

MARRIOTT INTERNATIONAL, INC.

Segment Information, Non-GAAP Financial Measures, and Reconciliations

Segment Information

Segment Results are evaluated by management based primarily on the results of the segment without allocating corporate expenses, income taxes, or indirect general, administrative, and other expenses. With the exception of our Timeshare segment, we do not allocate interest income or interest expense to our segments. We include interest income and interest expense associated with our Timeshare segment notes in our Timeshare segment results because financing sales and securitization transactions are an integral part of that segment's business. In addition, we allocate other gains and losses, equity in earnings or losses from our joint ventures, divisional general, administrative, and other expenses, and income or losses attributable to noncontrolling interests to each of our segments.

Non-GAAP Financial Measures

We report certain financial measures that are not prescribed or authorized by U.S. generally accepted accounting principles ("GAAP"). We discuss management's reasons for reporting these non-GAAP measures below, and the tables on the following pages reconcile the most directly comparable generally accepted accounting principle measures to the non-GAAP measures (identified with the symbol "+"). Although management evaluates and presents these non-GAAP measures for the reasons described below, please be aware that these non-GAAP measures have limitations and should not be considered in isolation or as a substitute for revenue, operating income, income from continuing operations, net income, earnings per share or any other comparable operating measure prescribed by GAAP. In addition, these non-GAAP financial measures may be calculated and/or presented differently than measures with the same or similar names that are reported by other companies, and as a result, the non-GAAP measures we report may not be comparable to those reported by others.

Adjusted Diluted Earnings per Share (EPS) From Continuing Operations Excluding Certain Charges, Costs, and Other Expenses. Management evaluates adjusted diluted EPS from continuing operations that excludes the impact of Timeshare strategy - impairment charges incurred in the 2009 third quarter, restructuring costs and other charges incurred in fiscal years 2008 and 2009, and certain tax expenses incurred in fiscal years 2008 and 2009, because this allows for period-over-period comparisons of our on-going core operations before material charges. These non-GAAP measures also facilitate management's comparison of results from our on-going operations before material charges with results from other lodging companies.

Timeshare Strategy - Impairment Charges. In response to the difficult business conditions that the Timeshare segment's timeshare, luxury residential, and luxury fractional real estate development businesses experienced, we evaluated our entire Timeshare portfolio in the 2009 third quarter. In order to adjust the business strategy to reflect current market conditions at that time, on September 22, 2009, we approved plans for our Timeshare segment to take the following actions: (1) for our luxury residential projects, reduce prices, convert certain proposed projects to other uses, sell some undeveloped land, and not pursue further Marriott-funded residential development projects; (2) reduce prices for existing luxury fractional units; (3) continue short-term promotions for our U.S. timeshare business and defer the introduction of new projects and development phases; and (4) for our European timeshare and fractional resorts,

continue promotional pricing and marketing incentives and not pursue further development. As a result of these decisions, we recorded third quarter 2009 charges totaling \$502 million after-tax (\$752 million before tax).

Restructuring Costs and Other Charges. During the latter part of 2008 we experienced a significant decline in demand for hotel rooms both domestically and internationally due, in part, to the financial crisis and the dramatic downturn in the economy. Our capital intensive Timeshare business was also hurt by the downturn in market conditions and particularly, the significant deterioration in the credit markets. These declines resulted in reduced management and franchise fees, cancellation of development projects, reduced timeshare contract sales, contract cancellation allowances, and charges and reserves associated with expected fundings, loans, Timeshare inventory, accounts receivable, contract cancellation allowances, valuation of Timeshare residual interests, hedge ineffectiveness, and asset impairments. We responded by implementing various cost saving measures. We incurred 2008 and 2009 restructuring costs and other charges directly related to the downturn of \$124 million and \$130 million after-tax, respectively.

