This document contains "forward-looking statements" within the meaning of federal securities laws, including RevPAR and earnings trends; statements concerning the number of lodging properties we expect to add in future years; our expected investment spending and amounts we could return to shareholders; and similar statements concerning anticipated future events and expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including the continuation and pace of the economic recovery; supply and demand changes for hotel rooms; competitive conditions in the lodging industry; relationships with governments and officials in countries where we do business, clients and property owners; the availability of capital to finance hotel growth and refurbishment; and other risk factors that we identify in our most recent quarterly report on Form 10-Q; any of which could cause actual results to differ materially from the expectations we express or imply here. We make those statements as of June 19, 2012 Beijing Time (June 18, 2012 in the US), and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Marriott International, Inc.
Security Analyst Meeting Transcript[1]
Beijing, China
June 19, 2012

Laura Paugh, Senior Vice President Investor Relations:

Good morning. I'm Laura Paugh, Marriott International Senior Vice President of Investor Relations. Thank you for joining us on the second day of our China tour. We want to extend a warm welcome to everyone who has called in this morning, or this evening, for the webcast.

In case you missed my comments last night, for those of you traveling with us to Shanghai, we'll be leaving promptly today at 1 p.m. from the first floor lobby to catch the 2:00 train. If you haven't already done so, please remember to settle up your bill prior to departure.

By the way, just down the hallway you'll find the desk where you can settle the bill. You don't need to check out, but we'd like you to do the bill, please. By the way, if you see a large miscellaneous chart on your bill, that's your train ticket. We'll have box lunches available outside the ballroom to take with you for lunch, and we'll have your train tickets available just prior to boarding the buses.

The wonderful staff of the Renaissance will be sending us off. We'll be met in Shanghai by staff from the Ritz-Carlton Pudong. Conde Nast named The Ritz-Carlton Pudong the best hotel in the world last year. Shanghai is a spectacular city and, as you'll see, The Ritz-Carlton Pudong is, indeed, a spectacular hotel.

For those of you not traveling to Shanghai, we've arranged late check-outs for the conference attendees. They can stay until 3 p.m. today, so you're welcome to stay a bit and enjoy the wonderful amenities here at the Renaissance.

[1] Not a verbatim transcript; extraneous material omitted and edited for clarity.

For those of you on the webcast, we'd love to get your questions today via the e-mail link on the website. Anytime during the presentation, please send us your questions and we'll address those during the Q&A session at the end of the presentation.

We have one change to our agenda today. Henry Lee, Senior Area Vice President for Greater China, is unable to be here. In his place on today's panel discussion will be Franco Io, Market Vice President for North China. We're delighted that Franco is able to join us.

So let's get started. To begin, I should tell you that many of our remarks today are not historical facts and are considering forward-looking statements under US Securities laws. These statements are subject to numerous risks and uncertainties as described in our SEC filings which could cause future results to differ materially from those expressed in, or implied by, my comments.

Forward-looking statements in the press release that we issued this morning and in our first presentations today are effective only today, June 19th, 2012, and will not be updated as actual events unfold. You can find a reconciliation of non-GAAP financial measures and today's handouts referred to in our remarks on our website at www.marriott.com/investor.

We first started talking about holding an analyst meeting in China some nine months ago. As we do for every analyst conference, we carefully considered the time commitment for you and for us, and the message we wanted to communicate. What is special about this conference is three days of unforgettable tours, two stunning host hotels, two incredible cities, and one extraordinary country.

We hope that you come away from this trip energized, once you recover from the jetlag, and energized about the opportunities in China for Marriott and for our shareholders. To talk about that opportunity, I'd like to introduce our President and CEO, Arne Sorenson.

Arne Sorenson, President and Chief Executive Officer:

Zao chen hao! Good morning. We are so delighted all of you decided to join us in China and for those of you listening in on the webcast from the United States and Europe, we appreciate your being up so late to pay attention to our story.

Now, why did we bring you to China? Most of all, we wanted you to experience these hotels and meet our fantastic Asia Pacific team. This is not a business or for that matter, a market which you can understand just by looking at financial statements or pictures.

I recall my first trip to China in 1984. I didn't make it to Beijing but was in Southern China in Guangzhou and then Guilin. But one of the most memorable experiences of that trip for me was watching a major road being built near Guilin, which was done without a single piece of mechanized equipment -- people, sledgehammers, and wheelbarrows. It's amazing to see the way things have changed.

This country has had amazing progress, sustaining GDP growth of close to 10 percent for 30 years is nothing short of astonishing. And while the current headlines worry about a slowdown in this growth, from double digits to 7 to 8 percent no less, it is the world's second largest economy after the United States and is quickly distancing itself from the rest of the pack. We see tremendous opportunity here over the long term.

For those of you who toured Beijing, you have to admit that this city has tremendous history. But we hope you saw more than that. We hope you saw and heard the determination and commitment of China. This is a place of great boldness. It has a bold and rich heritage to be sure, but it's a place with a bold future as well.

We are pursuing this market with the right product, right portfolio of brands -- nine different brands in China, from the Ritz-Carlton to Courtyard.

We're developing hotels at the right locations, the right cities, and the right street corners.

We're leading with luxury product and we're doing so quickly. With today's pipeline, we are on track to open one hotel every month for the next three years.

Most importantly, we are doing so with the right team who will keep this pipeline moving forward and delight every guest when they arrive.

We believe the combination of our strong brands, hotels in outstanding locations, our robust development schedule, and talented people will enable us to continue to grow our market share, enhance both guest satisfaction and loyalty, and drive long-term profitability for our owners and for our shareholders. We're here today because this is one of the most dynamic regions on the globe, and it is emblematic of Marriott's push for global growth and leadership.

In fact, this market is also important to every other market in the world. China is now the third largest source market for international travel behind the United States and Germany. And just like the growth of its economy, the growth in Chinese travel has been extraordinary. In a little over a decade, outbound travel has grown sevenfold to 70 million trips last year, and it is forecast to hit 100 million trips by 2020 at the latest.

The Chinese middle class, which is larger than the entire population of the United States, is growing its spending power and its interest in exploring the world beyond China's borders. This group is expected to consist of a whopping 800 million people in 15 years. And in a country that is minting millionaires and will soon have more millionaires than any other country on the globe, international luxury travel is also accelerating.

China's economic growth has been staggering over the past few years and is expected to be well above the western world's growth rate for years to come. Recent economic weakness in Europe has moderated transient travel to some markets in Asia, but overall RevPAR in China continues to grow rapidly.

In the US, we are reaping the benefits of this growth. Chinese arrivals to the United States have arisen from 225,000 in 2002 to over a million in 2011. And that number is forecasted to triple at least, to over 3 million in 2016. China represents by far the fastest growth in US arrivals of any country, according to the US Department of Commerce.

I heard from our ambassador in China, Gary Locke, this weekend. Under his leadership and with the support of the State Department, these applications by Chinese travelers seeking to go to the United States are up almost 50 percent year-to-date compared to last year. While at the same time, time to wait to get an interview, to get that visa, has declined from 50 days to about 8 days as we speak. It's enormous progress but it's only the beginning.

Now around the globe, not just with respect to China but from other source markets, international trips have doubled in the past decade and are estimated to reach 1 billion trips for the first time in 2012. Even last year with an uncertain global economy, the "Arab spring", and a major natural disaster in Japan, international travel grew 4.4 percent. In terms of actual dollars spent on international travel, the emerging economies of China, India, Brazil, and Russia showed some of the highest growth rates, from the low 20s to the high 30s depending on the market.

The World Travel and Tourism Council expects continued growth in both personal and business travel over the next 10 years. We are well-positioned with 630,000 hotel rooms around the world, but at the same time our market share is quite modest, which implies significant unit growth opportunity for us in the coming years.

At Marriott, we're doing our part to boost the growth of global travel. In partnership with the World Travel and Tourism Council and the World Economic Forum, we are supporting efforts to remove barriers to travel with streamlined visa processing, encouraging investments to customs and border control, and promoting greater travel reciprocity among nations. As an example of what can be achieved, just two years ago, when South Korea got visa waiver to the United States, the number of visitors doubled from 500,000 to one million. Think of what we could do with visa waiver programs for China and Brazil, where combined more than 2.5 million people visit to the United States every year, even today.

We're also joining forces with the US Travel Association to promote "Brand America" which is focused on growing the number of international visitors to the United States from roughly 60 million in 2011 to 100 million annually by 2021.

We're very encouraged by the boom in global travel and have the right strategy to seize this opportunity.

We're building a worldwide network of hotels in the most desirable locations using multiple brands. In designing that network, we are focused both on where people want to go today and where they will want to go tomorrow.

We're growing rapidly but we're selective. We target the right locations. After all, this is a real-estate business and location matters. We target the right deals, profitable, long-term agreements

with strategic partners. And with a wide portfolio of brands, we can select or tailor the right brand for that location and for those customers. Tony Capuano will describe today how that is working in various markets around the world.

Our brands are well-positioned with clear, differentiated customer propositions, enabling our strong sales channels and targeted marketing programs to drive premium RevPAR performance.

Around the world, Marriott Rewards delivers 50 percent of our paid room nights. Over 20 percent of our worldwide reservations are booked through Marriott.com. Our sales channels and marketing programs not only produce strong occupancy, they do so very efficiently, driving profitability for both our hotel owners and for Marriott. And our associates provide the outstanding service that justifies our customer's confidence in us. I hope you got a bit of a taste of that at dinner last night.

Bob McCarthy will explain how we're sustaining and strengthening our brand portfolio and leveraging these engines to drive performance.

While consistency is a virtue, we also recognize that one size does not fit all. More than ever before, we are sensitive to the differences among the individual markets and we tailor our product design, service offerings and even elements of brand positioning to the needs of our local consumers and our owners. Simon Cooper, Paul Foskey and the China operations team will tell you later how all this is put into action in this market.

As we have expanded abroad, we have learned that Marriott's core values, however, translate very well into different markets and cultures.

Putting people first is the core principle of our culture. This will not change. Our founder's instinct to take care of associates is not only the right thing to do; it also makes great business sense. We know that strong associate engagement leads to higher guest satisfaction, lower turnover and thus, stronger financial performance for our hotels.

Marriott's associate engagement exceeds Hewitt's best-in-class benchmark and compared to other service companies particularly, we lead substantially.

We are highly committed to our brands, and our goal is to be number one in every brand category where we compete. We have a disciplined focus on innovation to keep our brands fresh and relevant. We are vigilant about product quality.

While we care about quarter-to-quarter performance, we keep our eyes on the long term -- after all, this is a long-term business. From start to finish, a new hotel can take four years or more to develop.

Our recent sales transformation effort took five years. In that time, it was often a lightning rod for criticism, but we've proven it delivers. Our persistence with sales transformation reflects our maniacal focus on doing things better and staying at it. We believe careful planning and a

commitment to change drive competitive advantage in this business. And, we believe that success is never final.

There are many reasons to own Marriott stock today. In the US, with little capital available for new construction, the supply environment is very favorable. With strong demand, we have pricing power today, and we expect more pricing power in the future. We're adding new units around the world even where supply growth is modest. We can do this because our owners and lenders favor our strong brands and because our RevPAR premiums drive conversions.

With the spin-off of our Timeshare business and the sale of our corporate housing business, we are more focused on lodging than ever before. Our most recent brand introductions, Autograph Collection, AC Hotels and the recently announced decision to acquire the Gaylord brand, signal our commitment to growing this company with a singular strategic focus on lodging.

It's a great story, but it's not enough. Our vision is to be the best hospitality company in the world by creating the worldwide portfolio of hotels, brands and systems that deliver the finest guest experiences, leading preference and strong intent to return.

Our hotels do deliver strong results. As a result, owners and franchisees often come back and open additional hotels with us, which in turn fuels our growth. In 2011, half of the hotels we added were with owners or franchisees that already owned or operated another Marriott product. With the on-going development and commitment of our owners and franchisees, we are confident in our long-term growth.

We're building our business for long-term success. As we typically do, today we will share with you a three-year view of our business through 2014. For our model, we have assumed a range of 6 to 8 percent RevPAR growth worldwide. We arrived at that range both by looking at present trends and comparing this sort of recovery to what we've seen from prior recessions. We think it is a relevant range for a model for the next three years of this company's performance.

Could we be wrong about 2014? Of course. Clearly, ours is a cyclical business, but regardless of the economic climate, we believe Marriott’s results are less volatile today than at any time in our history. With our singular focus on the lodging business, broadening geographic distribution and significant base and franchise fee revenue, we remain confident in our future.

We cannot emphasize enough that these are RevPAR assumptions, not forecasts. Given the 90,000 to 105,000 gross room additions over the three-year period, EBITDA, we think, could increase 15 to 19 percent and EPS could increase 23 to 30 percent compounded, while pretax return on invested capital could reach the mid to high 30s by 2014. These numbers don't include the benefits of the Gaylord transaction, which Carl will cover later.

By 2014, we expect we will have more than 4,000 hotels in over 90 countries and more than 100 hotels in nearly 40 markets in China alone. About half of our growth should be in the luxury and full-service arena where we have simply outstanding product coming online.

If you didn't get a chance, make sure you take a look at the displays and photos that are set up in the pre-function space outside.

We're also likely to see our limited-service brands gaining traction outside the United States with product tailored for individual markets. And we believe we'll see further gains in guest preference and loyalty.

Over the past two days, you saw landmarks of ancient China like the Great Wall and the Forbidden City. You've also seen some of the best hotels in the world -- like this one, the Beijing Renaissance Capital and The Ritz-Carlton Beijing.

Shanghai has changed dramatically in 50 years.

So has Marriott.

I can hardly wait to see what the future for both looks like.

To give some additional insight into that future, I'd like to introduce Bob McCarthy, our chief operation officer, to tell you more about our brands and our powerful platforms that will drive our success.

Bob?

Robert McCarthy, Chief Operations Officer:

Well, good morning. It's great to be here with all of you. And we appreciate very much your interest in our company.

Arne talked about the global market opportunity. We think that Marriott International is the best-positioned company to seize this opportunity because of our brands, because of our distribution and, importantly, our revenue engines that provide meaningful and sustainable competitive advantage. I'd like to take a few minutes today and describe to you some of the sources of these competitive advantages.

As you likely know, Marriott pioneered the multi-brand portfolio concept with the introduction of Courtyard nearly 30 years ago. Since then, most of our competitors have tried to catch up. But, today, our 14 hotel brands comprise the broadest - and the most balanced - portfolio in the global lodging industry, spanning top-end luxury to moderately-priced hotels and, now, including a growing collection of lifestyle-oriented brands as well.

The span of this portfolio is by design. We research the marketplace on a regular basis, both to understand the demand landscape, but also to guide our portfolio development. As such, we know that there are many different segments of travelers with very different values and very

different needs. Price is, of course, a critical dimension, but even within a given price tier, there could be multiple consumer segments that justify viable hotel brands.

Our recently announced planned acquisition of the Gaylord brand is a great example. Gaylord Hotels are uniquely positioned for the largest events and group meetings. With 1,400 to 2,800 rooms, upwards of 400,000 square feet of meeting space, world-class recreation and unique entertainment all under one roof, Gaylord's product offering is quite different from the more than 60 convention and resort hotels across our other brands. And we look forward to welcoming the Gaylord team to the Marriott family. I think it's a perfect fit for us.

As I mentioned, multi-brand strategy dates back to 1983 for Marriott when we introduced Courtyard. Our research at that time said there was a large segment of customers who really wanted something that did not exist at that time -- a great hotel room paired with less extensive facilities and services than those in traditional full-service hotels. With that insight, Courtyard defined the limited-service industry at its founding. Travelers were immediately attracted to Courtyard's simplicity, its functionality, and its value. Today, with over 900 hotels worldwide, Courtyard is an unqualified success.

But as Arne said, success is never final. So we're making a great product even better with our Refreshing Business initiative. This new design dramatically transforms the public space experience in Courtyard with Starbucks Coffee, fresh food options and convenient workspaces. Hotels that have this Refreshing Business design outperform those hotels that don't in both guest satisfaction as well as market share. Refreshing Business is now in about 500 hotels and the entire system should be done by late 2013.

We're also expanding the Courtyard brand with customized models for China and for Europe. Simon Cooper will discuss Courtyard China a bit later.

In Europe, we engineered a prototype that costs 20 percent less to build and it can generate attractive owner returns. The model can be adapted to multiple building types, from low-rise to high-rise and has a range of decor options that can be tailored for the taste of each local market.

So our brand offering has now spanned many price tiers, including multiple offerings in the luxury space, one of the fastest growing segments in the industry, particularly in emerging markets like here in China. We have some of the most beautiful hotels in the world here and they have been recognized as such. Nobody does luxury experiences better. In North America, the Ritz-Carlton was rated number one in customer satisfaction by J.D. Power and, worldwide, the brand reported an extraordinary RevPAR index of 130 in 2011.

