# HOST HOTELS & RESORTS

2010 ANNUAL REPORT

# INTERNATIONAL BRANDS

Marriott

swissôtel
Hotels & Resorts

THE RITZ-CARLTON®

HYATT

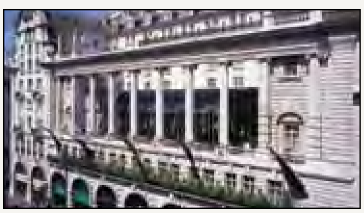
FOUR SEASONS
Hotels and Resorts

Fairmont
HOTELS & RESORTS

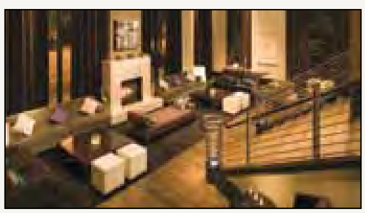
HILTON
WORLDWIDE

NOVOTEL

ibis
HOTEL



Le MERIDIEN



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HOTELS
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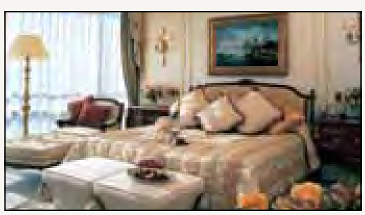
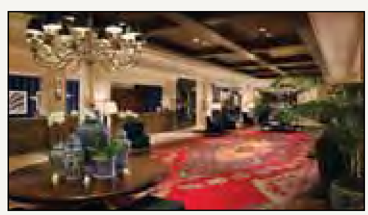


THE LUXURY COLLECTION®
Hotels & Resorts



Sheraton
HOTELS & RESORTS

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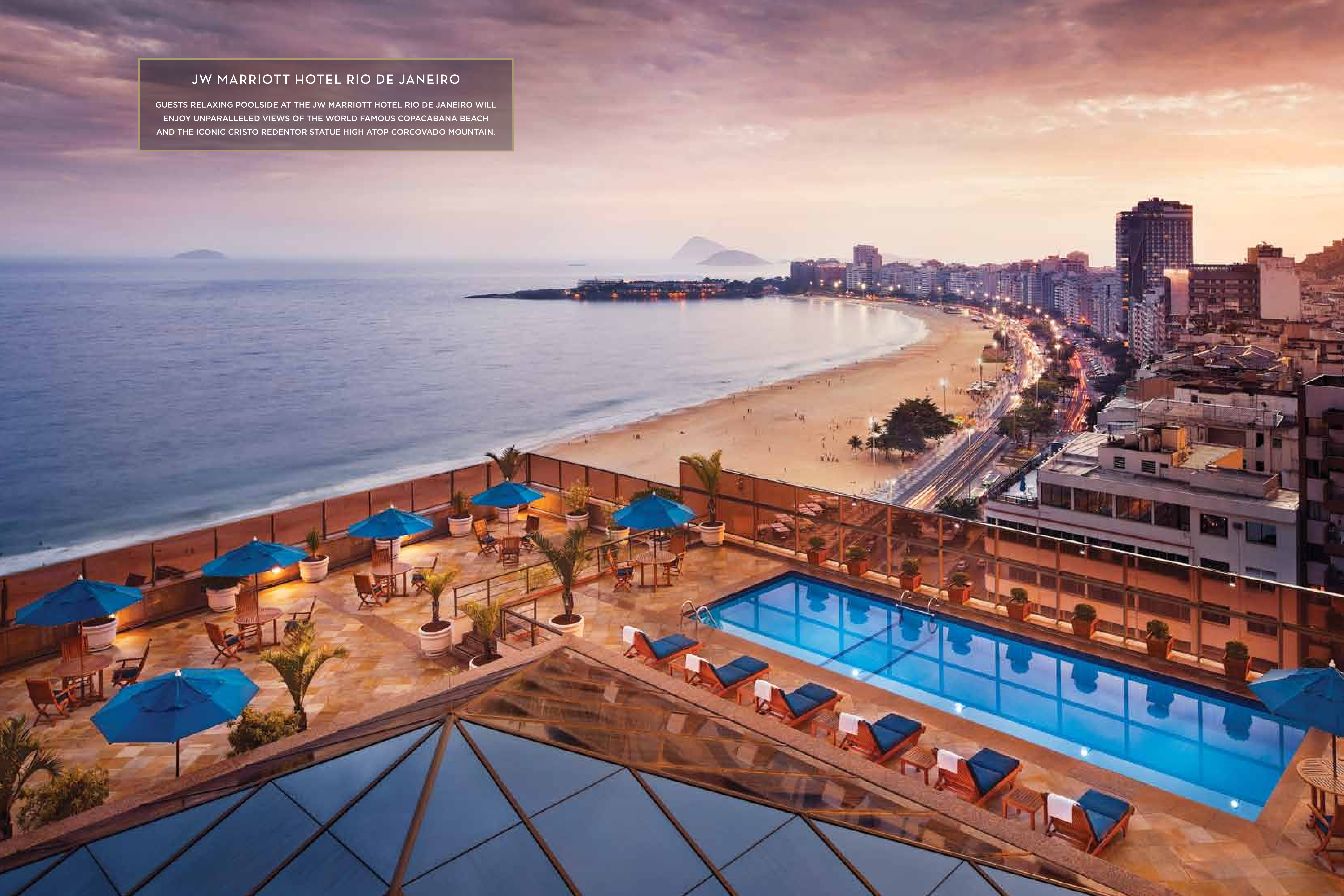


## JW MARRIOTT HOTEL RIO DE JANEIRO

GUESTS RELAXING POOLSIDE AT THE JW MARRIOTT HOTEL RIO DE JANEIRO WILL ENJOY UNPARALLELED VIEWS OF THE WORLD FAMOUS COPACABANA BEACH AND THE ICONIC CRISTO REDENTOR STATUE HIGH ATOP CORCOVADO MOUNTAIN.

