVW offers to Marriott Vacation Club owners, although the time period for each Grand Residences by Marriott ownership interest ranges between three and 13 weeks. MVW also offers whole ownership residential products under this brand.
The Ritz-Carlton Destination Club is MVW's vacation ownership offering in the luxury tier of the industry. The Ritz-Carlton Destination Club provides luxurious vacation experiences commensurate with The Ritz-Carlton brand. The Ritz-Carlton Destination Club resorts typically feature two-, three- and four-bedroom units that generally include marble foyers, walk-in closets, custom kitchen cabinetry, and luxury resort amenities such as large feature pools and full-service restaurants and bars. We deliver on-site services, which usually include daily housekeeping service, valet, in-residence dining, and access to fitness facilities as well as spa and sports facilities as appropriate for each destination, through our Ritz-Carlton subsidiary.
The Ritz-Carlton Residences is a whole ownership residence brand in the luxury tier of the industry. The Ritz-Carlton Residences include luxury residential condominiums and home sites for luxury home construction co-located with certain The Ritz-Carlton Destination Club resorts. Owners can typically purchase condominiums that vary in size from one-bedroom apartments to spacious penthouses. The Ritz-Carlton Residences are situated in settings ranging from city center locations to golf and beach communities with private homes where residents can avail themselves of the services and facilities on an a la carte basis that are associated with the co-located The Ritz-Carlton Destination

Club resort. We deliver on-site services through our Ritz-Carlton subsidiary. While the worldwide residential market is very large, the luxurious nature of The Ritz-Carlton Residences properties, the quality and exclusivity associated with The Ritz-Carlton brand, and the hospitality services that are provided all make The Ritz-Carlton Residences properties distinctive.

MVW offers Marriott Rewards® Points and The Ritz-Carlton Rewards® Points to its owners or potential owners as sales, tour, and financing incentives, in exchange for vacation ownership usage rights, for customer referrals, and to resolve customer service issues. MVW buys these points from our Marriott Rewards and Ritz-Carlton Rewards programs.

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At year-end 2013, MVW operated 62 properties, primarily in the United States, but also in other countries and territories.

Other Activities

Credit Card Programs. At year-end 2013, we had six credit card programs in the United States, Canada, and the United Kingdom, which include both Marriott Rewards and The Ritz-Carlton Rewards credit cards. We earn licensing fees based on card usage, and the cards are designed to encourage loyalty to our brands.

Sales and Marketing, Loyalty Programs, and Reservation Systems. We focus on increasing value for the consumer and "selling the way the customer wants to buy." Our Look No Further® Best Rate Guarantee gives customers access to the same rates whether they book through our telephone reservation system, our website, or any other Marriott reservation channel. Marriott's Look No Further Guarantee ensures best rate integrity, strengthening consumer confidence in our brand. Our strong Marriott Rewards and The Ritz-Carlton Rewards guest recognition programs and our information-rich and easy-to-use Marriott.com website are also key to our success.

With nearly 44 million visitors each month, Marriott.com remains one of the largest online retail sites in the world, and continues to experience unprecedented growth. According to Internet Retailer (September 2013), Marriott is now the largest hotel company in gross mobile bookings including bookings via smartphone and tablets. In 2013, we successfully launched Mobile Check-In at Marriott Hotels in North America and select international properties. Marriott Rewards members can now remotely check in at almost 350 Marriott Hotels using their mobile devices. Ongoing design improvements to Marriott.com will add elegance and simplicity, making it easier for our guests to discover our properties on every device available.

We are a founding venture partner along with five other major hotel chains in Roomkey.com, an industry online referral and lead generation site. Roomkey.com launched in January 2012 and allows consumers to research hotel options across multiple brands. When a Roomkey.com customer selects a hotel with one of our brands, the customer books directly on Marriott.com. We expect Roomkey.com will be a more cost-effective and efficient business model for properties in our system than other online travel sites.

At year-end 2013, we operated 13 systemwide hotel reservation centers, six in the United States and Canada and seven in other countries and territories, which handle reservation requests for our lodging brands worldwide, including franchised properties. We own one of the U.S. facilities and lease the others. Our reservation system manages and controls inventory availability and pricing set by our hotels and allows us to utilize online and offline agents where cost effective. With over 3,900 properties in our system, economies of scale enable us to minimize costs per occupied room, drive profits for our owners and franchisees, and enhance our fee revenue.

The global sales and revenue management organization is a key competitive advantage for us due to an unrelenting focus on optimizing our investment in people, processes, and systems. We continue to develop and implement sales and revenue management plans and strategies that are tailored to specific markets around the world to meet the needs of our hotel owners. Our above-property sales deployment strategy aligns our sales efforts around the customer, reducing duplication of sales efforts by individual hotels and allowing us to cover a larger number of accounts. We also utilize innovative sophisticated revenue management systems, many of which are proprietary, that provide a competitive advantage in pricing decisions, increase efficiency in analysis and decision making, and produce increased property-level revenue for the hotels in our system. Most of the hotels in our system utilize web-based programs to effectively manage the rate set up and modification processes which provides for greater pricing flexibility, reduces time spent on rate program creation and maintenance, and increases the speed to market of new products and services. For our company-managed hotels in North America, at year-end 2013, approximately one-third of our sales staff worked on-property, approximately one-third worked in outside sales (spending the majority of their time meeting in customer offices), and approximately one-third responded to customer requests in state-of-the-art sales offices.

Our customer loyalty programs, Marriott Rewards and The Ritz-Carlton Rewards, have over 45 million members and 14 participating brands. MVW and other program partners also participate in our rewards programs. The rewards programs yield repeat guest business by rewarding frequent stays with points toward free hotel stays and other rewards, or airline miles with any of 36 participating airline programs. We believe that our rewards programs generate substantial repeat business that might otherwise go to competing hotels. In 2013, rewards program members purchased over 50 percent of our room nights. We continue to enhance our rewards program offerings and strategically market to this large and growing customer base. Our loyal rewards member base provides a low cost and high impact vehicle for our revenue generation efforts. See the "Our Rewards Programs" caption in Footnote No. 1, "Summary of Significant Accounting Policies" for more information.

As we further discuss in Part I, Item 1A “Risk Factors” later in this report, we utilize sophisticated technology and systems in our reservation, revenue management, and property management systems, in our Marriott Rewards and The Ritz-

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Carlton Rewards programs, and in other aspects of our business. We also make certain technologies available to our guests. Keeping pace with developments in technology is important for our operations and our competitive position. Furthermore, the integrity and protection of customer, employee, and company data is critical to us as we use such data for business decisions and to maintain operational efficiency.

Environmental Responsibility and "Green" Hotels. Our sustainability strategy supports business growth and reaches beyond our hotels to preserve and protect our planet's natural resources. Marriott's environmental goals are to: (1) further reduce energy and water consumption by 20% by 2020; (2) empower our hotel development partners to build green hotels; (3) green our multi-billion dollar supply chain; (4) educate and inspire associates and guests to conserve and preserve; and (5) address environmental challenges through innovative conservation initiatives including rainforest protection and water conservation.

We recognize our responsibility to reduce consumption of water, waste and energy in our hotels and corporate offices and are focused on integrating greater environmental sustainability throughout our business. We were the first major hotel chain to calculate our carbon footprint and launch a plan to improve energy efficiency, conserve water and support projects that reduce deforestation. We use Energy and Environmental Action (EEAP) plans, our best-practice auditing tool, to help our properties achieve energy and water reduction goals. Working in partnership with the U.S. Green Building Council (USGBC) for Leadership in Energy and Environmental Design (LEED®) and the Green Building Certification Institute (GBCI), Marriott is empowering our hotel development partners to build green hotels. In 2011, we developed the first LEED Volume Program (LVP) to provide a streamlined path to certification for the hospitality industry through a green hotel prototype. The LEED Volume Program that Marriott offers can save our owners 25 percent in energy and water consumption for the life of their buildings and should recover their initial investment in two to six years. Marriott has more than 110 LEED-certified buildings, with more in the development pipeline.

Our Architecture and Construction (“A&C”) division provides design, development, construction, refurbishment, and procurement services to owners and franchisees of lodging properties on a voluntary basis outside the scope of and separate from our management or franchise contracts. Similar to third-party contractors, A&C provides these services for owners and franchisees of Marriott-branded properties on a fee basis.

Marriott Golf. At year-end 2013, Marriott Golf managed 35 golf course facilities as part of our management of hotels and for other golf course owners. In addition, we provide similar services to six facilities operated by others.
Competition. We encounter strong competition both as a lodging operator and as a franchisor. There are approximately 872 lodging management companies in the United States, including approximately nine that operate more than 100 properties. These operators are primarily private management firms, but also include several large national chains that own and operate their own hotels and also franchise their brands. Our management contracts are typically long-term in nature, but most allow the hotel owner to replace the management firm if certain financial or performance criteria are not met.

During the last recession we experienced a significant reduction in demand for hotel rooms, particularly in 2009, and we took steps to reduce operating costs and improve efficiency. Due to the competitive nature of our industry, we focused these efforts on areas that had limited or no impact on the guest experience. While demand trends globally improved from 2010 through 2013, additional cost reductions could become necessary to preserve operating margins if demand trends reverse. If any such efforts become necessary, we would expect to implement them in a manner designed to maintain customer loyalty, owner preference, and associate satisfaction, in order to help maintain or increase our market share.

Affiliation with a national or regional brand is prevalent in the U.S. lodging industry, and we believe that our brand recognition gives us a competitive advantage in attracting and retaining guests, owners and franchisees. In 2013, approximately 69 percent of U.S. hotel rooms were brand-affiliated. Most of the branded properties are franchises, under which the operator pays the franchisor a fee for use of its hotel name and reservation system. The franchising business is concentrated, with the six largest franchisors operating multiple brands accounting for a significant proportion of all U.S. rooms.

Outside the United States, branding is much less prevalent and most markets are served primarily by independent operators, although branding is more common for new hotel development. We believe that chain affiliation will increase in overseas markets as local economies grow, trade barriers are reduced, international travel accelerates, and hotel owners seek the economies of centralized reservation systems and marketing programs.

Based on lodging industry data, we have approximately a 10 percent share of the U.S. hotel market (based on number of rooms) and we estimate less than a two percent share of the lodging market outside the United States. We believe that our hotel brands are attractive to hotel owners seeking a management company or franchise affiliation because our hotels typically

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generate higher occupancies and Revenue per Available Room ("RevPAR") than our direct competitors in most market areas. We attribute this performance premium to our success in achieving and maintaining strong customer preference. We believe that the location and quality of our lodging facilities, our marketing programs, our reservation systems, and our emphasis on guest service and guest and associate satisfaction are contributing factors across all of our brands.

Properties that we operate, franchise, or license are regularly upgraded to maintain their competitiveness. Most of our management agreements provide for the allocation of funds, generally a fixed percentage of revenue, for periodic renovation of buildings and replacement of furnishings. These ongoing refurbishment programs, along with periodic brand initiatives, are generally adequate to preserve or enhance the competitive position and earning power of the properties. Properties converting to one of our brands typically complete renovations as needed in conjunction with the conversion.

Employee Relations

At year-end 2013, we had approximately 123,000 employees, approximately 10,100 of whom were represented by labor unions. We believe relations with our employees are positive.

Environmental Compliance

The properties we operate or develop are subject to national, state, and local laws and regulations that govern the discharge of materials into the environment or otherwise relate to protecting the environment. Those environmental provisions include requirements that address health and safety; the use, management, and disposal of hazardous substances and wastes; and emission or discharge of wastes or other materials. We believe that our operation of properties and our development of properties comply, in all material respects, with environmental laws and regulations. Our compliance with such provisions also has not had a material impact on our capital expenditures, earnings, or competitive position, and we do not anticipate that such compliance will have a material impact in the future.

Internet Address and Company SEC Filings

Our Internet address is Marriott.com. On the investor relations portion of our website, Marriott.com/investor, we provide a link to our electronic filings with the U.S. Securities and Exchange Commission (the "SEC"), including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to these reports. We make all such filings available free of charge as soon as reasonably practicable after filing. The information found on our website is not part of this or any other report we file with or furnish to the SEC.

Item 1A. Risk Factors.

Forward-Looking Statements

We make forward-looking statements in Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report based on the beliefs and assumptions of our management and on information currently available to us. Forward-looking statements include information about our possible or assumed future results of operations, which follow under the headings "Business and Overview," "Liquidity and Capital Resources," and other statements throughout this report preceded by, followed by or that include the words "believes," "expects," "anticipates," "intends," "plans," "estimates" or similar expressions.

