

Host Hotels & Resorts, Inc.  
Supplemental Financial Information  
As of February 19, 2015  
For the quarter and year ended  
December 31, 2014

## **ABOUT HOST HOTELS & RESORTS**

Host Hotels & Resorts, Inc. is an S&P 500 and Fortune 500 company and is the largest lodging real estate investment trust and one of the largest owners of luxury and upper-upscale hotels. The Company currently owns 97 properties in the United States and 17 properties internationally totaling approximately 59,000 rooms. The Company also holds non-controlling interests in five joint ventures, including one in Europe that owns 19 hotels with approximately 6,500 rooms and one in Asia that has interests in four hotels in Australia and India. Guided by a disciplined approach to capital allocation and aggressive asset management, the Company partners with premium brands such as Marriott®, Ritz-Carlton®, Westin®, Sheraton®, W®, St. Regis®, Le Méridien®, The Luxury Collection®, Hyatt®, Fairmont®, Hilton®, Swissôtel®, ibis®, Pullman®, and Novotel® as well as independent brands in the operation of properties in over 50 major markets worldwide\*. For additional information, please visit the Company's website at [www.hosthotels.com](http://www.hosthotels.com).

Host Hotels & Resorts, Inc., herein referred to as "we" or "Host Inc.," is a self-managed and self-administered real estate investment trust ("REIT") that owns hotel properties. We conduct our operations as an umbrella partnership REIT through an operating partnership, Host Hotels & Resorts, L.P. ("Host LP"), of which we are the sole general partner. When distinguishing between Host Inc. and Host LP, the primary difference is approximately 1% of the partnership interests in Host LP held by outside partners as of December 31, 2014, which is non-controlling interests in Host LP in our consolidated balance sheets and is included in net income attributable to non-controlling interests in our consolidated statements of operations. Readers are encouraged to find further detail regarding our organizational structure in our annual report on Form 10-K.

## **SUPPLEMENTAL FINANCIAL INFORMATION**

To facilitate a quarter-to-quarter comparison of our operations, we present certain operating results (revenues, expenses, hotel EBITDA and associated margins) on a comparable hotel basis, which are non-GAAP (U.S. generally accepted accounting principles) financial measures within the meaning of the rules of the Securities and Exchange Commission ("SEC"). These are included in our earnings press release dated February 19, 2015 and related Current Report on Form 8-K filed with the SEC on the same day. In addition to comparable hotel results for Host Inc. as a whole found in the press release (and repeated here starting on page 7) this supplemental information also contains additional detail on comparable hotel EBITDA by market. Also included are reconciliations to the most directly comparable GAAP measures. See the Notes that follow for information on why we believe these supplemental measures are useful and the limitations on their use.

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**HOST HOTELS & RESORTS, INC.**  
**Comparable Hotel EBITDA by Market in Nominal US\$**  
(unaudited, in millions, except hotel statistics)

