MARRIOTT INTERNATIONAL INC /MD/
Form 10-K
February 19, 2015
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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, 2014

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
(276,542,350 shares outstanding as of February 6, 2015)	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 Smaller reporting company o
(Do not check if a smaller reporting company)

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, 2014, was $14,399,638,158

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement prepared for the 2015 Annual Meeting of Shareholders are incorporated by reference into
Part III of this report.

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Throughout this report, we refer to Marriott International, Inc., together with its consolidated subsidiaries, as "we," "us," or "the Company."

Beginning in 2013, we changed our financial reporting cycle to a calendar year-end reporting cycle and an end-of-month quarterly reporting cycle. Historically, our fiscal year was a 52-53 week fiscal year that ended on the Friday nearest to December 31. Unless otherwise specified, each reference to a particular year means the fiscal year ended on the date and containing the specified number of days that we show in the table under the caption "Fiscal Year" in Footnote No. 1, "Basis of Presentation," to the Notes to our Consolidated Financial Statements.

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 ("U.S.") 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 4,175 properties worldwide, with 714,765 rooms as of year-end 2014 inclusive of 41 home and condominium products (4,203 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 principal brands are listed in the following table:

- The Ritz-Carlton®
- BVLGARI® Hotels & Resorts
- EDITION®
- JW Marriott®
- Autograph Collection® Hotels
- Renaissance® Hotels
- Marriott Hotels®
- Marriott Executive Apartments®
- Marriott Vacation Club®
- Gaylord Hotels®
- AC Hotels by Marriott®
- Courtyard by Marriott® ("Courtyard®")
- Residence Inn by Marriott® ("Residence Inn®")
- SpringHill Suites by Marriott® ("SpringHill Suites®")
- Fairfield Inn & Suites®
- TownePlace Suites by Marriott® ("TownePlace Suites®")
- Protea Hotels®
- Moxy Hotels®

As of year-end 2014, we group operations into three business segments: North American Full-Service, North American Limited-Service, and International, and provide financial information by segment for 2014, 2013, and 2012 in Footnote No. 16, "Business Segments" and Footnote No. 12, "Property and Equipment."

Company-Operated Properties

At year-end 2014, we operated 1,102 properties (291,840 rooms) under long-term management agreements with property owners, 42 properties (9,419 rooms) under long-term lease agreements with property owners (management and lease agreements together, "the Operating Agreements"), and nine properties (2,082 rooms) that we own. The figures for properties we operated under long-term management agreements include 41 home and condominium products (4,203 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

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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 who are needed 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"), our former timeshare subsidiary that we spun off in 2011, 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 to six percent of room revenues for all brands, plus two 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 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, adjusted for inflation, 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 2014, we had 2,882 franchised properties (388,679 rooms), 82 unconsolidated joint venture properties (9,879 rooms), and 58 licensed timeshare, fractional, and related properties (12,866 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.

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. 18, "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.

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Properties by Brand

At year-end 2014, 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	128	68,140	186	56,546	—	—
Marriott Conference Centers	10	2,915	—	—	—	—
JW Marriott	15	9,735	8	3,239	—	—
Renaissance Hotels	33	14,881	43	12,358	—	—
Renaissance ClubSport	—	—	2	349	—	—
Gaylord Hotels	5	8,098	—	—	—	—
Autograph Collection Hotels	1	181	43	9,901	—	—
The Ritz-Carlton	39	11,424	—	—	—	—
The Ritz-Carlton Residences [1]	30	3,598	—	—	—	—
EDITION	1	295	—	—	—	—
EDITION Residences [1]	1	25	—	—	—	—
AC Hotels by Marriott	—	—	—	—	1	220
Courtyard	274	43,138	587	77,756	—	—
Fairfield Inn & Suites	4	1,200	700	63,162	—	—
SpringHill Suites	28	4,450	286	32,518	—	—
Residence Inn	106	15,828	542	62,690	—	—
TownePlace Suites	15	1,743	225	22,230	—	—
Timeshare [2]	—	—	45	10,605	—	—
Total U.S. Locations	690	185,651	2,667	351,354	1	220
Non-U.S. Locations						
Marriott Hotels	144	42,452	41	12,083	—	—
JW Marriott	42	15,877	4	1,016	—	—
Renaissance Hotels	53	17,437	28	7,931	—	—
Autograph Collection Hotels	3	584	23	6,496	5	348
Moxy Hotels	—	—	1	162	—	—
Protea Hotels	53	6,141	59	3,966	—	—
The Ritz-Carlton	48	14,090	—	—	—	—
The Ritz-Carlton Residences [1]	9	575	1	55	—	—
The Ritz-Carlton Serviced Apartments	4	579	—	—	—	—
EDITION	1	173	1	78	—	—
Bulgari Hotels & Resorts	2	117	1	85	—	—
Bulgari Residences [1]	1	5	—	—	—	—
Marriott Executive Apartments	27	4,261	—	—	—	—
AC Hotels by Marriott	—	—	—	—	76	9,311
Courtyard	66	14,153	61	10,753	—	—
Fairfield Inn & Suites	2	276	15	1,813	—	—
SpringHill Suites	—	—	2	299	—	—
Residence Inn	8	970	19	2,675	—	—
TownePlace Suites	—	—	4	518	—	—
Timeshare [2]	—	—	13	2,261	—	—
Total Non-U.S. Locations	463	117,690	273	50,191	81	9,659
Total	1,153	303,341	2,940	401,545	82	9,879

(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 reports its property and room counts on a fiscal year basis for the MVW fiscal year ended January 2, 2015.

(3) Results for these properties are presented in the "Equity in earnings (losses)" caption of our Income Statements.

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Properties by Country

At year-end 2014, we operated, franchised or licensed properties in the following 79 countries and territories:

Country	Properties	Rooms
Americas		
Aruba	5	1,955
Bahamas	1	3,412
Barbados	1	118
Brazil	6	1,405
British Virgin Islands	1	58
Canada	86	16,741
Cayman Islands	5	772
Chile	3	666
Colombia	4	738
Costa Rica	7	1,222
Curaçao	2	484
Dominican Republic	3	595
Ecuador	2	401
El Salvador	1	133
Honduras	1	153
Mexico	25	5,984
Panama	5	1,001
Peru	2	453
Puerto Rico	9	2,226
Saint Kitts and Nevis	2	479
Suriname	1	140
Trinidad and Tobago	1	119
United States	3,358	537,225
U.S. Virgin Islands	5	1,095
Venezuela	3	688
Total Americas	3,539	578,263
United Kingdom and Ireland		
Ireland	2	460
United Kingdom (England, Scotland, and Wales)	64	12,203
Total United Kingdom and Ireland	66	12,663
Middle East and Africa		
Algeria	1	204
Bahrain	3	537
Egypt	6	3,062
Jordan	3	644
Kuwait	3	720
Malawi	1	117
Namibia	10	373
Nigeria	11	760
Oman	2	495
Pakistan	2	508
Qatar	4	1,487
Saudi Arabia	8	1,878
South Africa	76	8,029
Tanzania	5	153

Uganda	2	143
United Arab Emirates	13	4,534

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Zambia	7	532
Total Middle East and Africa	157	24,176
Asia		
China	76	28,256
India	26	6,250
Indonesia	13	2,869
Japan	15	4,328
Malaysia	7	3,070
Philippines	2	657
Singapore	3	1,059
South Korea	7	2,203
Thailand	19	3,946
Vietnam	2	786
Total Asia	170	53,424
Australia	6	1,716
Continental Europe		
Armenia	2	359
Austria	7	1,808
Azerbaijan	3	574
Belarus	1	267
Belgium	5	881
Bosnia and Herzegovina	1	75
Czech Republic	6	1,088
Denmark	2	1,214
France	24	4,658
Georgia	2	245
Germany	29	6,717
Hungary	4	891
Israel	3	539
Italy	22	3,563
Kazakhstan	6	905
Netherlands	4	1,120
Poland	2	759
Portugal	5	1,150
Romania	1	401
Russia	15	3,616
Spain	74	9,391
Sweden	2	406
Switzerland	5	979
Turkey	12	2,917
Total Continental Europe	237	44,523
Total	4,175	714,765

Our Brand Portfolio

The Ritz-Carlton's vision is to inspire life's most meaningful journeys. Established in 1983 with the purchase of The Ritz-Carlton, Boston and the rights to the name, the brand has grown to over 85 hotels and 40 residences worldwide. The Ritz-Carlton enjoys a global reputation for setting the gold standard (the values and philosophies by which the brand operates) with award-winning luxury hotels, residences, golf communities, elegant spas, innovative retail outlets and acclaimed restaurants. At year-end 2014, there were 87 The Ritz-Carlton hotel properties (25,514 rooms), 40 home and condominium projects (4,228 units) for which we manage the related owners' associations, and 4 serviced apartments (579 units) operating in 29 countries and territories.

The Ritz-Carlton Geographic Distribution at Year-End 2014 [1]	Properties	
United States (18 states and the District of Columbia)	69	(15,022 rooms)
Non-U.S. (28 countries and territories)		
Americas	15	
Continental Europe	12	
Asia	26	
Middle East and Africa	9	
Total Non-U.S.	62	(15,299 rooms)

[1] Includes 40 home and condominium projects (4,228 units) and 4 serviced apartments (579 units).

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. At year-end 2014, there were three Bulgari hotel properties in Milan, Italy, Bali, and London, England. We also operate two restaurants, co-located with two Bulgari retail stores, in Tokyo and Osaka, Japan. The hotels are designed by renowned Italian firm Antonio Citterio Patricia Viel and partners. 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, individualized, and unique hotel experience that Ian Schrager is known for, with the global reach, operational expertise, and scale of Marriott. EDITION showcases the finest dining and entertainment offerings for guests and locals in the know. At year-end 2014, the brand operated EDITION hotels in Istanbul, central London, and Miami Beach. Scheduled EDITION hotel openings over the next few years include New York (Madison Square Park) (2015), Gurgaon, India (2016), Sanya, China (2016), Bangkok, Thailand (2016), Shanghai, China (2016), Abu Dhabi, U.A.E. (2017), Wuhan, China (2017), New York (Times Square) (2017), and West Hollywood (2018).

The EDITION hotel in New York (Madison Square Park) is currently under construction and owned by Marriott. In January of 2014, we sold The London EDITION to a third party and simultaneously entered into agreements to sell The Miami Beach and The New York (Madison Square Park) EDITION hotels to the same party once construction was complete. Under those agreements we sold The Miami Beach EDITION during the first quarter of 2015, and expect to sell The New York (Madison Square Park) EDITION in the first half of 2015. We will retain long-term management agreements for each of these three EDITION hotels. See Footnote No. 3, “Acquisitions and Dispositions” for additional information on this transaction.

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 2014, there were 69 properties (29,867 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. Facilities and amenities at JW Marriott properties normally include larger guest rooms, high-end décor and furnishings, upgraded

in-room amenities, upgraded executive lounges, business centers and fitness centers, and 24-hour room service. Marriott Hotels is our global flagship premium brand, primarily serving business and leisure upper-upscale travelers and meeting groups. Marriott Hotels properties are “Advancing the Art of Hosting” to deliver premium choices, sophisticated style, and well-crafted details. Properties are located in downtown, urban, and suburban areas, near airports, and at resort locations. Typically, properties offer well-appointed guest rooms, convention and banquet facilities, destination-driven restaurants and lounges, room service, concierge lounges, fitness centers, swimming pools, and wireless Internet access. Seventeen properties

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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. At year-end 2014, there were 499 Marriott Hotels properties (179,221 rooms), excluding JW Marriott and Marriott Conference Centers.
At year-end 2014, 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, Marriott Hotels, and Marriott Conference Centers Geographic Distribution at Year-End 2014	Properties	
United States (43 states and the District of Columbia)	347	(140,575 rooms)
Non-U.S. (58 countries and territories)		
Americas	52	
Continental Europe	44	
United Kingdom and Ireland	51	
Asia	60	
Middle East and Africa	20	
Australia	4	
Total Non-U.S.	231	(71,428 rooms)

Autograph Collection Hotels celebrate individuality by curating one-of-a kind travel experiences found in the world's most desirable destinations. Each hotel is hand selected for its distinction as an iconic landmark, remarkable design, or for its best-in-class resort amenities. Autograph Collection is designed to attract guests who prefer original, locally authentic, and unique hotel experiences that other conventional brands do not offer. The Collection provides owners of high-quality independent hotels with access to our leading reservations and marketing platforms including Marriott Rewards®, our award-winning loyalty program. At year-end 2014, there were 75 Autograph Collection properties (17,510 rooms) operating in 21 countries and territories.

