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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

OR

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

For the Quarter Ended September 10, 2004

Commission File No. 1-13881

MARRIOTT INTERNATIONAL, INC.

Delaware	52-2055918
(State of Incorporation)	(I.R.S. Employer Identification Number)

10400 Fernwood Road
Bethesda, Maryland 20817
(301) 380-3000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act).

Yes ☒ No ☐

Class	Shares outstanding at October 1, 2004
Class A Common Stock, $0.01 par value	223,611,708

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Forward-Looking Statements

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

Forward-looking statements involve risks, uncertainties and assumptions, and our actual results may differ materially from those expressed in our forward-looking statements. We therefore caution you not to rely unduly on any forward-looking statements.

Risks and Uncertainties

You should understand that the following important factors, as well as those discussed in Exhibit 99 and elsewhere in this quarterly report, could cause results to differ materially from those expressed in such forward-looking statements. Because there is no way to determine in advance, whether, or to what extent, any present uncertainty will ultimately impact our business, you should give equal weight to each of the following:

- ***Competition in each of our business segments.*** Each of our hotel and timeshare brands competes with major hotel chains in national and international venues and with independent companies in regional markets. Our ability to remain competitive and attract and retain business and leisure travelers depends on our success in distinguishing the quality, value and efficiency of our lodging products and services from market opportunities offered by others.
- ***Supply of and demand for hotel rooms, timeshare units and corporate apartments.*** The availability of and demand for hotel rooms, timeshare units and corporate apartments is directly affected by overall economic conditions, regional and national development of competing hotels and timeshare resorts, local supply and demand for extended stay and corporate apartments, and the duration of the recovery in business travel. While we monitor the projected and actual room supply and availability, the demand for and occupancy rate of hotel rooms and timeshare units, and the occupancy rates of apartments and extended stay lodging properties in all markets in which we conduct business, we cannot assure you that current factors relating to supply and demand will accurately reflect projected revenue growth or business volume.
- ***Owner relations.*** Our responsibility under our management agreements to manage each hotel and enforce the standards required for our brands may, in some instances, be subject to interpretation. We seek to resolve any disagreements in order to develop and maintain positive relations with current and potential hotel owners and joint venture partners, but have not always been able to do so. Failure to resolve such disagreements has in the past resulted in litigation, and could do so in the future.
- ***Increase in the costs of conducting our business; Insurance.*** We take appropriate steps to monitor cost increases in wages, other labor costs, energy, healthcare, insurance, transportation and fuel and other expenses central to the conduct of our business. Market forces beyond our control may nonetheless increase such costs and limit both the scope of property and liability insurance coverage that we can obtain and our ability to obtain such coverage at reasonable rates, particularly in light of continued terrorist activities and threats. We therefore cannot assure you that we will be successful in obtaining such insurance without increases in cost or decreases in coverage levels.
- ***International, national and regional conditions.*** Because we conduct our business on a national and international platform, our activities are susceptible to changes in the performance of regional and global economies. In recent years, our business has been hurt by decreases in travel resulting from recent economic conditions, the military action in Iraq, and the heightened travel security measures that have resulted from the threat of further terrorism. Our future economic performance is similarly subject to the uncertain magnitude and duration of the economic recovery in the United States, the prospects of improving economic performance in other regions, the unknown pace of any business travel recovery that results, and the occurrence of any future terrorist incidents in countries in which we operate.

- ***Recovery of loan and guarantee investments and recycling of capital; availability of new capital resources.*** The availability of capital to allow us and potential and current hotel owners to fund new hotel investments, as well as refurbishment and improvement of existing hotels, depends in large measure on capital markets and liquidity factors over which we can exert little control. Our ability to recover loan and guarantee advances from hotel operations or from owners through the proceeds of hotel sales, refinancing of debt or otherwise may also effect our ability to recycle and raise new capital.

- ***Effect of Internet reservation services.*** Internet room distribution and reservation channels may adversely affect the rates we may charge for hotel rooms and the manner in which our brands can compete in the marketplace with other brands. We believe that we are taking adequate steps to resolve this competitive threat, but cannot assure you that these steps will prove or remain successful.

- ***Change in laws and regulations.*** Our business may be affected by changes in accounting standards, timeshare sales regulations and state and federal tax laws.

- ***Recent privacy initiatives and State and Federal limitations on marketing solicitation.*** The National Do Not Call Registry and various state laws regarding marketing and solicitation, including anti-spam legislation, may affect the amount and timing of our sales of timeshare units and other products.

- ***Synthetic fuel operations and results.*** Problems related to supply, production, and demand at any of the synthetic fuel facilities, the power plants that buy synthetic fuel from the joint venture or the coal mines where the joint venture buys coal, could be caused by accidents, personnel issues, severe weather or similar unpredictable events. The reduction or elimination of projected future tax credits for synthetic fuel if average domestic crude oil prices in 2005 and beyond exceed certain statutory thresholds could also affect our ongoing production decisions.

- ***Internal Revenue Service proposed adjustment.*** An unfavorable final resolution of the Internal Revenue Service's challenge to whether three of our joint venture's synthetic fuel facilities satisfied the statutory placed-in-service requirements could prevent us from realizing projected future tax credits and cause us to reverse previously utilized credits, requiring payment of substantial additional taxes.

- ***Litigation.*** We cannot predict with certainty the cost of defense, the cost of prosecution, or the ultimate outcome of litigation filed by or against us, including remedies or damage awards.

- ***Disaster.*** We cannot assure you that our ability to provide fully integrated business continuity solutions in the event of a disaster will occur without interruption to, or effect on, the conduct of our business.

- ***Barriers to growth and market entry.*** Factors influencing real estate development generally, including site availability, financing, planning, zoning and other local approvals, and other limitations which may be imposed by market and submarket factors, such as projected room occupancy, growth in demand opposite projected supply, territorial restrictions in our management and franchise agreements, costs of construction, and anticipated room rate structure, all affect and potentially limit our ability to sustain continued growth through management or franchise agreements for new hotels and the conversion of existing facilities to managed or franchised Marriott brands.

- ***Other risks described from time to time in our filings with the Securities and Exchange Commission (the SEC).*** We continually evaluate the risks and possible mitigating factors to such risks and provide additional and updated information in our SEC filings.

PART I - FINANCIAL INFORMATION

Item 1. ***Financial Statements***

MARRIOTT INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
($ in millions, except per share amounts)
(Unaudited)

	Twelve Weeks Ended		Thirty-Six Weeks Ended	
	September 10, 2004	September 12, 2003	September 10, 2004	September 12, 2003
REVENUES				
Base management fees	$ 97	$ 86	$ 302	$ 266
Franchise fees	74	61	207	169
Incentive management fees	21	18	90	75
Owned, leased, corporate housing and other revenue	153	132	491	414
Timeshare interval sales and services	299	296	898	767
Cost reimbursements	1,573	1,423	4,772	4,233
Synthetic fuel	87	93	198	224
	2,304	2,109	6,958	6,148
OPERATING COSTS AND EXPENSES				
Owned, leased and corporate housing – direct	139	118	428	347
Timeshare – direct	249	265	746	688
Reimbursed costs	1,573	1,423	4,772	4,233
General, administrative and other	126	117	385	336
Synthetic fuel	118	96	259	328
	2,205	2,019	6,590	5,932
OPERATING INCOME	99	90	368	216
Gains and other income	43	15	95	54
Interest expense	(23)	(26)	(69)	(77)
Interest income	33	31	98	78
Provision for loan losses	-	(1)	-	(7)
Equity in earnings (losses) - Synthetic fuel	-	-	(28)	-
- Other	(8)	(3)	(9)	(1)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	144	106	455	263
(Provision) benefit for income taxes	(28)	16	(79)	72
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	116	122	376	335
Minority interest	16	(29)	30	(29)
INCOME FROM CONTINUING OPERATIONS	132	93	406	306
Discontinued Operations				
Income from Senior Living Services, net of tax	-	-	-	29
Income (loss) from Distribution Services, net of tax	1	(1)	1	(2)
NET INCOME	$ 133	$ 92	$ 407	$ 333
EARNINGS PER SHARE – Basic				
Earnings from continuing operations	$ .59	$ .40	$ 1.78	$ 1.31
Earnings from discontinued operations	-	(.01)	.01	.12
Earnings per share	$ .59	$ .39	$ 1.79	$ 1.43
EARNINGS PER SHARE – Diluted				
Earnings from continuing operations	$ .55	$ .38	$ 1.69	$ 1.25
(Loss) earnings from discontinued operations	.01	(.01)	-	.11
Earnings per share	$ .56	$ .37	$ 1.69	$ 1.36
DIVIDENDS DECLARED PER SHARE	$ 0.085	$ 0.075	$ 0.245	$ 0.220

See Notes to Condensed Consolidated Financial Statements

MARRIOTT INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
($ in millions)

	September 10, 2004 (Unaudited)	January 2, 2004
ASSETS		
Current assets		
Cash and equivalents	$ 202	$ 229
Accounts and notes receivable	863	728
Prepaid taxes	248	223
Other	112	84
Assets held for sale	15	-
	1,440	1,264
Property and equipment	2,454	2,513
Goodwill	923	923
Other intangible assets	555	526
Equity method investments	258	468
Notes and other receivables, net		
Loans to equity method investees	514	558
Loans to timeshare owners	289	152
Other notes receivable	424	389
Other long-term receivables	497	534
	1,724	1,633
Other	915	850
	$ 8,269	$ 8,177
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 574	$ 584
Current portion of long-term debt	290	64
Other	1,191	1,122
	2,055	1,770
Long-term debt	1,085	1,391
Casualty self-insurance reserves	183	169
Other long-term liabilities	1,179	1,003
Minority interest	10	6
Shareholders' equity		
Class A common stock	3	3
Additional paid-in capital	3,366	3,317
Retained earnings	1,804	1,505
Deferred compensation	(121)	(81)
Treasury stock, at cost	(1,259)	(865)
Accumulated other comprehensive loss	(36)	(41)
	3,757	3,838
	$ 8,269	$ 8,177

See Notes to Condensed Consolidated Financial Statements

MARRIOTT INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
($ in millions)
(Unaudited)

	Thirty-Six Weeks Ended	
	September 10, 2004	September 12, 2003
OPERATING ACTIVITIES		
Income from continuing operations	$ 406	$ 306
Adjustments to reconcile to cash provided by operating activities:		
Income from discontinued operations	1	9
Discontinued operations – gain on sale/exit	-	18
Depreciation and amortization	115	105
Minority interest in results of synthetic fuel operation	(29)	29
Income taxes	-	(148)
Timeshare activity, net	36	(88)
Other	(51)	(55)
Working capital changes	3	(75)
Net cash provided by operating activities	481	101
INVESTING ACTIVITIES		
Capital expenditures	(115)	(144)
Dispositions	250	487
Loan advances	(76)	(176)
Loan collections and sales	134	152
Equity method investments	(67)	(20)
Other	(2)	3
Net cash provided by investing activities	124	302
FINANCING ACTIVITIES		
Commercial paper, net	50	(97)
Issuance of long-term debt	16	12
Repayment of long-term debt	(158)	(65)
Issuance of Class A common stock	100	50
Dividends paid	(54)	(50)
Purchase of treasury stock	(586)	(291)
Earn-outs received (paid), net	-	(47)
Net cash used in financing activities	(632)	(488)
DECREASE IN CASH AND EQUIVALENTS	(27)	(85)
CASH AND EQUIVALENTS, beginning of period	229	198
CASH AND EQUIVALENTS, end of period	$ 202	$ 113

See Notes to Condensed Consolidated Financial Statements

MARRIOTT INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The condensed consolidated financial statements present the results of operations, financial position and cash flows of Marriott International, Inc. (together with its subsidiaries, we, us or the Company).

The accompanying condensed consolidated financial statements have not been audited. We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with United States generally accepted accounting principles. We believe the disclosures made are adequate to make the information presented not misleading. You should, however, read the condensed consolidated financial statements in conjunction with the consolidated financial statements and notes to those financial statements in our Annual Report on Form 10-K for the fiscal year ended January 2, 2004. Certain terms not otherwise defined in this quarterly report have the meanings specified in that Annual Report on Form 10-K.

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of sales and expenses during the reporting period and the disclosures of contingent liabilities. Accordingly, our ultimate results could differ from those estimates. We have reclassified certain prior year amounts to conform to our 2004 presentation.

In our opinion, the accompanying condensed consolidated financial statements reflect all normal and recurring adjustments necessary to present fairly our financial position as of September 10, 2004 and January 2, 2004, and the results of our operations for the twelve and thirty-six weeks ended September 10, 2004 and September 12, 2003 and cash flows for the thirty-six weeks ended September 10, 2004 and September 12, 2003. Interim results may not be indicative of fiscal year performance because of seasonal and short-term variations. We have eliminated all material intercompany transactions and balances between entities consolidated in these financial statements.

