UNITED STATES CELLULAR CORP
Form 10-K
April 23, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

OR

o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-9712

UNITED STATES CELLULAR CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	**62-1147325**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

8410 West Bryn Mawr, Suite 700, Chicago, Illinois 60631
(Address of principal executive offices) (Zip code)

Registrant s Telephone Number: (773) 399-8900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Shares, $1 par value	American Stock Exchange
8.75% Senior Notes Due 2032	New York Stock Exchange
7.5% Senior Notes Due 2034	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

As of June 30, 2006, the aggregate market value of registrant s Common Shares held by nonaffiliates was approximately $978.9 million (based upon the closing price of the Common Shares on June 30, 2006, of $60.60, as reported by the American Stock Exchange). For purposes hereof, it was assumed that each director, executive officer and holder of 10% or more of the voting power of U.S. Cellular is an affiliate.

The number of shares outstanding of each of the registrant s classes of common stock, as of February 28, 2007, is 54,867,197 Common Shares, $1 par value, and 33,005,877 Series A Common Shares, $1 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Those sections or portions of the registrant s 2006 Annual Report to Shareholders filed as Exhibit 13 hereto, and of the registrant s Notice of Annual Meeting of Shareholders and Proxy Statement for its 2007 Annual Meeting of Shareholders filed as Exhibit 99.1 hereto, described in the cross reference sheet and table of contents attached hereto are incorporated by reference into Parts II and III of this report.

CROSS REFERENCE SHEET
AND
TABLE OF CONTENTS

(1) Parenthetical references are to information incorporated by reference from Exhibit 13 hereto , which includes portions of the registrant s Annual Report to Shareholders for the year ended December 31, 2006 (Annual Report) and from Exhibit 99.1 hereto, which includes portions of the registrant s Notice of Annual Meeting of Shareholders and Proxy Statement for its 2007 Annual Meeting of Shareholders (Proxy Statement).

(2) Annual Report sections entitled Stock and Dividend Information and Consolidated Quarterly Information (Unaudited).

(3) Annual Report section entitled Selected Consolidated Financial Data.

(4) Annual Report section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations.

(5) Annual Report section entitled Market Risk.

(6) Annual Report sections entitled Consolidated Statements of Operations, Consolidated Statements of Cash Flows, Consolidated Balance Sheets, Consolidated Statements of Common Shareholders Equity, Notes to Consolidated Financial Statements, Consolidated Quarterly Information (Unaudited), Management s Report on Internal Control Over Financial Reporting and Report of Independent Registered Public Accounting Firm.

(7) Proxy Statement sections entitled Election of Directors, Corporate Governance, Executive Officers and Section 16(a) Beneficial Ownership Reporting Compliance.

(8) Proxy Statement section entitled Executive and Director Compensation.

(9) Proxy Statement sections entitled Security Ownership of Certain Beneficial Owners and Management and Securities Authorized for Issuance under Equity Compensation Plans.

(10) Proxy Statement sections entitled Corporate Governance and Certain Relationships and Related Transactions.

(11) Proxy Statement section entitled Fees Paid to Principal Accountants.

UNITED STATES CELLULAR CORPORATION

8410 WEST BRYN MAWR l CHICAGO, ILLINOIS 60631

TELEPHONE (773) 399-8900

PART I

Item 1. Business

United States Cellular Corporation (U.S. Cellular) provides wireless telephone service to approximately 5,815,000 customers through the operations of 201 majority-owned (consolidated) wireless licenses throughout the United States. Since 1985, when it began providing wireless service in Knoxville, Tennessee and Tulsa, Oklahoma, U.S. Cellular has expanded its wireless networks and customer service operations to cover six market areas in 26 states as of December 31, 2006. Through a 2003 exchange transaction and Federal Communications Commission (FCC) Auction 58 (as discussed below), U.S. Cellular owns, directly and indirectly, rights to wireless licenses covering territories in two additional states and has the rights to commence service in those licensed areas in the future. The wireless licenses that U.S. Cellular currently includes in its consolidated operations cover a total population of more than one million in each market, and a total population of 55.5 million overall. The contiguous Midwest and Southwest market areas cover a total population of more than 38 million, and the Mid-Atlantic market area covers a total population of more than nine million.

U.S. Cellular s ownership interests in wireless licenses include both consolidated and investment interests in licenses covering 159 cellular metropolitan statistical areas (as designated by the U.S. Office of Management and Budget and used by the Federal Communications Commission (FCC) in designating metropolitan cellular market areas) or rural service areas (as used by the FCC in designating non-metropolitan statistical area cellular market areas) (cellular licenses) and 60 personal communications service basic trading areas (designations used by the FCC in dividing the United States into personal communications service market areas). Of those interests, U.S. Cellular owns controlling interests in 141 cellular licenses and each of the 60 personal communications service basic trading areas. As of December 31, 2006, U.S. Cellular also owned rights to acquire controlling interests in 17 additional personal communications service licenses, through an acquisition agreement with AT&T Wireless Services, Inc. (AT&T Wireless), now a subsidiary of Cingular Wireless LLC, which is now a subsidiary of AT&T, Inc. (formerly SBC Communications, Inc.).

U.S. Cellular manages the operations of all but two of the licenses in which it owns a controlling interest; U.S. Cellular has contracted with another wireless operator to manage the operations of these other two licensees. U.S. Cellular includes the operations of each of these two licenses in its consolidated results of operations. U.S. Cellular also manages the operations of three additional licenses in which it does not own a controlling interest, through an agreement with the controlling interest holder or holders. U.S. Cellular accounts for its interests in each of these three licenses using the equity method of accounting.

The following table summarizes the status of U.S. Cellular s interests in wireless markets at December 31, 2006. Personal communications service markets are designated as PCS.

	Total	Cellular	PCS
Consolidated markets (1)	201	141	60
Consolidated markets to be acquired pursuant to existing agreements (2)	17		17
Minority interests accounted for using equity method (3)	12	12	
Minority interests accounted for using cost method (4)	5	5	
Total markets to be owned after completion of pending transactions(5)	235	158	77

(1) U.S. Cellular owns a controlling interest in each of the 141 cellular markets and 49 personal communications service PCS markets it included in its consolidated markets at December 31, 2006. The remaining 11 consolidated PCS markets represent 11 licenses acquired through Carroll Wireless, L.P. (Carroll Wireless). U.S. Cellular consolidates Carroll Wireless and Carroll PCS, Inc., the general partner of Carroll Wireless, for financial statement purposes, pursuant to the guidelines of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities an interpretation of ARB No. 51* (FIN 46(R)), as U.S. Cellular anticipates benefiting from or absorbing a majority of Carroll Wireless expected gains or losses.

(2) U.S. Cellular owns rights to acquire majority interests in 17 additional personal communications service licenses, resulting from an exchange transaction with AT&T Wireless which closed in August 2003. U.S. Cellular has up to five years from the transaction closing date to exercise its rights to acquire 21 licenses from AT&T Wireless. Four of the 21 licenses are in markets where U.S. Cellular currently owns personal communications service spectrum and, therefore, are not included in the number of consolidated markets to be acquired. Only the incremental markets are included in the number of consolidated markets to be acquired to avoid duplicate reporting of overlapping markets. The rights to acquire licenses from AT&T Wireless expire on August 1, 2008.

(3) Represents cellular licenses in which U.S. Cellular owns an interest that is not a controlling financial interest and which are accounted for using the equity method. U.S. Cellular s investments in these licenses are included in Investment in unconsolidated entities in its Consolidated Balance Sheets and its proportionate share of the net income of these licenses is included in Equity in earnings of unconsolidated entities in its Consolidated Statements of Operations.

(4) Represents cellular licenses in which U.S. Cellular owns an interest that is not a controlling financial interest and which are accounted for using the cost method. U.S. Cellular s investments in these licenses are included in Investment in unconsolidated entities in its Consolidated Balance Sheets.

(5) Total markets to be owned after completion of pending transactions does not include the 17 licenses for which Barat Wireless was the successful bidder in Auction 66, which ended on September 18, 2006. The FCC has not yet awarded the licenses to Barat Wireless, nor is there any prescribed timeframe for the FCC to review the qualifications of Barat Wireless and award the licenses. See Wireless Systems Development *FCC Auctions* below for additional information related to Barat Wireless.

Some of the territory covered by the personal communications service licenses U.S. Cellular operates overlaps with territory covered by the cellular licenses it operates. For the purpose of tracking population counts in order to calculate market penetration, when U.S. Cellular acquires a licensed area that overlaps a licensed area it already owns, it does not duplicate the population counts for any overlapping licensed area. Only non-overlapping, incremental population counts are added to the reported amount of total population in the case of an acquisition of a licensed area that overlaps a previously owned licensed area. The incremental population counts that are added in such event are referred to throughout this Form 10-K as incremental population measurements. Amounts reported in this Form 10-K as total market population do not duplicate any population counts in the case of any overlapping licensed areas U.S. Cellular owns.

U.S. Cellular owns interests in consolidated wireless licenses which cover a total population of 55.5 million as of December 31, 2006. U.S. Cellular also owns investment interests in wireless licenses which represent 1.5 million population equivalents as of that date. Population equivalents represent the population of a wireless licensed area, based on 2005 Claritas estimates, multiplied by the percentage interest that U.S. Cellular owns in an entity licensed to operate such wireless license.

U.S. Cellular believes that it is the sixth largest wireless operating company in the United States at December 31, 2006, based on internally prepared calculations of the aggregate number of customers in its consolidated markets compared to the number of customers disclosed by other wireless companies in their publicly released information. U.S. Cellular s business development strategy is to operate controlling interests in wireless licenses in areas adjacent to or in proximity to its other wireless licenses, thereby building contiguous operating market areas. U.S. Cellular anticipates that grouping its operations into market areas will continue to provide it with certain economies in its capital and operating costs. From time to time, U.S. Cellular has divested outright or included in exchanges for other wireless interests certain consolidated and investment interests which are considered less essential to its operating strategy.

Wireless systems in U.S. Cellular s consolidated markets served approximately 5,815,000 customers at December 31, 2006, and contained 5,925 cell sites. The average penetration rate in U.S. Cellular s consolidated markets, as calculated by dividing the number of U.S. Cellular customers by the total population in such markets, was 10.5% at December 31, 2006, and the number of customers who discontinued service (the churn rate) in these markets averaged 1.8% per month for the twelve months ended December 31, 2006.

U.S. Cellular was incorporated in Delaware in 1983. U.S. Cellular s executive offices are located at 8410 West Bryn Mawr, Chicago, Illinois 60631. Its telephone number is 773-399-8900. The Common Shares of U.S. Cellular are listed on the American Stock Exchange under the symbol USM. U.S. Cellular s 8.75% Senior Notes are listed on the New York Stock Exchange under the symbol UZG. U.S. Cellular s 7.5% Senior Notes are listed on the New York Stock Exchange under the symbol UZV. U.S. Cellular is a majority-owned subsidiary of Telephone and Data Systems, Inc. (AMEX symbol TDS). As of December 31, 2006, TDS owned 80.7% of the combined total of the outstanding Common Shares and Series A Common Shares of U.S. Cellular and controlled 95.6% of the combined voting power of both classes of common stock.

Available Information

U.S. Cellular s website is *http://www.uscellular.com*. Investors may access, free of charge, through the About Us / Investor Relations portion of the website, U.S. Cellular s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practical after such material is electronically filed with the Securities and Exchange Commission (SEC). The public may read and copy any materials U.S.

Cellular files with the SEC at the SEC s Public Reference Room at 100 F. Street, NE, Washington D.C. 20549. The public may obtain information on the operation of the Reference Room by calling the SEC at 1-800-732-0330. The public may also view electronic filings of U.S. Cellular by accessing SEC filings at http://www.sec.gov.

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Possible U.S. Cellular Transaction

On a Current Report on Form 8-K dated February 17, 2005, TDS disclosed that it may possibly take action at some time in the future to offer and issue TDS Special Common Shares in exchange for all of the Common Shares of U.S. Cellular which are not owned by TDS (a Possible U.S. Cellular Transaction).

On March 5, 2007, TDS announced that it has terminated activity with respect to a Possible U.S. Cellular Transaction.

Although TDS has terminated activity with respect to a Possible U.S. Cellular Transaction at this time, TDS reserves the right to recommence activity with respect to a Possible U.S. Cellular Transaction at any time in the future. TDS may also acquire at any time in the future the Common Shares of U.S. Cellular through open market, private purchases or otherwise, or take other action to acquire some or all of the shares of U.S. Cellular not owned by TDS, although it has no present plans to do so.

Wireless Telephone Operations

The Wireless Telephone Industry. Wireless telephone technology provides high-quality, high-capacity communications services to hand-held portable, in-vehicle and fixed location wireless telephones, using radio spectrum licensed by the FCC. Wireless telephone systems are designed for maximum mobility of the customer. Access is provided through system interconnections to local, regional, national and world-wide telecommunications networks. Wireless telephone systems also offer a full range of services, similar to those widely offered by conventional (landline) telephone companies. Data transmission capabilities offered by wireless telephone systems may be at slower speeds than those offered by landline telephone or other data service providers.

Wireless telephone systems divide each service area into smaller geographic areas or cells. Each cell is served by radio transmitters and receivers which operate on discrete radio frequencies licensed by the FCC. All of the cells in a system are connected to a computer-controlled mobile telephone switching office. Each mobile telephone switching office is connected to the landline telephone network and potentially other mobile telephone switching offices. Each conversation on a wireless phone involves a transmission over a specific set of radio frequencies from the wireless phone to a transmitter/receiver at a cell site. The transmission is forwarded from the cell site to the mobile telephone switching office and from there may be forwarded to the landline telephone network or to another wireless phone to complete the call. As the wireless telephone call moves from one cell to another, the mobile telephone switching office monitors radio signal strength and transfers the call from one cell to the next. This transfer is not noticeable to either party on the wireless telephone call.

The FCC currently grants two licenses to provide cellular telephone service in each cellular licensed area. Multiple licenses have been granted in each personal communications service licensed area, and these licensed areas overlap with cellular licensed areas. As a result, personal communications service license holders can and do compete with cellular license holders for customers. In addition, specialized mobile radio systems operators such as Sprint Nextel Corporation are providing wireless services similar to those offered by U.S. Cellular. Competition for customers also includes competing communications technologies, such as:

- conventional landline telephone,
- mobile satellite communications systems,
- radio paging, and
- high-speed wireless technologies, such as Wi-Fi and WiMAX.

Personal communications service licensees have initiated service in nearly all areas of the United States, including substantially all of U.S. Cellular s licensed areas, and U.S. Cellular expects other wireless operators to continue deployment in all of U.S. Cellular s operating regions in the future. Additionally, technologies such as enhanced specialized mobile radio are competitive with wireless service in substantially all of U.S. Cellular s markets.