Autograph Collection Hotels Geographic Distribution at Year-End 2014	Properties	
United States (22 states)	44	(10,082 rooms)
Non-U.S. (20 countries and territories)		
Americas	6	
Continental Europe	18	
United Kingdom and Ireland	4	
Asia	2	
Australia	1	
Total Non-U.S.	31	(7,428 rooms)

Renaissance Hotels is a global, full-service brand that targets lifestyle-oriented business travelers. Each Renaissance hotel offers its own personality, local flavor, and distinctive style. 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.
Renaissance Hotels' diverse portfolio includes historic icons, modern boutiques, exotic resorts, and convention hotels. Most properties feature modern chic design, lively bars and lounges, and creative meeting and banquet facilities. At year-end 2014, there were 159 Renaissance Hotels properties (52,956 rooms), including two Renaissance ClubSport properties (349 rooms).

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Renaissance Hotels Geographic Distribution at Year-End 2014	Properties	
United States (29 states and the District of Columbia)	78	(27,588 rooms)
Non-U.S. (34 countries and territories)		
Americas	11	
Continental Europe	33	
United Kingdom and Ireland	4	
Asia	30	
Middle East and Africa	3	
Total Non-U.S.	81	(25,368 rooms)

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 apartments are designed with upscale finishes and a wide variety of amenities including on-site gyms and other recreational facilities, a 24-hour front desk, weekly housekeeping services, laundry facilities within the apartment, and often on-site restaurants. At year-end 2014, 25 Marriott Executive Apartments and two other Serviced Apartments properties (4,261 rooms total) were located in 15 countries and territories. All Marriott Executive Apartments are located outside the United States.

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, which are located near Washington, D.C., Nashville, Tennessee, Orlando, Florida, and Dallas, Texas, are designed to celebrate the heritage of their destinations. Properties typically have between approximately 1,400 rooms and 2,900 rooms, 400,000 to 600,000 square feet meeting and convention space, and 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. At year-end 2014, there were five Gaylord Hotels properties (8,098 rooms, including the 303-room Inn at Opryland) operating in the United States.

AC Hotels by Marriott. We are a partner in joint ventures that created the “AC Hotels by Marriott” co-brand in 2011. AC Hotels by Marriott is designed to attract the upper-moderate, design-conscious guest looking for a cosmopolitan hotel in a great city location, and features stylish, sleek designs with limited food and beverage offerings. AC Hotels by Marriott hotels are typically located in destination, downtown, and lifestyle centers. AC Hotels by Marriott features the “AC Lounge” offering cocktails, appetizers and sharable plates where guests can relax and unwind, and 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 free wireless high-speed Internet access (Wi-Fi). At year-end 2014, there were 77 AC Hotels by Marriott properties (9,531 rooms) in Spain, Italy, France, and Portugal. In November 2014, AC Hotels by Marriott opened its first hotel in the U.S., with the opening of the AC Hotel New Orleans Bourbon. The brand has a very strong pipeline for growth in the Americas with future openings scheduled for locations including Chicago, Miami, Kansas City, and Washington D.C.

Courtyard is our hotel product designed for the upper-moderate price tier, and is focused primarily on transient business travel. Hotels feature functionally designed guest rooms and meeting rooms, and typically offer free Wi-Fi, a swimming pool, an exercise room, and The Market (a self-serve food store open 24 hours a day). At year-end 2014, over 90 percent of our North American Courtyard hotels completed the Courtyard Refreshing Business lobby design. The multifunctional lobby space enables guests to work, relax, eat, drink, and socialize at their own pace. At year-end 2014, there were 988 Courtyard properties (145,800 rooms) operating in 38 countries and territories.

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Courtyard Geographic Distribution at Year-End 2014	Properties	
United States (50 states and the District of Columbia)	861	(120,894 rooms)
Non-U.S. (37 countries and territories)		
Americas	47	
Continental Europe	41	
United Kingdom and Ireland	2	
Asia	31	
Middle East and Africa	5	
Australia	1	
Total Non-U.S.	127	(24,906 rooms)

Residence Inn is the 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. Guests can maintain their own pace and routines through free Wi-Fi, 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 2014, there were 675 Residence Inn properties (82,163 rooms) operating in 9 countries and territories.

Residence Inn Geographic Distribution at Year-End 2014	Properties	
United States (48 states and the District of Columbia)	648	(78,518 rooms)
Non-U.S. (8 countries and territories)		
Americas	21	
Continental Europe	2	
United Kingdom and Ireland	1	
Middle East and Africa	3	
Total Non-U.S.	27	(3,645 rooms)

SpringHill Suites is our all-suite brand in the upper-moderate price tier primarily targeting business travelers. These properties typically have suites with 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 Wi-Fi, The Market (a self-serve food/beverage 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 2014, there were 314 properties (36,968 rooms) operating in the United States and two properties (299 rooms) in Canada.

Fairfield Inn & Suites (which includes Fairfield Inn, Fairfield Inn & Suites and Fairfield by Marriott^{SM}) is an established leader in the moderate-price tier and is targeted primarily at value-conscious business travelers looking to maintain their balance and momentum while traveling. Fairfield Inn & Suites typically offer a wide range of amenities, including free Wi-Fi, 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), exercise facilities, a swimming pool, and guest laundry. 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. At year-end 2014, there were 553 Fairfield Inn & Suites properties and 168 Fairfield Inn properties (66,451 rooms combined total) operating in the United States, Canada, Mexico and India.

Fairfield Inn & Suites Geographic Distribution at Year-End 2014	Properties	
United States (48 states and the District of Columbia)	704	(64,362 rooms)
Non-U.S. Americas (3 countries and territories)		
Americas	16	
Asia	1	

Total Non-U.S.	17	(2,089 rooms)

TownePlace Suites is our moderately priced extended-stay hotel brand designed to appeal to business and leisure travelers who stay for five nights or more. Each suite provides functional spaces for living and working, including a full kitchen

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and a home office. Each hotel specializes in delivering service that helps guests make the best of long trips by helping them stay productive and upbeat. Additional amenities include daily housekeeping services, breakfast, exercise facilities, a pool, 24-hour In A Pinch (food and beverage) Market, laundry facilities, and free Wi-Fi. At year-end 2014, there were 240 properties (23,973 rooms) operating in the United States and four properties (518 rooms) operating in Canada.

Protea Hotels is the leading hospitality brand in Africa and boasts the highest hospitality brand awareness in the continent. With 112 properties (10,107 rooms) in South Africa and six other Sub-Saharan African countries at year-end 2014, Protea Hotels has the largest strategic footprint throughout the continent and is highly committed to delivering every guest with a personalized service experience. Competing in the moderate and upper moderate tier categories, Protea Hotels is ideal for both business and leisure travelers by offering properties in major and secondary business centers and leisure destinations. Protea Hotels offers updated facilities, a unique service culture and consistent amenities such as full service restaurants, meeting spaces, free Wi-Fi, and well-appointed rooms to ensure a comfortable, relaxed, and successful stay.

Moxy Hotels. In 2013, we announced a collaboration with Vastint, a holding company within the Inter IKEA Group, to develop our newest brand, Moxy Hotels. Moxy is a design-led, lifestyle budget hotel developed around the needs of Generation X and Y travelers. The brand offers a vibrant, communal, and stylish public space and a fun, energetic, and edgy personality. The brand opened its first hotel in Milan Malpensa in September of 2014.

Licensed Brands

On November 21, 2011, we spun off 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, we developed, operated, marketed, and sold timeshare interval, fractional ownership, and residential properties as part of our former Timeshare segment under the brand names discussed below, and in conjunction with the spin-off, we entered into licensing agreements with MVW for those brands.

Under those 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 for the following brands:

Marriott Vacation Club is MVW’s signature offering in the upscale tier of the vacation ownership industry. Marriott Vacation Club resorts typically combine spacious accommodations with one-, two-, and three-bedroom options, living and dining areas, and in-unit kitchens and laundry facilities, with resort amenities.

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 luxurious two-, three- and four-bedroom units, and luxury resort amenities. 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. MVW also has the non-exclusive right to develop, market and sell whole ownership residential products under The Ritz-Carlton Residences brand. The Ritz-Carlton Residences provide whole-ownership, luxury living in many of the world's most vibrant cities and stunning resort destinations, including co-locations with certain The Ritz-Carlton Destination Club resorts. 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.

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.

At year-end 2014, MVW operated 58 properties, primarily in the United States, but also in other countries and territories. Many of MVW's 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.

Other Activities

Credit Card Programs. At year-end 2014, 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 and mobile app are also integral to our success.

With over 50 million visitors each month, Marriott.com remains one of the largest online retail sites in the world, and continues to experience unprecedented growth. In 2014, we successfully expanded the deployment of Mobile Check-In and Check-Out to our portfolio of over 4,000 hotels globally. Design and usability improvements to Marriott.com made it easier for our guests to discover our properties on every device available. We continue to explore and implement more personalized elements to enhance the experience for our online guests.

At year-end 2014, we operated 15 systemwide hotel reservation centers, six in the United States and Canada and nine 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 either lease the others or share space with an existing Marriott property. While pricing is set by our hotels, our reservation system manages and controls inventory and allows us to utilize third party agents where cost effective. With 4,175 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.

We believe our global sales and revenue management organization is a key competitive advantage due to our unrelenting focus on optimizing our investment in people, processes, and systems. 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, which we believe 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.

Our customer loyalty programs, Marriott Rewards and The Ritz-Carlton Rewards, have over 49 million members and 15 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 39 participating airline programs. We believe that our rewards programs generate substantial repeat business that might otherwise go to competing hotels. In 2014, 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 "Rewards Programs" caption in Footnote No. 2, "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-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 percent 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

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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.

Global Design Division. Our Global Design (formerly known as Architecture and Construction) 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, Global Design provides these services on a fee basis to owners and franchisees of Marriott-branded properties.

Marriott Golf. At year-end 2014, Marriott Golf managed 33 golf course facilities as part of our management of hotels and for other golf course owners. In addition, we provide similar services to four facilities operated by others.

Competition

We encounter strong competition both as a lodging operator and as a franchisor. There are approximately 875 lodging management companies in the United States, including approximately 10 that operate more than 100 properties. These operators are primarily private management firms, but also include several large national and international 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 it does not meet certain financial or performance criteria.

During the last recession demand for hotel rooms declined significantly, 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 2014, cost reductions could again become necessary if demand trends reverse. We would expect to implement any such efforts 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 2014, 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 decline, international travel accelerates, and hotel owners seek the economies of centralized reservation systems and marketing programs.

Based on lodging industry data, we have more than 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 generate higher 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 contribute to customer preference 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 to be set aside, 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 2014, we had approximately 123,500 employees, approximately 11,000 of whom were represented by labor unions. We believe relations with our employees are positive.

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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 and development of properties complies, in all material respects, with environmental laws and regulations. Compliance with such provisions has not materially impacted our capital expenditures, earnings, or competitive position, and we do not anticipate that it 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.

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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 we express 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 operate in markets that contain many 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. Further, new lodging supply in individual markets could have a negative impact on the hotel industry and hamper our ability to increase room rates or occupancy in those markets.

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, changes in oil prices and currency values, potential disruptions in the U.S. economy as a result of governmental action or inaction on the federal deficit, budget, and related issues, including for example the 2013 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 may continue to suffer due to 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 we fail or elect 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 about our management agreements and may do so in the future. If such terminations occur, 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.