2. New Accounting Standards

FIN 46, "Consolidation of Variable Interest Entities," (the "Interpretation") was effective for all enterprises with variable interests in variable interest entities created after January 31, 2003. FIN 46(R), which was revised in December 2003, was effective for all entities to which the provisions of FIN 46 were not applied as of December 24, 2003. We applied the provisions of FIN 46(R) to all entities subject to the Interpretation as of March 26, 2004. Under FIN 46(R), if an entity is determined to be a variable interest entity, it must be consolidated by the enterprise that absorbs the majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both.

As a result of adopting FIN 46(R), we consolidated our two synthetic fuel joint ventures as of March 26, 2004. The synthetic fuel joint ventures own four coal-based synthetic fuel production facilities (the "Facilities"). The synthetic fuel produced at the Facilities through 2007 qualifies for tax credits based on Section 29 of the Internal Revenue Code.

While the Facilities produce significant losses, these losses are more than offset by the tax benefit associated with the losses and the tax credits generated under Section 29 of the Internal Revenue Code. At September 10, 2004, the ventures had working capital of $1 million and the book value of the Facilities was $32 million. The ventures have no long-term debt.

We currently consolidate four other entities which are variable interest entities under FIN 46(R). These entities were established with the same partner to lease four Marriott branded hotels. The combined capital in the four variable interest entities is $4 million, which is used primarily to fund hotel working capital. Our equity at risk is $3 million and we hold 55 percent of the common equity shares. In addition, we guarantee a maximum of $1 million of the lease obligations of one of the hotels, and our total exposure to loss is $4 million.

We have one other significant interest in an entity which is a variable interest entity under FIN 46(R). In February 2001, we entered into a shareholders' agreement with an unrelated third party to form a joint venture to own and lease luxury hotels to be managed by us. In February 2002, the joint venture signed its first lease with a third party landlord. The initial capital structure of the joint venture is $4 million of debt and $4 million of equity. We hold 35 percent of the equity, or $1 million, and 65 percent of the debt, or $3 million, for a total investment of $4 million. In addition, each equity partner entered into various guarantees with the landlord to guarantee lease payments. Our total exposure under these guarantees is $18 million. Our maximum exposure to loss is $22 million. We do not consolidate the joint venture since we do not bear the majority of the expected losses or expected residual returns.

FIN 46(R) does not apply to qualifying special purpose entities, such as those periodically used by us to sell notes receivable originated by our timeshare business in connection with the sale of timeshare intervals. We will continue to account for these qualifying special purpose entities in accordance with Statement of Financial Accounting Standards ("FAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities."

3. Earnings Per Share

The following table illustrates the reconciliation of the earnings and number of shares used in the basic and diluted earnings per share calculations.

(in millions, except per share amounts)	**Twelve Weeks Ended**		**Thirty-Six Weeks Ended**	
	September 10, 2004	**September 12, 2003**	**September 10, 2004**	**September 12, 2003**
Computation of Basic Earnings Per Share				
Income from continuing operations	$ 132	$ 93	$ 406	$ 306
Weighted average shares outstanding	225.9	232.7	227.5	233.0
Basic earnings per share from continuing operations	$ 0.59	$ 0.40	$ 1.78	$ 1.31
Computation of Diluted Earnings Per Share				
Income from continuing operations	$ 132	$ 93	$ 406	$ 306
After-tax interest expense on convertible debt	-	-	-	-
Income from continuing operations for diluted earnings per share	$ 132	$ 93	$ 406	$ 306
Weighted average shares outstanding	225.9	232.7	227.5	233.0
Effect of dilutive securities				
Employee stock option plan	8.0	7.0	8.0	5.7
Deferred stock incentive plan	4.2	4.7	4.2	4.8
Restricted stock units	0.8	0.5	0.7	0.4
Convertible debt	-	0.9	0.5	0.9
Shares for diluted earnings per share	238.9	245.8	240.9	244.8
Diluted earnings per share from continuing operations	$ 0.55	$ 0.38	$ 1.69	$ 1.25

We compute the effect of dilutive securities using the treasury stock method and average market prices during the period. We determine dilution based on earnings from continuing operations.

In accordance with FAS No. 128 "Earnings per Share," we do not include the following stock options in our calculation of diluted earnings per share because the option exercise prices are greater than the average market price for our Class A Common Stock for the applicable period:

(a) for the twelve and thirty-six week periods ended September 10, 2004, 0.1 million options and no options, respectively, and

(b) for the twelve and thirty-six week periods ended September 12, 2003, 5.7 million and 6.9 million options, respectively.

4. Stock-Based Compensation

We have several stock-based employee compensation plans that we account for using the intrinsic value method under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, we do not reflect stock-based employee compensation cost in net income for our Stock Option Program, the Supplemental Executive Stock Option awards or the Employee Stock Purchase Plan.

The following table shows stock-based employee compensation costs we recognized in the twelve and thirty-six weeks ended September 10, 2004 and September 12, 2003 and our deferred compensation balance at September 10, 2004 and January 2, 2004.

	Reported Stock-Based Compensation Expense, Net of Tax			
	Twelve Weeks Ended		Thirty-Six Weeks Ended	
($ in millions)	**September 10, 2004**	**September 12, 2003**	**September 10, 2004**	**September 12, 2003**
Deferred share grants	$ 1	$ 1	$ 3	$ 4
Restricted share grants	1	1	3	3
Restricted stock units	4	2	15	6
	$ 6	$ 4	$ 21	$ 13

	Deferred Compensation Balance at	
($ in millions)	**September 10, 2004**	**January 2, 2004**
Deferred share grants	$ 16	$ 21
Restricted share grants	12	16
Restricted stock units	93	44
	$ 121	$ 81

During the thirty-six weeks ended September 10, 2004, we granted approximately 1.6 million units (each representing one share of our Class A common stock) under the restricted stock unit program which began in the first quarter of 2003.

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of FAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation. We have included the impact of measured but unrecognized compensation cost and excess tax benefits credited to additional paid-in-capital in the calculation of the diluted pro forma shares for all periods presented.

	Twelve Weeks Ended		**Thirty-Six Weeks Ended**	
($ in millions, except per share amounts)	**September 10, 2004**	**September 12, 2003**	**September 10, 2004**	**September 12, 2003**
Net income, as reported	$ 133	$ 92	$ 407	$ 333
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	6	4	21	13
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(17)	(18)	(53)	(52)
Pro forma net income	$ 122	$ 78	$ 375	$ 294
Earnings per share:				
Basic – as reported	$ 0.59	$ 0.39	$ 1.79	$ 1.43
Basic – pro forma	$ 0.54	$ 0.34	$ 1.65	$ 1.26
Diluted – as reported	$ 0.56	$ 0.37	$ 1.69	$ 1.36
Diluted – pro forma	$ 0.51	$ 0.32	$ 1.55	$ 1.21

5. Marriott Rewards

We defer revenue received from managed, franchised, and Marriott-owned/leased hotels and program partners equal to the fair value of our future redemption obligation. We determine the fair value of the future redemption obligation based on statistical formulas which project timing of future point redemption based on historical levels, including an estimate of the "breakage" for points that will never be redeemed, and an estimate of the points that will eventually be redeemed. These judgmental factors determine the required liability for outstanding points.

Our management and franchise agreements require that we be reimbursed currently for the costs of operating the program, including marketing, promotion, and communicating with, and performing member services for the Marriott Rewards members. Due to the requirement that hotels reimburse us for program operating costs as incurred, we receive and recognize the balance of the revenue from hotels in connection with the Marriott Rewards program at the time such costs are incurred and expensed. We recognize the component of revenue from program partners that corresponds to program maintenance services over the expected life of the points awarded.

Upon the redemption of points, we recognize as revenue the amounts previously deferred, and recognize the corresponding expense relating to the cost of the awards redeemed.

Our liability for the Marriott Rewards program was $883 million at September 10, 2004 and $784 million at January 2, 2004 of which $601 million and $502 million, respectively, are included in other long-term liabilities in the accompanying condensed consolidated balance sheet.

6. Comprehensive Income and Capital Structure

Our total comprehensive income was $131 million and $63 million, for the twelve weeks ended September 10, 2004 and September 12, 2003, respectively, and $412 million and $337 million,

respectively, for the thirty-six weeks ended September 10, 2004 and September 12, 2003. The principal difference between net income and comprehensive income for the twelve weeks ended September 10, 2004 relates to foreign currency translation adjustments, while the principal difference between net income and comprehensive income for the thirty-six weeks then ended relates to a change in accounting estimate partially offset by foreign currency translation adjustments. The principal difference between net income and comprehensive income for both the twelve and thirty-six weeks ended September 12, 2003 relates to foreign currency translation adjustments.

For the thirty-six weeks ended September 10, 2004 approximately 3.7 million shares of Class A Common Stock were issued as a result of exercised options.

7. Business Segments

We are a diversified hospitality company with operations in five business segments:

- *Full-Service Lodging*, which includes Marriott Hotels & Resorts, The Ritz-Carlton, Renaissance Hotels & Resorts, Ramada International and Bulgari Hotels & Resorts;
- *Select-Service Lodging*, which includes Courtyard, Fairfield Inn and SpringHill Suites;
- *Extended-Stay Lodging*, which includes Residence Inn, TownePlace Suites, Marriott ExecuStay and Marriott Executive Apartments;
- *Timeshare*, which includes the development, marketing, operation and ownership of timeshare properties under the Marriott Vacation Club International, The Ritz-Carlton Club, Marriott Grand Residence Club and Horizons by Marriott Vacation Club International brands; and
- *Synthetic Fuel*, which includes the operation of coal-based synthetic fuel production facilities.

We evaluate the performance of our segments based primarily on the results of the segment without allocating corporate expenses, interest expense, and interest income. With the exception of our synthetic fuel segment, we do not allocate income taxes to our segments. The synthetic fuel operation generated a tax benefit and credits of $28 million and $53 million, respectively, for the twelve weeks ended September 10, 2004 and September 12, 2003, and $105 million and $199 million, respectively, for the thirty-six weeks then ended. As timeshare note sales are an integral part of the timeshare business, we include timeshare note sale gains in our timeshare segment results and we allocate other gains as well as equity in earnings (losses) from our joint ventures to each of our segments.

We have aggregated the brands and businesses presented within each of our segments considering their similar economic characteristics, types of customers, distribution channels, and the regulatory business environment of the brands and operations within each segment.

($ in millions)	Twelve Weeks Ended September 10, 2004	Twelve Weeks Ended September 12, 2003	Thirty-Six Weeks Ended September 10, 2004	Thirty-Six Weeks Ended September 12, 2003
Revenues				
Full-Service	$ 1,459	$ 1,314	$ 4,512	$ 3,977
Select-Service	277	236	788	699
Extended-Stay	133	138	377	392
Timeshare	348	328	1,083	856
Total lodging	2,217	2,016	6,760	5,924
Synthetic fuel	87	93	198	224
	$ 2,304	$ 2,109	$ 6,958	$ 6,148
Income from Continuing Operations				
Full-Service	$ 79	$ 77	$ 292	$ 259
Select-Service	42	28	104	81
Extended-Stay	20	12	48	37
Timeshare	34	23	135	85
Total lodging	175	140	579	462
Synthetic fuel (after-tax)	31	21	73	66
Unallocated corporate expenses	(28)	(35)	(91)	(89)
Interest income, provision for loan losses and interest expense	10	4	29	(6)
Income taxes (excluding Synthetic fuel)	(56)	(37)	(184)	(127)
	$ 132	$ 93	$ 406	$ 306
Equity in Earnings (Losses) of Equity Method Investees				
Full-Service	$ (2)	$ -	$ 6	$ 10
Select-Service	(3)	(4)	(9)	(11)
Timeshare	(2)	1	(6)	-
Synthetic fuel	-	-	(28)	-
Corporate	(1)	-	-	-
	$ (8)	$ (3)	$ (37)	$ (1)

8. Contingencies

Guarantees

We issue guarantees to certain lenders and hotel owners primarily to obtain long-term management contracts. The guarantees generally have a stated maximum amount of funding and a term of five years or less. The terms of guarantees to lenders generally require us to fund if cash flows from hotel operations are inadequate to cover annual debt service or to repay the loan at the end of the term. The terms of the guarantees to hotel owners generally require us to fund if the affected hotels do not attain specified levels of operating profit.