JW Marriott is our entry-level luxury brand. And it, too, is poised for success. With over 50 hotels opened today, it has a significant pipeline, including 18 new hotels expected to open worldwide in the next two years. It has a clear design and service point of view that our customers are recognizing. In the past year the JW Marriott brand has increased both its brand awareness and its intent to recommend, and we're truly excited about the future for this brand.

You know, brands that have their own unique personalities appeal to similarly unique guests. Our new EDITION brand takes individuality and authenticity to a new level. As a luxury lifestyle brand, it appeals to a sophisticated traveler who is accustomed to extraordinary service with a modern touch. EDITION combines the creative talents of Ian Schrager with the operational excellence of Marriott and has new hotels under development in London, Miami, New York, Bangkok, and Abu Dhabi. Each of these properties will be cutting-edge; they will be customized to reflect the local area; and they will be one-of-a-kind. We are serious about EDITION and we're investing considerable sums in new hotel development to launch the brand. And we believe both customers and owners will be wowed by what they see.

Also in the lifestyle space our Renaissance brand is growing rapidly with new, brand-building product. In the past few years, we've opened hotels such as the St. Pancras in London, the Arc de Triomphe in Paris and this spectacular hotel in Beijing.

Renaissance is known for intriguing, indigenous design, and it is becoming known for a vibrant bar and lounge experience that draws both guests and locals. Renaissance also offers a unique Navigator program that puts guests in touch with local restaurants, local events and local tourism opportunities. We hope that you can join the concierge team at the Renaissance Shanghai Pudong tomorrow as they explore the sites of Shanghai with you using Navigator.

Marriott Hotels & Resorts is our signature brand, our flagship and the very foundation of the company. From our humble beginnings in 1957 at the Twin Bridges Motor Hotel in Washington DC, the Marriott brand has evolved to the finest upper-upscale brand around. The name not only graces our company, but it endorses seven other brands in our system. And it continues to evolve, stepping up design, introducing new services and targeting new guests around the world.

In the United States, part of the recent evolution has been our Marriott Great Room concept, which should be fully implemented by the end of 2013. We are continuing to enhance the concept for the future with new features such as a modern, versatile three-meal dining concept that is fully integrated into the lobby space.

In Asia and in the Middle East, we are introducing compelling restaurant concepts that could be tailored to different regions or different countries. In these markets, high-quality three-meal and destination restaurants have been imperative to attract both incoming travelers and local business. Exceptional food and beverage can define a hotel and it can define your brand in these markets.

Our brands adapt globally. We're rolling out Fairfield in India and in Brazil to capture the growing middle-class business traveler. But unlike many moderate tier products, this is not a United States transplant. In India, Fairfield offers a fantastic three-meal restaurant with foods to fit the local taste. It also offers more meeting space than the US model, again based on local guests' needs.

In Brazil, our Fairfield guest room is a higher quality room than is currently available in the Brazilian moderate tier. It also has a flexible, stylish lobby that supports a range of needs from

dining to meeting, to working, to socializing. What's more, Fairfield hotels in Brazil will be green, built with sustainable practices to save energy and to minimize impact on the environment.

Our brands also help us capture new customers. We launched Autograph Collection in 2010 to appeal to customers who prefer independent hotels. Again, we saw an opportunity to attract customers that we weren't serving by connecting unique and independent hotels while leveraging the powerful Marriott engines. We have 32 hotels in the collection today. In 2011 Autograph RevPAR increased over 13 percent and market share rose almost three and a half points.

So clearly, there are some fundamentals to running a successful, global portfolio of brands. Brands must be clearly defined, they must be separately and appropriately positioned. And locations, products, and services matter as they reinforce brand identity.

Brands need to be distinct, but like any family, they need to work together to drive the best results. So while each of our brands is unique, they all share Marriott's culture that places the associates first. They all leverage Marriott's back-of-the-house systems and engines to drive results. You can book any of our brands on Marriott.com. And, of course, the fact that guests can earn and redeem Marriott rewards points across the portfolio is a most compelling customer proposition that drives incremental business to each and every one of our brands.

So we continually seek new customers, new markets, new segments and new brands because there will always be opportunities for growth and change in this dynamic world.

A new generation of travelers has already emerged around the world. These younger consumers expect greater personalization, more seamless and more integrated technology offerings, with everything available via mobile, and a more modern design aesthetic. We continue to evolve our brand experiences and pace with their lives.

These hotel guests are highly engaged consumers. We call them “prosumers”, professional consumers, if you will. They're tech savvy, they're knowledgeable and they demand that brands prove their worth. Personal and professional lives blend seamlessly. Increasingly design focused, they are looking for a blend of style and substance. They have a healthy sensibility and they want to enjoy life on the road with good food, exercise, and small ways to indulge.

As we position our brands we incorporate not only these broad trends, but also deeper research on specific target groups, as we continue to pursue the most profitable customer segments.

Brands must continually improve and consistency is critical. Our quality assurance program is robust and it's focused. We regularly inspect properties and we continually measure guest satisfaction. We are very passionate about quality and we recognize that sometimes removing a hotel is unavoidable. So similar to past experience, we expect one to one and a half percent of rooms will leave our system each year. A rule of thumb that is built into the financial forecast that Carl Berquist will discuss later.

In our view, there are still new brand opportunities. Whether acquired or whether developed in-house, brands must begin with a clearly defined and profitable consumer segment and then create a unique brand proposition for that target. New brands enable us to reach new customers, as when we acquired The Ritz-Carlton brand. New brands enable us to reach new markets, as when we partnered with AC hotels. New brands leverage our operating systems and our sales and marketing platforms, as with our planned addition of Gaylord Hotels.

We can research, design and build extraordinary branded guest experiences, but that's not enough. To reach their full potential, we use our powerful sales, marketing and revenue engines to drive demand and results.

Today, information is critical to improve speed to market and personalized service. Through our Rewards programs we understand our guests better, we market to them more efficiently and we ensure their satisfaction.

Marriott Rewards and Ritz-Carlton Rewards are industry leading programs with more than 38 million members worldwide representing about 50 percent of our total paid room nights. Our Elite members are a small yet enormously productive group. They represent just 38 percent of our active members yet they contribute 80 percent of our Rewards room nights. And they are loyal to the portfolio, not just to one brand. Two-thirds of our Elite members stay at multiple Marriott brands. Even our Ritz-Carlton guests are loyal to our portfolio, spending nearly half of their room nights at other Marriott brands.

Marriott.com is one of the largest retail websites in the world and it is our lowest cost sales channel. With nearly $7 billion of room revenue in 2011, marriott.com accounts for over 20 percent of our room revenues.

We've booked over $1 billion of room revenue online from guests outside the US in 2011, up 20 percent from the prior year. Our website is available in Mandarin, German, French and Spanish with other languages coming soon.

As customers go mobile for just about everything, our mobile products include apps for the iPhone, the Android and the Blackberry. We generated over $300 million of room revenue via Marriott Mobile in 2011, making it the largest mobile site in our industry. And mobile is only going to grow larger.

Our sales organization is a significant competitive advantage. It is structured around customers rather than around hotels and it provides customers a clear point of contact and creates stronger relationships with those customers. By leveraging our scale, we are calling on seven times more accounts today than we were in the past. So we have greater efficiency and much greater penetration than we have in the past. Our strong forward group bookings are indicative of our success.

And finally, in a business that's all about moving perishable inventory and optimizing pricing, we have a superb revenue management capability that complements our market knowledge.

Marriott introduced the art and the science of revenue management to the hotel industry in 1987. We continue to lead the industry here, recently beginning the rollout of a comprehensive system called Consolidated Inventory and Total Yield. Marriott is well ahead of the industry in our ability to price and yield-manage group business using a proprietary system that puts the focus on profitability, not just RevPAR.

All of these efforts to drive leadership have a cost, from brand initiatives to hotel redesigns, from Marriott Rewards to Marriott.com. With each new initiative, we are careful to consider the cost-benefit for our owners and for our shareholders. While every competitor faces the same cost pressures, Marriott has some competitive advantages here as well.

First, we benefit from significant economies of scale. Our unique sales organization works so well because we have the market concentration in the United States to make it effective. We believe our reservation system has the lowest per reservation cost in the industry, in part, due to our worldwide distribution.

At the same time, while centralized approaches work best in some cases, in others, a more local focus is most appropriate. Hotel restaurants look first to source in-season and locally-grown produce to drive guest satisfaction up and drive cost down. Properties in the same market may share staff during peak demand periods. And we continue to look for other local strategies to operate hotels better. We recognize that one size does not fit all in hotel design or in hotel operations.

We are very serious about improving hotel profitability, translating our very strong RevPAR outlook into stronger yet house profit and incentive fee performance.

Everything that we do at Marriott is focused on building competitive advantage, from brand development innovation to quality assurance, and very importantly, to our sales and marketing engines. Our low-cost operating systems and our significant economies of scale drive profitability and drive owner preference. And that competitive advantage can be most easily measured by the satisfaction of our guests, by the preference of our owners and of our franchisees, and our resulting pipeline.

Now to talk about our global development strategy, I'd like to introduce Tony Capuano, executive vice president and chief development officer. Thank you.

Anthony Capuano, Executive Vice President and Chief Development Officer:

Good morning. I'm thrilled to be here to share my perspective on Marriott's global growth momentum and to discuss how our new unit growth contributes to long-term shareholder value.

As the world's population of travelers increases, it's critical that Marriott expand its footprint, in their home countries and global destinations, to grow guest preference and loyalty.

We believe there are three critical components that drive Marriott's significant competitive advantage in the global hotel development arena. First, the strength of Marriott's brand portfolio. We have a portfolio of 14, soon to be 15 with the planned addition of Gaylord, leading lodging brands which reach every customer segment and allow our development partners to grow within the Marriott family. Second, our business model, which generates tremendous free cash flow that we have available to invest in growing our portfolio profitably. And finally, our market-focused approach to growth, which promotes entrepreneurial decision-making informed by extraordinary local market knowledge.

As Bob described, Marriott's portfolio offers a breadth of brands unrivaled in the industry. This is not only how we meet the needs of a wide range of customer segments, but it is also a critical differentiator in our ability to grow our system with the industry's best owners and franchisees.

The ability to offer this breadth of brands, distributed over a 73-country strong global footprint, gives owners and franchisees a myriad of attractive choices. The breadth of Marriott’s portfolio does not, however, inhibit our constant, aggressive and creative evaluation of potential future growth platforms. Whether through M&A, organic creation or brand extension, we continue to expand and enhance our brand portfolio.

The combination of Marriott's global footprint, brand awareness, portfolio preference and product innovation drives strong owner preference. In North America, we currently enjoy 9 percent market share and almost 20 percent of the rooms currently under construction.

On a global basis, we seek out owner and franchise partners who will grow within the Marriott family. And in fact more than 25 percent of our hotel owners globally own more than one Marriott brand.

These advantages translate into strong and growing deal production. The slide behind me highlights Marriott's global deal volume between 2007 and estimated 2012. The chart represents the volume of rooms from newly signed contracts.

As illustrated, 2011 was a historically significant production year in that we almost reached the record results of 2007 and 2008. Perhaps just as significant, 2011 was the first year in our company's history that more than half of our signed rooms were outside of North America.

As indicated in our estimate for 2012, we see no signs of our deal production slowing. I would mention that the 2012 estimate does not include the planned Gaylord transaction, which would add an additional 7,800 rooms.

To state the obvious, deal production translates into new room openings. On a global basis, we expect our global rooms inventory to increase at a compound annual growth rate of about 5 percent through 2014.

Over the past few years, we've changed our development organization reporting relationships. Today, while the field developers are still part of the global development organization, they also report to the continent presidents, who are incented to drive new unit growth and profits.

And we're reaping the benefits of these focused continent development strategies as evidenced by our strong international growth, particularly here in Asia. Paul Foskey will provide a much more detailed view of our Asia Pacific growth momentum a bit later in the program, but I'd like to give you a short preview. You should recognize that our estimated 2014 Asia rooms openings of about 12,000 are more than four times the number of rooms we opened last year.

As you can see on this slide, we expect to add between 90,000 and 105,000 rooms worldwide between 2012 and 2014. I think the strength and profile of the Marriott pipeline should provide great confidence in these estimates of future openings. Our current global pipeline includes nearly 115,000 rooms, and over half of these rooms are already under construction or pending conversion.

There are a variety of pipeline metrics beyond total rooms which, influence future value creation. As we dissect the pipeline, a few of these metrics present themselves. For instance, a meaningful share of our global pipeline, about 40 percent, is in the luxury and full-service tiers. That means these projects should command higher room rates and generate higher fees.

On a per room basis, the average value of our luxury contracts is about double the value of our full-service contracts. Similarly, our full-service contracts average about a third more value than our limited-service contracts.

Review of the pipeline also reveals a significant expansion of the global footprint I described earlier. When complete, the hotels in the pipeline will add 19 new countries to our distribution, many of which are in emerging markets. As further evidence of our international momentum, I would point out that 13 of these 19 countries were just added to the pipeline last year.

Our second advantage is the strength of our business model. First, our primary focus in expanding our global footprint continues to be the growth of our management and franchise business, rather than long-term real estate ownership.

Second, as we add units, we do so with a portfolio-centric approach, taking into consideration whether assets are accretive to brand equity and how they impact the overall portfolio. Put differently, we think of our development strategy as the sum of our parts rather than just individual assets with individual returns.

Finally, because we focus primarily on managing and franchising new units, our business model provides a great deal of free cash flow, which we can use to reinvest in our business or return to our shareholders. Where returns justify, we deploy this capital efficiently to secure high-value deals and we are committed to recycling capital to drive those returns.

Let's take a look at how we make investments to drive value. Later in the program, Carl Berquist will discuss total investment spending between 2012 and 2014. I want to talk a bit about what we might spend just on new unit growth. Over the three-year period, we estimate we could invest approximately $2 billion using a variety of investment strategies and vehicles. Thirty percent of the total, or about $600 million, relates to the development of three EDITION hotels in key global gateway cities.

As I mentioned earlier, Marriott selectively deploys capital to build or acquire strategic, high-value hotels under the guiding principle that ownership must be temporary and the capital must be recycled.

If I use the EDITION brand as an illustration, we expect to be able to recycle our invested capital because we're building iconic hotels in lifetime cities that are of great interest to potential long-term investors.

The third differentiating factor supporting our strategic global expansion is a market-focused approach, which enables development decision making at the local level. By taking this approach, we can make decisions quickly and build meaningful, long-term relationships with owners and franchisees in our target markets.

Marriott is investing in and expanding our development team globally. Deploying resources purposely across four continents. And we have developed nuanced, continent-based development strategies that recognized one-size-does-not-fit-all when it comes to brands, product or deal structures. This approach allows us to take our existing brands, such as Courtyard and Fairfield, and make them relevant to local customers in markets like Brazil, China, and India.

As I think about the opportunities Marriott has to grow around the world over the next several years, this map of our global development resources heightens my enthusiasm about our prospects.

We have development offices located in 28 major cities around the world, housing more than 60 developers. Maybe more importantly, we've built our teams with local talent. In fact, the vast majority of our developers are nationals of the country or region in which they work.

And we continue to invest in development resources where we see the greatest growth potential. Just over the last 24 months, we've opened development offices in Russia, Brazil, and Ghana, and a Shanghai office here in China is coming soon.

This strategy has dramatically transformed the profile of our global development team. In 2000, about 40 percent of our development resources were based outside the US Today, that number is north of 60 percent.

As I said earlier, our growth is defined by strategic roadmaps for each region, which are constantly evaluated relative to the changing supply and demand dynamics in each market. I'd like to give

you a few highlights of our plans for each continent to achieve our growth goals over the next several years.

Notwithstanding our significant full-service market share across North America, we continue to find opportunities to strategically grow our portfolio in this segment. We expect modest new construction of full-service hotels over the next several years due to the constricted lending environment. As a result, we are focused on conversions that build brand equity with a targeted mix of Marriott, Renaissance, and Autograph Collection properties.

We are being aggressive, yet disciplined, in our approach to growing Autograph. We've had great success in securing iconic hotels, such as the Turnberry Isle Resort in Aventura, Florida, the Cosmopolitan Hotel in Las Vegas, and the recently remodeled Algonquin Hotel in New York City.

Furthermore, because of the compelling advantages of the Marriott and Renaissance brands and Marriott's leadership position in the convention hotel segment, we are able to claim a disproportionate share of convention hotel projects across the US.

Last year, we opened a 1,005-room JW Marriott Indianapolis Hotel and upcoming hotels include the JW Marriott Austin and the Washington Marriott Marquis hotel.

Moving to the limited-service markets in North America, we continue to see a gradual recovery. Our power brands in this segment, Courtyard and Residence Inn, remain compelling in terms of developer interest and we're finding high-value opportunities in major urban markets for these brands. At the same time, we are proactively growing all of our limited-service brands, including Fairfield Inn and Suites, SpringHill Suites, and TownePlace Suites in secondary and tertiary markets across North America.