Any number of risks and uncertainties could cause actual results to differ materially from those we express in our forward-looking statements, including the risks and uncertainties we describe below and other factors we describe from time to time in our periodic filings with the U.S. Securities and Exchange Commission (the "SEC"). We therefore caution you not to rely unduly on any forward-looking statement. The forward-looking statements in this report speak only as of the date of this report, and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments, or otherwise.

Risks and Uncertainties

We are subject to various risks that could have a negative effect on us or on our financial condition. You should understand that these risks could cause results to differ materially from those expressed in forward-looking statements contained in this report or in other Company communications. Because there is no way to determine in advance whether, or to what extent, any present uncertainty will ultimately impact our business, you should give equal weight to each of the following:

Our industry is highly competitive, which may impact our ability to compete successfully with other hotel properties for customers. We generally operate in markets that contain numerous competitors. Each of our hotel brands competes with major hotel chains in national and international venues and with independent companies in regional markets. Our ability to remain competitive and to attract and retain business and leisure travelers depends on our success in distinguishing the quality, value, and efficiency of our lodging products and services, including our loyalty programs and consumer-facing technology platforms and services, from those offered by others. If we cannot compete successfully in these areas, our operating margins could contract, our market share could decrease, and our earnings could decline.

Economic uncertainty could continue to impact our financial results and growth. Weak economic conditions in Europe and other parts of the world, the strength or continuation of recovery in countries that have experienced improved economic conditions, potential disruptions in the U.S. economy as a result of governmental action or inaction on the federal deficit, budget, and related issues, including the recent U.S. federal government shutdown, political instability in some areas, and the uncertainty over how long any of these conditions will continue, could continue to have a negative impact on the lodging industry. U.S. government travel is also a significant part of our business, and this aspect of our business will likely continue to suffer due to recent U.S. federal spending cuts and any further limitations that may result from congressional action or inaction. As a result of such current economic conditions and uncertainty, we continue to experience weakened demand for our hotel rooms in some markets. Recent improvements in demand trends in other markets may not continue, and our future financial results and growth could be further harmed or constrained if the recovery stalls or conditions worsen.

Operational Risks

Premature termination of our management or franchise agreements could hurt our financial performance. Our hotel management and franchise agreements may be subject to premature termination in certain circumstances, such as the bankruptcy of a hotel owner or franchisee, or a failure under some agreements to meet specified financial or performance criteria that are subject to the risks described in this section, which the Company fails or elects not to cure. In addition, some courts have applied principles of agency law and related fiduciary standards to managers of third-party hotel properties, including us (or have interpreted hotel management agreements as "personal services contracts"). This means, among other things, that property owners may assert the right to terminate management agreements even where the agreements provide otherwise, and some courts have upheld such assertions regarding our management agreements and may do so in the future. In the event of any such termination, we may need to enforce our right to damages for breach of contract and related claims, which may cause us to incur significant legal fees and expenses. Any damages we ultimately collect could be less than the projected future value of the fees and other amounts we would have otherwise collected under the management agreement. A significant loss of agreements due to premature terminations could hurt our financial performance or our ability to grow our business.

Our lodging operations are subject to global, regional, and national conditions. Because we conduct our business on a global platform, our activities are affected by changes in global and regional economies. In recent years, our business has been hurt by decreases in travel resulting from weak economic conditions and the heightened travel security measures that have resulted from the threat of further terrorism. Our future performance could be similarly affected by the economic environment in each of the regions in which we operate, the resulting unknown pace of business travel, and the occurrence of any future incidents in those regions.

The growing significance of our operations outside of the United States also makes us increasingly susceptible to the risks of doing business internationally, which could lower our revenues, increase our costs, reduce our profits, or disrupt our business. We currently operate or franchise hotels and resorts in 72 countries, and our operations outside the United States represented approximately 17 percent of our revenues in 2013. We expect that the international share of our total revenues will continue to increase in future years. As a result, we are increasingly exposed to the challenges and risks of doing business outside the United States, which could reduce our revenues or profits, increase our costs, result in significant liabilities or sanctions, or otherwise disrupt our business. These challenges include: (1) compliance with complex and changing laws, regulations and policies of governments that may impact our operations, such as foreign ownership restrictions, import and export controls, and trade restrictions; (2) compliance with U.S. and foreign laws that affect the activities of companies abroad, such as anti-corruption laws, competition laws, currency regulations, and laws affecting dealings with certain nations; (3) limitations on our ability to repatriate non-U.S. earnings in a tax effective manner; (4) the difficulties involved in managing an organization doing business in many different countries; (5) uncertainties as to the enforceability of contract and intellectual property rights under local laws; (6) rapid changes in government policy, political or civil unrest in the Middle East and elsewhere, acts of terrorism, or the threat of international boycotts or U.S. anti-boycott legislation; and (7) currency exchange rate fluctuations.

Our new programs and new branded products may not be successful. We cannot assure you that recently launched, newly acquired or recently announced brands, such as EDITION, Autograph Collection, AC Hotels by Marriott, Gaylord Hotels, Moxy Hotels, or any other new programs or products we may launch in the future will be accepted by hotel owners, potential franchisees, or the traveling public or other customers. We also cannot be certain that we will recover the costs we incurred in developing or acquiring the brands or any new programs or products, or that the brands or any new programs or products will be successful. In addition, some of our new brands involve or may involve cooperation and/or consultation with one or more third parties, including some shared control over product design and development, sales and marketing, and brand standards. Disagreements with these third parties could slow the development of these new brands and/or impair our ability to take actions we believe to be advisable for the success and profitability of such brands.

Risks relating to natural or man-made disasters, contagious disease, terrorist activity, and war could reduce the demand for lodging, which may adversely affect our revenues. So called "Acts of God," such as hurricanes, earthquakes, tsunamis, and other natural disasters and man-made disasters in recent years, such as Hurricane Sandy in the Northeastern United States, the earthquake and tsunami in Japan, and the spread of contagious diseases in locations where we own, manage, or franchise significant properties and areas of the world from which we draw a large number of customers, could cause a decline in the level of business and leisure travel and reduce the demand for lodging. Actual or threatened war, terrorist activity, political unrest, or civil strife, such as recent events in Syria, Egypt, Libya, and Bahrain, and other geopolitical uncertainty could have a similar effect. Any one or more of these events may reduce the overall demand for hotel rooms and corporate apartments or limit the prices that we can obtain for them, both of which could adversely affect our profits.

Disagreements with the owners of the hotels that we manage or franchise may result in litigation or may delay implementation of product or service initiatives. Consistent with our focus on management and franchising, we own very few of our lodging properties. The nature of our responsibilities under our management agreements to manage each hotel and enforce the standards required for our brands under both management and franchise agreements may be subject to interpretation and will from time to time give rise to disagreements, which may include disagreements over the need for or payment for new product or service initiatives. Such disagreements may be more likely when hotel returns are weaker. We seek to resolve any disagreements in order to develop and maintain positive relations with current and potential hotel owners and joint venture partners but are not always able to do so. Failure to resolve such disagreements has resulted in litigation, and could do so in the future. If any such litigation results in a significant adverse judgment, settlement, or court order, we could suffer significant losses, our profits could be reduced, or our future ability to operate our business could be constrained.

Our business depends on the quality and reputation of our brands, and any deterioration in the quality or reputation of these brands could have an adverse impact on our market share, reputation, business, financial condition, or results of operations. Events that may be beyond our control could affect the reputation of one or more of our properties or more generally impact the reputation of our brands. If the reputation or perceived quality of our brands declines, our market share, reputation, business, financial condition, or results of operations could be affected.

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Actions by our franchisees and licensees could adversely affect our image and reputation. We franchise and license many of our brand names and trademarks to third parties in connection with lodging, timeshare, and residential services. Under the terms of their agreements with us, our franchisees and licensees interact directly with customers and other third parties under our brand and trade names. If these franchisees or licensees fail to maintain or act in accordance with applicable brand standards, experience operational problems, or project a brand image inconsistent with ours, our image and reputation could suffer. Although our franchise and license agreements provide us with recourse and remedies in the event of a breach by the franchisee or licensee, including termination of the agreements under certain circumstances, pursuing any such recourse, remedy, or termination could be expensive and time consuming. In addition, we cannot assure you that a court would ultimately enforce our contractual termination rights in every instance.

Damage to, or losses involving, properties that we own, manage, or franchise may not be covered by insurance. We have comprehensive property and liability insurance policies with coverage features and insured limits that we believe are customary. Market forces beyond our control may nonetheless limit the scope of the insurance coverage we can obtain or our ability to obtain coverage at reasonable rates. Certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods, or terrorist acts, or liabilities that result from breaches in the security of our information systems may be uninsurable or too expensive to justify obtaining insurance. As a result, we may not be successful in obtaining insurance without increases in cost or decreases in coverage levels. In addition, in the event of a substantial loss, the insurance coverage we carry may not be sufficient to pay the full market value or replacement cost of our lost investment or that of hotel owners or in some cases could result in certain losses being totally uninsured. As a result, we could lose some or all of the capital we have invested in a property, as well as the anticipated future revenue from the property, and we could remain obligated for guarantees, debt, or other financial obligations for the property.

Development and Financing Risks

While we are predominantly a manager and franchisor of hotel properties, our hotel owners depend on capital to buy, develop, and improve hotels, and our hotel owners may be unable to access capital when necessary. In order to fund new hotel investments, as well as refurbish and improve existing hotels, both the Company and current and potential hotel owners must periodically spend money. The availability of funds for new investments and improvement of existing hotels by our current and potential hotel owners depends in large measure on capital markets and liquidity factors, over which we can exert little control. The difficulty of obtaining financing on attractive terms can, at times, be constrained by the capital markets for hotel and real estate investments. In addition, owners of existing hotels that we franchise or manage may have difficulty meeting required debt service payments or refinancing loans at maturity.

Our growth strategy depends upon third-party owners/operators, and future arrangements with these third parties may be less favorable. Our growth strategy for development of additional lodging facilities entails entering into and maintaining various arrangements with property owners. The terms of our management agreements, franchise agreements, and leases for each of our lodging facilities are influenced by contract terms offered by our competitors, among other things. We cannot assure you that any of our current arrangements will continue or that we will be able to enter into future collaborations, renew agreements, or enter into new agreements in the future on terms that are as favorable to us as those that exist today.

Our ability to grow our management and franchise systems is subject to the range of risks associated with real estate investments. Our ability to sustain continued growth through management or franchise agreements for new hotels and the conversion of existing facilities to managed or franchised Marriott brands is affected, and may potentially be limited, by a variety of factors influencing real estate development generally. These include site availability, financing, planning, zoning and other local approvals, and other limitations that may be imposed by market and submarket factors, such as projected room occupancy, changes in growth in demand compared to projected supply, territorial restrictions in our management and franchise agreements, costs of construction, and anticipated room rate structure.

Our development activities expose us to project cost, completion, and resale risks. We develop new hotel and residential properties, and previously developed timeshare interval and fractional ownership properties, both directly and through partnerships, joint ventures, and other business structures with third parties. As demonstrated by the 2009 and 2011 impairment charges for our former Timeshare business, our ongoing involvement in the development of properties presents a number of risks, including that: (1) continued weakness in the capital markets may limit our ability, or that of third parties with whom we do business, to raise capital for completion of projects that have commenced or for development of future properties; (2) properties that we develop could become less attractive due to decreases in demand for hotel and residential properties, market absorption or oversupply, with the result that we may not be able to sell such properties for a profit or at the prices or selling pace we anticipate, potentially requiring additional changes in our pricing strategy that could result in further charges; (3) construction delays, cost overruns, lender financial defaults, or so called “Acts of God” such as earthquakes, hurricanes, floods, or fires may increase overall project costs or result in project cancellations; and (4) we may be unable to recover development costs we incur for any projects that we do not pursue to completion.

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Development activities that involve our co-investment with third parties may result in disputes that could increase project costs, impair project operations, or increase project completion risks. Partnerships, joint ventures, and other business structures involving our co-investment with third parties generally include some form of shared control over the operations of the business and create added risks, including the possibility that other investors in such ventures could become bankrupt or otherwise lack the financial resources to meet their obligations, or could have or develop business interests, policies, or objectives that are inconsistent with ours. Although we actively seek to minimize such risks before investing in partnerships, joint ventures, or similar structures, actions by another investor may present additional risks of project delay, increased project costs, or operational difficulties following project completion. Such disputes may also be more likely in difficult business environments.