The services available to wireless customers, and the sources of revenue available to wireless system operators, are similar to those provided by landline telephone companies. Customers may be charged a separate fee for system access, airtime, long-distance calls and ancillary services. Wireless system operators also provide service to customers of other operators wireless systems while the customers are temporarily located within the operators service areas.

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Customers using service away from their home system are called roamers. Roaming is available because technical standards require that analog wireless telephones be compatible in all cellular market areas in the United States. Additionally, because U.S. Cellular has deployed digital radio technologies in substantially all of its service areas, its customers with digital, dual-mode (both analog and digital capabilities) or tri-mode (analog plus digital capabilities at both the cellular and personal communications service radio frequencies) wireless telephones can roam in other companies service areas which have a compatible digital technology in place. Likewise, U.S. Cellular can provide roaming service to other companies customers who have compatible digital wireless telephones. In all cases, the system that provides the service to roamers will generate usage revenue, at rates that have been negotiated between the serving carrier and the customer s carrier.

There have been a number of technical developments in the wireless industry since its inception. Currently, while substantially all companies mobile telephone switching offices process information digitally, certain cellular systems utilize analog technology. Under FCC rules now in effect, the requirement to offer analog service will expire in February, 2008, provided that wireless carriers and their vendors can develop digital handsets compatible with certain types of hearing aids. During 2006, U.S. Cellular began providing hearing aid compatible handsets. All personal communications service systems utilize digital radio transmission.

Several years ago, certain digital transmission techniques were approved for implementation by the wireless industry in the United States. Time Division Multiple Access (TDMA) technology was selected as one industry standard by the wireless industry and has been deployed by many wireless operators, including U.S. Cellular in a substantial portion of its markets. Another digital technology, Code Division Multiple Access (CDMA), was deployed by U.S. Cellular in its remaining markets.

In 2002 through 2004, U.S. Cellular completed its deployment of CDMA 1XRTT technology, which improves capacity and allows for higher speed data transmission than basic CDMA, throughout all of its markets. Migration of U.S. Cellular s customers who currently use TDMA or analog handsets to CDMA compatible handsets in all of its markets is substantially complete.

U.S. Cellular believes CDMA technology is the best digital radio technology choice for its operations for the following reasons:

- TDMA technology will not be supported by manufacturers of future generations of wireless products due to limitations on the services it enables wireless companies to provide.

- CDMA technology has a lower long-term cost in relation to the spectrum efficiency it provides compared to similar costs of other technologies.

- CDMA technology provides improved coverage at most cell sites compared to other technologies.

- CDMA technology provides a more efficient evolution to a wireless network with higher data speeds, which will enable U.S. Cellular to provide enhanced data services.

The main disadvantage of CDMA technology is that it is generally not used outside of the United States. A third digital technology, Global System for Mobile Communication (GSM), is the standard technology in Europe and most other areas outside the United States. GSM technology, which is used by certain wireless companies in the United States, has certain advantages over CDMA in that GSM phones can be used more widely outside of the United States and GSM has a larger installed worldwide customer base. Since CDMA technology is not compatible with GSM or TDMA technology, U.S. Cellular customers with CDMA-based handsets may not be able to use all of their handset features when traveling through GSM- and TDMA-based networks. Through roaming agreements with other CDMA-based wireless carriers, U.S. Cellular s customers may access CDMA service in virtually all areas of the United States.

In 2006, U.S. Cellular and others in the wireless industry changed the type of handset identifier used to track specific handset units provided to customers. Similar to a vehicle identification number, each handset now has a 32-bit electronic serial number (ESN) burned into it for purposes of tracking service activation, billing, repair and fraud detection. The current supply of ESNs is dwindling and, over time, the current system will be replaced by a 56-bit mobile equipment identifier (MEID) system. Handset vendors began manufacturing 56-bit MEID handsets in 2006, and are expected to commence shipments of such handsets in 2007.

U.S. Cellular will continue to utilize TDMA technology for the next few years in markets in which such technology is in use today. This will enable U.S. Cellular to provide TDMA-based service to its customers who still choose to use TDMA-based handsets and to roamers from other wireless providers who have TDMA-based networks. Also, since the TDMA-based network equipment has analog capabilities embedded, U.S. Cellular will continue to operate its TDMA-based networks in order to meet the FCC mandate of retaining analog capability through February 2008.

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U.S. Cellular continually reviews its long-term technology plans. In late 2006, U.S. Cellular introduced a limited trial of Evolution-Data Optimized (EV-DO) technology. This technology, which increases the speed of data transmissions on the wireless network, is being deployed by certain other wireless companies. U.S. Cellular will continue to further evaluate investment in EV-DO technology in light of the revenue opportunities afforded by the deployment of such technology.

U.S. Cellular s Operations. U.S. Cellular anticipates that it will experience increases in customers served and revenues in 2007 primarily through internal growth , including growth from markets acquired or launched in 2004-2006 as these markets are more fully developed and integrated into its operations.

Expenses associated with increases in customers served and revenues will be substantial. The amount of such expenses, in combination with the gain on investments recorded in 2006, may reduce the percentage growth in operating income for 2007 on a year-over-year basis; however, U.S. Cellular anticipates that cash flows from operating activities will increase on a year-over-year basis. In addition, U.S. Cellular anticipates that the seasonality of revenue streams and operating expenses may cause U.S. Cellular s operating income, net income and cash flows from operating activities to fluctuate from quarter to quarter.

Changes in any of several factors could impact U.S. Cellular s operating income, net income and cash flows from operating activities, and the growth rates for such measures, over the next few years. These factors include but are not limited to:

- the growth rate in U.S. Cellular s customer base;
- the usage and pricing of wireless services;
- the cost of providing wireless services, including the cost of attracting and retaining customers;
- the cost to develop operations of newly launched operating markets;
- the churn rate;
- continued capital expenditures, which are necessary to improve the quality of U.S. Cellular s network and to expand its operations into new markets;
- continued competition from other wireless licensees and other telecommunication technologies;
- continued consolidation in the wireless industry;
- the growth in the use of U.S. Cellular s **easy**edgesm brand and other brands of enhanced data services and products;
- declines in inbound roaming revenues; and
- continuing technological advances which may provide substitute or better wireless products/services and additional competitive alternatives to wireless service.

U.S. Cellular continues to build a larger presence in selected geographic areas throughout the United States where it can efficiently integrate and manage wireless telephone systems. Its wireless interests included six market areas as of December 31, 2006. See U.S. Cellular s Wireless Interests.

Wireless Systems Development

Acquisitions, Divestitures and Exchanges. U.S. Cellular assesses its wireless holdings on an ongoing basis in order to maximize the benefits derived from its operating markets. U.S. Cellular also reviews attractive opportunities to acquire additional operating markets and wireless spectrum. As part of this strategy, U.S. Cellular may from time-to-time be engaged in negotiations relating to the acquisition of companies, strategic properties or wireless spectrum. U.S. Cellular may participate as a bidder, or member of a bidding group, in auctions for wireless spectrum administered by the FCC. U.S. Cellular also has divested outright or included in exchanges for other wireless interests those markets that are not strategic to its long-term success and has redeployed capital to more strategically important parts of the business. As part of this strategy, U.S. Cellular may be engaged from time-to-time in negotiations relating to the disposition of other non-strategic properties.

U.S. Cellular may continue to make opportunistic acquisitions or exchanges in markets that further strengthen its operating market areas and in other attractive markets. U.S. Cellular also seeks to acquire minority interests in licenses where it already owns the majority interest and/or operates the license. There can be no assurance that U.S. Cellular will be able to negotiate additional acquisitions or exchanges on terms acceptable to it or that regulatory approvals, where required, will be received. U.S. Cellular plans to retain minority interests in certain wireless licenses which it believes will earn a favorable return on investment. Other minority interests may be exchanged for interests in licenses which enhance U.S. Cellular s operations or may be sold for cash or other consideration. U.S. Cellular also continues to evaluate the disposition of certain controlling interests in wireless licenses which are not essential to its corporate development strategy.

FCC Auctions. From time to time, the FCC conducts auctions through which additional spectrum is made available for the provision of wireless services. The FCC is required to begin the auction of spectrum in the 700 MHz band no later than January 28, 2008. Although its participation is more likely than not, U.S. Cellular has not made a final determination as to whether it will participate in the auction. U.S. Cellular has participated in certain prior FCC auctions, as discussed below.

Auction 66. U.S. Cellular is a limited partner in Barat Wireless, L.P. (Barat Wireless), an entity which participated in the auction of wireless spectrum designated by the FCC as Auction 66, which concluded on September 18, 2006. At the conclusion of the auction, Barat Wireless was the high bidder with respect to 17 licenses and bid $127.1 million, net of its designated entity discount. Barat Wireless was qualified to receive a 25% discount available to very small businesses , which were defined as having annual gross revenues of less than $15 million. Although the bidding in Auction 66 ended on September 18, 2006, the FCC has not yet awarded the licenses to Barat Wireless, nor is there any prescribed timeframe for the FCC to review the qualifications of Barat Wireless and award the licenses.

Barat Wireless is in the process of developing its long-term business and financing plans. As of December 31, 2006, U.S. Cellular has made capital contributions and advances to Barat Wireless and/or its general partner of $127.2 million to provide funding of Barat Wireless participation in Auction 66; this amount is included in Licenses on the Consolidated Balance Sheet as of December 31, 2006. U.S. Cellular consolidates Barat Wireless and Barat Wireless, Inc., the general partner of Barat Wireless, for financial statement purposes, pursuant to the guidelines of FASB Interpretation No. 46R, *Consolidation of Variable Interest Entities* (FIN 46R), as U.S. Cellular anticipates absorbing a majority of Barat Wireless expected gains or losses. Pending finalization of Barat Wireless permanent financing plan, and upon request by Barat Wireless, U.S. Cellular may agree to make additional capital contributions and advances to Barat Wireless and/or its general partner.

Auction 58. U.S. Cellular is a limited partner in Carroll Wireless L.P. (Carroll Wireless), an entity which participated in the auction of wireless spectrum designated by the FCC as Auction 58. Carroll Wireless was qualified to bid on closed licenses , -or spectrum that was available only to companies included in the FCC definition of entrepreneurs, which are small businesses that have a limited amount of assets and revenues. In addition, Carroll Wireless bid on open licenses that were not subject to this restriction. With respect to these licenses, however, Carroll Wireless was qualified to receive a 25% discount available to very small businesses which were defined as having average annual gross revenues of less than $15 million. Carroll Wireless was a successful bidder for 17 licensed areas in Auction 58 which ended on February 15, 2005. These 17 licensed areas cover portions of 12 states and are in markets which are either adjacent to or overlap current U.S. Cellular licensed areas.

On January 6, 2006, the FCC granted Carroll Wireless applications with respect to 16 of the 17 licenses for which it had been the successful bidder and dismissed one application, relating to Walla Walla, Washington. Following the completion of Auction 58, the FCC determined that a portion of the Walla Walla, Washington license was already licensed to another party and should not have been included in Auction 58. Accordingly, in March 2006, Carroll Wireless received a full refund of the $228,000 previously paid to the FCC with respect to the Walla Walla license.

Carroll Wireless is in the process of developing its long-term business and financing plans. As of December 31, 2006, U.S. Cellular has made capital contributions and advances to Carroll Wireless and/or its general partner of $129.9 million; of this amount, $129.7 million is included in Licenses on the Consolidated Balance Sheet as of December 31, 2006. U.S. Cellular consolidates Carroll Wireless and Carroll PCS, Inc., the general partner of Carroll Wireless, for financial statement purposes, pursuant to the guidelines of FIN 46R, as U.S. Cellular anticipates absorbing a majority of Carroll Wireless expected gains or losses. Pending finalization of Carroll Wireless permanent financing plan, and upon request by Carroll Wireless, U.S. Cellular may agree to make additional capital contributions and advances to Carroll Wireless and/or its general partner. In November 2005, U.S. Cellular approved additional funding of up to $1.4 million, of which $0.1 million of funding has been provided to date, for Carroll Wireless and Carroll PCS.

Sales and Exchanges of Wireless Interests. In 2006, U.S. Cellular purchased the remaining interest in one wireless market in which it already owned a controlling interest for approximately $19.0 million in cash, subject to a working capital adjustment.

Prior to October 3, 2006, U.S. Cellular owned approximately 14% of Midwest Wireless Communications, L.L.C., which interest was convertible into an interest of approximately 11% in Midwest Wireless Holdings, L.L.C., a privately-held wireless telecommunications company that controlled Midwest Wireless Communications. On November 18, 2005, ALLTEL Corporation (ALLTEL) announced that it had entered into a definitive agreement to acquire Midwest Wireless Holdings for $1.075 billion in cash, subject to certain conditions, including approval by the FCC, other governmental authorities and the holders of Midwest Wireless Holdings. These conditions were satisfied with the closing of this agreement on October 3, 2006. As a result of the sale, U.S. Cellular became entitled to receive approximately $106.0 million in cash in consideration with respect to its interest in Midwest Wireless Communications. Of this amount, $95.1 million was received on October 6, 2006; the remaining balance was held in escrow to secure true-up, indemnification and other adjustments and, subject to such adjustments, will be distributed in installments over a period of four to fifteen months following the closing. In the fourth quarter of 2006, U.S. Cellular recorded a gain of $70.4 million related to the sale of its interest in Midwest Wireless Communications. The gain recognized during the fourth quarter of 2006 includes $4.3 million received during the first four months of 2007from the aforementioned escrow. In addition, U.S. Cellular owns 49% of an entity which, prior to October 3, 2006, owned approximately 2.9% of Midwest Wireless Holdings; U.S. Cellular accounts for that entity by the equity method. In the fourth quarter of 2006, U.S. Cellular recorded Equity in earnings of unconsolidated entities of $6.3 million and received a cash distribution of $6.5 million related to its ownership interest in that entity; such income and cash distribution were due primarily to the sale of the entity s interest in Midwest Wireless Holdings to ALLTEL.

License Rights Related to Exchange of Markets with AT&T Wireless. Pursuant to a transaction with AT&T Wireless which was completed on August 1, 2003, U.S. Cellular acquired rights to 21 licenses that have not yet been assigned to U.S. Cellular. These licenses, with a recorded value of $42.0 million, are accounted for in Licenses on the Consolidated Balance Sheets. The rights to acquire licenses from AT&T Wireless expire on August 1, 2008. All asset values related to the properties acquired or pending, including license values, were determined by U.S. Cellular.

