



## **Marriott International Earns \$0.41 Per Share For The 2002 Third Quarter Compared To \$0.39 A Year Ago**

### **- Outlook for overall lodging demand continues to be soft, with group business continuing to outperform transient business**

WASHINGTON, Oct. 3 /PRNewswire-FirstCall/ -- Marriott International, Inc. (NYSE: MAR) today reported diluted earnings per share of 41 cents in its 2002 third quarter ended September 6, up 5 percent from the year-ago quarter. Net income for the quarter was \$103 million, up \$2 million from the year-ago quarter, which ended on September 7, 2001. The quarter's results included \$11 million of pre-tax income related to the sale of Marriott's Village Oaks senior living portfolio and a \$30 million pre-tax charge related to Marriott's previously announced exit from its distribution business. After adjusting for these items, earnings per share for the quarter was \$0.46. Synthetic fuel operations contributed 9 cents per share of after-tax earnings during the quarter. Systemwide sales totaled \$4.8 billion, roughly the same as last year.

J.W. Marriott, Jr., chairman and chief executive officer of Marriott International, noted the company's continued earnings strength despite lower levels of lodging demand. "We are pleased with the relative strength of our lodging profits, despite continued weakness in U.S. industry-wide revenue per available room (REVPAR). As a result of the strong system growth we have achieved over the past several years, base management and franchise fees, which represent over three quarters of our total fees from hotels, declined only slightly, while overall REVPAR declined 6.8 percent. The preference for our brands is unmistakable. During the past 12 months we continued to outpace our competitors in terms of both rooms added and new rooms in the pipeline. In addition, Marriott has increased its overall REVPAR premium this year.

"Room openings for 2002 are on track, with almost 7,100 gross new rooms opened in the third quarter. For 2002 through 2004, we continue to expect to add between 25,000 and 30,000 hotel rooms annually to our worldwide lodging portfolio through management and franchise agreements, both newly constructed and conversions from other brands. At the end of the third quarter, the company's pipeline of properties either under construction or approved for development exceeded 50,000 rooms.

"During the quarter, we commenced our exit from the distribution business with the announcement of the pending sale of two distribution centers. We are grateful for the many years of dedication from our associates in this segment. We expect to complete the wind-down of the distribution business by year-end 2002."

MARRIOTT LODGING reported an 8 percent decrease in operating results. Profits reflected weaker lodging demand, partially offset by timeshare results and contributions from new properties worldwide.

Across Marriott's lodging brands, REVPAR for comparable U.S. properties declined by an average of 6.8 percent in the 2002 third quarter. Average room rates for these hotels decreased 5.1 percent, while occupancy declined slightly to 72.9 percent. The company's full-service brands (including Marriott Hotels, Resorts and Suites, The Ritz-Carlton, and Renaissance Hotels, Resorts and Suites) experienced a REVPAR decline of 7.8 percent in the quarter, driven primarily by a 4.8 percent decline in rate. Marriott's select-service and extended-stay brands (including Courtyard, Fairfield Inn, Residence Inn, TownePlace Suites, and SpringHill Suites) posted a REVPAR decline of 5.4 percent in the third quarter of 2002, almost entirely driven by a 4.8 percent decline in average daily rate.

Third quarter 2002 results for international lodging operations reflected better trends than the U.S., with stable REVPAR and almost 2 percentage points in higher margins. Lodging demand strengthened in Japan, Korea, and Russia.

Marriott's timeshare business reported flat contract sales in the quarter, after excluding sales from the year-ago quarter related to the acquisition of the Grand Residence Club in Lake Tahoe. Contract sales were strong at timeshare resorts in Colorado, Hawaii, and California, but remained soft in Orlando. Profits in the timeshare business were up 5 percent compared to the third quarter of 2001, primarily as a result of higher gains on the sale of timeshare mortgage notes. Mortgage note sale gains totaled \$18 million in the third quarter of 2002, compared to \$13 million in the year-ago quarter.