# TO OUR STOCKHOLDERS

STEADY IMPROVEMENTS IN THE ECONOMIC CLIMATE AND OUR OPERATIONS, AS WELL AS THE STRATEGIC ALLOCATION OF RESOURCES FOR ACQUISITIONS AND CAPITAL INVESTMENTS TO OUR EXISTING PORTFOLIO, HELPED HOST HOTELS & RESORTS BEGIN TO RECOVER FROM 2009, ONE OF THE MOST DIFFICULT YEARS IN THE HISTORY OF THE LODGING INDUSTRY. BY YEAR END, OUR STRATEGY HELPED DRIVE A 53% INCREASE IN OUR STOCK PRICE, SIGNIFICANTLY OUTPACING BOTH THE STANDARD & POOR'S AND THE MORGAN STANLEY REIT INDICES FOR THE YEAR.

## 2010 ACCOMPLISHMENTS

2010 turned out to be much better than anyone in the lodging industry anticipated. We were able to take advantage of the nascent recovery from the deep global recession because of effective and forward-looking financial management that left us well-positioned to pursue opportunities to grow and improve on our portfolio of premium assets. We are in a unique position to thrive during what we believe are the early stages of a sustained growth period in the lodging industry that will be driven by low levels of new supply and increasing demand.

W. EDWARD WALTER
*President and Chief Executive Officer*

RICHARD E. MARRIOTT
*Chairman of the Board*

When analyzing the accomplishments of 2010, it's important to remember where we began the year. The lodging industry had just experienced a decline in RevPAR of over 16% in 2009 and weakness in the credit markets had created an environment where financing for hotel transactions was generally unavailable. As a result of our careful financial stewardship over the past several years, we were poised to take advantage of opportunities as the operating and financing environment improved, shifting our focus from increasing liquidity to strategically raising and deploying capital. Some of the highlights for 2010 and early 2011 include:

- A revenue increase of 7.1% to over $4.4 billion for 2010 driven by comparable hotel RevPAR growth of 5.8% that significantly exceeded our expectations and industry-wide performance of 5.5% growth. The improvement in RevPAR was driven by increases in occupancy of 3.8 percentage points, while average room rates were essentially flat. However, as the year progressed, average rates showed substantial improvement, driven by both a shift to higher-rated transient business and actual rate increases;

- An increase in Funds from Operations in 2010 of 33% to $.68 per diluted share, while Adjusted EBITDA grew 3.3% to $824 million. Diluted loss per share improved 53% to $.21 per share for the year;

- Completing over $500 million in acquisitions in 2010 including the purchase of the W New York – Union Square, the Westin Chicago River North, the Le Méridien Piccadilly in London and the JW Marriott Hotel Rio de Janeiro;

- Acquiring $1 billion in assets in the first three months of 2011 by purchasing the Manchester Grand Hyatt San Diego, the New York Helmsley Hotel and a portfolio of seven properties in New Zealand managed by Accor under the ibis and Novotel brands;

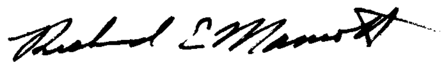
COVER: A SEAMLESS BLEND OF CLASSIC ARCHITECTURE AND MODERN DESIGN, THE **W NEW YORK — UNION SQUARE** HOTEL OFFERS THE CHARM OF OLD NEW YORK WITH A SAVVY W TOUCH. THIS MASTERPIECE IS TUCKED IN THE HEART OF SILICON ALLEY, WHERE CUTTING EDGE TECHNOLOGY AND INTERNATIONAL BUSINESS THRIVE.

- Investing in our existing assets to enhance the overall return on our investment provides some of our highest investment yields. In 2010, we invested over $114 million in these projects, including the addition of a 21,500 square foot ballroom and 4,500 square foot outdoor venue space at the Westin Kierland Resort & Spa, as well as several green initiatives such as the installation of energy efficient AquaRecycle systems that reclaim and reuse laundry wastewater at our properties; and

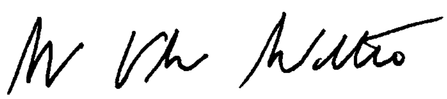
- Strengthening our balance sheet by lowering our debt-to-equity ratio and reducing our average interest rate through the reduction in debt and preferred stock of over $460 million and issuing more than $400 million of equity, adding ample capital to fund acquisitions.