Our guarantees include $360 million related to Senior Living Services lease obligations and lifecare bonds. Sunrise Senior Living, Inc. (“Sunrise”) is the primary obligor of the leases and a portion of the lifecare bonds, and CNL Retirement Properties, Inc. (“CNL”) is the primary obligor of the remainder of the lifecare bonds. Prior to the sale of the Senior Living Services business at the end of the first quarter of 2003, these pre-existing guarantees were guarantees by the Company of obligations of consolidated Senior

Living Services subsidiaries. Sunrise and CNL have indemnified us for any guarantee fundings we may be called on to make in connection with these lease obligations and lifecare bonds.

We also enter into project completion guarantees with certain lenders in conjunction with hotels and timeshare units that we or our joint venture partners are building.

The maximum potential amount of future fundings and the carrying amount of the liability for expected future fundings at September 10, 2004 are as follows:

($ in millions) Guarantee Type	Maximum Potential Amount of Future Fundings	Liability for Future Fundings at September 10, 2004
Debt service	$ 319	$ 3
Operating profit	288	18
Senior Living Services	360	-
Project completion	51	-
Other	55	4
	$ 1,073	$ 25

Our guarantees of $1,073 million listed above include $92 million for guarantees that will not be in effect until the underlying hotels open and we begin to manage the properties. The $92 million of guarantees not in effect is comprised of $65 million of operating profit guarantees and $27 million of debt service guarantees. Guarantee fundings to lenders and hotel owners are generally recoverable as loans and are generally repayable to us out of future hotel cash flows and/or proceeds from the sale of hotels.

In addition to the guarantees noted above, in conjunction with financing obtained for specific projects or properties owned by joint ventures in which we are a party, we may provide industry standard indemnifications to the lender for loss, liability, or damage occurring as a result of the actions of the other joint venture owner or our own actions, in each case limited to the lessor of (i) our ownership interest in the entity; or (ii) the actual loss, liability or damage occurring as a result of our actions.

Also in addition to the guarantees noted above, we have guaranteed lease obligations with minimum annual payments of approximately $56 million and total remaining payments through the initial term plus available extensions of approximately $1.46 billion. We also guarantee payment of real estate taxes and other charges associated with the leases. Third parties have severally indemnified us for all payments we may be required to make. Since we assumed these guarantees seven years ago we have not funded any amounts, and we do not expect to fund any amounts under these guarantees in the future.

Loan Commitments and Letters of Credit

As of September 10, 2004, we had extended approximately $80 million of loan commitments to owners of lodging properties under which we expect to fund approximately $34 million by December 31, 2004, and $18 million over the following two years. We do not expect to fund the remaining $28 million of commitments, which expire as follows: $14 million in one to three years; and $14 million after five years.

At September 10, 2004, we also had $123 million of letters of credit outstanding on our behalf, the majority of which are related to our self-insurance programs. Surety bonds issued on our behalf as of September 10, 2004, totaled $420 million, the majority of which were requested by federal, state, or local governments related to our timeshare and lodging operations and self-insurance programs.

Litigation and Arbitration

CTF/HPI arbitration and litigation. On April 8, 2002, we initiated an arbitration proceeding against CTF Hotel Holdings, Inc. (CTF) and its affiliate, Hotel Property Investments (B.V.I.) Ltd. (HPI), in connection with a dispute over procurement and other issues for certain Renaissance hotels and resorts that we manage for CTF and HPI. On April 12, 2002, CTF filed a lawsuit in U.S. District Court in Delaware

against us and Avendra LLC, alleging that, in connection with procurement at 20 of those hotels, we engaged in improper acts of self-dealing, and claiming breach of fiduciary, contractual and other duties; fraud; misrepresentation; and violations of the RICO and the Robinson-Patman Acts. CTF seeks various remedies, including a stay of the arbitration proceedings against CTF and unspecified actual, treble and punitive damages. The district court enjoined the arbitration with respect to CTF, but granted our request to stay the court proceedings pending the resolution of the arbitration with respect to HPI. Both parties have appealed that ruling. The arbitration panel hearing on the matter began April 6, 2004 and concluded on June 11, 2004. Briefing is concluded and the matter is now before the panel for decision.

In a decision dated August 23, 2004, a panel of the Third Circuit affirmed the district court's stay of the arbitration as to CTF but reversed the district court's stay of the trial. On September 7, 2004, we filed with the Third Circuit a petition for rehearing and for rehearing en banc in which we asked the court to reconsider its decision vacating the stay of the trial. The petition was denied on September 24, 2004.

We believe that CTF's and HPI's claims against us are without merit, and we intend to vigorously defend against them. However, we cannot assure you as to the outcome of the arbitration or the related litigation; nor can we currently estimate the range of any potential losses to the Company.

9. Long-Term Debt

Our long-term debt at September 10, 2004 and January 2, 2004, consisted of the following:

($ in millions)	September 10, 2004	January 2, 2004
Senior Notes:		
Series B, interest rate of 6.875%, maturing November 15, 2005	$ 200	$ 200
Series C, interest rate of 7.875%, maturing September 15, 2009	299	299
Series D, interest rate of 8.125%, maturing April 1, 2005	275	275
Series E, interest rate of 7.0%, maturing January 15, 2008	293	293
Other senior note, interest rate of 3.114% at January 2, 2004, matured April 1, 2004	-	46
Commercial paper, average interest rate of 1.2% at September 10, 2004	50	-
Mortgage debt, average interest rate of 7.9%, maturing May 1, 2025	176	178
Other	82	102
LYONs	-	62
	1,375	1,455
Less current portion	(290)	(64)
	$ 1,085	$ 1,391

As of September 10, 2004 all debt, other than mortgage debt and $10 million of other debt, is unsecured.

On April 7, 2004, we sent notice to the holders of our Liquid Yield Option Notes due 2021 (the "Notes"), that, subject to the terms of the indenture governing the Notes, we would purchase for cash, at the option of each holder, any Notes tendered by the holder and not withdrawn on May 10, 2004, at a purchase price of $880.50 per $1,000 principal amount at maturity. The Notes, issued on May 8, 2001, carried a yield to maturity of 0.75 percent, and were convertible into approximately 0.9 million shares of our Class A Common Stock.

Holders of all outstanding Notes, approximately $70 million aggregate principal amount at maturity, tendered their Notes for repurchase. Accordingly, on May 11, 2004, we repurchased all of the outstanding Notes for aggregate cash consideration of approximately $62 million. No Notes remain outstanding following the purchase.

10. Marriott and Cendant Corporation Joint Venture

On April 1, 2004, Cendant exercised its option to redeem our interest in the Two Flags joint venture, which at that time owned the trademarks and licenses for the Ramada and Days Inn lodging brands in the United States. In the third quarter of 2004, we recorded a pre-tax gain of approximately $13 million in

connection with this transaction when we collected our $200 million note receivable and the sale was complete.

For our entire 2003 fiscal year, we earned $24 million from our interest in the Two Flags joint venture, which was reflected as equity in earnings in the income statement. In the third quarter of 2003, our equity earnings included $5 million attributable to our interest in the Two Flags joint venture, while our third quarter 2004 equity earnings reflect no impact associated with the Two Flags joint venture due to the redemption of our interest. We recognized equity in earnings from the Two Flags joint venture of $6 million and $17 million for the thirty-six weeks ended September 10, 2004 and September 12, 2003, respectively. For the twelve and thirty-six weeks ended September 10, 2004 we recognized $4 million and $8 million, respectively, of interest income in connection with the $200 million note, collected in the third quarter of 2004, related to the purchase of our interest in the Two Flags joint venture.

We continue to own the trademarks and licenses for Ramada International outside of the United States, operate and franchise hotels outside of the United States and Canada under the Ramada International brand name, and license the Ramada name in Canada to Cendant. However, subsequent to the third quarter 2004, the Company and Cendant signed a non-binding letter of intent for Cendant to purchase Ramada International, primarily a franchised brand from the Company. The transaction, which we expect to complete during the fourth quarter of 2004, is still pending approval by regulatory authorities and final negotiation of terms. We do not expect that the transaction will have a material impact to the Company.

11. Asset Securitizations

In the second quarter of 2004, we sold $150 million of notes receivable generated by our timeshare business in connection with the sale of timeshare intervals. In conjunction with the sale, we received net proceeds of $141 million, retained residual interests of $33 million, and recorded a gain of $27 million. We used the following key assumptions to measure the fair value of the residual interests: discount rate of 7.9 percent; expected annual prepayments, including defaults, of 18.5 percent; expected weighted average life of prepayable notes receivable, excluding prepayments and defaults, of 81 months; and expected weighted average life of prepayable notes receivable, including prepayments and defaults, of 41 months. Our key assumptions are based on experience.

12. Synthetic Fuel

In October 2001, we acquired four coal-based synthetic fuel production facilities (the "Facilities") for $46 million in cash from PacifiCorp Financial Services ("PacifiCorp"). Three of the four plants are held in one entity and one of the plants is held in a separate entity. The synthetic fuel produced at the Facilities through 2007 qualifies for tax credits based on Section 29 of the Internal Revenue Code (credits are not available for fuel produced after 2007). We began operating these Facilities in the first quarter of 2002. Although the Facilities produce significant losses, these losses are more than offset by the tax credits generated under Section 29, which reduce our income tax expense.

On June 21, 2003, we sold an approximately 50 percent ownership interest in the synthetic fuel entities. We received cash and promissory notes totaling $25 million at closing, and we are receiving additional profits that we expect will continue over the life of the ventures based on the actual amount of tax credits allocated to the purchaser.

As a result of a put option, we consolidated the two synthetic fuel joint ventures through November 6, 2003. Effective November 7, 2003, because the put option was voided, we began accounting for the synthetic fuel joint ventures, using the equity method of accounting. Beginning March 26, 2004, as a result of adopting FIN 46(R), we have again consolidated the synthetic fuel joint ventures and we reflect our partner's share of the operating losses as minority interest.

In July 2004 Internal Revenue Service ("IRS") field auditors issued a notice of proposed adjustment and later a Summary Report to PacifiCorp that included a challenge to the placed-in-service dates of three of

the four synthetic fuel facilities owned by one of our synthetic fuel joint ventures. One of the conditions to qualify for tax credits under Section 29 of the Internal Revenue Code is that the production facility must have been placed-in-service before July 1, 1998.

We strongly believe that all the facilities meet the placed-in-service requirement. Although we are engaged in discussions with the IRS and are confident this issue will be resolved in our favor and not result in a material charge to us, we cannot assure you as to the ultimate outcome of this matter.

On October 6, 2004, subsequent to the end of the third quarter, we entered into amendment agreements with our synthetic fuel partner that result in a shift in the allocation of tax credits between us. On the synthetic fuel facility that is not being reviewed by the IRS, our partner will increase its allocation of tax credits from approximately 50 percent to 90 percent for the next six months and pay a higher price per tax credit to us for that additional share of tax credits. With respect to the three synthetic fuel facilities under IRS review, our partner will reduce its allocation of tax credits from approximately 50 percent to an average of roughly 5 percent during the next six months. If the IRS' placed-in-service challenge regarding the three facilities is not successfully resolved by March 31, 2005, our partner will have the right to return its ownership interest in those three facilities to Marriott at that time. We will have the flexibility to continue to operate at current levels, reduce production, and/or sell an interest to another party. If there is a successful resolution by March 31, 2005 our partner's share of the tax credits from all four facilities will return to approximately 50 percent. In any event, on March 31, 2005, our share of the tax credits from the one facility not under review will return to approximately 50 percent.

Since acquiring the plants, we have recognized approximately $384 million of tax credits from all four plants through September 10, 2004. The tax credits recognized through September 10, 2004 associated with the three facilities in question totaled approximately $283 million.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

CONSOLIDATED RESULTS

Continuing Operations

The following discussion presents an analysis of results of our operations for the twelve and thirty-six weeks ended September 10, 2004 and September 12, 2003.

Twelve Weeks Ended September 10, 2004 Compared to Twelve Weeks Ended September 12, 2003

Revenues

($ in millions)	Twelve Weeks Ended	
	September 10, 2004	September 12, 2003
Full-Service	$ 1,459	$ 1,314
Select-Service	277	236
Extended-Stay	133	138
Timeshare	348	328
Total lodging	2,217	2,016
Synthetic fuel	87	93
	$ 2,304	$ 2,109

Revenues increased 9 percent to $2,304 million in 2004, primarily reflecting higher fees resulting from strong demand for hotel rooms and unit expansion, as well as strong timeshare demand.

Operating Income

Operating income increased $9 million to $99 million in 2004. The increase is primarily due to higher fees which are related both to stronger REVPAR driven principally by increased occupancy and average daily rate and to the growth in the number of rooms, and stronger timeshare results reflecting strong demand and improved margins, partially offset by higher general and administrative expenses and a higher synthetic fuel operating loss associated with both higher production and the inclusion of net synthetic fuel earn-out payments received as a component of gains and other income in 2004.

