

Hyatt Hotels Corporation

Table of Contents

Financial Information (unaudited)

- Reconciliation of Non-GAAP to GAAP Measure: Adjusted EBITDA to EBITDA and a Reconciliation of EBITDA to Net Income Attributable to Hyatt Hotels Corporation
- Reconciliation of Non-GAAP to GAAP Measure: Summary of Special Items - Three Months Ended June 30, 2014 and 2013
- Reconciliation of Non-GAAP to GAAP Measure: Summary of Special Items - Six Months Ended June 30, 2014 and 2013
- Reconciliation of Non-GAAP to GAAP Measure: Adjusted Selling, General, and Administrative Expenses to Selling, General, and Administrative Expenses
- Reconciliation of Non-GAAP to GAAP Measure: Comparable Owned and Leased Hotels Operating Margin to Owned and Leased Hotels Operating Margin

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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Adjusted EBITDA	\$ 231	\$ 212	\$ 403	\$ 343
Equity earnings (losses) from unconsolidated hospitality ventures	23	(5)	16	(6)
Asset impairments	(7)	(3)	(7)	(11)
Gains on sales of real estate	1	99	62	99
Other loss, net	(1)	(16)	(13)	(14)
Net income attributable to noncontrolling interests	(1)	—	(1)	—
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	(25)	(19)	(45)	(35)
EBITDA	\$ 221	\$ 268	\$ 415	\$ 376
Depreciation and amortization	(83)	(85)	(178)	(173)
Interest expense	(18)	(16)	(37)	(33)
Provision for income taxes	(46)	(55)	(70)	(50)
Net income attributable to Hyatt Hotels Corporation	\$ 74	\$ 112	\$ 130	\$ 120

Hyatt Hotels Corporation

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

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income	Three Months Ended June 30,	
		2014	2013
Net income attributable to Hyatt Hotels Corporation		\$ 74	\$ 112
Earnings per share		\$ 0.48	\$ 0.70
Special items			
Gain on sale of real estate held by unconsolidated hospitality venture (a)	Equity earnings (losses) from unconsolidated hospitality ventures	(20)	—
Gains on sales of real estate (b)	Gains on sales of real estate	(1)	(99)
Unconsolidated hospitality venture impairment (c)	Equity earnings (losses) from unconsolidated hospitality ventures	1	—
Transaction costs (d)	Other loss, net	3	—
Management realignment costs (e)	Other loss, net	6	—
Asset impairments (f)	Asset impairments	7	3
Gain on sale of artwork	Other loss, net	—	(29)
Charitable contribution to Hyatt Thrive Foundation (g)	Other loss, net	—	20
Debt settlement costs (h)	Other loss, net	—	35
Total special items - pre-tax		(4)	(70)
Income tax (provision) benefit for special items	Provision for income taxes	2	28
Total special items - after-tax		(2)	(42)
Special items impact per share		\$ (0.01)	\$ (0.27)
Net income attributable to Hyatt Hotels Corporation, adjusted for special items		\$ 72	\$ 70
Earnings per share, adjusted for special items		\$ 0.47	\$ 0.43

(a) Gain on sale of real estate held by unconsolidated hospitality venture - During the three months ended June 30, 2014, a joint venture in which we hold an ownership interest sold Hyatt Place Austin Downtown to a third party, for which we recognized a gain of \$20 million.

(b) Gains on sales of real estate - The three months ended June 30, 2014 includes an incremental \$1 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. The three months ended June 30, 2013 represents gains on the sales of Hyatt Fisherman's Wharf and Hyatt Santa Barbara, which were sold subject to franchise agreements.

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

(d) Transaction costs - During the three months ended June 30, 2014, we incurred \$3 million in transaction costs related to the definitive agreement for the sale of Hyatt Residential Group.

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

(f) 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 a \$7 million impairment charge during the second quarter of 2014. We recorded a \$3 million impairment charge during the second quarter of 2013 related to a property that was classified as held for sale at June 30, 2013.

(g) Charitable contribution to Hyatt Thrive 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.

(h) 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.

Hyatt Hotels Corporation

Reconciliation of Non-GAAP to GAAP Measure: Summary of Special Items - Six Months Ended June 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 six months ended June 30, 2014 and 2013, respectively.

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income		Six Months Ended June 30,	
			2014	2013
Net income attributable to Hyatt Hotels Corporation			\$ 130	\$ 120
Earnings per share			\$ 0.83	\$ 0.75
Special items				
Gains on sales of real estate (a)	Gains on sales of real estate		(62)	(99)
Gain on sale of real estate held by unconsolidated hospitality venture (b)	Equity earnings (losses) from unconsolidated hospitality ventures		(20)	—
Gain on sale of cost method investment (c)	Other loss, net		(1)	—
Unconsolidated hospitality ventures impairments (d)	Equity earnings (losses) from unconsolidated hospitality ventures		2	—
Transaction costs (e)	Other loss, net		3	—
Management realignment costs (f)	Other loss, net		6	—
Asset impairments (g)	Asset impairments		7	11
Gain on sale of artwork	Other loss, net		—	(29)
Charitable contribution to Hyatt Thrive Foundation (h)	Other loss, net		—	20
Debt settlement costs (i)	Other loss, net		—	35
Foreign currency translation loss on sale of joint venture (j)	Equity earnings (losses) from unconsolidated hospitality ventures		—	2
Total special items - pre-tax			(65)	(60)
Income tax (provision) benefit for special items	Provision for income taxes		27	24
Total special items - after-tax			(38)	(36)
Special items impact per share			\$ (0.24)	\$ (0.23)
Net income attributable to Hyatt Hotels Corporation, adjusted for special items			\$ 92	\$ 84
Earnings per share, adjusted for special items			\$ 0.59	\$ 0.52

