

Hyatt Hotels Corporation

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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,	
	2015	2014	2015	2014
Adjusted EBITDA	\$ 172	\$ 179	\$ 551	\$ 582
Equity earnings (losses) from unconsolidated hospitality ventures	(17)	6	(46)	22
Asset impairments	(5)	—	(5)	(7)
Gains on sales of real estate	—	3	9	65
Other income (loss), net	11	2	(3)	(11)
Net income attributable to noncontrolling interests	—	(1)	—	(2)
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	(21)	(19)	(63)	(64)
EBITDA	\$ 140	\$ 170	\$ 443	\$ 585
Depreciation and amortization	(78)	(91)	(233)	(269)
Interest expense	(17)	(17)	(51)	(54)
Provision for income taxes	(20)	(30)	(72)	(100)
Net income attributable to Hyatt Hotels Corporation	\$ 25	\$ 32	\$ 87	\$ 162

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Reconciliation of Non-GAAP to GAAP Measure: Summary of Special Items - Three Months Ended September 30, 2015 and 2014

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, 2015 and 2014, respectively.

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income	Three Months Ended September 30,	
		2015	2014
Net income attributable to Hyatt Hotels Corporation		\$ 25	\$ 32
Earnings per share		\$ 0.18	\$ 0.21
Special items			
Foreign currency translation loss on sale of joint venture (a)	Equity earnings (losses) from unconsolidated hospitality ventures	21	—
Asset impairments (b)	Asset impairments	5	—
Recoveries on hotel loans, net (c)	Other income (loss), net	(8)	—
Gains on sales of real estate (d)	Gains on sales of real estate	—	(3)
Gain on sale of real estate held by unconsolidated hospitality venture (e)	Equity earnings (losses) from unconsolidated hospitality ventures	—	(2)
Gains on sales of residential properties (f)	Equity earnings (losses) from unconsolidated hospitality ventures	—	(2)
Unconsolidated hospitality venture impairment (g)	Equity earnings (losses) from unconsolidated hospitality ventures	—	1
Realignment costs (h)	Other income (loss), net	—	1
Transaction costs (i)	Other income (loss), net	—	2
Total special items - pre-tax		18	(3)
Income tax (provision) benefit for special items	Provision for income taxes	(1)	1
Total special items - after-tax		17	(2)
Special items impact per share		\$ 0.12	\$ (0.01)
Net income attributable to Hyatt Hotels Corporation, adjusted for special items		\$ 42	\$ 30
Earnings per share, adjusted for special items		\$ 0.30	\$ 0.20

(a) Foreign currency translation loss on sale of joint venture - During the third quarter of 2015, we recorded a \$21 million loss related to the sale of an entity that held an interest in one of our foreign currency denominated unconsolidated hospitality ventures, a majority of which resulted from the release of the related accumulated currency translation loss.

(b) Asset impairments - In conjunction with our regular assessment of impairment indicators, we identified property and equipment whose carrying value exceeded its fair value, and as a result, we recorded \$5 million of impairment charges during the third quarter of 2015.

(c) Recoveries on hotel loans, net - During the third quarter of 2015, we recorded an \$8 million net recovery related to the settlement of our secured financing receivables.

(d) 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, which will remain Hyatt-branded hotels for a minimum of 25 years under long-term agreements.

(e) 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 held an ownership interest sold Hyatt Place Coconut Point to a third party, for which we recognized a gain of \$2 million.

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

- (g) Unconsolidated hospitality venture impairment - During the three months ended September 30, 2014, we recorded a \$1 million impairment charge related to a hospitality venture.
- (h) Realignment costs - Represents separation, recruiting and relocation costs incurred associated with the realignment of key management positions.
- (i) 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 sale of Hyatt Residential Group.

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Reconciliation of Non-GAAP to GAAP Measure: Summary of Special Items - Nine Months Ended September 30, 2015 and 2014

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, 2015 and 2014, respectively.

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income	Nine Months Ended September 30,	
		2015	2014
Net income attributable to Hyatt Hotels Corporation		\$ 87	\$ 162
Earnings per share		\$ 0.60	\$ 1.05
Special items			
Foreign currency translation loss on sale of joint venture (a)	Equity earnings (losses) from unconsolidated hospitality ventures	21	—
Asset impairments (b)	Asset impairments	5	7
Gains on sales of residential properties (c)	Equity earnings (losses) from unconsolidated hospitality ventures	(1)	(2)
Recoveries on hotel loans, net (d)	Other income (loss), net	(6)	—
Gains on sales of real estate (e)	Gains on sales of real estate	(9)	(65)
Gains on sales of real estate held by unconsolidated hospitality ventures (f)	Equity earnings (losses) from unconsolidated hospitality ventures	—	(22)
Gain on sale of cost method investment (g)	Other income (loss), net	—	(1)
Unconsolidated hospitality ventures impairments (h)	Equity earnings (losses) from unconsolidated hospitality ventures	—	3
Transaction costs (i)	Other income (loss), net	—	5
Realignment costs (j)	Other income (loss), net	—	7
Total special items - pre-tax		10	(68)
Income tax (provision) benefit for special items	Provision for income taxes	3	28
Total special items - after-tax		13	(40)
Special items impact per share		\$ 0.09	\$ (0.26)
Net income attributable to Hyatt Hotels Corporation, adjusted for special items		\$ 100	\$ 122
Earnings per share, adjusted for special items		\$ 0.69	\$ 0.79

(a) Foreign currency translation loss on sale of joint venture - During the nine months ended September 30, 2015, we recorded a \$21 million loss related to the sale of an entity that held an interest in one of our foreign currency denominated unconsolidated hospitality ventures, a majority of which resulted from the release of the related accumulated currency translation loss.