Income from Continuing Operations

($ in millions)	Twelve Weeks Ended	
	September 10, 2004	September 12, 2003
Full-Service	$ 79	$ 77
Select-Service	42	28
Extended-Stay	20	12
Timeshare	34	23
Total lodging financial results	175	140
Synthetic fuel (after-tax)	31	21
Unallocated corporate expenses	(28)	(35)
Interest income, provision for loan losses and interest expense	10	4
Income taxes (excluding Synthetic fuel)	(56)	(37)
	$ 132	$ 93

Income from continuing operations increased 42 percent to $132 million in 2004, and diluted earnings per share from continuing operations increased 45 percent to $0.55. The favorable results were primarily driven by strong hotel demand, new unit growth, strong timeshare results, increased gains, higher net interest and strong synthetic fuel results which include both the tax benefit associated with the losses and the tax credits, and a favorable minority interest variance, partially offset by higher income taxes excluding the synthetic fuel impact and higher general and administrative expenses.

Marriott Lodging

We consider lodging revenues and lodging financial results to be meaningful indicators of our performance because they measure our growth in profitability as a lodging company and enable investors to compare the sales and results of our lodging operations to those of other lodging companies.

Lodging, which includes our Full-Service, Select-Service, Extended-Stay, and Timeshare segments, reported financial results of $175 million in the third quarter of 2004, compared to $140 million in the third quarter of 2003 and revenues of $2,217 million in the third quarter of 2004, a 10 percent increase from revenues of $2,016 million in the third quarter of 2003. The results reflect a 16 percent increase in base, franchise and incentive fees, from $165 million in the third quarter of 2003 to $192 million in the third quarter of 2004, favorable timeshare results and increased gains of $9 million. The increase in base and franchise fees was driven by higher REVPAR for comparable rooms, primarily resulting from both domestic and international occupancy and rate increases and new unit growth. We have added 177 properties (28,376 rooms) and deflagged 48 properties (7,675 rooms) since the third quarter of 2003. Systemwide REVPAR for comparable North American properties increased 7.7 percent, and REVPAR for our comparable North American company-operated properties increased 8.3 percent. Systemwide REVPAR for comparable international properties, including Ritz-Carlton, increased 15.6 percent, and REVPAR for comparable international company-operated properties including Ritz-Carlton increased 17.6 percent. The increase in incentive management fees during the quarter reflects the impact of increased international travel, particularly in Asia, and increased business at properties in North America. Worldwide REVPAR for comparable company-operated properties increased 10.6 percent while worldwide REVPAR for comparable systemwide properties increased 9.3 percent.

Our properties in the southeast region of the United States experienced cancellations and a few properties closed due to mandatory evacuations and power outages resulting from hurricanes Frances and Charley in the 2004 third quarter. However, the post hurricane business from area residents, Federal Emergency Management Agency ("FEMA"), and insurance company representatives offset most of the impact.

Summary of Properties by Brand. We opened 36 lodging properties (6,045 rooms) during the third quarter of 2004, while 21 hotels (2,962 rooms) exited the system, increasing our total properties to 2,806 (505,658 rooms). The following table shows properties by brand as of September 10, 2004 (excluding 2,547 rental units relating to Marriott ExecuStay):

	Company-Operated		Franchised	
Brand	**Properties**	**Rooms**	**Properties**	**Rooms**
Full-Service Lodging				
Marriott Hotels & Resorts	226	100,928	213	58,788
Marriott Conference Centers	14	3,577	-	-
JW Marriott Hotels & Resorts	30	13,833	4	1,205
The Ritz-Carlton	57	18,613	-	-
Renaissance Hotels & Resorts	89	34,178	43	13,094
Ramada International	4	727	199	27,031
Bulgari Hotel & Resort	1	58	-	-
Select-Service Lodging				
Courtyard	297	47,034	349	45,628
Fairfield Inn	2	855	522	48,270
SpringHill Suites	23	3,597	98	10,473
Extended-Stay Lodging				
Residence Inn	132	17,791	325	36,578
TownePlace Suites	34	3,661	79	7,894
Marriott Executive Apartments	13	2,372	1	99
Timeshare				
Marriott Vacation Club International	43	8,537	-	-
The Ritz-Carlton Club	4	261	-	-
Marriott Grand Residence Club	2	248	-	-
Horizons by Marriott Vacation Club International	2	328	-	-
Total	973	256,598	1,833	249,060

REVPAR. We consider Revenue per Available Room (REVPAR) to be a meaningful indicator of our performance because it measures the period over period change in room revenues for comparable properties. We calculate REVPAR by dividing room sales for comparable properties by room nights available to guests for the period. REVPAR may not be comparable to similarly titled measures such as revenues.

The following table shows occupancy, average daily rate and REVPAR for each of our comparable principal established brands. We have not presented statistics for company-operated North American Fairfield Inn and SpringHill Suites properties here because we operate only a limited number of properties as both these brands are predominantly franchised and such information would not be meaningful for those brands (identified as "nm" in the table below). Systemwide statistics include data from our franchised properties, in addition to our owned, leased and managed properties. For North American properties (except for The Ritz-Carlton which includes June through August), the occupancy, average daily rate and REVPAR statistics used throughout this report for the twelve weeks ended September 10, 2004, include the period from June 19, 2004 through September 10, 2004, while the twelve weeks ended September 12, 2003, include the period from June 21, 2003 through September 12, 2003.

	Comparable Company-Operated North American Properties		Comparable Systemwide North American Properties	
	Twelve Weeks Ended September 10, 2004	Change vs. 2003	Twelve Weeks Ended September 10, 2004	Change vs. 2003
Marriott Hotels & Resorts [1]				
Occupancy	74.7%	2.7% pts.	72.6%	2.6% pts.
Average Daily Rate	$ 132.71	3.7%	$ 126.86	3.7%
REVPAR	$ 99.17	7.6%	$ 92.09	7.5%
The Ritz-Carlton [2]				
Occupancy	70.6%	2.5% pts.	70.6%	2.5% pts.
Average Daily Rate	$ 229.09	9.2%	$ 229.09	9.2%
REVPAR	$ 161.70	13.3%	$ 161.70	13.3%
Renaissance Hotels & Resorts				
Occupancy	71.3%	3.6% pts.	71.2%	3.3% pts.
Average Daily Rate	$ 123.14	0.3%	$ 118.82	1.1%
REVPAR	$ 87.82	5.3%	$ 84.56	6.1%
Composite – Full-Service [3]				
Occupancy	73.7%	2.8% pts.	72.2%	2.7% pts.
Average Daily Rate	$ 141.64	4.1%	$ 133.57	4.0%
REVPAR	$ 104.45	8.2%	$ 96.47	8.0%
Residence Inn				
Occupancy	84.1%	3.7% pts.	83.9%	3.0% pts.
Average Daily Rate	$ 98.22	3.1%	$ 97.95	2.7%
REVPAR	$ 82.63	7.8%	$ 82.22	6.5%
Courtyard				
Occupancy	73.3%	2.7% pts.	75.0%	2.7% pts.
Average Daily Rate	$ 94.68	4.8%	$ 96.95	5.0%
REVPAR	$ 69.38	8.9%	$ 72.73	8.8%
Fairfield Inn				
Occupancy	nm	nm	73.0%	1.5% pts.
Average Daily Rate	nm	nm	$ 69.75	2.6%
REVPAR	nm	nm	$ 50.93	4.7%
TownePlace Suites				
Occupancy	78.8%	0.7% pts.	80.5%	3.1% pts.
Average Daily Rate	$ 66.84	3.6%	$ 65.53	1.8%
REVPAR	$ 52.68	4.5%	$ 52.78	5.9%
SpringHill Suites				
Occupancy	nm	nm	75.6%	3.8% pts.
Average Daily Rate	nm	nm	$ 85.22	3.5%
REVPAR	nm	nm	$ 64.43	8.9%
Composite – Select-Service & Extended-Stay [4]				
Occupancy	76.5%	2.8% pts.	77.0%	2.5% pts.
Average Daily Rate	$ 93.25	4.4%	$ 88.19	3.7%
REVPAR	$ 71.32	8.4%	$ 67.92	7.2%
Composite – All [5]				
Occupancy	74.7%	2.8% pts.	74.9%	2.6% pts.
Average Daily Rate	$ 124.19	4.2%	$ 107.37	3.9%
REVPAR	$ 92.78	8.3%	$ 80.43	7.7%

[1] Marriott Hotels & Resorts includes our JW Marriott Hotels & Resorts brand.

[2] Statistics for The Ritz-Carlton are for June through August.

[3] Full-Service composite statistics include properties for the Marriott Hotels & Resorts, Renaissance Hotels & Resorts and The Ritz-Carlton brands.

[4] Select-Service and Extended-Stay composite statistics include properties for the Courtyard, Residence Inn, TownePlace Suites, Fairfield Inn and SpringHill Suites brands.

[5] Composite – All statistics include properties for the Marriott Hotels & Resorts, Renaissance Hotels & Resorts, The Ritz-Carlton, Courtyard, Residence Inn, TownePlace Suites, Fairfield Inn and SpringHill Suites brands.

Systemwide international statistics by region are based on comparable worldwide units, excluding North America. The following table shows occupancy, average daily rate and REVPAR for international properties by region/brand.

	Comparable Company-Operated International Properties [1], [2]		Comparable Systemwide International Properties [1], [2]	
	Three Months Ended August 31, 2004	Change vs. 2003	Three Months Ended August 31, 2004	Change vs. 2003
Caribbean & Latin America				
Occupancy	73.4%	4.6% pts.	71.6%	6.1% pts.
Average daily rate	$ 123.28	11.7%	$ 117.87	10.9%
REVPAR	$ 90.49	19.3%	$ 84.35	21.2%
Continental Europe				
Occupancy	74.1%	1.8% pts.	71.7%	3.4% pts.
Average daily rate	$ 123.81	3.3%	$ 125.83	3.4%
REVPAR	$ 91.72	5.9%	$ 90.27	8.4%
United Kingdom				
Occupancy	78.3%	-3.5% pts.	77.3%	0.6% pts.
Average daily rate	$ 186.93	11.4%	$ 147.93	4.6%
REVPAR	$ 146.36	6.6%	$ 114.32	5.5%
Middle East & Africa				
Occupancy	70.7%	-1.6% pts.	70.7%	-1.6% pts.
Average daily rate	$ 87.20	5.0%	$ 87.20	5.0%
REVPAR	$ 61.62	2.7%	$ 61.62	2.7%
Asia Pacific [3]				
Occupancy	77.0%	12.5% pts.	77.1%	11.3% pts.
Average daily rate	$ 87.62	12.7%	$ 91.31	10.0%
REVPAR	$ 67.45	34.6%	$ 70.39	28.9%
Sub-total Composite International [4], [5]				
Occupancy	75.6%	5.8% pts.	74.9%	5.6% pts.
Average daily rate	$ 113.56	6.9%	$ 117.46	5.6%
REVPAR	$ 85.82	15.9%	$ 88.01	14.2%
The Ritz-Carlton International				
Occupancy	74.2%	13.2% pts.	74.2%	13.2% pts.
Average daily rate	$ 186.90	3.7%	$ 186.90	3.7%
REVPAR	$ 138.62	26.3%	$ 138.62	26.3%
Total Composite International [4]				
Occupancy	75.4%	6.7% pts.	74.9%	6.2% pts.
Average daily rate	$ 121.56	7.2%	$ 123.09	6.0%
REVPAR	$ 91.68	17.6%	$ 92.15	15.6%
Total Worldwide [6]				
Occupancy	74.9%	3.8% pts.	74.9%	3.3% pts.
Average daily rate	$ 123.47	4.9%	$ 110.44	4.5%
REVPAR	$ 92.48	10.6%	$ 82.72	9.3%

[1] International financial results are reported on a period end basis, while international statistics are reported on a month end basis.

[2] The comparison to 2003 is on a currency neutral basis and includes results for June through August. Excludes North America.

[3] Excludes Hawaii.

[4] Includes Hawaii.

[5] Excludes The Ritz-Carlton International.

[6] Worldwide includes international statistics for June, July and August and North American statistics for the twelve weeks ended September 10, 2004 and September 12, 2003.

Full-Service Lodging	**Twelve Weeks Ended**		**Change**
($ in millions)	**September 10, 2004**	**September 12, 2003**	**2004/2003**
Revenues	$ 1,459	$ 1,314	11%
Segment results	$ 79	$ 77	3%

Full-Service Lodging includes our *Marriott Hotels & Resorts*, *The Ritz-Carlton*, *Renaissance Hotels & Resorts*, *Ramada International* and *Bulgari Hotels & Resorts* brands. Our third quarter 2004 segment results reflect a $13 million increase in base management, incentive management and franchise fees, partially offset by higher general and administrative costs. The increase in fees is largely due to higher REVPAR, reflecting occupancy and rate increases, and the growth in the number of rooms. Since the third quarter of 2003, across our Full-Service Lodging segment, we have added 70 hotels (14,337 rooms) and deflagged 19 hotels (3,995 rooms).