We're also helping some owners by guaranteeing a portion of their construction loans. In the past year and a half, Marriott credit enhanced 16 deals to help accelerate their construction starts.

Finally, we're seeing a significant level of interest from owners of competitor brands seeking to upgrade the quality of the brands in their portfolio. In 2011, we approved 27 new limited-service franchise partners and, so far this year, we've approved another 30, giving us greater access to those secondary and tertiary markets.

Moving south, the Caribbean and Latin America region presents a number of opportunities for Marriott to expand our brand reach across the region's emerging economies. In fact, Marriott plans to have 30,000 rooms signed or opened in the region by 2017.

We are introducing our Courtyard and Fairfield brands to Latin America and working with local multi-unit partners, particularly in markets like Brazil, Mexico, and Colombia.

As Bob said, we're also adapting our limited-service prototypes to local taste to capture growing domestic demand and we're launching a Fairfield green hotel prototype in Brazil with the goal of having 50 managed hotels over the next decade.

I think our future growth in Mexico demonstrates how we're expanding our broad portfolio of brands into the region. By 2014, we expect to open a Ritz-Carlton Reserve, a JW Marriott, two Marriott Hotels, five Courtyards, and Fairfield Inn across Mexico.

We also see great opportunity for the Autograph Collection in the region. We have opened, or will open shortly, Autograph Collection hotels in the Virgin Islands, Costa Rica and Brazil.

Moving across the Atlantic, Marriott enjoys wide distribution in Europe with over 50,000 rooms as of the end of last year. We expect to have 80,000 rooms signed or opened by 2015.

We continue to grow our full-service brands across the region. Last year, we opened the Renaissance St. Pancras Hotel, pictured on the slide, and the first Ritz-Carlton hotel in Austria is scheduled to open later this summer in Vienna.

While we continue to seek to add hotels in gateway western European cities, like London and Paris, we also see great potential across Eastern Europe, particularly in Turkey, Russia and other former Soviet states. In Eastern Europe, we opened the JW Marriott Baku in Azerbaijan last month and opened two new Courtyards in Russia, in Moscow and Irkutsk at the end of last year.

We're also expanding the Autograph Collection across Europe very successfully, a market which features a wealth of high-value, unique independent hotels. We have nine Autograph Collection hotels open today, in cities like Madrid, Rome, Budapest, and Venice. And we've already signed six additional Autograph hotels in France, Italy, Portugal, and Spain.

To drive continued growth in Europe, we completed the AC Hotels transaction last year. Since the completion of that transaction, we opened an AC hotel in the Canary Islands in Spain. And we've signed AC Hotel deals in Nice and Juan les Pins in France. We continue to see strong interest in this brand across Europe.

As part of our continental reorganization, we created a new, distinct continent team for the Middle East and Africa. And we've also invested meaningfully in top talent. We are particularly excited to have Alex Kyriakidis join Marriott as the president of our Middle East and Africa region. Alex brings with him a wealth of experience, deep personal relationships and business acumen unrivaled in the region.

With the political unrest we've seen in recent months, some projects have certainly been delayed but fortunately, we've seen very little in terms of cancelled projects.

We have a strong development pipeline in the region, totaling 22 hotels and nearly 7,000 rooms. And we've celebrated some recent very high-profile openings. The Ritz-Carlton Riyadh Palace, pictured here; a Renaissance and Courtyard that recently opened in Doha; and the Al Bustan Palace, arguably the finest hotel in all of Oman.

We're also very pleased that the first tower of the 1,614-room, JW Marriott Marquis in Dubai is scheduled to open in the fourth quarter of this year. These high-profile openings help define our brand platforms across the Middle East.

Turning our attention to Africa, we see strong investor interest in new hotel development driven by the appeal of the continent's vast natural resources. We have 16 signed deals in Africa representing over 3,000 rooms and we now have two dedicated African development resources.

In both the Middle East and Africa, we are more focused today on our mid-tier brands. We are growing Courtyard and Residence Inn in the Middle East and in key African markets such as Algeria, Nigeria, and Angola.

Last but certainly not least, Asia Pacific. We are exceedingly bullish on the region and it's no coincidence that we're holding this meeting here in China.

Being in China also allows us to celebrate the extraordinary accomplishments of Colin Lin and his China development team, who signed a record 27 deals in China last year out of the Beijing office. I'm delighted that many of you had the chance to tour the city with Colin yesterday. Nobody understands this market better than Colin.

With 54 hotels and 17,000 rooms in our China pipeline, we are thrilled about the opportunities this dynamic market offers. We have a strong presence in the country with representation of our full-service brands in all of the primary markets. We are widely recognized by guests and owners alike, as a high-quality company that has consistently focused on the best products and the right locations for all of its brands.

Now is really the time to reap what we've sown and expand our footprint of Marriott's full-service brands into China's emerging secondary and tertiary markets. We all know that China's infrastructure has developed rapidly in recent years and there is a strong government push for growth outside the country's three traditional economic corridors. We are now seeing room rates improving in those corridors and we're targeting our development efforts accordingly. We also see significant opportunity to add new resort locations as Chinese domestic demand for these locations increases.

Moving to India, we're very excited to expand our offerings with a Fairfield platform designed specifically for the domestic Indian traveler. Although we only rolled out Fairfield at the beginning of the last year, we've already signed eight management contracts, all without the benefit of an open prototype in this market. And I think that's a testament to the confidence that the owner community has in our brands and our management expertise.

This last slide illustrates the results of our collective efforts. We expect powerful rooms growth across the globe over the next three years and plan to add between 90,000 and 105,000 rooms over that time.

The majority of our growth is outside of North America with Asia maybe being the most exciting region of all highlighted by China with 14 percent of our of estimated global growth or estimated global openings over that period. You'll hear much more about the great opportunities we see in Asia in just a few moments.

Lastly, I want to personally thank you all for making the trip to Beijing. It's a great opportunity for us to share with you our vision of Marriott's global growth momentum. And it's my distinct pleasure at this point to introduce Simon Cooper, our president and managing director of the Asia Pacific region.

Thank you.

Simon Cooper, President and Managing Director, Asia Pacific:

Thank you very much, Tony. And, again, welcome, everybody.

Hardly a day goes by when I am not surprised or reminded about the great rich history that we have in China. And this morning I was watching the BBC and they were talking about the new bell, the 23-ton bell, that is being forged for the opening of the Olympic Games. And this is the same forge that forged the bells for Big Ben and the Liberty Bell and they were talking about the forge has been in production in London for the last 400 years. And the commentator just added one line and said that bell-making began in China 3,000 years ago. Just a reminder of the history that we have here.

You've heard from Arne, Bob and Tony. And now, I am going to talk about how we execute Marriott's global strategy in Asia Pacific and particularly in China.

You'll find that our China strategy reflects the global strategy that Arne articulated. Our focus on the excellence of our locations, our products and our people. And I'll talk about how those three attributes have translated into preference for our brands. And, finally, we'll see how that preference translates into benefits for our global portfolio as Chinese travelers become a dominant force in international travel and the role that my team plays in establishing Marriott as the preferred brand for outbound Chinese travel.

We have the best portfolio distribution in the critical gateway cities of Shanghai, Hong Kong and Beijing. We lead the competition in the number of luxury and upper upscale hotels, as you can see on the slide here. Today, we have the broadest portfolios of luxury and upper upscale hotels.

This is Shanghai, where we've just opened the Marriott City Center which you can see tomorrow. It's our largest hotel in the city. It has 720 rooms and, as the name suggests, it is located in the heart of the city within walking distance of Nanjing Road and only a couple of blocks from the city government building.

We expect to open two more five-star hotels this year -- the Renaissance in Caohejing, which is a fast growing high-tech suburb and the Marriott Pudong East towards the airport.

Shanghai represents our largest concentration of hotels in Asia Pacific. And, as the global gateway to China, we're enthused by the fact that we continue to add luxury hotels in this key market. Including our Courtyards which are not on here, we'll operate 22 hotels in Shanghai in 2014.

Shanghai has clearly been the poster child for China's economic growth over the past two decades, culminating in the World Expo in 2010. And the city continues to be the economic hub and hosts many global sporting and cultural events. Later on, I'll show you the impressive RevPARs that we achieve in Shanghai.

In Hong Kong, we opened our first Asia hotel, the JW Marriott Hong Kong, in 1989. And this year, we're slated to add a 550-room Courtyard in Shatin. It will complement our existing Courtyard in Hong Kong central district.

In Hong Kong, we have more rooms than our competitors overall. And, again, we lead in luxury and upper upscale by a substantial margin. This market also has the highest barriers to entry of any greater China market and operates in the mid-80s occupancy year round. And the city enjoys the highest yields of any city throughout Asia Pacific. The RevPAR last year, according to Smith Travel, was $206. The next closest is Sydney at $160.

Hong Kong continues to be the travel hub for the region and the airport will be expanding by adding a third runway. And they have begun work on a bridge connecting Hong Kong and Macau.

In Beijing where we are and where you toured yesterday, we have more luxury and upper upscale rooms than any of our competition. The portfolio is excellent as many of you have seen. And we expect to add a new 200-room Marriott Executive Apartments, the Imperial Mansion, this summer.

This hotel, the Imperial Mansion, is five minutes walk from the Forbidden City and Tiananmen Square. And on the other side, kitty-corner on the west side of Tiananmen Square and the Great Hall of the People, we are scheduled to open a 400-room Marriott Central in 2013.

Beijing is a strong market with the lowest supply growth of all the major markets in China. The city has recovered well post-Olympics and demand is increasing.

While Paul Foskey will talk about our expansion into other key cities in China, we think it's very important that we have such compelling market leadership in the three most important gateways of greater China.

All of our hotels in greater China are full-service, upper upscale, all luxury hotels. And that contrasts with some of our major competitors, who have focused efforts in more moderate priced segments. And Paul will elaborate more on that in his session after mine.

It's one thing to have the largest portfolio. But it's enhanced when the products are truly representative of the strength of our brands.

The Ritz-Carlton Hong Kong has been open just over a year and, not only is it the highest hotel in the world, but it's also fast becoming an icon for the brand in Asia and globally. The lobby is on the 103rd floor and the most popular outdoor bar in Hong Kong -- yes, outdoor -- is on the 118th floor. It sits above the airport express and also above the high-speed rail station that is just being constructed, which is going to connect Hong Kong with Guangzhou and then high-speed rail into China.

Paul and I signed this deal in 2003 at really the beginning of Ritz-Carlton's Asia strategy, which I mentioned last night. And Paul will show how over the years, Ritz-Carlton clearly has a leadership position in luxury in Asia.

The hotel also has 90 floors of offices below with the major tenants being Ritz-Carlton's core customers, Deutsche Bank, Morgan Stanley and Credit Suisse. All these firms moved from central Hong Kong to the west Kowloon site at the ICC Tower.

Also, tonight you'll be at the Ritz-Carlton Pudong in Shanghai, which was named the number one hotel, as Laura mentioned, by readers of Conde Nast Traveler with a 99.4 percent rating; absolutely the first city hotel that has ever achieved this in its first year of operation.

And last month, we opened a new Ritz-Carlton resort in Okinawa and a Ritz-Carlton in Kyoto, Japan's spiritual capital, is well under construction.

Likewise, our JW Marriott brand has set new standards when the hotels opened in Hong Kong, Mumbai and Shanghai. And this has become a demanded brand by development partners. With iconic hotels in Hong Kong, Shanghai, Mumbai and Beijing, the brand is now extending to markets like Hangzhou and Shenzhen in China, pictured here. And we plan to open our next property, the JW Marriott in Zhengzhou shortly. We also have new JWs opening next year in Delhi airport, Hanoi and then, after that, Mumbai airport and Bangalore.

Our hotel in the city of Shenzhen is partnership with Jin Mao who also owns the Ritz-Carlton Sanya. And the JW Marriott in the city of Zhengzhou, pictured here, is in partnership with Greenland with whom we have two existing hotels and two Ritz-Carltons under development.

Our signature brand, Marriott Hotels & Resorts, continues to be the benchmark of our performance brands targeted at global frequent business travelers, as well as leisure travelers in the region.

I talked about our Shanghai new City Centre hotel and, also pictured here, is our Hong Kong SkyCity Hotel. It's at the Hong Kong airport and connected to the Asia World Expo. The new Hong Kong-Macau Bridge will also have an interchange at this hotel.

Our new Marriott in Osaka will be at the top of the tallest building in that city and a great addition to our network in Japan. Our Marriott brand was also one of the first resorts in Sanya eight years ago when the future of the destination was quite speculative. Paul will comment more on the growth of our distribution on Hainan Island. The brand garners strong preference among frequent business travelers in China.

Renaissance, as you have seen in this hotel, is delivering a compelling lifestyle product in Asia Pacific. Two of our most recent additions are our two stunning resorts, one in Phuket, Thailand, and the other pictured here in Sanya on China's tropical island of Hainan.

We've just embarked upon an advertising campaign in Asia Pacific to further improve recognition and preference for the brand.

The brand continues to expand successfully in the region and Paul will talk about our growth strategy.

Courtyard by Marriott, in China in particular, as you saw yesterday, is positioned as a four-star product usually with two restaurants and a club lounge to meet the demands of the domestic and international travelers in these markets. We're deploying the brand in suburbs as markets mature. In the cities in China, Courtyard is a great value, four-star full-service hotel. Paul will talk more about that in his presentation.

Marriott Executive Apartments is extremely popular in Asia with owners and customers. They run high occupancies, provide a service suite product. They serve both long-term stay guests on business, as well as leisure.

Tianjin in this photo is connected to the Renaissance Tianjin and Sandalwood is on the east side of Beijing and you might have passed it driving in from the airport. These products are excellent for individuals or families on assignment for whom living in the suburbs is not an option.

We believe we're the only global hotel brand deploying this kind of product in China and in Asia. And as I mentioned earlier, we'll be opening a new MEA, our Marriott Executive Apartments, in Beijing within a couple of hundred yards of the Forbidden City later on this year. This hotel will be particularly well-located for couples and families visiting Beijing on leisure.

Let me turn a little to food and beverage, which Bob mentioned. In Asia Pacific, food and beverage positions the hotel, not rooms. It's food and beverage that positions a hotel. Ballrooms and meeting space are critical for hosting meetings and large social events and, most importantly, it is a major profit component.

Food and beverage in the US is about 27 percent of property revenue, whereas in China and Asia Pacific, it’s about 37 percent of property revenue, with many hotels even exceeding 50 percent. Food quality and food safety have been a major focus in China and the quality and regularity of supply have improved to the point that China is probably is as good as any of the more mature markets such as the US or Europe.

Our Chinese restaurants are very successful. And the number of private rooms continues to expand with every new hotel and every new restaurant. Private rooms enhance guest satisfaction, loyalty and drive average checks higher.

Chinese cuisine is all about the chef. Ambiance is important, but food quality is what really makes the difference. Five years ago, we tended to create western restaurants that would serve some Chinese dishes. Today, we build Chinese restaurants that serve some western dishes. And banquets, especially weddings, which are primarily Chinese cuisine, are very important. We currently have 10 hotels with ballrooms larger than 10,000 square feet and 20 more signed in the pipeline, several with ballrooms that exceed 15,000 square feet.

Now, let's a little about the people. You've met many of our leaders last night and today. And the seven leaders on this slide have an average of 14 years with Marriott International. Henry unfortunately, as Laura mentioned, could not be with us because of a family emergency. However, he is being replaced by Franco who is also on this slide. Colin you should have met yesterday, who is our chief development officer. Yibing Mao is our senior VP and general counsel, who we introduced last night. Nan Wang is VP and assistant regional counsel, located in Beijing. Lawrence will be on our panel later and is our vice president of sales and marketing. Franco, who you met, is our vice president of North China and will step in on the panel later this morning. And Sandra heads up human resources for northern China and will also be on our panel.

Our entire development, legal and feasibility team are located in Beijing. They are all PRC nationals. And all of our Chinese legal team also have worked or studied in the United States. Yibing graduated Duke, Nan graduated McGill, and all of the lawyers working in our teams here have either had their education in the US or worked for large global firms in the US.

Our global sales office in China is also staffed 100 percent by PRC nationals, as is our reservation center. Nearly a third of our general managers in greater China are Chinese nationals and the average is 15 years with Marriott.

Recently, Marriott was selected as one of only 32 companies out of 900 as one of China's top employers. And we were the only hospitality company. Being a top employer in China not only talks to Marriott's “put people first” philosophy but also demonstrates how Marriott culture is truly global.

As labor becomes more constrained, which was something we heard last night from David Michael, and more costly in China, establishing Marriott as a preferred employer will be vital to our recruiting and retention efforts.

Marriott culture, history and values play very well in Chinese society. Recently, the Marriott family was touring Beijing and Shanghai. And just two weeks ago, Bill Marriott visited a number of our hotels in each city and he took time to meet with hundreds of associates. And his daughter, Debbie Harrison, ran sessions for our leaders in Hong Kong, Shanghai and Beijing on Marriott's core values and culture as part of Marriott's World of Opportunities initiative.