Certain Tax Expenses. Certain tax expenses included the following charges in fiscal year 2008 totaling \$72 million: (1) tax expense totaling \$19 million primarily due to prior years' tax adjustments, including a settlement with the IRS that resulted in a lower than expected refund of taxes associated with a 1995 leasing transaction; (2) tax expense totaling \$29 million primarily related to an unfavorable court decision involving a refund claim associated with a 1994 sale transaction; and (3) tax expense totaling \$24 million related to the tax treatment of funds received from foreign subsidiaries. Certain tax expenses also included non-cash charges of \$56 million in fiscal year 2009 primarily related to the treatment of funds received from certain foreign subsidiaries, an issue we are contesting with the Internal Revenue Service.

Earnings Before Interest and Taxes (“EBIT”) and Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”). EBIT reflects earnings excluding the impact of interest expense and provision for income taxes, and EBITDA reflects EBIT excluding the impact of depreciation and amortization. Management considers EBITDA to be an indicator of operating performance because we use it to measure our ability to service debt, fund capital expenditures, and expand our business. We also use EBIT and EBITDA, as do analysts, lenders, investors and others, to evaluate companies because they exclude certain items that can vary widely across different industries or among companies within the same industry. For example, interest expense can be dependent on a company's capital structure, debt levels and credit ratings. Accordingly, the impact of interest expense on earnings can vary significantly among companies. The tax positions of companies can also vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the jurisdictions in which they operate. As a result, effective tax rates and provision for income taxes can vary considerably among companies. EBITDA further excludes depreciation and amortization because companies utilize productive assets of different ages and use different methods of both acquiring and depreciating productive assets. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies.

Both EBITDA and Adjusted EBITDA (described below) exclude certain cash expenses that we are obligated to make.

Adjusted EBITDA. Management also evaluates Adjusted EBITDA as an indicator of operating performance. Adjusted EBITDA for 2007 excluded: (1) the \$35 million charge related to excise taxes associated with the 2007 settlement of issues raised during the IRS' and Department of Labor's examination of the employee stock ownership plan ("ESOP") feature of our Employees' Profit Sharing, Retirement and Savings Plan and Trust; and (2) the synthetic fuel business which we discontinued in November 2007. Management evaluates non-GAAP measures which exclude these impacts because those measures allow for period-over-period comparisons of our on-going core lodging operations before material charges and those measures facilitate management's comparison of our on-going results before material charges with those of other lodging companies.

Return on Invested Capital ("ROIC"). ROIC is calculated as EBIT divided by average invested capital. We consider ROIC to be a meaningful indicator of our operating performance, and we evaluate this metric because it measures how effectively we use the money invested in our lodging operations.

Free Cash Flow. We calculate free cash flow as net cash provided by operating activities less net cash used by investing activities. We consider free cash flow to be a meaningful indicator of our operating performance and evaluate this metric because it represents the cash we expect to have available for debt service requirements, incremental investments, share repurchases and other purposes.

Total Revenues Excluding Cost Reimbursements. Cost reimbursements revenue represents reimbursements of costs incurred on behalf of managed and franchised properties and relates, predominantly, to payroll costs at managed properties where we are the employer. As we record cost reimbursements based upon costs incurred with no added markup, this revenue and related expense has no impact on either our operating income or net income attributable to us because cost reimbursements revenue net of reimbursed costs expense is zero. We consider total revenues excluding costs reimbursements to be a meaningful metric as it represents that portion of revenue that impacts operating income and net income attributable to us.

Cash Used in Investing Activities, Investments Before Recycling and Timeshare Investments. We consider these non-GAAP measures to be meaningful metrics and we evaluate them as they provide detail regarding: 1) cumulative capital allocations for the three years preceding the recent economic downturn; and 2) cumulative estimated capital allocations for the 2011 to 2013 years.

Timeshare Segment 2010 Estimated Results As Adjusted. We evaluate Timeshare segment estimated results for fiscal year 2010 adjusted for the \$19 million estimated gain on sale of a hotel property as this gain is not related to our core ongoing operations and it facilitates comparability with the other year presented which included no similar gain.

Timeshare Segment EBITDA. Timeshare segment EBITDA reflects Timeshare segment results excluding the impact of interest expense, tax expense and depreciation and amortization. We do not allocate taxes to our Timeshare or other segments. Management uses this non-GAAP measure for the reasons noted previously under the "Earnings Before Interest

and Taxes (“EBIT”) and Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”)” caption.

