



## Marriott International Reports Robust 2006 Fourth Quarter Earnings

**Full Year Highlights:** \* Worldwide systemwide comparable revenue per available room (REVPAR) rose 9.5 percent (9.4 percent using constant dollars); Average daily rates increased 8.9 percent (8.8 percent using constant dollars); Occupancy remains strong at over 73 percent; \* Management and franchise fee revenue totaled \$1.2 billion in 2006 up 19 percent over the prior year's record breaking total; \* Incentive fees totaled \$281 million during the year, 40 percent higher than 2005 levels. Over 60 percent of managed hotels generated incentive fees during 2006 compared to 50 percent in 2005; \* In North America, company-operated comparable REVPAR rose 8.9 percent during 2006 and house profit margins rose approximately 240 basis points; \* Property-level internet sales totaled \$4.3 billion in 2006, 35 percent over 2005 levels. Eighty-seven percent of internet sales were booked on Marriott.com; \* Over 23,000 rooms opened in 2006, including 6,600 rooms outside the United States. Twenty-nine percent of total room openings were conversions from competitor brands; \* Global interest in the company's brands continues to rise. The company's worldwide pipeline of hotels under construction, awaiting conversion or approved for development increased to a record 100,000 rooms compared to 70,000 rooms a year ago and over 85,000 rooms at the end of the third quarter; \* Marriott repurchased 42 million shares of the company's common stock in 2006 for \$1.58 billion; The company repurchased nearly \$4 billion of the company's common stock over the past three years; **Fourth Quarter Highlights:** \* Fourth quarter 2006 adjusted earnings per share (excluding synthetic fuel) totaled \$0.52, up 13 percent from the fourth quarter of 2005; \* Fourth quarter management and franchise fee revenue rose 19 percent over the prior year; incentive management fees soared 39 percent; \* Worldwide systemwide comparable REVPAR rose 8.4 percent (7.8 percent using constant dollars) and worldwide company-operated house profit margins increased 230 basis points during the quarter; \* In North America company-operated comparable REVPAR increased 7.2 percent and house profit margins rose 210 basis points; \* Approximately 5,500 rooms opened during the fourth quarter, including nearly 1,900 rooms converted from competitor properties; \* Marriott repurchased 11 million shares of the company's common stock for \$506 million during the fourth quarter.

WASHINGTON, Feb 08, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- Marriott International, Inc. (NYSE: MAR) today reported adjusted diluted earnings per share (EPS) of \$0.52 in the fourth quarter of 2006, up 13 percent from the fourth quarter 2005 adjusted earnings. Adjusted net income for the quarter was \$219 million, a 7 percent increase over the prior year. Adjusted EPS and net income exclude the results of the company's synthetic fuel business. The company's EPS guidance for the fourth quarter, disclosed on October 5, 2006, totaled \$0.46 to \$0.51 and similarly excluded the results of the company's synthetic fuel business.

Reported net income was \$220 million in the fourth quarter of 2006 and \$237 million in the year ago quarter. The company's synthetic fuel business contributed approximately \$1 million after-tax to 2006 earnings and \$33 million after-tax (\$0.07 per share) to 2005 earnings.

J.W. Marriott, Jr., Marriott International Chairman and Chief Executive Officer, said, "Today, we are reporting the final results of a terrific year. We posted record REVPAR and earnings for 2006 and have the strongest worldwide pipeline of hotels in our history. Business travelers reaffirmed their preference for our brands and group meeting planners were attracted to our re-energized hotels and legendary service. Our consistent efforts to provide enhanced experiences, as well as our focus on keeping costs down, drove our hotels' success ever higher.

"Across the globe, from the U.S. to the U.K, to Germany and China and India, demand for our hotels was fueled by economic strength and great brand positioning.