We expect to recruit 30,000 associates between now and the end of 2015. And having the reputation as being a best in class employer will help ensure that we find the best candidates.

The best locations, the best products and the best people has to translate into better business results.

And here you've seen the fruits of a growing preference for our brands. Our RevPAR index at the end of the first quarter stands at 136 while our index in Beijing is 122 and in Shanghai at 135. Perhaps it's counter-intuitive that we enjoy the highest premium in the market with the most Marriott products, but it reflects the revenue synergies that we're able to extract from multiple hotels in one market, something we perfected in America and it works here.

Premium revenues, coupled with Marriott's well-established business practices, enables us to deliver premium returns to our owners. Not only is our preference well-established, but so is loyalty. It's one thing to get guests to our doors, it's another thing to ensure that we meet or surpass their needs and, thus, establish their loyalty.

One of the key questions that we ask our customers, as well as those of our competitors, is whether or not they would definitely recommend their chosen brand. And as you can see, Marriott enjoys a meaningful loyalty premium.

These numbers are even higher among our Marriott Reward guests. Our Marriott Reward frequent business travelers are a particular focus. They are important guests and we want them to feel that way every interaction.

Today, 60 percent of our room nights are from Chinese domestic travelers. Over time, domestic demand has begun to replace international demand. Recently, the Global Business Travel Association forecasted that in 2013, Chinese business travel will reach $245 billion, that compares to the United States in 2013, which is forecasted at $233 billion.

As in the US and elsewhere in the world, we want to sell the way the customer wants to buy. OTAs are very important to the Chinese traveler. The biggest OTA is Ctrip at 41 percent of the market. In the most recent CAP research report on outbound luxury travel, Ctrip was favored by 64 percent of respondents with Mango City and Cuna trailing significantly behind. Ctrip was also trusted by nearly 40 percent of respondents, a number that was double that of their closest rival.

Marriott was the first international brand to have all of its hotels on real time XML connectivity with Ctrip. And recently, we announced a first for Marriott, by linking Marriott Rewards and Ctrip points, making them interchangeable in the same way that we do with 36 airlines around the world.

Our Marriott Rewards program has 38 million members worldwide. To this, we have now added 40 million additional Ctrip members, who are almost exclusively all PRC residents. Loyalty is something that Marriott rewards. In China two months ago, we passed the 1 millionth member in

our Marriott Rewards program. We expect to have a total of 4 million members in Asia Pacific by the end of this year. Growing a strong base of Marriott Rewards members in China has been a particular focus of my team. Many of these Rewards members travel abroad and we want our network of 3,700 hotels worldwide to be top of mind.

In many cities, like Shanghai, nearly 60 percent of our hotel guests are Marriott Reward members, while in the whole of China the percentage is 49. This kind of penetration is similar to rates that we achieve in more mature markets in the US.

The potential in the domestic market is very big. But we also see significant benefits to Marriott's global portfolio as Chinese travelers become the largest single-source market for international travel. World Travel and Tourism Council forecasted Greater China will spend $1.9 trillion on travel and tourism both domestic and international in 10 years time, exceeding the spend of Europe and the US.

Many potential outbound travelers get their first taste of Marriott within China when they visit one of our hotels. Interesting - I think David mentioned it last night - travel is the number two major expenditure after a home for Chinese travelers. They also spend 8 percent of their income on a trip. An example of Chinese travel would be the Maldives, a very high-rated destination, $572 was the average rate on the Maldives last year. China is the number one source market for the Maldives taken over from the UK. And the average spend of a Chinese traveler in the US is $6,243 which exceeds travelers from all other countries.

At 513 million, Chinas has twice as many Internet users as the US. And usage is distributed across all age groups. Nearly 90 percent, over 400 million, use social media, the world's most engaged online country. Explosive growth of this medium is partly credited to the fact that it's so much harder to censor social media. We're also very active on sites such as Renren, which is China's version of Facebook, and Sina Weibo, which is China's version of Twitter, targeting both customers and associates.

Chinese will soon be the number one language on the Internet and is the number one in terms of online shopping. And China, two weeks ago, announced they've just reached 1 billion mobile phones. We use social media to launch our new Chinese Marriott mobile app, which you see here. And China mobile has disproportionately high utilization rates to the United States.

Here are some other ways that we're using social media to recruit. Here we are showing a Marriott career blog. We also engage food bloggers to write about our restaurants, one of the ways that the hotels can use social media to create buzz in the local communities.

We stay connected with our Rewards members through social media. Our recent campaign here offered members the opportunity to reward their friends with prizes that they can share.

We're about to launch a partnership with Taobao, which is China's eBay equivalent with 80 percent of the B2C market share.

We want to take care of our Chinese travelers when they stay with Marriott abroad. Li Yu, translated as "to serve with courtesy", has been developed here in China by our team to deliver to the preferences of Chinese consumers when they travel the globe.

Chinese obviously are a key market for Europe and the USA. France is listed by 40 percent of luxury respondents as their number one destination, closely followed by the USA and Australia. Ctrip points out that 65 percent of their foreign travelers are individual travelers rather than group. And recently Ctrip launched a promotion for an around the world trip, 80 days over $200,000, and they sold out the trip in 17 seconds.

Clearly, Chinese travelers, whether nearby Tokyo or far way Miami, are going to be an increasingly more important market. And taking care of their preferences, like the ability to make tea in their room or watch news from China, will be a basic expectation.

One of our major goals here of my team is to establish a strong preference for our brands with Chinese business and leisure travelers. We want them to have a positive experience in our hotels in China, become Marriott Reward members, and then seek out our locations when they travel internationally.

In closing, I'm very proud to say that I think we have absolutely the best locations with outstanding upper upscale and luxury products. We benefit from Marriott's people-first foundation to create preference for our brands and better business results.

Now, I'm delighted to invite Paul Foskey to the stage. Paul has been heading up Marriott's development efforts in Asia Pacific for the last 12 years. He was partner as we grew Ritz-Carlton in this region. And, obviously, for the last 18 months, he and I had been working closely with this team to extend our footprint of quality hotels in Asia Pacific. Thank you very much.

Paul Foskey, Executive Vice President Hotel Development, Asia Pacific:

All right, thank you, Simon, and good morning, everyone. I know a lot of you have come a long way to get here, so we're honored to have you with us in China this week. It's a great opportunity for you to get to know our Asia team and see for yourself what we're doing on the ground in this dynamic market.

Marriott has a compelling growth story in Asia, and I'm excited to have this chance to tell you more about it. As Arne and Simon mentioned, we've accomplished a great deal since we entered Asia in 1989. Although we're very proud of our achievements, we're focused on the future and we're continuing to expand rapidly. At the end of the first quarter of this year, our pipeline stood at 29,000 rooms. That represents a 63 percent increase in just a little over a year.

Although China remains the largest component of our signed rooms, Marriott's growth has been strong across the board in Asia. And the other areas of the continent have all seen expanding pipelines since the end of 2010.

Our brands are in high-demand due to Marriott's great reputation in Asia and the impressive performance of our hotels. That comes from our distribution strategy, our quality orientation, our powerful loyalty programs and distribution systems and our deep understanding of the local consumer.

By the way, I should point out that we've still been at it since the end of March and another 3,000 rooms have been signed since then.

We currently deploy nine lodging brands here in Asia and there's strong owner interest in all of them. Because we work to expand our entire portfolio of brands, no single flag accounts for more than 30 percent of our open rooms. That's a much different position from some of our competitors, which tend to be oriented towards one brand.

Marriott's wide platform of great brands helps us to penetrate individual markets more effectively and build share rapidly. You saw this in Simon's coverage of Shanghai, Beijing and Hong Kong earlier.

Although it's a small portion of our pipeline today, we're thrilled with the recent introduction of Fairfield in India. In just a year and a half, we've already signed management deals totaling 1,200 keys and more projects are in the works.

We're also just starting with Autograph in Asia. With the interesting personality of its hotels and flexibility of design, we believe Autograph has the potential to be a strong competitor to IHG's made for China Hualuxe brand.

Many think the goal of hotel development is just about adding rooms. But Marriott's development effort is focused on creating long-term shareholder value, not just rooms growth. That's worth saying again because it's central to our approach. We're concentrating on long-term shareholder value, not just adding rooms.

The concept of value is, of course, very well understood in China. After all, China was one of the first countries to use money, and early coins looked something like this. As we think about hotel development, the value of our business is based on the right locations, the right owners, the right products and the right contract terms.

Let's start with location. Our hotels are very well-located because we carefully analyze every project and make sure to focus on the best sites in the right markets. We all know that location is fundamental to successful hotel performance, but there's a lot more to it than just that in China.

Here, location not only drives performance, it also establishes brand image. To be sure, prominence in China's major gateways brings disproportionately high exposure and brand credibility. That's especially true in the owner community where so much importance is placed on brand profile and quality.

Just as we've done with you this week, we routinely invite potential owners to Beijing or Shanghai where they can tour our hotels and understand our complete portfolio. Location is also about timing. This can be more art than science, but enter a market too late, and we've missed the best street corners and have to compete against entrenched players.

Many of our competitors face this situation in Shanghai and Beijing today, even some that started in Mainland China a decade or more ahead of us. Enter a market too early and you can't justify a quality product or the right level of service. That can have long-term negative consequences for a brand.

Ill-advised development isn't uncommon in China because owners in small markets can often be overeager to open with aspirational brands. And, sometimes, hotel companies anxious for rooms growth will comply.

We've had plenty of chances to open Marriott and Renaissance hotels in markets that we thought could barely support a Courtyard. But we believe those kinds of projects hurt our brand image and reduce our development potential in the long run.

We take great pride in the quality and design of our hotels. You saw some of our Beijing hotels yesterday and you'll visit our Shanghai properties tomorrow. I'm confident you'll agree that the quality of the product speaks for itself.

Working with the right owners is another critical factor, so we're careful about choosing our partners. As a result, Marriott's owners tend to be large companies that are committed to the hotel business. Because our hotels perform, they return to do more projects with us.

R&F, which is one of China's major property players, is a great example. They own six of our open and signed hotels, including this fabulous property. And we're now talking to them about even more hotels. Sun Hung Kai owns our Ritz-Carltons in Pudong and Hong Kong, two incredible hotels you've already heard a lot about today.

We always target owners that share our vision for quality products and long-term relationships. We're confident that our owners have the staying power to work through short-term challenges like today's environment of slowing GDP growth and government restrictions on residential real estate.

All of this gives us the ability to get excellent contract terms. Marriott's deals average over 20 years in length. We don't offer termination on sale provisions and we control operating and reserve accounts.

Some of our competitors offer shorter terms, various termination rights and/or give up control of important aspects of daily operation. For Marriott, long terms and better operating control help us to maintain market presence, build brand image and ensure that we actually receive the cash that we earn.

Let's take a look at some numbers to demonstrate. Here's some industry data for last year showing the top 10 RevPAR markets in green and the top five emerging markets in blue. You might be surprised that the average RevPAR for Mainland China in 2011 was $73. I want you to keep in mind these high-yield markets shown by the green bars as we move to the next slide in a moment.

There are plenty of other lodging markets in China that are not shown on this graph, all of which have progressively lower RevPARs. And that's where you're going to find a lot of our competition.

Our hotels, on the other hand, are concentrated in those green high-yield cities. Here, you can see how we stack up against our competitors in the top 10 RevPAR markets in terms of open luxury and upper upscale rooms. We lead where it counts -- in locations with the highest revenue potential and the best exposure.

And the revenue story is even better. On this slide, we can compare Marriott's share of open rooms and room revenue to a group of competitors including Accor, Hilton, Hyatt, IHG, Shangri-La and Starwood. At the end of the first quarter, our brands accounted for 15 percent of the rooms, but 23 percent of the revenue. As you can see, our revenue share has been steadily increasing over time.

All of this goes back to our distribution, which gives us more exposure to consumers with higher spending power. That supports not only our rooms, but also restaurants and banquet facilities. Higher revenue justifies better quality products. That drives customer preference and, over time, greater distribution.

By managing hotels with higher revenue, not surprisingly, we make more in fees. Here's an example. In terms of overall open rooms, ignoring city size and rate tiers, IHG is the current leader in China by a considerable margin.

Here, you can see that IHG's portfolio at the end of 2011 stood at almost 54,000 rooms. That's more than twice the size of Marriott's. But IHG's management fees for that same period were only $77 million compared to $61 million for us. That means, on a per room basis, our management fees were almost double IHG's.

We think this is even more impressive when you consider that IHG had a 14-year lead on us in Mainland China. Incidentally, at $61 million, China is our second highest fee generator behind the United States.

We've come a long way in a short time in China, but we believe the future is even brighter. Infrastructure and government policy are pushing westward. Domestic consumption power is increasing and the country's landscape is changing. Secondary and tertiary cities now have the potential for better rates and performance that wasn't there until recently. As a result, we are now driving expansion in those locations.

Last year alone, we signed deals in 30 different markets, so we expect to be open in nearly 40 Chinese cities by 2014. And we're entering those markets with fresh well-positioned products.

Ritz-Carlton is a great story for us in China. The brand is the clear upper luxury leader with at least one hotel in all five of China's largest cities and one in its biggest resort, Sanya. You've seen one of our two Ritz-Carlton Hotels here in Beijing; and you'll be staying in Pudong tonight. The RevPAR index for Ritz-Carlton in China was an amazing 161 last year. We opened Ritz-Carlton hotels in China's major markets way ahead of our key competitors.

Since then, we've been monitoring the next level of cities waiting for the right opportunity to introduce Ritz-Carlton in those markets. As described in the last slide, now is the time.

As a result, we've signed six new Ritz-Carlton projects in China over the past two years. One of these will be at the top of a 90-story building and another will be at the top of a 125-story tower. Both are being developed by Greenland, a major property group in China that Simon talked about earlier.

I should highlight that we looked at more than 20 Ritz-Carlton opportunities recently, but chose only the best cities, the best projects and the top owners. Why? It's important for us to not only add hotels, but to make sure that we continue to build on Ritz-Carlton's excellent brand image as we do so. And you need all the factors I just mentioned in order to open successful hotels that do just that. Growth just for growth's sake, for any brand, is a short-term strategy.

Leisure markets are a critical component of our China plan. We just announced a major deal with Galaxy Macau for two new hotels -- a 290-room Ritz-Carlton and a 1,050-room JW Marriott. Galaxy Macau is the highest quality facility in that market and is the only mega-resort clearly designed for Asian travelers. Some of our competitors have franchised their luxury brands in Macau. We have chosen to focus on management and the finest quality product. The difference in fee income is substantial.

Looking at Hainan, which is China's leading resort market, we have three open hotels including the world's most profitable Ritz-Carlton. Another four signed deals are under construction, and there are eight more signed letters of intent.

Sanya is Mainland China's strongest market, and the Ritz-Carlton Sanya is one of China's highest RevPAR hotels. It's owned by Jin Mao, an elite domestic developer that has two of our hotels and wants to do more with us.

Courtyard is another strong growth platform for us in China. Simon talked about the importance of food and beverage earlier, not just for revenue generation, but also for establishing the local reputation of the hotel. Our new Courtyard facilities are designed to capture this business and properly position the hotel in cities where F&B revenue could be half or more of total property revenue. We've signed 10 Courtyard deals in the last year and a half. And our signings in 2011 outpaced all of our competitors in this tier.

While this week's meeting is primarily focused on China, India remains a major component of our global portfolio and pipeline. The India pipeline has dramatically increased since the end of 2010 with 26 new signed deals. Today, we lead all major international operators in terms of managed rooms in India. While the economy has weakened recently, we still expect significant long-term growth and we remain bullish on the market.

We enjoy broad representation in India across 26 cities with seven different brands. Courtyard is very strong and represents seven of 15 open hotels and 15 of 40 signed deals.

Owners are enthusiastic about our Fairfield launch. And we're also continuing to see robust interest in our other brands. We recently signed brand-building EDITION and Ritz-Carlton deals in the national capital region, and both of these projects are already well under construction.

While the rest of Asia tends to be overshadowed by India and China, each country has its own story. And many of them are already benefiting from the boom in China's outbound travel. In South Korea, we're set to expand our leading position in Seoul, one of the world's highest barrier-to-entry markets.

To give you an idea, the JW Marriott shown here will be the first new-build upscale hotel in the central business district north of the Han River in 30 years when it opens next year.

In Japan, the two hotels that are widely considered to be the country's best are both ours -- the Ritz-Carlton Tokyo and the Ritz-Carlton Osaka. These two properties, which only have about 700 rooms between them, are expected to generate $225 million in total property revenues this year. We expect to build on that with the Ritz-Carlton Okinawa, which just opened two weeks ago.

And we're under construction, as Simon mentioned, in Kyoto with our fourth Ritz-Carlton in the country. Both of these projects, by the way, are management agreements. That's a rare commodity in a country where most owners demand either leases or franchises. The power of the Ritz-Carlton brand and its image in Japan give you us tremendous leverage. You can also see a shot of the Marriott Osaka here, which Simon referred to in his presentation.