Risks associated with development and sale of residential properties associated with our lodging properties or brands may reduce our profits. In certain hotel and timeshare projects we participate, directly or through noncontrolling interests and/or licensing agreements, in the development and sale of residential properties associated with our brands, including residences and condominiums under our The Ritz-Carlton, EDITION, JW Marriott, Autograph Collection, and Marriott brand names and trademarks. Such projects pose further risks beyond those generally associated with our lodging businesses, which may reduce our profits or compromise our brand equity, including the following: (1) the continued weakness in residential real estate and demand generally may continue to reduce our profits and could make it more difficult to convince future hotel development partners of the value added by our brands; (2) increases in interest rates, reductions in mortgage availability, or increases in the costs of residential ownership could prevent potential customers from buying residential products or reduce the prices they are willing to pay; and (3) residential construction may be subject to warranty and liability claims, and the costs of resolving such claims may be significant.

Some hotel openings in our existing development pipeline and approved projects may be delayed or not result in new hotels, which could adversely affect our growth prospects. At year-end 2013 we reported approximately 1,165 hotels in our development pipeline, which includes hotels under construction and under signed contracts, as well as over 170 hotels approved for development but not yet under signed contracts. The eventual opening of the hotels in our development pipeline and, in particular, the hotels approved for development that are not yet under contract, is subject to numerous risks, including in some cases the owner's or developer's ability to obtain adequate financing or governmental or regulatory approvals. Accordingly, we cannot assure you that our development pipeline, and in particular hotels approved for development, will result in new hotels that enter our system, or that those hotels will open when we anticipate.

Planned transactions that we announce may be delayed, not occur at all, or involve unanticipated costs. From time to time we announce transactions that we expect will close at a future date, such as the recently announced acquisition of Protea Hotel Group's brands and management business and disposition of our EDITION hotels in Miami Beach and New York upon completion of construction. If the conditions to consummating these transactions are neither satisfied nor waived by the time we expect, the closings could be delayed or not occur at all. In addition, the EDITION contracts are for a fixed purchase price based upon the estimated total development costs for the hotels and we will not recover any development costs in excess of the agreed purchase price, so we will bear those development costs to the extent that they are higher than we anticipated when we agreed to the transaction.

Technology, Information Protection, and Privacy Risks

A failure to keep pace with developments in technology could impair our operations or competitive position. The lodging industry continues to demand the use of sophisticated technology and systems, including those used for our reservation, revenue management, and property management systems, our Marriott Rewards and The Ritz-Carlton Rewards programs, and technologies we make available to our guests. These technologies and systems must be refined, updated, and/or replaced with more advanced systems on a regular basis, and if we cannot do so as quickly as our competitors or within budgeted costs and time frames, our business could suffer. We also may not achieve the benefits that we anticipate from any new technology or system, and a failure to do so could result in higher than anticipated costs or could impair our operating results.

An increase in the use of third-party Internet services to book online hotel reservations could adversely impact our business. Some of our hotel rooms are booked through Internet travel intermediaries such as Expedia.com®, Travelocity.com®, and Orbitz.com®, as well as lesser-known online travel service providers. These intermediaries initially focused on leisure travel, but now also provide offerings for corporate travel and group meetings. Although Marriott's Look No Further® Best Rate Guarantee has helped prevent customer preference shift to the intermediaries and greatly reduced the ability of intermediaries to undercut the published rates at our hotels, intermediaries continue to use a variety of aggressive online marketing methods to attract customers, including the purchase, by certain companies, of trademarked online keywords such as "Marriott" from Internet search engines such as Google®, Bing®, Yahoo®, and Baidu® to steer customers toward their websites (a practice that has been challenged by various trademark owners in federal court). Although Marriott has successfully limited these practices through contracts with key online intermediaries, the number of intermediaries and related companies that drive

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traffic to intermediaries' websites is too large to permit us to eliminate this risk entirely. In addition, recent class action litigation against several online travel intermediaries and lodging companies, including Marriott, challenges the legality under antitrust law of contract provisions that support programs such as Marriott's Look No Further® Best Rate Guarantee, and we cannot assure you that the courts will ultimately uphold such provisions. Our business and profitability could be harmed if online intermediaries succeed in significantly shifting loyalties from our lodging brands to their travel services, diverting bookings away from Marriott.com, or through their fees increasing the overall cost of Internet bookings for our hotels.

Failure to maintain the integrity of internal or customer data could result in faulty business decisions, operational inefficiencies, damage to our reputation and/or subject us to costs, fines, or lawsuits. Our businesses require collection and retention of large volumes of internal and customer data, including credit card numbers and other personally identifiable information of our customers in various information systems that we maintain and in those maintained by third parties with whom we contract to provide services, including in areas such as human resources outsourcing, website hosting, and various forms of electronic communications. We and third parties who provide services to us also maintain personally identifiable information about our employees. The integrity and protection of that customer, employee, and company data is critical to us. If that data is inaccurate or incomplete, we could make faulty decisions. Our customers and employees also have a high expectation that we and our service providers will adequately protect their personal information. The information, security, and privacy requirements imposed by governmental regulation and the requirements of the payment card industry are also increasingly demanding, in both the United States and other jurisdictions where we operate. Our systems or our franchisees' systems may not be able to satisfy these changing requirements and employee and customer expectations, or may require significant additional investments or time in order to do so. Efforts to hack or breach security measures, failures of systems or software to operate as designed or intended, viruses, operator error, or inadvertent releases of data may materially impact our and our service providers' information systems and records. Our reliance on computer, Internet-based and mobile systems and communications and the frequency and sophistication of efforts by hackers to gain unauthorized access to such systems have increased significantly in recent years. A significant theft, loss, or fraudulent use of customer, employee, or company data could adversely impact our reputation and could result in remedial and other expenses, fines, or litigation. Breaches in the security of our information systems or those of our franchisees or service providers or other disruptions in data services could lead to an interruption in the operation of our systems, resulting in operational inefficiencies and a loss of profits.

Changes in privacy law could adversely affect our ability to market our products effectively. We rely on a variety of direct marketing techniques, including email marketing, online advertising, and postal mailings. Any further restrictions in laws such as the CANSPAM Act, and various U.S. state laws, or new federal laws on marketing and solicitation or international data protection laws that govern these activities could adversely affect the continuing effectiveness of email, online advertising, and postal mailing techniques and could force further changes in our marketing strategy. If this occurs, we may not be able to develop adequate alternative marketing strategies, which could impact the amount and timing of our sales of certain products. We also obtain access to potential customers from travel service providers or other companies with whom we have substantial relationships and market to some individuals on these lists directly or by including our marketing message in the other company's marketing materials. If access to these lists was prohibited or otherwise restricted, our ability to develop new customers and introduce them to our products could be impaired.

Other Risks

Changes in laws and regulations could reduce our profits or increase our costs. Our businesses are subject to a wide variety of laws, regulations, and policies in jurisdictions around the world, including those for financial reporting, taxes, healthcare, and the environment. Changes to these laws, regulations, and policies, including those associated with health care, tax or financial reforms, could reduce our profits. Further, we anticipate that many of the jurisdictions in which we do business will continue to review tax and other revenue raising laws, regulations, and policies, and any resulting changes could impose new restrictions, costs, or prohibitions on our current practices and reduce our profits. In particular, governments may revise tax laws, regulations, or official interpretations in ways that could have a significant impact on us, including modifications that could reduce the profits that we can effectively realize from our non-U.S. operations, or that could require costly changes to those operations, or the way in which they are structured. For example, most U.S. company effective tax rates reflect the fact that income earned and reinvested outside the United States is generally taxed at local rates, which are often much lower than U.S. tax rates. If changes in tax laws, regulations, or interpretations significantly increase the tax rates on non-U.S. income, our effective tax rate could increase and our profits could be reduced. If such increases resulted from our status as a U.S. company, those changes could place us at a disadvantage to our non-U.S. competitors if those competitors remain subject to lower local tax rates.

If we cannot attract and retain talented associates, our business could suffer. We compete with other companies both within and outside of our industry for talented personnel. If we cannot recruit, train, develop, and retain sufficient numbers of talented associates, we could experience increased associate turnover, decreased guest satisfaction, low morale, inefficiency, or internal control failures. Insufficient numbers of talented associates could also limit our ability to grow and expand our businesses. Any shortage of skilled labor could also require higher wages that would increase our labor costs, which could reduce our profits of our third-party owners.

Delaware law and our governing corporate documents contain, and our Board of Directors could implement, anti-takeover provisions that could deter takeover attempts. Under the Delaware business combination statute, a stockholder holding 15 percent or more of our outstanding voting stock could not acquire us without Board of Director consent for at least three years after the date the stockholder first held 15 percent or more of the voting stock. Our governing corporate documents also, among other things, require supermajority votes for mergers and similar transactions. In addition, our Board of Directors could, without stockholder approval, implement other anti-takeover defenses, such as a stockholder's rights plan.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We describe our company-operated properties in Part I, Item 1. "Business," earlier in this report. We believe our properties are in generally good physical condition with the need for only routine repairs and maintenance and periodic capital improvements. Most of our regional offices and reservation centers, both domestically and internationally, are located in leased facilities. We also lease space in a number of buildings with combined space of approximately 1.1 million square feet in Maryland where our corporate and The Ritz-Carlton headquarters are located.

Item 3. Legal Proceedings.

See the information under "Legal Proceedings" in Footnote No. 13, "Contingencies" which we incorporate here by reference.

From time to time, we are also subject to other legal proceedings and claims in the ordinary course of business, including adjustments proposed during governmental examinations of the various tax returns we file. While management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, cash flows, or overall trends in results of operations, legal proceedings are inherently uncertain, and unfavorable rulings could, individually or in aggregate, have a material adverse effect on our business, financial condition, or operating results.

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant

See Part III, Item 10 of this report for information about our executive officers.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information and Dividends

The table below shows the price range of our Class A Common Stock (our "common stock") and the per share cash dividends we declared for each fiscal quarter during the last two years.

		Stock Price High	Low	Dividends Declared per Share
2012	First Quarter	$38.63	$29.73	$0.1000
	Second Quarter	40.45	35.68	0.1300
	Third Quarter	40.00	34.69	0.1300
	Fourth Quarter	41.84	33.93	0.1300

		Stock Price High	Low	Dividends Declared per Share
2013	First Quarter	$42.27	$36.24	$0.1300
	Second Quarter	44.45	38.17	0.1700
	Third Quarter	43.99	39.58	0.1700
	Fourth Quarter	49.84	41.26	0.1700

At February 7, 2014, 294,823,291 shares of our common stock were outstanding and were held by 36,811 shareholders of record. Since October 21, 2013, our common stock has traded on the NASDAQ Global Select Market ("NASDAQ") and the Chicago Stock Exchange; prior to October 21, 2013, it traded on the New York Stock Exchange and the Chicago Stock Exchange. The fiscal year-end closing price for our stock was $49.35 on December 31, 2013, and $36.48 on December 28, 2012. All prices are reported on the consolidated transaction reporting system.

Fourth Quarter 2013 Issuer Purchases of Equity Securities
(in millions, except per share amounts)

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs [1]
October 1, 2013- October 31, 2013	1.0	41.82	1.0	17.7
November 1, 2013-November 30, 2013	1.2	46.44	1.2	16.5
December 1, 2013-December 31, 2013	2.2	46.63	2.2	14.3

(1) On February 15, 2013, we announced that our Board of Directors had increased, by 25 million shares, the authorization to repurchase our common stock. As of year-end 2013, 14.3 million shares remained available for repurchase under authorizations previously approved by our Board of Directors. On February 14, 2014, we announced that our Board of Directors further increased, by 25 million shares, the authorization to repurchase our common stock. We repurchase shares in the open market and in privately negotiated transactions.

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Item 6. Selected Financial Data.

The following table presents a summary of selected historical financial data for the Company derived from our Financial Statements as of and for our last 10 fiscal years. Since this information is only a summary and does not provide all of the information contained in our financial statements, including the related notes, you should read “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Financial Statements in this report for each respective year for more detailed information including, among other items, restructuring costs and other charges we incurred in 2008 and 2009, timeshare strategy-impairment charges we incurred in 2009 and 2011, and our 2011 spin-off of our former timeshare operations and timeshare development business. For periods before the 2011 spin-off, we continue to include our former Timeshare segment in Marriott's historical financial results as a component of continuing operations because of Marriott's significant continuing involvement in MVW future operations.