Gains were flat with last year, while equity results were slightly lower than last year. On April 1, 2004, Cendant exercised its option to redeem our interest in the Two Flags joint venture, which owns the trademarks and licenses for the Ramada and Days Inn lodging brands in the United States. In the third quarter of 2003, our equity earnings included $5 million attributable to our interest in the Two Flags joint venture, while our third quarter 2004 equity earnings do not reflect any amounts associated with the Two Flags joint venture due to the redemption of our interest. We recorded a pre-tax gain of approximately $13 million in the third quarter of 2004 when we received the proceeds from the Two Flags sale. In the prior year quarter we recognized a $9 million gain associated with our sale of an international joint venture.

REVPAR for Full-Service Lodging comparable company-operated North American hotels increased 8.2 percent to $104.45. Occupancy for these hotels increased to 73.7 percent, while average daily rates increased 4.1 percent to $141.64.

Financial results for our international operations were strong across most regions, generating a 17.6 percent REVPAR increase for comparable company-operated hotels including Ritz-Carlton. Occupancy increased 6.7 percentage points, while average daily rates increased to $121.56. International operations were unfavorably impacted by SARS in 2003. As noted above, in the year ago quarter we recognized a $9 million gain associated with our sale of an international joint venture. Versus the prior year quarter, we experienced stronger demand particularly in China, Hong Kong, Australia, Egypt and Brazil.

Select-Service Lodging	**Twelve Weeks Ended**		**Change**
($ in millions)	**September 10, 2004**	**September 12, 2003**	**2004/2003**
Revenues	$ 277	$ 236	17%
Segment results	$ 42	$ 28	50%

Select-Service Lodging includes our *Courtyard, Fairfield Inn* and *SpringHill Suites* brands. The $14 million increase in segment results reflects a $9 million increase in base management, incentive management and franchise fees, a favorable variance of $4 million on gains, essentially flat equity results, and flat general and administrative costs. The increase in fees is largely due to higher REVPAR, driven primarily by occupancy and rate increases, and the growth in the number of rooms. Across our Select-Service Lodging segment, we have added 84 hotels (10,425 rooms) and deflagged 26 hotels (3,539 rooms) since the third quarter of 2003.

Extended-Stay Lodging	**Twelve Weeks Ended**		**Change**
($ in millions)	**September 10, 2004**	**September 12, 2003**	**2004/2003**
Revenues	$ 133	$ 138	-4%
Segment results	$ 20	$ 12	67%

Extended-Stay Lodging includes our *Residence Inn*, *TownePlace Suites*, *Marriott Executive Apartments,* and *Marriott ExecuStay* brands. The decline in revenue is primarily attributable to the shift in the ExecuStay business towards franchising. Our base and incentive management fees were roughly flat compared to last year while our franchise fees, principally associated with our Residence Inn brand, increased $2 million. The increase in franchise fees is largely due to higher REVPAR and the growth in the number of rooms. Since the third quarter of 2003, across our Extended-Stay Lodging segment, we have added 21 hotels (2,303 rooms) and deflagged one hotel (80 rooms). In addition, we recorded $4 million of gains in 2004 versus no gains in 2003. ExecuStay experienced improved results compared to the prior year quarter, resulting from increased occupancy and rate, primarily in the New York market, along with reduced operating costs associated with the shift towards franchising.

REVPAR for Select-Service and Extended-Stay Lodging comparable company-operated North American hotels increased 8.4 percent to $71.32. Occupancy for these hotels increased to 76.5 percent, while average daily rates increased 4.4 percent to $93.25.

Timeshare	**Twelve Weeks Ended**		**Change**
($ in millions)	**September 10, 2004**	**September 12, 2003**	**2004/2003**
Revenues	$ 348	$ 328	6%
Segment results	$ 34	$ 23	48%

Timeshare includes our *Marriott Vacation Club International, The Ritz-Carlton Club, Marriott Grand Residence Club* and *Horizons by Marriott Vacation Club International* brands. Timeshare revenues of $348 million in 2004 and $328 million in 2003, include interval sales, base management fees and cost reimbursements. Including our three joint ventures, contract sales, which represent sales of timeshare intervals before adjustment for percentage of completion accounting, increased 25 percent primarily due to strong demand in South Carolina, California, and Nevada. The favorable segment results reflect a 1 percent increase in timeshare interval sales and services, higher margins primarily resulting from the use of lower cost marketing channels, the mix of units sold and lower financing costs, partially offset by higher general and administrative expenses. Additionally, the third quarter 2003 results were impacted by a $2 million loss associated with an interest rate swap agreement. Reported revenue growth trailed contract sales growth because of a higher proportion of sales in joint venture projects and projects with lower average construction completion levels.

Synthetic Fuel

For the twelve weeks ended September 10, 2004, the synthetic fuel operation generated revenue of $87 million and income from continuing operations of $31 million comprised of: operating losses of $31 million and a $1 million tax provision, offset by net earn-out payments received of $19 million, tax credits of $29 million, and minority interest of $15 million reflecting our partner’s share of the operating losses.

For the twelve weeks ended September 12, 2003, the synthetic fuel operation generated revenue of $93 million and income from continuing operations of $21 million comprised of: operating losses of $3 million, which includes net earn-out payments made of $5 million; and minority interest expense of

$29 million, reflecting our partner's share of the tax credits, tax benefits and operating losses; a $1 million tax benefit; and tax credits of $52 million. The $10 million increase in synthetic fuel results to $31 million from $21 million is primarily due to our sale of a 50 percent interest in the synthetic fuel joint ventures in the third quarter of 2003 and to slightly higher production in 2004. In connection with the sale, a higher percentage (90 percent) of the tax credits was allocated to our joint venture partner in the 2003 third quarter compared to roughly 50 percent in the 2004 third quarter. See Note 12, "Synthetic Fuel" in Part I, Item 1, Notes to Condensed Consolidated Financial Statements, for further information related to our synthetic fuel operations.

General, Administrative and Other Expenses

General, administrative and other expenses increased $9 million in the third quarter of 2004 to $126 million, reflecting higher administrative expenses in both our lodging and timeshare businesses, primarily associated with increased overhead costs related to the Company's unit growth and increased development costs associated with our timeshare joint ventures. Lower litigation expenses of $9 million in 2004 were offset by $10 million of insurance proceeds received in 2003.

Gains and Other Income

The following table shows our gains and other income for the twelve weeks ended September 10, 2004 and September 12, 2003:

	Twelve Weeks Ended	
($ in millions)	**September 10, 2004**	**September 12, 2003**
Net synthetic fuel earn-out payments received	$ 19	$ -
Gains on sale of real estate	9	6
Gains on sale of joint ventures	15	9
	$ 43	$ 15

Interest Expense

Interest expense decreased $3 million to $23 million primarily due to the repayment of $234 million of senior debt in the fourth quarter of 2003 and other debt reductions, partially offset by lower capitalized interest resulting from fewer projects under construction.

Interest Income and Income Tax

Interest income, before the provision for loan losses increased $2 million (6 percent) to $33 million, reflecting higher loan balances and higher rates. For the twelve weeks ended September 10, 2004 we recognized $4 million of interest income in connection with the $200 million note, collected in the third quarter of 2004, related to the purchase of our interest in the Two Flags joint venture.

Income from continuing operations before income taxes generated a tax provision of $28 million in the third quarter of 2004, compared to a tax benefit of $16 million in 2003. The difference is primarily attributable to the impact of our synthetic fuel joint ventures, which generated a tax benefit and tax credits of $28 million in 2004, compared to $53 million in 2003, and to higher pre-tax income. In the 2003 third quarter, we sold a 50 percent interest in our synthetic fuel joint ventures and we currently consolidate the joint ventures.

Minority Interest

The principal difference between minority interest for the third quarter of 2004 versus the third quarter of 2003 is related to the change in the ownership structure of the synthetic fuel joint ventures as a result of the sale of 50 percent of our interest in the joint ventures. Due to the purchaser's put option which expired on November 6, 2003, minority interest for the third quarter of 2003 reflected our partner's share of the synthetic fuel operating losses and their share of the associated tax benefit along with their share of the tax credits. For the third quarter of 2004, minority interest reflects our partner's share of the synthetic fuel losses only.

Thirty-Six Weeks Ended September 10, 2004 Compared to Thirty-Six Weeks Ended September 12, 2003

Revenues

($ in millions)	Thirty-Six Weeks Ended September 10, 2004	Thirty-Six Weeks Ended September 12, 2003
Full-Service	$ 4,512	$ 3,977
Select-Service	788	699
Extended-Stay	377	392
Timeshare	1,083	856
Total lodging	6,760	5,924
Synthetic fuel	198	224
	$ 6,958	$ 6,148

Revenues increased 13 percent to $6,958 million in 2004, reflecting higher fees related to increased demand for hotel rooms and unit expansion, as well as strong sales in our timeshare segment.

Operating Income

Operating income increased $152 million to $368 million in 2004. The increase is primarily due to higher fees which are related both to stronger REVPAR driven principally by increased occupancy and average daily rate and to the growth in the number of rooms, and stronger timeshare results which are mainly attributable to strong demand and improved margins, partially offset by higher general and administrative expenses and a higher synthetic fuel operating loss associated with both higher production, the change in the ownership structure of the joint ventures as a result of the sale of 50 percent of our interest in the joint ventures and the inclusion of net synthetic fuel earn-out payments received as a component of gains and other income in 2004.

For the thirty-six weeks ended September 10, 2004, the synthetic fuel operation generated $61 million of operating losses compared to operating losses of $104 million for the thirty-six weeks ended September 12, 2003. For the thirty-six weeks ended September 12, 2003, 100 percent of the operating losses of the synthetic fuel joint ventures were recorded by us. While we sold a 50 percent ownership interest in the synthetic fuel joint ventures in the 2003 third quarter, we continued to consolidate the joint ventures in the 2003 third quarter because the purchaser had a put option, which expired November 6, 2003, wherein the purchaser had the ability to return its ownership interest to us. Effective November 7, 2003, as a result of the put option's expiration, we began accounting for the synthetic fuel joint ventures using the equity method of accounting, and therefore our share of the losses of the synthetic fuel joint ventures were recorded below operating income in the first quarter of 2004. As a result of adopting FIN 46(R) on March 26, 2004, we again consolidated the synthetic fuel joint ventures and recorded 100 percent of the operating losses during the second and third quarters as a component of operating income.

Income from Continuing Operations

($ in millions)	Thirty-Six Weeks Ended September 10, 2004	Thirty-Six Weeks Ended September 12, 2003
Full-Service	$ 292	$ 259
Select-Service	104	81
Extended-Stay	48	37
Timeshare	135	85
Total lodging financial results	579	462
Synthetic fuel (after-tax)	73	66
Unallocated corporate expenses	(91)	(89)
Interest income, provision for loan losses and interest expense	29	(6)
Income taxes (excluding Synthetic fuel)	(184)	(127)
	$ 406	$ 306

Income from continuing operations increased 33 percent to $406 million, and diluted earnings per share from continuing operations increased 35 percent to $1.69. The favorable results were primarily driven by strong hotel demand, new unit growth, strong timeshare results, higher interest income as a result of higher balances and rates, lower interest expense due to debt reductions, lower loan loss provisions, stronger synthetic fuel results and increased gains of $41 million, partially offset by higher income taxes excluding the synthetic fuel impact, and higher general and administrative expenses. In addition, international operations were unfavorably impacted by the war in Iraq and SARS in 2003.

Marriott Lodging

We consider lodging revenues and lodging financial results to be meaningful indicators of our performance because they measure our growth in profitability as a lodging company and enable investors to compare the sales and results of our lodging operations to those of other lodging companies.

Lodging, which includes our Full-Service, Select-Service, Extended-Stay, and Timeshare segments, reported financial results of $579 million in the first three quarters of 2004, compared to $462 million in the first three quarters of 2003 and revenues of $6,760 million in the first three quarters of 2004, a 14 percent increase from revenues of $5,924 million in the first three quarters of 2003. The results reflect a 17 percent increase in base, franchise and incentive fees, from $510 million in the first three quarters of 2003 to $599 million in the first three quarters of 2004, favorable timeshare results and increased gains of $13 million. The increase in base and franchise fees was driven by higher REVPAR for comparable rooms primarily resulting from both domestic and international occupancy and average daily rate increases and new unit growth. Systemwide REVPAR for comparable North American properties increased 7.5 percent, and REVPAR for our comparable North American company-operated properties increased 7.8 percent. Systemwide REVPAR for comparable international properties, including Ritz-Carlton, increased 17.4 percent, and REVPAR for comparable international company-operated properties including Ritz-Carlton increased 20.0 percent. The increase in incentive management fees during the first three quarters of the year reflects the impact of increased international travel, particularly in Asia, and increased business at properties in North America. We have added 177 properties (28,376 rooms) and deflagged 48 properties (7,675 rooms) since the third quarter of 2003. Worldwide REVPAR for comparable company-operated properties increased 10.6 percent while worldwide REVPAR for comparable systemwide properties increased 9.4 percent.