The company has added 185 hotels and timeshare resorts (32,887 rooms) to its worldwide lodging portfolio over the past 12 months, while 22 properties (4,211 rooms) exited the system. A net total of 42 hotels and resorts (6,583 rooms) were added in the 2002 third quarter, including five Marriott Hotels, Resorts and Suites (1,657 rooms), nine Courtyard hotels (1,275 rooms) and 13 Residence Inns (1,598 rooms). At quarter-end, the company's lodging group encompassed 2,505 hotels and timeshare resorts (454,587 rooms).

MARRIOTT SENIOR LIVING SERVICES posted 8 percent sales growth in the quarter. The division reported \$17 million in

profits, including \$11 million related to the sale of Village Oaks. After adjusting for Village Oaks, Senior Living's profits were \$6 million versus \$3 million a year ago. Occupancy for comparable communities was 84 percent in the quarter, flat with last year's third quarter. The company operates 153 facilities totaling 26,257 residential units. As announced last quarter, the company continues to explore strategic alternatives for Senior Living Services, including a spin-off or sale, and expects to announce a resolution by year-end 2002.

MARRIOTT DISTRIBUTION SERVICES reported a 9 percent decrease in sales in the 2002 third quarter. The division posted a loss of \$34 million, \$30 million of which was related to the company's exit from the distribution business, including the sale of segment assets. We expect to incur additional material charges in connection with exiting the business, but we are currently unable to estimate their magnitude.

CORPORATE EXPENSES were \$25 million in the 2002 third quarter, a \$12 million increase from the year ago levels. The increase reflects \$3 million of foreign exchange losses and the inclusion in last year's corporate expenses of a \$4 million gain on the sale of a tax investment. Interest expense was \$19 million in the quarter, a decrease of \$7 million, reflecting lower average borrowing levels and rates. Long-term debt, net of cash reserves, at the end of the quarter was \$1.6 billion, down from \$2.3 billion at year end 2001.

The company repurchased 3.1 million shares of common stock during the third quarter of 2002 at a total cost of \$105 million. Subsequent to the third quarter, the company repurchased an additional 2.2 million shares, for total year-to-date purchases of 6.0 million shares. Currently, there are 7.5 million shares remaining under the share repurchase authorization.

During the 2002 third quarter the company sold real estate assets for approximately \$233 million. Subsequent to the end of the third quarter, Marriott sold its 11 percent stake in Interval International for \$63 million and its Village Oaks portfolio for \$62 million, bringing total year-to-date asset sales to \$665 million. A \$44 million pre-tax gain on the sale of the Interval International investment will be included in the company's fourth quarter results. Contingent liabilities at the end of the quarter, including guarantees and loan commitments, were essentially flat with year-end 2001 levels.

The company's synthetic fuel business produced more synthetic fuel and, consequently, higher cash flow and after-tax earnings than anticipated. The segment posted a pre-tax deficit of \$32 million for the third quarter of 2002. As a result, taxes were favorably impacted by \$54 million, resulting in 9 cents per share of earnings in the quarter.

## Outlook

The company expects fourth quarter REVPAR to increase 8 to 10 percent over 2001 levels and earnings per share to total \$0.65 to \$0.69 in the fourth quarter. This EPS estimate includes \$0.12 per share after-tax from synthetic fuel and an \$0.11 per share after-tax gain on the sale of the Interval International investment, but does not include any additional charges related to the exit from the distribution services business.

Given the expected improvement in fourth quarter year-over-year REVPAR, lower than anticipated average borrowings, the gain on Interval International investment sale and higher than expected production from the synthetic fuel business, the company believes that earnings per share of \$1.88 to \$1.92 is achievable in 2002. This estimate includes the third quarter impacts of the Village Oaks sale and the distribution business charge. The outlook reflects an average REVPAR decline of 4 to 6 percent for comparable U.S. hotels in 2002 and a house profit margin decline of approximately one to two percentage points.

