Hyatt Hotels Corporation

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Financial Information (unaudited)

Hyatt Hotels Corporation

Reconciliation of Non-GAAP to GAAP Measure: Adjusted EBITDA to EBITDA and a Reconciliation of EBITDA to Net Income Attributable to Hyatt Hotels Corporation

The table below provides a reconciliation of consolidated Adjusted EBITDA to EBITDA and a reconciliation of EBITDA to net income attributable to Hyatt Hotels Corporation. Adjusted EBITDA, as the Company defines it, is a non-GAAP financial measure. See Definitions for our definition of Adjusted EBITDA and why we present it.

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Adjusted EBITDA	**$ 179**	**$ 159**	**$ 582**	**$ 502**
Equity earnings from unconsolidated hospitality ventures	6	16	22	10
Asset impairments	—	—	(7)	(11)
Gains on sales of real estate	3	26	65	125
Other income (loss), net	2	2	(11)	(12)
Net income attributable to noncontrolling interests	(1)	—	(2)	—
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	(19)	(13)	(64)	(48)
EBITDA	**$ 170**	**$ 190**	**$ 585**	**$ 566**
Depreciation and amortization	(91)	(81)	(269)	(254)
Interest expense	(17)	(15)	(54)	(48)
Provision for income taxes	(30)	(39)	(100)	(89)
Net income attributable to Hyatt Hotels Corporation	**$ 32**	**$ 55**	**$ 162**	**$ 175**

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Reconciliation of Non-GAAP to GAAP Measure: Summary of Special Items - Three Months Ended September 30, 2014 and 2013

The following table represents a reconciliation of net income attributable to Hyatt Hotels Corporation, adjusted for special items, to net income attributable to Hyatt Hotels Corporation presented for the three months ended September 30, 2014 and 2013, respectively.

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013
Net income attributable to Hyatt Hotels Corporation		**$ 32**	**$ 55**
Earnings per share		**$ 0.21**	**$ 0.35**
Special items			
Gains on sales of real estate (a)	Gains on sales of real estate	(3)	(26)
Gain on sale of real estate held by unconsolidated hospitality venture (b)	Equity earnings from unconsolidated hospitality ventures	(2)	—
Gains on sales of residential properties (c)	Equity earnings from unconsolidated hospitality ventures	(2)	(8)
Unconsolidated hospitality venture impairment (d)	Equity earnings from unconsolidated hospitality ventures	1	—
Management realignment costs (e)	Other income (loss), net	1	—
Transaction costs (f)	Other income (loss), net	2	3
Marketable securities (g)	Other income (loss), net	—	(1)
Total special items - pre-tax		(3)	(32)
Income tax (provision) benefit for special items	Provision for income taxes	1	13
Total special items - after-tax		**(2)**	**(19)**
Special items impact per share		**$ (0.01)**	**$ (0.12)**
Net income attributable to Hyatt Hotels Corporation, adjusted for special items		**$ 30**	**$ 36**
Earnings per share, adjusted for special items		**$ 0.20**	**$ 0.23**

(a) Gains on sales of real estate - The three months ended September 30, 2014, includes an incremental $3 million gain on the first quarter 2014 sale of nine select service properties and one full service property as a result of post closing adjustments. These hotels will remain Hyatt-branded hotels for a minimum of 25 years under long-term agreements. During the three months ended September 30, 2013, we sold Hyatt Regency Denver Tech subject to a franchise agreement for a gain of $26 million.

(b) Gain on sale of real estate held by unconsolidated hospitality venture - During the three months ended September 30, 2014, a joint venture in which we hold an ownership interest sold Hyatt Place Coconut Point to a third party, for which we recognized a gain of $2 million.

(c) Gains on sales of residential properties - During the third quarter of 2014 and 2013, we recognized a gain of $2 million and $8 million, respectively, in connection with the sale of residential properties at one of our joint ventures.

(d) Unconsolidated hospitality venture impairment - During the three months ended September 30, 2014, we recorded a $1 million impairment charge related to a hospitality venture.

(e) Management realignment costs - Represents separation, recruiting and relocation costs incurred associated with the realignment of key management positions.

(f) Transaction costs - During the three months ended September 30, 2014, we incurred $2 million in transaction costs to acquire Park Hyatt New York hotel and related to the definitive agreement for the sale of Hyatt Residential Group. During the three months ended September 30, 2013, we incurred $3 million in transaction costs to acquire the hotel formerly known as the The Peabody Orlando and to close on our investment in the all inclusive resorts segment.