Wireless Interests and Operating Market Areas

U.S. Cellular operates its adjacent wireless systems under an organization structure in which it groups its markets into geographic market areas to offer customers large local service areas which primarily utilize U.S. Cellular s network. Customers may make outgoing calls and receive incoming calls within each market area without special roaming arrangements. In addition to the benefits it provides to customers, U.S. Cellular s operating strategy also has provided U.S. Cellular certain economies in its capital and operating costs. These economies are made possible through the reduction of outbound roaming costs and increased sharing of facilities, personnel and other costs, enabling U.S. Cellular to reduce its per customer cost of service. The extent to which U.S. Cellular benefits from these revenue enhancements and economies of operation is dependent on market conditions, population size of each market area and network engineering considerations.

The following section details U.S. Cellular s wireless interests, including those it owned or had the right to acquire as of December 31, 2006. The table presented therein lists the markets that U.S. Cellular includes in its consolidated operations, grouped according to operating market area. The operating market areas represent geographic areas in which U.S. Cellular is currently focusing its development efforts. These market areas have been devised with a long-term goal of allowing delivery of wireless service to areas of economic interest. The table also lists the markets in which U.S. Cellular owns an investment interest.

For consolidated markets, the table aggregates the total population within each operating market area, regardless of U.S. Cellular s percentage ownership, or expected percentage ownership pursuant to definitive agreements, in the licenses included in such operating market areas. Those markets in which U.S. Cellular owns or has the rights to own less than 100% of the license show U.S. Cellular s ownership percentage or expected ownership percentage; in all others, U.S. Cellular owns or has the rights to own 100% of the license. For licenses in which U.S. Cellular owns an investment interest, the related population equivalents are shown, defined as the total population of each licensed area multiplied by U.S. Cellular s ownership interest in each such license.

The total population and population equivalents measures are provided to enable comparison of the relative size of each operating market area to U.S. Cellular s consolidated operations and to enable comparison of the relative size of U.S. Cellular s consolidated markets to its investment interests, respectively. The total population of U.S. Cellular s consolidated markets may have no direct relationship to the number of wireless customers or the revenues that may be realized from the operation of the related wireless systems.

U.S. CELLULAR S WIRELESS INTERESTS

The table below sets forth certain information with respect to the interests in wireless markets which U.S. Cellular owned or had the right to acquire pursuant to definitive agreements as of December 31, 2006. Total markets owned or that U.S. Cellular had the right to acquire pursuant to definitive agreements does not include the 17 licenses for which Barat Wireless was the successful bidder in Auction 66, which ended on September 18, 2006. The FCC has not yet awarded the licenses to Barat Wireless, nor is there any prescribed timeframe for the FCC to review the qualifications of Barat Wireless and award the licenses.

Some of the territory covered by the personal communications service licenses U.S. Cellular owns overlaps with territory covered by the cellular licenses it owns. For the purpose of tracking amounts in the 2005 Total Population column in the table below, when U.S. Cellular acquires or agrees to acquire a licensed area that overlaps a licensed area it already owns, it does not duplicate the total population for any overlapping licensed area.

Market Area/Market	Current or Future Percentage Interest (1)		2005 Total Population (2)
Markets Currently Consolidated or Which Are Expected To Be Consolidated			
MIDWEST MARKET AREA:			
Chicago Major Trading Area/Michigan			
Chicago, IL-IN-MI-OH 20MHz B Block MTA # (3) (4)			
Kalamazoo, MI 20MHz A Block # (5)			
Battle Creek, MI 20MHz A Block # (5)			
Jackson, MI 10MHz A Block # (5)			
			13,119,000
Wisconsin/Minnesota			
Minneapolis-St. Paul, MN-WI 10 MHz C Block # (6)	90.00	%	
Milwaukee, WI			
Madison, WI	92.50		
Columbia (WI 9)			
Appleton, WI			
Wood (WI 7)			
Rochester, MN 10MHz F Block #			
Vernon (WI 8)			
Green Bay, WI			
Racine, WI	96.08		
Kenosha, WI	99.32		
Janesville-Beloit, WI			
Door (WI 10)			
Sheboygan, WI			
La Crosse, WI	97.21		
Trempealeau (WI 6) (3)			
Pierce (WI 5) (3)			
Madison, WI 10MHz F Block #			
Milwaukee, WI 10MHz D Block #			
Milwaukee, WI 10MHz F Block # (6) (7)	90.00		
			8,253,000
Illinois/Indiana			
Indianapolis, IN 10MHz F Block # (5)			
Peoria, IL			
Rockford, IL			
Jo Daviess (IL 1)			
Bloomington-Bedford, IN 10MHz B Block # (5)			
Terre Haute, IN-IL 20MHz B Block #			
Carbondale-Marion, IL 10MHz A Block/10MHz D Block # (5)			

Adams (IL 4) *	
Mercer (IL 3)	
Miami (IN 4) *(8)	85.71
Muncie, IN 10MHz B Block # (5)	
Anderson, IN 10MHz B Block # (5)	

Market Area/Market	Current or Future Percentage Interest (1)	2005 Total Population (2)
Lafayette, IN 10MHz B Block #		
Columbus, IN 10MHz B Block # (5)		
Warren (IN 5) *	33.33	
Mount Vernon-Centralia, IL 10MHz A Block #		
Kokomo-Logansport, IN 10MHz B Block #		
Richmond, IN 10MHz B Block # (5)		
Vincennes-Washington, IN-IL 10MHz B Block # (5)		
Marion, IN 10MHz B Block #		
Alton, IL *		
Bloomington, IL 10MHz E Block/10MHz F Block # (7)		
Bloomington-Bedford, IN 10MHz C Block # (6) (7)	90.00	
Champaign-Urbana, IL 10MHz E Block/F Block # (7)		
Columbus, IN 10MHz C Block # (6) (7)	90.00	
Danville, IL-IN 15MHz C Block # (7)		
Decatur-Effingham, IL 10MHz E Block/10MHz F Block # (7)		
Galesburg, IL 30MHz C Block # (7)		
Indianapolis, IN 10MHz C Block # (6) (7)	90.00	
Jacksonville, IL 10MHz F Block # (7)		
Lafayette, IN 10MHz C Block # (6) (7)	90.00	
LaSalle-Peru-Ottawa-Streator, IL 10MHz C Block/10 MHz F Block # (7)		
Marion, IN 10MHz F Block # (6) (7)	90.00	
Mattoon, IL 10MHz E Block/10MHz F Block # (7)		
Peoria, IL 10MHz C Block/10 MHz E Block # (7)		
Rockford, IL 10MHz E Block # (7)		
Springfield, IL 10MHz E Block/10MHz F Block # (7)		
		5,262,000
Iowa/Illinois/Nebraska/South Dakota		
Des Moines, IA		
Davenport, IA-IL		
Sioux City, IA-NE-SD 10MHz F Block # (5)		
Cedar Rapids, IA	96.76	
Humboldt (IA 10)		
Iowa (IA 6)		
Muscatine (IA 4)		
Waterloo-Cedar Falls, IA	93.03	
Iowa City, IA		
Hardin (IA 11)		
Jackson (IA 5)		
Kossuth (IA 14)		
Lyon (IA 16)		
Dubuque, IA	97.55	
Mitchell (IA 13)		
Audubon (IA 7)		
Union (IA 2)		
Fort Dodge, IA 10MHz D Block # (5)		
Burlington, IA-IL-MO 10MHz E Block #		
Clinton, IA-IL 10MHz E Block #		
Davenport, IA-IL 10MHz E Block #		
Des Moines, IA 10MHz D Block #		
Iowa City, IA 10MHz E Block #		
Ottumwa, IA 10MHz E Block #		
		2,743,000

Nebraska/Iowa	
Omaha, NE-IA 10 MHz A Block #	
Lincoln, NE 10MHz F Block #	
Boone (NE 5)	
Knox (NE 3)	
Keith (NE 6)	

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Market Area/Market	Current or Future Percentage Interest (1)	2005 Total Population (2)
Hall (NE 7)		
Cass (NE 10)		
Adams (NE 9)		
Mills (IA 1)		
Chase (NE 8)		
Grant (NE 4)		
Cherry (NE 2)		
Omaha, NE-IA 10MHz E Block # (5) (7)		
		1,839,000
TOTAL MIDWEST MARKET AREA		31,216,000
SOUTHWEST MARKET AREA:		
Texas/Oklahoma/Missouri/Kansas/Arkansas		
Oklahoma City, OK 10MHz F Block #		
Tulsa, OK *		
Wichita, KS 10MHz A Block # (5)		
Fayetteville-Springdale, AR 10MHz A Block # (5)		
Fort Smith, AR-OK 10MHz A Block # (5)		
Seminole (OK 6)		
Garvin (OK 9)		
Reno (KS 14)		
Joplin, MO *		
Elk (KS 15) *(8)	75.00	
Wichita Falls, TX *	78.45	
Ellsworth (KS 8)		
Marshall (KS 4)		
Barton (MO 14)		
Franklin (KS 10)		
Lawton, OK *	78.45	
Nowata (OK 4) * (3)		
Lawrence, KS 10MHz E Block # (5)		
Jackson (OK 8) *	78.45	
Enid, OK 10MHz C Block #		
Haskell (OK 10)		
Stillwater, OK 10MHz F Block #		
Morris (KS 9)		
Jewell (KS 3)		
Ponca City, OK 30MHz C Block #		
Hardeman (TX 5) * (3)	78.45	
Briscoe (TX 4) * (3)	78.45	
Beckham (OK 7) * (3)	78.45	
Oklahoma City, OK 10MHz C Block # (6) (7)	90.00	
		5,924,000
Missouri/Illinois/Kansas/Arkansas		
St. Louis, MO-IL 10MHz A Block #		
Springfield, MO 20MHz A Block #		
St. Joseph, MO-KS 10MHz E Block #		
Cape Girardeau-Sikeston, MO-IL 10MHz A Block/10MHz D Block # (5)		
Moniteau (MO 11)		
Columbia, MO *		
Poplar Bluff, MO-AR 10MHz A Block # (5)		
Stone (MO 15)		
Laclede (MO 16)		

Rolla, MO 10MHz A Block #
Washington (MO 13)
Callaway (MO 6) *
Sedalia, MO 10MHz C Block #
Schuyler (MO 3)
Shannon (MO 17)

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Market Area/Market	Current or Future Percentage Interest (1)	2005 Total Population (2)
Linn (MO 5) (3)		
Jefferson City, MO 10MHz A Block #		
Columbia, MO 10MHz A Block #		
Harrison (MO 2) (3)		
West Plains, MO-AR 10MHz C Block # (6)	90.00	
		4,850,000
TOTAL SOUTHWEST MARKET AREA		10,774,000
MID-ATLANTIC MARKET AREA:		
Eastern North Carolina/South Carolina		
Charlotte-Gastonia, NC-SC 10 MHz C Block # (6)	90.00	
Harnett (NC 10)		
Hickory-Lenoir-Morganton, NC 10 MHz C Block # (6)	90.00	
Rockingham (NC 7)		
Northampton (NC 8)		
Greenville (NC 14)		
Greene (NC 13)		
Hoke (NC 11)		
Wilmington, NC	98.82	
Chesterfield (SC 4)		
Chatham (NC 6)		
Sampson (NC 12)		
Jacksonville, NC	97.57	
Camden (NC 9)		
		5,345,000
Virginia/North Carolina		
Greensboro, NC 10 MHz C Block # (6)	90.00	
Roanoke, VA		
Giles (VA 3)		
Bedford (VA 4)		
Ashe (NC 3)		
Charlottesville, VA	95.37	
Lynchburg, VA		
Staunton-Waynesboro, VA 15 MHz C Block # (6)	90.00	
Danville, VA-NC 10 MHz F Block # (6)	90.00	
Buckingham (VA 7)		
Tazewell (VA 2) (3)		
Bath (VA 5)		
		2,866,000
West Virginia/Maryland/Pennsylvania		
Monongalia (WV 3) *		
Raleigh (WV 7) *		
Grant (WV 4) *		
Hagerstown, MD *		
Tucker (WV 5) *		
Cumberland, MD *		
Bedford (PA 10) * (3)		
Garrett (MD 1) *		
		1,180,000
TOTAL MID-ATLANTIC MARKET AREA		9,391,000
MAINE/NEW HAMPSHIRE/VERMONT MARKET AREA:		

Portland-Brunswick, ME 10MHz A Block #	
Burlington, VT 10MHz D Block #	
Manchester-Nashua, NH	96.66
Carroll (NH 2)	
Coos (NH 1) *	
Kennebec (ME 3)	

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Market Area/Market	Current or Future Percentage Interest (1)	2005 Total Population (2)
Bangor, ME	97.57	
Somerset (ME 2)		
Addison (VT 2) * (3)		
Lewiston-Auburn, ME	88.45	
Oxford (ME 1)		
Washington (ME 4) *		
Rutland-Bennington, VT 10MHz D Block #		
Lebanon-Claremont, NH-VT 10MHz A Block # (5)		
Burlington, VT 10MHz E Block # (5) (7)		
Portland-Brunswick, ME 10MHz C Block # (6) (7)	90.00	
TOTAL MAINE/NEW HAMPSHIRE/ VERMONT MARKET AREA		2,839,000
NORTHWEST MARKET AREA:		
Oregon/California		
Coos (OR 5)		
Crook (OR 6) *		
Del Norte (CA 1)		
Medford, OR *		
Mendocino (CA 9)		
Modoc (CA 2)		
		1,133,000
Washington/Oregon		
Yakima, WA *	87.81	
Richland-Kennewick-Pasco, WA *		
Pacific (WA 6) *		
Umatilla (OR 3) *		
Okanogan (WA 4)		
Kittitas (WA 5) * (3)	98.24	
Hood River (OR 2) *		
Skamania (WA 7) *		
		1,123,000
TOTAL NORTHWEST MARKET AREA		2,256,000
EASTERN TENNESSEE/WESTERN NORTH CAROLINA MARKET AREA:		
Knoxville, TN *		
Asheville, NC *		
Asheville-Hendersonville, NC 10MHz C Block # (6)	90.00	
Henderson (NC 4) * (3)		
Bledsoe (TN 7) * (3)		
Hamblen (TN 4) * (3)		
Macon (TN 3) *		
Cleveland, TN 10MHz C Block #		
Yancey (NC 2) * (3)		
TOTAL EASTERN TENNESSEE/WESTERN NORTH CAROLINA MARKET AREA		2,134,000
Other Markets:		
Jefferson (NY 1) *	60.00	
Franklin (NY 2) *	57.14	
Total Other Markets		487,000
Total Consolidated Markets		59,097,000

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Market Area/Market	2005 Total Population (2)	Current Percentage Interest (1)		Current and Acquirable Population Equivalents (9)
Investment Markets:				
Los Angeles/Oxnard, CA *	17,663,000	5.50	%	971,000
Oklahoma City, OK *	1,102,000	14.60		161,000
Cherokee (NC 1) *	208,000	50.00		104,000
Others (Fewer than 100,000 population equivalents each)				303,000
Total Population Equivalents in Investment Markets				1,539,000

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* Designates wireline cellular licensed area.