Quarter ended December 31, 2014

Market <sup>(1)</sup>	No. of Properties	No. of Rooms	Total Revenues	Hotel Net Income <sup>(2)</sup>	Plus: Depreciation	Plus: Interest Expense <sup>(2)</sup>	Less: Income tax <sup>(2)</sup>	Equals: Hotel EBITDA
Boston .....	5	3,432	\$ 72.7	\$ 9.1	\$ 10.0	\$ —	\$ —	\$ 19.1
New York.....	9	7,224	267.0	42.3	31.6	—	—	73.9
Philadelphia.....	2	776	20.9	0.5	1.7	—	—	2.2
Washington, D.C. ....	12	6,016	122.8	14.9	14.8	0.9	—	30.6
Atlanta .....	6	2,280	43.5	5.8	6.5	—	—	12.3
Florida .....	6	2,511	64.2	5.9	7.5	1.8	—	15.2
Chicago .....	7	2,857	52.8	6.3	10.7	—	—	17.0
Denver.....	3	1,363	17.6	1.8	2.3	—	—	4.1
Houston.....	4	1,706	30.9	5.7	3.0	—	—	8.7
Phoenix .....	4	1,522	39.2	6.7	4.4	—	—	11.1
Seattle .....	3	1,774	32.9	3.1	4.5	—	—	7.6
San Francisco .....	5	3,701	90.6	10.7	8.8	—	—	19.5
Los Angeles.....	8	3,228	56.7	6.4	6.6	—	—	13.0
San Diego.....	5	4,691	95.7	5.2	18.1	—	—	23.3
Hawaii .....	2	1,256	53.1	9.8	7.1	—	—	16.9
Other .....	11	7,231	113.9	6.9	17.2	—	—	24.1
Domestic .....	92	51,568	1,174.5	141.1	154.8	2.7	—	298.6
Asia-Pacific.....	7	1,390	21.3	4.4	2.6	1.2	—	8.2
Canada.....	3	1,219	22.0	3.2	2.0	—	—	5.2
Latin America .....	4	1,075	23.8	2.7	2.8	2.9	—	8.4
International.....	14	3,684	67.1	10.3	7.4	4.1	—	21.8
Comparable Hotels All Markets.....	106	55,252	\$ 1,241.6	\$ 151.4	\$ 162.2	\$ 6.8	\$ —	\$ 320.4
Non-comparable hotels.....	8	3,831	92.4	11.0	13.4	—	—	24.4
Gain on sale of property and corporate level income/expense			(13.6)	95.2	1.4	43.6	(2.6)	137.6
Total .....	114	59,083	\$ 1,320.4	\$ 257.6	\$ 177.0	\$ 50.4	\$ (2.6)	\$ 482.4

Quarter ended December 31, 2013

Market <sup>(1)</sup>	No. of Properties	No. of Rooms	Total Revenues	Hotel Net Income <sup>(2)</sup>	Plus: Depreciation	Plus: Interest Expense <sup>(2)</sup>	Plus: Income tax <sup>(2)</sup>	Equals: Hotel EBITDA
Boston .....	5	3,432	\$ 72.1	\$ 7.8	\$ 10.0	\$ —	\$ —	\$ 17.8
New York.....	9	7,224	266.5	44.6	32.0	—	—	76.6
Philadelphia.....	2	776	21.2	2.3	1.8	0.8	—	4.9
Washington, D.C. ....	12	6,016	124.0	17.4	15.1	1.1	—	33.6
Atlanta .....	6	2,280	41.2	5.3	6.1	—	—	11.4
Florida .....	6	2,511	60.2	3.6	7.5	1.9	—	13.0
Chicago .....	7	2,857	48.3	7.7	7.1	—	—	14.8
Denver.....	3	1,363	17.2	1.7	2.4	0.3	—	4.4
Houston.....	4	1,706	32.3	7.5	2.8	—	—	10.3
Phoenix .....	4	1,522	34.6	3.8	4.6	—	—	8.4
Seattle .....	3	1,774	29.9	1.8	4.7	—	—	6.5
San Francisco .....	5	3,701	82.1	8.1	8.9	—	—	17.0
Los Angeles.....	8	3,228	56.3	3.1	6.4	1.3	—	10.8
San Diego.....	5	4,691	95.1	5.2	17.8	—	—	23.0
Hawaii .....	2	1,256	47.7	4.8	6.7	—	—	11.5
Other .....	11	7,231	113.7	7.0	16.1	—	—	23.1
Domestic .....	92	51,568	1,142.4	131.7	150.0	5.4	—	287.1
Asia-Pacific.....	7	1,390	21.6	4.2	2.6	1.2	—	8.0
Canada.....	3	1,219	27.9	6.2	2.1	—	—	8.3
Latin America .....	4	1,075	24.9	2.9	2.8	3.1	—	8.8
International.....	14	3,684	74.4	13.3	7.5	4.3	—	25.1
Comparable Hotels All Markets.....	106	55,252	\$ 1,216.8	\$ 145.0	\$ 157.5	\$ 9.7	\$ —	\$ 312.2
Non-comparable hotels.....	9	6,088	126.0	12.3	19.4	3.8	—	35.5
Gain on sale of property and corporate level income/expense			(11.9)	(31.6)	0.1	46.3	2.3	17.1
Total .....	115	61,340	\$ 1,330.9	\$ 125.7	\$ 177.0	\$ 59.8	\$ 2.3	\$ 364.8