To put the importance of South Korea and Japan in perspective, we're forecasting more than $25 million in fees this year from these two countries. That's almost 20 percent of our fees in Asia, with only 11 percent of the rooms.

Vietnam's two best hotels are both going to fly our flags. The JW Marriott Hanoi opens next year, and the Ritz-Carlton Saigon opens in 2015.

You probably heard about Vietnam's recent challenges of high inflation and low liquidity. Well, the owner of these two iconic hotels is one of the very few in Vietnam that has the financial strength and long-term vision to carry on building in that environment.

In Bali, we already have one of the highest RevPAR products on the island with the Bulgari Hotel. And we recently opened a great Courtyard that has been very well received in the market. We

expect to open the first Autograph in Asia later this year with a fantastic new project in the Kuta-Legian district, famous for its beaches, nightlife and surfing. On top of that, we've signed three other management agreements and four letters of intent in Bali.

In Jakarta, we expect to enhance our leading position with the addition of two new JW Marriott Hotels over the next three years.

And in Thailand, construction is under way on a spectacular new EDITION hotel in Bangkok that you see here, while three other hotels are nearly complete and set to open before year end.

Moving to Malaysia, the new Mulu Marriott will be in an ecotourism destination in a mountainous rainforest. Later this year, we will open a Renaissance in Johor Bahru, which is located right across the border from Singapore and is Malaysia's second largest city. We will be the only internationally operated hotel in that city when we open.

So, in looking at the overall numbers, we expect to open 24,000 to 28,000 rooms in the Asia Pacific region between the beginning of this year and 2014. That will take our total regional distribution to more 65,000 rooms.

Marriott's growth in Asia has always been about delivering quality projects in all key aspects -- product, location, contract terms, and owners. As you've seen here in Beijing, and heard this morning, that approach builds brands. And it delivers disproportionately high-value in fees. Our platform and reputation in China are strong. And we're leveraging these strengths as we move into new cities and introduce new brands and concepts -- always, when the timing is right for the market.

We are rapidly growing in India with high-quality products, and we're balanced across the rest of Asia.

Here in China and throughout the region, we're excited about the future and confident that our company is in the best possible position to capitalize on Asia's spectacular growth.

Thank you very much. The good news I have for you is that the schedule now calls for a 15-minute break. So we'd like to invite you to join us outside for coffee and light refreshments. And we'd appreciate it if you could be back in your seats by 9:35. Thank you.

[Break]

Laura Paugh, Senior Vice President Investor Relations:

Well, now we're going to do a bit of a deep dive on business in China. I'd like to introduce Craig Smith, chief operations officer for the Asia Pacific Region. He's been in the region for eight years and 24 years with Marriott. And I'll have Craig introduce his panelists. Craig?

PANELISTS:
Craig Smith, Executive Vice President and Chief Operations Officer, Asia Pacific Australia
Franco Io, Market Vice President, North China
Yibing Mao, Senior Vice President and Division General Counsel, Asia Pacific
Lawrence Ng, Vice President Sales and Marketing, Greater China
Sandra Ngan, Area Director of Human Resources, North China

Craig Smith: Thank you, Laura. I'm pleased to introduce our panelists today. Franco Io is our market vice president for North China. He is responsible for Beijing, Tianjin, and Chongqing markets. Franco has been with Marriott for 16 years.

Sandra Ngan is our area director of human resources for North China. She joined Marriott in 1993 and handles human capital planning, development, talent and mobility, company culture and hiring the associates to open our new hotels.

Lawrence Ng is a vice president of sales and marketing for Greater China. He's been with Marriott since 1995. Lawrence has extensive sales and revenue management experience throughout Asia and he is building a world-class sales and marketing organization here in China.

Yibing Mao is our senior vice president and division general council for Asia Pacific. With Marriott for over 16 years, she provides legal services to support hotel development and also operations.

So our panelists today are going to address some of the questions we heard yesterday on the property tours and last night throughout dinner. And we wanted to make sure that everyone in the room today, and those of you who are listening on the webcast, have a better understanding of our operations here in China, from the people on the ground who really make our success possible.

So for my first question, Franco, how is operating a hotel in China different from the US or Europe and what is your greatest challenge?

Franco Io: There are quite a few differences. I don't think we have all the time we need discuss them, but I will cite a few.

The Chinese customers in China, they expect highly personalized service, immediate response to their needs, and face recognition is extremely important. I'll give you an example in restaurant service.

Private dining room is very big and every time a Chinese customer entertains in the private dining room, a group of wait staff to be in the room is expected. Whereas, in the West, I'm not too sure how comfortable you would be to have a wait staff standing right behind while you dine.

Another one is the booking window in China is considerably shorter. 60 percent of our customers are Chinese based. For both transient and groups, the booking window is very, very short.

In the West, for example, if you plan a large-scale event, you possibly start planning three to six months out and maybe even a year out at times. Whereas in China, a request for 50, 70, up to 100 rooms or dinner for about a couple hundred people, you will get a lead time for about three to five days out - very, very short.

Another difference would be a corporate account accommodation contract. For example, IBM in the US, if you successfully negotiate with IBM, you find that you will become the official hotel supplier. Whereas in China, you sign a Chinese domestic national contract account, there's still going to be a lot of efforts that have to be taken by the local sales team to work with their offices locally in order to maintain a level of communication support to get the business that you need.

One of the biggest challenges that we face in China today is definitely finding the right talent and that's a challenge that's not just faced by the hotel industry, but by everybody who does business in China. And with that, maybe Sandra can talk about that a little bit more later on.

Craig Smith: OK. Well, let's go at that point, then. Sandra, Franco mentioned that finding the right talent is really the biggest challenge that we're facing here in China. So what do you see as Marriott's competitive advantage in the marketplace?

Sandra Ngan: The first and foremost competitive advantage of our company definitely is the company culture. Our founder, Mr. J.W. Marriott once said, "We need to take good care of our associates and our associates will take good care of the customer so that the customer will return again and again."

"Genuine care of the associate" has been the company motto for the past 85 years and it will continue. When we talk about taking care of associates, we are not saying that we just have to respect them as an individual and pay them competitive compensation and benefits. What's important to us is that we also look after them in terms of growth and the career development with the company.

Through these years in China in particular, we focus quite a lot in developing talent, especially local talent. I remember in year 2008 and actually before year 2008, we do not have one single PRC native Chinese general manager. But right now, in shortly four years, 2012, basically, one in every five general managers that we have in China are actually PRC native Chinese. And unlike some international hotel chain that like to put PRC local general managers in secondary or third tier cities or in some cases, in select services hotels only, in Marriott, opportunities are basically boundary-less.

We do have PRC general managers heading our JW Marriott brand, a luxurious brand hotel in Hangzhou, and the same individual actually is also the general manager of our Courtyard brand in the same city.

In Beijing, for example, we have 10 units here in Beijing. And among the 10 properties, we have two female local Chinese general managers. For these local Chinese general managers, they embrace the Marriott culture because they are homegrown. And together, they know the Chinese way of doing business.

Together with their language ability, they are able to communicate in local Chinese and it nurtures the relationship between our owners, our local customers, our associates, and also the community that we work together.

Besides the local GM talent that is a definite advantage and besides the company culture, one other thing that I have to say is our robust selection system. Together with our uncompromised commitment in training. What we believe in is that we want to hire attitude and train for skills.

Franco just mentioned Marriott is not only a hotel chain that expands greatly in China. We have a lot of international hotel chains. And other than hotel industry, other companies, multi-national companies, and domestic companies, they are expanding as well.

So honestly, it is a little bit difficult. It is actually quite difficult to find skilled talent. But one advantage we have is we have a full spectrum of training and development structure in place. So what we believe in is that we want to hire the right people. What do we mean by the right people for the hotel industry?

They must have the real passion and they must have a real sense of spirit to serve to the community and also to our customers. So, what we look for is that this quality and all of our HR leaders and hiring managers, they are well-trained and are certified before they can go and do interviews to select the right quality for us.

And then afterwards, when they are on board, then we put them with a lot of training and development opportunities. So we believe that these are the competitive advantages that we have in China.

Craig Smith: Thank you. So let's talk about another important stakeholder. Yibing, how would you characterize Marriott’s relationship with our owners?

Yibing Mao: I believe that we have an excellent relationship with our owners and that relationship is really built over a long period of working together, based the foundation of mutual trust and mutual respect. Let me explain that a little bit.

As you know then, it takes longer in this part of the world, particularly in China, for the owner to make a decision on selecting an operator. And you heard from Paul earlier that we are selective in terms of who we're doing business with as well.

So, it involves a lot of commercial discussions and contract negotiations and it involves the two teams working together throughout the design and construction phase. So, throughout this process, we really get to know each other, the two teams get to know each other really well. We learn about the owner's priorities, their goals, and their teams and they learn what's important for us. And, you know, our concerns for our guests, life and safety, and our brand standards, and how our procurement process works, how certain approval of the budget process works. So I think by the time when we open the hotel, they're really very little surprises. We all know each other quite well.

And we just work together with the ownership to achieve the highest profit we can possibly achieve and drive the cost down. And I think our interests are very much aligned in that respect. Of course, like any relationship, there are differences and different opinions arise over time.

And we remain to be very open and commercially reasonable and we listen to the owner and we address their concerns. And throughout this process, I think we generally work out our differences.

As you heard from the earlier presentations, then, a lot of our owners come back to do more hotels with us. I think that's a very good testament of how strong our relationships are in China.

Craig Smith: Thank you. Lawrence, let's talk about another stakeholder, the customer. Who is that customer in China and can you give us an insight in the difference in transient and group mix here in Greater China.

Lawrence Ng: Thank you, Craig. In fact, my favorite topic is to talk about the customer.

If you look at it today, approximately 70 percent of our customers are business transient, or we call them business travelers, 20 percent are group customers, which are made up of three different types of segments - government groups, leisure groups- and again, very important to us, is the meeting incentive and exhibition groups. And the remaining 10 percent are contract business, which is our airline crew business.

But if you look at the 70 percent of the business travelers today, (inaudible), 42 to 43 percent are special corporate customer. When I talk about special corporate customer, we refer to two types of companies -- one is the Marriott global corporations and partners and the other one is the Chinese national accounts.

And again, over the past years, you see the China government actually encourages lots of investment. So that creates a lot of jobs and leads to increasing wages. So the private consumption in China actually increases year-over-year. That also leads to a very interesting change in terms of nationality, in terms of a customer profile.

In the past years, we have a very high percentage of international travelers. And today, like Mr. Cooper shared with you earlier, 60 percent of travelers are Chinese nationality. And if we look at

full year 2011, the room nights in terms of source market, China is actually ranked number one producer, about 52 percent of our transient room night mix and it represents a 26 percent growth over 2010 full year.

And that's an interesting trend. It also reflected that not only we have international travelers, but we see a growth in terms of domestic travelers. But another exciting trend that we see today is these travelers are not only coming from the gateway cities like Shanghai, Beijing, Guangzhou, and Shenzhen. We see a tremendous growth in secondary and third tier cities. If you look at those cities today, 75 percent of all the travelers from those cities are Chinese travelers and the key three gateway cities in these second and tertiary cities include Nanjing, Chongqing and Hangzhou, which is very encouraging to us.

Craig Smith: Very good. Thank you. Franco, I want to ask you a question everybody is thinking. Are you seeing signs of an economic slowdown in the business here in China?

Franco Io: Well, across our markets in China, we see a strong growth in RevPAR and index. Year-to-date, we see a 13 percent increase in RevPAR. And for our hotels in the North China market, we continue to see strong demand in occupancy and good growth in rates. For our hotels in the East Coast and Central China markets, at the end of last year, even with all the new supply coming in, our occupancy was still growing.

We have seen a little softer demand from the finance and the banking sector, but some of the pockets of our market, however, is largely made up by the stronger demand from our Middle East and Indian markets. All in all, because of the strong domestic and international demand, we still see a strong growth in RevPAR and index.

And this year, being the Year of the Dragon, it's an auspicious year in China. So our catering business is doing very well because we have strong wedding demand and maybe Full Moon banquet is also in high demand. So our catering business is doing very well this year.

Thank you.

Craig Smith: Well, Sandra, big growth -- your job is to find associates. Talk to us a little bit about associate turnover and tell us what's happening with wages. Are they increasing rapidly?

Sandra Ngan: In terms of turnover, the industry market average for China last year is around 40, mid-40 percent. And Marriott China basically, we are 15 percent below the market average for last year. And when compared to our own statistic one year before, we have a 17 percent improvement on retention year-on-year versus the previous one year.

How we do that is basically through a lot of dedicated efforts that all our leaders at a property do. They spend a lot of quality time really discussing career progression with our associates, ladies and gentlemen. And also, at the same time, we share a lot of real-life story of how people grow up in the company.

And just to give you some data for reference, last year alone in China, we have 300 managers that received promotion or lateral career move. Over 300 of them. And among them, 25 percent of them, before last year, they were non-management associate.

It's through our training and development and we connect the dots in terms of the career path. So they did have a growth with the company. So that is very powerful.

And in terms of wage increase, on average last year, our wage increase is around 6 to 8 percent. It varies from city to city. And when we look at Beijing in particular, and when we compare our current salaries level to 2009, that is two years ago, there is an increase of 15 percent on wage percentage alone.

If you look at secondary cities like we have in Chongqing and Wuhan for example, these cities, they used to have a fairly low base salary. And the salary increments in those locations are actually much higher than the first tier cities. So what we see is that the wage level right now in secondary, third tier city and the gateway city, the gap is becoming closer and closer.

We spend a lot of effort in training and developing our associates, taking care of our associates, and it has been widely recognized within our community in the hotel. But also, I'm proud to say we are not only recognized internally, we are recognized externally as well.

And Marriott has been awarded as China's top employer for the year 2012. There are 900 entries. Nine hundred companies in China are going after this certification and eventually only 32 companies in all China will get accreditation. And Marriott, I'm proud to say, is the only hospitality company within the final 32 companies.

Craig Smith: Congratulations. Lawrence, what are we doing in the market -- make your market more appealing to the Chinese consumer?

Lawrence Ng: Yes. To make it more appealing to the Chinese travelers, I think that the first thing we need to identify, understand the characteristic of this emerging, or we call it the affluent Chinese travelers.

During the recent research, we identified several characteristics. Like most of the customers, recognition comes number one. In China, we call it "Guanxi" which means relationship. So all these customers are very focused on being recognized, being appreciated, and they have a relationship they can associate to a brand.

The other characteristics are very important to them, is again this group of customer. They are very much aligned to the experience. They would like to explore the opportunities to experience. The third one is, again, it's very important for them to reconnect to the family. Again, the family values are extremely important to the Chinese customer. And for personal, it's very important that also they need to fulfill their own health and well-being.

But the last characteristic, which is quite interesting is, again, this group of customers is actually looking for an experience to cultivate their own taste. So understanding all these characteristics, the way that we prepare and to promote or create a product that we can market as appealing to the customer, it's important that we need to put all this package element and the like into our promotional for a package element to make it more appealing to them.

For example, when we create a dining package, a spa package, these elements will reflect it and help them to reconnect to the family. It can fulfill their well-being. So again, this is very important that they will be able to associate their likes and dislikes.

So when we market our products, we do not just focus on the quality and the craftsmanship because these are all expected. But more important is that we are moving towards more interpersonal luxury and personal experience. Again, they have a hunger to share, to tell experiences to -- with their friends and families.

So in terms of marketing messages, it's also very important that we create it -- we call emotional attachment to create a desire to buy the brand. And that's also impacting the way that we market in terms of distribution or channels.

I'd like to share one great example today. We have an online shopping site called Taobao Wang. And Taobao Wang is actually very popular in China, especially Taobao Mall. And again, this is a new platform for Chinese customers to buy, explore, and also to identify products.

So recently, we worked with them and built a partnership to promote our hotels and our products, but also, moving forward, we want to work with them again to look into opportunities to create a custom page to promote our dining experience, to promote our spa experience, and also meeting and catering and banquet experience.

So all this exposure in terms of China, we would like to make full use of, so that we can reach and attract the customer based on the messaging or marketing opportunity that they related to, that they associate and that's appealing to them.

Craig Smith: Very good. Thank you. Franco, how do the Marriott brands help your hotels?

Franco Io: Well, most of our hotels are five-star rated by the Tourism Bureau and we have a very strong reputation in the market for delivering high-quality products as well as excellent service.

Wherever we do business, we are also highly involved with the local communities and, as a result, we have a very favorable reputation with local governing bodies, as well as the business communities, and which in return at times creates good word of mouth and to help us drive business and sometimes it also help us recruit talents in these markets.

Recently, back in February of this year, the Vice Premier of China, Vice Premier Xi Jinping traveled to the US on a US tour and stayed exclusively at Marriott Hotels. That was definitely a big win for us and it definitely enhanced our image and reputation in China.

