



The Marcus

experience



The Marcus Corporation

2011

**ANNUAL
REPORT**



Gregory S. Marcus
President and
Chief Executive Officer

**We remain
financially strong
and want to put our
capital to work.**

DEAR SHAREHOLDERS,

Our experience in fiscal 2011 was a combination of achievements and positioning for the future, with a few challenges thrown in for good measure. We were very pleased with the continued improvement in the performance of Marcus Hotels & Resorts. Revenue per available room (RevPAR) increased 10.4 percent over the prior year and we once again outperformed our industry peer group. The average daily rate increased in the last two quarters of the year after two years of declines — another sign of the positive momentum in the lodging business.

For Marcus Theatres®, however, fiscal 2011 was considerably more difficult. The year was marked by a disappointing film slate that was not even remotely comparable to last year's steady stream of hit pictures led by *Avatar*, the top-grossing movie of all time. This highlights the fact that movie theatres are heavily dependent on the Hollywood film studios. But with new pictures released every week, the numbers can quickly change, as evidenced by the strong start to the summer film season generated by the record-breaking opening weekend of *Harry Potter and the Deathly Hallows: Part 2*. We are optimistic that this is the beginning of a better year for Marcus Theatres.

For fiscal 2011, the solid gains of Marcus Hotels were simply not enough to compensate for the impact of the weak film slate at Marcus Theatres. Revenues for fiscal 2011 were \$377.0 million, compared to \$379.1 million last year. Operating income was \$33.5 million, compared to \$36.2 million in the prior year. Net earnings were \$13.6 million or \$0.46 per diluted common share for fiscal 2011, compared to earnings of \$16.1 million or \$0.54 per diluted common share the year before.

We remain financially strong — a reflection of our conservative philosophies, significant real estate assets and focus on the long term. Our debt to total capitalization ratio was 39 percent at the end of the fiscal year. We also had \$111 million in available credit lines at year end, along with a \$150 million shelf registration on file with the SEC.

We want to put that capital to work.

GROWTH THROUGH EXPERIENCE

At Marcus Hotels, we are focused on maximizing what we see as our three main asset categories. The first category is the properties we own. The second is the cash flow these properties generate. And the third asset category is what we call our “intellectual capital” — the knowledge and experience we have gained over many years in the lodging business by investing our own capital and managing properties for others.

To help maximize that intellectual capital even further, this summer we announced the formation of MHR Capital. While we are often viewed as a third-party manager, the reality is that for many years, we have been investing in and managing our own hotel and resort assets and joint ventures. We believe that separating and emphasizing our well established investing skill set through the creation of MHR Capital will enable us to further build our hotel investment business.

We are constantly looking for growth opportunities that leverage the full range of services we can bring to our own lodging investments, as well as to hotel owners and developers across the country. We have a compelling story. Our experienced management team is built to deliver results. We can help owners drive revenues and improve performance through our centralized reservation system, direct sales and marketing programs, branded food and beverage concepts, and in-house services such as accounting, legal, IT and human resources. It's a complete package of services built around our nearly 50 years of hotel experience and specifically designed to meet the needs of hotel owners in today's industry environment.

Marcus Theatres is also investing in its future. Our deployment of digital cinema across the circuit is expected to be completed by the end of calendar 2011. In addition to brighter and sharper images, digital cinema will also give us the flexibility to schedule more presentations of live and recorded alternate programming and to increase the number of 3D screens in our circuit. Enhancing the guest experience also includes the continued expansion of successful food and beverage concepts and creating exciting entertainment destinations that attract movie-goers and diners alike.

Shareholders

EVERY DAY, WE CREATE MEMORABLE EXPERIENCES FOR OUR GUESTS.

BUILDING ON OUR EXPERIENCE

Because we own the vast majority of our hotel and movie theatre locations, we often refer to real estate as the third leg of our business. Our real estate ownership, availability of capital and entrepreneurial roots are all coming together in a proposed open-air fashion mall in Brookfield, Wisconsin, that will be anchored by the first Von Maur department store in the state.