Year ended December 31, 2014

Market <sup>(1)</sup>	No. of Properties	No. of Rooms	Total Revenues	Hotel Net Income <sup>(2)</sup>	Plus: Depreciation	Plus: Interest Expense <sup>(2)</sup>	Plus: Income tax <sup>(2)</sup>	Equals: Hotel EBITDA
Boston .....	5	3,432	\$ 293.5	\$ 37.8	\$ 41.4	\$ —	\$ —	\$ 79.2
New York.....	9	7,224	929.0	84.7	123.5	—	—	208.2
Philadelphia.....	2	776	79.7	4.2	7.0	2.1	—	13.3
Washington, D.C. ....	12	6,016	510.8	74.9	59.5	4.1	—	138.5
Atlanta .....	6	2,280	169.2	23.0	25.1	—	—	48.1
Florida .....	6	2,511	285.1	41.4	29.7	7.1	—	78.2
Chicago .....	7	2,857	208.2	33.0	32.9	—	—	65.9
Denver.....	3	1,363	76.1	12.4	9.3	—	—	21.7
Houston.....	4	1,706	127.3	27.9	11.5	—	—	39.4
Phoenix .....	4	1,522	155.4	26.6	17.9	—	—	44.5
Seattle .....	3	1,774	139.1	22.3	18.2	—	—	40.5
San Francisco .....	5	3,701	364.4	57.3	34.9	—	—	92.2
Los Angeles.....	8	3,228	251.6	37.5	26.1	0.8	—	64.4
San Diego.....	5	4,691	432.3	50.9	72.1	—	—	123.0
Hawaii .....	2	1,256	211.9	35.9	28.7	—	—	64.6
Other .....	11	7,231	470.4	40.1	67.1	—	—	107.2
Domestic .....	92	51,568	4,704.0	609.9	604.9	14.1	—	1,228.9
Asia-Pacific.....	7	1,390	84.8	14.9	10.5	4.8	—	30.2
Canada.....	3	1,219	87.6	15.1	8.1	—	—	23.2
Latin America .....	4	1,075	96.7	13.8	11.8	10.4	—	36.0
International.....	14	3,684	269.1	43.8	30.4	15.2	—	89.4
Comparable Hotels All Markets.....	106	55,252	\$ 4,973.1	\$ 653.7	\$ 635.3	\$ 29.3	\$ —	\$1,318.3
Non-comparable hotels.....	8	3,831	436.6	80.4	56.0	—	—	136.4
Gain on sale of property and corporate level income/expense			(55.3)	12.5	3.9	184.9	14.4	215.7
Total .....	114	59,083	\$ 5,354.4	\$ 746.6	\$ 695.2	\$ 214.2	\$ 14.4	\$1,670.4