### 2011 EXPECTATIONS

Looking forward, it's easy to get excited by the potential for our company. Despite the turmoil in the Middle East and the recent tragedy in Japan, the current consensus economic forecast still predicts an improving economy, which, when combined with reduced unemployment levels, bode well for lodging demand. Consistent with the early stages of an upturn in the lodging cycle, we expect to continue to benefit from rising demand as occupancy levels are currently well below our prior stabilized levels. With these expected increases in occupancy, our managers will be focused on improving RevPAR by increasing rate and shifting business to higher-rated group and transient business, all of which drive the bottom line. We will benefit from limited supply growth as development financing for hotels was in the past very limited and there is a long lead-time from inception to completion of the development of an upper upscale or luxury hotel. This positive supply/demand relationship and the improving economic outlook is a strong indicator for improving financial performance in 2011. We are more convinced than ever that our combination of quality assets, financial strength and management expertise creates an attractive opportunity for our company and our investors. We will continue to build on our industry leading position and work to provide superior returns to our stockholders.



RICHARD E. MARRIOTT
*Chairman of the Board*



W. EDWARD WALTER
*President and Chief Executive Officer*

*March 23, 2011*

# FINANCIAL HIGHLIGHTS

| (UNAUDITED) | 2010 | 2009 |
|---|---|---|
| **OPERATING DATA** (IN MILLIONS) | | |
| Revenues | **$ 4,437** | $ 4,144 |
| Operating profit | **223** | 149 |
| Net loss | **(132)** | (258) |
| **DILUTED LOSS PER COMMON SHARE** | | |
| Loss from continuing operations | **$ (.20)** | $ (.34) |
| Diluted loss | **$ (.21)** | $ (.45) |
| Diluted weighted average shares outstanding *(in millions)* | **656.1** | 587.2 |
| **BALANCE SHEET DATA** (IN MILLIONS) | | |
| Total assets | **$12,411** | $12,555 |
| Debt | **5,477** | 5,837 |
| Equity | **6,332** | 6,211 |
| **OTHER DATA** | | |
| Adjusted EBITDA(1) *(in millions)* | **$ 824** | $ 798 |
| Funds from operations per diluted share (1) | **.68** | .51 |
| Stock price on December 31st | **17.87** | 11.67 |
| **COMPARABLE HOTEL DATA**(2) | | |
| Number of properties | **108** | 108 |
| Number of rooms | **59,125** | 59,125 |
| Average daily rate | **$171.43** | $171.25 |
| Occupancy percentage | **70.2%** | 66.4% |
| RevPAR(3) | **$120.26** | $113.66 |

(1) Funds from Operations (FFO) per diluted share and Adjusted Earnings before Interest Expense, Income Taxes, Depreciation, Amortization and other items (Adjusted EBITDA) are not generally accepted accounting principles (GAAP) financial measures within the meaning of the rules of the Securities & Exchange Commission. These measures have been reconciled to comparable GAAP measures. For reconciliations of FFO per diluted share and Adjusted EBITDA to the comparable GAAP measures, see page 16 of this report.

(2) We define our comparable hotels as properties 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 that have not sustained substantial property damage or business interruption or undergone large-scale capital projects during the reporting periods being compared.

(3) Room revenue per available room ("RevPAR") represents the combination of average daily room rate charged and the average daily occupancy achieved, and is a commonly used indicator of hotel performance. RevPAR does not include food and beverage or other ancillary revenues generated by the property.

Our Annual Report on Form 10-K filed with the Securities and Exchange Commission is included in our mailing to stockholders and together with this 2010 Annual Report forms our annual report to stockholders within the meaning of SEC rules.

# A GLOBAL STRATEGIC FOCUS

OUR GOAL IS SIMPLE: AGGRESSIVELY PURSUE THE FINEST ASSETS IN KEY MARKETS ACROSS THE GLOBE WHERE THE POTENTIAL FOR SUPERIOR GROWTH AND LIMITED NEW SUPPLY WILL MAXIMIZE PROFITS AND DRIVE STOCKHOLDER VALUE. EXECUTING THIS STRATEGY REQUIRES A CAREFUL BALANCE OF INTELLIGENT CAPITAL ALLOCATION AND DISCIPLINED FINANCIAL MANAGEMENT.

We consistently examine our portfolio to ensure it reflects the dynamics of changing world markets, diversifying our holdings to reduce risk, while increasing growth potential. We analyze key metrics such as growth in GDP, business investment and new lodging supply, beginning at the national level then zooming in on specific cities and submarkets. We look for multiple demand drivers, such as political and business centers and destinations that are attractive to both domestic and international travelers, where we can achieve optimal returns. We focus on properties operated by world class operators like Marriott, Hyatt, Accor and Starwood.

Within the United States, which contains, and will continue to represent, the vast majority of our portfolio, our focus is on coastal gateway cities and Chicago, as we

**THE WESTIN PALACE, MADRID**, A LUXURY COLLECTION HOTEL, IS A MONUMENT TO ELEGANCE AND TURN-OF-THE CENTURY GRANDEUR. THE MAGNIFICENT BUILDING, HIGHLIGHTED BY ITS SIGNATURE STAINED GLASS DOME, HAS LONG BEEN A CENTER OF SPANISH SOCIETY. THIS HOTEL IS OWNED BY OUR EUROPEAN JOINT VENTURE.