Designates personal communications service licensed area.

(1) Represents U.S. Cellular s ownership percentage in these licensed areas as of December 31, 2006 or as of the completion of any related transactions pending as of December 31, 2006. U.S. Cellular owns or has the rights to own 100% of any licensed areas which do not indicate a percentage. The licensed areas included under the caption Markets Currently Consolidated or Which Are Expected to Be Consolidated represent those markets which are currently included in U.S. Cellular s consolidated operating results, or are expected to be included in U.S. Cellular s operating results when acquired. U.S. Cellular and its consolidated subsidiaries own rights to acquire controlling financial interests in certain licensed areas as a result of an exchange transaction with AT&T Wireless that was completed on August 1, 2003. See Wireless Systems Development for further information regarding these rights.

(2) 2005 Total Population represents the total population of the licensed area in which U.S. Cellular owns or has rights to own an interest, based on 2005 Claritas estimates (without duplication of the population counts of any overlapping licensed areas). In personal communications service licensed areas, this amount represents the portion of the personal communications service licensed areas owned that is not already served by a cellular licensed area in which U.S. Cellular owns a controlling interest. The 2005 Total Population of those licensed areas included in Markets Currently Consolidated or Which Are Expected to Be Consolidated (as defined in Note 1 above) includes rights to acquire licensed areas with a total population of 3,554,000. Excluding the population of these licensed areas to be acquired, the total population of U.S. Cellular s licensed areas was 55,543,000 at December 31, 2006.

(3) These markets have been partitioned into more than one licensed area. The 2005 population, percentage ownership and number of population equivalents shown are for the licensed areas within the markets in which U.S. Cellular owns an interest.

(4) This personal communications service licensed area is made up of 18 basic trading areas, as follows: Benton Harbor, MI; Bloomington, IL; Champaign-Urbana, IL; Chicago, IL (excluding Kenosha County, WI); Danville, IL-IN; Decatur-Effingham, IL; Elkhart, IN-MI; Fort Wayne, IN-OH; Galesburg, IL; Jacksonville, IL; Kankakee, IL; LaSalle-Peru-Ottawa-Streator, IL; Mattoon, IL; Michigan City, IN; Peoria, IL; Rockford, IL; South Bend-Mishawaka, IN; and Springfield, IL.

(5) U.S. Cellular acquired the rights to these licensed areas during 2003. Pursuant to an agreement with the seller of these licensed areas, U.S. Cellular has deferred the assignment and development of these licensed areas until up to five years from the closing date of the original transaction.

(6) These licensed areas are held by Carroll Wireless. See discussion in Wireless Systems Development Auction 58 above.

(7) These licensed areas represent personal communications service spectrum that overlaps similar personal communications service spectrum U.S. Cellular currently owns. As a result, neither these markets nor their respective total population amounts are included in the total markets and total population amounts discussed throughout this Form 10-K.

(8) The percentage ownership shown for these markets is for U.S. Cellular and its subsidiaries. The remaining ownership interests in these markets are held by TDS.

(9) Current and Acquirable Population Equivalents are derived by multiplying the amount in the 2005 Total Population column by the percentage interest indicated in the Current Percentage Interest column.

System Design and Construction. U.S. Cellular designs and constructs its systems in a manner it believes will permit it to provide high-quality service to substantially all types of wireless telephones which are compatible with its network technology, based on market and engineering studies which relate to specific markets. Such engineering studies are performed by U.S. Cellular personnel or third party engineering firms. U.S. Cellular s switching equipment is digital, which provides high-quality transmissions and is capable of interconnecting in a manner which minimizes costs of operation. Both analog and digital radio transmissions are made between cell sites and the wireless telephones. During 2006, over 99% of this traffic utilized digital radio transmissions. Network reliability is given careful consideration and extensive redundancy is employed in many aspects of U.S. Cellular s network design. Route diversity, ring topology and extensive use of emergency standby power are also utilized to enhance network reliability and minimize service disruption from any particular network failure.

In accordance with its strategy of building and strengthening its operating market areas, U.S. Cellular has selected high-capacity digital wireless switching systems that are capable of serving multiple markets through a single mobile telephone switching office. U.S. Cellular s wireless systems are designed to facilitate the installation of equipment which will permit microwave interconnection between the mobile telephone switching office and the cell site. U.S. Cellular has implemented such microwave interconnection in many of the wireless systems it operates. In other areas, U.S. Cellular s systems rely upon landline telephone connections to link cell sites with the mobile telephone switching office. Although the installation of microwave network interconnection equipment requires a greater initial capital investment, a microwave network enables a system operator to reduce the current and future charges associated with leasing telephone lines from the landline telephone company.

Additionally, U.S. Cellular has developed and continues to expand a wide area data network to accommodate various business functions, including:

- order processing,
- over the air provisioning,
- automatic call delivery,
- intersystem handoff,
- credit validation,
- fraud prevention,
- call data record collection,
- network management,
- long-distance traffic, and
- interconnectivity of all of U.S. Cellular s mobile telephone switching offices and cell sites.

In addition, the wide area network accommodates virtually all internal data communications between various U.S. Cellular office and retail locations to process customer activations. The wide area network is deployed in all of U.S. Cellular s customer service centers (Customer Care Centers) for all customer service functions using U.S. Cellular s billing and information system.

U.S. Cellular believes that currently available technologies and appropriate capital additions will allow sufficient capacity on its networks to meet anticipated demand for voice services over the next few years. High-speed data and video services may require the acquisition of additional licenses or spectrum to provide sufficient capacity in markets where U.S. Cellular offers these services.

Costs of System Construction and Financing

Construction of wireless systems is capital-intensive, requiring substantial investment for land and improvements, buildings, towers, mobile telephone switching offices, cell site equipment, microwave equipment, engineering and installation. Consistent with FCC control requirements, U.S. Cellular uses primarily its own personnel to engineer each wireless system it owns and operates, and engages contractors to construct the facilities.

The costs (exclusive of the costs to acquire licenses) to develop the systems in which U.S. Cellular owns a controlling interest have historically been financed primarily through proceeds from debt and equity offerings and, in recent years, with cash generated by operations and proceeds from the sales of wireless interests. U.S. Cellular expects to meet most of its future funding requirements with cash generated by operations and, on a temporary basis, borrowings under its revolving credit facility. U.S. Cellular also may have access to public and private capital markets to help meet its long-term financing needs. U.S. Cellular estimates its capital expenditures in 2007 will total between $600 million and $615 million.

Marketing

U.S. Cellular s marketing plan is focused on acquiring, retaining and growing customer relationships by offering high-quality products and services built around customer needs at fair prices, supported by outstanding customer service. U.S. Cellular increases customer awareness through the use of traditional media such as TV, radio, newspaper and direct mail advertising, and nontraditional media such as the Internet and sponsorships. U.S. Cellular has achieved its current level of penetration of its markets through a combination of a strong brand, promotional advertising and broad distribution, and has been able to sustain a high customer retention rate based on its high-quality wireless network and outstanding customer service. U.S. Cellular supports a multi-faceted distribution program, including retail sales and service centers, independent agents and direct sales, in the vast majority of its markets, plus the Internet and telesales for customers who wish to contact U.S. Cellular through those channels. U.S. Cellular maintains a low customer churn rate (relative to several other wireless carriers) by focusing on customer satisfaction, development of processes that are more customer-friendly, extensive training of frontline sales and support associates and the implementation of retention programs. The marketing plan stresses the value of U.S. Cellular s service offerings and incorporates combinations of rate plans, additional value-added features and services and wireless telephone equipment which are designed to meet the needs of defined customer segments and their usage patterns.

Company-owned and managed locations are designed to market wireless service to the consumer and small business segments in a setting familiar to these types of customers. U.S. Cellular s e-commerce site enables customers to activate service and purchase a broad range of accessories online, and this site is continually evolving to address customers current needs. Traffic on U.S. Cellular s Web site is increasing as customers use the site for gathering information, purchasing handsets and accessories, signing up for service, exploring **easy**edgeSM applications and finding the locations of its stores and agents.

Direct sales consultants market wireless service to mid- and large-size business customers. Retail sales associates work out of over 390 U.S. Cellular-operated retail stores and kiosks and market wireless service primarily to the consumer and small business segments. U.S. Cellular maintains an ongoing training program to improve the effectiveness of sales consultants and retail associates by focusing their efforts on obtaining customers and maximizing the sale of appropriate packages for the customer s expected usage and value-added services that meet customer needs.

U.S. Cellular has relationships with agents, dealers and non-Company retailers to obtain customers, and at year-end 2006 had contracts with these businesses aggregating over 1,700 locations. Agents and dealers are independent business entities who obtain customers for U.S. Cellular on a commission basis. U.S. Cellular has provided additional support and training to its exclusive agents to increase customer satisfaction for customers they serve. U.S. Cellular s agents are generally in the business of selling wireless telephones, wireless service packages and other related products. U.S. Cellular s dealers include major appliance dealers, car stereo companies and mass merchants including regional and national companies such as Wal-Mart and RadioShack. Additionally, in support of its overall Internet initiatives, U.S. Cellular has recruited agents who provide services exclusively through the Internet. No single agent, dealer or other non-Company retailer accounted for 10% or more of U.S. Cellular s operating revenues during the past three years.

U.S. Cellular believes that, while strategy is set at the corporate level, day-to-day tactical operating decisions should be made close to the customer and, accordingly, it manages its operating market areas with a decentralized staff, including sales, marketing, network operations, engineering and finance personnel. U.S. Cellular currently operates five regional Customer Care Centers whose personnel are responsible for customer service and certain other functions, and two national financial services centers, whose personnel perform credit and other customer care functions.

U.S. Cellular uses a variety of direct mail, billboard, radio, television and newspaper advertising to stimulate interest by prospective customers in purchasing U.S. Cellular s wireless service and to establish familiarity with U.S. Cellular s name. U.S. Cellular operates under a unified brand name and logo, U.S. Cellular®, across all its markets, and uses the tag line, We Connect With You ®.

U.S. Cellular s advertising is directed at gaining customers, improving customers awareness of the U.S. Cellular® brand, increasing existing customers usage of U.S. Cellular s services and increasing the public awareness and understanding of the wireless services it offers. U.S. Cellular attempts to select the advertising and promotion media that are most appealing to the targeted groups of potential customers in each local market. U.S. Cellular supplements its advertising with a focused public relations program. This program combines nationally supported activities and unique local activities, events, and sponsorships to enhance public awareness of U.S. Cellular and its brand. These programs are aimed at supporting the communities U.S. Cellular serves. The programs range from loaning phones to public service operations in emergencies, to assisting victims of domestic abuse through U.S. Cellular s Stop Abuse From Existing programs, to supporting safe driving programs.

In 2003, U.S. Cellular secured the naming rights to the home of the Chicago White Sox American League baseball team, which is now called U.S. Cellular Field. Concurrent with the naming rights agreement, U.S. Cellular purchased a media package with rights to place various forms of advertising in and around the facility. Through events held at U.S. Cellular® Field such as the 2003 Major League Baseball All-Star Game and 2005 Major League Baseball playoffs and World Series, these agreements have increased the visibility of U.S. Cellular s brand not only in Chicago but throughout the United States.

U.S. Cellular continues to migrate customers in its cellular licensed areas from analog to digital service plans, and as of year-end 2006 over 99% of the minutes used were on U.S. Cellular s digital network. Additionally, as of year-end 2006, U.S. Cellular was offering its **easy**edgesm brand of enhanced data services in all of its operating market areas, supporting that effort using a wide variety of media. These enhanced data services include downloading news/weather/sports information/games, ringtones and other consumer services as well as wireless modem capabilities to use with personal computers in some markets. In 2005, U.S. Cellular began offering SpeedTalkSM, its walkie-talkie service, and BlackBerry® handsets and the related services to its customers in all market areas. U.S. Cellular plans on further expansion of its **easy**edgesm and other enhanced services in 2007 and beyond. In November 2006, U.S. Cellular began trialing enhanced multimedia services including Digital Radio, Mobile TV and 3D Gaming over its EV-DO network in Milwaukee, Wisconsin.

The following table summarizes, by operating market area, the total population, U.S. Cellular s customers and penetration for U.S. Cellular s consolidated markets as of December 31, 2006.

Operating Market Areas	Population (1)	Customers	Penetration
Midwest Market Area	29,361,000	2,890,000	

98

%

Andaz London Liverpool Street (7)

London, England

267

100

%

EAME/SW Asia Owned

895

5

EAME/SW Asia Leased:

Grand Hyatt Berlin (3) (6)

Berlin, Germany

342

—
%
Hyatt Regency Cologne (3) (6)

Cologne, Germany

306

—
%
Hyatt Regency Mainz (3) (6)

Mainz, Germany

268

—
%
Andaz Amsterdam, Prinsengracht (3) (6)

Amsterdam, The Netherlands

122

—
%
EAME/SW Asia Leased

1,038

4

Total EAME/SW Asia Owned and Leased Hotels

1,933

9

ASPAC Owned:

Grand Hyatt Seoul

Seoul, South Korea

601

100
%
ASPAC Owned

601

1

Total Full Service Owned and Leased Hotels

17,723

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Hotel Property	Location	Rooms	# of Hotels	Ownership (1)	
Select Service					
Owned:					
Hyatt House Irvine/John Wayne Airport	Anaheim/Santa Ana, CA	149		100	%
Select Service Owned:		149	1		
Leased:					
Hyatt Place Amsterdam Airport (3) (6)	Amsterdam, The Netherlands	330		—	%
Hyatt Place Atlanta/Buckhead (2)	Atlanta, GA	171		—	%
Select Service Leased:		501	2		
Total Select Service Owned and Leased Hotels		650	3		
Wellness					
Travaasa Austin	Austin, TX	120		100	%
Cranwell Spa & Golf Resort	Lenox, MA	148		95	%
Miraval Arizona Resort and Spa (8)	Tucson, AZ	131		100	%
Total Wellness Owned and Leased		399	3		
Unconsolidated Hospitality Venture Hotels					
Full Service					
Americas Unconsolidated Hospitality Ventures:					
Grand Hyatt São Paulo	São Paulo, Brazil	467		50	%
Hyatt Regency Andares Guadalajara	Zapopan, Mexico	257		50	%
Hyatt Regency Columbus (4)	Columbus, OH	633		24	%
Hyatt Regency Crystal City at Reagan National Airport	Arlington, VA	686		50	%
Hyatt Regency Huntington Beach Resort and Spa	Huntington Beach, CA	517		40	%
Hyatt Regency Jersey City on the Hudson	Jersey City, NJ	351		50	%
Hyatt Regency Minneapolis	Minneapolis, MN	645		50	%
Hyatt at The Bellevue	Philadelphia, PA	172		50	%
Andaz Mayakoba Resort Riviera Maya	Playa del Carmen, Mexico	214		40	%
Americas Unconsolidated Hospitality Ventures		3,942	9		
EAME/SW Asia Unconsolidated Hospitality Ventures:					
Park Hyatt Hamburg (3) (5)	Hamburg, Germany	252		—	%
Park Hyatt Milan	Milan, Italy	106		30	%
Grand Hyatt Mumbai	Mumbai, India	547		50	%
Hyatt Regency Ahmedabad	Ahmedabad, India	210		50	%
Andaz Delhi	New Delhi, India	401		50	%
EAME/SW Asia Unconsolidated Hospitality Ventures		1,516	5		