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

The growing significance of our operations outside of the United States makes us increasingly susceptible to the risks of doing business internationally, which could lower our revenues, increase our costs, reduce our profits, disrupt our business, or damage our reputation. We currently operate or franchise hotels and resorts in 79 countries, and our operations outside the United States represented approximately 18 percent of our revenues in 2014. We expect that our international revenues will continue to grow. As a result, we are increasingly exposed to the challenges and risks of doing business outside the United States, many of which are outside of our control, and which could reduce our revenues or profits, increase our costs, result in significant liabilities or sanctions, otherwise disrupt our business, or damage our reputation. These challenges include: (1) compliance with complex and changing laws, regulations and government policies 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 competition laws, currency regulations, and other 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, which may impact the results and cash flows of our international operations.

Any failure by our international operations to comply with anti-corruption laws or trade sanctions could increase our costs, reduce our profits, limit our growth, harm our reputation, or subject us to broader liability. We are subject to restrictions imposed by the U.S. Foreign Corrupt Practices Act and anti-corruption laws and regulations of other countries applicable to our operations, such as the UK Bribery Act. Anti-corruption laws and regulations generally prohibit companies and their intermediaries from making improper payments to government officials or other persons in order to receive or retain business. The compliance programs, internal controls and policies we maintain and enforce to promote compliance with applicable anti-bribery and anti-corruption laws may not prevent our associates, contractors or agents from acting in ways prohibited by these laws and regulations. We are also subject to trade sanctions administered by the Office of Foreign Assets Control and the U.S. Department of Commerce. Our compliance programs and internal controls also may not prevent conduct that is prohibited under these rules. The United States may impose additional sanctions at any time against any country in which or with whom we do business. Depending on the nature of the sanctions imposed, our operations in the relevant country could be restricted or otherwise adversely affected. Any violations of anti-corruption laws and regulations or trade sanctions could result in significant civil and criminal penalties, reduce our profits, disrupt our business or damage our reputation. In addition, an imposition of further restrictions in these areas could increase our cost of operations, reduce our profits or cause us to forgo development opportunities that would otherwise support growth.

Exchange rate fluctuations and foreign exchange hedging arrangements could result in significant foreign currency gains and losses and affect our business results. We earn revenues and incur expenses in foreign currencies as part of our operations outside of the United States. Accordingly, fluctuations in currency exchange rates may significantly increase the amount of U.S. dollars required for foreign currency expenses or significantly decrease the U.S. dollars we receive from foreign currency revenues. We are also exposed to currency translation risk because the results of our business outside of the U.S. are generally reported in local currency, which we then translate to U.S. dollars for inclusion in our consolidated financial statements. As a result, changes between the foreign exchange rates and the U.S. dollar affect the amounts we record for our foreign assets, liabilities, revenues and expenses, and could have a negative effect on our financial results. We expect that our exposure to foreign currency exchange rate fluctuations will grow as the relative contribution of our non-U.S. operations increases. Our efforts to mitigate some of our foreign

currency exposure by entering into foreign exchange hedging agreements with financial institutions to reduce exposures to some of the principal currencies in which we receive management and franchise fees may not be successful. In this regard, these hedging agreements do not cover all currencies in which we do business, do not eliminate foreign currency risk entirely for the currencies that they do cover, and involve costs and risks of their own in the form of transaction costs, credit requirements and counterparty risk.

Some of our management agreements and related contracts require us to make payments to owners if the hotels do not achieve specified levels of operating profit. Some of our contracts with hotel owners require that we fund shortfalls if the hotels do not attain specified levels of operating profit. We may not be able to recover any fundings of such performance guarantees, which could lower our profits and reduce our cash flows.

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, AC Hotels by Marriott in the Americas, Protea Hotels, Moxy

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Hotels, and, upon completion of the acquisition, Delta Hotels and Resorts, 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, such as Hurricane Sandy in the Northeastern United States, the earthquake and tsunami in Japan, and man-made disasters in recent years and the potential spread of contagious diseases such as Ebola 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 business or leisure travel and reduce demand for lodging. Actual or threatened war, terrorist activity, political unrest, or civil strife, such as recent events in Ukraine and Russia, the Middle East, 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 owners of 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 and the timing and amount of capital investments. 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 we 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.

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, residential services, and our credit card programs. 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, including any data breach involving customer information; 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 for our managed, leased, and owned properties with coverage features and insured limits that we believe are customary, and require our franchisees to maintain similar levels of insurance. Market forces beyond our control may nonetheless limit the scope of the insurance coverage we or our franchisees can obtain, or our or their 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 and our franchisees 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 or our franchisees carry may not be sufficient to pay the full market value or replacement cost of any lost investment or in some cases could result in certain losses being totally uninsured. As a result, we could lose some or all of any capital that 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.

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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 we 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 may 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, both directly and through partnerships, joint ventures, and other business structures with third parties. As demonstrated by the impairment charges that we recorded in the 2014 first half in connection with our development and construction of three EDITION hotels, 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.

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 business, which may reduce our profits or compromise our brand equity, including the following: (1) weakness in residential real estate and demand generally may 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.

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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. We report a significant number of hotels in our development pipeline, including hotels under construction and under signed contracts, as well as hotels approved for development but not yet under signed contracts. The eventual opening of such pipeline hotels 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 not yet under contract, will result in new hotels that enter our system, or that those hotels will open when we anticipate.

If we incur losses on loans or loan guarantees that we have made to third parties, our profits could decline. At times, we make loans for hotel development or renovation expenditures in connection with entering into or amending management or franchise agreements. From time to time we also provide third-party lenders financial guarantees for the timely repayment of all or a portion of debt related to hotels that we manage or franchise, generally subject to an obligation that the owner reimburse us for any fundings. We could suffer losses if hotel owners or franchisees default on loans that we provide or fail to reimburse us for loan guarantees that we have funded.

If owners of hotels that we manage or franchise cannot repay or refinance mortgage loans secured by their properties, our revenues and profits could decrease and our business could be harmed. The owners of many of our managed or franchised properties have pledged their hotels as collateral for mortgage loans that they entered into when those properties were purchased or refinanced. If those owners cannot repay or refinance maturing indebtedness on favorable terms or at all, the lenders could declare a default, accelerate the related debt, and repossess the property. Such sales or repossessions could, in some cases, result in the termination of our management or franchise agreements and eliminate our anticipated income and cash flows, which could negatively affect our results of operations.

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 disposition of The New York (Madison Square Park) EDITION hotel upon completion of construction or the acquisition of Delta Hotels. 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 contract is for a fixed purchase price based upon the estimated total development costs for the hotel 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®, Priceline.com®, Booking.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 traffic to intermediaries' websites is too large to permit us to eliminate this risk entirely. In addition, recent regulatory investigations outside of the U.S. challenge 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 and protect 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.

Any disruption in the functioning of our reservation system could adversely affect our performance and results. We manage a global reservation system that communicates reservations to our branded hotels that individuals make directly with us online, through our mobile app, or through our telephone call centers, or through intermediaries like travel agents, Internet travel web sites and other distribution channels. The cost, speed, accuracy and efficiency of our reservation system are critical aspects of our business and are important considerations for hotel owners when choosing our brands. Our business may suffer if we fail to maintain, upgrade, or prevent disruption to our reservation system.

Other Risks

Changes in laws and regulations could reduce our profits or increase our costs. We 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, or policies, including those associated with health care, tax or financial reforms, could reduce our profits. We also anticipate that many of the jurisdictions where we do business will continue to review taxes and other revenue raising measures, and any resulting changes could impose new restrictions, costs, or prohibitions on our current practices or reduce our profits. In particular, governments may revise tax laws, regulations, or official interpretations in ways that could significantly impact 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

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businesses. Any shortage of skilled labor could also require higher wages that would increase our labor costs, which could reduce our profits.

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 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, and under the “Properties by Segment” caption in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” 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 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. 7, “Commitments and 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 the information under “Executive Officers of the Registrant” in Part III, Item 10 of this report for information about our executive officers, which we incorporate here by reference.

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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 presents 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
2014	First Quarter	$56.20	$47.21	$0.1700
	Second Quarter	64.31	55.00	0.2000
	Third Quarter	73.28	63.37	0.2000
	Fourth Quarter	79.25	59.61	0.2000

		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 6, 2015, 276,542,350 shares of our common stock were outstanding and were held by 34,458 shareholders of record. Since October 21, 2013, our common stock has traded on the NASDAQ Global Select Market ("NASDAQ") and the Chicago Stock Exchange. Before October 21, 2013, our common stock traded on the New York Stock Exchange and the Chicago Stock Exchange. The fiscal year-end closing price for our stock was $78.03 on December 31, 2014, and $49.35 on December 31, 2013. All prices are reported on the consolidated transaction reporting system.

Fourth Quarter 2014 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, 2014-October 31, 2014	3.9	65.23	3.9	18.9
November 1, 2014-November 30, 2014	2.0	76.13	2.0	16.9
December 1, 2014-December 31, 2014	1.8	77.56	1.8	15.1

(1) On February 14, 2014, we announced that our Board of Directors had increased the authorization to repurchase our common stock by 25 million shares as part of an ongoing share repurchase program. At year-end 2014, 15.1 million shares remained available for repurchase under previous authorizations. In addition, on February 12, 2015, we announced that our Board of Directors further increased our common stock repurchase authorization by 25 million shares. 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 our selected historical financial data derived from our last 10 years of Financial Statements. Because 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 for each 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 our historical financial results as a component of continuing operations because of our significant continuing involvement in MVW's future operations.

	Fiscal Year [1]								
($ in millions, except per share data)	2014	2013	2012	2011	2010	2009	2008	2007	2006
Income Statement Data:									
Revenues [2]	$13,796	$12,784	$11,814	$12,317	$11,691	$10,908	$12,879	$12,990	$11,995
Operating income (loss) [2]	$1,159	$988	$940	$526	$695	$(152)	$765	$1,183	$1,089
Income (loss) from continuing operations attributable to Marriott	$753	$626	$571	$198	$458	$(346)	$359	$697	$712
Cumulative effect of change in accounting principle [3]	—	—	—	—	—	—	—	—	(109
Discontinued operations [4]	—	—	—	—	—	—	3	(1)	5
Net income (loss) attributable to Marriott	$753	$626	$571	$198	$458	$(346)	$362	$696	$608
Per Share Data [5]:									
Diluted earnings (losses) per share from continuing operations attributable to Marriott shareholders	$2.54	$2.00	$1.72	$0.55	$1.21	$(0.97)	$0.97	$1.73	$1.64
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
Diluted earnings (losses) per share attributable to Marriott shareholders	$2.54	$2.00	$1.72	$0.55	$1.21	$(0.97)	$0.98	$1.73	$1.40
Cash dividends declared per share	$0.7700	$0.6400	$0.4900	$0.3875	$0.2075	$0.0866	$0.3339	$0.2844	$0.2374
Balance Sheet Data (at year-end):									
Total assets	$6,865	$6,794	$6,342	$5,910	$8,983	$7,933	$8,903	$8,942	$8,588
Long-term debt	3,457	3,147	2,528	1,816	2,691	2,234	2,975	2,790	1,818
Shareholders' (deficit) equity	(2,200)	(1,415)	(1,285)	(781)	1,585	1,142	1,380	1,429	2,618
Other Data:									
Base management fees	$672	$621	$581	$602	$562	$530	$635	$620	$553
Franchise fees	745	666	607	506	441	400	451	439	390
Incentive management fees	302	256	232	195	182	154	311	369	281
Total fees	$1,719	$1,543	$1,420	$1,303	$1,185	$1,084	$1,397	$1,428	$1,224
Fee Revenue-Source:									
North America [6]	$1,319	$1,186	$1,074	$970	$878	$806	$1,038	$1,115	$955
Total Outside North America [7]	400	357	346	333	307	278	359	313	269
Total fees	$1,719	$1,543	$1,420	$1,303	$1,185	$1,084	$1,397	$1,428	$1,224

(1) In 2013, we changed to a calendar year-end reporting cycle. All fiscal years presented before 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" 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 2006, which we reported in our Income Statements as a cumulative effect of change in accounting principle.

(4) The following businesses became discontinued operations in the year we announced that we would sell or exit them: senior living services (2002), distribution services (2002), and synthetic fuel (2007).