## EUROPE

OUR LARGEST INVESTMENT INTERNATIONALLY, THE EUROPEAN JOINT VENTURE OWNS 11 ASSETS IN SIX COUNTRIES. AS, COLLECTIVELY, EUROPE IS ONE OF THE LARGEST ECONOMIC MARKETS IN THE WORLD, WE PLAN TO EXPAND AND FURTHER DIVERSIFY OUR JOINT VENTURE, PURSUING THE FINEST ASSETS IN KEY EUROPEAN CITIES INCLUDING LONDON, PARIS, MUNICH AND OTHER GATEWAY CITIES.

believe these markets will outperform over the next lodging cycle. Over the last 12 months, we successfully executed on this strategy by acquiring hotels in New York, Chicago and San Diego.

Across the Atlantic, our European joint venture has significant presence in Italy, Spain and Belgium. Our recent focus has been looking for acquisition opportunities in Great Britain, France and Germany due to strong lodging fundamentals. Our acquisition of the Le Méridien Piccadilly, which is in the heart of London, is an excellent example of the type of well-located asset we are pursuing.

In the fast growing Asia/Pacific markets, the new found wealth of growing middle classes will result in increased levels of domestic travel and consumer spending. We believe this provides an attractive opportunity to invest in midscale and upscale properties based on the currently limited supply of quality lodging product. Consistent with this strategy, our Asian joint venture is finalizing the acquisition of a 36% interest in a joint venture in India to develop seven midscale and upscale properties in Bangalore, Chennai and Delhi totaling 1,750 rooms. We expect the first of these properties to open later this year. Additionally, in February 2011, we completed the acquisition of seven properties located in four cities across New Zealand that are managed by Accor under their ibis and Novotel brands.

In Latin America, and particularly Brazil, we are exploring joint venture relationships with local partners to leverage their expertise in the development of midscale and upscale hotels that we believe will benefit from the area's high growth potential and improving stability and infrastructure. At the same time, we will continue to pursue high-quality, investment grade assets, such as the JW Marriott Hotel Rio de Janeiro, that are consistent with our proven strategy of acquiring premium hotels with high barriers to entry.

AFTER THE RESTORATION OF THE ENGLISH MONARCHY IN 1660, PICCADILLY EMERGED AS ONE OF THE MOST FASHIONABLE LOCALES IN LONDON, A DESIGNATION IT HOLDS TODAY. A LANDMARK HOTEL, **LE MÉRIDIEN PICCADILLY** IS A CONTEMPORARY AND STIMULATING RETREAT IN THE HEART OF LONDON'S VIBRANT WEST END.


## THE WESTIN CHICAGO RIVER NORTH

WITH ITS COMMANDING VIEW OF THE CHICAGO RIVER AND SKYLINE, THIS 424-ROOM PROPERTY PROVIDES TRAVELERS WITH EASY ACCESS TO NEARBY BUSINESS AND THEATRE DISTRICTS, TRENDY RESTAURANTS AND ART GALLERIES. WHATEVER THE REASON FOR YOUR VISIT, THIS AAA FOUR DIAMOND AWARD WINNING HOTEL WILL LEAVE YOU RELAXED AND REJUVENATED.

# CAPITAL ALLOCATION & VALUE ENHANCEMENT

WHETHER WE ARE ACQUIRING PREMIUM HOTEL ASSETS OR ENHANCING AND REFINING OUR EXISTING PORTFOLIO TO MAINTAIN OUR INDUSTRY-LEADING STANDARD OF EXCELLENCE, OUR GOAL IS TO DRIVE FUTURE REVENUE GROWTH AND CREATE LONG-TERM STOCKHOLDER VALUE.

Our primary objective is to acquire new assets or invest in our existing portfolio to generate yields that are meaningfully in excess of our weighted cost of capital. In 2010, we executed on a broad range of initiatives, investing nearly $800 million in acquisitions and capital expenditures designed to enhance our existing portfolio and drive improved operating performance.

Our acquisition strategy is tightly focused: we look for premium properties primarily located in gateway cities with difficult barriers to entry that are managed by leading operators with broad appeal to multiple customer segments. We believe our recent acquisitions, which were completed in the early stages of a recovery at a significant discount to replacement cost, have high growth potential and will likely provide superior returns. However, we don't just expect success, we work to make it happen. For example, this year we will begin a comprehensive $65 million renovation and repositioning of the New York Helmsley Hotel. Scheduled to be completed in 2012, this midtown Manhattan property will be re-branded as a Westin, and as only the second Westin in the city, should benefit greatly from its inclusion in the Starwood Preferred Guest system.

We also may purchase mortgage debt that is secured by hotel properties when we believe we can buy the debt at a discount and earn attractive returns through principal and interest payments or the eventual ownership of the hotel through foreclosure. In April 2010, we acquired the two most junior tranches of a €427 million mortgage loan at a significant discount to their face value of €64 million. The loans are secured by a 1,900-room portfolio of hotels in Europe and currently, these properties are performing significantly above expectations, increasing the value of our investment.


## THE AMERICAS

NORTH AMERICA REMAINS THE CORE OF OUR BUSINESS WITH 111 PROPERTIES IN PRIME URBAN AND RESORT LOCATIONS. IN 2011 AND BEYOND, WE LOOK FORWARD TO EXPANDING OUR LATIN AMERICA FOOTPRINT, PARTICULARLY IN BRAZIL, WHERE THE LIMITED SUPPLY OF QUALITY LODGING ACCOMMODATION PROVIDES ATTRACTIVE GROWTH OPPORTUNITIES.