	Fiscal Year [1]								
($ in millions, except per share data)	2013	2012	2011	2010	2009	2008	2007	2006	2005
Income Statement Data:									
Revenues [2]	$12,784	$11,814	$12,317	$11,691	$10,908	$12,879	$12,990	$11,995	$11,129
Operating income (loss) [2]	$988	$940	$526	$695	$(152)	$765	$1,183	$1,089	$671
Income (loss) from continuing operations attributable to Marriott	$626	$571	$198	$458	$(346)	$359	$697	$712	$543
Cumulative effect of change in accounting principle [3]	—	—	—	—	—	—	—	(109)	—
Discontinued operations [4]	—	—	—	—	—	3	(1)	5	126
Net income (loss) attributable to Marriott	$626	$571	$198	$458	$(346)	$362	$696	$608	$669
Per Share Data [5]:									
Diluted earnings (losses) per share from continuing operations attributable to Marriott shareholders	$2.00	$1.72	$0.55	$1.21	$(0.97)	$0.97	$1.73	$1.64	$1.16
Diluted losses per share from cumulative effect of accounting change	—	—	—	—	—	—	—	(0.25)	—
Diluted earnings per share from discontinued operations attributable to Marriott shareholders	—	—	—	—	—	0.01	—	0.01	0.27
Diluted earnings (losses) per share attributable to Marriott shareholders	$2.00	$1.72	$0.55	$1.21	$(0.97)	$0.98	$1.73	$1.40	$1.43
Cash dividends declared per share	$0.6400	$0.4900	$0.3875	$0.2075	$0.0866	$0.3339	$0.2844	$0.2374	$0.1979
Balance Sheet Data (at year-end):									
Total assets	$6,794	$6,342	$5,910	$8,983	$7,933	$8,903	$8,942	$8,588	$8,530
Long-term debt	3,147	2,528	1,816	2,691	2,234	2,975	2,790	1,818	1,681
Shareholders’ (deficit) equity	(1,415)	(1,285)	(781)	1,585	1,142	1,380	1,429	2,618	3,252
Other Data:									
Base management fees	$621	$581	$602	$562	$530	$635	$620	$553	$497
Franchise fees	666	607	506	441	400	451	439	390	329
Incentive management fees	256	232	195	182	154	311	369	281	201
Total fees	$1,543	$1,420	$1,303	$1,185	$1,084	$1,397	$1,428	$1,224	$1,027
Fee Revenue-Source:									
North America [6]	$1,186	$1,074	$970	$878	$806	$1,038	$1,115	$955	$809
Total Outside North America [7]	357	346	333	307	278	359	313	269	218
Total fees	$1,543	$1,420	$1,303	$1,185	$1,084	$1,397	$1,428	$1,224	$1,027

(1) Beginning with our 2013 fiscal year, we changed to a calendar year-end reporting cycle. All fiscal years prior to 2013 included 52 weeks, except for 2008 which included 53 weeks.

(2) Balances do not reflect the impact of discontinued operations. Also, for periods prior to 2009, we reclassified our provision for loan losses associated with our lodging operations to the "General, administrative, and other expenses" caption of our Income Statements to conform to our presentation for periods beginning in 2009. This reclassification only affected operating income.

(3) We adopted certain provisions of Accounting Standards Certification Topic 978 (previously Statement of Position 04-2, “Accounting for Real Estate Time Sharing Transactions”), in our 2006 first quarter, which we reported in our Income Statements as a cumulative effect of change in accounting principle.

(4) In 2002, we announced our intent to sell, and subsequently did sell, our Senior Living Services business and exited our Distribution Services business. In 2007, we exited our synthetic fuel business. These businesses are reflected as discontinued operations.

(5) For periods before the stock dividends we issued in the third and fourth quarters of 2009, we have adjusted all per share data retroactively to reflect those stock dividends. Additionally, for periods before 2006, we have adjusted all per share data retroactively to reflect the June 9, 2006, stock split that we effected in the form of a stock dividend.

(6) Represents fee revenue from the continental United States (which does not include Hawaii) and Canada, except for 2011 through 2013, which represent fee revenue from the United States (including Hawaii) and Canada.

(7) Represents fee revenue outside the continental United States and Canada, except for 2011 through 2013, which represent fee revenue outside the United States and Canada.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

BUSINESS AND OVERVIEW

Overview

We are a worldwide operator, franchisor, and licensor of hotels and timeshare properties in 72 countries and territories under numerous brand names. We also develop, operate, and market residential properties and provide services to home/condominium owner associations. Under our business model, we typically manage or franchise hotels, rather than own them. At year-end 2013, of the total population of hotel rooms in our system worldwide, we operated 42 percent under management agreements; our franchisees operated 55 percent under franchise agreements; and we owned or leased only two percent. The remainder represented our interest in unconsolidated joint ventures that manage hotels and provide services to franchised properties. We group our operations into four business segments: North American Full-Service, North American Limited-Service, International, and Luxury.

We earn base management fees and in many cases incentive management fees from the properties that we manage, and we earn franchise fees on the properties that others operate under franchise agreements with us. Base fees typically consist of a percentage of property-level revenue while incentive fees typically consist of a percentage of net house profit adjusted for a specified owner return. Net house profit is calculated as gross operating profit (house profit) less noncontrollable expenses such as insurance, real estate taxes, capital spending reserves, and the like.

Our emphasis on long-term management contracts and franchising tends to provide more stable earnings in periods of economic softness, while adding new hotels to our system generates growth, typically with little or no investment by the company. This strategy has driven substantial growth while minimizing financial leverage and risk in a cyclical industry. In addition, we believe minimizing our capital investments and adopting a strategy of recycling the investments that we do make maximizes and maintains our financial flexibility.

We remain focused on doing the things that we do well; that is, selling rooms, taking care of our guests, and making sure we control costs both at company-operated properties and at the corporate level ("above-property"). Our brands remain strong as a result of skilled management teams, dedicated associates, superior customer service with an emphasis on guest and associate satisfaction, significant distribution, our Marriott Rewards and The Ritz-Carlton Rewards loyalty programs, a multichannel reservations system, and desirable property amenities. We strive to effectively leverage our size and broad distribution.

We, along with owners and franchisees, continue to invest in our brands by means of new, refreshed, and reinvented properties, new room and public space designs, and enhanced amenities and technology offerings. We address, through various means, hotels in the system that do not meet standards. We continue to enhance the appeal of our proprietary, information-rich, and easy-to-use website, Marriott.com, and of our associated mobile smartphone applications and mobile website that connect to Marriott.com, through functionality and service improvements, and we expect to continue capturing an increasing proportion of property-level reservations via this cost-efficient channel. In 2013, we successfully launched Mobile Check-In at 350 Marriott Hotels both in North America and select international locations.

Our profitability, as well as that of owners and franchisees, has benefited from our approach to property-level and above-property productivity. Properties in our system continue to maintain very tight cost controls. We also control above-property costs, some of which we allocate to hotels, by remaining focused on systems, processing, and support areas.

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Performance Measures

We believe Revenue per Available Room ("RevPAR"), which we calculate by dividing room sales for comparable properties by room nights available to guests for the period, is a meaningful indicator of our performance because it measures the period-over-period change in room revenues for comparable properties. RevPAR may not be comparable to similarly titled measures, such as revenues. We also believe occupancy and average daily rate (“ADR”), which both correlate with RevPAR, are meaningful indicators of our performance. Occupancy, which we calculate by dividing occupied rooms by total rooms available, measures the utilization of a property’s available capacity. ADR, which we calculate by dividing property room revenue by total rooms sold, measures average room price and is useful in assessing pricing levels.

References to year-end 2013 RevPAR statistics, including occupancy and average daily rate, throughout this report reflect the twelve months ended December 31, 2013, as compared to the twelve months ended December 31, 2012. References to RevPAR statistics, including occupancy and average daily rate, have not been modified to a calendar basis for year-end 2012 compared to year-end 2011. Accordingly, these statistics reflect the 52-week period ended December 28, 2012 compared to the 52-week period ended December 30, 2011, with the exception of The Ritz-Carlton and Autograph Collection brand properties and properties located outside of the United States where statistics are for the twelve months ended for each year presented, consistent with historic presentation. For the properties located in countries that use currencies other than the U.S. dollar, the comparisons to the prior year period are on a constant U.S. dollar basis. We calculate constant dollar statistics by applying exchange rates for the current period to the prior comparable period.

We define our comparable properties as those that were open and operating under one of our brands for at least one full calendar year as of the end of the current period and have not, in either the current or previous periods presented, (i) undergone significant room or public space renovations or expansions, (ii) been converted between company operated and franchised, or (iii) sustained substantial property damage or business interruption. Comparable properties represented the following percentage of our properties for the years ended 2013, 2012, and 2011, respectively: (1) 89%, 93%, and 94% of North American properties; (2) 75%, 78%, and 79% of International properties; and (3) 87%, 91%, and 92% of total properties.

We also believe company-operated house profit margin, which is the ratio of property-level gross operating profit (also known as house profit) to total property-level revenue, is a meaningful indicator of our performance because this ratio measures our overall ability as the operator to produce property-level profits by generating sales and controlling the operating expenses over which we have the most direct control. House profit includes room, food and beverage, and other revenue and the related expenses including payroll and benefits expenses, as well as repairs and maintenance, utility, general and administrative, and sales and marketing expenses. House profit does not include the impact of management fees, furniture, fixtures and equipment replacement reserves, insurance, taxes, or other fixed expenses.

Results

Conditions for our business continued to improve in 2013, reflecting generally low supply growth in the United States ("U.S."), global improving economic climate in many markets around the world, improved pricing in most markets, and a year-over-year increase in the number of properties in our system. Demand was particularly strong at luxury properties, followed by full-service properties, and limited-service properties.

Comparable worldwide systemwide average daily rates for the twelve months ended December 31, 2013 increased 3.4 percent on a constant dollar basis to $143.33, RevPAR increased 4.6 percent to $102.46, and occupancy increased 0.9 percentage points to 71.5 percent, compared to the same period a year ago.

Continuing economic uncertainty in the U.S. and U.S. government sequestration had a dampening effect on short-term group customer demand through the 2013 first half. Short-term group customer demand improved in the 2013 second half, benefiting from better attendance at group functions. Group bookings in the 2013 second half for future short-term group business also improved. Government and government-related demand was constrained due to government spending restrictions and the U.S. federal government shutdown in October, particularly in Washington, D.C. and the surrounding areas. Transient demand was particularly strong in the western U.S., which allowed us to continue eliminating discounts, shifting business into higher rated price categories, and raising room rates. In the northeast U.S., weak group demand in the region in the first half of 2013, new supply in the city of New York, and weak government and government-related business in Washington, D.C., further impacted by the government shutdown, constrained RevPAR improvement. Leisure destinations in the U.S. had strong demand.

The properties in our system serve both transient and group customers. Business transient and leisure transient demand in the U.S. was strong in 2013. For group business, two-thirds is typically booked before the year of arrival and one-third is booked in the year of arrival. Also, during an economic recovery, group pricing tends to lag transient pricing due to the significant lead times for group bookings. During the recent U.S. economic recession, organizers of large group meetings

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scheduled smaller and fewer meetings to take place in 2013 than was previously typical. As the U.S. economy recovered, we replaced this lower level of large advance-purchase groups with smaller, last-minute group bookings and transient business. Last-minute group demand weakened during the first half of 2013, largely driven by weak corporate business and soft government demand at many properties, but corporate demand improved in the 2013 second half. U.S. government group demand weakened further as the year progressed, significantly impacted by the government shutdown in the 2013 fourth quarter.

Short-term group demand shortfalls in the 2013 first half were largely mitigated by strong transient demand leading to strong occupancy rates. At the same time, as transient guests typically spend less on food and beverage than group customers, property-level food and beverage revenues increased year-over-year more slowly than room revenue. In addition, spending on food and beverage in 2013 was constrained by the somewhat uncertain economic climate and government spending restrictions in the U.S.

As of year-end 2013, our group revenue booking pace for company-operated Marriott Hotels brand properties in North America is up over 4 percent for stays in 2014, compared to year-end 2012 booking pace for stays in 2013, reflecting improved group demand and greater pricing power.