"In 2007, we celebrate our company's 50th year in lodging and our 80th year in business. With well over half a million rooms in 68 countries, we have come a long way from our first 365 room hotel, The Twin Bridges Marriott, which opened just outside Washington, D.C. 50 years ago last month. We're delivering strong and sustainable growth to shareholders, owners, customers, associates and our communities and we are inspired by the future. The economy looks good this year and our commitment to leadership will serve us well, as we have the brands of choice in the lodging industry."

In the 2006 fourth quarter (16 week period from September 9, 2006 to December 29, 2006), REVPAR for the company's comparable worldwide systemwide properties increased 8.4 percent (7.8 percent using constant dollars). Calendar quarter

REVPAR for the company's comparable worldwide systemwide properties increased 8.9 percent (8.3 percent using constant dollars).

Continuing a deliberate strategy of shifting business to higher rated segments, average daily rates for North American company-operated properties rose 9.7 percent, while occupancy declined modestly, resulting in REVPAR growth of 7.2 percent in the fourth quarter. This pricing strategy helped drive company-operated North American house profit margins up 210 basis points over 2005 levels.

In the fourth quarter, international systemwide comparable REVPAR increased 13.9 percent (10.8 percent using constant dollars) including a 13.3 percent increase in average daily rate, with occupancy holding steady at over 74 percent. Hong Kong, Australia, Malaysia, Germany and Costa Rica were particularly strong markets.

The company added 32 hotels and timeshare resorts (5,505 rooms) to its worldwide lodging portfolio during the fourth quarter of 2006. Fifteen properties (2,281 rooms) exited the system, including five first generation Fairfield Inn properties (666 rooms). Approximately one-third of the rooms (1,865 rooms) added to the system in the fourth quarter were conversions from competitor brands. Thirty-six percent of room additions were in international locations, including a 600 room Marriott hotel in Rome, Italy and a 250 room Ritz-Carlton in Beijing, China. At year-end, the company's lodging group encompassed 2,832 hotels and timeshare resorts (513,832 rooms). The company's worldwide pipeline of hotel rooms under construction, awaiting conversion or approved for development increased to approximately 100,000 rooms at year end 2006. With the growing demand for the company's products around the world, the pipeline outside North America increased to 27,000 rooms.

MARRIOTT REVENUES totaled \$3.9 billion in the 2006 fourth quarter, a 6 percent increase from the same period in 2005. Base management and franchise fees rose 14 percent primarily due to higher REVPAR and unit growth. Incentive management fees surged 39 percent as a result of robust REVPAR growth and improved property-level house profit margins.

Worldwide comparable company-operated house profit margins increased 230 basis points during the quarter, driven by strong room rates and higher food and beverage revenue.

Owned, leased, corporate housing and other revenue was down slightly to \$354 million, largely due to the sale of properties that were owned in the year ago quarter. Offsetting those decreases were higher revenues associated with stronger demand as well as \$8 million of termination fees received in the 2006 fourth quarter.

Timeshare sales and services revenue increased 27 percent in the fourth quarter of 2006, reflecting the reportability of several projects with strong contract sales. The \$37 million gain from the sale of timeshare mortgage notes contributed to the strong revenue growth. In 2005, timeshare mortgage note sale gains were included in gains and other income. Excluding timeshare note sale gains, timeshare sales and services revenue increased 18 percent.

Timeshare sales and services revenue, net of direct expenses, totaled \$133 million, reflecting higher reportable sales in Maui and Frenchman's Reef. The 2005 timeshare results included a \$7 million charge in connection with the write-off of previously capitalized costs for one timeshare project while the 2006 results reflected the \$37 million gain on the sale of timeshare mortgage notes.

Contract sales for the company's timeshare, fractional and whole-ownership projects, including sales made by joint venture projects, grew 33 percent in the fourth quarter. The increase reflected strong demand for the new timeshare resort in St. Kitts and a new fractional and whole ownership project in Kapalua.

GENERAL, ADMINISTRATIVE and OTHER expenses were up 21 percent in the fourth quarter to \$237 million, largely due to the impact of the new accounting rules requiring the expensing of all share-based compensation (\$12 million), higher severance costs, development write-offs, a performance cure payment and higher deferred compensation expense (the latter of which is offset by tax savings).

