MARRIOTT INTERNATIONAL, INC. CONSOLIDATED STATEMENTS OF INCOME

Fiscal Years 2018, 2017, and 2016

(\$ in millions, except per share amounts)

		December 31, 2018	December 31, 2017		December 31, 2016
REVENUES	_				
Base management fees (1)	\$	1,140	\$ 1,102	\$	806
Franchise fees		1,849	1,586		1,157
Incentive management fees (1)		649	607		425
Gross fee revenues		3,638	3,295		2,388
Contract investment amortization (1)		(58)	(50)		(40)
Net fee revenues		3,580	3,245	'	2,348
Owned, leased, and other revenue (1)		1,635	1,752		1,125
Cost reimbursement revenue (1)		15,543	15,455		11,934
		20,758	20,452		15,407
OPERATING COSTS AND EXPENSES					
Owned, leased, and other-direct		1,306	1,411		901
Depreciation, amortization, and other (1)		226	229		119
General, administrative, and other (1)		927	921		743
Merger-related costs and charges		155	159		386
Reimbursed expenses (1)		15,778	15,228		11,834
		18,392	17,948		13,983
OPERATING INCOME		2,366	2,504		1,424
Gains and other income, net (1)		194	688		5
Interest expense		(340)	(288)		(234)
Interest income (1)		22	38		35
Equity in earnings (1)		103	40		9
INCOME BEFORE INCOME TAXES		2,345	2,982		1,239
Provision for income taxes		(438)	(1,523)		(431)
NET INCOME	\$	1,907	\$ 1,459	\$	808
EARNINGS PER SHARE					
Earnings per share - basic	\$	5.45	\$ 3.89	\$	2.78
Earnings per share - diluted	\$	5.38	\$ 3.84	\$	2.73

⁽¹⁾ See Footnote 18. Related Party Transactions for disclosure of related party amounts.

See Notes to Consolidated Financial Statements.

MARRIOTT INTERNATIONAL, INC. CONSOLIDATED BALANCE SHEETS Fiscal Years-Ended 2018 and 2017

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(\$ in millions)

		December 31, 2018		December 31, 2017	
ASSETS					
Current assets					
Cash and equivalents	\$	316	\$	383	
Accounts and notes receivable, net (1)		2,133		1,973	
Prepaid expenses and other (1)		249		235	
Assets held for sale		8		149	
		2,706		2,740	
Property and equipment, net		1,956		1,793	
Intangible assets					
Brands		5,790		5,922	
Contract acquisition costs and other (1)		2,590		2,622	
Goodwill		9,039		9,207	
		17,419	-	17,751	
Equity method investments (1)		732		734	
Notes receivable, net		125		142	
Deferred tax assets		171		93	
Other noncurrent assets (1)		587		593	
	\$	23,696	\$	23,846	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Current portion of long-term debt	\$	833	\$	398	
Accounts payable (1)	•	767	,	783	
Accrued payroll and benefits		1,345		1,214	
Liability for guest loyalty program		2,529		2,121	
Accrued expenses and other (1)		963		1,291	
		6,437		5,807	
Long-term debt		8,514		7,840	
Liability for guest loyalty program		2,932		2,819	
Deferred tax liabilities (1)		485		605	
Deferred revenue		731		583	
Other noncurrent liabilities (1)		2,372		2,610	
Shareholders' equity		,		,	
Class A Common Stock		5		5	
Additional paid-in-capital		5,814		5,770	
Retained earnings		8,982		7,242	
Treasury stock, at cost		(12,185)		(9,418)	
Accumulated other comprehensive loss		(391)		(17)	
•		2,225		3,582	
	\$	23,696	\$	23,846	
	Ψ	20,000	_	22,010	

⁽¹⁾ See Footnote 18. Related Party Transactions for disclosure of related party amounts.

See Notes to Consolidated Financial Statements.

MARRIOTT INTERNATIONAL, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS Fiscal Years 2018, 2017, and 2016

(\$ in millions)

	December 31, 2018		December 31, 2017	December 31, 2016	
OPERATING ACTIVITIES					
Net income	\$	1,907	\$ 1,459	\$ 808	
Adjustments to reconcile to cash provided by operating activities:					
Depreciation, amortization, and other		284	279	159	
Share-based compensation		184	181	212	
Income taxes		(239)	887	103	
Liability for guest loyalty program		520	298	221	
Contract acquisition costs		(152)	(185)	(76)	
Merger-related charges		16	(124)	209	
Working capital changes		(76)	(30)	(106)	
(Gain) loss on asset dispositions		(194)	(687)	1	
Other		107	149	88	
Net cash provided by operating activities		2,357	2,227	1,619	
INVESTING ACTIVITIES					
Acquisition of a business, net of cash acquired		_	_	(2,392)	
Capital expenditures		(556)	(240)	(199)	
Dispositions		479	1,418	211	
Loan advances		(13)	(93)	(32)	
Loan collections		48	187	67	
Other		(10)	(61)	(1)	
Net cash (used in) provided by investing activities		(52)	1,211	(2,346)	
FINANCING ACTIVITIES					
Commercial paper/Credit Facility, net		(129)	60	1,373	
Issuance of long-term debt		1,646	_	1,482	
Repayment of long-term debt		(397)	(310)	(326)	
Issuance of Class A Common Stock		4	6	34	
Dividends paid		(543)	(482)	(374)	
Purchase of treasury stock		(2,850)	(3,013)	(568)	
Share-based compensation withholding taxes		(105)	(157)	(100)	
Other		_		(24)	
Net cash (used in) provided by financing activities		(2,374)	(3,896)	1,497	
DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		(69)	(458)	770	
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period (1)		429	887	117	
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period (1)	\$	360	\$ 429	\$ 887	
	<u> </u>	200	÷ .2)	- 00	

The 2018 amounts include beginning restricted cash of \$46 million at December 31, 2017, and ending restricted cash of \$44 million at December 31, 2018, which we present in the "Prepaid expenses and other" and "Other noncurrent assets" captions of our Balance Sheets.

See Notes to Consolidated Financial Statements.