While visibility regarding 2003 is quite low, the company currently expects REVPAR to range from flat to an increase of 4 percent versus 2002 levels, with hotel profit margins down modestly. This would result in lodging profits ranging from \$770 million to \$800 million. Including the after-tax synthetic fuel impact of approximately \$0.30 per share, we expect 2003 earnings per share to total \$2.05 to \$2.15.

The company expects investment spending in 2002 to include approximately \$50 million for maintenance spending and approximately \$250 million for new company-developed hotels. We expect timeshare spending to total approximately \$200 million. We also expect to invest \$300 million in equity slivers, mezzanine financing and mortgage loans for hotels developed by our partners. Based on these spending levels and assuming continued success with asset sales, we expect net cash flow to approximate \$700 million in 2002 before share repurchases. The company expects that total investment spending in 2003 will be \$600 million to \$700 million.

We invite individual investors and members of the news media to listen to our third quarter earnings conference call on October 3 at 10 a.m. ET on the Internet. Go to <http://www.marriott.com/investor> and click on "recent investor news." A recording of the call will be available by telephone until October 10 at 8:00 p.m. ET by calling (719) 457-0820, reservation number 695188.

Note: This press release contains "forward-looking statements" within the meaning of federal securities laws, including REVPAR, profit margin and earning trends; statements concerning the number of lodging properties expected to be added in future years; expected investment spending; anticipated results from synthetic fuel operations; the anticipated time-frame for

exiting the distribution services business; and similar statements concerning anticipated future events and expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including the duration and severity of the current economic slowdown and the pace of the lodging industry's recovery from the terrorist attacks of September 11, 2001; supply and demand changes for hotel rooms, vacation ownership intervals, corporate housing and senior living accommodations; competitive conditions in the lodging, senior living and food service distribution industries; relationships with clients and property owners; the availability of capital to finance growth; the results of our evaluation of our senior living services business; and the completion of appropriate arrangements for exiting from our distribution services business, any of which could cause actual results to differ materially from those expressed in or implied by the statements herein. These statements are made as of the date of this press release, and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

MARRIOTT INTERNATIONAL, INC. (NYSE: MAR), a leading worldwide hospitality company celebrating its 75th Anniversary in 2002, has over 2,600 operating units in the United States and 65 other countries and territories. Marriott International operates and franchises hotels under the Marriott, JW Marriott, The Ritz-Carlton, Renaissance, Residence Inn, Courtyard, TownePlace Suites, Fairfield Inn, SpringHill Suites and Ramada International brand names; develops and operates vacation ownership resorts under the Marriott Vacation Club International, Horizons, The Ritz-Carlton Club and Marriott Grand Residence Club brands; operates Marriott Executive Apartments; provides furnished corporate housing through its Marriott ExecuStay division; and operates conference centers. Other Marriott businesses include senior living communities and services, wholesale food distribution and synthetic fuel. The company is headquartered in Washington, D.C., and has approximately 144,000 employees. In fiscal year 2001, Marriott International reported systemwide sales of \$20 billion. For more information or reservations, please visit our web site at <http://www.marriott.com>.

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MARRIOTT INTERNATIONAL, INC.  
Financial Highlights

12 Weeks Ended

September 6, 2002

(in millions, except per share amounts)

	Lodging	Senior Living Services	Distribution Services	Synthetic Fuel	Total
Sales					
Management and franchise fees	\$162	\$8	\$-	\$-	\$170
Other	425	77	351	55	908
	----	----	----	----	----
	587	85	351	55	1,078
Other revenues from managed and franchised properties	1,282	94	-	-	1,376
	----	----	----	----	----
	1,869	179	351	55	2,454
	----	----	----	----	----
Operating costs and expenses					
Operating costs	427	68	385	87	967
Other costs from managed and franchised properties	1,282	94	-	-	1,376
	----	----	----	----	----
	1,709	162	385	87	2,343
	----	----	----	----	----
Segment financial results	\$160	\$17	\$(34)	\$(32)	\$111
	====	====	====	====	
Corporate expenses					(25)
Interest expense					(19)
Interest income					28
					----
Income before income taxes					95