Craig Smith: It's good PR. So, Lawrence, let's talk about Chinese character website, the mobile apps at Marriott.com.cn. And explain to us how the Chinese use the Internet and also use their mobile devices here.

Lawrence Ng: OK. So I think China has the largest Internet and mobile population today and basically, as Mr. Cooper said, we currently, we have 513 billion Internet users in China. And again, this number is amazing because it's actually more than a lot of population in many countries, including the United States, for example.

When we look at one billion mobile phones today, 90 percent of our business travelers actually own a smartphone. So in other words, we need to have a mobile presence. It's exciting that we launched our China mobile apps last year and, again, this provides a platform for the customer to continue to research and to learn more about our products globally, not only in China.

But again, if you look at recent research that we conducted, it's interesting to see that Chinese travelers, when they use Internet, whether it's through a personal computer or through a mobile phone, basically, they have three top key activities. The number one is online searching for news; number two is e-mail; and the third one is communicating or chatting.

So, you can see there's a huge desire for these Chinese travelers to search for new information, new experience, and also very important that they would like to be connected and also to be communicating. And because of that, it's important that we continue to drive through a multi-point strategy in terms of different channels.

But I'd like to share a bit more also in terms of the buying behavior today in Chinese travelers. Today, in China, in terms of travel arrangement, only 15 percent are managed travel, which is rather different from the United States or any parts of the world.

In other words, the Chinese travelers, they actually, when they plan their travel, they like to go through a lot of different channels including, for example, an online travel agent, like Ctrip or Cuna for example, we talked about earlier; search engine, Baidu, for example; and of course, the hotel and the airline website. But today, when we look at the buying behavior, the Chinese customer tends to buy through a lot of online travel agency, for example, rather than the supplier website.

So again, when we're talking about a multi-point strategy in terms of the e-commerce strategy is important, so in some way actually looking at three areas. One, of course, are a direct channel. It's very important that we continue to leverage our Marriott.com.cn to drive preference and bookings through our own channel. And the other one is the refer site, referral site referring to search engine and social media.

Again, when we talk about social media, it's very China-centric today. Facebook, Twitter, and YouTube, basically, is non-existent in China, but we do have a China solution today, so it's important that we continue to explore those channels to reach, to attract, and also to convert those travelers up through this Internet world.

And the last one which is very important, and also from the revenues perspective is very important, is the indirect channel, which means the OTA, the online travel agent, including Ctrip, Cuna, Elong, and Mango City, for example.

Craig Smith: OK. So let's hold for a second there. You mentioned the online travel agents, and I understand Ctrip is one of the biggest players in China. Can you tell us about Marriott's relationship with Ctrip?

Lawrence Ng: Ctrip, again, they have about 41 percent of the revenue share in the market. By far, they are the largest OTA in China. Back in 2010, October, we are very excited that Marriott and Ctrip have signed a global distribution agreement. That certainly gave us a huge competitive advantage, and we see gains in terms of revenue and room nights year-over-year.

The recent wins -- if you look at year to date up to October, Ctrip produced about 14 percent of the room nights into our hotels, not only in China, but in the region. It represents 32 percent more revenue over last year, and also indicated an average daily rate growth of 16 percent, so it's absolutely encouraging.

Moving forward, again, on this wonderful partnership. We have two exclusive partnerships that Mr. Cooper actually shared a bit earlier. One is the direct connect between Ctrip and Marriott reservation system, which allows the Ctrip customer to book direct through the system to our 3,700 hotels worldwide.

The second one is the Marriott Rewards partnership. And again, this is extremely important because Marriott Rewards members today can start to earn Ctrip reward points. At the same time it also allows and provides a great platform for Ctrip loyal customer to sign up for Marriott Rewards. So when we look at these two initiatives, this is absolutely a win scenario. The reason is we're putting two very powerful engines together.

One, Marriott has a very qualified distribution channel to drive additional business. And again, when we look at Ctrip, majority of them are domestic travelers, so it allow us to penetrate even more and service a customer globally. On the other hand, we have about 40 million registered Ctrip members we can also provide a platform for Marriott Rewards. So it certainly gave us competitive advantage in the marketplace and also to build on that success because of that global partnership. So we're very excited it.

Craig Smith: So partnership with Ctrip are with direct connect and also with Marriott Rewards. Thank you.

Let's change gears a little bit. Yibing, how is negotiating a contract different in China than in other parts of the world?

Yibing Mao: Our contracts itself, actually, are not that different, but how we conduct negotiations in China are very different. Let me just highlight a few key differences. First and foremost, the

majority of our owners in China are not institutional real estate investors. They are typically established themselves in other industries and then move into the hotel industry.

And because of that, we tend to spend a lot of time explaining the third-party management business model and we spend a lot of time going through our contracts and explaining to them why certain provisions are provided that way and what the duties and responsibilities, obligations of each of the parties are.

The second difference is really building relationship is very important. I think I alluded to in my earlier discussions. In China, the way of doing business is you make friends first and then you do business second. So it's very rare for people to first meet and then just launch right into business. That's sort of frowned upon and you don't build a relationship that way. You make friends first.

So, there are a lot of face-to-face meetings and interactions, and there are a lot of, if you will, entertainment, lunches, and dinners. It may seem to be entertainment. It's actually an extension of your business negotiation. You choose certain topics to discuss only at meal time where you share a meal. For example, if you need to smooth over some bridges that, you know, you had with the owners in the negotiations, or if there's a particular task point you want to bring up, you actually tend to bring up in those kinds of settings.

And the third difference, I must say, is the way we adjust our negotiation styles to suit the unique Chinese cultural aspect. Let me explain. Many of you have heard "Mian" or "giving face" is a very important element in both social and business interaction in China. For example, in a business negotiation, if the most senior person in that team brings up a point, which you don't think you could accept, but you give that person face not to embarrass the person in front of his team, you don't reject outright. It depends on the nature of the comments, of course. What you do is you find a solution while it appears to be addressing the point, but you don't concede entirely.

So it's a bit of art than science. And there are other cultural characteristics. For example, you may be the most sought-after hotel company, the most established hotel company, and you know that you are wanted, but you don't assert yourself overly because you know it, they know it. So you need to appear to be humble because humble earns you trust and respect.

And also, if you win a point, you also need to make sure you provide a graceful way for the other parties to back down. I can go on and the list goes on. A lot of these things seem to be silly or frivolous if you're coming from a western cultural background, but in China these are very important in a negotiation towards building relationship.

I must say, I'm constantly amazed that despite the similarities and globalization bring the countries together, the East and West are still vastly different when it comes to negotiation approaches.

Craig Smith: So does the legal system in China protect your contracts?

Yibing Mao: I believe it does. As you all know, China in the past 20 years has made great strides in terms of developing its legal system. We now have a very comprehensive body of law dealing with

commercial transactions. So most of our contracts in China are governed by Chinese law and we find that quite adequate. There are, of course, challenges. For example, Chinese law is based on a civil law system that court cases are not given the respect by the later cases, so interpretation of law is something that everybody faces.

But I don't think that's unique to China. I think that's probably the difference between a civil law system versus a common law system. That's why we spend a lot of time and effort, I think you heard it from earlier presentations, focusing on negotiating really good contracts and protect our interests.

And our contracts also require that if there is any dispute, the disputes are resolved by arbitration, typically, in Hong Kong or Singapore. Of course, when that award is granted, we have to take them back to China to enforce them.

That's why we also spend a lot of time during the early stage to do our business and legal due diligence. We need to make sure the partner that we're dealing with in China, our owners, have a good reputation, they share a similar philosophy in terms of honoring their contractual commitments and they also have substantial assets to back up that commitment.

From the historical experience, I must say that we've been very lucky over all these years. We have been able to work out our differences with owners. We never really had to go through arbitration to resolve our differences.

That being said, if we have to go down that path, I'm very confident that will work out as the contracts intended to.

Craig Smith: So you have civil law in China and common law in the other parts of the world. What do you when you're looking for an attorney, the staff on your team?

Yibing Mao: All of our attorneys that are negotiating contracts in China and supporting the operations team in China, they all are born and raised in China, like myself, and we're all educated through the legal system here in China and also overseas. And we have also worked in the major law firms.

So I think, that sort of gives us the understanding of how our contracts are drafted, which is really from a common law perspective, and we adopt them to China under the Chinese legal system.

Craig Smith: So your team is really ambidextrous in some ways? OK. Very good.

Franco, you mentioned Year of the Dragon. Your catering business is up because the Year of the Dragon, which we've taken note of and will change your budget towards the end of the year. But when we think about food and beverage and the importance of trends, can you explain to us how is it different. What's happening here in China?

Franco Io: Well, I think first of all, as Yibing was saying with all that contract negotiations, that I think our food and beverage businesses is going to get even stronger.

Food and beverage is a very important component to our revenue and profit. In some hotels, actually, the food and beverage revenue is actually even higher than rooms revenue. In most of our hotels, we will have three restaurants in addition to our banquet facilities.

If you look at cities like Beijing and Shanghai, food and beverage trend is definitely very important. Last year, the Nobu opened at the JW Beijing and that's pretty much a testament to that.

You talked about trend, right?

Craig Smith: Yes. Your trends in Northern China, tell us about other parts of China now.

Franco Io: OK. Well, again, Beijing and Shanghai is very, very important. And I just mentioned that Nobu opened up in JW Beijing. But in southern part of China, where the authenticity and the freshness of ingredients, that takes paramount more than anything else, so it's a little bit different.

I will say, the success to our company lies in the strength that we are highly adaptive to where we do business and, as we indicated, to the local markets, so food and beverage are very, very important to us.

Craig Smith: That's important and it's different and in different parts of the country then?

Franco Io: Absolutely.

Craig Smith: Great. Thank you.

Sandra, I'm glad I don't have your job because after listening Paul Foskey's speech and hearing about the great growth that he and his team have done for the region, you're going to need to staff all these jobs. How are you going to do that?

Sandra Ngan: I know this question will come. And I know this is why I'm here to have my job. Marriott is opening -- we're expecting to open basically, one hotel each month for the coming three years. So putting the right people in the right place at the right time has always been a company focus and it will continue to be the company focus.

As I mentioned in the previous question, one of the definite competitive advantage that we have is the company culture, so it exists for the past 85 years, and then we are very confident that it will continue to have the Marriott culture in our hotel.

And one way of doing that is to make sure that we promote from within. We promote people that believe in the Marriott core values. We take care of one another. We spend a lot of dedicated time in training and development and talking about the career progress with our associate. This is very important.

We don't have any magic. But what makes us different, what makes us successful is we do the basics consistently. So we have the culture as the backbone. As I share with you that we have a lot of local leaders and we are still continuing to develop a lot of local leaders who know the Chinese culture, who know the Marriott culture, who know the language, who know the ways of doing business here. This is one thing.

For all the pre-opening projects that we have, we consistently maintain to fill all those managerial positions with no less than 50 percent of homegrown Marriott talent. So that is very critical and important for us to maintain the culture and also maintain the consistency that we have in different brands that we operate. So that's one thing.

And also at the same time, we have to attract talent to join our groups. We have in place, referral and networking systems. We all know that in China we have single-child policy and like every parent in the world, we want the best for our child.

So I remember one time, I have a conversation with one of the room attendants here in Beijing and this is what she mentioned to me. She has only one son and she is so passionate and she is so determined that, "Sandra, I'm telling you, I want my son to join Marriott after he graduates from school next year."

So it says a lot, not only with the workforce that we're working with. They can influence people around them to join us because they know this is the right company to work for. So that is also a very strong source for us to recruit talent.

We need a lot of new blood, so we also work on some connections with generation Y. We are using social media, not only to engage the customer, we are also using the social media to reach out to the generation Y as well.

Early this year, we have already launched our Marriott career blocks in Chinese in China. And also, we have launched our Marriott page on Weibo, that is the Chinese version of Twitter as well.

So through this interactive platform, so we are able to share what it is like working in Marriott. Currently, what we are doing is that we are rolling out a video context, so every associate working in China, they can see the video then they can put it on the Weibo and then we let the general public vote -- how is it like working in Marriott?

These are real-life example. So through showing them the world of opportunities that we have ahead of them in Marriott, we basically arouse quite a lot of interest inquiring with us, how can I join Marriott? What career development plan do you have? What we call Voyage program, that is the management development program, that you have that we can step our foot inside of Marriott?

So we see quite a success in that area. And also, when we talk about the young generation -- collaboration with school is very, very important. We have very good networks, not only in China but around the globe.

We have one team of global university relations team back in headquarters. So what they focus on doing is we have a lot of Chinese student studying overseas. So after they study overseas, after they do internship in different countries around the world, we have a system to bring them back to Marriott in China so that we can make use of their overseas exposure. We can make use of their English proficiency and then we can make use of the knowledge about the Chinese culture bringing back to China, so that is very important.

And not only relying on the global team, in China alone, we work very closely with 70 colleges. Just take one, for example, we have the Beijing Hospitality Institute here in Beijing. This is the only four-year bachelor program that is recognized by Ministry of Education and at the same time has academic certification from EHL Lausanne in Switzerland. That is the famous hotel school.

For this school Marriott's collaboration with this BHI is three times larger in scale and intensity than compared to the collaboration with Starwood, for example. So this basically, show us and ensure that we have steady and quality supplies of fresh blood joining Marriott and we are very confident that we can cope with the Marriott growth in China.

Craig Smith: Good. Thank you. Last question. Franco, what are you the most excited about?

Franco Io: Oh. What am I not excited about, put it this way? We're very excited about everything. We're very excited about the growth. Over the next three years, we're going to 25 new destinations, including locations like Inner Mongolia, Harbin, and Xian.

With this growth, we'll be creating opportunities, creating jobs for people and creating opportunities for people in the business. And at the same time, we will be strengthening our portfolio and the image of our brands. So I'm very, very excited about all of this.

Craig Smith: Thank you.

Franco Io: Thank you.

Craig Smith: Well, thank you all for joining us today. Thank you for giving us some of your insight into China. And thank you also for your hard efforts in making us successful here in this part of the world.

Next up, I would like to introduce you to Carl Berquist, who is our chief financial officer for Marriott International. Carl?

Carl Berquist, Executive Vice President and Chief Financial Officer:

Thanks, Craig. Well, good morning. Wake up a little bit. It's great to see all of you here in China. Now, as much as we collectively talk about the growth here, and the growth opportunities in China, there is nothing quite like seeing it in person.

Our speakers today have described our company's strategy and competitive advantages across the spectrum, from operations to development. Now, I'm going to combine all this information into a financial model.

Today, we're a pure play lodging company with an attractive business model. We are focused on growing a superior brand portfolio with long-term, high-quality contracts resulting in strong free cash flow, high return on invested capital and meaningful earnings growth. We believe this strategy creates considerable shareholder value.

Now, as we've done in previous investor conferences, we're going to present what our future could look like under different scenarios. Our model assumes comparable worldwide systemwide compounded RevPAR growth of 6 and 8 percent through 2014. And as Arne said, basically extending our 2012 global RevPAR outlook for the next two years. Please remember that our RevPAR assumptions are just that - assumptions, not forecasts. Global economic and political uncertainty makes global RevPAR forecasts beyond 2012 quite speculative.

Now, while our overall global RevPAR growth is assumed to average 6 and 8 percent, we've also assumed that RevPAR in certain regions of the world would vary a bit from that range, with the Caribbean, Latin America, and Asia Pacific regions a bit higher and Europe and the Middle East a bit below the range. Given the high absolute occupancy levels today, we would expect the vast majority of RevPAR improvement in North America over this period will be coming from higher room rates.

We expect our system size will increase at a compound growth rate of 3.5 to 4 percent through 2014. This is consistent with gross room additions growing at 4.5 to 5.5 percent annually and room deletions running 1 to 1.5 percent each year.

Now this model does not include the impact of our planned acquisition of the Gaylord brand. I'll speak to that impact of that transaction later in my presentation.

These fundamental assumptions drive the range of potential results in the model that's going to follow. Incidentally, in your appendix in your book, it shows you the numbers that are summarized on these slides.

Now, as many of you know, if we manage a hotel, we receive a base management fee, shown here in tan. Base fees are typically a percentage of a hotel's total revenue, including revenues from rooms, food and beverage, ancillary revenues such as meetings, spas, and other amenities.

When we franchise a hotel, we receive a franchise fee, shown here in orange, and generally calculated as a percentage of room revenue.

Finally, we earn a license fee from our timeshare brands. The blue bar on this graph represents the license fee from our timeshare brands, which reflects a $50 million fixed payment plus a percentage of the contract sales. In total, we provided a placeholder of roughly $65 million in timeshare license fees in 2014. On our P&L, these fees are included in the franchise fee line.

Now, base and franchise fees have little downside risk, but increase over time with both RevPAR improvement and unit growth. Based on our two RevPAR assumptions, we estimate such fees will increase 9 to 11 percent compounded annually to reach about $1.4 to $1.5 billion on a worldwide basis in 2014.