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Hotel Property	Location	Rooms	# of Hotels	Ownership (1)	
ASPAC Unconsolidated Hospitality Ventures:					
Grand Hyatt Bali	Bali, Indonesia	636		10	%
ASPAC Unconsolidated Hospitality Ventures		636	1		
Total Full Service Unconsolidated Hospitality Ventures		6,094	15		
Select Service Unconsolidated Hospitality Ventures					
Hyatt Place Celaya	Celaya, Mexico	145		50	%
Hyatt Place Ciudad del Carmen	Ciudad del Carmen, Mexico	140		50	%
Hyatt Place Denver/Downtown	Denver, CO	248		50	%
Hyatt Place Fair Lawn/Paramus	Fair Lawn, NJ	143		40	%
Hyatt Place La Paz	La Paz, Mexico	151		50	%
Hyatt Place Los Cabos	San Jose del Cabo, Mexico	157		50	%
Hyatt Place Panama City/Downtown	Panama City, Panama	165		29	%
Hyatt Place São José do Rio Preto	São José do Rio Preto, Brazil	152		70	%
Hyatt Place San Juan/City Center	San Juan, Puerto Rico	149		50	%
Hyatt Place Tijuana	Tijuana, Mexico	145		50	%
Hyatt House Boston/Waltham	Waltham, MA	135		40	%
Hyatt House Denver/Downtown	Denver, CO	113		50	%
Total Select Service Unconsolidated Hospitality Ventures		1,843	12		
Total Unconsolidated Hospitality Ventures		7,937	27		

(1) Unless otherwise indicated, ownership percentages include both the property and the underlying land.
(2) Property is accounted for as a capital lease.
(3) Property is accounted for as an operating lease.
(4) Our ownership interest in the property is subject to a third-party ground lease on the land.
(5) We own a 50% interest in the entity that is the operating lessee and it is an unconsolidated hospitality venture.
(6) We own a 100% interest in the entity that is the operating lessee.
(7) Our ownership interest is derived through a long leasehold interest in the hotel building, with a nominal annual rental payment.
(8) The ownership structure is comprised of common and preferred shareholders. We own 100% of the common, voting shares, while 26% of the total outstanding shares are preferred shares owned by independent third parties.

Below is a summary of our Hyatt managed, franchised, and owned and leased hotels by segment for all periods presented.

	December 31, 2017		December 31, 2016		December 31, 2015	
	Properties	Rooms	Properties	Rooms	Properties	Rooms
Americas Management and Franchising - Full and Select Service Hotels						
Full Service Hotels						
Managed	118	61,154	120	60,806	115	60,388
Franchised	52	15,636	46	13,837	40	12,191
Full Service Hotels	170	76,790	166	74,643	155	72,579
Select Service Hotels						
Managed	64	9,137	65	9,237	59	8,329
Franchised	293	40,607	260	35,869	236	32,126
Select Service Hotels	357	49,744	325	45,106	295	40,455
ASPAC Management and Franchising						
Full Service Hotels						
Managed	80	29,173	75	27,669	68	24,848
Franchised	3	1,286	3	1,286	3	1,284
Full Service Hotels	83	30,459	78	28,955	71	26,132
Select Service Hotels						
Managed	15	2,533	5	826	1	144
Select Service Hotels	15	2,533	5	826	1	144
EAME/SW Asia Management and Franchising						
Full Service Hotels						
Managed	76	20,654	71	19,519	67	18,466
Franchised	2	148	—	—	—	—
Full Service Hotels	78	20,802	71	19,519	67	18,466
Select Service Hotels						
Managed	14	2,134	11	1,726	10	1,560
Franchised	2	451	1	358	—	—
Select Service Hotels	16	2,585	12	2,084	10	1,560
Total Full and Select Service Hotels	719	182,913	657	171,133	599	159,336
Americas Management and Franchising - All inclusive						
All inclusive						
Franchised	6	2,401	6	2,401	6	2,401
All inclusive	6	2,401	6	2,401	6	2,401
Corporate and other						
Wellness						
Managed	3	399	—	—	—	—
Wellness	3	399	—	—	—	—
Total Managed and Franchised	728	185,713	663	173,534	605	161,737

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Included in the summary above are the following owned and leased hotels:

	December 31, 2017		December 31, 2016		December 31, 2015	
	Properties	Rooms	Properties	Rooms	Properties	Rooms
Owned and Leased Hotels						
Full Service hotels						
United States	23	13,641	28	16,012	26	15,415
Other Americas	3	1,548	3	1,548	2	1,112
ASPAC	1	601	1	601	1	601
EAME/SW Asia	9	1,933	9	1,933	10	2,252
Select Service hotels						
United States	2	320	1	171	1	171
EAME/SW Asia	1	330	1	330	1	330
Total Full and Select Service Hotels	39	18,373	43	20,595	41	19,881
Wellness	3	399	—	—	—	—
Total Owned and Leased	42	18,772	43	20,595	41	19,881

Corporate Headquarters and Regional Offices

In 2017, we relocated our corporate headquarters to 150 North Riverside Plaza, 8th Floor, Chicago, Illinois. At December 31, 2017, we lease approximately 262,000 square feet under an operating lease with a 17 year term.

In addition to our corporate headquarters, we lease space for our regional offices, service centers, and sales offices in multiple locations, including Amsterdam, The Netherlands; Atlanta, Georgia; Austin, Texas; Beijing, Hong Kong, Shanghai, and Shenzhen, People's Republic of China; Cairo, Egypt; Coral Gables, Florida; Dallas, Texas; Dubai, United Arab Emirates; Gurgaon and Mumbai, India; Jakarta, Indonesia; Jeddah, Saudi Arabia; London, United Kingdom; Mainz, Germany; Marion, Illinois; Melbourne, Australia; Moscow, Russia; Moore, Oklahoma; Nairobi, Kenya; New York, New York; Omaha, Nebraska; Paris, France; Opfikon, Switzerland; San Francisco, California; São Paulo, Brazil; Scottsdale, Arizona; Seoul, South Korea; Singapore; Tokyo, Japan; and Washington, D.C.

We believe our existing office properties are in good condition and are sufficient and suitable for the conduct of our business. In the event we need to expand our operations, we believe suitable space will be available on commercially reasonable terms.

Item 3. Legal Proceedings.

We are involved in various claims and lawsuits arising in the normal course of business, including proceedings involving tort and other general liability claims, workers' compensation and other employee claims, intellectual property claims, and claims related to our management of certain hotel properties. Most occurrences involving liability, claims of negligence, and employees are covered by insurance with solvent insurance carriers. We recognize a liability when we believe the loss is probable and reasonably estimable. We currently believe that the ultimate outcome of such lawsuits and proceedings will not, individually or in the aggregate, have a material effect on our consolidated financial position, results of operations, or liquidity.

Item 4. Mine Safety Disclosures.

Not Applicable.

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Executive Officers of the Registrant.

The following chart names each of the Company's executive officers and their ages and positions at February 15, 2018. Also included below is biographical information relating to each of the Company's executive officers. Each of the executive officers is elected by and serves at the pleasure of the board of directors.

Name	Age	Position
Thomas J. Pritzker	67	Executive Chairman of the Board
Mark S. Hoplamazian	54	President, Chief Executive Officer and Director (Principal Executive Officer)
Patrick J. Grismer	56	Executive Vice President, Chief Financial Officer (Principal Financial Officer)
Maryam Banikarim	49	Executive Vice President, Global Chief Marketing Officer
Margaret C. Egan	48	Executive Vice President, General Counsel and Secretary
H. Charles Floyd	58	Executive Vice President, Global President of Operations
Peter Fulton	60	Executive Vice President, Group President—EAME/SW Asia
Malaika L. Myers	50	Executive Vice President, Chief Human Resources Officer
Peter J. Sears	53	Executive Vice President, Group President—Americas
David Udell	57	Executive Vice President, Group President—ASPAC
Mark R. Vondrasek	50	Executive Vice President, Global Head of Loyalty and New Business Platforms

Thomas J. Pritzker has been a member of our board of directors since August 2004 and our Executive Chairman since August 2004. Mr. Pritzker served as our Chief Executive Officer from August 2004 to December 2006. Mr. Pritzker was appointed President of Hyatt Corporation in 1980 and served as Chairman and Chief Executive Officer of Hyatt Corporation from 1999 to December 2006. Mr. Pritzker is Chairman and Chief Executive Officer of The Pritzker Organization, LLC ("TPO"), the principal financial and investment advisor to certain Pritzker family business interests. Mr. Pritzker also serves as a Director of Royal Caribbean Cruises Ltd. He served as a Director of TransUnion Corp., a credit reporting service company, until June 2010 and as Chairman of Marmon Holdings, Inc. until March 2014. Mr. Pritzker is Chairman of the Board of Trustees of the Center for Strategic & International Studies; Director and Vice President of The Pritzker Foundation, a charitable foundation; Director and President of the Pritzker Family Philanthropic Fund, a charitable organization; and Director, Chairman and President of The Hyatt Foundation, a charitable foundation which established The Pritzker Architecture Prize.

Mark S. Hoplamazian was appointed to the Board of Directors in November 2006 and named President and Chief Executive Officer of Hyatt Hotels Corporation in December 2006. Prior to being appointed to his present position, Mr. Hoplamazian served as President of TPO. During his 17 year tenure with TPO he served as advisor to various Pritzker family-owned companies, including Hyatt Hotels Corporation and its predecessors. He previously worked in international mergers and acquisitions at The First Boston Corporation in New York. Mr. Hoplamazian was appointed to the VF Corporation Board of Directors in February 2015, and serves on the Advisory Board of Facing History and Ourselves, the Council on the University of Chicago Booth School of Business, the Executive Committee of the Board of Directors of World Business Chicago, the Board of Directors of New Schools for Chicago and of the Chicago Council on Global Affairs, and the Board of Trustees of the Aspen Institute and of the Latin School of Chicago. Mr. Hoplamazian is a member of the World Travel & Tourism Council and the Commercial Club of Chicago and is a member of the Discovery Class of the Henry Crown Fellowship.

Patrick J. Grismer was appointed as Executive Vice President, Chief Financial Officer in March 2016. In this role, Mr. Grismer is responsible for the global finance function, including financial reporting, planning, treasury, tax, investor relations, internal audit, asset management, global construction, shared services, and procurement. Mr. Grismer joined Hyatt from his post as Chief Financial Officer at Yum! Brands, where he previously held a number of roles including Chief Planning and Control Officer and Chief Financial Officer for Yum! Restaurants International. Prior to Yum!, he worked at The Walt Disney Company where he served in roles that included Vice President, Business Planning and Development for The Disneyland Resort and Chief Financial Officer for the Disney Vacation Club. Mr. Grismer began his career with Price Waterhouse. He earned CPA certification in the State of California.

Maryam Banikarim was appointed as Executive Vice President, Global Chief Marketing Officer in January 2015. Ms. Banikarim is responsible for driving the company's individual brands and the experiences they offer online and offline while working across the organization to facilitate innovation around the guest experience. Ms. Banikarim joined Hyatt with more than 20 years of marketing expertise across multiple industries. In her most recent prior role from 2011 to January 2015, she was Gannett's first ever Chief Marketing Officer and also served as Senior Vice President. Before Gannett, Ms. Banikarim served as Senior Vice President at NBC Universal from 2009 to 2011, Chief Marketing Officer for Univision Communications,

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Inc. from 2002 to 2009, and founded a strategy firm that consulted for such clients as Deutsche Bank, Bacardi and Time-Warner. She also worked at Turner Broadcasting, MacMillan Publishing, and was a lead team member for the launch of CitySearch, an early Internet start-up. Ms. Banikarim began her career at Young & Rubicam.

Margaret C. Egan was appointed as Executive Vice President, General Counsel and Secretary in January 2018. Ms. Egan is responsible for Hyatt's global legal and corporate services. Ms. Egan served as interim General Counsel and Secretary of the Company from October 2017 to January 2018 and previously served as Senior Vice President and Associate General Counsel at Hyatt from March 2013 to January 2018 overseeing the Company's legal global transactions teams. From October 2003 to March 2013, Ms. Egan held a series of increasingly responsible positions at Hyatt. Prior to entering the hospitality industry, Ms. Egan practiced law in the litigation practice group of DLA Piper in Chicago, Illinois from 1996 to 2000 and again from 2002 to 2003 and also held a position as Attorney Advisor with the United States Department of Justice in London, United Kingdom from January 2001 to January 2002.

H. Charles Floyd was appointed Executive Vice President, Global President of Operations in August 2014. In this role, Mr. Floyd leads and develops Hyatt's shared operation services organization known as the GOC and is responsible for the successful operation of Hyatt's hotels globally. Mr. Floyd is also responsible for ensuring operating efficiency in the roll-out of new innovations, unifying the Company's global operations, and overseeing the Company's information technology resources, worldwide sales organization, and call centers. The Group Presidents for each of Hyatt's three regions report to Mr. Floyd. Prior to his current role, Mr. Floyd was Executive Vice President, Group President—Global Operations Center from October 2012. Mr. Floyd has been with us since 1981. Mr. Floyd served as our Chief Operating Officer—North America from January 2006. In this role he was responsible for management of our full service hotels and resorts as well as the Hyatt Place and the Hyatt House brands in the United States, Canada, and the Caribbean. In addition, he oversaw Hyatt Residential Group, Inc. (formerly known as Hyatt Vacation Ownership, Inc.) and the Franchise Owner Relations Group, which supports both full service and select service and extended stay franchisees. He also oversaw various corporate functions for North America, including sales, human resources, product and design, rooms, food and beverage, and engineering. Since joining Hyatt, Mr. Floyd served in a number of senior positions, including Executive Vice President—North America Operations and Senior Vice President of Sales, as well as various managing director and general manager roles.