The following table shows occupancy, average daily rate and REVPAR for each of our comparable principal established brands. We have not presented statistics for company-operated North American Fairfield Inn and SpringHill Suites properties because we operate only a limited number of properties as both these brands are

predominantly franchised and such information would not be meaningful for those brands (identified as "nm" in the table below). Systemwide statistics include data from our franchised properties, in addition to our owned, leased and managed properties. For North American properties (except for The Ritz-Carlton which includes January through August), the occupancy, average daily rate and REVPAR statistics used throughout this report for the thirty-six weeks ended September 10, 2004, include the period from January 3, 2004 through September 10, 2004, while the thirty-six weeks ended September 12, 2003, include the period from January 4, 2003 through September 12, 2003.

	Comparable Company-Operated North American Properties		Comparable Systemwide North American Properties	
	Thirty-Six Weeks Ended September 10, 2004	Change vs. 2003	Thirty-Six Weeks Ended September 10, 2004	Change vs. 2003
Marriott Hotels & Resorts [1]				
Occupancy	73.4%	3.1% pts.	71.4%	3.0% pts.
Average Daily Rate	$ 141.13	2.2%	$ 133.42	2.4%
REVPAR	$ 103.61	6.6%	$ 95.25	6.9%
The Ritz-Carlton [2]				
Occupancy	71.1%	5.4% pts.	71.1%	5.4% pts.
Average Daily Rate	$ 256.48	5.3%	$ 256.48	5.3%
REVPAR	$ 182.40	13.9%	$ 182.40	13.9%
Renaissance Hotels & Resorts				
Occupancy	70.6%	4.1% pts.	69.9%	4.0% pts.
Average Daily Rate	$ 133.83	0.3%	$ 127.31	1.1%
REVPAR	$ 94.54	6.5%	$ 88.97	7.3%
Composite – Full-Service [3]				
Occupancy	72.8%	3.5% pts.	71.1%	3.3% pts.
Average Daily Rate	$ 151.35	2.6%	$ 141.18	2.8%
REVPAR	$ 110.12	7.8%	$ 100.45	7.8%
Residence Inn				
Occupancy	79.8%	1.7% pts.	79.7%	2.3% pts.
Average Daily Rate	$ 99.14	3.2%	$ 97.25	2.6%
REVPAR	$ 79.08	5.4%	$ 77.50	5.7%
Courtyard				
Occupancy	71.7%	3.5% pts.	72.7%	3.3% pts.
Average Daily Rate	$ 95.43	3.3%	$ 96.74	4.1%
REVPAR	$ 68.47	8.6%	$ 70.34	9.1%
Fairfield Inn				
Occupancy	nm	nm	67.8%	1.4% pts.
Average Daily Rate	nm	nm	$ 67.64	2.0%
REVPAR	nm	nm	$ 45.83	4.2%
TownePlace Suites				
Occupancy	75.5%	4.3% pts.	76.1%	4.5% pts.
Average Daily Rate	$ 65.40	2.7%	$ 64.70	1.2%
REVPAR	$ 49.37	8.9%	$ 49.23	7.6%
SpringHill Suites				
Occupancy	nm	nm	72.5%	3.8% pts.
Average Daily Rate	nm	nm	$ 84.58	3.5%
REVPAR	nm	nm	$ 61.33	9.2%
Composite – Select-Service & Extended-Stay [4]				
Occupancy	73.9%	3.2% pts.	73.3%	2.7% pts.
Average Daily Rate	$ 93.85	3.3%	$ 87.53	3.2%
REVPAR	$ 69.38	7.9%	$ 64.18	7.2%
Composite – All [5]				
Occupancy	73.2%	3.4% pts.	72.4%	3.0% pts.
Average Daily Rate	$ 130.71	2.9%	$ 110.53	3.1%
REVPAR	$ 95.65	7.8%	$ 80.00	7.5%

[1] Marriott Hotels & Resorts includes our JW Marriott Hotels & Resorts brand.

[2] Statistics for The Ritz-Carlton are for January through August.

[3] Full-Service composite statistics include properties for the Marriott Hotels & Resorts, Renaissance Hotels & Resorts and The Ritz-Carlton brands.

[4] Select-Service and Extended-Stay composite statistics include properties for the Courtyard, Residence Inn, TownePlace Suites, Fairfield Inn and SpringHill Suites brands.

[5] Composite – All statistics include properties for the Marriott Hotels & Resorts, Renaissance Hotels & Resorts, The Ritz-Carlton, Courtyard, Residence Inn, TownePlace Suites, Fairfield Inn and SpringHill Suites brands.

Systemwide international statistics by region are based on comparable worldwide units, excluding North America. The following table shows occupancy, average daily rate and REVPAR for international properties by region/brand.

	Comparable Company-Operated International Properties [1], [2]		Comparable Systemwide International Properties [1], [2]	
	Eight Months Ended August 31, 2004	Change vs. 2003	Eight Months Ended August 31, 2004	Change vs. 2003
Caribbean & Latin America				
Occupancy	72.9%	4.6% pts.	71.4%	6.1% pts.
Average daily rate	$ 140.09	8.3%	$ 133.02	7.2%
REVPAR	$ 102.09	15.6%	$ 94.96	17.2%
Continental Europe				
Occupancy	69.6%	3.5% pts.	67.3%	4.7% pts.
Average daily rate	$ 127.15	2.2%	$ 127.89	1.6%
REVPAR	$ 88.46	7.6%	$ 86.07	9.3%
United Kingdom				
Occupancy	76.1%	3.9% pts.	73.0%	3.6% pts.
Average daily rate	$ 182.28	7.9%	$ 144.05	3.2%
REVPAR	$ 138.78	13.7%	$ 105.21	8.5%
Middle East & Africa				
Occupancy	73.3%	7.9% pts.	73.3%	7.9% pts.
Average daily rate	$ 100.83	11.4%	$ 100.83	11.4%
REVPAR	$ 73.86	25.0%	$ 73.86	25.0%
Asia Pacific [3]				
Occupancy	74.9%	14.7% pts.	75.6%	13.2% pts.
Average daily rate	$ 91.26	10.4%	$ 94.98	7.7%
REVPAR	$ 68.31	37.3%	$ 71.82	30.4%
Sub-total Composite International [4], [5]				
Occupancy	73.2%	8.3% pts.	72.4%	7.7% pts.
Average daily rate	$ 118.79	5.4%	$ 120.56	4.0%
REVPAR	$ 86.96	18.8%	$ 87.29	16.3%
The Ritz-Carlton International				
Occupancy	71.2%	14.0% pts.	71.2%	14.0% pts.
Average daily rate	$ 200.88	1.1%	$ 200.88	1.1%
REVPAR	$ 143.00	26.0%	$ 143.00	26.0%
Total Composite International [4]				
Occupancy	73.0%	8.9% pts.	72.3%	8.2% pts.
Average daily rate	$ 127.66	5.3%	$ 127.01	4.2%
REVPAR	$ 93.17	20.0%	$ 91.84	17.4%
Total Worldwide [6]				
Occupancy	73.1%	4.8% pts.	72.4%	3.9% pts.
Average daily rate	$ 129.95	3.4%	$ 113.46	3.5%
REVPAR	$ 95.02	10.6%	$ 82.10	9.4%

(1) International financial results are reported on a period end basis, while international statistics are reported on a month end basis.

(2) The comparison to 2003 is on a currency neutral basis and includes results for January through August. Excludes North America.

(3) Excludes Hawaii.

(4) Includes Hawaii.

(5) Excludes The Ritz-Carlton International.

(6) Worldwide includes international statistics for the eight months ended August 31, 2004 and August 31, 2003, and North American statistics for the thirty-six weeks ended September 10, 2004 and September 12, 2003.

Full-Service Lodging *($ in millions)*	**Thirty-Six Weeks Ended** September 10, 2004	September 12, 2003	**Change** 2004/2003
Revenues	$ 4,512	$ 3,977	13%
Segment results	$ 292	$ 259	13%

Full-Service Lodging includes our *Marriott Hotels & Resorts*, *The Ritz-Carlton*, *Renaissance Hotels & Resorts*, *Ramada International* and *Bulgari Hotels & Resorts* brands. The 2004 segment results reflect a $57 million increase in base management, incentive management and franchise fees, partially offset by increased administrative costs. The increase in fees is largely due to stronger REVPAR, driven primarily by occupancy and rate increases, and the growth in the number of rooms. Since the third quarter of 2003, across our Full-Service Lodging segment, we have added 70 hotels (14,337 rooms) and deflagged 19 hotels (3,995 rooms).

Gains were up $4 million and joint venture results were down $4 million compared to the prior year. On April 1, 2004, Cendant exercised its option to redeem our interest in the Two Flags joint venture, which owns the trademarks and licenses for the Ramada and Days Inn lodging brands in the United States. In the first three quarters of 2003, our equity earnings included $17 million attributable to our interest in the Two Flags joint venture, while our equity in earnings for the first three quarters of 2004 reflect only a $6 million impact due to the redemption of our interest. We recorded a pre-tax gain of $13 million in the third quarter of 2004 when we received the proceeds from the Two Flags sale. In the prior year third quarter we recognized a $9 million gain associated with our sale of an international joint venture.

REVPAR for Full-Service Lodging comparable company-operated North American hotels increased 7.8 percent to $110.12. Occupancy for these hotels increased to 72.8 percent, while average daily rates increased 2.6 percent to $151.35.

Financial results for our international operations were strong across most regions, generating a 20.0 percent REVPAR increase for comparable company-operated hotels including Ritz-Carlton. Occupancy increased 8.9 percentage points, while average daily rates increased to $127.66. International operations were unfavorably impacted by SARS in 2003. As noted above, in the year ago third quarter we recognized a $9 million gain associated with our sale of an international joint venture. Versus the prior year, we experienced stronger demand particularly in China, Hong Kong, Australia, Brazil, Egypt, Mexico, and the United Kingdom.

Select-Service Lodging *($ in millions)*	**Thirty-Six Weeks Ended** September 10, 2004	September 12, 2003	**Change** 2004/2003
Revenues	$ 788	$ 699	13%
Segment results	$ 104	$ 81	28%

Select-Service Lodging includes our *Courtyard, Fairfield Inn* and *SpringHill Suites* brands. The increase in revenues over the prior year, reflects stronger REVPAR, driven primarily by occupancy and rate increases, and the growth in the number of rooms across our select-service brands. Base management, incentive management and franchise fees increased $21 million, and gains were $10 million higher than the prior year period. These increases were partially offset by reserves recorded for performance guarantees we expect to fund and an increase in administrative costs, resulting in an increase in segment results from $81 million in 2003 to $104 million in 2004. Across our Select-Service Lodging segment, we have added 84 hotels (10,425 rooms) and deflagged 26 hotels (3,539 rooms) since the third quarter of 2003.

Extended-Stay Lodging *($ in millions)*	**Thirty-Six Weeks Ended**		**Change**
	September 10, 2004	**September 12, 2003**	**2004/2003**
Revenues	$ 377	$ 392	-4%
Segment results	$ 48	$ 37	30%

Extended-Stay Lodging includes our *Residence Inn*, *TownePlace Suites*, *Marriott Executive Apartments*, and *Marriott ExecuStay* brands. The decline in revenue is primarily attributable to the shift in the ExecuStay business towards franchising. Our base and incentive management fees were essentially flat with last year while our franchise fees, principally associated with our Residence Inn brand, increased $7 million. The increase in franchise fees is largely due to the growth in the number of rooms and an increase in REVPAR. Since the third quarter of 2003 we have added 21 hotels (2,303 rooms) and deflagged one hotel (80 rooms). In addition, gains of $8 million in 2004 were favorable to the prior year by $3 million. ExecuStay experienced improved results compared to the first three quarters of last year, resulting from increased occupancy, primarily in the New York market, coupled with lower operating costs associated with the shift in business towards franchising.

REVPAR for Select-Service and Extended-Stay Lodging comparable company-operated North American hotels increased 7.9 percent to $69.38. Occupancy for these hotels increased to 73.9 percent, while average daily rates increased 3.3 percent to $93.85.