IDEALLY LOCATED FOR BUSINESS AND LEISURE, THE NEWLY REMODELED 1,220 ROOM **SHERATON BOSTON HOTEL** LETS YOU ENJOY EVERYTHING THE FAMOUS BACK BAY AREA HAS TO OFFER. IT OFFERS INDOOR WALKWAYS TO THE HYNES CONVENTION CENTER, THE SHOPS AT PRUDENTIAL AND COPLEY PLACE AND IS ONLY BLOCKS FROM THE FINANCIAL DISTRICT, CHARLES RIVER, NEWBURY STREET AND FENWAY PARK.


LOCATED IN THE VERY HEART OF OUR NATION'S CAPITAL, THE **HYATT REGENCY WASHINGTON ON CAPITOL HILL** IS AN IDEAL LOCATION FOR BUSINESS AND LEISURE TRAVELERS ALL YEAR ROUND.

We also seek opportunities to enhance asset value by investing in return on investment or repositioning projects that are outside the scope of typical renewal and replacement capital expenditures. Over time, these investments have represented roughly 50% of our capital program and are designed to take advantage of changing market conditions, superior locations or other opportunities to create value at our properties. During 2010, major initiatives included an extensive, multi-year $190 million project to reposition and renovate the San Diego Marriott Marquis & Marina, which will encompass all 1,360 guest rooms, the pool, fitness center, and the expansion and development of new meeting space and an exhibit hall, as well as the development of a new 21,500 square foot ballroom and 4,500 square foot outdoor venue space at the Westin Kierland Resort & Spa. We anticipate spending an additional $300 million on these projects in 2011.

## THE FAIRMONT KEA LANI MAUI

THE FAIRMONT KEA LANI, HAWAII'S ONLY ALL-SUITE LUXURY RESORT, RESTS GRACEFULLY ON THE SUNNY SOUTHWEST SHORES OF MAUI. WE RECENTLY COMPLETED A MULTI-MILLION DOLLAR RENOVATION AT THIS TROPICAL PARADISE RESORT CREATING A TRULY ONE-OF-KIND EXPERIENCE THAT PORTRAYS THE ESSENCE OF ALOHA.

# SUPERIOR ASSET MANAGEMENT

MANAGING OUR PORTFOLIO IN A GLOBAL MARKETPLACE REQUIRES STRATEGIC VISION. ASSURING STRONG GROWTH IN FUTURE REVENUES MEANS IMPLEMENTING THAT VISION TODAY. WE WORK WITH OUR OPERATORS TO DEVELOP THE OPTIMAL BUSINESS MIX FOR EACH PROPERTY TO DRIVE REVENUES, WHILE DEVELOPING MORE EFFICIENT WAYS TO OPERATE OUR HOTELS TO IMPROVE BOTTOM-LINE PERFORMANCE.

The quality of our portfolio creates high guest expectations. Exposure to broadly diversified markets, a vast array of brands and world class operators provides our management team with a perspective that is unique in the industry. Our ability to utilize our proprietary business intelligence system to evaluate and benchmark our hotels and identify best practices adds tremendous value to our portfolio of world class assets. Our asset management team uses this expertise to work with our managers to develop an individual strategic plan for each hotel

A SPECTACULAR LANDMARK IN ONE OF THE WORLD'S GREATEST CITIES, THE **SAN FRANCISCO MARRIOTT MARQUIS** FEATURES 1,499 ROOMS AND OVER 100,000 SQUARE FEET OF MEETING AND BANQUET SPACE.