Benefit (Provision) for income taxes	8
	----
Net income	\$103
	====
Basic Earnings Per Share	\$0.43
	====
Diluted Earnings Per Share	\$0.41
	====
Diluted Shares	252.1

MARRIOTT INTERNATIONAL, INC.  
Financial Highlights

12 Weeks Ended	September 7, 2001					
(in millions, except per share amounts)						
	Lodging	Senior Living Services	Distri- bution Services	Syn- thetic Fuel	Total	Better/ (Worse)
Sales						
Management and franchise fees	\$179	\$8	\$-	\$-	\$187	
Other	447	74	385	-	906	
	----	----	----	----	----	
	626	82	385	-	1,093	
Other revenues from managed and franchised properties	1,197	83	-	-	1,280	
	----	----	----	----	----	
	1,823	165	385	-	2,373	3%
	----	----	----	----	----	
Operating costs and expenses						
Operating costs	452	79	384	-	915	
Other costs from managed and franchised properties	1,197	83	-	-	1,280	
	----	----	----	----	----	
	1,649	162	384	-	2,195	-7%
	----	----	----	----	----	
Segment financial results	\$174	\$3	\$1	\$-	\$178	-38%
	====	====	====	====		
Corporate expenses					(13)	
Interest expense					(26)	
Interest income					23	
					----	
Income before income taxes					162	-41%
Benefit (Provision) for income taxes					(61)	
					----	
Net income					\$101	2%
					====	
Basic Earnings Per Share					\$0.41	5%
					====	

Diluted Earnings Per Share	\$0.39	5%
	====	
Diluted Shares	264.8	

MARRIOTT INTERNATIONAL, INC.  
Financial Highlights

36 Weeks Ended September 6, 2002

(in millions, except per share amounts)

Sales	Lodging	Senior Living Services	Distribution Services	Synthetic Fuel	Total
Management and franchise fees	\$527	\$25	\$-	\$-	\$552
Other	1,239	236	1,102	113	2,690
	----	----	----	----	----
	1,766	261	1,102	113	3,242
Other revenues from managed and franchised properties	3,887	275	-	-	4,162
	----	----	----	----	----
	5,653	536	1,102	113	7,404
	----	----	----	----	----
Operating costs and expenses					
Operating costs	1,261	233	1,144	194	2,832
Other costs from managed and franchised properties	3,887	275	-	-	4,162
	----	----	----	----	----
	5,148	508	1,144	194	6,994
	----	----	----	----	----
Segment financial results	\$505	\$28	\$(42)	\$(81)	\$410
	====	====	====	====	
Corporate expenses					(77)
Interest expense					(59)
Interest income					75
					----
Income before income taxes					349
Provision for income taxes					(35)
					----
Net income					\$314
					====
Basic Earnings Per Share					\$1.30
					====
Diluted Earnings Per Share					\$1.23
					====
Diluted Shares					257.8

MARRIOTT INTERNATIONAL, INC.  
Financial Highlights

36 Weeks Ended September 7, 2001

(in millions, except per share amounts)

Sales	Lodging	Senior Living Services	Distribution Services	Synthetic Fuel	Total	Better/ (Worse)
Management and franchise fees	\$594	\$24	\$-	\$-	\$618	
Other	1,294	225	1,143	-	2,662	
	-----	-----	-----	-----	-----	
	1,888	249	1,143	-	3,280	
Other revenues from managed and franchised properties	3,759	245	-	-	4,004	
	-----	-----	-----	-----	-----	
	5,647	494	1,143	-	7,284	2%
	-----	-----	-----	-----	-----	
Operating costs and expenses						
Operating costs	1,260	240	1,137	-	2,637	
Other costs from managed and franchised properties	3,759	245	-	-	4,004	
	-----	-----	-----	-----	-----	
	5,019	485	1,137	-	6,641	-5%
	-----	-----	-----	-----	-----	
Segment financial results	\$628	\$9	\$6	\$-	\$643	-36%
	=====	=====	=====	=====		
Corporate expenses					(72)	
Interest expense					(75)	
Interest income					59	
					-----	
Income before income taxes					555	-37%
Provision for income taxes					(203)	
					-----	
Net income					\$352	-11%
					=====	
Basic Earnings Per Share					\$1.44	-10%
					=====	
Diluted Earnings Per Share					\$1.36	-10%
					=====	
Diluted Shares					261.1	