The way this unique opportunity came about is an interesting story. When we opened our new Majestic Theatre in Brookfield several years ago, we closed two nearby locations. One site sold quickly for a gain of \$5.1 million, but then the downturn hit. So here we were, sitting on what has been described as the best piece of commercial real estate in the entire metropolitan Milwaukee market.

Now it's on to the next 75 years and executing on our strategies to create long-term value for our shareholders.

We saw this as an opportunity to put together what we believe will become the most sought-after retail experience in southeastern Wisconsin. The 460,000 square foot development in suburban Milwaukee will also include other high-end retail stores, restaurants and office space, all served by a unique single lower level of covered parking. The community is very excited about the project and we are moving forward with the process. That said, there is still much to accomplish before putting a shovel in the ground. We look forward to sharing our progress as we target an opening in fall 2013.

We also have capital available to pursue potential acquisition opportunities in both of our businesses. While the opportunities have been limited due to the cyclical nature of our businesses, the situation will change. When it's the right acquisition at the right price, we are positioned to move.

Looking ahead, we're happy with the progress of Marcus Hotels, although we must point out we are not yet back to where we were before the downturn in the economy. Leisure travel is strong and business travel and group meetings have bounced back, but they are still below the prerecession levels.

In our theatre business, the summer film product performed well. However, with a record 27 sequels in the 2011 movie slate, we'd like to see more original hits that will drive the next wave of follow-on films. And we have taken an aggressive stance against the desire by some studios to disrupt well-established film release windows, reducing the time between screenings in first-run theatres and availability of films for rental or purchase. While these issues are a concern, we remain optimistic about the future of the motion picture industry and the continued growth and success of Marcus Theatres.

THE MARCUS EXPERIENCE

Experience means different things to different people. We like to tell our associates that what is an everyday experience for us — selling tickets, managing meetings and welcoming guests — can be a very special experience for our customers. It might be the night a young couple gets engaged or a business executive lands a new account. Every day, we create experiences our guests remember — for just a few hours or for a lifetime.

A very special experience for us last year was the 75th anniversary of The Marcus Corporation. Out of the many anniversary activities throughout the year, the one that had the most impact was our associate volunteer campaign. We challenged our associates across the country to collectively volunteer 75,000 hours in their communities. They came through with flying colors, volunteering an amazing 93,101 total hours! This tremendous achievement confirmed what we already knew — our associates are a great asset to their communities and to our company.

Now it's on to the next 75 years and executing on our strategies to create long-term value for our shareholders. The Marcus experience — our guest-focused culture, seasoned management team, solid financial position and dedicated associates — will get us there.



Stephen H. Marcus
Chairman

August 19, 2011



Gregory S. Marcus
President and Chief Executive Officer



Stephen H. Marcus
Chairman

Marcus Theatres®

ENHANCING THE GUEST EXPERIENCE TO DRIVE REVENUES

Marcus Theatres' strategies to enhance revenues revolve around initiatives to continually improve the guest experience. Our focus includes creating the ideal environment, from interesting architecture, comfortable seating and the ultimate screen and sound presentation, to expanding successful food and beverage concepts.

Popcorn, soda and candy are traditional concession favorites. But today's guests have many more options, including pizza, ice cream, hot sandwiches and in some locations, in-theatre dining and sophisticated cocktail lounges.



In fiscal 2011, we expanded Big Screen Bistro, our rebranded in-auditorium dining experience featuring tableside service, an extensive chef-prepared menu and creative cocktails. Big Screen Bistro is the latest step in our strategy to create complete entertainment destinations where guests may enjoy the convenience of dinner and a movie all in one location – their local Marcus theatre.

DEPLOYING DIGITAL CINEMA

To make the movie presentation the best that it can be, almost all of our first-run theatres will transition to state-of-the-art digital projection technology by the

For more than 75 years, Marcus Theatres has been enhancing the guest experience by remaining at the forefront of technology.

to add more 3D systems to the 104 screens we already operate, including our UltraScreen® XL3D 70-foot-wide screens.