(5) We issued stock dividends in the third and fourth quarters of 2009, and a stock split in the form of a stock dividend on June 9, 2006. We have adjusted all per share data retroactively to reflect those stock dividends.

(6) Represents fee revenue from the United States (but not Hawaii before 2011) and Canada.

(7) Represents fee revenue outside of North America, as defined in footnote (6) above.

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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 79 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 2014, of the total population of hotel rooms in our system worldwide, we operated 41 percent under management agreements; our franchisees operated 56 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 three business segments: North American Full-Service, North American Limited-Service, and International.

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 non-controllable 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.

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.

Performance Measures

We believe Revenue per Available Room ("RevPAR"), which we calculate by dividing room sales for comparable properties by room nights available 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 are components of calculating 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 2014 RevPAR statistics throughout this report, including occupancy and ADR, reflect the twelve months ended December 31, 2014, as compared to the twelve months ended December 31, 2013. 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.

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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 beginning 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 percentages of our properties for each year indicated: (1) 87% of North American properties in 2014, 89% in 2013, and 93% in 2012; (2) 57% of International properties (71% excluding Protea Hotels) in 2014, 75% in 2013, and 78% in 2012; and (3) 82% of total properties (85% excluding Protea Hotels) in 2014, 87% in 2013, and 91% in 2012.

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.

Business Trends

Our 2014 results reflected a favorable economic climate and demand for our brands in many markets around the world, reflecting generally low supply growth in the U.S. and Europe, improved pricing in most North American markets, and a year-over-year increase in the number of properties in our system. Comparable worldwide systemwide RevPAR for 2014 increased 6.6 percent to $110.09, average daily rates increased 3.7 percent on a constant dollar basis to $150.23, and occupancy increased 2.0 percentage points to 73.3 percent, compared to 2013.

The properties in our system serve transient and group customers, which drive both business and leisure demand. In 2014, three-quarters of property group room revenue was contracted before 2014 and one-quarter was contracted in 2014. As group demand has improved, meeting planners have been booking such meetings earlier to ensure available space.

Strong U.S. group business and transient demand contributed to increased room rate growth in 2014. Transient demand continued to be strong in the western U.S. during 2014, and was stronger beginning in the third quarter in the eastern U.S. when compared to the first half of the year, as we eliminated discounts, shifted business into higher rated price categories, and raised room rates. In New York City, new lodging supply continued to constrain rate growth, while in Washington D.C., demand strengthened in the second half of the year due to increased city-wide events and a favorable comparison to the 2013 government sequestration and shutdown.

In 2014, bookings for future group business in the U.S. improved. As of year-end 2014, the group revenue pace for stays in 2015 for company-operated full service hotels (Marriott, JW Marriott, Renaissance, The Ritz-Carlton, and Gaylord brands) in North America was up about 5 percent, compared to the 2013 year-end group revenue booking pace for stays in 2014. The higher pace reflected improved group demand and greater pricing power.

The Europe region experienced increased demand throughout 2014, most predominately in the United Kingdom and Central Europe primarily due to increased business travel and special events, whereas results in France reflected the impact of a weaker economy. Eastern Europe was impacted by lower demand, constrained by continued economic deterioration due to the Russia/Ukraine conflict. In the Asia Pacific region, 2014 demand continued to increase, led by growth from corporate and other transient business in Japan, Indonesia, India, and Singapore. Demand increased in Greater China in the first three quarters of 2014 but was also constrained by supply growth in certain Southern China markets and government austerity in Beijing. In the fourth quarter, demand moderated in Greater China due to political disruption in Hong Kong. Demand in Malaysia was weak in 2014 due to slower leisure travel from Greater China. Thailand demand was weak due to political instability through most of 2014 but increased in the fourth quarter. Demand for our hotels in our Middle East and Africa regions remained strong throughout 2014. In particular, demand in Egypt improved due to improved political stability. Demand in the United Arab Emirates was constrained mainly

by new supply and, to a lesser extent, a reduction in travelers from Russia in the second half of the year, while Kuwait experienced weakness due to reduced government spending. In the Caribbean and Latin America, strong demand throughout the region in 2014 was driven by increased leisure travel to our Caribbean and Mexican resorts, constrained somewhat by oversupply of hotels in Panama.

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 2014, 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-

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operated properties, we continue to focus on enhancing property-level house profit margins and making productivity improvements.

CONSOLIDATED RESULTS

The following discussion presents an analysis of results of our operations for 2014, 2013, and 2012.

Revenues

2014 Compared to 2013

Revenues increased by $1,012 million (8 percent) to $13,796 million in 2014 from $12,784 million in 2013 as a result of higher cost reimbursements revenue ($764 million), higher franchise fees ($79 million), higher owned, leased, and other revenue ($72 million), higher base management fees ($51 million), and higher incentive management fees ($46 million). We estimate that the three fewer days of activity in 2014 compared to 2013 reduced fee revenues by approximately $5 million.

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 $764 million increase in total cost reimbursements revenue, to $11,055 million in 2014 from $10,291 million in 2013, reflected the impact of higher occupancies at our properties and growth across the system.

The $51 million increase in total base management fees, to $672 million in 2014 from $621 million in 2013, largely reflected stronger RevPAR due to increased demand ($34 million), the impact of unit growth across the system ($21 million), and increased recognition of previously deferred fees ($16 million), partially offset by a decrease in fees from terminated units ($8 million), decreased fees due to properties that converted from managed to franchised ($8 million), unfavorable foreign exchange rates ($6 million), and three fewer days of activity ($2 million). The $79 million increase in total franchise fees, to $745 million in 2014 from $666 million in 2013, reflected stronger RevPAR due to increased demand ($35 million), new unit growth across the system ($35 million), increased relicensing fees ($10 million), and fees from properties that converted to franchised from managed ($7 million), partially offset by a decrease in fees from terminated units ($4 million) and three fewer days of activity ($3 million). The $46 million increase in incentive management fees to $302 million in 2014 from $256 million in 2013 largely reflected higher net house profit at our North American and International managed hotels in addition to unit growth in International markets, partially offset by the impact of unfavorable foreign exchange rates ($5 million) and higher North American Full-Service deferred fees recognized in 2013 ($5 million).

The $72 million increase in owned, leased, and other revenue, to $1,022 million in 2014 from $950 million in 2013 predominantly reflected $56 million of higher owned and leased revenue, $17 million in revenue from various Protea Hotels programs, $9 million in higher branding fees, and $2 million in other program revenue, partially offset by $14 million lower termination fee revenue in 2014. Higher owned and leased revenue reflected $43 million from Protea Hotel leases associated with the acquisition, $30 million in revenue from a North American Full-Service managed property that we acquired in the 2013 fourth quarter, and stronger performance across our new and existing owned and leased properties primarily from the International segment, partially offset by $37 million attributable to five International segment properties that converted to managed or franchised properties. Combined branding fees for credit card endorsements and the sale of branded residential real estate by others totaled $127 million in 2014 and $118 million in 2013.

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, 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.

Operating Income

2014 Compared to 2013

Operating income increased by $171 million to $1,159 million in 2014 from $988 million in 2013. The $171 million increase in operating income reflected a $79 million increase in franchise fees, a $51 million increase in base management fees, a $46 million increase in incentive management fees, and $26 million of higher owned, leased, and other revenue, net of direct expenses, partially offset by a $21 million increase in depreciation, amortization, and other expense, and a $10 million increase in general, administrative, and other expense. We discuss the reasons for the increases in base management fees, franchise fees, and incentive management fees compared to 2013 in the preceding “Revenues” section.

The $26 million (12 percent) increase in owned, leased, and other revenue, net of direct expenses was largely attributable to $23 million of higher owned and leased revenue, net of direct expenses, $9 million in higher branding fees, $4 million from various programs at Protea Hotels, and $2 million in other program revenue, partially offset by $14 million in higher termination fees in 2013. Higher owned and leased revenue, net of direct expenses of $23 million primarily reflects $14 million in net favorable results at several leased properties, $10 million of revenue, net of direct expenses for a North American Full-Service managed property that we acquired in the 2013 fourth quarter, and $7 million of revenue, net of direct expenses for new Protea Hotel leases, partially offset by $6 million attributable to International segment properties that converted to managed or franchised.

Depreciation, amortization and other expense increased by $21 million (17 percent) to $148 million in 2014 from $127 million in 2013. The increase reflected the $25 million net impairment charge on the EDITION hotels discussed in Footnote No. 3, “Acquisitions and Dispositions,” $5 million in accelerated amortization related to contract terminations, $5 million in higher contract amortization primarily from Protea Hotels, and $3 million in higher depreciation related to a North American Full-Service property that we acquired in the 2013 fourth quarter, partially offset by $13 million of accelerated amortization related to contract terminations in 2013 and $5 million of 2013 depreciation for two International properties that converted to managed contracts.

General, administrative, and other expenses increased by $10 million (2 percent) to $659 million in 2014 from $649 million in 2013. The increase largely reflected $9 million from the addition of Protea Hotels and related transition costs, $7 million from net unfavorable foreign exchange rates, and $6 million of increased guarantee funding, partially

offset by $8 million litigation settlements recognized in 2013, and a $5 million performance cure payment in 2013 for an International segment property.

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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 $17 million of higher owned, leased, and other revenue, net of direct expenses, partially offset by a $67 million increase in general, administrative and other expenses and a $25 million increase in depreciation, amortization, 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 $17 million (8 percent) increase in owned, leased, 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 $6 million of lower owned and leased revenue, net of direct expenses. Lower owned and leased revenue, net of direct expenses was 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 Beach 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 $16 million in net favorable results at several leased properties.

Depreciation, amortization, and other expenses increased by $25 million (25 percent) to $127 million in 2013 from $102 million in 2012. The $25 million increase largely reflected $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, $5 million in higher depreciation at two leased International properties due to an asset write-off and the impact of renovations, $4 million of higher amortization expense year over year for deferred contract acquisition costs related to our 2012 acquisition of the Gaylord brand and hotel management company, $2 million in higher depreciation for two newly acquired properties, and $2 million in higher depreciation for an International property following a conversion to franchised. 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.

General, administrative, and other expenses increased by $67 million (12 percent) to $649 million in 2013 from $582 million in 2012. The $67 million increase reflected $32 million in higher 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, $26 million of higher compensation and other overhead expenses including increases in hotel development staffing and bonus compensation, $5 million performance cure payment for an International segment property, and a $4 million increase in legal expenses, primarily due to favorable litigation settlements in 2012.

Gains and Other Income

We present our gains and other income for 2014, 2013, and 2012 in the following table:

($ in millions)	2014	2013	2012
Gains on sales of real estate and other	$4	$2	$27
Gain on sale of joint venture and other investments	—	9	21
Income from cost method investments	4	—	2
Impairment of cost method investments and equity securities	—	—	(8)
	$8	$11	$42

2014 Compared to 2013

Gains and other income decreased by $3 million (27 percent) to $8 million in 2014 compared to $11 million in 2013. This decrease in gains and other income reflected a gain of $8 million on the sale of a portion of our shares of a publicly traded company in the 2013 second quarter, partially offset by $4 million in net distribution from cost method investments (not allocated to any of our segments) in 2014. See Footnote No. 14, "Fair Value of Financial Instruments" for additional information on the 2013 sale.

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, 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. 3, "Acquisitions 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.

Interest Expense

2014 Compared to 2013

Interest expense decreased by $5 million (4 percent) to $115 million in 2014 compared to $120 million in 2013. This decrease was principally from $8 million in higher debt premium accretion which included a true-up, $2 million in lower interest on an exited lease obligation, $2 million decrease due to lower interest rates on our Marriott Rewards program, and a $2 million increase in capitalized interest primarily related to development of EDITION hotels in Miami Beach and New York, offset by completion of The London EDITION in the 2013 fourth quarter. This was partially offset by a net $8 million increase due to the issuance of higher net senior note borrowings.

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.

Interest Income

2014 Compared to 2013

Interest income increased by $7 million (30 percent) to $30 million in 2014 compared to $23 million in 2013. The increase was primarily due to $6 million earned on the $85 million mezzanine loan (net of a $15 million discount) provided to an owner in conjunction with entering into a franchise agreement for an International property in the 2014 second quarter, and $2 million earned on the mandatorily redeemable preferred equity ownership interest acquired in the 2013 second quarter. See Footnote No. 13, "Notes Receivable" for more information on the mezzanine loan.

