

MARRIOTT INTERNATIONAL, INC.
Non-GAAP Financial Measure Reconciliation
Lodging Net Revenue
(\$ in millions)

We consider lodging net revenue to be a meaningful indicator of our performance because it measures our core lodging performance before the impact of both general, administrative and other expenses and the synthetic fuel operations. We do not allocate our general, administrative and other expenses to the line items of our income statement, and the synthetic fuel operations are not expected to have a material impact on our company after the Internal Revenue Code Section 29 synthetic fuel tax credits expire at the end of 2007. In addition, in preparing our forecasts and budgets we focus on lodging net revenue and general, administrative and other expenses separately. However, lodging net revenue is a non-GAAP financial measure and is not an alternative to revenue, operating income, net income or any other operating measure prescribed by United States generally accepted accounting principles.

Calculation of Lodging Net Revenue

	2002	2003	2004	2008	Range	2008
	Actual	Actual	Actual	Estimate	2008	Estimate
				RevPAR 4%	Estimate	RevPAR 8%
					RevPAR 6%	
Base fees	\$ 379	\$ 388	\$ 435	\$ 635	\$ 665	\$ 690
Franchise fees	232	245	296	455	470	495
Base and franchise fees	\$ 611	\$ 633	\$ 731	\$ 1,090	\$ 1,135	\$ 1,185
Incentive fees	162	109	142	280	345	415
Total fees	773	742	873	1,370	1,480	1,600
Timeshare interval sales and services revenue	\$ 1,059	\$ 1,145	\$ 1,247	*	*	*
Timeshare - direct expenses	938	1,011	1,039	*	*	*
Timeshare net revenue	121	134	208	315	315	315
Owned, leased, corporate housing and other revenue	651	633	730	*	*	*
Owned, leased and corporate housing - direct expenses	580	505	629	*	*	*
Owned, leased, corporate housing and other, net revenue	71	128	101	180	195	210
Lodging net revenue	\$ 965	\$ 1,004	\$ 1,182	\$ 1,865	\$ 1,990	\$ 2,125

* Forward-looking detail is not available.

The reconciliation of operating income to lodging net revenue is as follows:

	2002	2003	2004	2008	Range	2008
	Actual	Actual	Actual	Estimate	2008	Estimate
				RevPAR 4%	Estimate	RevPAR 8%
					RevPAR 6%	
Operating income	\$ 321	\$ 377	\$ 477	\$ 1,215	\$ 1,340	\$ 1,475
Less synthetic fuel revenue	(193)	(302)	(321)	-	-	-
Plus synthetic fuel expenses	327	406	419	-	-	-
Plus general, administrative and other expenses	510	523	607	650	650	650
Lodging net revenue	\$ 965	\$ 1,004	\$ 1,182	\$ 1,865	\$ 1,990	\$ 2,125

MARRIOTT INTERNATIONAL, INC.

Non-GAAP Financial Measure

EBITDA

(in millions)

We consider earnings before interest, taxes, depreciation and amortization, adjusted to eliminate the impact of our synthetic fuel segment and non-recurring items (Adjusted EBITDA), to be an indicator of operating performance because it can be used to measure our ability to service debt, fund capital expenditures, and expand our business, and reflects our belief that the synthetic fuel segment will no longer have a material impact on our business after the Internal Revenue Code Section 29 synthetic fuel tax credits expire at the end of 2007. In addition, the receipt of a \$36 million insurance payment in 2003 for lost revenue related to the loss of the World Trade Center hotel on September 11, 2001, represented a material and non-recurring source of revenue. Accordingly, management believes such revenue should be excluded in order to be able to compare the past and current recurring results.

However, EBITDA and Adjusted EBITDA are non-GAAP financial measures, and are not alternatives to net income, financial results, cash flow from operations, or any other operating measure prescribed by United States generally accepted accounting principles. Additionally, our calculation of EBITDA and Adjusted EBITDA may be different from the calculations used by other companies and as a result comparability may be limited.

The range of estimated Adjusted EBITDA based on various RevPAR scenarios has not been reconciled to net income because forward-looking information on net income is not available.