Other benefits of digital cinema include the ability to offer the latest technology enhancements in picture resolution and next year introduce digital projection at speeds that are twice as fast as those currently used. Faster speeds and higher quality resolution enable more dramatic special effects and impeccable camera shots. Digital cinema technology will also make it possible for us to provide personal headsets with audio descriptions for our visually impaired guests and closed-circuit captioning for our hearing-impaired patrons.

For more than 75 years, Marcus Theatres has been enhancing the guest experience by remaining at the forefront of technology. Today, the division is one of the most respected chains in the country, but more importantly, retains a loyal customer base that helps to maximize financial performance.



Big Screen Bistro is the latest step in our strategy to create complete entertainment destinations.



Successful
branded food and
beverage concepts
are just one of
the many benefits
Marcus Hotels
brings to owners
and developers.

expansion

Marcus® Hotels & Resorts

GROWING THROUGH MANAGEMENT EXPERIENCE

The extensive experience of the Marcus Hotels & Resorts management team is providing a solid foundation that will move the division to the next level. The goal is to increase revenues by adding new management contracts that leverage the infrastructure we now have in place.

What truly sets us apart is the broad and deep portfolio of services we offer.

of services we offer. We have the management team, programs, operating systems and branded concepts owners need to grow revenues and increase the return on their investment — whether it's helping to develop a new property from the ground up, repositioning or rebranding an existing hotel or restoring a historic landmark to its former glory.

We believe we are well positioned for growth. Being hotel and resort owners and managers ourselves, we understand what owners and developers are looking for in a management partner. But what truly sets us apart is the broad and deep portfolio

MEETING THE NEEDS OF OWNERS

Our overall approach focuses on generating revenues from all elements of the hotel property, from room nights to banquets and meetings, food and beverage outlets and special amenities. This revenue-optimization strategy results in margins for our operating departments that are consistently higher than industry benchmarks.

The newest addition to the turnkey services we bring to owners is the Marcus Hotels Reservation and Customer Care Center. Launched in fiscal 2011, the center goes beyond booking rooms to analyzing and responding to market and customer buying trends and assuring a satisfying customer experience, while also providing economies of scale.

Other differentiators for Marcus Hotels are our operations experience, in-house expertise in human resources, legal, accounting, IT and marketing, and successful brands such as the Mason Street Grill, Miller Time Pub and ChopHouse restaurants, along with our WELL Spa® concept.

Of course, maintaining and enhancing our existing properties will continue to be a priority, with renovations planned for several hotels in fiscal 2012. From strategic growth to offering guests the latest services and amenities, Marcus Hotels is on the move.

highlights

2011 FINANCIAL HIGHLIGHTS

The Marcus Corporation is a leader in the lodging and entertainment industries. Marcus Theatres® currently owns or manages 684 screens at 55 locations in Wisconsin, Illinois, Iowa, Minnesota, Nebraska, North Dakota and Ohio. Marcus® Hotels & Resorts currently owns or manages a distinctive portfolio of 18 hotels, resorts and other properties in nine states.



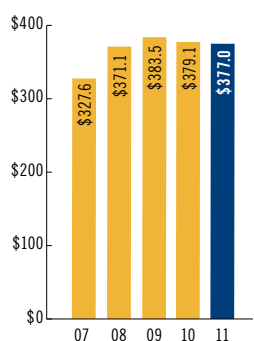
Marcus Corporation Board members and executives rang the closing bell at the New York Stock Exchange on November 1, 2010 to celebrate the company's 75th anniversary.