## ASIA PACIFIC

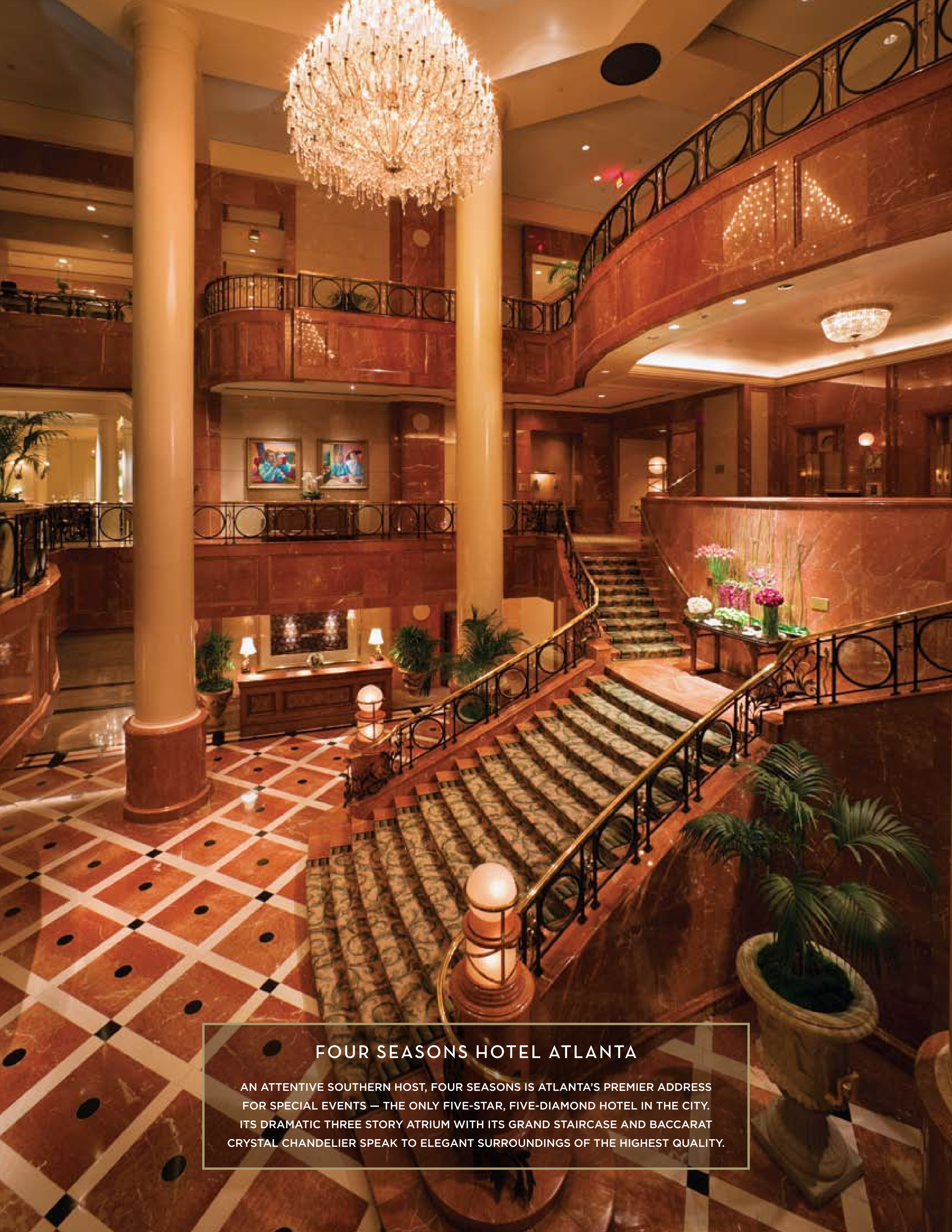
BRANCHING OUTWARDS FROM OUR JOINT VENTURE OFFICE IN SINGAPORE, WE ARE EXPLORING ACQUISITION AND DEVELOPMENT OPPORTUNITIES IN INDIA, CHINA, JAPAN, VIETNAM, AUSTRALIA, AS WELL AS NEW ZEALAND, WHERE WE RECENTLY ACQUIRED A PORTFOLIO OF HOTELS.

that can both realize the inherent value of the property's specific competitive advantages, while remaining flexible enough to adapt to changing economic conditions.

Driving revenue growth is the core of each hotel's strategic plan. Our hotels have historically generated a higher percentage of their revenues from corporate group and corporate transient customers, which are typically sold at rate premium to leisure or discount business. The size and location of our urban, resort and convention hotels enables our managers to be creative and flexible in using meeting and catering space to adapt to the needs of both large and small groups. Consistent with past lodging cycles, the recovery in 2010 was primarily driven by increases in corporate transient demand, which, as the year progressed, was joined by improvements across the majority of our customer types. We expect improvements in RevPAR for 2011 will be driven more by increases in average room rates than by occupancy, and that the increases will be due to both segment shifts to higher-rated business and actual rate increases. We also expect our group business will gradually return to historical levels of demand as the group booking pace for 2011 continues to improve.

While driving revenues is critical, controlling operating costs is always a key priority. We focus on establishing and maintaining operating benchmarks and controlling labor costs to maximize the profit flow-through for our properties. Accordingly, we work with our operators to reduce costs and generate savings in ways that do not impact the quality of our hotels or guest satisfaction. We believe our cost control efforts have achieved some long-term efficiencies that will enhance our future operating performance. As we enter what we believe is a sustained period of growth, we will not waiver from our goal to maximize the current operating performance of our portfolio and position ourselves to reap the rewards through higher sales proceeds upon the disposition of select assets.

A COMMERCIAL CENTER FOR NEW ZEALAND, THE COSMOPOLITAN CITY OF AUCKLAND DRAWS BUSINESS AND LEISURE TRAVELERS ALIKE TO OUR **IBIS AND NOVOTEL AUCKLAND ELLERSLIE HOTELS**. CENTRALLY LOCATED, THESE TWO PROPERTIES PROVIDE EASY ACCESS TO A NATIONAL PASSION, HORSERACING AT THE NEARBY ELLERSLIE RACECOURSE.



## FOUR SEASONS HOTEL ATLANTA

AN ATTENTIVE SOUTHERN HOST, FOUR SEASONS IS ATLANTA'S PREMIER ADDRESS FOR SPECIAL EVENTS — THE ONLY FIVE-STAR, FIVE-DIAMOND HOTEL IN THE CITY. ITS DRAMATIC THREE STORY ATRIUM WITH ITS GRAND STAIRCASE AND BACCARAT CRYSTAL CHANDELIER SPEAK TO ELEGANT SURROUNDINGS OF THE HIGHEST QUALITY.