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. 14, "Fair Value of Financial Instruments" for more information on the acquisition.

Equity in Earnings (Losses)

2014 Compared to 2013

Equity in earnings of $6 million in 2014 improved by $11 million from equity in losses of $5 million in 2013. The increase was driven by a $9 million reversal of deferred tax liabilities associated with a tax law change in a country in which two of our International joint ventures operate, $9 million in higher earnings from three of our International and one of our North American Full-Service joint ventures, and a favorable variance from a $4 million impairment charge in the 2013 second quarter associated with a corporate investment (not allocated to any of our segments) that we determined was fully impaired because we do not expect to recover the investment. This was partially offset by an $11 million litigation reserve associated with another corporate investment (not allocated to any of our segments).

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 North American Full-Service 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 an International 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.

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Provision for Income Tax

2014 Compared to 2013

Our tax provision increased by $64 million (24 percent) to $335 million in 2014 from $271 million in 2013. The increase was primarily due to higher pre-tax earnings, unrealized foreign exchange gains that were taxed within a foreign jurisdiction, and non-recurring favorable foreign true-ups in 2013. The increase was partially offset by the favorable resolution of a U.S. federal tax issue relating to a guest marketing program ($21 million), the release of an international valuation allowance ($7 million), and the resolution of an international financing activity tax issue ($5 million).

2013 Compared to 2012

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.

Net Income

2014 Compared to 2013

Net income increased by $127 million to $753 million in 2014 from $626 million in 2013, and diluted earnings per share increased by $0.54 per share (27 percent) to $2.54 per share from $2.00 per share in 2013. As discussed in more detail in the preceding sections beginning with “Revenues,” or as shown in the Income Statement, the $127 million increase in net income was due to higher franchise fees ($79 million), higher base management fees ($51 million), higher incentive management fees ($46 million), higher owned, leased, and other revenue, net of direct expenses ($26 million), higher equity in earnings ($11 million), higher interest income ($7 million), and lower interest expense ($5 million). These increases were partially offset by higher income taxes ($64 million), higher depreciation, amortization, and other expense ($21 million), higher general, administrative, and other expenses ($10 million) and lower gains and other income ($3 million).

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 Income Statement, 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, 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).

Earnings Before Interest Expense, Taxes, Depreciation and Amortization (“EBITDA”) and Adjusted EBITDA

EBITDA, a financial measure not required by, or presented in accordance with U.S. generally accepted accounting principles (“GAAP”), reflects net income excluding the impact of interest expense, provision for income taxes, and 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 expense which we report under “Depreciation, amortization, and other,” as well as depreciation included under “Reimbursed costs” in our Income Statements, 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.

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We also believe that Adjusted EBITDA, another non-GAAP financial measure, is a meaningful indicator of operating performance. Our Adjusted EBITDA reflects adjustments to exclude (1) pre-tax impairment charges of $25 million in 2014 which we recorded in the "Depreciation, amortization, and other" caption of our Income Statements following an evaluation of our EDITION hotels and residences for recovery and determination that our cost estimates exceeded our total fixed sales price, and (2) share-based compensation expense for all periods presented. We excluded share-based compensation expense to address considerable variability among companies in recording compensation expense because companies use share-based payment awards differently, both in the type and quantity of awards granted. We believe that 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 the usefulness of EBITDA and Adjusted EBITDA as comparative measures.

We show our 2014 and 2013 EBITDA and Adjusted EBITDA calculations that reflect the changes we describe above and reconcile those measures with Net Income in the following table:

($ in millions)	2014	2013
Net Income	$753	$626
Interest expense	115	120
Tax provision	335	271
Depreciation and amortization	123	127
Depreciation classified in Reimbursed costs	51	48
Interest expense from unconsolidated joint ventures	3	4
Depreciation and amortization from unconsolidated joint ventures	10	13
EBITDA	$1,390	$1,209
EDITION impairment charge	25	—
Share-based compensation (including share-based compensation reimbursed by third-party owners)	109	116
Adjusted EBITDA	$1,524	$1,325

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BUSINESS SEGMENTS

During the 2014 first quarter, we modified the information that our President and Chief Executive Officer reviews to be consistent with our continent structure. This structure aligns our business around geographic regions and is designed to enable us to operate more efficiently and to accelerate our worldwide growth. As a result of modifying our reporting information, we revised our operating segments to eliminate our former Luxury segment, which we allocated between our existing North American Full-Service operating segment, and the following four new operating segments: Asia Pacific, Caribbean and Latin America, Europe, and Middle East and Africa.

Although our North American Full-Service and North American Limited-Service segments meet the applicable accounting criteria to be reportable business segments, the four new operating segments do not meet the criteria to be reportable and we therefore combined them into an "all other" category, which we refer to as "International." We have revised our business segment information for earlier periods. See Footnote No. 16, "Business Segments," to our Financial Statements for further information on our segment changes and other information about each segment, including revenues and a reconciliation of segment results to net income.

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Properties by Segment

At year-end 2014, we operated, franchised, and licensed the following properties by segment:

	Properties			Rooms		
	U.S.	Non-U.S.	Total	U.S.	Non-U.S.	Total
North American Full-Service Segment [1]						
Marriott Hotels	314	15	329	124,686	5,355	130,041
Marriott Conference Centers	10	—	10	2,915	—	2,915
JW Marriott	23	1	24	12,974	221	13,195
Renaissance Hotels	76	3	79	27,239	1,003	28,242
Renaissance ClubSport	2	—	2	349	—	349
Gaylord Hotels	5	—	5	8,098	—	8,098
Autograph Collection Hotels	44	1	45	10,082	233	10,315
The Ritz-Carlton	39	1	40	11,424	267	11,691
The Ritz-Carlton Residences [2]	30	2	32	3,598	214	3,812
EDITION	1	—	1	295	—	295
EDITION Residences [2]	1	—	1	25	—	25
	545	23	568	201,685	7,293	208,978
North American Limited-Service Segment [1]						
Courtyard	861	23	884	120,894	4,096	124,990
Fairfield Inn & Suites	704	14	718	64,362	1,607	65,969
SpringHill Suites	314	2	316	36,968	299	37,267
AC Hotels by Marriott [3]	1	—	1	220	—	220
Residence Inn	648	20	668	78,518	2,928	81,446
TownePlace Suites	240	4	244	23,973	518	24,491
	2,768	63	2,831	324,935	9,448	334,383
International Segment [1]						
Marriott Hotels	—	170	170	—	49,180	49,180
JW Marriott	—	45	45	—	16,672	16,672
Renaissance Hotels	—	78	78	—	24,365	24,365
Autograph Collection Hotels [3]	—	30	30	—	7,195	7,195
Protea Hotels	—	112	112	—	10,107	10,107
Courtyard	—	104	104	—	20,810	20,810
Fairfield Inn & Suites	—	3	3	—	482	482
Residence Inn	—	7	7	—	717	717
AC Hotels by Marriott [3]	—	76	76	—	9,311	9,311
Moxy Hotels	—	1	1	—	162	162
Marriott Executive Apartments	—	27	27	—	4,261	4,261
The Ritz-Carlton	—	47	47	—	13,823	13,823
Bulgari Hotels & Resorts	—	3	3	—	202	202
Bulgari Residences [2]	—	1	1	—	5	5
EDITION	—	2	2	—	251	251
The Ritz-Carlton Residences [2]	—	8	8	—	416	416
The Ritz-Carlton Serviced Apartments	—	4	4	—	579	579
	—	718	718	—	158,538	158,538
Timeshare [4]	45	13	58	10,605	2,261	12,866
Total	3,358	817	4,175	537,225	177,540	714,765

(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) Results for all AC Hotels by Marriott properties and five Autograph Collection properties are presented in the "Equity in earnings (losses)" caption of our Income Statements.

(4) 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 reports its property and room counts to us on a fiscal year basis for the MVW fiscal year ended January 2, 2015.

The following discussion reflects all three of our segments. We consider total segment revenues and total segment profits (as defined in Footnote No. 16, "Business Segments") to be meaningful indicators of our performance because they measure our growth in profitability and enable investors to compare the revenues and profits of our operations to our competitors.

2014 Compared to 2013

We added 311 properties (46,050 rooms) and 52 properties (6,418 rooms) exited our system in 2014. These figures do not include residential units. During 2014, we also added two residential properties (30 units) and no residential properties or units exited the system.

Total segment revenues increased by $1,022 million to $13,540 million in 2014, an 8 percent increase from revenues of $12,518 million in 2013, and total segment profits increased by $196 million to $1,393 million in 2014 from $1,197 million in 2013.

The year-over-year increase in segment revenues of $1,022 million was a result of a $787 million increase in cost reimbursements revenue, an $80 million increase in franchise fees, a $58 million increase in owned, leased, and other revenue, a $51 million increase in base management fees, and a $46 million increase in incentive management fees. The year-over-year increase of $196 million in segment profits reflected an $80 million increase in franchise fees, a $51 million increase in base management fees, a $46 million increase in incentive management fees, $19 million of lower joint venture equity losses, a $11 million increase in owned, leased, and other revenue, net of direct expenses, and $4 million of lower depreciation, amortization, and other expense, partially offset by a $16 million increase in general, administrative and other expense. For more information on the variances, see the preceding sections beginning with "Revenues."

In 2014, 50 percent of our managed properties paid incentive management fees to us versus 38 percent in 2013. Managed properties that paid incentive management fees in 2014 represented 36 percent of properties in North America and 73 percent outside of North America, compared to 21 percent in North America and 70 percent outside of North America in 2013. In addition, in 2014, 56 percent of our incentive fees came from properties outside of North America versus 58 percent in 2013. Further, we earned $24 million in incentive management fees in 2014 from properties that did not earn any incentive management fees in 2013.

Compared to 2013, worldwide comparable company-operated house profit margins in 2014 increased by 120 basis points and worldwide comparable company-operated house profit per available room ("HP-PAR") increased by 9.7 percent on a constant U.S. dollar basis, reflecting higher occupancy, rate increases, improved productivity, and solid cost controls. These same factors contributed to North American company-operated house profit margins increasing by 150 basis points compared to 2013. HP-PAR at those same properties increased by 11.4 percent. International company-operated house profit margins increased by 70 basis points, and HP-PAR at those properties increased by 6.6 percent reflecting increased demand and higher RevPAR in most locations and improved productivity. Note that 2014 had three fewer days of activity when compared to 2013.

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

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 revenues increased by $992 million to $12,518 million in 2013, a 9 percent increase from revenues of $11,526 million in 2012, and total segment profits increased by $32 million to $1,197 million in 2013 from $1,165 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, and other revenue. The year-over-year increase of $32 million in segment profits 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 $46 million increase in general,

administrative, and other expenses, $44 million of lower gains and other income, and a $9 million decrease in owned, leased, and other revenue, net of direct expenses. For more information on the variances, see the preceding sections beginning with "Revenues."
In 2013, 38 percent of our managed properties paid incentive management fees to us versus 33 percent in 2012. Managed properties that paid incentive management fees in 2013 represented 21 percent of properties in North America and 70 percent

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outside of North America, compared to 15 percent in North America and 70 percent outside of North America in 2012. In addition, in 2013, 58 percent of our incentive fees came from properties outside the United States versus 65 percent in 2012. Further, we earned $14 million in incentive management fees in 2013 from properties that did not earn any incentive management fees in 2012.

Compared to 2012, worldwide comparable company-operated house profit margins in 2013 increased by 90 basis points and 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. Note that 2013 had four additional days of activity when compared to 2012.

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

Development

We added 311 properties, totaling 46,050 rooms, across our brands in 2014, and 52 properties (6,418 rooms) left the system, not including residential products. We also added two residential properties (30 units) and no residential properties left the system. Highlights of the year included:

- Converting 32 properties (8,885 rooms), or 19 percent of our gross room additions for the year, to our brands;
- Adding approximately 60 percent of all the new rooms outside the United States; and
- Adding 120 properties (13,928 rooms) to our North American Limited-Service brands.