MARRIOTT INTERNATIONAL, INC.  
Business Segment Results

Twelve weeks ended		Thirty-six weeks ended	
September 6, 2002	September 7, 2001	September 6, 2002	September 7, 2001
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(\$ in millions)

Sales

Full-Service	\$1,194	\$1,170	\$3,714	\$3,779
Select-Service	231	209	676	645
Timeshare	297	286	847	764
Extended-Stay	147	158	416	459
	-----	-----	-----	-----
Total Lodging	1,869	1,823	5,653	5,647
Senior Living Services	179	165	536	494
Distribution Services	351	385	1,102	1,143
Synthetic Fuel	55	-	113	-
	-----	-----	-----	-----
	\$2,454	\$2,373	\$7,404	\$7,284
	=====	=====	=====	=====

Segment financial results

Full-Service	\$76	\$70	\$265	\$314
Select-Service	27	45	95	133
Timeshare	40	38	110	120
Extended-Stay	17	21	35	61
	-----	-----	-----	-----
Total Lodging	160	174	505	628
Senior Living Services	17	3	28	9
Distribution Services	(34)	1	(42)	6
Synthetic Fuel	(32)	-	(81)	-
	-----	-----	-----	-----
	\$111	\$178	\$410	\$643
	=====	=====	=====	=====

MARRIOTT INTERNATIONAL, INC.

Normalized Results  
(\$ in millions)

12 weeks ended September 6, 2002 September 7, 2001

Segment financial results	As Reported	Village Oaks Gain and Charge	Before Village Oaks	
			Gain and Charge	MDS
Full-Service	\$76	\$-	\$76	\$70
Select-Service	27	-	27	45
Timeshare	40	-	40	38
Extended Stay	17	-	17	21
	-----	-----	-----	-----
Total Lodging	160	-	160	174
Senior Living Services	17	11	6	3
Distribution Services	(34)	(30)	(4)	1
Synthetic Fuel	(32)	-	(32)	-
	-----	-----	-----	-----
	\$111	\$(19)	\$130	\$178
	=====	=====	=====	=====

36 weeks ended September 6, 2002 September 7, 2001

Before

Segment financial results	As Reported	Village Oaks Gain and MDS Charge	Village Oaks Gain and MDS Charge	
Full-Service	\$265	\$-	\$265	\$314
Select-Service	95	-	95	133
Timeshare	110	-	110	120
Extended Stay	35	-	35	61
	-----	-----	-----	-----
Total Lodging	505	-	505	628
Senior Living Services	28	11	17	9
Distribution Services	(42)	(30)	(12)	6
Synthetic Fuel	(81)	-	(81)	-
	-----	-----	-----	-----
	\$410	\$(19)	\$429	\$643
	=====	=====	=====	=====

MARRIOTT INTERNATIONAL, INC.  
KEY LODGING STATISTICS

Third Quarter

Brand	2002		Average Daily	
	REVPAR	Occupancy	Rate	
	vs.	vs.		
	2001	2001	2002	2001
-----				
Marriott Hotels, Resorts and Suites	-7.7%	72.0%	-2.4% pts.	\$126.21 -4.7%
The Ritz-Carlton	-8.8%	65.8%	-1.5% pts.	\$206.93 -6.7%
Renaissance Hotels, Resorts and Suites	-7.5%	66.1%	-2.9% pts.	\$120.83 -3.5%
Domestic Composite - Full-Service (1)	-7.8%	70.6%	-2.3% pts.	\$132.26 -4.8%
Residence Inn	-6.9%	81.9%	0.6% pts.	\$97.02 -7.6%
Courtyard	-8.2%	73.3%	-1.7% pts.	\$91.95 -6.1%
Fairfield Inn	-0.8%	73.4%	0.1% pts.	\$66.51 -1.0%
TownePlace Suites	-2.0%	79.5%	1.1% pts.	\$64.72 -3.3%
SpringHill Suites	-2.7%	69.4%	-0.8% pts.	\$78.48 -1.6%
Domestic Composite - Select-Service & Extended-Stay(2)	-5.4%	75.0%	-0.5% pts.	\$81.66 -4.8%
Domestic Composite - All(3)	-6.8%	72.9%	-1.4% pts.	\$104.47 -5.1%