Outside of North America, Eastern Europe, Russia, and Northern United Kingdom had strong demand in 2013 while Western Europe experienced moderate RevPAR growth. London RevPAR declined in the first three quarters of 2013, reflecting tough comparisons to last year's summer Olympic Games, but improved in the 2013 fourth quarter. Demand in France weakened as the year progressed. Demand remained weak in European markets more dependent on regional travel and new supply and weak economies constrained RevPAR growth in a few markets. In the Middle East, demand was strong in the United Arab Emirates, but weakened further in Egypt (particularly in the second half of 2013), Jordan, and Qatar. Demand in the Asia Pacific region continued to moderate, as our hotels in China experienced weaker government-related travel, moderating economic growth, and new supply in several markets. Thailand and Indonesia had higher demand and strong RevPAR growth in 2013.

We monitor market conditions and carefully price our rooms daily in accordance with individual property demand levels, generally adjusting room rates as demand changes. We also modify the mix of our business to increase revenue as demand changes. Demand for higher rated rooms improved in most markets in 2013, which allowed us to reduce discounting and special offers for transient business in many markets. This mix improvement benefited average daily rates. For our company-operated properties, we continue to focus on enhancing property-level house profit margins and actively pursue productivity improvements.

CONSOLIDATED RESULTS

The following discussion presents an analysis of results of our operations for 2013, 2012, and 2011 (which included the results of the former Timeshare segment before the spin-off).

In late 2011, we completed the spin-off of our timeshare operations and timeshare development business. Accordingly, we no longer have a Timeshare segment and instead earn license fees that we do not allocate to any of our segments and include in "other unallocated corporate." See Footnote No. 15, "Spin-off" for additional information.

Revenues

2013 Compared to 2012

Revenues increased by $970 million (8 percent) to $12,784 million in 2013 from $11,814 million in 2012 as a result of: higher cost reimbursements revenue ($886 million), higher franchise fees ($59 million), higher base management fees ($40 million), and higher incentive management fees ($24 million, comprised of a $27 million increase for North America and a $3 million decrease outside of North America), partially offset by lower owned, leased, and other revenue ($39 million). We estimate that the $970 million increase in revenues included $8 million of combined base management fee, franchise fee, and incentive management fee revenues due to the additional four days of activity in 2013 compared to 2012.

Cost reimbursements revenue represents reimbursements of costs incurred on behalf of managed and franchised properties and relates, predominantly, to payroll costs at managed properties where we are the employer. As we record cost reimbursements based upon costs incurred with no added markup, this revenue and related expense has no impact on either our operating or net income. The $886 million increase in total cost reimbursements revenue, to $10,291 million in 2013 from $9,405 million in 2012, reflected the impact of higher property-level demand and growth across the system.

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The $40 million increase in total base management fees, to $621 million in 2013 from $581 million in 2012, mainly reflected stronger RevPAR due to increased demand ($18 million), the impact of unit growth across the system ($18 million), primarily driven by Gaylord brand properties we began managing in the fourth quarter of 2012, and the additional four days of activity (approximately $3 million). The $59 million increase in total franchise fees, to $666 million in 2013 from $607 million in 2012, primarily reflected stronger RevPAR due to increased demand ($22 million), the impact of unit growth across the system ($23 million), increased relicensing fees primarily for certain North American Limited-Service properties ($8 million), and the additional four days of activity (approximately $5 million). The $24 million increase in incentive management fees from $232 million in 2012 to $256 million in 2013 largely reflected higher property-level income at managed hotels ($33 million), particularly full-service hotels in North America, partially offset by unfavorable foreign exchange rates ($3 million) and unfavorable variances from the following 2012 items: recognition of incentive management fees due to contract revisions for certain International segment properties ($3 million) and recognition of previously deferred fees in conjunction with an International segment property's change in ownership ($3 million).

The $39 million decrease in owned, leased, corporate housing, and other revenue, to $950 million in 2013 from $989 million in 2012, primarily reflected $35 million of lower corporate housing revenue due to the sale of the ExecuStay corporate housing business in the 2012 second quarter and $28 million of lower owned and leased revenue, partially offset by $12 million of higher branding fees, $8 million of higher hotel agreement termination fees, and $2 million of higher other revenue. Lower owned and leased revenue primarily reflected fewer International segment leased properties due to three leases that we terminated in 2013 and weaker demand at one leased property in London, as well as a $2 million business interruption payment received in the 2012 second quarter from a utility company. Combined branding fees for credit card endorsements and the sale of branded residential real estate by others totaled $118 million in 2013 and $106 million in 2012.

2012 Compared to 2011

Revenues decreased by $503 million (4 percent) to $11,814 million in 2012 from $12,317 million in 2011. As detailed later in this report in the table under the caption "Former Timeshare Segment - 2012 Compared to 2011," the spin-off contributed to a net $1,282 million decrease in revenues. This decrease was partially offset by a $779 million increase in revenues in our lodging business.

The $779 million increase in revenues for our lodging business was a result of: higher cost reimbursements revenue ($757 million), higher franchise fees ($44 million), higher incentive management fees ($37 million, comprised of an $18 million increase for North America and a $19 million increase outside of North America), and higher base management fees ($35 million), partially offset by lower owned, leased, corporate housing, and other revenue ($94 million, which includes a $70 million reduction from our sold corporate housing business as further discussed later in this section).

The $562 million increase in total cost reimbursements revenue, to $9,405 million in 2012 from $8,843 million in 2011, reflected a $757 million increase (allocated across our lodging business) resulting from higher property-level demand and growth across our system, partially offset by a net $195 million decline in timeshare-related cost reimbursements due to the spin-off.

The $21 million decrease in total base management fees, to $581 million in 2012 from $602 million in 2011, primarily reflected a decline of $56 million in former Timeshare segment ($51 million) and International segment ($5 million) base management fees due to the spin-off, partially offset by a net increase of $35 million across our lodging business. The $35 million net increase in base management fees across our lodging business primarily reflected stronger RevPAR ($24 million) and the impact of unit growth across the system ($9 million), as well as recognition in the 2012 third quarter of $7 million of previously deferred base management fees in conjunction with the sale of our equity interest in a North American-Limited Service joint venture, partially offset by unfavorable foreign exchange rates ($3 million) and the unfavorable impact of $3 million of fee reversals in 2012 for two properties to reflect contract revisions. The $101 million increase in total franchise fees, to $607 million in 2012 from $506 million in 2011, primarily reflected an increase of $57 million in license fees from MVW and an increase of $44 million across our lodging business primarily as a result of stronger RevPAR ($27 million) and the impact of unit growth across the system ($13 million). The $37 million increase in incentive management fees from $195 million in 2011 to $232 million in 2012 primarily reflected higher net property-level income ($30 million), new unit growth, net of terminations ($6 million), recognition of incentive management fees due to contract revisions for certain International segment properties ($3 million), and recognition of previously deferred fees in conjunction with an International segment property's change in ownership ($3 million), partially offset by unfavorable foreign exchange rates ($4 million).

The $94 million decrease in owned, leased, corporate housing, and other revenue, to $989 million in 2012 from $1,083 million in 2011, primarily reflected $70 million of lower corporate housing revenue due to the sale of the ExecuStay® corporate housing business in the 2012 second quarter, $29 million of lower owned and leased revenue, and $3 million of lower termination fees, partially offset by $7 million of higher branding fees and $3 million of higher other revenue. The $29 million decrease in owned and leased revenue primarily reflected: (1) $34 million of lower revenue at several owned and leased properties in our International segment, primarily driven by three hotels that left the system ($18 million), weaker demand at three other hotels ($6 million), two hotels that are no longer leased but remain within our system as managed or franchised properties ($5 million), and unfavorable foreign exchange rates ($5 million); and (2) $23 million of lower revenue at a North American Full-Service segment property that converted from leased to managed at year-end 2011; partially offset by (3) $14 million of higher revenue at one leased property in London due to strong demand, in part associated with the 2012 third quarter Olympic Games; and (4) $10 million of higher revenue at one leased property in Japan. The property in Japan benefited from favorable comparisons with 2011 as a result of very weak demand due to the earthquake and tsunami as well as a $2 million business interruption payment received in 2012 from a utility company. Combined branding fees for credit card endorsements and the sale of branded residential real estate by others totaled $106 million in 2012 and $99 million in 2011.

Operating Income

2013 Compared to 2012

Operating income increased by $48 million to $988 million in 2013 from $940 million in 2012. The $48 million increase in operating income reflected a $59 million increase in franchise fees, a $40 million increase in base management fees, a $24 million increase in incentive management fees, and $6 million of higher owned, leased, corporate housing, and other revenue net of direct expenses, partially offset by an $81 million increase in general, administrative and other expenses. Approximately $7 million of the net increase in operating income was due to the additional four days of activity in 2013. We discuss the reasons for the increases in base management fees, franchise fees, and incentive management fees compared to 2012 in the preceding “Revenues” section.

The $6 million (4 percent) increase in owned, leased, corporate housing, and other revenue, net of direct expenses was largely attributable to $12 million of higher branding fees, $8 million of higher hotel agreement termination fees, and $2 million of higher other revenue, partially offset by $17 million of lower owned and leased revenue, net of direct expenses. Lower owned and leased revenue, net of direct expenses was primarily due to $7 million in costs related to three International segment leases we terminated, $5 million in lower results at one leased property in London, $7 million in pre-opening expenses for the London and Miami EDITION hotels, and a $2 million business interruption payment received in the 2012 second quarter from a utility company for our leased property in Japan, partially offset by $4 million in net favorable results at several leased properties.

General, administrative, and other expenses increased by $81 million (13 percent) to $726 million in 2013 from $645 million in 2012. The $81 million increase largely reflected the following 2013 items: (1) $32 million increased other expenses primarily associated with higher costs in international markets, higher costs for hotel development, and higher costs for branding and service initiatives to enhance and grow our brands globally; (2) $26 million of higher compensation and other overhead expenses including increases in hotel development staffing and bonus compensation; (3) $18 million of impairment and accelerated amortization expense for deferred contract acquisition costs primarily for properties that left our system or which had cash flow shortfalls; (4) a $5 million performance cure payment for an International segment property; (5) $4 million of higher amortization expense year over year for deferred contract acquisition costs related to the 2012 Gaylord brand and hotel management company acquisition; and (6) a $4 million increase in legal expenses, primarily due to favorable litigation settlements in 2012. These increases were partially offset by a favorable variance from the accelerated amortization of $8 million of deferred contract acquisition costs in 2012 for a property that exited our system. The $81 million increase in total general, administrative, and other expenses included $27 million that we did not allocate to any of our segments, and $54 million that we allocated as follows: $18 million to our International segment, $19 million to our Luxury segment, $15 million to our North American Full-Service segment, and $2 million to our North American Limited-Service segment.

2012 Compared to 2011

Operating income increased by $414 million to $940 million in 2012 from $526 million in 2011. The $414 million increase in operating income reflected a net $265 million favorable variance due to the spin-off (which included $324 million of Timeshare strategy-impairment charges in 2011. See Footnote No. 15, "Spin-off" for additional information on these charges.), as detailed in the table under the caption "Former Timeshare Segment - 2012 Compared to 2011," and a $149 million increase across our lodging business. This $149 million increase across our lodging business reflected a $44 million increase in franchise fees, a $37 million increase in incentive management fees, a $35 million increase in base management fees, $25 million of higher owned, leased, corporate housing, and other revenue net of direct expenses, and an $8 million decrease in general, administrative and other expenses. We discuss the reasons for the increases in base management fees, franchise fees, and incentive management fees across our lodging business compared to 2011 in the preceding "Revenues" section.

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The $25 million (18 percent) increase in owned, leased, corporate housing, and other revenue net of direct expenses was primarily attributable to $19 million of net stronger results, particularly at one leased property in Japan ($9 million) and one leased property in London ($8 million), $7 million of higher branding fees, and $3 million of higher other revenue, partially offset by $3 million of lower termination fees. Our leased property in London benefited from strong demand and higher property-level margins in 2012 in part associated with the 2012 third quarter Olympic Games, while our leased property in Japan experienced strong demand in 2012, benefiting from favorable comparisons with 2011 as a result of very weak demand due to the earthquake and tsunami as well as a $2 million business interruption payment received in 2012 from a utility company.