(a) Gains on sales of real estate - The six months ended June 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 six months ended June 30, 2013 represents gains on the sales of Hyatt Fisherman's Wharf and Hyatt Santa Barbara, which were sold subject to franchise agreements.

(b) Gain on sale of real estate held by unconsolidated hospitality venture - During the six months ended June 30, 2014, a joint venture in which we hold an ownership interest sold Hyatt Place Austin Downtown to a third party, for which we recognized a gain of \$20 million.

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

(d) Unconsolidated hospitality ventures impairments - During the six months ended June 30, 2014, we recorded \$2 million of impairment charges related to hospitality ventures.

(e) Transaction costs - During the six months ended June 30, 2014, we incurred \$3 million in transaction costs related to the definitive agreement for the sale of Hyatt Residential Group.

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

(g) 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.

(h) Charitable contribution to Hyatt Thrive 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.

(i) 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.

(j) Foreign currency translation loss on sale of joint venture - During the six months ended June 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.

Hyatt Hotels Corporation

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 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 June 30,		Change (\$)	Change (%)	Six Months Ended June 30,		Change (\$)	Change (%)
	2014	2013			2014	2013		
Adjusted selling, general, and administrative expenses (a)	\$ 74	\$ 75	\$ (1)	(1.3)%	\$ 159	\$ 152	\$ 7	4.6%
Rabbi trust impact	6	—	6	100.0 %	8	7	1	14.3%
Selling, general, and administrative expenses	<u>\$ 80</u>	<u>\$ 75</u>	<u>\$ 5</u>	<u>6.7 %</u>	<u>\$ 167</u>	<u>\$ 159</u>	<u>\$ 8</u>	<u>5.0%</u>

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

	Three Months Ended June 30,		Change (\$)	Change (%)	Six Months Ended June 30,		Change (\$)	Change (%)
	2014	2013			2014	2013		
Americas management and franchising	\$ 13	\$ 13	\$ —	— %	\$ 31	\$ 28	\$ 3	10.7%
ASPAC management and franchising	9	8	1	12.5 %	18	17	1	5.9%
EAME/SW Asia management	9	8	1	12.5 %	17	16	1	6.3%
Owned and leased hotels	3	3	—	— %	8	6	2	33.3%
Corporate and other (b)	40	43	(3)	(7.0)%	85	85	—	—%
Adjusted selling, general, and administrative expenses	<u>\$ 74</u>	<u>\$ 75</u>	<u>\$ (1)</u>	<u>(1.3)%</u>	<u>\$ 159</u>	<u>\$ 152</u>	<u>\$ 7</u>	<u>4.6%</u>

(b) Corporate and other includes vacation ownership expenses of \$8 million and \$7 million for the three months ended June 30, 2014 and 2013, respectively and \$16 million and \$15 million for the six months ended June 30, 2014 and 2013, respectively.

Hyatt Hotels Corporation

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 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 June 30,		Change (\$)	Change (%)	Six Months Ended June 30,		Change (\$)	Change (%)
	2014	2013			2014	2013		
Revenue								
Comparable owned and leased hotels	\$ 516	\$ 501	\$ 15	3.0 %	\$ 969	\$ 935	\$ 34	3.6 %
Non-comparable hotels	76	71	5	7.0 %	171	129	42	32.6 %
Owned and leased hotels revenue	<u>\$ 592</u>	<u>\$ 572</u>	<u>\$ 20</u>	<u>3.5 %</u>	<u>\$ 1,140</u>	<u>\$ 1,064</u>	<u>\$ 76</u>	<u>7.1 %</u>
Expenses								
Comparable owned and leased hotels	\$ 378	\$ 366	\$ 12	3.3 %	\$ 734	\$ 713	\$ 21	2.9 %
Non-comparable hotels	50	46	4	8.7 %	108	87	21	24.1 %
Rabbi trust	2	1	1	100.0 %	3	4	(1)	(25.0)%
Owned and leased hotels expense	<u>\$ 430</u>	<u>\$ 413</u>	<u>\$ 17</u>	<u>4.1 %</u>	<u>\$ 845</u>	<u>\$ 804</u>	<u>\$ 41</u>	<u>5.1 %</u>
Owned and leased hotels operating margin percentage	<u>27.4%</u>	<u>27.8%</u>		<u>(0.4)%</u>	<u>25.9%</u>	<u>24.4%</u>		<u>1.5 %</u>
Comparable owned and leased hotels operating margin percentage	<u>26.7%</u>	<u>26.9%</u>		<u>(0.2)%</u>	<u>24.3%</u>	<u>23.7%</u>		<u>0.6 %</u>