OPERATING INCOME (excluding synthetic fuel) for the fourth quarter was \$338 million, up 35 percent compared to a year ago. Marriott's 2006 fourth quarter operating income benefited from strong fee growth as well as favorable results from the timeshare business. The fourth quarter results were partially offset by higher general and administrative expenses and lower owned leased and other profits.

SYNTHETIC FUEL. With the decline in oil prices in the fourth quarter, the company resumed synthetic fuel production in October 2006. Synthetic fuel operations contributed \$1 million of after-tax earnings in the fourth quarter of 2006, compared to \$33 million (\$0.07 per share) in the year ago quarter. Lower synthetic fuel earnings reflected decreased production levels, an estimated 39 percent phase-out of the 2006 tax credits due to higher average oil prices for the year and a \$3 million mark-to-market expense associated with a hedge (recorded as an offset to interest income). Excluding the impact of our synthetic fuel operations, our tax rate for the 2006 fourth quarter was approximately 34.5 percent.

GAINS AND OTHER INCOME (excluding \$17 million of expenses related to synthetic fuel) totaled \$21 million in the fourth quarter, including gains of \$12 million from the sale of our interest in a joint venture, \$5 million of gains from the sale of real estate, and \$4 million of preferred returns from joint venture investments. Prior year gains of \$72 million included a \$40 million gain from a timeshare mortgage note sale, a \$17 million gain on the sale of land leased to the Courtyard joint venture, \$5 million of gains from the sale of other real estate, \$6 million of preferred returns from joint venture investments and a \$4 million gain on the sale of an equity interest in an international joint venture.

INTEREST INCOME declined \$3 million to \$11 million in the quarter, primarily driven by loan repayments in 2005 and a \$3 million mark-to-market expense associated with the synthetic fuel investment, partially offset by higher cash balances and interest rates.

EQUITY IN EARNINGS reflects Marriott's share of income or losses from joint venture investments. Equity earnings totaled \$1 million in the 2006 fourth quarter, compared to \$18 million in the year ago quarter. During the fourth quarter of 2005, the company earned a \$15 million profit associated with the disposition of a hotel by a joint venture in which Marriott had an equity interest.

## FULL YEAR 2006 RESULTS

For the full year 2006 adjusted income from continuing operations totaled \$712 million, an increase of 16 percent, and adjusted diluted earnings per share from continuing operations of \$1.65, an increase of 24 percent. Adjusted results in 2006 exclude the results of the company's synthetic fuel business. Adjusted results in 2005 exclude the impact of a \$94 million charge associated with the CTF transaction, a \$17 million impairment charge associated with an aircraft investment and the results of the company's synthetic fuel business. The company's EPS guidance for 2006, disclosed on October 5, 2006, totaled \$1.59 to \$1.64 and similarly excluded the results of the company's synthetic fuel business.

Full year 2006 reported net income was \$608 million and EPS was \$1.41 and included the impact of the \$109 million after-tax charge (\$0.25 per share) related to the change in timeshare accounting rules. Full year 2005 reported net income was \$669 million and EPS was \$1.45. The company's synthetic fuel business contributed approximately \$5 million after-tax (\$0.01 per share) to 2006 earnings and \$125 million after-tax (\$0.27 per share) to 2005 earnings. Total fees in 2006 were \$1,224 million, an increase of 19 percent over the prior year, reflecting higher REVPAR, improved margins and unit growth.

GENERAL, ADMINISTRATIVE and OTHER expenses in 2006 included \$39 million associated with the new accounting rules requiring the expensing of all share-based compensation. In 2005, the company recorded a \$30 million charge for bedding incentives and \$94 million of charges associated with the CTF transaction, primarily due to the non-cash write-off of management agreements.

OPERATING INCOME (excluding synthetic fuel) increased to \$1,087 million, largely as a result of higher base and franchise fees, growth in incentive fees, strong results from our owned and leased properties, lower general and administrative expenses and favorable timeshare profits, including the impact of the reclassification of note sale gains.