**Year ended December 31, 2013**

<b>Market<sup>(1)</sup></b>	<b>No. of Properties</b>	<b>No. of Rooms</b>	<b>Total Revenues</b>	<b>Hotel Net Income<sup>(2)</sup></b>	<b>Plus: Depreciation</b>	<b>Plus: Interest Expense<sup>(2)</sup></b>	<b>Plus: Income tax<sup>(2)</sup></b>	<b>Equals: Hotel EBITDA</b>
Boston.....	5	3,432	\$ 290.9	\$ 33.7	\$ 40.1	\$ —	\$ —	\$ 73.8
New York.....	9	7,224	880.6	67.4	123.9	—	—	191.3
Philadelphia.....	2	776	76.6	3.8	7.1	3.2	—	14.1
Washington, D.C. ....	12	6,016	507.3	76.7	60.4	4.4	—	141.5
Atlanta.....	6	2,280	159.0	16.5	25.5	—	—	42.0
Florida.....	6	2,511	262.0	28.0	30.7	7.6	—	66.3
Chicago.....	7	2,857	200.8	32.4	29.3	—	—	61.7
Denver.....	3	1,363	70.7	8.4	9.4	1.7	—	19.5
Houston.....	4	1,706	125.4	26.4	11.8	—	—	38.2
Phoenix.....	4	1,522	142.6	18.7	18.7	—	—	37.4
Seattle.....	3	1,774	123.6	13.4	19.1	—	—	32.5
San Francisco.....	5	3,701	320.2	31.8	36.0	—	—	67.8
Los Angeles.....	8	3,228	236.0	22.0	25.5	5.4	—	52.9
San Diego.....	5	4,691	412.5	48.2	70.0	—	—	118.2
Hawaii.....	2	1,256	202.8	29.4	26.1	—	—	55.5
Other.....	11	7,231	460.0	38.4	64.4	—	—	102.8
Domestic.....	<u>92</u>	<u>51,568</u>	<u>4,471.0</u>	<u>495.2</u>	<u>598.0</u>	<u>22.3</u>	<u>—</u>	<u>1,115.5</u>
Asia-Pacific.....	7	1,390	83.5	13.0	10.7	5.1	—	28.8
Canada.....	3	1,219	97.0	17.6	8.6	—	—	26.2
Latin America.....	4	1,075	88.0	10.2	10.9	7.9	—	29.0
International.....	<u>14</u>	<u>3,684</u>	<u>268.5</u>	<u>40.8</u>	<u>30.2</u>	<u>13.0</u>	<u>—</u>	<u>84.0</u>
Comparable Hotels All Markets.....	106	55,252	\$ 4,739.5	\$ 536.0	\$ 628.2	\$ 35.3	\$ —	\$ 1,199.5
Non-comparable hotels.....	9	6,088	478.0	35.6	74.4	20.1	—	130.1
Gain on sale of property and corporate level income/expense			(51.9)	(246.2)	3.3	248.7	25.6	31.4
Total.....	<u>115</u>	<u>61,340</u>	<u>\$ 5,165.6</u>	<u>\$ 325.4</u>	<u>\$ 705.9</u>	<u>\$ 304.1</u>	<u>\$ 25.6</u>	<u>\$ 1,361.0</u>

(1) See the Notes to Supplemental Information for a description of these markets.

(2) Certain items from our statement of operations are not allocated to individual regions, including interest on our senior notes, the majority of corporate and other expenses, and the benefit (provision) for income taxes. These items are included in gain on sale of property and corporate level income/expense. Interest on mortgage debt is allocated to the respective regions.

**HOST HOTELS & RESORTS, INC.**  
**Schedule of Comparable Hotel Results**  
(unaudited, in millions, except hotel statistics)

	Quarter ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Number of hotels .....	106	106	106	106
Number of rooms .....	55,252	55,252	55,252	55,252
Percent change in comparable hotel RevPAR - Constant US\$ .....	3.2%	—	5.7%	—
Percent change in comparable hotel RevPAR - Nominal US\$ .....	2.7%	—	5.3%	—
Operating profit margin <sup>(1)</sup> .....	11.3%	10.4%	13.3%	9.9%
Comparable hotel EBITDA margin <sup>(1)</sup> .....	25.75%	25.6%	26.5%	25.3%
Comparable hotel revenues .....				
Room .....	\$ 802	\$ 781	\$ 3,270	\$ 3,104
Food and beverage <sup>(2)</sup> .....	371	369	1,418	1,367
Other .....	69	67	285	269
Comparable hotel revenues <sup>(3)</sup> .....	<u>1,242</u>	<u>1,217</u>	<u>4,973</u>	<u>4,740</u>
Comparable hotel expenses .....				
Room .....	217	210	874	834
Food and beverage <sup>(4)</sup> .....	263	262	1,025	999
Other .....	34	34	139	138
Management fees, ground rent and other costs .....	408	399	1,617	1,569
Comparable hotel expenses <sup>(5)</sup> .....	<u>922</u>	<u>905</u>	<u>3,655</u>	<u>3,540</u>
<b>Comparable hotel EBITDA</b> .....	<b>320</b>	<b>312</b>	<b>1,318</b>	<b>1,200</b>
Non-comparable hotel results, net <sup>(6)</sup> .....	24	36	136	130
Depreciation and amortization .....	(177)	(178)	(701)	(697)
Interest expense .....	(50)	(60)	(214)	(304)
Benefit (provision) for income taxes .....	3	(2)	(14)	(21)
Gain on sale of property and corporate level income/expense .....	138	18	222	17
<b>Net income</b> .....	<u><b>\$ 258</b></u>	<u><b>\$ 126</b></u>	<u><b>\$ 747</b></u>	<u><b>\$ 325</b></u>

(1) Operating profit margins are calculated by dividing the applicable operating profit by the related revenue amount. GAAP operating profit margins are calculated using amounts presented in the consolidated statements of operations. Comparable hotel EBITDA margins are calculated using amounts presented in the above table.