For incentive fees, it helps to first look at North America. Incentive fees in North America are typically 15 to 25 percent of hotel cash flow after an owner priority is paid. Owner priorities are typically 10 to 12 percent of invested capital in the hotel and, in most cases, are calculated on individual properties or on groups of properties. While owner priorities are not adjusted for inflation, they do increase with incremental capital invested in the hotel.

From year-end 2007 through 2009, we experienced a significant decline in property revenue and, combined with the inflationary cost increases, a much larger decline in hotel profit. As most hotels in North America were unable to achieve their owner priority in 2009, incentive fees declined considerably.

Now, while RevPAR improved by 2011, it still was not sufficiently strong for hotel profits to reach owner priority for most managed hotels in North America.

With continued improvement in RevPAR, we believe incentive fees from our North American hotels should reach $145 to $165 million by 2014, given these RevPAR assumptions.

While this is tremendous growth, it’s not quite back to the 2007 levels for a couple of reasons.

First, RevPAR and profit growth is uneven across markets. For example, while Washington, DC remains a terrific market for the long term, its recent RevPAR and incentive fee growth has lagged other markets.

Second, while incentive fees from our full-service hotels should show impressive growth, we expect our limited-service hotels, shown here in orange, will recover at a more modest pace. In many cases, owners have invested additional capital for renovations and repositionings of hotels, which has increased their owner priority. As Bob discussed in his remarks earlier, capital investment is a significant positive to brand quality and long-term profitability. The trade off, of course, is that it reduces incentive fee upside in the short term.

Further, expenses are up, such as the cost of high-speed Internet access. And since most of our company-managed limited-service hotels are in large portfolios, they either all earn an incentive fee or none of them do.

Incidentally, the significant recovery of full-service incentive fees shown here is largely associated with hotels that are paying fees today. While we expect more hotels to earn incentive fees by 2014, we expect the incentive fee contribution from these "new payers" will be modest.

In total, these fees for all brands in North America could grow at 32 to 38 percent compounded annually through 2014.

Outside North America, incentive fees held up much better through the recent recession. This is largely because hotel management agreements in Asia and the Middle East typically do not include an owner priority. Our model implies international incentive fees grow by 17 to 22 percent compounded annually by 2014.

So, on a worldwide basis, for 2014, the RevPAR scenarios imply incentive management fees to grow to a total of $355 to $405 million, back to the 2007 levels.

Returning to 2007 level incentive fees is good news. It's also worth noting that once we reach those levels, our fees will be less volatile than in the past. In 2007, only one-third of our fees came from international hotels. In 2014, we expect roughly 60 percent to come from markets outside North America. Given that many of these international management agreements have no owner priority, this shifting mix implies less volatility for our profits going forward.

Our total fee revenue in 2014 should also be more stable. Base and franchise fees should make up about 80 percent of our total fee revenue in 2014. As a result, our revenues should be relatively less exposed to hotel profit cycles.

Further, with continued unit expansion into new markets, the greater geographic diversity of our fees should also provide better protection from individual market risk.

So, on a worldwide basis, the total fees could reach about $1.8 to $.9 billion by 2014, an 11 to 14 percent compounded annual growth rate from 2011 levels and well above our 2007 actuals.

Now, for those of you with a different RevPAR assumption, we estimate that in 2014, one point of RevPAR in either direction and consistent across the portfolio will be worth approximately $20 million in total fees. A change of one point of revenue for all three years would be worth about $60 million in fees by 2014.

OK, moving down the income statement. This chart shows our owned, leased and other corporate revenues, net of direct expenses.

Branding fees, shown by the tan bar, are largely associated with our affinity credit card, although, we also earn branding fees from the sale of real estate developed by others. By the way, we don't

take any credit risk with the affinity credit card, and these fees showed very little volatility from year to year.

The orange bar includes income from our owned and leased hotels, which we expect should benefit substantially from improving RevPAR and profit margins.

Today, we own six hotels and we lease another 43 properties. The most significant properties from a profit perspective are located in Tokyo, Germany, London, and St. Thomas. Over time, we may buy or develop hotels, own them for a short time, and then sell them subject to management agreements. So, while we're willing to take real estate exposure for strategic reasons, to enter important markets or develop new brand platforms, we do not intend to permanently own real estate.

For our existing owned and leased hotel portfolio, keep in mind that one point of RevPAR improvement is approximately $5 million per year. And over three years combined, that would total roughly $15 million by 2014.

Looking ahead, our scenarios imply owned, leased, and other revenue, net of expenses, could increase 6 to 12 percent compounded annually.

General, administrative and other expenses include costs associated with brand development, new hotel development, contract cost amortization, technology platforms and general overhead.

Looking ahead, we expect to leverage the investments we've made in our global management structure and continental offices, as well as our operating systems and technology, to help control costs as we continue to grow globally. With a compound growth rate of roughly 4 percent, we assume G&A will total approximately $720 million by 2014 under either RevPAR scenario.

So, here we have summed total revenue, excluding cost reimbursements, and operating income for the company for each year. These charts assume that the timeshare spin-off occurred on January 1, 2010, so the 2007 bars include revenue and operating income from our timeshare business. We've broken those out in green.

As you can see, our operating margins reflect a significant operating leverage in our management and franchise business, as well as the favorable impact of the timeshare spin-off. By 2014, as a result of fee growth and significant operating leverage, our operating margins could improve to 41 to 43 percent.

Given these RevPAR growth assumptions, operating income could increase 16 to 20 percent compounded annually from 2011 adjusted levels.

Now, this slide is particularly exciting. Under these RevPAR scenarios, EBITDA could total $1.5 to $1.7 billion by 2014, a 15 to 19 percent compound annual growth rate from the 2011 levels.

And as you heard from Tony, our strong capital structure helps fuel this growth.

Our objective is to maintain a strong investment grade credit rating, which we characterize as BBB. We've targeted this rating to establish the right balance between a low cost of debt and sufficient leverage to enhance returns.

The substantial investment capacity gives us the flexibility to invest in hotel deals, buy hotels outright, or pursue strategic investments. It also allows us to return considerable amounts of cash to shareholders through dividends and share repurchase.

Now, while numerous credit statistics are used by the agencies to determine a credit rating, probably the most common measure is adjusted debt to adjusted EBITDAR. Among other things, debts adjusted for our operating leases, as well as a reserve for potential future guarantee fundings. EBITDAR is adjusted for the operating leases, as well as some other items.

Based on our discussions with our credit rating agencies, we believe a three to three and a quarter times coverage level is consistent with a BBB rating and we are managing to that level. Given the coverage target, we believe we are appropriately leveraged today.

Given our anticipated cash flows using the two RevPAR scenarios, we estimate we could borrow an incremental $1.7 to $2.1 billion from year-end 2011 to 2014, giving us $3.8 billion to a little over $4 billion of total debt at year-end of 2014. You'll find a summary of the balance sheet in your appendix in the back of your book.

Now, this growth in debt reflects our intent to use our borrowing capacity to drive growth. We intend to invest in our business, recycle investments, and return our excess capacity to shareholders consistent with this targeted credit rating.

Our estimated debt levels in 2014 assume roughly $1.2 billion of outstanding commercial paper. And given our credit strength, we would expect to fund the balance of the increase with new senior note issuances.

Finishing up the P&L, interest income should rise modestly as we make loans to support new unit growth. Interest expense should increase with higher amounts of forecasted debt and higher interest rates.

Joint venture performance should improve for the stronger RevPAR environment. And we assume our booked tax rate will be approximately 33 percent.

So, all in all, as you can see on the bottom line, net income could range between $745 and $835 million, depending on the strength of the RevPAR environment. This implies a 16 to 21 percent compound annual growth rate over that three-year time horizon.

So, now let's turn our attention to cash. While Marriott's recovering earnings are certainly compelling, cash from operations should be even more impressive. Net income for 2012 to 2014 combined is expected to total around $1.9 billion to a little over $2 billion.

Given the assumed capital investment, depreciation and amortization could total $500 million for those three years. We estimate a favorable $400 million adjustment for cash taxes and $300 million in operating profit adjustments reflecting primarily non-cash compensation and non-cash interest expense. Marriott Rewards also generates cash flow as new members accrue points faster than they redeem them.

In total, net cash from operations could reach $3.6 to $3.8 billion over that three-year horizon.

As I mentioned earlier, we're committed to recycling capital through asset sales and loan repayments. Over the three years and assuming this level of investment, we estimate such recycling could generate $800 million to $1 billion.

In total, this means we expect to have around $4.4 billion to $4.8 billion in cash flow over the next three years available for investment. We assume investments total $2.6 to $2.8 billion, leaving free cash flow of $1.8 to $2 billion.

And our investment philosophy hasn't changed. We'll continue to focus on growing our management and franchise business which typically requires only modest capital investment by us.

As Tony pointed out earlier, when an opportunity is attractive, we may buy an existing hotel or develop a new property. Our motivation behind these real estate purchases is to ultimately obtain the management agreement , enter a strategic market, and/or enhance growth prospects for a brand. Our recent purchases of the Clock Tower in New York, Berners in London, and the Seville in Miami Beach are examples of capital accelerating development of the EDITION brand.

Capital recycling also remains an important part of our strategy. In fact, we've recycled nearly $2 billion in the past decade just from selling hotels alone that we own. So, on those occasions when we buy or develop a hotel, we also consider at that time the prospects for the sale of the property.

Of course, we remain focused on value. We do not make investments for unit growth purposes or targets. We make investments to drive shareholder value. All investments go through a very rigorous financial review.

Given the strength of this strong cash flow, over these three years we expect to invest in our business and increase our absolute leverage while maintaining a strong investment grade rating. This should keep our cost of capital low.

So, what are we going to invest in? We assume that we're going to invest somewhere between $2.6 and $2.8 billion over the next three years. We expect roughly three quarters of that investment will benefit new unit development, which is the $2 billion dollars that Tony referenced earlier in his presentation. Now, this might take the form of property development or acquisition, key money, joint venture investments, or mezz loans.

This plan assumes roughly 15 percent of our investments through 2014 will benefit existing units. This is largely renovations and upgrades to owned and leased properties.

We've assumed we'll spend around 9 percent on corporate and internal systems. These investments include replacing and updating existing technology systems and hardware, and enhancing or opening new back-office locations as we expand around the world.

The pie chart on the right models the form these investments might take. In the aggregate, we assume roughly two-thirds of these investments will take the form of capital expenditures. Of course, some of that will be spent on new systems and corporate or maintenance capex. We've assumed about 11 percent here. The remainder of the capital expenditures would include, among other things, as yet unidentified property acquisitions or even a small chain acquisition. It also includes the build-out costs related to the three company-developed EDITION hotels.

We expect about 30 percent of our investments will take the form of either note advances or contract acquisition costs. This would be largely associated with our new unit development. And a small portion will be associated with joint venture investments.

Now of this $2.6 to $2.8 billion, we assume about two-thirds is going to be recycled over time. As I mentioned earlier, over the three-year period alone, we would expect to recycle $800 million to $1 billion of investments.

Now, one note of caution regarding this analysis. It's very difficult to forecast investment spending three years into the future. These are guidelines at best. As of today, less than 50 percent of these investments are committed. Obviously, both the amount and nature of specific investments is going to depend on the opportunities presented and the timing of those opportunities. If we spend less, we have the flexibility to return more to our shareholders through share repurchase or dividends. If we identify more opportunities for investment, share repurchase could be lower.

You know, our business model is very comforting. If the global economy produces worldwide RevPAR lower than this model, we have a proven track record of flexibility in pulling back on capital expenditures and share repurchase as needed.

So here's the question we love to answer - what do we do with this considerable excess cash?

Starting with our free cash flow of about $1.8 to $2 billion you saw in the previous slide, if we maintain a three to three and a quarter times adjusted debt to adjusted EBITDAR ratio, as I mentioned earlier, we expect to have the capacity to borrow another $1.7 to $2.1 billion.

Proceeds from the issuance of common stock associated with compensation plans and other items will give us another $500 to $600 million of additional cash. That gives us anywhere from $4 to $4.7 billion of cash during the period 2012 to 2014 to either return to shareholders or use for opportunistic investments, such as the agreement we recently announced with Gaylord. That's pretty impressive.

Now for purposes of this model, we are assuming that, combined over the next three years, $500 to $600 million is going to be paid out in dividends. This is consistent with our historical payout ratio of 25 to 30 percent, which our Board assesses on an ongoing basis.

Assuming we spend the remaining $3.5 to $4.1 billion on share repurchase, our share count could drop from about 486 million diluted shares as of year-end 2004 to a range of 293 million to 304 million shares, depending on the RevPAR assumption and the stock price. By 2014, that equates to a nearly 40 percent decline in shares over the 10-year period.

Our return on invested capital improves dramatically, largely due to the spin-off of our timeshare business. Going forward, the strengthening RevPAR and margins, attractive investments and recycled capital, our pretax return on invested capital could reach the mid to high 30's by 2014.

Given these assumptions, 2014 diluted EPS could range between $2.45 and $2.85, depending on your RevPAR assumption. This translates to a compounded annual growth rate of 23 to 30 percent over 2011 adjusted EPS. And then on top of that, we would expect the Gaylord deal to add about two cents to 2014 EPS.

You know, just 18 months ago, we gathered in New York City and presented a model for 2013. Today, we look to 2014 to continue to see very significant growth opportunities and meaningful cash flow. Our model is working.

We prepared these scenarios for 2014 at a very high level, so we will share with you our 2013 outlook in February after we complete our budget process at the end of the year. So, to be clear, we will not be providing guidance for 2013 this coming August -- October, I'm sorry. We won't do it in August either.

But this much we do know. Despite some global economic uncertainty, we are very bullish about our prospects and excited about the road ahead for us at Marriott.

Now I'd like to invite my colleges to join me in addressing your questions.

Thank you.

<u>Question and Answer Session:</u>

Laura Paugh: So for the Q&A today, we have joining us at the panel, Arne Sorenson, Bob McCarthy, Tony Capuano, Simon Cooper, Paul Foskey, Carl Berquist and I'll moderate the questions.

We're taking questions from the Internet, so if you're listening in on the Internet, it's only 11:00 p.m., so I'm sure you're still awake. Send us some questions, we'd love to hear what you're thinking.

For those of you who are in the room, if you'd wait for the microphone, I'm sure the people listening in on the webcast would like to hear your voice and hear your question.

So maybe we'll start with one off the Internet and then we'll proceed to the audience.

I guess we'll start with Arne. Arne, why don't you make returning cash to shareholders your first priority?

Arne Sorenson: We have talked for years about what do we do with the cash that we generate. And I think it's sort of textbook finance, but if we can invest in our business and create value, that's what we believe we're paid to do.

So, that means fundamentally looking at discounted cash flows, risk adjusted, looking at our cost of capital. And if our investments that are available drive returns, which are in excess of our cost of capital when risk adjusted, we're creating value.

We don't create value by returning capital to our shareholders. All we're doing is returning capital to our shareholders.

So we have said that, in theory, if we find enough value creating investments, we will use our capacity to invest in growing our business.

We have not found sufficient opportunities in the past decades to consume all the capacity that we have. And, as a consequence, we have steadily returned capital to our shareholders. As you can tell from what Carl just took you through, we would anticipate that that will continue to be the case between now and the end of the 2014. And though we didn't go beyond that, there's no reason to believe it wouldn't continue beyond that.

Laura Paugh: Any questions from the audience?

Question: We hear a lot about (inaudible) products, (inaudible) pipeline and I was wondering if you could tell (inaudible). And I do have a follow up question about Ctrip.

Simon Cooper: As far as the major cities, we continue to run extremely good occupancies, increasing average rate. You saw the graphic of our RevPAR penetration in those cities and certainly, if you were to look at gross domestic product in China, it continues to be, primarily, all on the Eastern Seaboard. Although obviously, the central government is trying to move further West and Southwest, especially.

But as I said, we're experiencing good occupancies, good growth and average rate and continue to really have premium results in the key cities.

Do you have a question on Ctrip?

Question: Yes. (inaudible) is there any kind of margin that you (risk) or that you (inaudible) primarily (inaudible) any point in time, (inaudible)? And then also on your competitors (inaudible)?

Simon Cooper: Certainly, anybody operating hotels in China would want to partner with Ctrip as in America, you'd want to probably partner with Expedia or Orbitz, et cetera.

One of the points, I think, that was made by the panel is that about 85 percent of business travel in China, is unmanaged. In other words, the traveler is not required to stay at a certain hotel, like you would typically have in the US. It would be the other way around; 85 percent of US business travel, approximately, is managed.

So the consumers have a lot of choices. They are going to Ctrip today, or to Taobao or to Cuna, to exercise those choices and they're using those channels. And, you know, obviously, those channels are adapting. If you take Ctrip, I think up until about two years ago, they were almost exclusively phone interaction. It was a single percentage was on the Internet. That's obviously changing, so they're adapting to the consumers.