GAINS AND OTHER INCOME totaled \$74 million in 2006 (excluding \$15 million of expenses related to synthetic fuel) and included gains of \$26 million from the sale of real estate, \$2 million of gains from the sale or refinancing of real estate loans, \$15 million of preferred returns from several joint venture investments, \$25 million from the redemption of preferred stock in a joint venture and \$43 million of gains on the sale of the company's interests in six joint ventures. These gains were partially offset by a \$37 million non-cash charge to adjust the carrying amount of a straight line rent receivable associated with a land lease which is subject to a purchase option that is likely to be exercised. Prior year gains of \$149 million (excluding \$32 million for synthetic fuel) included \$69 million from timeshare mortgage note sales, \$34 million from the sale of real estate, \$25 million of gains from the sale or refinancing of real estate loans, \$14 million of preferred returns from several joint venture investments and \$7 million of gains on the sale of the company's interests in two joint ventures.

INTEREST EXPENSE net of INTEREST INCOME increased \$52 million primarily due to higher average borrowings in 2006 compared to 2005, higher interest rates and loan repayments in 2005.

The 2005 provision for loan losses reflected a \$17 million non-cash pre-tax charge associated with the impairment of a Delta Airline leveraged lease receivable and an \$11 million reserve for a loan at one property.

EQUITY IN EARNINGS declined \$33 million, to \$3 million. In 2005, the company recognized \$30 million of equity earnings from the sale of hotels by three joint ventures in which Marriott had an equity interest.

## BALANCE SHEET

At the end of 2006, total debt was \$1,833 million and cash balances totaled \$193 million compared to \$1,737 million in debt and \$203 million of cash at the end of 2005. The company also repurchased 42 million shares of common stock in 2006 at a

cost of \$1.58 billion. The remaining share repurchase authorization, as of year-end 2006, totaled approximately 34 million shares.

## OUTLOOK

The company expects comparable North American REVPAR to increase 7 to 9 percent in 2007. With continued focus on property-level cost efficiencies, the company expects North American house profit margins to improve 150 to 200 basis points, exceeding house profit margins reported in the peak year of 2000. Assuming approximately 30,000 new room openings (gross), the company expects total fee revenue of \$1,380 million to \$1,400 million, an increase of 13 to 14 percent.

The company is currently producing synthetic fuel at three facilities and has entered into hedge agreements to minimize operating losses that could occur if there is a sustained material increase in oil prices in 2007. Given the uncertainty surrounding the availability of 2007 tax credits, the company is unable to provide guidance for 2007 earnings from the synthetic fuel business. At year-end 2006, the net book value of the synthetic fuel facilities was approximately \$5 million.

With a growing portion of its timeshare profits coming from joint ventures, the company expects timeshare interval sales and services revenues, net of expenses, will decline approximately 8 to 10 percent in 2007. Contract sales (including joint venture sales) are expected to increase approximately 10 to 15 percent in 2007, as the company expects strong sales in Abaco, Bahamas and Kapalua, Hawaii and expects to begin sales in Kauai, Hawaii and Marco Island, Florida. The company expects to sell timeshare mortgage notes in the second and fourth quarters. For the full year, gains on the sale of those notes, which are included in timeshare sales and services revenues, are expected to be approximately \$70 million.

In total, the company expects earnings from joint ventures reflected in equity in earnings will total \$30 million to \$40 million, including earnings from the timeshare joint ventures.

General, administrative and other expenses are expected to increase 1 to 3 percent in 2007.

Based on the above items, the company estimates that operating income (excluding synthetic fuel) will total \$1,165 million to \$1,225 million in 2007, an increase of 7 to 13 percent over 2006.

The company expects gains and other income to total approximately \$40 million in 2007, compared to \$74 million in 2006, excluding the impact of the synthetic fuel business.