General, administrative, and other expenses decreased by $107 million (14 percent) to $645 million in 2012 from $752 million in 2011. The $107 million decrease reflected a decline of $99 million due to the spin-off (consisting of $63 million of former Timeshare segment general, administrative, and other expenses and $36 million of other expenses not previously allocated to the former Timeshare segment, including $34 million of Timeshare spin-off costs and $2 million of other expenses), and a decline of $8 million across our lodging business. The $8 million decrease across our lodging business was primarily a result of: (1) favorable variances from the following 2011 items: (a) a $5 million impairment of deferred contract acquisition costs and a $5 million accounts receivable reserve, both for one Luxury segment property whose owner filed for bankruptcy; (b) a $5 million performance cure payment for a North American Full-Service property; and (c) $8 million for a guarantee accrual for one North American Full-Service property and the write-off of contract acquisition costs for several other properties; and (2) $11 million of guarantee accrual reversals in 2012, primarily associated with four properties for which we either satisfied the related guarantee requirements or were otherwise released; (3) a favorable litigation settlement, partially offset by higher legal expenses, netting to a favorable $3 million; and (4) $2 million in decreased expenses due to favorable foreign exchange rates. These favorable items were partially offset by: (1) the following unfavorable 2012 items: (a) $20 million of increased compensation and other overhead expenses; and (b) the accelerated amortization of $8 million of deferred contract acquisitions costs for a North American Full-Service segment property (for which we earned a termination fee that we recorded in owned, leased, corporate housing, and other revenue); and (2) the unfavorable variance for a $5 million reversal in 2011 of a loan loss provision for one property with increased expected future cash flows. See "BUSINESS SEGMENTS: North American Full-Service Lodging" for more information on the termination fee and the related accelerated amortization of deferred contract acquisition costs recorded in 2012.

The $8 million decrease in total general, administrative, and other expenses across our lodging business consisted of a $21 million decrease allocated to our Luxury segment, partially offset by an $11 million increase that we did not allocate to any of our segments and a $2 million increase allocated to our North American Full-Service segment.

Gains (Losses) and Other Income

We show our gains (losses) and other income for 2013, 2012, and 2011 in the following table:

($ in millions)	2013	2012	2011
Gains on sales of real estate and other	$2	$27	$11
Gain on sale of joint venture and other investments	9	21	—
Income from cost method joint ventures	—	2	—
Impairment of cost method joint venture investments and equity securities	—	(8)	(18)
	$11	$42	$(7)

2013 Compared to 2012

Gains and other income decreased by $31 million (74 percent) to $11 million in 2013 compared to $42 million in 2012. This decrease in gains and other income principally reflected an unfavorable variance from the $41 million gain we recognized in 2012 on the sale of the equity interest in a North American Limited-Service joint venture which we discuss in the following "2012 Compared to 2011" discussion, and a $2 million impairment loss we recognized in 2013 as a result of measuring certain assets at fair value less the costs we incurred to sell those assets. See Footnote

No. 7, "Acquisition and Dispositions" for more information on the reclassification of these assets to held for sale. The decrease in gains and other income was partially offset by a gain of $8 million we recognized in 2013 on the sale of a portion of our shares of a publicly traded company and a favorable variance from an other-than-temporary $7 million impairment we recorded in 2012 which we discuss in the following "2012 Compared to 2011" discussion.

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2012 Compared to 2011

In 2012, we recognized a total gain of $41 million on the sale of an equity interest in a North American Limited-Service joint venture (formerly two joint ventures which were merged before the sale) which consisted of: (1) a $21 million gain on the sale of this interest reflected in the "Gain on sale of joint venture and other investments" caption in the preceding table; and (2) recognition of the $20 million remaining gain we deferred in 2005 due to contingencies in the original transaction documents for the sale of land to one of the joint ventures, reflected in the "Gains on sales of real estate and other" caption in the preceding table. See Footnote No. 7, "Acquisitions and Dispositions" for more information on the sale of this equity interest.

The "Impairment of cost method joint venture investments and equity securities" line in the preceding table reflects the other-than-temporary impairment in 2012 of two cost method joint venture investments and the other-than-temporary impairment in 2011 of marketable equity securities. For more information on the $7 million impairment of one of the cost method joint venture investments in 2012, see Footnote No. 4, “Fair Value of Financial Instruments.” For more information on the impairment of marketable equity securities in 2011, see Footnote No. 4, “Fair Value of Financial Instruments” of the 2012 Form 10-K.

Interest Expense

2013 Compared to 2012

Interest expense decreased by $17 million (12 percent) to $120 million in 2013 compared to $137 million in 2012. This decrease in interest expense principally reflected a net $13 million decrease due to net Senior Note retirements and new Senior Note issuances at lower interest rates; and $3 million of increased capitalized interest primarily related to developing two EDITION hotels, partially offset by completion of The London EDITION in the 2013 fourth quarter.

2012 Compared to 2011

Interest expense decreased by $27 million (16 percent) to $137 million in 2012 compared to $164 million in 2011. This decrease reflected a $29 million decrease due to the spin-off, partially offset by a $2 million increase for our lodging business. The $29 million decrease in interest expense due to the spin-off consisted of interest expense in 2011 that was allocated to the former Timeshare segment ($43 million), partially offset by interest expense in 2012 for ongoing obligations for costs that were a component of "Timeshare-direct" expenses before the spin-off ($8 million) and the unfavorable variance to 2011 for capitalized interest expense for construction projects for our former Timeshare segment ($6 million). For the $8 million of interest expense in 2012 for ongoing spin-off obligations, we also recorded $8 million of "Interest income" in 2012 for the associated notes receivable. The $2 million increase in interest expense for our lodging business was primarily for the Series K Notes and the Series L Notes we issued in 2012 ($23 million) as well as increased interest expense for our Marriott Rewards program and our commercial paper program, reflecting higher average balances and interest rates ($2 million), partially offset by increased capitalized interest expense principally for lodging construction projects ($15 million) and the absence of interest expense for the Series F Senior Notes following our repayment of those notes in 2012 ($9 million). See the "LIQUIDITY AND CAPITAL RESOURCES" caption later in this report for more information on our credit facility.

Interest Income and Income Tax

2013 Compared to 2012

Interest income increased by $6 million (35 percent) to $23 million in 2013 compared to $17 million in 2012, primarily reflecting $5 million earned on the $65 million mandatorily redeemable preferred equity ownership interest we acquired in the 2013 second quarter. See Footnote No. 4, "Fair Value of Financial Instruments" for more information on the acquisition.

Our tax provision decreased by $7 million (3 percent) to $271 million in 2013 from $278 million in 2012. The decrease resulted from a lower effective tax rate (30.2 percent in 2013 compared to 32.7 percent in 2012), favorable tax provision to tax return adjustments in 2013, favorable variance from a reserve recorded for an international tax issue in 2012, a favorable state tax adjustment in 2013, and higher income before income taxes in jurisdictions outside of the U.S. with lower tax rates, partially offset by higher income tax expense in the U.S.

2012 Compared to 2011

Interest income increased by $3 million (21 percent) to $17 million in 2012 compared to $14 million in 2011, primarily reflecting $9 million of increased interest income for two notes receivable issued to us in conjunction with the spin-off, partially offset by a $6 million decrease primarily from the repayment of certain loans. For $8 million of the $9 million increase

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in interest income in 2012 for notes receivable issued to us in conjunction with the spin-off, we also recorded $8 million of "Interest expense" in 2012 for ongoing obligations for those notes.

Our tax provision increased by $120 million (76 percent) to $278 million in 2012 from $158 million in 2011. The increase was primarily due to the absence of timeshare pre-tax losses in 2012 due to the spin-off and the effect of higher pre-tax income from our lodging business, as well as a lower percentage of lodging pre-tax income in 2012 from jurisdictions outside the U.S. with lower tax rates. These increases in the provision were partially offset by a favorable variance from $34 million of income tax expense that we recorded in 2011 to write off certain deferred tax assets transferred to MVW in conjunction with the spin-off.

Equity in Losses

2013 Compared to 2012

Equity in losses of $5 million in 2013 improved by $8 million from equity in losses of $13 million in 2012. The change primarily reflected a favorable variance from the following 2012 items: (1) $8 million in losses at a Luxury segment joint venture for the impairment of certain underlying residential properties; and (2) a $2 million loan loss provision for certain notes receivable due from another Luxury segment joint venture. These favorable variances were partially offset by a $4 million impairment charge in the 2013 second quarter associated with a corporate joint venture (not allocated to one of our segments) that we determined was fully impaired because we did not expect to recover the investment.

2012 Compared to 2011

Equity in losses of $13 million in 2012 was unchanged from equity in losses of $13 million in 2011, and reflected a $4 million decrease in equity in losses across our lodging business, entirely offset by a $4 million unfavorable variance due to the impact of the spin-off. The $4 million decrease in equity in losses across our lodging business primarily reflected $3 million of increased earnings at two International segment joint ventures, $3 million of decreased losses at two other joint ventures, and a $3 million favorable variance from the 2012 sale of an equity interest in a North American Limited-Service joint venture (formerly two joint ventures which were merged before the sale) which had losses in the prior year, partially offset by $3 million of increased losses at a Luxury segment joint venture, and a $2 million loan loss provision for certain notes receivable due from another Luxury segment joint venture. The $3 million of increased losses at a Luxury segment joint venture reflected increased losses of $8 million primarily from the impairment of certain underlying residential properties in 2012, partially offset by $5 million of decreased losses in 2012, after the impairment, as a result of decreased joint venture costs. The $4 million unfavorable variance due to the impact of the spin-off reflected the $4 million reversal in 2011 of the funding liability associated with Timeshare-strategy impairment charges we originally recorded in 2009. See Footnote No. 18, "Timeshare Strategy-Impairment Charges" of our 2011 Form 10-K for additional information on this reversal.

Net Income

2013 Compared to 2012

Net income increased by $55 million to $626 million in 2013 from $571 million in 2012, and diluted earnings per share increased by $0.28 per share (16 percent) to $2.00 per share from $1.72 per share in 2012. As discussed in more detail in the preceding sections beginning with “Revenues,” or as shown in the Consolidated Statements of Income, the $55 million increase in net income was due to higher franchise fees ($59 million), higher base management fees ($40 million), higher incentive management fees ($24 million), lower interest expense ($17 million), lower equity in losses ($8 million), lower income taxes ($7 million), higher owned, leased, corporate housing, and other revenue, net of direct expenses ($6 million), and higher interest income ($6 million). These increases were partially offset by higher general, administrative, and other expenses ($81 million) and lower gains and other income ($31 million).

2012 Compared to 2011

Net income increased by $373 million to $571 million in 2012 from $198 million in 2011, and diluted earnings per share increased by $1.17 per share (213 percent) to $1.72 per share from $0.55 per share in 2011. As discussed in more detail in the preceding sections beginning with “Revenues,” or as shown in the Consolidated Statements of Income, the $373 million increase in net income was due to the impact of the spin-off ($296 million), as well as the following increases across our lodging business: higher gains and other income ($52 million), higher franchise fees

($44 million), higher incentive management fees ($37 million), higher base management fees ($35 million), higher owned, leased, corporate housing, and other revenue, net of direct expenses ($25 million), lower general, administrative, and other expenses ($8 million), and lower

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equity in losses ($4 million). These increases were partially offset by higher income taxes ($120 million) as well as the following decreases across our lodging business: lower interest income ($6 million) and higher interest expense ($2 million).

Former Timeshare Segment - 2012 Compared to 2011

The following tables facilitate the comparison of 2012 to 2011 by detailing the components of our former Timeshare segment revenues and results for 2011, as well as certain items that we did not allocate to our Timeshare segment for 2011 while also showing the components of revenue, interest income and interest expense we received from MVW for 2012.