(2) The reconciliation of total food and beverage sales per the consolidated statements of operations to the comparable food and beverage sales is as follows:

	Quarter ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Food and beverage sales per the consolidated statements of operations .....	\$ 396	\$ 407	\$ 1,546	\$ 1,503
Non-comparable hotel food and beverage sales .....	(33)	(46)	(164)	(169)
Food and beverage sales for the property for which we record rental income .....	8	8	36	33
Comparable food and beverage sales .....	<u>\$ 371</u>	<u>\$ 369</u>	<u>\$ 1,418</u>	<u>\$ 1,367</u>

(3) The reconciliation of total revenues per the consolidated statements of operations to the comparable hotel revenues is as follows:

	Quarter ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Revenues per the consolidated statements of operations .....	\$ 1,320	\$ 1,331	\$ 5,354	\$ 5,166
Non-comparable hotel revenues .....	(92)	(126)	(437)	(478)
Hotel revenues for the property for which we record rental income, net .....	14	12	56	52
Comparable hotel revenues .....	<u>\$ 1,242</u>	<u>\$ 1,217</u>	<u>\$ 4,973</u>	<u>\$ 4,740</u>

- (4) The reconciliation of total food and beverage expenses per the consolidated statements of operations to the comparable food and beverage expenses is as follows:

	Quarter ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Food and beverage expenses per the consolidated statements of operations .....	\$ 280	\$ 288	\$ 1,109	\$ 1,095
Non-comparable hotel food and beverage expenses ...	(22)	(31)	(106)	(117)
Food and beverage expenses for the property for which we record rental income .....	5	5	22	21
Comparable food and beverage expenses.....	<u>\$ 263</u>	<u>\$ 262</u>	<u>\$ 1,025</u>	<u>\$ 999</u>

- (5) The reconciliation of operating costs and expenses per the consolidated statements of operations to the comparable hotel expenses is as follows:

	Quarter ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Operating costs and expenses per the consolidated statements of operations .....	\$ 1,171	\$ 1,193	\$ 4,644	\$ 4,654
Non-comparable hotel expenses.....	(68)	(90)	(301)	(348)
Hotel expenses for the property for which we record rental income .....	14	12	56	52
Depreciation and amortization.....	(177)	(178)	(701)	(697)
Corporate and other expenses .....	(18)	(32)	(43)	(121)
Comparable hotel expenses.....	<u>\$ 922</u>	<u>\$ 905</u>	<u>\$ 3,655</u>	<u>\$ 3,540</u>

- (6) Non-comparable hotel results, net, includes the following items: (i) the results of operations of our non-comparable hotels and sold hotels, which operations are included in our consolidated statements of operations as continuing operations, (ii) gains on property insurance settlements, and (iii) the results of our office buildings.



**HOST HOTELS & RESORTS, INC.**  
**Notes to Supplemental Information**

**COMPARABLE HOTEL OPERATING STATISTICS**

To facilitate a quarter-to-quarter comparison of our operations, we present certain operating results (revenues, expenses, hotel EBITDA and associated margins) for the periods included in this supplemental information on a comparable hotel basis. Beginning December 31, 2014, the Company presents comparable hotel EBITDA, which is calculated in the same manner as the previously presented comparable hotel adjusted operating profit. The purpose of the change is to conform to industry naming standards for this metric.

Because these statistics and operating results relate only to our hotel properties, they exclude results for our non-hotel properties and other real estate investments. We define our comparable hotels as properties:

- (i) that are owned or leased by us and the operations of which are included in our consolidated results, whether as continuing operations or discontinued operations, for the entirety of the reporting periods being compared; and
- (ii) that have not sustained substantial property damage or business interruption, or undergone large-scale capital projects (as further defined below) during the reporting periods being compared.