Peter Fulton was appointed Executive Vice President, Group President—EAME/SW Asia in October 2012. Mr. Fulton is responsible for overseeing hotels in Europe, Africa, the Middle East, India, Central Asia, and Nepal. In 1983, Mr. Fulton embarked on his career with Hyatt International as Food & Beverage Manager at Hyatt Regency Auckland. For the next nine years, he filled senior food and beverage positions at Hyatt properties in Dubai, Canberra, and Macau before receiving his first appointment as Manager at Hyatt Regency Acapulco. In 1994, Mr. Fulton was appointed General Manager of the same hotel. Three years later, Mr. Fulton was appointed General Manager at Hyatt Regency Delhi, where he remained until assuming the position of General Manager of Grand Hyatt Dubai. From 2001 until February 2008, Mr. Fulton oversaw Grand Hyatt Dubai, the largest 5-star hotel in the region, which opened in March 2003. From February 2008 until October 2012, Mr. Fulton was the Managing Director South West Asia. Prior to Hyatt, Mr. Fulton worked for Travelodge in Christchurch and Auckland, New Zealand, Claridges Hotel in London, and Le Beau Rivage Palace Hotel in Lausanne, Switzerland.

Malaika L. Myers was selected as Chief Human Resources Officer in September 2017. In this role, Ms. Myers is responsible for setting and implementing Hyatt's global human resources enterprise strategy worldwide. Ms. Myers joined Hyatt with over 25 years of experience in human resources across a diverse group of industries. Prior to assuming her role at Hyatt, Ms. Myers most recently served as Senior Vice President, Human Resources for Jarden Corporation, a $10 billion global consumer products company, where she was responsible for the effectiveness of human resources strategies and programs for Jarden Corporation worldwide. Prior to Jarden, Ms. Myers served as Chief Human Resources Officer for Arysta LifeScience, a global agricultural chemical company. Malaika served in various senior management roles at Diageo PLC, PepsiCo, including Frito-Lay, Pepsi-Cola, and the PepsiCo Corporate Organization. Ms. Myers began her career with FMC Corporation.

Peter J. Sears was appointed Executive Vice President, Group President—Americas in September 2014. Mr. Sears is responsible for the growth and successful operation of Hyatt's portfolio in the United States, Latin America, Canada, and the Caribbean. Prior to his current role, he was the Senior Vice President, Operations for Asia Pacific. Mr. Sears began his career with Hyatt as a corporate trainee at Hyatt Regency San Antonio in 1987, and went on to hold numerous positions of increasing operational responsibility. These positions included serving as general manager of five full service hotels in North America at properties located in San Francisco, Orange County, and Lake Tahoe. In 2006, he became Senior Vice President of Field Operations for the Central Region, and in 2009, became Senior Vice President, Operations for North America.

David Udell was appointed as Executive Vice President, Group President—ASPAC in July 2014. Mr. Udell is responsible for overseeing hotels in Southeast Asia, Greater China, Australia, South Korea, Japan, and Micronesia. Prior to his current role, Mr. Udell was the Senior Vice President, Operations for the GOC. Mr. Udell has also served as Senior Vice President—Operations, Asia Pacific, where he was responsible for overseeing the operation of 55 hotels within the region. Over the last 32 years, Mr. Udell has held senior management positions in Hyatt properties in Bangkok, Seoul, Hong Kong, and Tokyo. In 1992, he was appointed opening General Manager of Park Hyatt Tokyo and in 1996, General Manager of Grand Hyatt Hong Kong. Mr. Udell is a 1982 graduate of the Cornell School of Hotel Administration in Ithaca, N.Y. He began his career with Hyatt as a Corporate Management Trainee at Hyatt Regency Singapore in 1982.

Mark R. Vondrasek was selected as Executive Vice President, Global Head of Loyalty & New Business Platforms in September 2017. In this role, Mr. Vondrasek is responsible for Hyatt's integrated experience strategy which currently includes the World of Hyatt loyalty platform, as well as Hyatt's wellness initiatives including Miraval and exhale. He is also charged with creating and scaling new business opportunities, products, and services. Mr. Vondrasek joined Hyatt with 15 years of hospitality leadership experience at Starwood Hotels and Resorts, where he most recently served as Senior Vice President, Commercial Services Officer. In this position, Mr. Vondrasek was responsible for leading Starwood's loyalty program, along with the Global Sales, Revenue Management, Digital, Distribution, Loyalty, and Partnership Marketing functions. Prior to entering the hospitality industry, Mr. Vondrasek spent 10 years in the Financial Services industry, overseeing operational teams at Fidelity Investments and Kemper Financial Services. Mr. Vondrasek also serves as a Director of Affinion Group Holdings, a global leader in loyalty and customer engagement.

Pursuant to our employment letter with Mr. Thomas J. Pritzker, we have agreed that so long as he is a member of our board of directors we will use our commercially reasonable efforts to appoint him as our executive chairman as long as he is willing and able to serve in that office. If he is not re-appointed as executive chairman, he will be entitled to terminate his employment with the rights and entitlements available to him under our severance policies as if his employment was terminated by us without cause.

Pursuant to our employment letter with Mr. Mark S. Hoplamazian, we have agreed that so long as he is the president and chief executive officer of Hyatt, we will use our commercially reasonable efforts to nominate him for re-election as a director prior to the end of his term. If he is not re-elected to the board of directors, he will be entitled to terminate his employment with the rights and entitlements available to him under our severance policies as if his employment was terminated by us without cause.

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Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

Market Information

Our Class A common stock began trading publicly on the New York Stock Exchange under the symbol "H" on November 5, 2009. Prior to that time, there was no public market for our Class A common stock. At January 31, 2018, our Class A common stock was held by approximately 31 shareholders of record and there were 48,102,805 shares of Class A common stock outstanding. This stockholder figure does not include a substantially greater number of "street name" holders or beneficial holders of our Class A common stock whose shares are held of record by banks, brokers, and other financial institutions. The following table sets forth, for the period indicated, the high and low sale prices of our Class A common stock as reported by the New York Stock Exchange for the two most recent fiscal years.

Fiscal Year end December 31, 2017	High	Low
First Quarter	$57.46	$50.21
Second Quarter	$59.30	$52.72
Third Quarter	$62.08	$54.38
Fourth Quarter	$74.32	$60.23
Fiscal Year end December 31, 2016		
First Quarter	$49.82	$34.06
Second Quarter	$50.94	$44.30
Third Quarter	$54.82	$47.85
Fourth Quarter	$58.05	$47.96

On February 9, 2018, the closing stock price of our Class A common stock was $76.98.

There is no established public trading market for our Class B common stock. At January 31, 2018, our Class B common stock was held by approximately 83 shareholders and there were 70,618,737 shares of Class B common stock outstanding.

Dividends

On February 14, 2018, we announced that our board of directors declared a cash dividend of $0.15 per share of Class A common stock and Class B common stock for the first quarter of 2018, payable on March 29, 2018 to the Company’s shareholders of record on March 22, 2018. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, capital requirements, restrictions contained in current or future financing instruments, and such other factors as our board of directors deems relevant.

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Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or Exchange Act, except to the extent we specifically incorporate it by reference into such filing.

The following graph compares the cumulative total stockholder return since December 31, 2012, with the S&P 500 Index ("S&P 500") and the Russell 1000 Hotel/Motel Index (the "Russell 1000 Hotel"). The graph assumes the value of the investment in our Class A common stock and each index was $100 at December 31, 2012 and all dividends and other distributions were reinvested.

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Hyatt Hotels Corporation	100.0	128.2	156.1	121.9	143.3	190.7
S&P 500	100.0	132.4	150.4	152.5	170.7	207.9
Russell 1000 Hotel	100.0	147.7	165.7	139.2	175.8	281.5

Recent Sales of Unregistered Securities

None.

Use of Proceeds from Registered Securities

None.

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Issuer Purchases of Equity Securities

The following table sets forth information regarding our purchases of shares of Class A and Class B common stock during the quarter ended December 31, 2017:

	Total number of shares purchased (1)	Weighted average price paid per share	Total number of shares purchased as part of publicly announced plans	Maximum number (or approximate dollar value) of shares that may yet be purchased under the program
October 1 to October 31, 2017	—	$ —	—	$301,603,830
November 1 to November 30, 2017 (2)	2,693,579	68.29	2,693,579	$113,551,344
December 1 to December 31, 2017	—	—	—	$863,551,344
Total	2,693,579	$ 68.29	2,693,579	

(1) On each of May 4, 2017 and December 14, 2017, we announced the approvals of expansions of our share repurchase program pursuant to which we are authorized to purchase up to an additional $500 million and $750 million, respectively, of Class A and Class B common stock in the open market, in privately negotiated transactions, or otherwise, including pursuant to a Rule 10b5-1 plan. The repurchase program does not have an expiration date. At December 31, 2017, the Company had approximately $864 million remaining under the share repurchase authorization. During the period, we settled our August 2017 accelerated share repurchase program ("ASR") and entered into a separate ASR in November 2017 to repurchase $100 million of our Class A common stock. At December 31, 2017, the remaining yet to be delivered shares totaled $20 million. Subsequent to December 31, 2017, the November 2017 ASR was settled for 244,260 shares. See Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 15 to our Consolidated Financial Statements" for further detail.

(2) The repurchase of shares includes the settlement of the August 2017 ASR. The initial delivery of shares occurred in August 2017, and the final tranche of shares was delivered in November 2017 in full settlement of the August 2017 ASR. Overall, we repurchased 1,666,484 shares at a weighted-average price per share of $60.01, representing our average share price over the duration of the August 2017 ASR contract less a discount. See Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 15 to our Consolidated Financial Statements" for further details regarding the August 2017 ASR.

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Item 6. Selected Financial Data.

We derived the selected consolidated statements of income data for the years ended December 31, 2017, December 31, 2016, and December 31, 2015 and the selected consolidated balance sheet data at December 31, 2017 and December 31, 2016 from our audited consolidated financial statements included in this annual report. We derived the selected consolidated statements of income data for the years ended December 31, 2014 and December 31, 2013 and the selected consolidated balance sheet data at December 31, 2015, December 31, 2014, and December 31, 2013 from our previously audited consolidated financial statements which are not included in this annual report. Our selected consolidated balance sheet data for all prior periods has been restated for the adoption of Accounting Standards Update No. 2015-03 ("ASU 2015-03"), Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. Our historical results are not necessarily indicative of the results expected for any future period.

The selected historical financial data should be read together with our consolidated financial statements and related notes appearing in this annual report, as well as Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information included elsewhere in this annual report.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Consolidated statements of income data:					
Owned and leased hotels	$2,192	$2,108	$2,079	$2,246	$2,142
Management and franchise fees	505	448	427	387	342
Other revenues	70	40	36	75	78
Other revenues from managed and franchised properties (1)	1,918	1,833	1,786	1,707	1,622
Total revenues	4,685	4,429	4,328	4,415	4,184
Direct and selling, general, and administrative expenses	4,383	4,130	4,005	4,136	3,951
Income from continuing operations	250	204	124	346	205
Net (income) loss and accretion attributable to noncontrolling interests	(1)	—	—	(2)	2
Net income attributable to Hyatt Hotels Corporation	249	204	124	344	207
Income from continuing operations per common share - basic	$2.00	$1.53	$0.87	$2.26	$1.29
Income from continuing operations per common share - diluted	$1.98	$1.52	$0.86	$2.24	$1.29

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	At December 31,				
	2017	2016	2015	2014	2013
Consolidated balance sheet data:					
Cash and cash equivalents	$503	$482	$457	$685	$454
Total current assets	1,327	1,139	1,124	1,709	1,163
Property and equipment, net	4,034	4,270	4,031	4,186	4,671
Intangibles, net	683	599	547	552	591
Total assets	7,672	7,749	7,591	8,137	8,170
Total current liabilities	966	924	1,107	730	871
Long-term debt	1,440	1,445	1,042	1,375	1,282
Other long-term liabilities	1,725	1,472	1,447	1,401	1,240
Total liabilities	4,131	3,841	3,596	3,506	3,393
Total stockholders' equity	3,525	3,903	3,991	4,627	4,769
Total liabilities, redeemable noncontrolling interest, and equity	$7,672	$7,749	$7,591	$8,137	$8,170

(1) Represents revenues we receive from third-party property owners who reimburse us for costs we incur on their behalf, with no added margin. These costs relate primarily to payroll at managed properties where we are the employer, as well as reservations, sales, marketing, loyalty program, and technology costs at both managed and franchised properties. As a result, these revenues have no effect on our profit, although they do increase our total revenues and the corresponding costs increase our total expenses.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Part II, Item 6, "Selected Financial Data" and Part IV, Item 15, "Exhibits and Financial Statement Schedule—Consolidated Financial Statements." In addition to historical data, this discussion contains forward-looking statements about our business, operations, and financial performance based on current expectations that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those discussed in "Disclosure Regarding Forward-Looking Statements" and Part I, Item 1A, "Risk Factors" included elsewhere in this annual report.

Overview

At December 31, 2017, our worldwide hotel portfolio consisted of 719 full and select service hotels (182,913 rooms), including:

- 305 managed properties (99,114 rooms), all of which we operate under management agreements with third-party property owners;
- 348 franchised properties (57,489 rooms), all of which are owned by third parties that have franchise agreements with us and are operated by third parties;
- 31 owned properties (15,791 rooms) (including 1 consolidated hospitality venture), 1 capital leased property (171 rooms), and 7 operating leased properties (2,411 rooms), all of which we manage; and
- 23 managed properties and 4 franchised properties owned or leased by unconsolidated hospitality ventures (7,937 rooms).

Our worldwide property portfolio also included:

- 3 destination wellness resorts (399 rooms), all of which we own and operate (including 1 consolidated hospitality venture);
- 6 all inclusive resorts (2,401 rooms), all of which are owned by a third party in which we hold common shares and which operates the resorts under franchise agreements with us;
- 16 vacation ownership properties, all of which are licensed by ILG under the Hyatt Residence Club brand and operated by third parties, including ILG and its affiliates; and
- 20 residential properties, which consist of branded residences and serviced apartments. We manage all of the serviced apartments and those branded residential units that participate in a rental program with an adjacent Hyatt-branded hotel.

Our worldwide property portfolio also included branded spas and fitness studios, comprised of leased and managed locations.

We believe our business model allows us to pursue more diversified revenue and income streams that balance both the advantages and risks associated with these lines of business. Our expertise and experience in each of these areas gives us the flexibility to evaluate growth opportunities across these lines of business. Growth in the number of management and franchise agreements and earnings therefrom typically results in higher overall returns on invested capital because the capital investment under a typical management or franchise agreement is not significant. The capital required to build and maintain hotels we manage or franchise for third-party owners is typically provided by the owner of the respective property with minimal capital required by us as the manager or franchisor. During periods of increasing demand, we do not share fully in the incremental profits of hotel operations for hotels we manage for third-party owners as our fee arrangements generally include a base amount calculated using the revenue from the subject hotel and an incentive fee that is, typically, a percentage of hotel profits that is usually less than 20%, with certain financial thresholds to be satisfied, with the actual level depending on the structure and terms of the management agreement. We do not share in the benefits of increases in profits from franchised properties because franchisees pay us an initial application fee and ongoing royalty fees that are calculated as a percentage of gross room revenues, and also at times as a percentage of food and beverage revenues, with no fees based on profits. Disputes or disruptions may arise with third-party owners of hotels we manage, franchise, or license and these disputes can result in termination of the relevant agreement.