($ in millions)	2012	2011	Change 2012/2011
Former Timeshare segment revenues			
Base fee revenue	$—	$51	
Total sales and services revenue	—	1,088	
Cost reimbursements	—	299	
Former Timeshare segment revenues	—	1,438	$(1,438)
Other base fee revenue	—	5	(5)
Other unallocated corporate revenues from MVW			
Franchise fee revenue	61	4	
Cost reimbursements	128	24	
Revenues from MVW	189	28	161
Total revenue impact	$189	$1,471	$(1,282)

	2012	2011	Change 2012/2011
Former Timeshare segment results operating income impact			
Base fee revenue	$—	$51	
Timeshare sales and services, net	—	159	
Timeshare strategy-impairment charges	—	(324)	
General, administrative, and other expense	—	(63)	
Former Timeshare segment results operating income impact (1)	—	(177)	$177
Other base fee revenue	—	5	(5)
General, administrative, and other expenses			
Timeshare spin-off costs	—	(34)	34
Other miscellaneous expenses	—	(2)	2
Other Unallocated corporate operating income impact from MVW			
Franchise fee revenue	61	4	57
Total operating income (loss) impact	61	(204)	265
Gains (losses) and other income (1)	—	3	(3)
Interest expense (1)	(8)	(43)	35
Capitalized interest	—	6	(6)
Interest income	11	2	9
Equity in earnings (losses)	—	4	(4)

Income (loss) before income taxes spin-off impact	$64	$(232)	$296

(1) Timeshare segment results for year-end 2011 totaled a segment loss of $217 million and consisted of $177 million of operating losses, $43 million of interest expense, and $3 million of gains and other income.

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Earnings Before Interest Expense, Taxes, Depreciation and Amortization (“EBITDA”) and Adjusted EBITDA
EBITDA, a financial measure that is not prescribed or authorized by United States generally accepted accounting principles (“GAAP”), reflects earnings excluding the impact of interest expense, provision for income taxes, depreciation and amortization. We believe that EBITDA is a meaningful indicator of operating performance because we use it to measure our ability to service debt, fund capital expenditures, and expand our business. We also use EBITDA, as do analysts, lenders, investors and others, to evaluate companies because it excludes certain items that can vary widely across different industries or among companies within the same industry. For example, interest expense can be dependent on a company’s capital structure, debt levels, and credit ratings. Accordingly, the impact of interest expense on earnings can vary significantly among companies. The tax positions of companies can also vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the jurisdictions in which they operate. As a result, effective tax rates and provision for income taxes can vary considerably among companies. EBITDA also excludes depreciation and amortization because companies utilize productive assets of different ages and use different methods of both acquiring and depreciating productive assets. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies. We, therefore, exclude depreciation and amortization expense. Effective with this report, we have also modified our EBITDA calculation to exclude depreciation and amortization expense that we classify in the "Owned, leased, and corporate housing-direct expenses" and "General, administrative, and other expenses" captions of our Income Statements; as well as the depreciation expense that third party owners reimburse to us that we classify in the "Reimbursed costs" caption of our Income Statements.

We also believe that Adjusted EBITDA, another non-GAAP financial measure, is a meaningful indicator of operating performance. Our Adjusted EBITDA reflects: (1) an adjustment to exclude the $41 million pre-tax gain on the 2012 sale of an equity interest in a North American Limited-Service joint venture discussed earlier in the "Gains and Other Income" caption; and (2) beginning with this report, an adjustment to exclude share-based compensation expense for all years presented. Because companies use share-based payment awards differently, both in the type and quantity of awards granted, we excluded share-based compensation expense to address considerable variability among companies in recording compensation expense. We believe Adjusted EBITDA that excludes these items is a meaningful measure of our operating performance because it permits period-over-period comparisons of our ongoing core operations before these items and facilitates our comparison of results before these items with results from other lodging companies.

EBITDA and Adjusted EBITDA have limitations and should not be considered in isolation or as substitutes for performance measures calculated under GAAP. Both of these non-GAAP measures exclude certain cash expenses that we are obligated to make. In addition, other companies in our industry may calculate EBITDA and in particular Adjusted EBITDA differently than we do or may not calculate them at all, limiting EBITDA's and Adjusted EBITDA's usefulness as comparative measures.
We show our 2013 and 2012 EBITDA and Adjusted EBITDA calculations that reflect the changes we describe above and reconcile those measures with Net Income in the following tables:

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($ in millions)	2013
Net Income	$626
Interest expense	120
Tax provision	271
Depreciation and amortization	127
Depreciation classified in Reimbursed costs	48
Interest expense from unconsolidated joint ventures	4
Depreciation and amortization from unconsolidated joint ventures	13
EBITDA	$1,209
Share-based compensation (including share-based compensation reimbursed by third-party owners)	116
Adjusted EBITDA	$1,325

($ in millions)	2012
Net Income	$571
Interest expense	137
Tax provision	278
Depreciation and amortization	102
Depreciation classified in Reimbursed costs	45
Interest expense from unconsolidated joint ventures	11
Depreciation and amortization from unconsolidated joint ventures	20
EBITDA	$1,164
Share-based compensation (including share-based compensation reimbursed by third-party owners)	94
Less: Gain on Courtyard JV sale, pre-tax	(41)
Adjusted EBITDA	$1,217

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BUSINESS SEGMENTS

We are a diversified lodging company with operations in four business segments: North American Full-Service, North American Limited-Service, International, and Luxury. See Footnote No. 14, “Business Segments,” for further information.

In addition to our four current segments, on November 21, 2011 we spun off our former timeshare operations and timeshare development business, which had until that time been our Timeshare segment, as a new independent company, MVW. See Footnote No. 14, “Business Segments,” for historical financial results of our former Timeshare segment and Footnote No. 15, "Spin-off" for more information.

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At year-end 2013, we operated, franchised, and licensed the following properties by segment:

	Total Lodging and Timeshare Products					
	Properties			Rooms		
	U.S.	Non-U.S.	Total	U.S.	Non-U.S.	Total
North American Full-Service Segment (1)						
Marriott Hotels	312	15	327	123,296	5,355	128,651
Marriott Conference Centers	10	—	10	2,915	—	2,915
JW Marriott	22	1	23	12,649	221	12,870
Renaissance Hotels	74	2	76	26,840	790	27,630
Renaissance ClubSport	2	—	2	349	—	349
Gaylord Hotels	5	—	5	8,098	—	8,098
Autograph Collection	32	—	32	8,410	—	8,410
	457	18	475	182,557	6,366	188,923
North American Limited-Service Segment (1)						
Courtyard	836	21	857	117,693	3,835	121,528
Fairfield Inn & Suites	691	14	705	62,921	1,562	64,483
SpringHill Suites	306	2	308	35,888	299	36,187
Residence Inn	629	20	649	76,056	2,928	78,984
TownePlace Suites	222	2	224	22,039	278	22,317
	2,684	59	2,743	314,597	8,902	323,499
International Segment (1)						
Marriott Hotels	—	159	159	—	45,858	45,858
JW Marriott	—	40	40	—	14,607	14,607
Renaissance Hotels	—	75	75	—	23,921	23,921
Autograph Collection	—	19	19	—	2,705	2,705
Courtyard	—	96	96	—	19,021	19,021
Fairfield Inn & Suites	—	3	3	—	482	482
Residence Inn	—	4	4	—	421	421
Marriott Executive Apartments	—	27	27	—	4,295	4,295
	—	423	423	—	111,310	111,310
Luxury Segment						
The Ritz-Carlton	37	47	84	11,040	13,950	24,990
Bulgari Hotels & Resorts	—	3	3	—	202	202
EDITION	—	2	2	—	251	251
The Ritz-Carlton-Residential(2)	30	10	40	3,598	630	4,228
The Ritz-Carlton Serviced Apartments	—	4	4	—	579	579
	67	66	133	14,638	15,612	30,250
Unconsolidated Joint Ventures						
Autograph Collection	—	5	5	—	348	348
AC Hotels by Marriott	—	75	75	—	8,491	8,491
	—	80	80	—	8,839	8,839
Timeshare (3)	47	15	62	10,506	2,296	12,802
Total	3,255	661	3,916	522,298	153,325	675,623

(1) North American includes properties located in the United States and Canada. International includes properties located outside the United States and Canada.

(2)

Represents projects where we manage the related owners' association. We include residential products once they possess a certificate of occupancy.

(3) Timeshare properties licensed by MVW under the Marriott Vacation Club, The Ritz-Carlton Destination Club, The Ritz-Carlton Residences, and Grand Residences by Marriott brand names. Includes products that are in active sales as well as those that are sold out. MVW's property and room counts are reported on a fiscal year basis for the MVW year ended January 3, 2014.

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The following discussion reflects all four of our Lodging segments and, for 2012 compared to 2011, our former Timeshare segment.

2013 Compared to 2012

We added 161 properties (25,420 rooms) and 51 properties (10,299 rooms) exited our system in 2013. These figures do not include residential units. During 2013, we also added five residential properties (301 units) and no residential properties or units exited the system.

Total segment financial results increased by $24 million to $1,197 million in 2013 from $1,173 million in 2012, and total segment revenues increased by $992 million to $12,518 million in 2013, a 9 percent increase from revenues of $11,526 million in 2012.

The year-over-year increase in segment revenues of $992 million was a result of a $923 million increase in cost reimbursements revenue, a $59 million increase in franchise fees, a $40 million increase in base management fees, and a $24 million increase in incentive management fees, partially offset by a $54 million decrease in owned, leased, corporate housing, and other revenue. The year-over-year increase of $24 million in segment results reflected a $59 million increase in franchise fees, a $40 million increase in base management fees, a $24 million increase in incentive management fees, and $8 million of lower joint venture equity losses, partially offset by a $54 million increase in general, administrative, and other expenses, $44 million of lower gains and other income, and a $9 million decrease in owned, leased, corporate housing, and other revenue net of direct expenses. For more information on the variances, see the preceding sections beginning with “Revenues.”

In 2013, 39 percent of our managed properties paid incentive management fees to us versus 33 percent in 2012. In addition, in 2013, 58 percent of our incentive fees came from properties outside the United States versus 65 percent in 2012. In North America, 22 percent of managed properties paid incentive management fees to us in 2013, compared to 15 percent in 2012. Further, in North America, 20 North American Limited-Service segment properties, 19 North American Full-Service segment properties, and two Luxury segment properties earned a combined $8 million in incentive management fees in 2013, but did not earn any incentive management fees in 2012.

See “Statistics” below for detailed information on Systemwide RevPAR and Company-operated RevPAR by segment, region, and brand.

Compared to 2012, worldwide comparable company-operated house profit margins in 2013 increased by 90 basis points and worldwide comparable company-operated house profit per available room (“HP-PAR”) increased by 6.2 percent on a constant U.S. dollar basis, reflecting higher occupancy, rate increases, improved productivity, and lower energy costs. These same factors contributed to North American company-operated house profit margins increasing by 130 basis points compared to 2012. HP-PAR at those same properties increased by 8.3 percent. International company-operated house profit margins increased by 40 basis points, and HP-PAR at those properties increased by 3.4 percent reflecting increased demand and higher RevPAR in most locations and improved productivity. Note that 2013 had four additional days of activity.

2012 Compared to 2011

We added 122 properties (27,059 rooms) and 42 properties (8,883 rooms) exited our system in 2012. These figures do not include residential or ExecuStay units. During 2012, we added three residential properties (89 units), and no residential properties or units exited the system.

Total segment financial results increased by $408 million to $1,173 million in 2012 from $765 million in 2011, and total segment revenues decreased by $671 million to $11,526 million in 2012, a 6 percent decrease from revenues of $12,197 million in 2011. The $408 million increase in segment results reflected a $212 million favorable variance from the spin-off (which included $324 million of Timeshare strategy-impairment charges in 2011) and a net $196 million increase in segment results across our lodging business. The $671 million decrease in total segment revenues reflected a $1,443 million decrease due to the impact of the spin-off that was partially offset by a net $772 million increase across our lodging business.

The year-over-year net increase in segment revenues across our lodging business of $772 million resulted from a $757 million increase in cost reimbursements revenue which does not impact operating income or net income, a $44 million increase in franchise fees, a $35 million increase in base management fees, and a $37 million increase in incentive management fees, partially offset by a $101 million decrease in owned, leased, corporate housing, and other revenue.

The $196 million year-over-year increase in segment results across our lodging business reflected a $44 million increase in franchise fees, $39 million of higher gains and other income, a $37 million increase in incentive management fees, a $35 million increase in base management fees, a $19 million decrease in general, administrative, and other expenses, an $18 million increase in owned,

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leased, corporate housing, and other revenue net of direct expenses, and $4 million of lower joint venture equity losses. For more detailed information on the variances, see the preceding sections beginning with "Revenues."