Timeshare Segment Cumulative Free Cash Flow. The calculation of Timeshare segment cumulative free cash flow adds back to Timeshare segment EBITDA the net cash flow change in Timeshare segment inventory, non-development capital spending, working capital changes, and adjustments for non-cash items and deducts net cash used in financing activities. Management uses this non-GAAP measure for the reasons noted previously under the “Free Cash Flow” caption.

Total Debt Net of Cash and Adjusted Total Debt Net of Cash (or “Net Debt”). Total debt net of cash reflects total debt less cash and cash equivalents. Management considers total debt net of cash to be a more accurate indicator of the net debt that must be repaid or refinanced at maturity (as it gives consideration to cash resources available to retire a portion of the debt when due). In addition, management evaluates adjusted total debt net of cash, which excludes the debt that was consolidated as a result of adopting ASU Nos. 2009-16 and 2009-17, because that debt is non-recourse to the Company and is not supported by the Company’s cash flows. Management believes that these financial measures provide a clearer picture of the future demands on cash to repay debt and uses these measures in making decisions regarding its borrowing capacity and future refinancing needs. Management also evaluates adjusted total debt net of cash in order to better perform year-over-year comparisons on a comparable basis.

MARRIOTT INTERNATIONAL, INC.

Non-GAAP Financial Measures

Diluted Earnings Per Share (EPS) From Continuing Operations and Adjusted Diluted EPS From Continuing Operations Attributable to Marriott Shareholders

(in millions, except per share amounts)

	Adjustments						Adjustments				
	As Reported 52 Weeks Ended January 1, 2010	Restructuring Costs & Other Charges	Timeshare Strategy - Impairment Charges	Certain Tax Items	As Adjusted 52 Weeks Ended January 1, 2010 †		As Reported 53 Weeks Ended January 2, 2009	Restructuring Costs & Other Charges	Certain Tax Items	As Adjusted 53 Weeks Ended January 2, 2009 †	
NET (LOSS) / INCOME FROM CONTINUING OPERATIONS ATTRIBUTABLE TO MARRIOTT	\$	(346)	\$	130	\$	502	\$	56	\$	342	
(LOSSES) / EARNINGS PER SHARE - Diluted											
(Losses) / earnings from continuing operations attributable to Marriott shareholders ²	\$	(0.97)	\$	0.37	\$	1.41	\$	0.16	\$	0.93	
Basic Shares ¹	356.4	356.4	356.4	356.4	356.4		355.6	355.6	355.6	355.6	
Diluted Shares ¹	356.4	356.4	356.4	356.4	367.4		370.7	370.7	370.7	370.7	

† Denotes non-GAAP financial measures. Please see pages 1 through 4 for additional information about our reasons for providing these alternative financial measures and the limitations on their use.

¹ Fully diluted weighted average common shares outstanding used to calculate earnings per share from continuing operations for the periods in which we had a loss are the same as basic shares because inclusion of additional equivalents would be anti-dilutive.

² (Losses) / Earnings per share attributable to Marriott shareholders plus adjustment items may not equal earnings per share attributable to Marriott shareholders as adjusted due to rounding and for the period ended January 1, 2010 due to the different share amounts used in the denominators.

MARRIOTT INTERNATIONAL, INC.
Non-GAAP Financial Measures
EBITDA and Adjusted EBITDA
(\$ in millions)