Timeshare *($ in millions)*	**Thirty-Six Weeks Ended**		**Change**
	September 10, 2004	**September 12, 2003**	**2004/2003**
Revenues	$ 1,083	$ 856	27%
Segment results	$ 135	$ 85	59%

Timeshare includes our *Marriott Vacation Club International, The Ritz-Carlton Club, Marriott Grand Residence Club* and *Horizons by Marriott Vacation Club International* brands. Timeshare revenues of $1,083 million and $856 million, in 2004 and 2003, respectively, include interval sales, base management fees and cost reimbursements. Including our three joint ventures, contract sales, which represent sales of timeshare intervals before adjustment for percentage of completion accounting, increased 36 percent primarily due to strong demand in South Carolina, Florida, Hawaii, California, St. Thomas and Aruba. The favorable segment results reflect a 17 percent increase in timeshare interval sales and services, higher margins primarily resulting from the use of lower cost marketing channels, and the mix of units sold, partially offset by a lower note sale gain and higher administrative expenses. Our note sale in the second quarter of 2004 resulted in a $27 million gain versus a $32 million gain in the second quarter of 2003. In addition to a lower note sale gain, we adjusted the discount rate used in determining the fair value of our residual interests due to current trends in interest rates, and recorded a $7 million charge in the second quarter of 2004. Additionally, the 2003 results reflected a $2 million loss associated with an interest rate swap agreement. Reported revenue growth trailed contract sales growth because of a higher proportion of sales in joint venture projects and projects with lower average construction completion.

Synthetic Fuel

For the thirty-six weeks ended September 10, 2004, the synthetic fuel operation generated revenue of $198 million and income from continuing operations of $73 million comprised of second and third quarter items: operating losses of $61 million, offset by net earn-out payments received of $28 million, a $2 million tax benefit, tax credits which amounted to $64 million, and minority interest of $29 million reflecting our partner's share of the operating losses, and first quarter items: equity losses of $28 million, which include net earn-out payments made of $6 million, a tax benefit of $10 million and tax credits which amounted to $29 million.

For the thirty-six weeks ended September 12, 2003, the synthetic fuel operation generated revenue of $224 million and income from continuing operations of $66 million comprised of: operating losses of $104 million, which includes net earn-out payments made of $37 million; minority interest expense of $29 million reflecting our partner's share of the tax credits, tax benefits, and operating losses; a $37 million tax benefit; and tax credits which amounted to $162 million. The $7 million increase in synthetic fuel results to $73 million from $66 million is primarily due to our sale of a 50 percent interest in the synthetic fuel joint ventures in the third quarter of 2003 and to slightly higher production in 2004. In connection with the sale, a higher percentage (90 percent) of the tax credits was allocated to our joint venture partner in the 2003 third quarter compared to roughly 50 percent in the 2004 third quarter. See Note 12, "Synthetic Fuel" in Part I, Item 1, Notes to Condensed Consolidated Financial Statements, for further information related to our synthetic fuel operations.

General, Administrative and Other Expenses

General, administrative and other expenses increased $49 million in the first three quarters of 2004 to $385 million, reflecting higher administrative expenses in both our lodging and timeshare businesses, primarily associated with increased overhead costs related to the Company's unit growth and increased development costs associated with our timeshare joint ventures, as well as $3 million of higher litigation expenses, a $6 million reduction in foreign exchange gains, and $10 million of insurance proceeds received in 2003, partially offset by lower deferred compensation expenses.

Gains and Other Income

The following table shows our gains and other income for the thirty-six weeks ended September 10, 2004 and September 12, 2003:

	Thirty-Six Weeks Ended	
($ in millions)	**September 10, 2004**	**September 12, 2003**
Timeshare note sale gains	$ 27	$ 32
Net synthetic fuel earn-out payments received	28	-
Gains on sale of real estate	25	13
Gains on sale of joint ventures	15	9
	$ 95	$ 54

Interest Expense

Interest expense decreased $8 million to $69 million primarily due to the repayment of $234 million of senior debt in the fourth quarter of 2003 and other debt reductions, partially offset by lower capitalized interest resulting from fewer projects under construction.

Interest Income and Income Tax

Interest income, before the provision for loan losses increased $20 million (26 percent) to $98 million, reflecting higher loan balances, including the $200 million note, collected in the third quarter of 2004, related to the purchase of our interest in the Two Flags joint venture, and higher interest rates. For the thirty-six weeks ended September 10, 2004, we recognized $8 million of interest income in connection with the $200 million note.

Income from continuing operations before income taxes generated a tax provision of $79 million in the first three quarters of 2004, compared to a tax benefit of $72 million in 2003. The difference is primarily attributable to the impact of our synthetic fuel joint venture, which generated a tax benefit and tax credits of $105 million in 2004, compared to $199 million in 2003, and to higher pre-tax income. In the third quarter of

2003 we sold a 50 percent interest in our synthetic fuel joint ventures and we currently consolidate the joint ventures.

Minority Interest

The principal difference between minority interest for the thirty-six weeks ended September 10, 2004 versus the thirty-six weeks ended September 12, 2003 is related to the change in the ownership structure of the synthetic fuel joint ventures as a result of the sale of 50 percent of our interest in the joint ventures. Due to the purchaser's put option which expired on November 6, 2003, minority interest for the thirty-six weeks ended September 12, 2003 reflected our partner's share of the synthetic fuel operating losses and their share of the associated tax benefit along with their share of the tax credits. For the thirty-six weeks ended September 10, 2004, minority interest reflects our partner's share of the synthetic fuel losses only.

LIQUIDITY AND CAPITAL RESOURCES

Cash Requirements and our Credit Facilities

We are party to two multicurrency revolving credit agreements that provide for aggregate borrowings of $2 billion expiring in 2006 ($1.5 billion expiring in July and $500 million expiring in August), which support our commercial paper program and letters of credit. At September 10, 2004, we had no loans outstanding under the facilities. At September 10, 2004, our cash balances combined with our available borrowing capacity under the credit facilities amounted to approximately $2 billion. We consider these resources, together with cash we expect to generate from operations, adequate to meet our short-term and long-term liquidity requirements, finance our long-term growth plans, meet debt service and fulfill other cash requirements.

Cash and equivalents totaled $202 million at September 10, 2004, a decrease of $27 million from year-end 2003, primarily reflecting purchases of treasury stock, debt repayments, loan advances and capital expenditures, partially offset by loan collections and sales, cash from dispositions, commercial paper borrowings, and cash provided by operating activities.

Timeshare Operating Cash Flows

While our timeshare business generates strong operating cash flow, the timing of both cash outlays for the acquisition and development of new resorts and cash received from purchaser financing affects quarterly amounts. We include timeshare interval sales we finance in cash from operations when we collect cash payments or the notes are sold for cash.

The following table shows the net operating activity from our timeshare business (which excludes the portion of net income from our timeshare business, as that number is a component of income from continuing operations):

($ in millions)	Thirty-Six Weeks Ended September 10, 2004	Thirty-Six Weeks Ended September 12, 2003
Timeshare development, less cost of sales	$ 45	$ (75)
New timeshare mortgages, net of collections	(291)	(181)
Note sale gains	(27)	(32)
Note sale proceeds	141	130
Financially reportable sales less than closed sales	61	36
Collection on retained interests in notes sold	78	36
Other cash inflows (outflows)	29	(2)
Net cash inflows (outflows) from timeshare activity	$ 36	$ (88)

Asset Securitizations and Other

In June 2004, we sold $150 million of notes receivable generated by our timeshare business in connection with the sale of timeshare intervals. In conjunction with the sale, we received net proceeds of $141 million, retained residual interests of $33 million, and recorded a gain of $27 million. We used the following key assumptions to measure the fair value of the residual interests: discount rate of 7.9 percent; expected annual prepayments, including defaults, of 18.5 percent; expected weighted average life of prepayable notes receivable, excluding prepayments and defaults, of 81 months; and expected weighted average life of prepayable notes receivable, including prepayments and defaults, of 41 months. Our key assumptions are based on experience.

In March 2004 we also sold one lodging note associated with an equity method investee, for cash proceeds of $57 million.

Debt

In the first three quarters of 2004, debt decreased by $80 million from $1,455 million to $1,375 million, due to the second quarter 2004 repurchase of all of our Liquid Yield Option Notes due 2021 (the "Notes") totaling $62 million, the maturity in the second quarter of 2004 of $46 million of senior notes and other debt reductions of $22 million, partially offset by a $50 million increase in commercial paper borrowings used to finance capital expenditures, share repurchases, and our Notes repurchase.

On April 7, 2004, we sent notice to the holders of our Notes that, subject to the terms of the indenture governing the Notes, we would purchase for cash, at the option of each holder, any Notes tendered by the holder and not withdrawn on May 10, 2004, at a purchase price of $880.50 per $1,000 principal amount at maturity. The Notes, issued on May 8, 2001, carried a yield to maturity of 0.75 percent, and were convertible into approximately 0.9 million shares of our Class A Common Stock.

Holders of all outstanding Notes, approximately $70 million aggregate principal amount at maturity, tendered their Notes for repurchase. Accordingly, on May 11, 2004, we repurchased all of the outstanding Notes for aggregate cash consideration of approximately $62 million. No Notes remain outstanding following the purchase.

Cendant Joint Venture

On April 1, 2004, Cendant exercised its option to redeem our interest in the Two Flags joint venture, which owns the trademarks and licenses for the Ramada and Days Inn lodging brands in the United States. We recorded a pre-tax gain of approximately $13 million in connection with this transaction in the third quarter of 2004 when we collected our $200 million note receivable and the sale was complete.

For our entire 2003 fiscal year, we earned $24 million from our interest in the Two Flags joint venture, which was reflected as equity in earnings in the income statement. Our equity in earnings attributable to the Two Flags joint venture was $5 million and $17 million for the twelve and thirty-six weeks ended September 12, 2003, respectively, versus $6 million for the thirty-six weeks ended September 10, 2004. For the thirty-six weeks ended September 10, 2004, we recognized $8 million of interest income in connection with the $200 million note, collected in the third quarter of 2004, related to the purchase of our interest in the Two Flags joint venture.

We continue to own the trademarks and licenses for Ramada International outside of the United States, operate and franchise hotels outside of the United States and Canada under the Ramada International brand name, and license the Ramada name in Canada to Cendant. However, subsequent to the third quarter 2004, the Company and Cendant signed a non-binding letter of intent for Cendant to purchase Ramada International, primarily a franchised brand from the Company. Pending approval by regulatory authorities and final negotiation of terms, the transaction is expected to be completed in the fourth quarter of 2004. We do not expect that the transaction will have a material impact to the Company.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET ARRANGEMENTS

Except for the increase in commercial paper borrowings and the repurchase of our Liquid Yield Option Notes due 2021, both discussed in "Debt" above, our contractual obligations and off balance sheet arrangements, which we discussed on pages 34 and 35 of our Annual Report on Form 10-K for fiscal year 2003, have not materially changed since January 2, 2004.

SHARE REPURCHASES

We purchased 12.9 million shares of our Class A Common Stock during the thirty-six weeks ended September 10, 2004 at an average price of $45.71 per share.

CRITICAL ACCOUNTING POLICIES

Certain of our critical accounting policies require the use of judgment in their application or require estimates of inherently uncertain matters. Our accounting policies comply with United States generally accepted accounting principles, although a change in the facts and circumstances of the underlying transactions could significantly change the resulting financial statement impact. We have discussed those policies that we believe are critical and require the use of complex judgment in their application in our Annual Report on Form 10-K for fiscal year 2003. Since the date of that Form 10-K, there have been no material changes to our critical accounting policies or the methodologies or assumptions we apply under them.

OTHER MATTERS

Our independent auditor, Ernst & Young LLP (E&Y) recently notified the Securities and Exchange Commission ("SEC"), the Public Company Accounting Oversight Board and the Audit Committee of our Board of Directors that certain non-audit services E&Y performed in China for a large number of public companies, including Marriott, have raised questions regarding E&Y's independence in its performance of audit services.

With respect to Marriott, from 2001 through May of 2004, E&Y performed tax calculation and preparation services for Marriott employees located in Beijing (4 to 8 employees during the applicable period), and affiliates of E&Y made payment of the relevant taxes on behalf of Marriott. The payment of those taxes involved handling of Company related funds, which is not permitted under SEC auditor independence rules. These actions by affiliates of E&Y have been discontinued, and both the amount of the taxes and the fees paid to E&Y in connection with these services are de minimis.

The Audit Committee and E&Y discussed E&Y's independence with respect to the Company in light of the foregoing facts. E&Y informed the Audit Committee that it does not believe that the holding and paying of those funds impaired E&Y's independence with respect to the Company. The Company, based on its own review, also is not aware of any additional non-audit services that may compromise E&Y's independence in performing audit services for the Company.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Our exposure to market risk has not materially changed since January 2, 2004.