In 2012, 33 percent of our managed properties paid incentive management fees to us versus 29 percent in 2011. In addition, in 2012, 65 percent of our incentive fees came from properties outside the United States versus 67 percent in 2011. In North America, 15 percent of managed properties paid incentive management fees to us in 2012, compared to 13 percent in 2011. Further, in North America, 14 North American Full-Service segment properties, seven North American Limited-Service segment properties, and two Luxury segment properties earned a combined $13 million in incentive management fees in 2012, but did not earn any incentive management fees in 2011.

See "Statistics" below for detailed information on Systemwide RevPAR and Company-operated RevPAR by segment, region, and brand.

Compared to 2011, worldwide comparable company-operated house profit margins in 2012 increased by 120 basis points and worldwide comparable company-operated house profit per available room ("HP-PAR") increased by 9.0 percent on a constant U.S. dollar basis, reflecting higher occupancy, rate increases, improved productivity, and lower energy costs. These same factors contributed to North American company-operated house profit margins increasing by 140 basis points compared to 2011. HP-PAR at those same properties increased by 9.9 percent. International company-operated house profit margins increased by 90 basis points, and HP-PAR at those properties increased by 7.3 percent reflecting increased demand and higher RevPAR in most locations and improved productivity.

Development

We added 161 properties, totaling 25,420 rooms, across our brands in 2013 and 51 properties (10,299 rooms) left the system, not including residential products. We also added five residential properties (301 units) and no residential properties left the system. Highlights of the year included:

- Converting 36 properties (6,266 rooms), or 24 percent of our gross room additions for the year, to our brands, including eight properties joining our Autograph Collection brand in the United States. Twenty-three of the properties converted were located in the United States;
- Adding approximately 41 percent of all the new rooms outside the United States; and
- Adding 108 properties (12,927 rooms) to our North American Limited-Service brands.

We currently have over 195,000 hotel rooms in our development pipeline, which includes hotel rooms under construction and under signed contracts, as well as nearly 30,000 hotel rooms approved for development but not yet under signed contracts. We expect the number of our hotel rooms (gross) to increase approximately six percent in 2014.

We believe that we have access to sufficient financial resources to finance our growth, as well as to support our ongoing operations and meet debt service and other cash requirements. Nonetheless, our ability to develop and update our brands and the ability of hotel developers to build or acquire new Marriott-branded properties, both of which are important parts of our growth plan, depend in part on capital access, availability and cost for other hotel developers and third-party owners. These growth plans are subject to numerous risks and uncertainties, many of which are outside of our control. See the "Forward-Looking Statements" and "Risks and Uncertainties" captions earlier in this report and the "Liquidity and Capital Resources" caption later in this report.

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Statistics

The following tables show occupancy, average daily rate, and RevPAR for comparable properties, for each of the brands in our North American Full-Service and North American Limited-Service segments, for our International segment by region, and our Luxury segment. Systemwide statistics include data from our franchised properties, in addition to our owned, leased, and managed properties.

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	Comparable Company-Operated North American Properties [1]		Comparable Systemwide North American Properties [1]	
	Twelve Months Ended December 31, 2013	Change vs. Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2013	Change vs. Twelve Months Ended December 31, 2012
Marriott Hotels				
Occupancy	73.6 %	0.8 % pts.	71.3 %	1.0 % pts.
Average Daily Rate	$179.44	4.3 %	$164.37	4.0 %
RevPAR	$132.03	5.4 %	$117.20	5.4 %
Renaissance Hotels				
Occupancy	73.4 %	0.4 % pts.	71.3 %	0.7 % pts.
Average Daily Rate	$170.98	3.1 %	$153.33	3.2 %
RevPAR	$125.55	3.6 %	$109.30	4.2 %
Autograph Collection Hotels				
Occupancy	*	* pts.	76.6 %	1.7 % pts.
Average Daily Rate	*	*	$207.34	6.4 %
RevPAR	*	*	$158.87	8.8 %
Composite North American Full-Service				
Occupancy	73.6 %	0.7 % pts.	71.5 %	0.9 % pts.
Average Daily Rate	$178.29	4.1 %	$164.24	4.0 %
RevPAR	$131.15	5.2 %	$117.39	5.4 %
The Ritz-Carlton North America				
Occupancy	71.3 %	1.4 % pts.	71.3 %	1.4 % pts.
Average Daily Rate	$323.83	6.6 %	$323.83	6.6 %
RevPAR	$230.82	8.7 %	$230.82	8.7 %
Composite North American Full-Service and Luxury				
Occupancy	73.3 %	0.8 % pts.	71.5 %	1.0 % pts.
Average Daily Rate	$192.70	4.6 %	$173.37	4.3 %
RevPAR	$141.30	5.7 %	$123.89	5.7 %
Residence Inn				
Occupancy	76.2 %	0.7 % pts.	77.4 %	0.4 % pts.
Average Daily Rate	$127.35	2.3 %	$125.04	3.5 %
RevPAR	$97.09	3.2 %	$96.79	3.9 %
Courtyard				
Occupancy	68.6 %	0.9 % pts.	70.2 %	0.9 % pts.
Average Daily Rate	$122.07	3.8 %	$123.07	3.6 %
RevPAR	$83.75	5.3 %	$86.35	4.9 %
Fairfield Inn & Suites				
Occupancy	nm	nm pts.	67.9 %	0.6 % pts.
Average Daily Rate	nm	nm	$98.58	3.3 %
RevPAR	nm	nm	$66.95	4.3 %
TownePlace Suites				
Occupancy	68.7 %	(1.9)% pts.	71.5 %	(0.5)% pts.
Average Daily Rate	$88.37	6.4 %	$91.64	2.4 %
RevPAR	$60.74	3.6 %	$65.50	1.8 %

SpringHill Suites								
Occupancy	71.9	%	1.2	% pts.	72.2	%	1.3	% pts.
Average Daily Rate	$106.75		2.4	%	$107.42		3.3	%
RevPAR	$76.73		4.1	%	$77.57		5.2	%
Composite North American Limited-Service								
Occupancy	71.0	%	0.8	% pts.	71.8	%	0.7	% pts.
Average Daily Rate	$120.98		3.5	%	$115.00		3.4	%
RevPAR	$85.85		4.7	%	$82.52		4.4	%
Composite North American - All								
Occupancy	72.3	%	0.8	% pts.	71.6	%	0.8	% pts.
Average Daily Rate	$163.24		4.2	%	$136.05		3.8	%
RevPAR	$118.08		5.4	%	$97.48		5.0	%

* There are no company-operated properties.
nm means not meaningful as the brand is predominantly franchised.

(1) Statistics include only properties located in the United States.

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	Comparable Company-Operated Properties		Comparable Systemwide Properties	
	Twelve Months Ended December 31, 2013	Change vs. Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2013	Change vs. Twelve Months Ended December 31, 2012
Caribbean and Latin America				
Occupancy	73.5 %	0.5 % pts.	72.0 %	1.5 % pts.
Average Daily Rate	$209.79	6.2 %	$181.95	4.0 %
RevPAR	$154.28	7.0 %	$130.98	6.2 %
Europe				
Occupancy	73.5 %	1.7 % pts.	72.5 %	1.7 % pts.
Average Daily Rate	$172.01	(1.5)%	$167.33	(1.0)%
RevPAR	$126.47	0.8 %	$121.34	1.5 %
Middle East and Africa				
Occupancy	55.7 %	(2.5)% pts.	56.3 %	(2.1)% pts.
Average Daily Rate	$147.63	2.0 %	$144.18	2.2 %
RevPAR	$82.22	(2.4)%	$81.20	(1.5)%
Asia Pacific				
Occupancy	73.0 %	1.5 % pts.	73.4 %	1.6 % pts.
Average Daily Rate	$142.76	0.9 %	$146.49	1.1 %
RevPAR	$104.27	3.0 %	$107.59	3.4 %
Regional Composite (1)				
Occupancy	71.4 %	1.0 % pts.	71.2 %	1.3 % pts.
Average Daily Rate	$163.13	0.7 %	$160.84	0.8 %
RevPAR	$116.40	2.2 %	$114.56	2.7 %
International Luxury (2)				
Occupancy	65.6 %	1.7 % pts.	65.6 %	1.7 % pts.
Average Daily Rate	$367.86	3.9 %	$367.86	3.9 %
RevPAR	$241.31	6.8 %	$241.31	6.8 %
Total International (3)				
Occupancy	70.7 %	1.1 % pts.	70.7 %	1.3 % pts.
Average Daily Rate	$185.74	1.5 %	$179.28	1.4 %
RevPAR	$131.27	3.2 %	$126.72	3.4 %

(1) Company-operated statistics include properties located outside of the United States and Canada for the Marriott Hotels, Renaissance Hotels, Courtyard, and Residence Inn brands. In addition to the foregoing brands, systemwide statistics also include properties located outside of the United States and Canada for Autograph Collection and Fairfield Inn & Suites brands.

(2) International Luxury includes The Ritz-Carlton properties located outside the United States and Canada, as well as Bulgari Hotels & Resorts and EDITION properties.

(3) Total International includes Regional Composite statistics and International Luxury statistics.

	Comparable Company-Operated Properties		Comparable Systemwide Properties	
	Twelve Months Ended December 31, 2013	Change vs. Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2013	Change vs. Twelve Months Ended December 31, 2012
Composite Luxury [1]				
Occupancy	68.5 %	1.6 % pts.	68.5 %	1.6 % pts.
Average Daily Rate	$344.38	5.3 %	$344.38	5.3 %
RevPAR	$235.94	7.7 %	$235.94	7.7 %
Total Worldwide [2]				
Occupancy	71.8 %	0.9 % pts.	71.5 %	0.9 % pts.
Average Daily Rate	$170.35	3.3 %	$143.33	3.4 %
RevPAR	$122.32	4.6 %	$102.46	4.6 %

(1) Composite Luxury includes worldwide properties for The Ritz-Carlton, Bulgari Hotels & Resorts, and EDITION brands.

(2) Company-operated statistics include properties worldwide for Marriott Hotels, Renaissance Hotels, The Ritz-Carlton, Bulgari Hotels & Resorts, EDITION, Residence Inn, Courtyard, Fairfield Inn & Suites, TownePlace Suites, and SpringHill Suites brands. In addition to the foregoing brands, systemwide statistics also include properties worldwide for the Autograph Collection brand.

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	Comparable Company-Operated North American Properties (1)				Comparable Systemwide North American Properties (1)			
	2012		Change vs. 2011		2012		Change vs. 2011	
Marriott Hotels								
Occupancy	72.7	%	1.8	% pts.	70.1	%	1.8	% pts.
Average Daily Rate	$171.48		3.5	%	$157.17		3.6	%
RevPAR	$124.72		6.1	%	$110.19		6.4	%
Renaissance Hotels								
Occupancy	73.6	%	2.1	% pts.	71.2	%	1.4	% pts.
Average Daily Rate	$167.67		4.5	%	$150.53		4.7	%
RevPAR	$123.38		7.5	%	$107.18		6.8	%
Autograph Collection Hotels								
Occupancy	*		*	pts.	76.1	%	3.6	% pts.
Average Daily Rate	*		*		$176.61		1.6	%
RevPAR	*		*		$134.36		6.6	%
Composite North American Full-Service								
Occupancy	72.9	%	1.8	% pts.	70.3	%	1.8	% pts.
Average Daily Rate	$170.92		3.6	%	$156.30		3.8	%
RevPAR	$124.52		6.3	%	$109.93		6.4	%
The Ritz-Carlton North America								
Occupancy	69.9	%	0.8	% pts.	69.9	%	0.8	% pts.
Average Daily Rate	$319.57		4.9	%	$319.57		4.9	%
RevPAR	$223.51		6.1	%	$223.51		6.1	%
Composite North American Full-Service and Luxury								
Occupancy	72.6	%	1.7	% pts.	70.3	%	1.7	% pts.
Average Daily Rate	$185.57		3.8	%	$166.02		3.8	%
RevPAR	$134.64		6.3	%	$116.72		6.4	%
Residence Inn								
Occupancy	75.4	%	0.3	% pts.	77.2	%	0.6	% pts.
Average Daily Rate	$123.55		4.3	%	$120.66		4.2	%
RevPAR	$93.14		4.7	%	$93.10		5.0	%
Courtyard								
Occupancy	67.7	%	0.5	% pts.	69.2	%	1.2	% pts.
Average Daily Rate	$117.11		4.9	%	$118.68		4.6	%
RevPAR	$79.32		5.6	%	$82.15		6.5	%
Fairfield Inn & Suites								
Occupancy	nm		nm	pts.	67.3	%		