The hotel business is capital-intensive and renovations are a regular part of the business. Generally, hotels under renovation remain comparable hotels. A large scale capital project that would cause a hotel to be excluded from our comparable hotel set is an extensive renovation of several core aspects of the hotel, such as rooms, meeting space, lobby, bars, restaurants and other public spaces. Both quantitative and qualitative factors are taken into consideration in determining if the renovation would cause a hotel to be removed from the comparable hotel set, including unusual or exceptional circumstances such as: a reduction or increase in room count, rebranding, a significant alteration of the business operations, or the closing of the hotel during the renovation.

We do not include an acquired hotel in our comparable hotel set until the operating results for that hotel have been included in our consolidated results for one full calendar year. For example, we acquired the Hyatt Place Waikiki Beach in May of 2013. The hotel will not be included in our comparable hotels until January 1, 2015. Hotels that we sell are excluded from the comparable hotel set once the transaction has closed. Similarly, hotels are excluded from our comparable hotel set from the date that they sustain substantial property damage or business interruption or commence a large-scale capital project. In each case, these hotels are returned to the comparable hotel set when the operations of the hotel have been included in our consolidated results for one full calendar year after completion of the repair of the property damage or cessation of the business interruption, or the completion of large-scale capital projects, as applicable.

Of the 114 hotels that we owned on December 31, 2014, 106 have been classified as comparable hotels. The operating results of the following hotels that we owned as of December 31, 2014 are excluded from comparable hotel results for these periods:

- Novotel Rio de Janeiro Parque Olimpico (opened in the fourth quarter of 2014);
- ibis Rio de Janeiro Parque Olimpico (opened in the fourth quarter of 2014);
- YVE Hotel Miami (acquired as the b2 miami downtown hotel in August 2014);
- Axiom Hotel (acquired as the Powell Hotel in January 2014);
- The Ritz-Carlton, Naples, removed in the third quarter of 2013 (business interruption due to closure of the hotel during extensive renovations that were substantially completed in October 2013, including renovations of 450 rooms, including 35 suites, restaurant, façade and windows);
- Hyatt Place Waikiki Beach (acquired in May 2013);
- Novotel Christchurch Cathedral Square in Christchurch, New Zealand (business interruption due to closure of the hotel following an earthquake in February 2011 and the subsequent extensive renovations, which hotel reopened in August 2013); and
- Orlando World Center Marriott, removed in the third quarter of 2012 (business interruption due to extensive renovations that were substantially completed in July 2013, including façade restoration, the shutdown of the main pool and a complete restoration and enhancement of the hotel, including new water slides and activity areas, new pool, dining facilities and the renovation of one tower of guestrooms, meeting space and restaurants).

The operating results of ten hotels disposed of in 2014 and 2013 are not included in comparable hotel results for the periods presented herein.

We evaluate the operating performance of our comparable hotels based on both market and property type. These divisions are generally consistent with groupings recognized in the lodging industry.

Our markets consist of the following:

- Domestic
  - Boston – Greater Boston Metropolitan area;

- New York – Greater New York Metropolitan area, including northern New Jersey;
- Philadelphia – Philadelphia Metropolitan area;
- Washington, D.C. – Metropolitan area, including the Maryland and Virginia suburbs;
- Atlanta – Atlanta Metropolitan area;
- Florida – All Florida locations;
- Chicago – Chicago Metropolitan area;
- Denver – Denver Metropolitan area;
- Houston – Houston Metropolitan area;
- Phoenix – Phoenix Metropolitan area, including Scottsdale;
- Seattle – Seattle Metropolitan area;
- San Francisco – Greater San Francisco Metropolitan area, including San Jose;
- Los Angeles – Greater Los Angeles area, including Orange County;
- San Diego – San Diego Metropolitan area;
- Hawaii – All Hawaii locations; and
- Other – Select cities in California, Indiana, Louisiana, Minnesota, Missouri, Ohio, Tennessee, and Texas.