Item 4. *Controls and Procedures*

As of the end of the period covered by this quarterly report, we carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures which, by their nature, can provide only reasonable assurance regarding management's control objectives. You should note that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. There have been no changes in the internal control over financial reporting that occurred during the third quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based upon the foregoing evaluation, our Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures are effective to timely alert them to any material information relating to the Company (including its consolidated subsidiaries) that must be included in our periodic SEC filings.

PART II - OTHER INFORMATION

Item 1. *Legal Proceedings*

The legal proceedings and claims described under the heading captioned "Contingencies" in Note 8 of the Notes to Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report are hereby incorporated by reference. From time to time, we are also subject to certain legal proceedings and claims in the ordinary course of business. We currently are not aware of any such legal proceedings or claims that we believe will have, individually or in aggregate, a material adverse effect on our business, financial condition, or operating results.

Legal Proceeding Terminated During the Third Quarter

Strategic Hotel litigation. On August 20, 2002, several direct or indirect subsidiaries of Strategic Hotel Capital, L.L.C. (Strategic) filed suit against us in the Superior Court of Los Angeles County, California in a dispute related to the management, procurement and rebates related to three California hotels that we manage for Strategic. On June 4, 2004 we signed an agreement to resolve the litigation filed by Strategic Hotel Capital, L.L.C. on terms that are not material to the Company. The court formally dismissed the suit on July 12, 2004, after certain necessary third party consents were obtained.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

(a) Unregistered Sale of Securities
None.

(b) Use of Proceeds
None.

(c) Issuer Purchases of Equity Securities

(in millions, except per share amounts)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs [1]
June 19, 2004 – July 16, 2004	0.4	$ 49.50	0.4	24.3
July 17, 2004 – August 13, 2004	3.5	47.34	3.5	20.8
August 14, 2004 – September 10, 2004	1.1	47.34	1.1	19.7

[1] On April 30, 2004 we announced that our Board of Directors increased by 20 million shares, the authorization to repurchase our common stock for a total outstanding authorization of approximately 25 million shares on that date. That authorization is ongoing and does not have an expiration date.

Item 3. *Defaults Upon Senior Securities*

None.

Item 4. *Submission of Matters to a Vote of Security Holders*

None.

Item 5. *Other Information*

None.

Item 6. *Exhibits*

Exhibits

Exhibit No.	Description
10.1	Marriott International, Inc. Executive Officer Deferred Compensation Plan.
10.2	Marriott International, Inc. Executive Officer Incentive Plan and Executive Officer Individual Performance Plan.
10.3	Form of Employee Non-Qualified Stock Option Agreement for the Marriott International, Inc. 2002 Comprehensive Stock and Cash Incentive Plan.
10.4	Form of Non-Employee Director Non-Qualified Stock Option Agreement for the Marriott International, Inc. 2002 Comprehensive Stock and Cash Incentive Plan.
10.5	Form of Executive Restricted Stock Unit Agreement for the Marriott International, Inc. 2002 Comprehensive Stock and Cash Incentive Plan.
12	Statement of Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).
32	Section 1350 Certifications.
99	Forward-Looking Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARRIOTT INTERNATIONAL, INC.

18th day of October, 2004

/s/ Arne M. Sorenson

Arne M. Sorenson
Executive Vice President and
Chief Financial Officer

/s/ Carl T. Berquist

Carl T. Berquist
Executive Vice President, Financial
Information and Risk Management
(Principal Accounting Officer)

Exhibit 12

MARRIOTT INTERNATIONAL, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

($ in millions, except ratio)	Thirty-Six Weeks Ended September 10, 2004	Thirty-Six Weeks Ended September 12, 2003
Income from continuing operations before income taxes and minority interest [1]	$ 455	$ 263
Loss (income) related to equity method investees	37	1
	492	264
Add/(deduct):		
Fixed charges	115	128
Interest capitalized	(10)	(18)
Distributed income of equity method investees	6	17
Minority interest in pre-tax loss	30	20
Earnings available for fixed charges	$ 633	$ 411
Fixed charges:		
Interest expensed and capitalized [2]	$ 79	$ 95
Estimate of interest within rent expense	36	33
Total fixed charges	$ 115	$ 128
Ratio of earnings to fixed charges	5.5	3.2

[1] Reflected in income from continuing operations before income taxes and minority interest are the following items associated with the synthetic fuel operation: equity in losses of $28 million, an operating loss of $61 million, and net earn-out payments received of $28 million for the thirty-six weeks ended September 10, 2004; and an operating loss of $104 million for the thirty-six weeks ended September 12, 2003.

[2] "Interest expensed and capitalized" includes amortized premiums, discounts and capitalized expenses related to indebtedness.

Certification of Chief Executive Officer
Pursuant to Rule 13a–14(a)

I, J.W. Marriott, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marriott International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 18, 2004

/s/ J.W. Marriott, Jr.

J.W. Marriott, Jr.
Chairman of the Board and
Chief Executive Officer

Certification of Chief Financial Officer
Pursuant to Rule 13a–14(a)

I, Arne M. Sorenson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marriott International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 18, 2004

/s/ Arne M. Sorenson

Arne M. Sorenson
Executive Vice President and
Chief Financial Officer

Certification
Pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Section 1350(a) and (b))

I, J.W. Marriott, Jr., Chairman of the Board and Chief Executive Officer of Marriott International, Inc. (the "Company") certify that:

(1) the quarterly report on Form 10-Q of the Company for the period ended September 10, 2004 (the "Quarterly Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 18, 2004

/s/ J.W. Marriott, Jr.

J.W. Marriott, Jr.
Chairman of the Board
and Chief Executive Officer

I, Arne M. Sorenson, Executive Vice President and Chief Financial Officer of Marriott International, Inc. (the "Company") certify that:

(1) the quarterly report on Form 10-Q of the Company for the period ended September 10, 2004 (the "Quarterly Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 18, 2004

/s/ Arne M. Sorenson

Arne M. Sorenson
Executive Vice President and
Chief Financial Officer

Forward-Looking Statements

The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this report or presented elsewhere by management. Because there is no way to determine in advance whether, or to what extent, any present uncertainty will ultimately impact our business, you should give equal weight to each of the following.

Dependence on others. Our present growth strategy for development of additional facilities entails entering into and maintaining various arrangements with present and future property owners. We cannot assure you that any of our current strategic arrangements will continue, or that we will be able to enter into future collaborations.

Contract terms for new facilities. The terms of the management agreements, franchise agreements and leases for each of our lodging facilities are influenced by contract terms offered by our competitors at the time such agreements are entered into. Accordingly, we cannot assure you that contracts entered into or renewed in the future will be on terms that are as favorable to us as those under existing agreements.

Competition. The profitability of hotels, vacation timeshare resorts, and corporate apartments that we operate is subject to general economic conditions, competition, the desirability of particular locations, the relationship between supply of and demand for hotel rooms, vacation timeshare resorts and corporate apartments and other factors. We generally operate in markets that contain numerous competitors and our continued success will depend, in large part, upon our ability to compete in such areas as access, location, quality of accommodations, amenities, specialized services, cost containment and, to a lesser extent, the quality and scope of food and beverage services and facilities.

Barriers to growth and market entry. Factors influencing real estate development generally, including site availability, financing, planning, zoning and other local approvals, and other limitations which may be imposed by market and submarket factors, such as projected room occupancy, growth in demand opposite projected supply, territorial restrictions in our management and franchise agreements, costs of construction, and anticipated room rate structure, all affect and potentially limit our ability to sustain continued growth through management or franchise agreements for new hotels and the conversion of existing facilities to managed or franchised Marriott brands in specific markets.

Supply and demand. The lodging industry may be adversely affected by (1) supply additions, (2) international, national and regional economic conditions, including the magnitude and duration of the economic recovery in the United States, (3) changes in travel patterns, (4) taxes and government regulations which influence or determine wages, prices, interest rates, construction procedures and costs, and (5) the availability of capital to allow us and potential hotel owners to fund investments. Our timeshare business is also subject to the same or similar uncertainties. Accordingly, we cannot assure you that the current upturn in demand for hotel rooms in the United States and other regions, that the present level of demand for timeshare intervals, or the apparent slowdown in growth of the supply of competitive units will continue, and a change in any of these factors could limit or reduce the prices at which we are able to sell hotel rooms or timeshare units. Weaker hotel performance could also give rise to losses under loans, guarantees and minority equity investments that we have made in connection with hotels that we manage.

Internet reservation channels. Some of our hotel rooms are booked through internet travel intermediaries such as Travelocity, Expedia and Priceline. As this percentage increases, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from us. Moreover, some of these internet travel intermediaries are attempting to commoditize hotel rooms, by increasing the importance of price and general indicators of quality (such as "three-star downtown hotel") at the expense of brand identification. These agencies hope that consumers will eventually develop brand loyalties to their reservations system rather than to our lodging brands. Although we expect that most of our business will

continue to be derived from traditional channels, if the amount of sales made through internet intermediaries increases significantly, our business and profitability may be significantly harmed.

The uncertain pace of the lodging industry's recovery will continue to impact our financial results and growth. Both the Company and the lodging industry were hurt by several events occurring over the last few years, including the global economic downturn, the terrorist attacks on New York and Washington, Severe Acute Respiratory Syndrome ("SARS"), and military action in Iraq. Business and leisure travel decreased and remained depressed as some potential travelers reduced or avoided discretionary travel in light of increased delays and safety concerns and economic declines stemming from an erosion in consumer confidence. Weaker hotel performance reduced management and franchise fees and gave rise to fundings or losses under loans, guarantees and minority investments that we have made in connection with some hotels that we manage, which, in turn, has had a material adverse impact on our financial performance. Although both the lodging and travel industries are recovering, the pace, duration and full extent of that recovery remain unclear. Accordingly, adverse impacts on our business could occur if that recovery stalls or is reversed.

Synthetic fuel. The synthetic fuel operation could be interrupted due to problems at any of the facilities, the power plants that buy synthetic fuel from the joint venture or the coal mines where the joint venture buys coal. Such interruptions could be caused by accidents, personnel issues, severe weather or other similar unpredictable events. Moreover, the performance of the synthetic fuel operation depends in part on our ability to utilize the tax credits, which in turn is dependent on our financial performance. An unfavorable final resolution of the Internal Revenue Service's challenge to whether three of our joint venture's synthetic fuel facilities satisfied the statutory placed-in-service requirements could also prevent us from realizing projected future tax credits and cause us to reverse previously utilized credits, requiring payment of substantial additional taxes.

In addition, Section 29 of the Internal Revenue Code provides for a phase-out of the tax credits available for the production and sale of synthetic and other qualified fuels in the event that the average wellhead price per barrel of domestic crude oil for the calendar year in which the qualified fuel is produced (the "Crude Oil Reference Price") falls within a certain inflation-adjusted price range. For 2003, the phase-out range was $50.14 to $62.94. Because the Crude Oil Reference Price for 2003 was $27.56, there was no reduction of the tax credits for synthetic fuel (or other qualified fuels) produced in 2003. Based on the average wellhead oil prices to date in 2004, it is highly unlikely that Section 29 tax credits for synthetic fuels produced in 2004 will be reduced. For 2005 and later years, the phase out range will again be inflation adjusted and if the average wellhead price per barrel of oil for a full calendar year falls within or exceeds such computed phase out range, the availability of tax credits in that year could be reduced or eliminated, respectively.

Changes in privacy law could adversely affect our ability to effectively market our products. Our timeshare business, and to a lesser extent our lodging segments, rely on a variety of direct marketing techniques, including telemarketing and mass mailings. Recent initiatives, such as the National Do Not Call Registry and anti-spam legislation have created some concern over the continuing effectiveness of telemarketing and mass mailing techniques. Such initiatives and any related changes in law could force further changes in our marketing strategy. If this occurs, we may not be able to develop adequate alternative marketing strategies. We also obtain lists of potential customers from travel service providers with whom we have substantial relationships and market to some individuals on these lists directly. If the acquisition of these lists were outlawed or otherwise restricted, our ability to develop new customers and introduce them to our products could be impaired.

Threat and spread of communicable diseases. The impact of any significant recurrence of SARS, or the uncontained spread of any contagious disease could affect our business.

Exit from the Senior Living Services Business. Our agreement to sell the Senior Living Services business provides for purchase price adjustments and indemnification of Sunrise based on pre-closing events and liabilities resulting from the consummation of the transaction. As the amount of such purchase price adjustments and indemnification obligations depends, in large part, on actions of third parties that are outside of our control, it is difficult to predict the ultimate impact of those adjustments and indemnities.