# SUSTAINABILITY & COMMUNITY COMMITMENT

WE BELIEVE THAT CREATING VALUE FOR OUR STOCKHOLDERS INVOLVES MORE THAN JUST PRUDENT AND DISCIPLINED FINANCIAL AND ASSET MANAGEMENT AND STRATEGIC INVESTMENT STRATEGIES. CAREFUL CONSIDERATION OF THE ENVIRONMENTAL AND SOCIAL IMPACTS OF OUR OPERATIONS IS CRITICAL. WE ARE COMMITTED TO GOOD CORPORATE CITIZENSHIP AND UNDERSTAND THAT THIS RESPONSIBILITY TOUCHES BOTH THE COMMUNITIES IN WHICH WE OPERATE AND OUR GUESTS.

## OUR ENVIRONMENT

We strive to embed sustainability into all aspects of our operations. Working closely with our operators, we integrate sustainable principles into our strategies and support their initiatives. Our capital expenditure projects consider and incorporate many aspects of sustainability into our renovation and repositioning investments. We have LEED® (Leadership in Energy and Environmental Design) accredited professionals on staff who ensure that we meet our high quality standards, as well as exceed industry standards.

We invest in environmentally responsible equipment, systems and projects that reduce energy and water consumption, while maintaining our properties in superior physical condition. Some of these investments include: state-of-the-art cogeneration plants; laundry waste water recycling systems; EPA ENERGY STAR® qualified appliances and electronics; EPA WaterSense® labeled plumbing fixtures; energy efficient lighting; sustainable construction practices; and materials made from recycled content. We encourage our managers to utilize sustainable operational practices in all of our hotels and support the achievement of LEED® Existing Building, Green Seal and other recognized green certifications.

A SPECTACULAR 444-ROOM RESORT HOTEL, **THE RITZ CARLTON, AMELIA ISLAND** IS A SEASIDE RETREAT FOR NATURE LOVERS AND THOSE WHO THRIVE ON AN ABUNDANCE OF SUN, SAND AND OUTDOOR SPORTS. THE PROPERTY RECENTLY INSTALLED AN AQUARECYCLE SYSTEM THAT RECLAIMS AND REUSES LAUNDRY WASTEWATER HELPING BOTH THE ENVIRONMENT AND THE BOTTOM LINE.

**THE RITZ-CARLTON, SAN FRANCISCO** IS A LANDMARK IN THIS GATEWAY TO THE PACIFIC. A RECENT RENOVATION INCLUDED THE INSTALLATION OF A MICROTURBINE COGENERATION PLANT THAT SAVES ENOUGH ELECTRICITY TO POWER 200 AMERICAN HOUSEHOLDS AND REDUCES EMISSIONS BY 800 TONS OF $CO_2$ PER YEAR.

Host's Green Team helps develop a sustainability strategy to support our business objectives, makes policy recommendations to the senior executive team and promotes green practices at our corporate headquarters.

## OUR COMMUNITY

Community is one of our core values. This value encompasses not only the communities where our hotels are located, but our associates in Bethesda, London, Amsterdam and Singapore. Our goal is to help associates be successful from day one, create a respectful community and supportive culture and foster work-life balance. Within the communities where we do business, we are committed to making a difference through financial support, partnership and volunteer service. Visit the Corporate Responsibility Section on our website for more information.

***Reconciliation of Net Loss Available to Common Stockholders to Funds From Operations per Diluted Share[(a)(b)]***

| | YEAR ENDED DECEMBER 31, | |
|---|---|---|
| *(UNAUDITED, IN MILLIONS, EXCEPT PER SHARE AMOUNTS)* | **2010** | **2009** |
| Net loss | $ (132) | $ (258) |
| Less: Net loss attributable to non-controlling interests | 2 | 6 |
| Dividends on preferred stock | (4) | (9) |
| Issuance cost of redeemed preferred stock | (4) | — |
| **Net loss available to common stockholders** | (138) | (261) |
| Adjustments: | | |
| (Gains) losses on dispositions, net of taxes | 2 | (31) |
| Amortization of deferred gains and other property transactions, net of taxes | — | (4) |
| Depreciation and amortization | 591 | 604 |
| Partnership adjustments | 4 | 4 |
| FFO of non-controlling interests of Host LP | (7) | (7) |
| Funds from operations | 452 | 305 |
| Adjustments for dilutive securities[(c)]: | | |
| Assuming deduction of gain recognized for the repurchase of 2004 Exchangeable Debentures | — | (2) |
| Assuming conversion of 2004 Exchangeable Debentures | 13 | — |
| Diluted FFO[(a)(b)] | $ 465 | $ 303 |
| Diluted weighted average shares outstanding | 680.2 | 589.0 |
| **FFO per diluted share**[(a)(b)] | $ .68 | $ .51 |