But at the present time, as we pointed out, they are 41 percent of the OTA market, a key partner for us. Our competitors are obviously working with them, but nobody has the direct connect and nobody has the relationship that we've just created with Marriott Rewards and Ctrip points. That's totally exclusive.

Question: I think you (inaudible) outlook. (inaudible) data posted, do you include those in 2014? Certainly I've heard of (inaudible). (inaudible) stationary markets (inaudible) getting there, how you accomplish that?

Carl Berquist: That's a good question. You know, as we've built out over the last couple of years our infrastructure, what we see as we move into the next several years is the opportunity to leverage that infrastructure that we've put in place. So as we've rolled out across all the continents, the new structure and in effect, decentralize some of that.

Now we look as we continue to grow, we can leverage that structure. We also leverage some of the systems we put in place over the last couple of years to get that benefit of continuing to grow without growing the G&A at the same pace.

It is an ongoing battle, though with inflation and also as you grow your business. And there's a need to continue to develop your product and continue to try new things and all that, and that does put pressure on G&A. But if we stay disciplined, we hopefully can find things to offset that.

So it is a challenge. It is aggressive, I would say, 4 percent, but we believe we can hold it in that place.

Question: Probably a question for Carl and Arne…First, do you put it (inaudible) GDP in corporate (inaudible) come a time (inaudible) what you are seeing in Europe operationally offset by (inaudible)?

Carl Berquist: On the GDP, that's one of the variables we consider. Not the only one, obviously, as we go through and look at RevPAR. And I just want to remind you again, these are assumptions, not forecasts relative to RevPAR.

But with that said, we're assuming GDP continues the way it is now. Probably Europe a little lower earlier on with a little of improvement and then maybe in Asia Pacific, maybe just a tad slower in the out years. But pretty much what it is now. It's like I said, a smaller slowdown with Europe with some improvement by 2014.

Arne Sorenson: Yeah, with respect to Europe, we'll obviously update the current trends when we come out with our second quarter results.

I think for now, the best thing to sort of keep in mind is Europe has a number of different kinds of demand drivers that are supporting it. So if you look at London and Paris and some of these global destinations, they continue to be pretty strong performers because of global travel trends. And so you think about the trends that we talked about here this morning with Chinese travelers and Brazilian travelers and American travels, for that matter, I suspect we'll continue to see those markets which perform differently from the local economies.

But when you get to places like provincial UK or you get to some of the German markets, they're going to be driven by the economic activity there. So you would expect it to be weaker as Europe is weak and it will strengthen only as Europe strengthens.

Laura Paugh: We have a question on the Internet. The question on the Internet is, you have plenty of very strong brands right now at all price points. Why do you spend money and effort to develop new brands? I guess that's a question for both Bob and for Tony.

Tony Capuano: Well I think you heard Bob in his remarks about M&A activity talk about three types of transactions or three types of objectives we hope to achieve with new brand platforms.

One, if we see an opportunity to add a brand platform that we think is a big growth driver for us, Autograph would be a recent example. Second would be an AC-like transaction that allows us to meaningfully improve our distribution in a market where we are underrepresented. And the third would be a Gaylord-like transaction, piggybacking on Carl's earlier comment that allows us to take advantage of the size and scope of the infrastructure we've built to date.

Bob McCarthy: I would just add to that, that not only do consumers have different trip purposes, needs and budgets, but so do companies worldwide. So if you look at the array of brands we have from Fairfield on up to Ritz-Carlton, we can take care of any trip purpose or any budget that people may have.

And so if you look at the long-term play, we should be able to get a bigger share of wallet global travel. And it's evidenced by us running 40 to 50 percent. It varies a little bit by brand, but when you think about one out of every two room nights being a Marriott Rewards player in Marriott hotels and you think about new brands like Autograph within the first 18 months driving that kind of penetration, it means there's a market there and there is an unmet need that we're filling.

Question: You mentioned that (inaudible) investments (inaudible) now. I was just wondering if you compare that to previous cycles and how much of the overall cost (inaudible) of the (inaudible)?

Tony Capuano: Well, I'm not sure I necessarily said we're doing more equity investment outside of the EDITION deals. Obviously, those are company developed projects and that's $600 million of the $2 billion that I described in the plan.

We are selectively equity investors. The same sort of guiding principles around recyclability apply. A recent example would be to accelerate the role out of Fairfield in India, we took a 30 percent stake in a joint venture that is driving Fairfield growth across India.

In terms of sliver equity, we tend to try to look for alternative ways to participate simply because small slivers of equity are particularly difficult to try and recycle.

Question: What was the financial contribution of the EDITION properties to your P&L in 2014?

Carl Berquist: I think as you look at the EDITION properties, the three that we're developing, they will not have any material effect. It'll be insignificant. The hotels will just be opening in mid to late 2013, two of them. Clock Tower won't open until probably the end or later than 2014. So we wouldn't expect to have a lot of profit contribution from those three hotels in 2014.

Question: A couple of questions on China. What is the profitability to the owners look like today? Maybe you can compare it to what we're seeing in the states. So after all your fees, what are the owners getting these days?

And the second question is, and I think Felicia touched on Ctrip, but what is the commission that you're paying there? Compare that to what we're seeing in some of US-based OTAs?

Laura Paugh: Paul, you want to take the first question?

Paul Foskey: Yeah. I think if you look at profitability to owners, on a net basis, it's a bit difficult for us to calculate because we don't always get a full set of financial information from the owners on their investment. Particularly given the large number of hotels that are part of mixed use complexes, which probably comprises 90 percent or more of the deals we're doing.

However, the margins that we deliver at the operating level in China are strong. We've talked a lot today about the importance of food and beverage. Not only is food and beverage a high

percentage, relatively speaking, compared to the US, of total revenue, food and beverage is also a very profitable department in hotels in China and in this part of the world.

So our operating margins in China tend to be actually higher than our operating margins in the US, even with a higher percentage of food and beverage on the top line.

Simon Cooper: The commission structures in China are very similar to those in the US and we have a preferred structure with Ctrip.

Question: Coming back to the use of cash. I think there are a number of public equity hotel groups that trade at significantly lower PE and EV/EBITDA multiples than you do. What puts you off, if anything, from making a more significant acquisition?

Arne Sorenson: Well, I think it's not just a question of EPS accretion, but it's a question of value and the question of impacted growth rate and strategy that all need to be factored in.

I think when you look at the Gaylord transaction as an example, we paid about eight times, maybe eight and half times first full year fees. That's obviously accretive to us compared to where we're trading and so you can see that accretion.

But more fundamentally, what we were really looking at was the prospective growth of those fee streams and how expensive that was compared to our cost to capital. And we liked that long-term story. We liked the strategic fit. We liked the value that was being created.

You can hypothesize a number of different potential targets, but basically for all of them, we would say, what is the inherent growth rate in that business that we'd be looking at? How does it connect to our business? Where can we really deliver value? And accretion might be one of the factors we looked at, but it would certainly not be the most important.

And your question really kind of elevates almost to one of singular concern. I think when you get really to big companies and say, you know, how would you look at acquiring a company that has half a dozen brands or some number of brands with many owners, we're probably competing in many of those markets. We'd have to think about, do you actually build them into the Rewards program? Can you put them on the same reservations platform? Can you use the same sales forces?

And I think increasingly you find that the bigger those targets get, the harder it is to simply conclude that, yes, you can get that same economy of scale.

Laura Paugh: Another question from the Internet. Simon, how important does your organization perceive the Foreign Corrupt Practices Act and how do you manage that?

Simon Cooper: We see it as very important. All of our leaders are trained on it extensively. We are obviously well aware of the impact that the actors had on other companies so we are on guard all of the time. And it's a very important part of our training for all leaders and all of our associates

who potentially interact, obviously with customers, day in, day out. So very much part of our training here and our DNA.

Question: So we're here in China and we've seen some great product. How should we be thinking about the fee contribution from China to Marriott in 2014 and, long term, how big of a fee contribution do you think China can be?

Carl Berquist: I think right now, China is our second largest fee earning country, second only to the United States. As you saw from the presentations, the market here is continuing to grow at a very rapid rate. We would expect that ratio to continue that way, but we're growing all over the world as Tony showed you. We continue to grow all over the world. We're in 70-some countries today. We'll be in over 100 countries probably in the next several years.

So I think we'll continue to have a diversified fee portfolio, but I think that China will continue to be a very large part of that and continue to be in the top 1 or 2 in our fee revenue.

Question: OK, and a follow-up. Aside from EDITION, what are the other brands and geographies in which you expect to invest the $2 billion in new unit investment that you spoke of over the next three years?

Tony Capuano: I think we look to invest to help either fill strategic gaps in our distribution or to accelerate a platform that we think has lots of potential. So EDITION would be an example of the latter. In terms of the former, I think AC is a good example, where we saw years and years of challenges of trying to grow organically in a market like Spain. AC immediately made us, I think the second most well-distributed brand in that country.

You heard from Paul and Simon. To date, there has not been meaningful demand for operator capital in the Asia Pacific market, so I don't think it would be there. I think you'll continue to see us selectively use balance sheet capacity to accelerate construction starts in select-service in the Americas. You could see us make investments like what we did in India; taking a minority equity stake in a JV to accelerate the rollout of that platform.

And I think that's the other issue. Of the $2 billion in the plan, a little over a billion dollars of that is unidentified. Carl talked at length about the flexibility of our model. As markets emerge, as markets strengthen, as segments in the industry become opportunistic for us, that unidentified capital in the plan gives us flexibility to invest aggressively.

Laura Paugh: We have another Internet question for Arne. According to your proxy, management incentives are largely based on EPS. Does that encourage share repurchase strategies over dividend payments and has the Board considered changing that?

Arne Sorensen: We have a regular dialog with the Board about compensation measures and compensation mix. EPS has been one of the principal measures, but certainly not the only one for a significant period of time, which shouldn't be too surprising. Because I think most people think

our stock is highly correlated to the earnings we're delivering annually, and so there's a, I think, pretty powerful reason why that's one of our compensation tools.

The question would suggest that, is EPS too manipulable, maybe, because of share repurchases. And I think when you look at an annual EPS target and the impact of in-the-year-for-the-year share repurchasing on EPS, it's not really that powerful. Now, obviously, that can depend on where the stock is trading and what kind of multiple it's trading at, but generally, we would not be able to drive a substantial impact on EPS through purchases in that year. So I don't really think there's much danger of that. But this is obviously an area where we continue to have conversation and, undoubtedly, we'll continue to make adjustments, as we have many years in the past, and in the years ahead.

Laura Paugh: We have one more from the web. Arne, we've talked a lot about visa reform over the years. To the extent that the travel business is successful in making visas easier to obtain, what are the implications for Marriott, in particular?

Arne Sorensen: Well we've used the phrase, we're at a new golden age of travel and you can hear it in some of the statistics I used in my comments. But whether you're looking at it from only an American perspective, where we talked about going from 60 million inbound annual visits to 100 over the course of the rest of this decade, that's massive growth.

And you think about 40 million incremental annual visits and the powerful impact that could have on an industry, which in the United States is only 5 million rooms. 40 million people coming, staying often for as much as a week. That's 280 million nights. Now, to be fair, not everybody's going to stay in a hotel room, so you can't necessarily count that. But at the same time, you're going to have much more significant visitation to the most attractive destinations in the United States. We're obviously a big player in the United States, so we'll benefit from that.

But the same trends are at work in Europe. The great European destinations are of broad interest. You look at places like Macau and Thailand and others and you could see from Paul's presentation, the growth that's available there. We're generally in the places where people want to go and, I think generally, this new age of travel is going to benefit us everywhere and will be potentially very profound.

Question: You said that you're going to move into the middle tier here in China. Can you outline how far along you are and what the obstacles are to growing in the middle tier here?

Paul Foskey: Sure. That's an area that we have been continuously monitoring over the last several years and at the moment there are really, we think two obstacles that concern us. The first is the majority of the activity in that middle economy tier has really been from local groups that, at the end of the day, are essentially real estate companies. That's been a real estate play and the vast majority of their income has come out of property leases, which is obviously not consistent with our model.

The second issue has been that room rates in that sector are low and historically have been low. So what we're looking at is waiting for those rates and the market to continue to evolve, pick up, grow and mature, and we think it's only a matter of time, but there will be a significant opportunity in that segment of the market and it's something that we're focused on continuously.

Question: Could you talk a little bit about DC? Obviously, RevPAR growth has been lackluster, but it obviously remains one of the most important markets in the US. It was one of the markets that came back the first, in terms of back to 2007 levels. What other markets are close to being back to 2007 levels as of the end of 2012?

Arne Sorensen: Generally, the markets in the United States are all close to 2007 levels; at least in terms of top line revenue. I think we will see, certainly – well, there's no certainty. I should be careful. But in all likelihood, we will see in 2013 that most markets in the US are back to peak RevPAR levels.

The margins will lag behind that a bit, because we've got to not only get back to the same revenue levels, but we've got to cover the wage and benefit growth that has continued since 2007. But I think 2014, 2015, likelihood we'll be back to the same margin level as well.

Question: Thanks and then a follow-up question for Simon. If you were to sort of sum up everything that's going on in the Asian market at the moment, what do you think Marriott is seeing or doing that competitors are not?

Simon Cooper: Well, first off, we've shown you how we are totally focused on full-service and luxury hotels at the present time. Every hotel we have in China is a full-service hotel, upper upscale or luxury. I think the other thing is probably the battleground over the next few years in China is going to be people.

China reaches its maximum labor force in 2015, and as you heard last night from David Michael, we are going to be seeing challenges in terms of the availability of labor and we have been seeing cost increases. So I think it's going to be critical for us, as you heard from Sandra and our panel, to really be able to attract the best leaders, the best associates, provide them with long-term careers in Marriott, and really be focused on productivity in our hotels.

So I think that getting the best leaders, using our strong Marriott culture to retain and have lower turnover than our competition is going to be absolutely critical over the next few years.

Question: Question on the food and beverage in China. Do you think that's sustainable longer term? And maybe in cities which are seeing a more mature restaurant scene evolve, food and beverage in hotels might diminish somewhat? I don't know if there's any precedent or examples you can share.

Simon Cooper: I absolutely think so. The amazing thing is, as you go into other cities, food and beverage is often even more important than it would be in a Shanghai or Beijing, where you have

options. There are obviously more restaurants available in Shanghai outside of hotels than there would be if you go into a secondary or tertiary city.

So food and beverage is really important in these secondary and tertiary towns. And if we go in, we fully expect that a Marriott product or a JW Marriott product or even a Courtyard is going to be the social center of that city. And we will definitely be having two or three restaurants. And again, size of ballrooms and the ability to host major events, both in terms of meetings and in terms of social events, are really important.

It's a very profitable side of our business, but more importantly, it's one that the customer expects. They don't expect you to build a hotel in any town in China and just focus on transient business and provide a breakfast. They expect you to have ballrooms. They expect you to have Chinese restaurants. They expect you to have food and beverage choices.

Arne Sorensen: I think you could look at Hong Kong as a market which sort of proves the sustainability of the high F&B. So there's a market that has had thousands of freestanding restaurant alternatives for many, many years and the hotels still do great F&B business.

It's competitive, to be sure. You've got to make sure you've got concepts which are attractive to folks. But whether it's Sunday brunch or dinners or weddings or other functions, it's still a powerful piece of business for places like Hong Kong.

Paul Foskey: I mean just to add to Arne's comments and Simon's comments, food and beverage in China is such a deeply rooted part of the local culture here that we're convinced that this is here to stay. We've had some very, very difficult negotiations over the years, working with owners on various contracts. But I can tell you from almost 20 years of experience being here, it is unthinkable that you would ever skip a meal or that an owner would ever send you to the airport after a two-day negotiation session, no matter how difficult it is, without having had a meal together.

And as Yibing was mentioning during her discussion as well, a lot of business is just conducted over dinner. It's the way it's done here. So you have to look at the fundamental cultural element of the whole food and beverage scene here and that gives us a lot of confidence.

Laura Paugh: Other questions from the audience? OK. Well I'd like to, first of all, say thank you to our speakers. You did a fantastic job and I know you put a lot of work and effort into this. I'd also like to thank the team back in Washington, Laura Pearce, Betsy Dahm, Joan Lynch, and particularly Leeny Oberg's team, who put a lot of these numbers together.

It takes a village to do an analyst meeting. We also had a lot of people in Beijing and Shanghai working on this. Franco Io, who I know a lot of you met already and was on the panel, Silvio Rosenberger, you'll see in Shanghai, Kate Poon, who came and helped us from Hong Kong, and Noel Merainer, who worked on a lot of these presentations.

I'd also like to thank Hans Loontiens and his staff here at the Renaissance, who frankly did an outstanding job.

Arne Sorensen: And thank you to Laura Paugh, too.

Laura Paugh: Thank you. So be sure to check out. Be sure to pick up lunch. The buses leave for the train at 1:00 pm. Don't be late. And most of all, thank you so much for coming. Thank you.

--END--