We have nearly 240,000 hotel rooms in our development pipeline as of year-end 2014, 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 7 percent in 2015.

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.

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, and for our International segment by region. 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]			
	2014		Change vs. 2013		2014		Change vs. 2013	
Marriott Hotels								
Occupancy	75.1	%	1.6	% pts.	72.6	%	1.5	% pts.
Average Daily Rate	$188.39		3.5	%	$171.43		4.0	%
RevPAR	$141.42		5.7	%	$124.49		6.2	%
Renaissance Hotels								
Occupancy	73.1	%	1.1	% pts.	72.6	%	1.9	% pts.
Average Daily Rate	$177.42		3.7	%	$160.77		3.9	%
RevPAR	$129.76		5.2	%	$116.69		6.7	%
Autograph Collection Hotels								
Occupancy	*		*	pts.	75.4	%	(1	)% pts.
Average Daily Rate	*		*		$229.58		8.9	%
RevPAR	*		*		$173.04		7.5	%
The Ritz-Carlton North America								
Occupancy	72.9	%	1.5	% pts.	72.9	%	1.5	% pts.
Average Daily Rate	$338.48		4.0	%	$338.48		4.0	%
RevPAR	$246.89		6.2	%	$246.89		6.2	%
Composite North American Full-Service								
Occupancy	74.5	%	1.6	% pts.	72.8	%	1.5	% pts.
Average Daily Rate	$200.77		3.6	%	$182.00		4.1	%
RevPAR	$149.48		5.8	%	$132.44		6.4	%
Residence Inn								
Occupancy	78.4	%	2.2	% pts.	79.3	%	1.9	% pts.
Average Daily Rate	$135.58		4.4	%	$130.82		4.2	%
RevPAR	$106.24		7.4	%	$103.79		6.7	%
Courtyard								
Occupancy	71.8	%	3.0	% pts.	72.5	%	2.3	% pts.
Average Daily Rate	$129.72		5.0	%	$129.32		4.5	%
RevPAR	$93.18		9.6	%	$93.77		7.8	%
Fairfield Inn & Suites								
Occupancy	nm		nm	pts.	70.1	%	2.2	% pts.
Average Daily Rate	nm		nm		$102.80		3.9	%
RevPAR	nm		nm		$72.11		7.3	%
TownePlace Suites								
Occupancy	72.6	%	6.3	% pts.	74.7	%	3.2	% pts.
Average Daily Rate	$95.23		8.7	%	$96.84		5.3	%
RevPAR	$69.09		19.0	%	$72.38		9.9	%
SpringHill Suites								
Occupancy	73.8	%	1.9	% pts.	74.6	%	2.6	% pts.
Average Daily Rate	$112.14		4.8	%	$112.16		3.9	%
RevPAR	$82.78		7.5	%	$83.65		7.6	%
Composite North American Limited-Service								
Occupancy	73.7	%	2.8	% pts.	74.0	%	2.3	% pts.
Average Daily Rate	$128.82		4.9	%	$120.36		4.2	%

RevPAR	$94.95		9.0	%	$89.11		7.5	%
Composite North American - All								
Occupancy	74.2	%	2.0	% pts.	73.6	%	2.0	% pts.
Average Daily Rate	$173.11		3.8	%	$143.27		4.1	%
RevPAR	$128.39		6.7	%	$105.39		7.0	%

* There are no company-operated comparable 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 [1]		Comparable Systemwide Properties [1]	
	2014	Change vs. 2013	2014	Change vs. 2013
Caribbean and Latin America				
Occupancy	73.6 %	2.7 % pts.	71.3 %	2.2 % pts.
Average Daily Rate	$239.95	6.9 %	$205.88	5.9 %
RevPAR	$176.66	11.0 %	$146.83	9.4 %
Europe				
Occupancy	74.9 %	1.4 % pts.	73.1 %	1.3 % pts.
Average Daily Rate	$193.20	1.3 %	$185.06	0.9 %
RevPAR	$144.61	3.2 %	$135.28	2.7 %
Middle East and Africa				
Occupancy	60.1 %	5.8 % pts.	60.3 %	5.4 % pts.
Average Daily Rate	$190.60	(2.5)%	$186.19	(1.6)%
RevPAR	$114.47	7.9 %	$112.26	8.1 %
Asia Pacific				
Occupancy	73.7 %	1.9 % pts.	74.1 %	1.8 % pts.
Average Daily Rate	$176.48	2.1 %	$176.43	2.4 %
RevPAR	$130.04	4.8 %	$130.71	5.0 %
Total International [2]				
Occupancy	72.6 %	2.2 % pts.	71.9 %	2.0 % pts.
Average Daily Rate	$192.04	2.2 %	$185.39	2.1 %
RevPAR	$139.35	5.4 %	$133.37	5.1 %
Total Worldwide [3]				
Occupancy	73.7 %	2.1 % pts.	73.3 %	2.0 % pts.
Average Daily Rate	$178.96	3.3 %	$150.23	3.7 %
RevPAR	$131.83	6.3 %	$110.09	6.6 %

(1) Statistics are in constant dollars. International includes properties located outside the United States and Canada, except for worldwide, which includes the United States.

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

(3) Company-operated and systemwide statistics include properties worldwide for the Marriott Hotels, Renaissance Hotels, Autograph Collection, Gaylord Hotels, The Ritz-Carlton, Bulgari Hotels & Resorts, Courtyard, Residence Inn, Fairfield Inn & Suites, TownePlace Suites, and SpringHill Suites brands.

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	Comparable Company-Operated North American Properties [1]				Comparable Systemwide North American Properties [1]			
	2013		Change vs. 2012		2013		Change vs. 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	%
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								
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	%	$96.76		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 comparable 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	
	2013	Change vs. 2012	2013	Change vs. 2012
Caribbean and Latin America [1]				
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 [1]				
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 [1]				
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 [1]				
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%
Total International [2]				
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%
Total Worldwide [3]				
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) Company-operated and systemwide statistics for the continental regions noted do not include properties located outside of the United States and Canada for The Ritz-Carlton, Bulgari Hotels & Resorts, and EDITION brands.

(2) Company-operated statistics include properties located outside of the United States and Canada for the Marriott Hotels, Renaissance Hotels, The Ritz-Carlton, Bulgari Hotels & Resorts, EDITION, 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.

(3) 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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North American Full-Service includes The Ritz-Carlton, EDITION, JW Marriott, Autograph Collection Hotels, Renaissance Hotels, Marriott Hotels, and Gaylord Hotels located in the United States and Canada.

($ in millions)				Annual Change	
	2014	2013	2012	Change 2014/2013	Change 2013/2012
Segment revenues	$8,323	$7,978	$7,276	4 %	10 %
Segment profits	$524	$490	$442	7 %	11 %

2014 Compared to 2013

In 2014, across our North American Full-Service segment we added 23 properties (5,093 rooms) and no properties (zero rooms) left the system.

For the twelve months ended December 31, 2014, compared to the twelve months ended December 31, 2013, RevPAR for comparable systemwide North American Full-Service properties increased by 6.4% to $132.44, occupancy for these properties increased by 1.5% percentage points to 72.8%, and average daily rates increased by 4.1% to $182.00.

The $34 million increase in segment profits, compared to 2013, was driven by $30 million of higher base management and franchise fees, $17 million of higher incentive management fees, and $5 million of lower depreciation, amortization, and other expense, partially offset by $11 million of lower owned, leased, and other revenue, net of direct expenses, and $8 million of higher general, administrative, and other expenses.

Higher base management and franchise fees were due to stronger RevPAR as a result of increased demand and unit growth, partially offset by $7 million from terminated units. The increase in incentive management fees were primarily driven by higher net house profit at managed hotels, partially offset by $5 million in deferred fees recognized in 2013.

The decrease in depreciation, amortization, and other expense primarily reflected $11 million of accelerated amortization related to contract terminations in 2013, partially offset by $3 million of higher depreciation for a property that we acquired in the 2013 fourth quarter and $2 million in higher accelerated amortization related to contract terminations in 2014.

The decrease in owned, leased, and other revenue, net of direct expenses primarily reflected $7 million of lower termination fees, $6 million of lower branding fees, and $6 million of pre-opening costs, partially offset by $10 million in revenue, net of direct expenses, for a property we acquired in the 2013 fourth quarter.

The increase in general, administrative, and other expenses was primarily due to a $4 million increase in guarantee funding and $3 million of other property expenses.

Cost reimbursements revenue and expenses for our North American Full-Service segment properties totaled $7,465 million in 2014, compared to $7,190 million in 2013.

2013 Compared to 2012

In 2013, across our North American Full-Service segment we added 13 properties (2,977 rooms) and 15 properties (5,473 rooms) left the system.

For the twelve months ended December 31, 2013, compared to the twelve months ended December 31, 2012, RevPAR for comparable systemwide North American Full-Service properties increased by 5.7 percent to $123.89, occupancy for these properties increased by 1.0 percentage points to 71.5 percent, and average daily rates increased by 4.3 percent to $173.37.

The $48 million increase in segment profits, compared to 2012, was driven by $39 million of higher base management and franchise fees, $23 million of higher incentive management fees, $10 million of lower joint venture losses and $3 million of higher owned, leased, and other revenue, net of direct expenses, partially offset by $16 million of higher general, administrative, and other expenses and $11 million of higher depreciation, amortization, and other expense.

Higher base management and franchise fees stemmed from both higher RevPAR due to increased demand and unit growth, including the Gaylord brand properties we began managing in 2012, a favorable variance from $2 million of fee reversals in 2012 for a property with a contract revision, and also reflected fees for the additional four days of

activity. The increase in incentive management fees primarily reflected higher property-level income resulting from higher property-level revenue and margins.

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Higher owned, leased, and other revenue, net of direct expenses was primarily driven by our recognition in 2013 of $7 million in termination fees for five properties, $6 million of stronger earnings at two leased and one owned property, and $5 million of higher branding fees and other revenue, partially offset by our recognition in 2012 of a $14 million termination fee for one property and $2 million in pre-opening expenses for The Miami Beach EDITION in 2013.
The increase in depreciation, amortization, and other expense resulted from an $11 million impairment of deferred contract acquisition costs primarily related to three properties that left the system and one property that converted to a franchised property, $5 million of higher amortization of deferred contract acquisition costs associated with the Gaylord brand and hotel management company and depreciation from the acquisition of a property, partially offset by a favorable variance from the 2012 accelerated amortization of $8 million of deferred contract acquisition costs for a property that exited our system and for which we earned the $14 million termination fee mentioned in the preceding paragraph.
General, administrative, and other expenses reflected an unfavorable variance from $9 million in other net miscellaneous cost increases and $8 million in reversals of guarantee accruals in 2012 for three properties.
The decrease in joint venture equity losses reflected a favorable variance from $8 million in losses in 2012 at a North American Full-Service segment joint venture for the impairment of certain underlying residential properties.
Cost reimbursements revenue and expenses for our North American Full-Service segment properties totaled $7,190 million in 2013, compared to $6,563 million in 2012.
North American Limited-Service includes AC Hotels by Marriott, Courtyard, Residence Inn, SpringHill Suites, Fairfield Inn & Suites, and TownePlace Suites located in the United States and Canada.