***Reconciliation of Net Loss to EBITDA and Adjusted EBITDA[(a)(b)]***

| | YEAR ENDED DECEMBER 31, | |
|---|---|---|
| *(UNAUDITED, IN MILLIONS)* | **2010** | **2009** |
| Net loss | $ (132) | $ (258) |
| Interest expense | 384 | 379 |
| Depreciation and amortization | 592 | 595 |
| Income taxes | (31) | (39) |
| Discontinued operations[(d)] | (1) | 10 |
| **EBITDA** | 812 | 687 |
| (Gains) losses on dispositions | 2 | (35) |
| Non-cash impairment charges | — | 131 |
| Amortization of deferred gains | — | (4) |
| Equity investment adjustments: | | |
| Equity in (earnings) losses of affiliates | 1 | (3) |
| Pro rata EBITDA of equity investments | 23 | 33 |
| Consolidated partnership adjustments: | | |
| Pro rata EBITDA attributable to non-controlling partners in other consolidated partnerships | (14) | (11) |
| **Adjusted EBITDA**[(a)(b)] | $ 824 | $ 798 |

(a) For further discussion of why we believe FFO per diluted share and Adjusted EBITDA are useful supplemental measures of our performance and the limitations on their use, see our Annual Report on Form 10-K included in our mailing to stockholders.

(b) FFO per diluted share and Adjusted EBITDA were significantly affected by certain transactions. For further discussion, see our Annual Report on Form 10-K included in our mailing to stockholders.

(c) FFO per diluted share in accordance with NAREIT is adjusted for the effects of dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans, preferred OP Units held by non-controlling partners, exchangeable debt securities and other non-controlling interests that have the option to convert their limited partnership interest to common OP Units. No effect is shown for securities if they are anti-dilutive.

(d) Reflects the interest expense, depreciation and amortization and income taxes included in discontinued operations.

## DIRECTORS

**Richard E. Marriott**
*Chairman of the Board*

**W. Edward Walter**
*President, Chief Executive Officer*

**Robert M. Baylis**[2, 3]

**Willard W. Brittain, Jr.**[1, 2]
*Chairman, Chief Executive Officer*
*Preod Corporation*

**Terence C. Golden**
*Chairman,*
*Bailey Capital Corporation*

**Ann McLaughlin Korologos**[2, 3]

**John B. Morse, Jr.**[1, 3]

**Gordon H. Smith**[1, 3]
*President, Chief Executive Officer*
*National Association of Broadcasters*

[1] *Audit Committee*
[2] *Compensation Policy Committee*
[3] *Nominating and Corporate Governance Committee*

## MANAGEMENT TEAM

**W. Edward Walter**
*President, Chief Executive Officer*

**Elizabeth A. Abdoo**
*Executive Vice President,*
*General Counsel and Secretary*

**Minaz Abji**
*Executive Vice President,*
*Asset Management*

**Joanne G. Hamilton**
*Executive Vice President,*
*Human Resources*

**Larry K. Harvey**
*Executive Vice President,*
*Chief Financial Officer*

**Gregory J. Larson**
*Executive Vice President,*
*Corporate Strategy and*
*Fund Management*

**James F. Risoleo**
*Executive Vice President,*
*Chief Investment Officer*

**Jeffrey S. Clark**
*Senior Vice President, Tax*

**Elisa C. Gois**
*Senior Vice President,*
*Portfolio Strategy and Feasibility*

**Gerard E. Haberman**
*Senior Vice President,*
*Chief Development Officer*

**Brian G. Macnamara**
*Senior Vice President,*
*Corporate Controller*

**Sukhvinder Singh**
*Senior Vice President,*
*Information Technology*

**Nathan S. Tyrrell**
*Senior Vice President, Treasurer*

**Peter T. Meyer**
*Managing Director, Asia*

## CORPORATE INFORMATION

### CORPORATE HEADQUARTERS
Host Hotels & Resorts, Inc.
6903 Rockledge Drive, Suite 1500
Bethesda, MD 20817
240/744-1000

### WEBSITE
Visit the company's website at:
www.hosthotels.com

### STOCK EXCHANGE LISTING
New York Stock Exchange
Ticker Symbol: HST

### STOCKHOLDERS OF RECORD
29,391 at February 18, 2011

### INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS
KPMG LLP, McLean, VA

### ANNUAL MEETING
The 2011 annual meeting of stockholders will be held at 10 a.m., May 12, 2011, at The Ritz-Carlton, Tysons Corner, 1700 Tysons Boulevard, McLean, Virginia, 22102.

### REGISTRAR AND TRANSFER AGENT
If you have any questions concerning transfer procedures or other stock account matters, please contact the transfer agent at the following address:

Computershare Trust Company, N.A.
Shareholder Relations
P.O. Box 43078
Providence, RI 02940
866/367-6351

### COMMON STOCK

| | STOCK PRICE HIGH | STOCK PRICE LOW | DIVIDENDS DECLARED PER SHARE |
|---|---|---|---|
| **2009** | | | |
| 1st Quarter | $ 8.22 | $ 3.08 | $ — |
| 2nd Quarter | 9.92 | 3.70 | — |
| 3rd Quarter | 11.09 | 7.07 | — |
| 4th Quarter | 12.20 | 9.64 | .25* |
| **2010** | | | |
| 1st Quarter | $14.96 | $10.46 | $0.01 |
| 2nd Quarter | 17.09 | 12.83 | 0.01 |
| 3rd Quarter | 15.91 | 12.64 | 0.01 |
| 4th Quarter | 17.97 | 13.95 | 0.01 |

* Paid 90% with Host common stock and 10% in cash.

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