	Fiscal Year May 26, 2011	Fiscal Year May 27, 2010	Percent Change
OPERATIONS (IN MILLIONS)			
Revenues	\$377.0	\$379.1	(0.5)%
Operating Income	33.5	36.2	(7.5)%
Net Earnings	13.6	16.1	(15.9)%

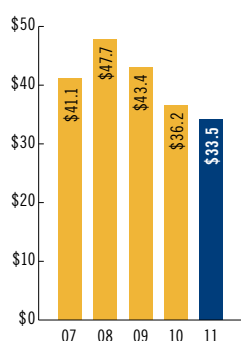
PER COMMON SHARE (DILUTED)			
Net Earnings	0.46	0.54	(14.8)%
Cash Dividends	0.34	0.34	—

FINANCIAL POSITION (IN MILLIONS)			
Shareholders' Equity	\$339.5	\$335.8	1.1%
Total Assets	\$694.4	\$704.4	(1.4)%
Debt/Capitalization Ratio	.39	.41	

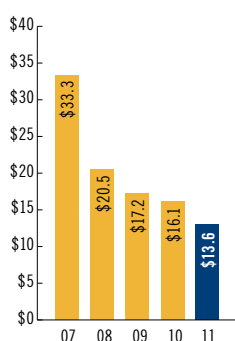
Revenues⁽¹⁾
(in millions)



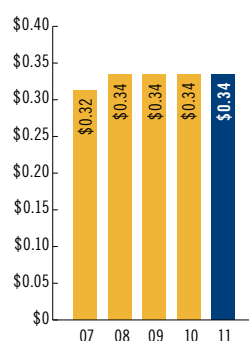
Operating Income⁽¹⁾
(in millions)



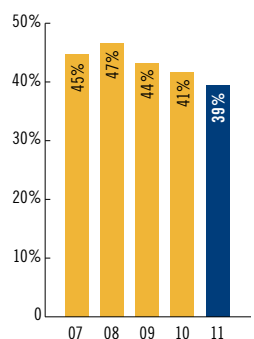
Net Earnings
(in millions)



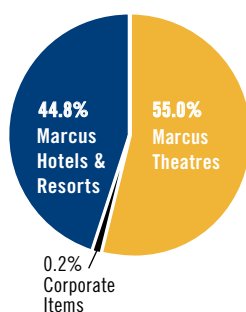
Dividends Per Share



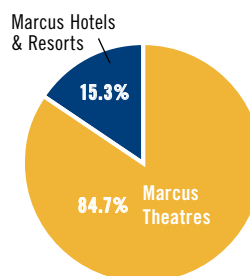
Debt/Capitalization Ratio



Fiscal 2011 Revenues



Fiscal 2011 Operating Income⁽²⁾



(1) Fiscal 2007 excludes discontinued operations (limited-service lodging, the Miramonte Resort and Marcus Vacation Club).
(2) Excludes corporate items.



Left to Right: Jack McKeithan, Phil Milstein, Bruce Olson, Diane Marcus Gershowitz, Steve Marcus, Greg Marcus, Jim Ericson, Tim Hoeksema, Bud Selig and Bronson Haase

Annual Meeting

Shareholders are invited to attend The Marcus Corporation's 2011 Annual Meeting at 10:00 a.m. CDT on Tuesday, October 11, 2011 at the InterContinental Milwaukee, 139 E. Kilbourn Avenue, Milwaukee, Wisconsin.

NYSE Listing and Symbol

The Marcus Corporation common stock is traded on the New York Stock Exchange under the symbol MCS. The Marcus Corporation is included in the Standard & Poor's SmallCap 600 Index, the Russell 2000 Index and other indices.

MCS
LISTED
NYSE

Transfer Agent

Wells Fargo Bank, N.A.
Shareowner Services
P.O. Box 64854
St. Paul, MN 55164
(800) 468-9716
www.wellsfargo.com/shareownerservices

Corporate Headquarters

The Marcus Corporation
100 East Wisconsin Avenue, Suite 1900
Milwaukee, WI 53202-4125
(414) 905-1000
www.marcuscorp.com

Investor Information

Investors are encouraged to visit www.marcuscorp.com for a wide range of company information including stock quotes and charts, news releases, Securities and Exchange Commission filings, Code of Conduct, Corporate Governance Policy Guidelines, Board of Directors committee charters, dividend reinvestment information, event calendar, webcasts of conference calls, investor presentations and links to the company's divisions and properties. Interested individuals can also register to be automatically notified by e-mail when new information is added to the site.