($ in millions)				Annual Change	
	2014	2013	2012	Change 2014/2013	Change 2013/2012
Segment revenues	$2,962	$2,583	$2,456	15 %	5 %
Segment profits	$574	$479	$472	20 %	1 %

2014 Compared to 2013
In 2014, across our North American Limited-Service segment we added 120 properties (13,928 rooms) and 32 properties (3,030 rooms) left the system. The majority of the properties that left the system were Fairfield Inn & Suites and Residence Inn properties.
For the twelve months ended December 31, 2014, compared to the twelve months ended December 31, 2013, RevPAR for comparable systemwide North American Limited-Service properties increased by 7.5 percent to $89.11, occupancy for these properties increased by 2.3 percentage points to 74.0 percent, and average daily rates increased by 4.2 percent to $120.36.
The $95 million increase in segment profits, compared to 2013, primarily reflected $80 million of higher base management and franchise fees, $11 million of higher owned, leased, and other revenue, net of direct expenses, and $7 million of higher incentive management fees.
Higher base management and franchise fees were primarily driven by higher RevPAR for comparable properties and unit growth, and included $15 million of higher deferred management fees and $10 million of higher relicensing fees.
Increased incentive management fees resulted from net house profit growth at managed hotels.
The increase in owned, leased, and other revenue, net of direct expenses, primarily reflected $5 million of higher net earnings at several leased properties and $4 million of higher termination fees.
Cost reimbursements revenue and expenses for our North American Limited-Service segment properties totaled $2,217 million in 2014, compared to $1,939 million in 2013.
2013 Compared to 2012
In 2013, across our North American Limited-Service segment we added 108 properties (12,927 rooms) and 22 properties (2,427 rooms) left the system. The majority of the properties that left the system were Courtyard and Fairfield Inn & Suites properties. In the 2012 second quarter, we completed the sale of our ExecuStay corporate housing business. The revenues,

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results of operations, assets, and liabilities of our ExecuStay business were not material to the Company's financial position, results of operations or cash flows for any of the periods presented.

For the twelve months ended December 31, 2013, compared to the twelve months ended December 31, 2012, RevPAR for comparable systemwide North American Limited-Service properties increased by 4.4 percent to $82.52, occupancy for these properties increased by 0.7 percentage points to 71.8 percent, and average daily rates increased by 3.4 percent to $115.00.

The $7 million increase in segment profits, compared to 2012, primarily reflected $45 million of higher base management and franchise fees and $4 million of higher incentive management fees, partially offset by $43 million of lower gains and other income.

Higher base management and franchise fees were primarily driven by higher RevPAR due to increased demand, some of which was attributable to the favorable effect of property renovations, and higher relicensing fees, as well as the additional four days of activity, partially offset by an unfavorable variance from the 2012 recognition of $7 million of deferred base management fees in conjunction with the sale of our equity interest in a joint venture. The increase in incentive management fees primarily reflected higher property-level revenue which resulted in higher property-level income and margins. Lower gains and other income primarily reflected an unfavorable variance from a $41 million gain on the sale of our equity interest in a joint venture in 2012. See the “Gains and Other Income” caption earlier in this report for more information on the sale of this equity interest.

Cost reimbursements revenue and expenses for our North American Limited-Service segment properties totaled $1,939 million in 2013, compared to $1,832 million in 2012.

International includes properties, regardless of brand, that are located outside the United States and Canada.

($ in millions)				Annual Change	
	2014	2013	2012	Change 2014/2013	Change 2013/2012
Segment revenues	$2,255	$1,957	$1,794	15 %	9 %
Segment profits	$295	$228	$251	29 %	(9)%

2014 Compared to 2013

In 2014, across our International segment we added 170 properties (26,737 rooms) and 16 properties (3,130 rooms) left the system.

For the twelve months ended December 31, 2014, compared to the twelve months ended December 31, 2013, RevPAR for comparable systemwide international properties increased by 5.1 percent to $133.37, occupancy for these properties increased by 2.0 percentage points to 71.9 percent, and average daily rates increased by 2.1 percent to $185.39. See “Business and Overview” for a discussion of results in the various International segment regions.

The $67 million increase in segment profits in 2014, compared to 2013, primarily consisted of $22 million in higher incentive management fees, $21 million of higher base management and franchise fees, $17 million of higher equity in earnings, and $11 million of higher owned, leased, and other revenue, net of direct expenses, partially offset by $6 million higher general, administrative, and other expenses.

The increase in base management and franchise fees was driven by unit growth and higher RevPAR, partially offset by the impact of $3 million in unfavorable foreign exchange rates and $4 million from terminated units. Increased incentive management fees were primarily driven by higher net house profit at managed hotels and unit growth, partially offset by the impact of $4 million in unfavorable foreign exchange rates.

The increase of equity in earnings was driven by a $9 million reversal of deferred tax liabilities associated with a tax law change in a country in which two of our International joint ventures operate and $7 million in increased earnings at three of our joint ventures.

The increase in owned, leased, and other revenue, net of direct expenses largely reflected $10 million from Protea Hotels programs and leases acquired in the 2014 second quarter, $5 million in higher costs in 2013 related to three leases we terminated, $5 million of pre-opening costs in 2013, $4 million from new units, and $4 million of favorable operating profits, partially offset by an unfavorable variance of $12 million in termination fees recognized in 2013, and $6 million in earnings from properties that converted to managed or franchised.

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The increase in general, administrative, and other expenses was primarily due to $5 million related to the Protea Hotels acquisition and $5 million in higher compensation, partially offset by a $5 million performance cure payment for one property in 2013.

Cost reimbursements revenue and expenses for our International segment properties totaled $1,305 million in 2014, compared to $1,071 million in 2013.

2013 Compared to 2012

In 2013, across our International segment we added 45 properties (9,817 rooms) and 11 properties (2,199 rooms) left the system.

For the twelve months ended December 31, 2013, compared to the twelve months ended December 31, 2012, RevPAR for comparable systemwide international properties increased by 3.4 percent to $126.72, occupancy for these properties increased by 1.3 percentage points to 70.7 percent, and average daily rates increased by 1.4 percent to $179.28.

The $23 million decrease in segment profits in 2013, compared to 2012, predominantly reflected $17 million of higher general, administrative, and other expenses, $9 million of higher depreciation, amortization, and other expense, $5 million of lower owned, leased, and other revenue, net of direct expenses, $3 million of lower incentive management fees, and $3 million of increased joint venture equity losses, partially offset by $15 million of higher base management and franchise fees.

The increase in base management and franchise fees largely reflected new unit growth and higher RevPAR due to increased demand. The decrease in incentive management fees was primarily driven by a $3 million unfavorable impact from a contract revision for a property, a $2 million unfavorable variance from the 2012 recognition of previously deferred fees in conjunction with a property's change in ownership, and a $3 million unfavorable foreign exchange rate impact. These were partially offset by higher property-level revenue which resulted in higher property-level income and margins and net new unit growth.

The decrease in owned, leased, and other revenue, net of direct expenses largely reflected $7 million in costs related to three International segment leases we terminated, $5 million in weaker earnings at one leased property in London, and $5 million of pre-opening expenses for The London EDITION, partially offset by $12 million of higher termination fees principally associated with three properties.

Higher depreciation, amortization, and other expense resulted primarily from $4 million of assets written off at two properties and $3 million due to new unit growth and renovations at two properties.

The increase in general, administrative, and other expenses primarily reflected $14 million of increased expenses for initiatives to enhance and grow our brands globally, $7 million of higher accounts receivable reserves primarily related to two properties, and a $5 million performance cure payment for one property, partially offset by a favorable variance from a $5 million guarantee accrual for one property in 2012.

Higher joint venture equity losses were primarily driven by a renovation at a hotel in one joint venture and lower earnings at two other joint ventures.

Cost reimbursements revenue and expenses for our International segment properties totaled $1,071 million in 2013, compared to $882 million in 2012.

SHARE-BASED COMPENSATION

Under our Stock and Cash Incentive Plan, we award: (1) stock options to purchase our common stock; (2) stock appreciation rights (“SARs”) for our common stock; (3) restricted stock units (“RSUs”) of our common stock; and (4) deferred stock units.

During 2014, we granted 1.9 million RSUs, 0.3 million service and performance RSUs, 0.3 million Employee SARs, and 0.1 million stock options. See Footnote No. 5, “Share-Based Compensation,” for more information.

NEW ACCOUNTING STANDARDS

See Footnote No. 2 “Summary of Significant Accounting Policies,” to our Financial Statements for information on our anticipated adoption of recently issued accounting standards.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Requirements and Our Credit Facilities

On July 18, 2013, we amended and restated our multicurrency revolving credit agreement (the "Credit Facility") to extend the facility's expiration to July 18, 2018 and increase the facility size to $2,000 million of aggregate effective borrowings. The material terms of the amended and restated Credit Facility otherwise did not change. The facility supports general corporate needs, including working capital, capital expenditures, and letters of credit. The availability of the Credit Facility also supports our commercial paper program. Borrowings under the Credit Facility bear interest at LIBOR (the London Interbank Offered Rate), plus a spread based on our public debt rating. We also pay quarterly fees on the Credit Facility at a rate based on our public debt rating. For more information on our Credit Facility, see Exhibit 10, "Third Amended and Restated Credit Agreement," to our Current Report on Form 8-K that we filed with the SEC on July 19, 2013.

The Credit Facility contains certain covenants, including a single financial covenant that limits our maximum leverage (consisting of the ratio of Adjusted Total Debt to Consolidated EBITDA, each as defined in the Credit Facility) to not more than 4 to 1. Our outstanding public debt does not contain a corresponding financial covenant or a requirement that we maintain certain financial ratios. We currently satisfy the covenants in our Credit Facility and public debt instruments, including the leverage covenant under the Credit Facility, and do not expect that the covenants will restrict our ability to meet our anticipated borrowing and guarantee levels, or increase those levels should we decide to do so in the future.

We believe the Credit Facility and our access to capital markets, together with cash we expect to generate from operations, will remain adequate to meet our short-term and long-term liquidity requirements, finance our long-term growth plans, meet debt service, and fulfill our other cash requirements.

We issue commercial paper in the United States. We do not have purchase commitments from buyers for our commercial paper; therefore, our ability to issue commercial paper is subject to market demand. We classify any outstanding commercial paper and Credit Facility borrowings as long-term debt based on our ability and intent to refinance them on a long-term basis. We reserve unused capacity under our Credit Facility to repay outstanding commercial paper borrowings in the event that the commercial paper market is not available to us for any reason when outstanding borrowings mature. We do not expect that fluctuations in the demand for commercial paper will affect our liquidity, given our borrowing capacity under the Credit Facility.

At year-end 2014, our available borrowing capacity amounted to $1,032 million and reflected borrowing capacity of $928 million under our Credit Facility and our cash balance of $104 million. We calculated that borrowing capacity by taking $2,000 million of effective aggregate bank commitments under our Credit Facility and subtracting $1,072 million of outstanding commercial paper (there being no outstanding letters of credit under our Credit Facility).

We monitor the status of the capital markets and regularly evaluate the effect that changes in capital market conditions may have on our ability to execute our announced growth plans. We expect to continue meeting part of our financing and liquidity needs primarily through commercial paper borrowings, issuances of senior notes, and access to long-term committed credit facilities. If conditions in the lodging industry deteriorate, or if disruptions in the capital markets take place as they did in the immediate aftermath of both the 2008 worldwide financial crisis and the events of September 11, 2001, we may be unable to place some or all of our commercial paper on a temporary or extended basis and may have to rely more on borrowings under the Credit Facility, which we believe will be adequate to fund our liquidity needs, including repayment of debt obligations, but which may or may not carry a higher cost than commercial paper. Since we continue to have ample flexibility under the Credit Facility's covenants, we expect that undrawn bank commitments under the Credit Facility will remain available to us even if business conditions were to deteriorate markedly.

Cash from Operations

Cash from operations and non-cash items for the last three fiscal years are as follows:

($ in millions)	2014	2013	2012
Cash from operations	$1,224	$1,140	$989
Non-cash items [1]	328	316	420

[1] Includes depreciation, amortization, impairments, share-based compensation, and deferred income taxes.

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Our ratio of current assets to current liabilities was 0.6 to 1.0 at year-end 2014 and 0.7 to 1.0 at year-end 2013. We minimize working capital through cash management, strict credit-granting policies, and aggressive collection efforts. We also have significant borrowing capacity under our Credit Facility should we need additional working capital.

Our ratios of earnings to fixed charges for the last five fiscal years, the calculations of which we detail in Exhibit 12 to this 2014 Annual Report on Form 10-K, are as follows:

Fiscal Years				
2014	2013	2012	2011	2010
6.2x	5.1x	4.6x	2.3x	2.9x

Spin-off Cash Tax Benefits

Tax matters that could affect our cash tax benefits related to the 2011 spin-off of our timeshare operations and timeshare development business were resolved in 2013, and we expect that the spin-off will result in our realization through 2015 of approximately $480 million of cash tax benefits, relating to the value of the timeshare business. We realized $447 million of those benefits through 2014 and expect to realize approximately $33 million of cash tax benefits in 2015.

