MARRIOTT INTERNATIONAL, INC.
NON-GAAP FINANCIAL MEASURES
CONSOLIDATED AND ADJUSTED CONSOLIDATED STATEMENTS OF INCOME
FULL YEAR 2012 AND 2011
(in millions, except per share amounts)

	As Reported 52 Weeks Ended December 28, 2012	As Reported 52 Weeks Ended December 30, 2011	Timeshare Spin-off Adjustments [1]	Other Charges	As Adjusted 52 Weeks Ended December 30, 2011**	Percent Better (Worse) 2012 vs. Adjusted 2011
REVENUES						
Base management fees	$ 581	$ 602	$ (56)	$ -	$ 546	6
Franchise fees	607	506	60	-	566	7
Incentive management fees	232	195	-	-	195	19
Owned, leased, corporate housing and other revenue	989	1,083	-	-	1,083	(9)
Timeshare sales and services	-	1,088	(1,088)	-	-	-
Cost reimbursements	9,405	8,843	(268)	-	8,575	10
Total Revenues	11,814	12,317	(1,352)	-	10,965	8
OPERATING COSTS AND EXPENSES						
Owned, leased and corporate housing - direct	824	943	-	-	943	13
Timeshare - direct	-	929	(929)	-	-	-
Timeshare strategy - impairment charges	-	324	(324)	-	-	-
Reimbursed costs	9,405	8,843	(268)	-	8,575	(10)
General, administrative and other	645	752	(99)	(10)	643	-
Total Expenses	10,874	11,791	(1,620)	(10)	10,161	(7)
OPERATING INCOME	940	526	268	10	804	17
Gains (losses) and other income	42	(7)	(3)	18	8	425
Interest expense	(137)	(164)	29	-	(135)	(1)
Interest income	17	14	10	-	24	(29)
Equity in losses	(13)	(13)	(4)	-	(17)	24
INCOME BEFORE INCOME TAXES	849	356	300	28	684	24
Provision for income taxes	(278)	(158)	(40)	(11)	(209)	(33)
NET INCOME	$ 571	$ 198	$ 260	$ 17	$ 475	20
EARNINGS PER SHARE - Diluted						
Earnings per share [2]	$ 1.72	$ 0.55	$ 0.72	$ 0.05	$ 1.31	31
Basic Shares	322.6	350.1	350.1	350.1	350.1	
Diluted Shares	332.9	362.3	362.3	362.3	362.3	

** Denotes non-GAAP financial measures. Please see page A-2 for information about our reasons for providing these alternative financial measures and limitations on their use.

[1] – We present our adjusted consolidated statements of income as if our Timeshare spin-off had occurred on January 1, 2011.

[2] – Earnings per share plus adjustment items does not equal earnings per share as adjusted due to rounding.

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We report certain financial measures that are not prescribed or authorized by United States generally accepted accounting principles ("GAAP"). We discuss management's reasons for reporting these non-GAAP measures below, and reconcile the most directly comparable GAAP measure to each non-GAAP measure that we refer to (identified by a double asterisk on the preceding page). 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, we may calculate and/or present these non-GAAP financial measures differently than measures with the same or similar names that other companies report, and as a result, the non-GAAP measures we report may not be comparable to those reported by others.

Adjusted Measures that Reflect the Timeshare Spin-off as if it had Occurred on the First Day of 2011. ("Timeshare Spin-off Adjustments"). On November 21, 2011 we completed a spin-off of our timeshare operations and timeshare development business through a special tax-free dividend to our shareholders of all of the issued and outstanding common stock of our wholly owned subsidiary Marriott Vacations Worldwide Corporation ("MVW").

Because of our significant continuing involvement in MVW's ongoing operations after the spin-off (by virtue of license and other agreements between us and MVW), we continue to include our former Timeshare segment's historical financial results for periods before the spin-off date in our historical financial results as a component of continuing operations. Under the license agreements we receive license fees consisting of a fixed annual fee of $50 million (subject to a periodic inflation adjustment), plus two percent of the gross sales price paid to MVW for initial developer sales of interests in vacation ownership units and residential real estate units and one percent of the gross sales price paid to MVW for resale of interests in vacation ownership units and residential real estate units, in each case that are identified with or use the Marriott or Ritz-Carlton marks.

In order to perform year-over-year comparisons on a comparable basis, management evaluates non-GAAP measures that, for certain periods before the spin-off, assume the spin-off had occurred on the first day of 2011. The Timeshare Spin-off Adjustments remove the results of our former Timeshare segment, assume payment by MVW of estimated license fees ($60 million for 2011) and remove the unallocated spin-off transaction costs ($34 million for 2011). We have also included certain corporate items not previously allocated to our former Timeshare segment in the Timeshare Spin-off Adjustments. Timeshare Spin-off Adjustments totaled $300 million pre-tax ($260 million after-tax) for 2011.

We provide adjusted measures that reflect Timeshare Spin-off Adjustments for illustrative and informational purposes only. These adjusted measures are not necessarily indicative of, and we do not purport that they represent, what our operating results would have been had the spin-off actually occurred on the first day of 2011. This information also does not reflect certain financial and operating benefits we expect to realize as a result of the 2011 Timeshare spin-off.

Adjusted Measures that Exclude 2011 Other Charges. Management evaluates non-GAAP measures that exclude certain 2011 charges because those non-GAAP measures allow for period-over-period comparisons of our on-going core operations before the impact of certain significant items. These non-GAAP measures also facilitate management's comparison of results from our on-going operations before the impact of certain significant items with results from other lodging companies.

2011 Other Charges. We recorded charges of $28 million pre-tax ($17 million after-tax) in 2011, which consisted of: (1) an $18 million other-than-temporary impairment of an investment in marketable securities (not allocated to any of our segments) recorded in the "Gains (losses) and other income" caption of our Income Statement; and (2) a $10 million charge recorded in the "General, administrative, and other" caption of our Income Statement for the impairment of deferred contract acquisition costs and an accounts receivable reserve, both of which were for a Luxury segment property whose owner filed for bankruptcy.