Third Quarter Year-to-Date

Brand	2002		Average Daily	
	REVPAR	Occupancy	Rate	
	vs.	vs.		
	2001	2001	2002	2001
-----				
Marriott Hotels, Resorts and Suites	-9.9%	71.6%	-2.6% pts.	\$136.77 -6.6%
The Ritz-Carlton	-10.4%	68.4%	-1.5% pts.	\$235.09 -8.4%
Renaissance Hotels, Resorts and Suites	-10.1%	66.7%	-4.0% pts.	\$131.53 -4.7%
Domestic Composite - Full-Service(1)	-9.9%	70.7%	-2.7% pts.	\$143.66 -6.6%



Residence Inn	-10.4%	78.9%	-1.2% pts.	\$98.27	-9.0%
Courtyard	-11.1%	70.8%	-3.8% pts.	\$95.17	-6.3%
Fairfield Inn	-2.2%	68.1%	-0.6% pts.	\$65.16	-1.3%
TownePlace Suites	-4.3%	74.8%	2.3% pts.	\$63.40	-7.3%
SpringHill Suites	-1.6%	70.1%	1.5% pts.	\$78.88	-3.7%
Domestic Composite - Select- Service & Extended-Stay(2)	-8.0%	71.5%	-1.6% pts.	\$82.78	-6.0%
Domestic Composite - All(3)	-9.2%	71.1%	-2.1% pts.	\$110.81	-6.5%

Brand	Number of Properties		Number of Rooms/Suites	
	Sept. 2002	vs. Sept. 2001	Sept. 2002	vs. Sept. 2001
-----				
Full-Service Lodging				
Marriott Hotels, Resorts and Suites	439	+17	162,530	+4,713
The Ritz-Carlton	48	+5	15,904	+1,831
Renaissance Hotels, Resorts and Suites	123	+5	44,996	+2,351
Ramada International	143	+14	20,894	+2,421
Select-Service Lodging				
Courtyard	578	+35	82,902	+6,021
Fairfield Inn	500	+29	47,971	+3,056
SpringHill Suites	96	+19	11,027	+2,504
Extended-Stay Lodging				
Residence Inn	411	+31	48,530	+3,938
TownePlace Suites	103	+7	10,608	+654
Marriott Executive Apartments	11	+1	2,008	+225
Timeshare				
Marriott Vacation Club International	45	(2)	6,680	+870
Horizons	2	+0	146	+0
The Ritz-Carlton Club	4	+1	143	+43
Marriott Grand Residence Club	2	+1	248	+49
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Total	2,505	+163	454,587	+28,676
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- (1) Full-Service composite statistics include domestic managed comparable properties for the Marriott Hotels, Resorts and Suites, Renaissance Hotels, Resorts and Suites, and The Ritz-Carlton brands. Statistics exclude non-U.S. properties.
- (2) Select-Service and Extended-Stay composite statistics include domestic managed comparable properties for the Courtyard and Residence Inn brands, and domestic managed and franchised comparable properties for the TownePlace Suites, Fairfield Inn and SpringHill Suites brands. Statistics exclude non-U.S. properties.
- (3) Composite statistics include domestic managed comparable properties for the Marriott Hotels, Resorts and Suites, Renaissance Hotels, Resorts and Suites, The Ritz-Carlton, Courtyard, and Residence Inn brands, and domestic managed and franchised comparable properties for the TownePlace Suites, Fairfield Inn and SpringHill Suites brands. Statistics exclude non-U.S. properties.