Investing Activities Cash Flows

Capital Expenditures and Other Investments. We made capital expenditures of $411 million in 2014, $296 million in 2013, and $437 million in 2012. These included expenditures related to the development and construction of new hotels and acquisitions of hotel properties, improvements to existing properties, and systems initiatives. Capital expenditures in 2014 increased by $115 million compared to 2013, primarily related to developing two EDITION hotels and our 2014 acquisition of a property in our International Segment, partially offset by the completion of The London EDITION in the 2013 fourth quarter (see Footnote No. 3, “Acquisitions and Dispositions” for more information). Capital expenditures in 2013 decreased by $141 million compared to 2012, primarily due to the 2012 acquisition of land and a building that we used to develop an EDITION hotel.

We expect 2015 investment spending will total approximately $600 million to $800 million, including approximately $125 million for maintenance capital spending and approximately $135 million (C$168 million) for the expected acquisition of Delta Hotels. Investment spending also includes other capital expenditures (including property acquisitions, construction, and renovations), loan advances, contract acquisition costs, and equity and other investments.

Over time, we have sold lodging properties, both completed and under development, subject to long-term management agreements. The ability of third-party purchasers to raise the debt and equity capital necessary to acquire such properties depends in part on the perceived risks inherent in the lodging industry and other constraints inherent in the capital markets as a whole. We monitor the status of the capital markets and regularly evaluate the potential impact of changes in capital market conditions on our business operations. We expect to continue making selective and opportunistic investments to add units to our lodging business, which may include loans and noncontrolling equity investments.

Fluctuations in the values of hotel real estate generally have little impact on our overall business results because: (1) we own less than one percent of hotels that we operate or franchise; (2) management and franchise fees are generally based upon hotel revenues and profits rather than current hotel property values; and (3) our management agreements generally do not terminate upon hotel sale or foreclosure.

Dispositions. Property and asset sales generated $435 million cash proceeds in 2014 and $65 million in 2012. See Footnote No. 3, “Acquisitions and Dispositions,” for more information on completed dispositions and planned dispositions.

Loan Activity. From time to time we make loans to owners of hotels that we operate or franchise. Loan advances, net of loan collections, amounted to $69 million in 2014 compared to net collections of $70 million in 2013. At year-end 2014, we had a $3 million senior loan and $239 million of mezzanine and other loans ($215 million noncurrent and $24 million current) outstanding, compared with a $3 million senior loan and $175 million of mezzanine and other loans ($142 million noncurrent and $36 million current) outstanding at year-end 2013. In 2014, our notes receivable balance for senior, mezzanine, and other loans increased by $64 million, primarily reflecting the issuance of the $85 million mezzanine loan (net of a $15 million discount) described in Footnote No. 13, “Notes Receivable,” partially offset by $31 million of collections on MVW notes receivable issued to us in 2011 in conjunction with our Timeshare spin-off.

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Equity and Cost Method Investments. Cash outflows of $6 million in 2014, $16 million in 2013, and $15 million in 2012 for equity and cost method investments primarily reflects our investments in a number of joint ventures.

Cash from Financing Activities

Debt. Debt increased by $582 million in 2014, to $3,781 million at year-end 2014 from $3,199 million at year-end 2013, and reflected our 2014 fourth quarter issuance of $394 million (book value) of Series N Notes and a $238 million increase in commercial paper borrowings, partially offset by a $53 million reduction in other debt. Debt increased by $264 million in 2013, to $3,199 million at year-end 2013 from $2,935 million at year-end 2012, and reflected our 2013 third quarter issuance of $348 million (book value) of Series M Notes and a $333 million increase in commercial paper borrowings, partially offset by the $400 million (book value) retirement, at maturity, of our Series J Notes, $15 million in decreased borrowings under our Credit Facility, and a $2 million reduction in other debt. See Footnote No. 10, "Long-Term Debt" for additional information on the debt issuances.
Our financial objectives include diversifying our financing sources, optimizing the mix and maturity of our long-term debt, and reducing our working capital. At year-end 2014, our long-term debt had an average interest rate of 3.0 percent and an average maturity of approximately 4.6 years. The ratio of our fixed-rate long-term debt to our total long-term debt was 0.7 to 1.0 at year-end 2014.
See the "Cash Requirements and Our Credit Facilities," caption in this "Liquidity and Capital Resources" section for more information on our Credit Facility.

Share Repurchases. We purchased 24.2 million shares of our common stock in 2014 at an average price of $62.09 per share, 20.0 million shares in 2013 at an average price of $41.46 per share, and 31.2 million shares in 2012 at an average price of $37.15 per share. At year-end 2014, 15.1 million shares remained available for repurchase under authorizations from our Board of Directors. On February 12, 2015, we announced that our Board of Directors increased, by 25 million shares, the authorization to repurchase our common stock. We purchase shares in the open market and in privately negotiated transactions.

Dividends. Our Board of Directors declared and paid the following quarterly cash dividends in 2014: (1) $0.17 per share declared February 14 and paid March 28 to shareholders of record as of February 28; (2) $0.20 per share declared May 9 and paid June 27 to shareholders of record as of May 23; (3) $0.20 per share declared August 7 and paid September 26 to shareholders of record as of August 21; and (4) $0.20 per share declared November 7 and paid December 26 to shareholders of record on November 20. Our Board of Directors declared a cash dividend of $0.20 per share on February 12, 2015, payable on March 27, 2015 to shareholders of record on February 27, 2015.

Contractual Obligations and Off Balance Sheet Arrangements

Contractual Obligations

The following table summarizes our contractual obligations at year-end 2014:

		Payments Due by Period			
($ in millions)	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Debt [1]	$4,248	$442	$755	$1,796	$1,255
Capital lease obligations [1]	8	1	2	2	3
Operating leases where we are the primary obligor:					
Recourse	844	115	206	157	366
Nonrecourse	233	14	29	28	162
Operating leases where we are secondarily liable	2	2	—	—	—
Purchase obligations	186	66	80	40	—
Other noncurrent liabilities	43	1	3	2	37
Total contractual obligations	$5,564	$641	$1,075	$2,025	$1,823

(1) Includes principal as well as interest payments.

The preceding table does not reflect unrecognized tax benefits at year-end 2014 of $10 million. See Footnote No. 6, "Income Taxes" for additional information.

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In addition to the purchase obligations noted in the preceding table, in the normal course of business we enter into purchase commitments to manage the daily operating needs of the hotels that we manage. Since we are reimbursed from the cash flows of the hotels, these obligations have minimal impact on our net income and cash flow.

Guarantee Commitments

The following table summarizes our guarantee commitments at year-end 2014:

($ in millions)	Total Amounts Committed	Amount of Guarantee Commitments Expiration by Period			
		Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Total guarantees where we are the primary obligor	$149	$ 5	$ 24	$ 90	$ 30
Total guarantees where we are secondarily liable	127	26	49	39	13
Total guarantee commitments	$276	$ 31	$ 73	$ 129	$ 43

In conjunction with financing obtained for specific projects or properties owned by joint ventures in which we are a party, we may provide industry standard indemnifications to the lender for loss, liability or damage occurring as a result of our actions or the actions of the other joint venture owner.

Investment Commitments

We also had the following investment commitments outstanding at year-end 2014:

($ in millions)	Total Amounts Committed	Amount of Investment Commitments Expected Funding by Period			
		Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Total investment commitments	$68	$61	$7	$—	$—

For further information on our investment commitments, including the nature of the commitments and their expirations, see the “Commitments” caption in Footnote No. 7, “Commitments and Contingencies.”

Letters of Credit

At year-end 2014, we also had $87 million of letters of credit outstanding (all outside the Credit Facility), the majority of which were for our self-insurance programs. Surety bonds issued as of year-end 2014 totaled $153 million, the majority of which federal, state, and local governments requested in connection with our self-insurance programs.

RELATED PARTY TRANSACTIONS

Equity Method Investments

We have equity method investments in entities that own properties for which we provide management and/or franchise services and receive fees. We also have equity method investments in entities that provide management and/or franchise services to hotels and receive fees. In addition, in some cases we provide loans, preferred equity, or guarantees to these entities. Undistributed earnings attributable to our equity method investments represented approximately $3 million of our consolidated retained earnings at year-end 2014. For other information on these equity method investments, including the impact to our financial statements of transactions with these related parties, see Footnote No. 17, “Related Party Transactions.”

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. Management considers an accounting estimate to be critical if: (1) we must make assumptions that were uncertain at the time the estimate was made; and (2) changes in the estimate, or selection of a different estimate methodology could have a material effect on our consolidated results of operations or financial condition.

While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information available at the time the estimate or assumption was made. Actual results may differ significantly. Additionally, changes in our

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assumptions, estimates or assessments as a result of unforeseen events or otherwise could have a material impact on our financial position or results of operations.

Management has discussed the development and selection of its critical accounting policies with the Audit Committee of the Board of Directors, and the Audit Committee has reviewed the disclosure presented below relating to them.

See Footnote No. 2, "Summary of Significant Accounting Policies," for further information on our critical accounting policies and estimates, which are as follows:

Rewards Programs, including how members earn points, how we estimate the value of future redemption obligation, and how we recognize revenue for these programs;

Goodwill, including how we evaluate the fair value of reporting units and when we record an impairment loss on goodwill;

Intangibles and Long-Lived Assets, including how we evaluate the fair value of intangibles and long-lived assets and when we record impairment losses on intangibles and long-lived assets;

Investments, including information on how we evaluate the fair value of investments and when we record impairment losses on investments;

Loan Loss Reserves, including information on how we measure impairment on senior, mezzanine, and other loans of these types; and

Income Taxes, including information on how we determine our current year amounts payable or refundable, as well as our estimate of deferred tax assets and liabilities.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk from changes in interest rates, stock prices, currency exchange rates, and debt prices. We manage our exposure to these risks by monitoring available financing alternatives, through development and application of credit granting policies and by entering into derivative arrangements. We do not foresee any significant changes in either our exposure to fluctuations in interest rates or currency rates or how we manage such exposure in the future.

We are exposed to interest rate risk on our floating-rate notes receivable and floating-rate debt. Changes in interest rates also impact the fair value of our fixed-rate notes receivable and the fair value of our fixed-rate long-term debt.

We are also subject to risk from changes in debt prices from our investments in debt securities and fluctuations in stock price from our investment in a publicly traded company. Changes in the price of the underlying stock can impact the fair value of our investment. We account for our investments as available-for-sale securities under the guidance for accounting for certain investments in debt and equity securities. At year-end 2014, our investments had a fair value of $121 million.

We use derivative instruments, including cash flow hedges, net investment in non-U.S. operations hedges, and other derivative instruments, as part of our overall strategy to manage our exposure to market risks associated with fluctuations in interest rates and currency exchange rates. As a matter of policy, we only enter into transactions that we believe will be highly effective at offsetting the underlying risk, and we do not use derivatives for trading or speculative purposes. See Footnote No. 2, "Summary of Significant Accounting Policies," for more information on derivative instruments.

The following table sets forth the scheduled maturities and the total fair value as of year-end 2014 for our financial instruments that are impacted by market risks:

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($ in millions)	Maturities by Period 2015	2016	2017	2018	2019	There-after	Total Carrying Amount	Total Fair Value
Assets - Maturities represent expected principal receipts, fair values represent assets.								
Fixed-rate notes receivable	$23	$72	$2	$3	$1	$38	$139	$138
Average interest rate							2.61 %	
Floating-rate notes receivable	$4	$—	$—	$—	$—	$99	$103	$104
Average interest rate							3.48 %	
Liabilities - Maturities represent expected principal payments, fair values represent liabilities.								
Fixed-rate debt	$(324)	$(297)	$(301)	$(9)	$(606)	$(1,169)	$(2,706)	$(2,502)
Average interest rate							4.14 %	
Floating-rate debt	$—	$—	$—	$(1,072)	$—	$—	$(1,072)	$(1,072)
Average interest rate							0.43 %	

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Item 8. Financial Statements and Supplementary Data.

The following financial information is included on the pages indicated:

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