(g) Marketable securities - Represents (gains) losses on investments not used to fund operating programs.

Hyatt Hotels Corporation

Reconciliation of Non-GAAP to GAAP Measure: Summary of Special Items - Nine Months Ended September 30, 2014 and 2013

The following table represents a reconciliation of net income attributable to Hyatt Hotels Corporation, adjusted for special items, to net income attributable to Hyatt Hotels Corporation presented for the nine months ended September 30, 2014 and 2013, respectively.

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income	Nine Months Ended September 30,	
		2014	2013
Net income attributable to Hyatt Hotels Corporation		**$ 162**	**$ 175**
Earnings per share		**$ 1.05**	**$ 1.10**
Special items			
Gains on sales of real estate (a)	Gains on sales of real estate	(65)	(125)
Gains on sales of real estate held by unconsolidated hospitality ventures (b)	Equity earnings from unconsolidated hospitality ventures	(22)	—
Gains on sales of residential properties (c)	Equity earnings from unconsolidated hospitality ventures	(2)	(8)
Gain on sale of cost method investment (d)	Other income (loss), net	(1)	—
Marketable securities (e)	Other income (loss), net	—	(1)
Unconsolidated hospitality ventures impairments (f)	Equity earnings from unconsolidated hospitality ventures	3	—
Transaction costs (g)	Other income (loss), net	5	3
Management realignment costs (h)	Other income (loss), net	7	—
Asset impairments (i)	Asset impairments	7	11
Gain on sale of artwork	Other income (loss), net	—	(29)
Charitable contribution to Hyatt Hotels Foundation (j)	Other income (loss), net	—	20
Debt settlement costs (k)	Other income (loss), net	—	35
Foreign currency translation loss on sale of joint venture (l)	Equity earnings from unconsolidated hospitality ventures	—	2
Total special items - pre-tax		(68)	(92)
Income tax (provision) benefit for special items	Provision for income taxes	28	36
Total special items - after-tax		**(40)**	**(56)**
Special items impact per share		**$ (0.26)**	**$ (0.35)**
Net income attributable to Hyatt Hotels Corporation, adjusted for special items		**$ 122**	**$ 119**
Earnings per share, adjusted for special items		**$ 0.79**	**$ 0.75**

(a) Gains on sales of real estate - The nine months ended September 30, 2014 includes gains on the sale of nine select service properties and one full service property, which will remain Hyatt-branded hotels for a minimum of 25 years under long-term agreements. The nine months ended September 30, 2013 represents gains on the sales of Hyatt Fisherman's Wharf, Hyatt Santa Barbara, and Hyatt Regency Denver Tech, which were sold subject to franchise agreements.

(b) Gains on sales of real estate held by unconsolidated hospitality ventures - During the nine months ended September 30, 2014, two joint ventures in which we hold an ownership interest sold the Hyatt Place Austin Downtown and Hyatt Place Coconut Point to third parties, for which we recognized a gain of $20 million and $2 million, respectively.

(c) Gains on the sales of residential properties - During the third quarter of 2014 and 2013, we recognized a gain of $2 million and $8 million, respectively, in connection with the sales of residential properties at one of our joint ventures.

(d) Gain on sale of cost method investment - During the nine months ended September 30, 2014, we sold our interest in a joint venture classified as a cost method investment and recorded a $1 million gain on sale.

(e) Marketable securities - Represents (gains) losses on investments not used to fund operating programs.

(f) Unconsolidated hospitality ventures impairments - During the nine months ended September 30, 2014, we recorded $3 million of impairment charges related to hospitality ventures.

(g) Transaction costs - During the nine months ended September 30, 2014, we incurred $5 million in transaction costs related to the definitive agreement for the sale of Hyatt Residential Group and to acquire Park Hyatt New York hotel. In the nine months ended September 30, 2013, we incurred $3 million in transaction costs to acquire the hotel formerly known as The Peabody Orlando and to close on our investment in the all inclusive resorts segment.

(h) Management realignment costs - Represents separation, recruiting and relocation costs incurred associated with the realignment of key management positions.

(i) Asset impairments - In conjunction with our regular assessment of impairment indicators, we identified property and equipment whose carrying values exceeded its fair value, and as a result, we recorded $7 million and $8 million of impairment charges during 2014 and 2013, respectively. Also during 2013, we recorded a $3 million impairment charge related to a property that was classified as held for sale at June 30, 2013.