Assuming roughly \$1.5 billion of share repurchases during the year, net interest expense is expected to range from \$120 million to \$130 million for the full year.

In the first quarter of 2007, the company estimates REVPAR for comparable North American properties will grow towards the lower end of the 7 to 9 percent range, with house profit margin growth of 125 to 175 basis points.

Under the above assumptions, the company currently estimates the following results for the first quarter and full year 2007:

	First Quarter 2007	Full Year 2007
Total fee revenue	\$295 million to \$305 million	\$1,380 million to \$1,400 million
Owned, leased, corporate housing and other, net of direct expenses	\$35 million to \$40 million	\$165 million to \$175 million
Timeshare sales and services, net of direct expenses	\$45 million to \$50 million	\$320 million to \$330 million(1)
General, administrative & other expense	\$140 million to \$150 million	\$680 million to \$700 million
Lodging operating income	\$225 million to \$255 million	\$1,165 million to \$1,225 million
Gains (excluding synthetic fuel)(2)	Approx. \$15 million	Approx. \$40 million
Net interest expense(3)	Approx. \$25 million	\$120 million to \$130 million

Equity in earnings/(losses)	\$0 to \$5 million	\$30 million to \$40 million
Earnings per share from synthetic fuel	No guidance	No guidance
Earnings per share excluding synthetic fuel	\$0.35 to \$0.39	\$1.82 to \$1.92
Effective tax rate excluding synthetic fuel	34.5 percent	34.5 percent

- (1) Includes timeshare mortgage note sale gains
- (2) Excludes timeshare mortgage note sale gains
- (3) Net of interest income

The company expects investment spending in 2007 to total approximately \$900 million, including \$60 million for maintenance capital spending, \$400 million for capital expenditures and acquisitions, \$140 million for timeshare development, \$50 million in new mezzanine financing and mortgage loans for hotels developed by owners and franchisees, and approximately \$250 million in equity and other investments (including timeshare equity investments).

Marriott International, Inc. (NYSE: MAR) will conduct its quarterly earnings review for the investment community and news media on Thursday, February 8, 2007 at 10 a.m. Eastern Time (ET). The conference call will be webcast simultaneously via Marriott's investor relations website at <http://www.marriott.com/investor>, click the "Recent Investor News" tab and click on the quarterly conference call link. A replay will be available on the Internet until March 8, 2007. In addition, a podcast of today's conference call will be available at <http://www.marriott.com/investor>.

The telephone dial-in number for the conference call is 719-234-0008. A telephone replay of the conference call will also be available by telephone from 1 p.m. ET, Thursday, February 8, 2007 until 8 p.m. ET, Thursday, February 15, 2007. To access the recording, call 719-457-0820. The reservation number for the recording is 6270475.

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 we expect to add in future years; our expected investment spending; 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 full extent of the current growth environment in both the economy and the lodging industry; supply and demand changes for hotel rooms, vacation ownership intervals, and corporate housing; competitive conditions in the lodging industry; relationships with clients and property owners; the availability of capital to finance hotel growth and refurbishment; and other risk factors identified in our most recent quarterly report on Form 10-Q; 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) is a leading lodging company with more than 2,800 lodging properties in the United States and 67 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 Bulgari brand names; develops and operates vacation ownership resorts under the Marriott Vacation Club, Horizons, The Ritz-Carlton Club and Grand Residences by Marriott brands; operates Marriott Executive Apartments; provides furnished corporate housing through its Marriott ExecuStay division; and operates conference centers. Marriott is also in the synthetic fuel business. The company is headquartered in Washington, D.C., and had approximately 151,000 employees at 2006 year-end. It is ranked as the lodging industry's most admired company and one of the best places to work for by FORTUNE(R). The company is also a 2006 U.S. Environmental Protection Agency (EPA) ENERGY STAR(R) Partner. In fiscal year 2006, Marriott International reported sales from continuing operations of \$12.2 billion. For more information or reservations, please visit our web site at <http://www.marriott.com>.

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Tables follow

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