Dividend Reinvestment Plan

The Marcus Corporation has a dividend reinvestment plan through which shareholders of record may reinvest their cash dividends and make supplemental cash investments in additional shares. There are no commissions or service charges to purchase shares. For additional information, write or call our transfer agent.

Form 10-K Report

A copy of the company's fiscal 2011 Form 10-K annual report (without exhibits) as filed with the Securities and Exchange Commission is included in this report.

Independent Registered Public Accounting Firm

Deloitte & Touche LLP,
Milwaukee, Wisconsin

Legal Counsel

Foley & Lardner LLP,
Milwaukee, Wisconsin

BOARD OF DIRECTORS

Stephen H. Marcus (d)*

Chairman, The Marcus Corporation

Daniel F. McKeithan, Jr. (a)* (b)

Chairman and Chief Executive Officer, Tamarack Petroleum Company, Inc.

Diane Marcus Gershowitz (d)

Real Estate Management and Investments

Timothy E. Hoeksema (b)* (c)

Retired Chairman, President and Chief Executive Officer, Midwest Air Group, Inc.

Allan H. (Bud) Selig (c) (d)

Commissioner of Major League Baseball

Bruce J. Olson

Senior Vice President, The Marcus Corporation and President, Marcus Theatres Corporation

Philip L. Milstein (a) (b) (d)

Principal, Ogden CAP Properties, LLC

Bronson J. Haase (b) (c)*

Retired President of Pabst Farms Equity Ventures, LLC, Retired President and Chief Executive Officer of Wisconsin Gas Company, and Vice President of WICOR, Inc., and former President and Chief Executive Officer of Ameritech Wisconsin

James D. Ericson (a) (d)

Retired Chairman, President and Chief Executive Officer, Northwestern Mutual Life Insurance Company

Gregory S. Marcus

President and Chief Executive Officer, The Marcus Corporation

Committees of the Board:

- (a) Audit
- (b) Compensation
- (c) Corporate Governance and Nominating
- (d) Finance

*Denotes chairman

OFFICERS AND EXECUTIVE MANAGEMENT

Gregory S. Marcus

President and Chief Executive Officer

Bruce J. Olson

Senior Vice President, The Marcus Corporation and President, Marcus Theatres Corporation

Thomas F. Kissinger

Vice President, General Counsel and Secretary

Douglas A. Neis

Chief Financial Officer and Treasurer

William J. Otto

President, Marcus Hotels & Resorts

Jane Durment

Chief Information Officer

Karen Y. Spindler

Director of Corporate Human Resources



Left to Right: Bruce Olson, Doug Neis, Greg Marcus, Jane Durment, Bill Otto, Tom Kissinger and Karen Spindler

OUR PHILOSOPHY

We take great pride in our dedicated management teams and associates and will continue to develop their potential and skills at all levels within our organization.

We believe in rewarding outstanding performance, and in promoting from within to develop a climate of high expectation and achievement, as well as a solid base of highly-qualified associates.

We will remain a quality-minded corporation, dedicated to upholding our corporate slogan, "People Pleasing People."

We will maintain our position of leadership in the hospitality and entertainment industries through our commitment to quality, service and value.

We will continue our personal and corporate involvement in activities benefiting the community, state and nation.

We will support the values of the communities we are privileged to serve by honoring their traditions and preserving their environments.

We pledge to remain alert to economic changes which affect our businesses, and to respond to ever-changing consumer demands.

We will continue to successfully meet all challenges through planning, balanced diversification and orderly growth.

We take our responsibility to our shareholders very seriously and are committed to be a model for good corporate governance.



The Marcus Corporation

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