(j) Charitable contribution to Hyatt Hotels Foundation - We committed to fund $20 million to a charitable foundation that we formed with the intent that the foundation will fund charitable activities over time. Hyatt Hotels Foundation was formerly named Hyatt Thrive Foundation.

(k) Debt settlement costs - We incurred $35 million in debt settlement costs for the redemption of our 2015 Notes and the tender of a portion of our 2019 Notes.

(l) Foreign currency translation loss on sale of joint venture - During the nine months ended September 30, 2013, we had a foreign currency translation loss of $2 million as a result of the sale of our interest in a foreign joint venture.

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Reconciliation of Non-GAAP to GAAP Measure: Adjusted Selling, General, and Administrative Expenses to Selling, General, and Administrative Expenses

Results of operations as presented on condensed consolidated statements of income include the impact of expenses recognized with respect to employee benefit programs funded through rabbi trusts. Certain of these expenses are recognized in selling, general, and administrative expenses and are completely offset by the corresponding net gains (losses) and interest income from marketable securities held to fund operating programs, thus having no net impact to our earnings. Below is a reconciliation of this account excluding the impact of our rabbi trust investments.

(in millions)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2014	2013	Change ($)	Change (%)	2014	2013	Change ($)	Change (%)
Adjusted selling, general, and administrative expenses (a)	$ 79	$ 68	$ 11	16.2 %	$ 238	$ 220	$ 18	8.2 %
Rabbi trust impact	(2)	9	(11)	(122.2)%	6	16	(10)	(62.5)%
Selling, general, and administrative expenses	$ 77	$ 77	$ —	— %	$ 244	$ 236	$ 8	3.4 %

(a) Segment breakdown for adjusted selling, general, and administrative expenses.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2014	2013	Change ($)	Change (%)	2014	2013	Change ($)	Change (%)
Americas management and franchising	$ 15	$ 14	$ 1	7.1%	$ 46	$ 42	$ 4	9.5%
ASPAC management and franchising	14	9	5	55.6%	32	26	6	23.1%
EAME/SW Asia management	8	7	1	14.3%	25	23	2	8.7%
Owned and leased hotels	3	3	—	—%	11	9	2	22.2%
Corporate and other (b)	39	35	4	11.4%	124	120	4	3.3%
Adjusted selling, general, and administrative expenses	$ 79	$ 68	$ 11	16.2%	$ 238	$ 220	$ 18	8.2%

(b) Corporate and other includes vacation ownership expenses of $8 million for both the three months ended September 30, 2014 and 2013, respectively and $24 million and $23 million for the nine months ended September 30, 2014 and 2013, respectively.

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Reconciliation of Non-GAAP to GAAP Measure: Comparable Owned and Leased Hotels Operating Margin to Owned and Leased Hotels Operating Margin

Below is a breakdown of consolidated owned and leased hotels revenues and expenses, as used in calculating comparable owned and leased hotels operating margin percentages. Results of operations as presented on the condensed consolidated statements of income include the impact of expenses recognized with respect to employee benefit programs funded through rabbi trusts. Certain of these expenses are recognized in owned and leased hotels expenses and are completely offset by the corresponding net gains (losses) and interest income from marketable securities held to fund operating programs, thus having no net impact to our earnings. Below is a reconciliation of this account excluding the impact of our rabbi trusts and excluding the impact of non-comparable hotels.

(in millions)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2014	2013	Change ($)	Change (%)	2014	2013	Change ($)	Change (%)
Revenue								
Comparable owned and leased hotels	$ 493	$ 464	$ 29	6.3 %	$ 1,462	$ 1,399	$ 63	4.5 %
Non-comparable hotels	62	57	5	8.8 %	233	186	47	25.3 %
Owned and leased hotels revenue	$ 555	$ 521	$ 34	6.5 %	$ 1,695	$ 1,585	$ 110	6.9 %
Expenses								
Comparable owned and leased hotels	$ 372	$ 359	$ 13	3.6 %	$ 1,107	$ 1,072	$ 35	3.3 %
Non-comparable hotels	51	37	14	37.8 %	158	124	34	27.4 %
Rabbi trust	(1)	3	(4)	(133.3)%	2	7	(5)	(71.4)%
Owned and leased hotels expense	$ 422	$ 399	$ 23	5.8 %	$ 1,267	$ 1,203	$ 64	5.3 %
Owned and leased hotels operating margin percentage	24.0%	23.4%		0.6 %	25.3%	24.1%		1.2 %
Comparable owned and leased hotels operating margin percentage	24.5%	22.6%		1.9 %	24.3%	23.4%		0.9 %