		Range		Range		
	Fiscal Year 2007	Fiscal Year 2010 Estimate		Fiscal Year 2013 Estimate		
				5% Annual RevPAR Growth	7% Annual RevPAR Growth	9% Annual RevPAR Growth
Net Income attributable to Marriott	\$ 696	\$ 411	\$ 424	\$ 661	\$ 758	\$ 882
Interest expense	184	190	185	255	280	310
Tax provision, continuing operations	441	224	231	369	432	503
Tax (benefit) provision, synthetic fuel	(126)	-	-	-	-	-
Depreciation and amortization	197	180	180	232	232	232
Less: Depreciation reimbursed by third-party owners	(18)	(10)	(10)	(19)	(24)	(29)
Interest expense from unconsolidated joint ventures	24	25	25	15	15	15
Depreciation and amortization from unconsolidated joint ventures	28	30	30	27	27	27
EBITDA †	1,426	\$ 1,050	\$ 1,065	1,540	1,720	1,940
ESOP Settlement - Excise Tax	35	-	-	-	-	-
Discontinued operations adjustment (synthetic fuel)	119	-	-	-	-	-
Adjusted EBITDA †	\$ 1,580	\$ 1,050	\$ 1,065	\$ 1,540	\$ 1,720	\$ 1,940
The following items make up the discontinued operations adjustment (synthetic fuel)						
Pre-tax Synthetic Fuel losses (income)	\$ 127					
Synthetic Fuel depreciation	(8)					
EBITDA adjustment for discontinued operations (synthetic fuel)	\$ 119					

† Denotes non-GAAP financial measures. Please see pages 1 through 4 for additional information about our reasons for providing these alternative financial measures and the limitations on their use.

Marriott International, Inc.
Non-GAAP Financial Measures
Return on Invested Capital

The reconciliations of income (loss) from continuing operations attributable to Marriott to earnings (losses) before interest expense and income taxes are as follows:

(\$ in millions)	Fiscal Year 2013 Estimate			Fiscal Year 2010 Estimate ¹	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2005	Fiscal Year 2004
	5% Annual RevPAR Growth	7% Annual RevPAR Growth	9% Annual RevPAR Growth							
Income (loss) from continuing operations attributable to Marriott	\$ 661	\$ 758	\$ 882	\$ 417	\$ (346)	\$ 359	\$ 697	\$ 712	\$ 543	\$ 487
Add:										
Provision (benefit) for income taxes	369	432	503	229	(65)	350	441	380	284	265
Provision for income taxes related to noncontrolling interest in losses of consolidated subsidiaries	-	-	-	-	4	9	-	-	-	-
Interest expense	255	280	310	187	118	163	184	124	106	99
Timeshare interest ²	15	15	15	21	24	15	24	21	24	21
Earnings (losses) before interest expense and income taxes †	\$ 1,300	\$ 1,485	\$ 1,710	\$ 854	\$ (265)	\$ 896	\$ 1,346	\$ 1,237	\$ 957	\$ 872

The reconciliations of assets to invested capital are as follows:

	Year-End 2013 Estimate												
(\$ in millions)	5% Annual RevPAR Growth	7% Annual RevPAR Growth	9% Annual RevPAR Growth	Year-End 2012 Estimate	Year-End 2010 Estimate	Beginning of Year 2010	Year-End 2009	Year-End 2008	Year-End 2007	Year-End 2006	Year-End 2005	Year-End 2004	Year-End 2003
Assets	\$ 9,529	\$ 9,498	\$ 9,472	***	\$ 9,022	\$ 8,903	\$ 7,933	\$ 8,903	\$ 8,942	\$ 8,588	\$ 8,530	\$ 8,668	\$ 8,177
Add:													
Cumulative goodwill amortization ³	128	128	128	***	128	128	128	128	128	128	128	128	128
Current liabilities - discontinued operations ⁴	-	-	-	-	-	-	-	3	13	55	63	82	16
Less:													
Current liabilities, net of current portion of long-term debt ⁵	(2,287)	(2,287)	(2,287)	***	(2,263)	(2,218)	(2,223)	(2,413)	(2,701)	(2,507)	(2,086)	(2,011)	(1,779)
Assets - discontinued operations ⁴	-	-	-	-	-	-	-	-	(53)	(91)	(103)	(116)	(83)
Deferred tax assets, net ⁶	(1,139)	(1,101)	(1,054)	***	(1,244)	(1,348)	(1,256)	(913)	(863)	(865)	(765)	(559)	(466)
Timeshare capitalized interest ⁷	(38)	(38)	(38)	***	(44)	(46)	(46)	(49)	(19)	(19)	(20)	(21)	(22)
Invested capital †	<u>\$ 6,193</u>	<u>\$ 6,200</u>	<u>\$ 6,221</u>	<u>\$ 6,067</u>	<u>\$ 5,599</u>	<u>\$ 5,419</u>	<u>\$ 4,536</u>	<u>\$ 5,659</u>	<u>\$ 5,447</u>	<u>\$ 5,289</u>	<u>\$ 5,747</u>	<u>\$ 6,171</u>	<u>\$ 5,971</u>
Average invested capital † ⁸	\$ 6,130	\$ 6,134	\$ 6,144		\$ 5,509		\$ 5,098	\$ 5,553	\$ 5,368	\$ 5,518	\$ 5,959	\$ 6,071	