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With respect to property ownership, we believe ownership of selected hotels in key markets enhances our ability to control our brand presence in these markets. Ownership of hotels allows us to capture the full benefit of increases in operating profits during periods of increasing demand and room rates. The cost structure of a typical hotel is more fixed than variable, so as demand and room rates increase over time, the pace of increase in operating profits typically is higher than the pace of increase of revenues. Hotel ownership is, however, more capital intensive than managing hotels for third-party owners, as we are responsible for the costs and all capital expenditures for our owned hotels. The profits realized from our owned and leased hotels are generally more significantly affected by economic downturns and declines in revenues than the results of our managed and franchised properties. This is because we absorb the full impact of declining profits for our owned and leased hotels whereas our management and franchise fees do not have the same level of downside exposure to declining hotel profitability. See also "—Principal Factors Affecting Our Results of Operations—Expenses—Factors Affecting Our Costs and Expenses—Fixed nature of expenses." and Part I, Item 1A, "Risk Factors—Risks Related to Our Business—We are exposed to the risks resulting from significant investments in owned and leased real estate, which could increase our costs, reduce our profits, limit our ability to respond to market conditions, or restrict our growth strategy."

For the years ended December 31, 2017, December 31, 2016, and December 31, 2015, 80.5%, 80.6%, and 80.7% of our revenues were derived from operations in the United States, respectively. At December 31, 2017 and December 31, 2016, 76.9% and 78.4% of our long-lived assets were located in the United States, respectively.

We report our consolidated operations in U.S. dollars. Amounts are reported in millions, unless otherwise noted. Percentages may not recompute due to rounding and percentage changes that are not meaningful are presented as "NM". Constant currency disclosures throughout Management's Discussion and Analysis of Financial Condition and Results of Operations are non-GAAP measures. See "—Key Business Metrics Evaluated by Management—Constant dollar currency" below for further discussion of constant currency disclosures. We manage our business within four reportable segments, see Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 18 to our Consolidated Financial Statements."

Key Business Metrics Evaluated by Management

Revenues

We primarily derive our revenues from owned and leased hotel operations, management and franchise fees, other revenues from managed and franchised properties, and other revenues. Management uses revenues to assess the overall performance of our business and analyze trends such as consumer demand, brand preference, and competition. For a detailed discussion of the factors that affect our revenues, see "—Principal Factors Affecting Our Results of Operations—Revenues."

Net Income Attributable to Hyatt Hotels Corporation

Net income attributable to Hyatt Hotels Corporation represents the total earnings or profits generated by our business. Management uses net income to analyze the performance of our business on a consolidated basis.

Adjusted Earnings Before Interest Expense, Taxes, Depreciation, and Amortization ("Adjusted EBITDA") and EBITDA

We use the terms Adjusted EBITDA and EBITDA throughout this annual report. Adjusted EBITDA and EBITDA, as we define them, are non-GAAP measures (as defined below). We define consolidated Adjusted EBITDA as net income attributable to Hyatt Hotels Corporation plus our pro rata share of unconsolidated hospitality ventures Adjusted EBITDA based on our ownership percentage of each venture, adjusted to exclude the following items:

- interest expense;
- provision for income taxes;
- depreciation and amortization;
- equity earnings (losses) from unconsolidated hospitality ventures;
- stock-based compensation expense;
- gains (losses) on sales of real estate;
- asset impairments; and
- other income (loss), net.

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We calculate consolidated Adjusted EBITDA by adding the Adjusted EBITDA of each of our reportable segments and eliminations to corporate and other Adjusted EBITDA. See "—Results of Operations."

Our board of directors and executive management team focus on Adjusted EBITDA as a key performance and compensation measure both on a segment and on a consolidated basis. Adjusted EBITDA assists us in comparing our performance over various reporting periods on a consistent basis because it removes from our operating results the impact of items that do not reflect our core operations both on a segment and on a consolidated basis. Our President and Chief Executive Officer, who is our chief operating decision maker, also evaluates the performance of each of our reportable segments and determines how to allocate resources to those segments, in significant part, by assessing the Adjusted EBITDA of each segment. In addition, the compensation committee of our board of directors determines the annual variable compensation for certain members of our management based in part on consolidated Adjusted EBITDA, segment Adjusted EBITDA, or some combination of both.

We believe Adjusted EBITDA is useful to investors because it provides investors the same information we use internally for purposes of assessing our operating performance and making compensation decisions.

Adjusted EBITDA and EBITDA are not substitutes for net income attributable to Hyatt Hotels Corporation, net income, or any other measure prescribed by accounting principles generally accepted in the United States of America (GAAP). There are limitations to using non-GAAP measures such as Adjusted EBITDA and EBITDA. Although we believe that Adjusted EBITDA can make an evaluation of our operating performance more consistent because it removes items that do not reflect our core operations, other companies in our industry may define Adjusted EBITDA differently than we do. As a result, it may be difficult to use Adjusted EBITDA or similarly named non-GAAP measures that other companies may use to compare the performance of those companies to our performance. Because of these limitations, Adjusted EBITDA should not be considered as a measure of the income generated by our business. Our management addresses these limitations by reference to our GAAP results and using Adjusted EBITDA supplementally. See our consolidated statements of income in our consolidated financial statements included in Part IV, Item 15, "Exhibits and Financial Statement Schedule—Consolidated Financial Statements."

For a reconciliation of net income attributable to Hyatt Hotels Corporation to EBITDA and a reconciliation of EBITDA to consolidated Adjusted EBITDA, see "—Results of Operations."

Adjusted selling, general, and administrative expenses

Adjusted selling, general, and administrative expenses, as we define it, is a non-GAAP measure. Adjusted selling, general, and administrative expenses exclude the impact of expenses related to benefit programs funded through rabbi trusts and stock-based compensation expense. Adjusted selling, general, and administrative expenses assist us in comparing our performance over various reporting periods on a consistent basis since it removes from our operating results the impact of items that do not reflect our core operations, both on a segment and consolidated basis. See "—Results of Operations" for a reconciliation of selling, general, and administrative expenses to Adjusted selling, general, and administrative expenses.

Constant Dollar Currency

We report the results of our operations both on an as reported basis, as well as on a constant dollar basis. Constant dollar currency, which is a non-GAAP measure, excludes the effects of movements in foreign currency exchange rates between comparative periods. We believe constant dollar analysis provides valuable information regarding our results as it removes currency fluctuations from our operating results. We calculate constant dollar currency by restating prior-period local currency financial results at the current period's exchange rates. These adjusted amounts are then compared to our current period reported amounts to provide operationally driven variances in our results.

Revenue per Available Room (RevPAR)

RevPAR is the product of ADR and the average daily occupancy percentage. RevPAR does not include non-room revenues, which consist of ancillary revenues generated by a hotel property, such as food and beverage, parking, and other guest service revenues. Our management uses RevPAR to identify trend information with respect to room revenues from comparable properties and to evaluate hotel performance on a regional and segment basis. RevPAR is a commonly used performance measure in our industry.

RevPAR changes driven predominantly by changes in occupancy have different implications for overall revenue levels and incremental profitability than do changes driven predominantly by changes in average room rates. For example, increases in occupancy at a hotel would lead to increases in room revenues and additional variable operating costs (including housekeeping services, utilities, and room amenity costs), and could also result in increased ancillary revenues (including food

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and beverage). In contrast, changes in average room rates typically have a greater impact on margins and profitability as there is no substantial effect on variable costs.

Average Daily Rate

ADR represents hotel room revenues, divided by the total number of rooms sold in a given period. ADR measures average room price attained by a hotel and ADR trends provide useful information concerning the pricing environment and the nature of the customer base of a hotel or group of hotels. ADR is a commonly used performance measure in our industry, and we use ADR to assess the pricing levels we are able to generate by customer group, as changes in rates have a different effect on overall revenues and incremental profitability than changes in occupancy, as described above.

Occupancy

Occupancy represents the total number of rooms sold divided by the total number of rooms available at a hotel or group of hotels. Occupancy measures the utilization of a hotels' available capacity. We use occupancy to gauge demand at a specific hotel or group of hotels in a given period. Occupancy levels also help us determine achievable ADR levels as demand for hotel rooms increases or decreases.

Comparable Hotels

"Comparable systemwide hotels" represents all properties we manage or franchise (including owned and leased properties) and that are operated for the entirety of the periods being compared and that have not sustained substantial damage, business interruption, or undergone large scale renovations during the periods being compared or for which comparable results are not available. We may use variations of comparable systemwide hotels to specifically refer to comparable systemwide Americas full service or select service hotels for those properties that we manage or franchise within the Americas management and franchising segment, comparable systemwide ASPAC full service hotels for those properties that we manage or franchise within the ASPAC management and franchising segment, or comparable systemwide EAME/SW Asia full service or select service hotels for those properties that we manage or franchise within the EAME/SW Asia management and franchising segment. "Comparable operated hotels" is defined the same as "comparable systemwide hotels" with the exception that it is limited to only those hotels we manage or operate and excludes hotels we franchise. "Comparable owned and leased hotels" represents all properties we own or lease and that are operated and consolidated for the entirety of the periods being compared and have not sustained substantial damage, business interruption, or undergone large scale renovations during the periods being compared or for which comparable results are not available. Comparable systemwide hotels and comparable owned and leased hotels are commonly used as a basis of measurement in our industry. "Non-comparable systemwide hotels" or "Non-comparable owned and leased hotels" represent all hotels that do not meet the respective definition of "comparable" as defined above.

Principal Factors Affecting Our Results of Operations

Revenues

Principal Components

We primarily derive our revenues from the following sources:

Revenues from hotel operations. Represents revenues derived from hotel operations, including room rentals and food and beverage sales, and other ancillary revenues at our owned and leased properties. Revenues from the majority of our hotel operations depend heavily on demand from group and transient travelers, as discussed below. Revenues from our owned and leased hotels are primarily derived from hotel operations.

Revenues from room rentals and ancillary revenues are primarily derived from three categories of customers: transient, group, and contract. Transient guests are individual travelers who are traveling for business or leisure. Our group guests are traveling for group events that reserve a minimum of 10 rooms for meetings or social functions sponsored by associations, corporate, social, military, educational, religious, or other organizations. Group business usually includes a block of room accommodations as well as other ancillary services, such as catering and banquet services. Our contract guests are traveling under a contract negotiated for a block of rooms for more than 30 days in duration at agreed-upon rates. Airline crews are typical generators of contract demand for our hotels.

Management and franchise fees. Represents revenues derived from fees earned from hotels and residential properties managed worldwide (usually under long-term management agreements), franchise fees received in connection with the franchising of our brands (usually under long-term franchise agreements), termination fees, the amortization of deferred gains related to sold properties for which we have significant continuing involvement, and license fees received in connection with

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vacation ownership properties. For a detailed discussion of our management and franchise fees, see Part I, Item 1, "Business—Management Agreements—Fees" and Part I, Item 1, "Business—Franchise Agreements—Fees."

Other revenues. Represents revenues primarily related to our co-branded credit card and exhale.

Other revenues from managed and franchised properties. Represents revenues related primarily to payroll costs at managed properties where we are the employer, as well as reservations, sales, marketing, loyalty program, and technology costs at managed and franchised properties that are fully reimbursed by the third-party property owner based on the costs incurred, with no added margin. As a result, these revenues have no effect on our profit, although they do increase our total revenues and the corresponding costs increase our total expenses. We record these revenues in "Other revenues from managed and franchised properties" and the corresponding costs in "Other costs from managed and franchised properties" in our consolidated statements of income.

Intersegment eliminations. We evaluate our reportable segments with intersegment revenues and expenses included in their results. These intersegment revenues and expenses represent management fee revenues and expenses related to our owned and leased hotels and promotional award redemption revenues and expenses related to our co-branded credit card at our owned and leased hotels, which are eliminated in consolidation.

Factors Affecting Our Revenues

For other factors affecting our revenues, see Part I, Item 1A, "Risk Factors—Risks Related to Our Business."

Consumer demand and global economic conditions. Consumer demand for our products and services is closely linked to the performance of the general economy and is sensitive to business and personal discretionary spending levels. Declines in consumer demand due to adverse general economic conditions, risks affecting or reducing travel patterns, risks related to natural or man-made disasters, lower consumer confidence, adverse political conditions, currency volatility, impacts of terrorism, and declining oil prices can lower the revenues and profitability of our owned hotel operations and the amount of management and franchising fee revenues we are able to generate from our managed and franchised properties. Also, declines in hotel profitability during an economic downturn directly impact the incentive portion of our management fees, since it is based on hotel profit measures. As a result, changes in consumer demand and general business cycles can subject and have subjected our revenues to significant volatility. See Part I, Item 1A, "Risk Factors—Risks Related to the Hospitality Industry."

RevPAR Statistics

(Comparable locations)	Number of comparable hotels (1)	RevPAR Year Ended December 31, 2017	2016	Change	Change (in constant $)
Systemwide hotels	589	$137	$133	3.3 %	3.3 %
Owned and leased hotels	35	$176	$174	1.0 %	0.9 %
Americas full service hotels	150	$155	$151	2.4 %	2.4 %
Americas select service hotels	296	$108	$105	2.9 %	2.9 %
ASPAC full service hotels	69	$148	$140	5.4 %	5.8 %
EAME/SW Asia full service hotels	63	$123	$117	4.5 %	3.9 %
EAME/SW Asia select service hotels	10	$71	$63	12.0 %	10.3 %

(1) Comparable systemwide hotels include one select service hotel in ASPAC, which is not included in the ASPAC full service hotel statistics. The number of comparable hotels presented above includes owned and leased hotels.

Systemwide RevPAR increased 3.3% during 2017 compared to 2016 driven by improved transient ADR and demand across each of our segments as well as increased group ADR and demand in the Americas and ASPAC. RevPAR related to owned and leased hotels increased due to increases in transient demand in the United States and Europe. Group ADR growth at our full service hotels resulted in increased group revenue despite lower group demand during 2017 compared to 2016. Group revenue booked in 2017 for stays in 2017 was lower compared to 2016. Group revenue booked in 2017 for stays in future years increased compared to 2016 driven by strong fourth quarter production. See "— Segment Results" for discussion of RevPAR by segment.

Competition. The global lodging industry is highly competitive. While lodging demand has continued to grow over the last several years, we have also seen an increase in supply, particularly in certain key markets. This increased supply can put

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significant pressure on ADR levels at our properties as well as those of our competitors. Despite this increased supply, our systemwide RevPAR levels have increased each year since 2009. We also face competition from new channels of distribution in the travel industry, including online travel services and peer-to-peer inventory sources, as well as industry consolidation. We believe our brand strength and ability to manage our operations in an efficient manner will help us to continue competing successfully within the global hospitality industry.