#### International

- Asia-Pacific – Australia and New Zealand;
- Canada – Toronto and Calgary; and
- Latin America – Brazil, Chile and Mexico.

### **NON-GAAP FINANCIAL MEASURES**

The comparable hotel results included in this supplemental information are “non-GAAP financial measures,” which are measures of our historical or future financial performance that are not calculated and presented in accordance with GAAP, within the meaning of applicable SEC rules. The following discussion defines these measures and presents why we believe they are useful supplemental measures of our performance.

#### *EBITDA*

Earnings before Interest Expense, Income Taxes, Depreciation and Amortization (“EBITDA”) is a commonly used measure of performance in many industries. Management believes EBITDA provides useful information to investors regarding our results of operations because it helps us and our investors evaluate the ongoing operating performance of our properties after removing the impact of the Company’s capital structure (primarily interest expense) and its asset base (primarily depreciation and amortization). Management also believes the use of EBITDA facilitates comparisons between us and other lodging REITs, hotel owners who are not REITs and other capital-intensive companies. Management uses EBITDA to evaluate property-level results and as one measure in determining the value of acquisitions and dispositions and is widely used by management in the annual budget process and for our compensation programs.

#### *Limitations on the Use of EBITDA*

EBITDA as presented may not be comparable to measures calculated by other companies. This information should not be considered as an alternative to net income, operating profit, cash from operations or any other operating performance measure calculated in accordance with GAAP. Cash expenditures for various long-term assets (such as renewal and replacement capital expenditures), interest expense and other items have been and will be made and are not reflected in the EBITDA presentation. Management compensates for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our consolidated statement of operations and cash flows include interest expense, capital expenditures, and other excluded items, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP financial measures. Additionally, EBITDA should not be considered as a measure of our liquidity or indicative of funds available to fund our cash needs, including our ability to make cash distributions.

#### *Comparable Hotel Property Level Operating Results*

We present certain operating results for our hotels, such as hotel revenues, expenses, EBITDA (and the related margin), on a comparable hotel, or “same store,” basis as supplemental information for investors. Our comparable hotel results present operating results for hotels owned during the entirety of the periods being compared without giving effect to any acquisitions or dispositions, significant property damage or large scale capital improvements incurred during these periods. We present comparable hotel EBITDA to help us and our investors evaluate the ongoing operating performance of our comparable properties after removing the impact of the Company’s capital structure (primarily interest expense), and its asset base (primarily depreciation and amortization). Corporate-level costs and expenses are also removed to arrive at property-level results. We believe these property-level results provide investors with supplemental information into the ongoing operating performance of our comparable hotels. Comparable hotel results are presented

both by region and for the Company's comparable properties in the aggregate. We eliminate depreciation and amortization because, even though depreciation and amortization are property-level expenses, these non-cash expenses, which are based on historical cost accounting for real estate assets, implicitly assume that the value of real estate assets diminishes predictably over time. As noted earlier, because real estate values have historically risen or fallen with market conditions, many real estate industry investors have considered presentation of historical cost accounting for operating results to be insufficient by themselves.

As a result of the elimination of corporate-level costs and expenses and depreciation and amortization, the comparable hotel operating results we present do not represent our total revenues, expenses, operating profit or net income and should not be used to evaluate our performance as a whole. Management compensates for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our consolidated statements of operations include such amounts, all of which should be considered by investors when evaluating our performance.

We present these hotel operating results on a comparable hotel basis because we believe that doing so provides investors and management with useful information for evaluating the period-to-period performance of our hotels and facilitates comparisons with other hotel REITs and hotel owners. In particular, these measures assist management and investors in distinguishing whether increases or decreases in revenues and/or expenses are due to growth or decline of operations at comparable hotels (which represent the vast majority of our portfolio) or from other factors, such as the effect of acquisitions or dispositions. While management believes that presentation of comparable hotel results is a "same store" supplemental measure that provides useful information in evaluating our ongoing performance, this measure is not used to allocate resources or to assess the operating performance of each of these hotels, as these decisions are based on data for individual hotels and are not based on comparable hotel results. For these reasons, we believe that comparable hotel operating results, when combined with the presentation of GAAP operating profit, revenues and expenses, provide useful information to investors and management.