Return on invested capital †	21%	24%	28%	16%	-5%	16%	25%	22%	16%	14%
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† Denotes non-GAAP financial measures. Please see pages 1 through 4 for additional information about our reasons for providing these alternative financial measures and the limitations on their use.

*** Detailed guidance not provided

¹ Fiscal Year 2010 Estimate of earnings before interest expense and income taxes is based on the mid-point of guidance provided.

² Timeshare interest represents previously capitalized interest that is a component of product cost.

³ Added back because, beginning with 2002, we stopped amortizing goodwill in accordance with the adoption of new accounting guidance for goodwill and other intangible assets.

⁴ Assets net of current liabilities associated with discontinued operations deducted because the return on invested capital metric we analyze is related to our core lodging business (continuing operations).

⁵ Deducted because they will be satisfied in the short term.

⁶ Deducted because the numerator of the calculation is a pre-tax number.

⁷ Deducted because the numerator of the calculation is a pre-interest expense number.

⁸ Calculated as "Invested capital" for the current year and prior year, divided by two, with the exception of 2010. For comparability of beginning and ending 2010 balances, 2010 is the average of: 1) the 2010 beginning balance (reflecting the impact of the adoption on the first day of fiscal year 2010 of Financial Accounting Standards No. 166, "Accounting for Transfers of Financial Assets, an Amendment of FASB Statement No. 140" or Accounting Standards Update No. 2009-16 "Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets" ("ASU No. 2009-16") and Financial Accounting Standards No. 167 "Amendments to FASB Interpretation No. 46(R)" or Accounting Standards Update No. 2009-17 "Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" ("ASU No. 2009-17"); and 2) the 2010 estimated ending balance.

MARRIOTT INTERNATIONAL, INC.
Non-GAAP Financial Measures
Total Revenues and Total Revenues Excluding Cost Reimbursements
(\$ in millions)

	As Reported	Range		Fiscal Year 2013 Estimate		
	Fiscal Year 2007	Fiscal Year 2010 Estimate		5% Annual RevPAR Growth	7% Annual RevPAR Growth	9% Annual RevPAR Growth
Total revenues	\$ 12,990	***	***	***	***	***
Less: Cost reimbursements	(8,575)	***	***	***	***	***
Total revenues excluding cost reimbursements †	<u>\$ 4,415</u>	<u>\$ 3,386</u>	<u>\$ 3,436</u>	<u>\$ 4,245</u>	<u>\$ 4,445</u>	<u>\$ 4,680</u>

† Denotes non-GAAP financial measure. Please see pages 1 through 4 for additional information about our reasons for providing these alternative financial measures and the limitations on their use.

*** Detailed guidance not provided

MARRIOTT INTERNATIONAL, INC.
TIMESHARE SEGMENT
Non-GAAP Financial Measures
Timeshare Segment Results As Adjusted
(\$ in millions)

	Range	
	Fiscal Year 2010 Estimate	
Timeshare segment results	\$ 131	\$ 136
Less: gain on sale of hotel property	(19)	(19)
Timeshare segment results as adjusted †	<u>\$ 112</u>	<u>\$ 117</u>

† Denotes non-GAAP financial measure. Please see pages 1 through 4 for additional information about our reasons for providing these alternative financial measures and the limitations on their use.