	2003	2004
	Actual	Actual
Net income	\$ 502	\$ 596
Interest expense	110	99
Tax provision (benefit) – continuing operations	(43)	100
Tax provision (benefit) – discontinued operations	16	1
Tax benefit included in minority interest	94	-
Depreciation	132	133
Amortization	28	33
Interest expense from unconsolidated joint ventures	51	45
Depreciation and amortization from unconsolidated joint ventures	53	52
EBITDA	\$ 943	\$ 1,059
Non-recurring pre-tax insurance proceeds	(36)	-
Synthetic fuel adjustment	47	48
Pre-tax loss (gain) discontinued operations	(42)	(3)
Adjusted EBITDA	\$ 912	\$ 1,104
The following items make up the synthetic fuel adjustment:		
Pre-tax synthetic fuel operating losses	\$ 104	\$ 70
Pre-tax synthetic fuel equity losses (earnings)	(10)	28
Pre-tax minority interest - synthetic fuel	(39)	(40)
Synthetic fuel depreciation	(8)	(10)
EBITDA adjustment for synthetic fuel	\$ 47	\$ 48

MARRIOTT INTERNATIONAL, INC.
Non-GAAP Financial Measure Reconciliation
Timeshare Segment Return on Invested Capital
(\$ in millions)

Timeshare segment return on invested capital is calculated as earnings before interest expense and income taxes divided by average invested capital. Timeshare segment return on invested capital is a financial measure that is not presented in accordance with United States generally accepted accounting principles. We consider timeshare segment return on invested capital to be a meaningful indicator of our operating performance because it measures how effectively we use the money invested in our timeshare operations. Timeshare segment results for 2002 include a \$44 million gain associated with the sale of our investment in Interval International. As this gain is material and non-recurring, we believe that the gain should be excluded from timeshare segment results to facilitate comparability between the years presented.

However, timeshare segment return on invested capital and timeshare segment results as adjusted should not be considered alternatives to timeshare segment results, net income, income from continuing operations or any other operating measure prescribed by United States generally accepted accounting principles. Additionally, our method of calculating return on invested capital may be different from the methods used by other companies and as a result comparability may be limited.

	1999	2000	2001	2002	2003	2004	Range	
							2008 Estimate	2008 Estimate
Timeshare segment results	\$ 123	\$ 138	\$ 147	\$ 183	\$ 149	\$ 203	\$ 385	\$ 410
Interval International gain	-	-	-	(44)	-	-	-	-
Timeshare segment results as adjusted	123	138	147	139	149	203	385	410
Timeshare interest ¹	8	8	12	17	21	21	22	22
Earnings before interest expense and income taxes	<u>\$ 131</u>	<u>\$ 146</u>	<u>\$ 159</u>	<u>\$ 156</u>	<u>\$ 170</u>	<u>\$ 224</u>	<u>\$ 407</u>	<u>\$ 432</u>
Timeshare average capital investment	<u>\$ 1,035</u>	<u>\$ 1,226</u>	<u>\$ 1,596</u>	<u>\$ 1,866</u>	<u>\$ 1,955</u>	<u>\$ 1,991</u>	<u>\$ 2,936</u>	<u>\$ 2,936</u>
Timeshare segment return on invested capital	<u>13%</u>	<u>12%</u>	<u>10%</u>	<u>8%</u>	<u>9%</u>	<u>11%</u>	<u>14%</u>	<u>15%</u>

The reconciliation of Timeshare segment assets to invested capital is as follows:

	1998	1999	2000	2001	2002	2003	2004	2007 Estimate	2008 Estimate
Timeshare segment assets	\$ 1,084	\$ 1,283	\$ 1,634	\$ 2,109	\$ 2,225	\$ 2,350	\$ 2,321	*	*
Less:									
Timeshare segment current liabilities	(113)	(178)	(276)	(252)	(307)	(311)	(335)	*	*
Timeshare segment capitalized interest	(2)	(4)	(7)	(17)	(26)	(22)	(21)	*	*
Timeshare segment invested capital	<u>\$ 969</u>	<u>\$ 1,101</u>	<u>\$ 1,351</u>	<u>\$ 1,840</u>	<u>\$ 1,892</u>	<u>\$ 2,017</u>	<u>\$ 1,965</u>	<u>\$ 2,770</u>	<u>\$ 3,102</u>
Timeshare segment average invested capital ²	<u>\$ 1,035</u>	<u>\$ 1,226</u>	<u>\$ 1,596</u>	<u>\$ 1,866</u>	<u>\$ 1,955</u>	<u>\$ 1,991</u>			<u>\$ 2,936</u>

* Forward-looking detail is not available.

¹ Timeshare interest represents previously capitalized interest that is a component of product cost.

² Calculated as timeshare segment invested capital for the current year and prior year, divided by two.

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Non-GAAP Financial Measure

Free Cash Flow

Free cash flow is calculated as net cash provided by operating activities less net cash used by investing activities. Free cash flow is a financial measure that is not presented in accordance with United States generally accepted accounting principles. We consider free cash flow to be a meaningful indicator of our operating performance because it represents the cash we expect to have available for debt service requirements, opportunistic investments, share repurchases and other purposes.

However, free cash flow should not be considered an alternative to net cash provided by operating activities, net cash used in investing activities, net income, income from continuing operations or any other operating measure prescribed by United States generally accepted accounting principles. Additionally, our method of calculating free cash flow may be different from the methods used by other companies and as a result comparability may be limited.