(b) Asset impairments - In conjunction with our regular assessment of impairment indicators, we identified property and equipment whose carrying value exceeded its fair value, and as a result, we recorded \$5 million and \$7 million of impairment charges during the nine months ended September 30, 2015 and September 30, 2014, respectively.

(c) Gains on sales of residential properties - During the nine months ended September 30, 2015 and September 30, 2014, we recognized gains of \$1 million and \$2 million, respectively, in connection with the sales of residential properties at one of our joint ventures.

(d) Recoveries on hotel loans, net - During the third quarter of 2015, we recorded an \$8 million net recovery related to the settlement of our secured financing receivables. During the nine months ended September 30, 2015, we recorded a \$2 million provision related to pre-opening loans based on our assessment of collectability.

(e) Gains on sales of real estate - During the nine months ended September 30, 2015, we recorded an \$8 million gain on the sale of Hyatt Regency Indianapolis, which was sold subject to a franchise agreement and a \$1 million gain on the sale of a Hyatt House hotel. The nine months ended September 30, 2014 includes gains on the sales 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.

- (f) 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 held an ownership interest sold Hyatt Place Austin Downtown and Hyatt Place Coconut Point to third parties, for which we recognized gains of \$20 million and \$2 million, respectively.
- (g) 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.
- (h) Unconsolidated hospitality ventures impairments - During the nine months ended September 30, 2014, we recorded \$3 million of impairment charges related to hospitality ventures.
- (i) Transaction costs - During the nine months ended September 30, 2014, we incurred \$5 million in transaction costs related to the sale of Hyatt Residential Group and to acquire Park Hyatt New York hotel.
- (j) Realignment costs - Represents separation, recruiting and relocation costs incurred associated with the realignment of key management positions.

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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 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 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,			
	2015	2014	Change (\$)	Change (%)	2015	2014	Change (\$)	Change (%)
Adjusted selling, general, and administrative expenses (a)	\$ 66	\$ 79	\$ (13)	(16.5)%	\$ 226	\$ 238	\$ (12)	(5.0)%
Rabbi trust impact	(12)	(2)	(10)	(500.0)%	(5)	6	(11)	(183.3)%
Selling, general, and administrative expenses	<u>\$ 54</u>	<u>\$ 77</u>	<u>\$ (23)</u>	<u>(29.9)%</u>	<u>\$ 221</u>	<u>\$ 244</u>	<u>\$ (23)</u>	<u>(9.4)%</u>

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2015	2014	Change (\$)	Change (%)	2015	2014	Change (\$)	Change (%)
Americas management and franchising	\$ 12	\$ 15	\$ (3)	(20.0)%	\$ 45	\$ 46	\$ (1)	(2.2)%
ASPAC management and franchising	10	14	(4)	(28.6)%	30	32	(2)	(6.3)%
EAME/SW Asia management	8	8	—	— %	27	25	2	8.0 %
Owned and leased hotels	4	3	1	33.3 %	11	11	—	— %
Corporate and other (b)	32	39	(7)	(17.9)%	113	124	(11)	(8.9)%
Adjusted selling, general, and administrative expenses	<u>\$ 66</u>	<u>\$ 79</u>	<u>\$ (13)</u>	<u>(16.5)%</u>	<u>\$ 226</u>	<u>\$ 238</u>	<u>\$ (12)</u>	<u>(5.0)%</u>

(b) Corporate and other includes vacation ownership expenses of \$8 million and \$24 million the three and nine months ended September 30, 2014, 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,			
	2015	2014	Change (\$)	Change (%)	2015	2014	Change (\$)	Change (%)
Revenues								
Comparable owned and leased hotels	\$ 463	\$ 455	\$ 8	1.8 %	\$ 1,445	\$ 1,411	\$ 34	2.4 %
Non-comparable owned and leased hotels	37	100	(63)	(63.0)%	104	284	(180)	(63.4)%
Owned and leased hotels revenues	<u>\$ 500</u>	<u>\$ 555</u>	<u>\$ (55)</u>	<u>(9.9)%</u>	<u>\$ 1,549</u>	<u>\$ 1,695</u>	<u>\$ (146)</u>	<u>(8.6)%</u>
Expenses								
Comparable owned and leased hotels	\$ 359	\$ 350	\$ 9	2.6 %	\$ 1,078	\$ 1,059	\$ 19	1.8 %
Non-comparable owned and leased hotels	29	73	(44)	(60.3)%	84	206	(122)	(59.2)%
Rabbi trust	(3)	(1)	(2)	(200.0)%	(2)	2	(4)	(200.0)%
Owned and leased hotels expenses	<u>\$ 385</u>	<u>\$ 422</u>	<u>\$ (37)</u>	<u>(8.8)%</u>	<u>\$ 1,160</u>	<u>\$ 1,267</u>	<u>\$ (107)</u>	<u>(8.4)%</u>
Owned and leased hotels operating margin percentage	<u>23.0%</u>	<u>24.0%</u>		<u>(1.0)%</u>	<u>25.1%</u>	<u>25.3%</u>		<u>(0.2)%</u>
Comparable owned and leased hotels operating margin percentage	<u>22.5%</u>	<u>23.1%</u>		<u>(0.6)%</u>	<u>25.4%</u>	<u>24.9%</u>		<u>0.5 %</u>