MARRIOTT INTERNATIONAL, INC.
Non-GAAP Financial Measures
Cash Used In Investing Activities, Investments, and Timeshare Investments
(\$ in millions)

	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Years 2006-2008	% of Investments
Reconciliation of GAAP measure to non-GAAP measure					
Net cash (provided by) used in investing activities	\$ (119)	\$ (125)	\$ 483	\$ 239	
Less cash (provided by) used in:					
Dispositions	(798)	(745)	(38)	(1,581)	
Loan collections and sales	(121)	(106)	(36)	(263)	
Sale of available for sale securities	-	(43)	(22)	(65)	
Purchase of available for sale securities and other	24	(32)	11	3	
Cash used in investing activities †	\$ 776	\$ 801	\$ 568	\$ 2,145	
Detail of Cash used in investing activities and Investments					
Capital expenditures	\$ 529	\$ 671	\$ 357	\$ 1,557	60%
Loan advances	59	31	53	143	6%
Equity and cost method investments (not including Timeshare)	3	18	20	41	2%
Equity and cost method investments (Timeshare)	92	22	5	119	
Equity and cost method investments	95	40	25	160	
Contract acquisition costs	93	59	133	285	11%
Cash used in investing activities †	776	801	568	2,145	
Add: Timeshare segment development in excess of cost of sales	83	55	299	437	
Investments †	\$ 859	\$ 856	\$ 867	\$ 2,582	100%
Detail of Timeshare investments					
Equity and cost method investments (Timeshare)	\$ 92	\$ 22	\$ 5	\$ 119	
Timeshare segment development in excess of cost of sales	83	55	299	437	
Timeshare investments †	\$ 175	\$ 77	\$ 304	\$ 556	21%
	Fiscal Year 2011E	Fiscal Year 2012E	Fiscal Year 2013E	Fiscal Years 2011E-2013E	% of Investments
Reconciliation of GAAP measure to non-GAAP measure					
Net cash used in investing activities	\$ 921	\$ 628	\$ 427	\$ 1,976	
Less cash provided by:					
Dispositions	-	(118)	(304)	(422)	
Loan collections and sales	(5)	(24)	(19)	(48)	
Other investing activities	(7)	(28)	(26)	(61)	
Cash used in investing activities †	\$ 933	\$ 798	\$ 776	\$ 2,507	
Detail of Cash used in investing activities and Investments					
Capital expenditures	\$ 503	\$ 479	\$ 403	\$ 1,385	55%
Loan advances	243	178	215	636	25%
Equity and cost method investments (not including Timeshare)	50	10	5	65	3%
Equity and cost method investments (Timeshare)	-	-	-	-	
Equity and cost method investments	50	10	5	65	
Contract acquisition costs	137	131	153	421	17%
Cash used in investing activities †	933	798	776	2,507	
Add: Timeshare segment development in excess of cost of sales	-	-	-	-	
Investments †	\$ 933	\$ 798	\$ 776	\$ 2,507	100%
Detail of Timeshare investments					
Equity and cost method investments (Timeshare)	\$ -	\$ -	\$ -	\$ -	
Timeshare segment development in excess of cost of sales ¹	-	-	-	-	
Timeshare investments †	\$ -	\$ -	\$ -	\$ -	0%

¹ Shown as zero for 2011E, 2012E and 2013E as Timeshare segment gross resort development in those years is less than cost of sales and this chart shows uses of cash not sources.

† Denotes non-GAAP financial measures. Please see pages 1 through 4 for additional information about our reasons for providing these alternative financial measures and the limitations on their use.

MARRIOTT INTERNATIONAL, INC.
NON-GAAP FINANCIAL MEASURES
ADJUSTED TOTAL DEBT NET OF CASH
(\$ in millions)

	Balance at End of 2010 Third Quarter	Balance at Year-End 2008	Better / (Worse) Change
Total debt	\$ 2,726	\$ 3,095	\$ 369
Cash and cash equivalents	(223)	(134)	89
Total debt net of cash †	2,503	2,961	458
Less the impact of ASU Nos. 2009-16 and 2009-17	(912)	-	912
Adjusted total debt net of cash † ¹	<u>\$ 1,591</u>	<u>\$ 2,961</u>	<u>\$ 1,370</u>

¹ Excludes the impact of adoption of ASU No. 2009-16 and ASU No. 2009-17.

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