Agreements with third-party owners and franchisees and relationships with developers. We depend on our long-term management and franchise agreements with third-party owners and franchisees for a significant portion of our management and franchising fee revenues. The success and sustainability of our management and franchising business depends on our ability to perform under our management and franchising agreements and maintain good relationships with third-party owners and franchisees. Our relationships with these third parties also generate new relationships with developers and opportunities for property development that can support our growth. We believe we have good relationships with our third-party owners, franchisees, and developers in all of our segments and are committed to the continued growth and development of these relationships. These relationships exist with a diverse group of owners, franchisees, and developers and are not heavily concentrated with any particular third party.

Access to capital. The hospitality industry is a capital intensive business that requires significant amounts of capital expenditures to develop, maintain, and renovate properties. Third-party owners are required to fund these capital expenditures for the properties they own in accordance with the terms of the applicable management or franchise agreement. Access to the capital that we or our third-party owners, franchisees, or development partners need to finance the construction of new properties or to maintain and renovate existing properties is critical to the continued growth of our business and our revenues. The availability of capital or the conditions under which we or our third-party owners, franchisees, or development partners can obtain capital can have a significant impact on the overall level and pace of future development and therefore the ability to grow our revenues.

Expenses

Principal Components

We primarily incur the following expenses:

Owned and leased hotels expenses. Owned and leased hotels expenses reflect the expenses of our consolidated owned and leased hotels. Expenses to operate our hotels include room expense, food and beverage costs, other support costs, and property expenses. Room expense includes compensation costs for housekeeping, laundry, and front desk staff and supply costs for guest room amenities and laundry. Food and beverage costs include costs for wait and kitchen staff and food and beverage products. Other support expenses consist of costs associated with property-level management (including deferred compensation plans for certain employees that are funded through contributions to rabbi trusts), utilities, sales and marketing, operating hotel spas, parking and other guest recreation, entertainment, and services. Property expenses include property taxes, repairs and maintenance, rent, and insurance.

Depreciation and amortization expenses. These are non-cash expenses that primarily consist of depreciation of fixed assets such as buildings, furniture, fixtures, and equipment at our consolidated owned and leased hotels. Amortization expense primarily consists of amortization of management and franchise agreement intangibles and lease related intangibles.

Selling, general, and administrative expenses. Selling, general, and administrative expenses consist primarily of compensation expense, including deferred compensation plans for certain employees that are funded through contributions to rabbi trusts, for our corporate staff and personnel supporting our business segments (including regional offices that support our management and franchising segments), professional fees (including consulting, audit, and legal fees), travel and entertainment expenses, sales and marketing expenses, bad debt expenses, and office administrative and related expenses.

Other costs from managed and franchised properties. Represents costs related primarily to payroll expenses at managed properties where we are the employer, as well as reservations, sales, marketing, loyalty program, and technology costs at managed and franchised properties. These costs are reimbursed to us with no added margin. As a result, these costs have no effect on our profit, although they do increase our total expenses and the corresponding reimbursements increase our total revenues.

Factors Affecting Our Costs and Expenses

For other factors affecting our costs and expenses, see Part I, Item 1A, "Risk Factors—Risks Related to Our Business."

Fixed nature of expenses. Many of the expenses associated with developing, owning, operating, managing, franchising, and licensing hotels and other properties, including branded spas and fitness studios, and residential and vacation ownership

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properties, are relatively fixed. These expenses include personnel costs, rent, property taxes, insurance, and utilities. If we are unable to decrease these costs significantly or rapidly when demand for our hotels and other properties decreases, the resulting decline in our revenues can have a particularly adverse effect on our net cash flow, margins, and profits. This effect can be especially pronounced during periods of economic contraction or slow economic growth. Economic downturns generally affect the results of our owned and leased hotels segment more significantly than the results of our management and franchising segments due to the high fixed costs associated with operating an owned or leased property. The effectiveness of any cost-cutting efforts is limited by the fixed-cost nature of our business. As a result, we may not always be able to offset reductions in revenue through cost cutting. Employees at some of our owned hotels are parties to collective bargaining agreements that may also limit our ability to make timely staffing or labor changes in response to declining revenues. In addition, efforts to reduce costs, or to defer or cancel capital improvements, could adversely affect the economic value of our properties and brands. We intend to manage our cost structure at levels appropriate for the degree of demand and revenue generated at our hotels.

Changes in depreciation expenses. Changes in depreciation expenses may be driven by renovations of existing properties, acquisition or development of new properties, or the disposition of existing properties through sale or closure. We intend to consider strategic and complementary acquisitions of and investments in businesses, properties, or other assets. If we consummate such acquisitions in businesses, properties, or other assets, we would likely add depreciable assets, which would result in an increase in depreciation expenses.

Other Items

Asset impairments

We hold significant amounts of goodwill, intangible assets, property and equipment, and investments. We evaluate these assets on a quarterly basis for impairment as further discussed in "—Critical Accounting Policies and Estimates." These evaluations have, in the past, resulted in impairment charges for certain of these assets based on the specific facts and circumstances surrounding those assets. We may be required to take additional impairment charges to reflect further declines in our asset and/or investment values.

Acquisitions, divestitures, and significant renovations

We routinely acquire, divest, or undertake large scale renovations of hotel properties. The results of operations derived from these properties do not, therefore, meet the definition of "comparable hotels" as defined in "—Key Business Metrics Evaluated by Management." The results of operations from these properties, however, may have a material effect on our results from period to period and are, therefore, addressed separately in our discussion on results of operations when material.

In 2017, we entered into the following key transactions:

- sold Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch and Royal Palms Resort and Spa as a portfolio for a net sales price of $296 million and entered into a long-term management agreement with the purchaser for each property;
- sold Hyatt Regency Grand Cypress for a net sales price of $202 million and entered into a long-term management agreement with the purchaser of the hotel;
- sold Hyatt Regency Louisville for a net sales price of $65 million and entered into a long-term franchise agreement with the purchaser of the hotel;
- sold Hyatt Regency Monterey Hotel & Spa on Del Monte Golf Course for a net sales price of $58 million and entered into a long-term franchise agreement with the purchaser of the hotel; and
- acquired Miraval, the renowned provider of wellness and mindfulness experiences, for $237 million.

In 2016, we entered into the following key transactions:

- acquired Thompson Miami Beach for a purchase price of approximately $238 million. The hotel was subsequently rebranded as The Confidante Miami Beach, and added to The Unbound Collection by Hyatt;
- acquired our partners' share in Andaz Maui at Wailea Resort for a net purchase price of approximately $136 million. We accounted for the transaction as a step acquisition and recognized a gain through equity earnings (losses) from unconsolidated hospitality ventures of $14 million. Additionally, prior to the acquisition the unconsolidated hospitality venture repaid $121 million of third-party debt;
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acquired Royal Palms Resort and Spa in Phoenix, Arizona for a net purchase price of approximately $86 million and added the hotel to The Unbound Collection by Hyatt;

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- sold Andaz 5th Avenue for a net sales price of $240 million and entered into a long-term management agreement with the purchaser of the hotel; and
- sold the shares of the company that owns Hyatt Regency Birmingham (U.K.) for a net sales price of approximately $49 million and entered into a long-term management agreement with the purchaser of the hotel.

In 2015, we entered into the following key transactions:

- sold Hyatt Regency Indianapolis for a net sales price of $69 million and entered into a long-term franchise agreement with the purchaser of the hotel; and
- sold an entity which held an interest in one of our foreign currency denominated equity method investments, for which we received proceeds of $3 million. In connection with the sale, we released $21 million of accumulated foreign currency translation losses.

Effect of foreign currency exchange rate fluctuations

A significant portion of our operations are conducted in functional currencies other than our reporting currency which is the U.S. dollar. As a result, we are required to translate those results from the functional currency into U.S. dollars at market based average exchange rates during the period reported. When comparing our results of operations between periods, there may be material portions of the changes in our revenues or expenses that are derived from fluctuations in exchange rates experienced between those periods. See Part I, Item 1A, "Risk Factors—Risks Related to the Hospitality Industry—Because we derive a portion of our revenues from operations outside the United States, the risks of doing business internationally could lower our revenues, increase our costs, reduce our profits, or disrupt our business."

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Results of Operations
Years Ended December 31, 2017, December 31, 2016 and December 31, 2015
Discussion on Consolidated Results
For additional information regarding our consolidated results, please also refer to our consolidated statements of income included in Part IV, Item 15, "Exhibits and Financial Statement Schedule—Consolidated Financial Statements." The impact from our investments in marketable securities held to fund operating programs, including securities held to fund our benefit programs funded through a rabbi trust and securities held to fund the World of Hyatt loyalty program, were recorded on the various financial statement line items discussed below and have no impact on net income.
Owned and leased hotels revenues.
2017 compared to 2016

	Year Ended December 31,					
	2017	2016	Better / (Worse)			Currency Impact
Comparable owned and leased hotels revenues	$1,832	$1,812	$ 20	1.1	%	$ 3
Non-comparable owned and leased hotels revenues	360	296	64	21.3	%	(1)
Total owned and leased hotels revenues	$2,192	$2,108	$ 84	3.9	%	$ 2

The increase in owned and leased hotels revenues for the year ended December 31, 2017, compared to the year ended December 31, 2016, was driven primarily by acquisitions and improved transient business in the United States and Aruba. This was partially offset by hotels sold in 2016 and 2017 and results of certain international hotels.
2016 compared to 2015

	Year Ended December 31,					
	2016	2015	Better / (Worse)			Currency Impact
Comparable owned and leased hotels revenues	$2,018	$2,017	$ 1	—	%	$ (23)
Non-comparable owned and leased hotels revenues	90	62	28	45.2	%	(2)
Total owned and leased hotels revenues	$2,108	$2,079	$ 29	1.4	%	$ (25)

The increase in comparable owned and leased hotels revenues for the year ended December 31, 2016, compared to the year ended December 31, 2015, was driven primarily by full service hotels in the United States and Mexico, largely offset by decreases at certain of our international hotels which were driven primarily by market weakness in France, rate and occupancy declines in Switzerland, and unfavorable net currency impact. The increase in non-comparable owned and leased hotels revenues was driven by acquisitions and openings in 2016, partially offset by hotels sold in 2015 and 2016.
See "— Segment Results" for further discussion of owned and leased hotels revenues.
Management and franchise fee revenues.

	Year Ended December 31,								
	2017	2016	2015	Better / (Worse) 2017 vs 2016			Better / (Worse) 2016 vs 2015		
Base management fees	$202	$190	$187	$ 12	6.3	%	$ 3	1.6	%
Incentive management fees	135	117	113	18	15.7	%	4	3.5	%
Franchise fees	115	104	88	11	10.8	%	16	18.2	%
Other fee revenues	53	37	39	16	42.3	%	(2)	(5.1	)%
Total management and franchise fees	$505	$448	$427	$ 57	12.8	%	$ 21	4.9	%

The increase in management and franchise fees, which included an insignificant net favorable currency impact for the year ended December 31, 2017, compared to the same period in 2016, was driven primarily by increases in management fees across all reportable segments and higher franchise fees in the Americas management and franchising segment due to new hotel

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openings and improved performance. Additionally, other fee revenues increased due to termination fees related to three hotels in the Americas.
The increase in management and franchise fees included net unfavorable currency impact of $3 million for the year ended December 31, 2016 compared to the same period in 2015. The increase in franchise fees was driven by new and converted hotels and improved performance at existing hotels in the Americas. The increases in management fees were driven primarily by improved performance at full service and select service properties in the Americas and full service properties in ASPAC, partially offset by decreased performance in Europe.
See "—Segment Results" for further discussion.
Other revenues. Other revenues increased $30 million during the year ended December 31, 2017, compared to the year ended December 31, 2016, driven by the sales of villas at Andaz Maui at Wailea Resort of $13 million, the acquisition of exhale, and higher revenue from our co-branded credit card program as a result of increased point sales and our new agreement which took effect in the second quarter of 2017.
Other revenues related to our co-branded credit card increased $4 million during the year ended December 31, 2016, compared to the year ended December 31, 2015, driven by program growth.
Other revenues from managed and franchised properties.

	Year Ended December 31,						
	2017	2016	2015	Change 2017 vs 2016		Change 2016 vs 2015	
Other revenues from managed and franchised properties	$1,918	$1,833	$1,786	$85	4.7 %	$47	2.6 %
Less: rabbi trust impact	(22)	(8)	(1)	(14)	(167.8)%	(7)	(700.0)%
Other revenues from managed and franchised properties excluding rabbi trust impact	$1,896	$1,825	$1,785	$71	4.0 %	$40	2.2 %

Excluding the impact of rabbi trust, other revenues from managed and franchised properties increased during the year ended December 31, 2017, compared to the year ended December 31, 2016, driven by the growth of our full and select service managed and franchised portfolio. Additionally, the increase is due to a higher volume of reimbursements from our existing properties for increased technology costs, redemptions related to the loyalty program, and payroll and related costs.
Excluding the impact of rabbi trust, other revenues from managed and franchised properties increased during the year ended December 31, 2016, compared to the year ended December 31, 2015, due to a higher volume of reimbursements for increased redemptions related to the loyalty program, technology and reservation costs, and select service payroll and related costs, partially offset by a decrease in full service payroll and related costs driven by hotel conversions and a hotel that left the chain.
Owned and leased hotels expense.

	Year Ended December 31,			
	2017	2016	Better / (Worse)	
Comparable owned and leased hotels expense	$1,388	$1,369	$(19)	(1.4)%
Non-comparable owned and leased hotels expense	278	238	(40)	(16.5)%
Rabbi trust impact	8	3	(5)	(167.8)%
Total owned and leased hotels expense	$1,674	$1,610	$(64)	(3.9)%

The increase in owned and leased hotels expense, which included $3 million net unfavorable currency impact, during the year ended December 31, 2017, compared to the year ended December 31, 2016, was driven primarily by an increase in non-comparable owned and leased hotels expense related to acquisitions, partially offset by dispositions in 2017 and 2016. See "— Segment Results" for a discussion of the non-comparable owned and leased hotels activity in 2017 and 2016. Comparable owned and leased hotels expense also increased driven by higher payroll and related costs, including severance charges at certain properties, and increased technology costs. Additionally, expenses recognized with respect to our employee benefit programs funded through rabbi trusts increased driven by the performance of the underlying invested assets during the year ended December 31, 2017 compared to the year ended

December 31, 2016.

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	Year Ended December 31,			
	2016	2015	Better / (Worse)	
Comparable owned and leased hotels expense	$1,520	$1,512	$(8)	(0.5)%
Non-comparable owned and leased hotels expense	87	49	(38)	(77.6)%
Rabbi trust impact	3	1	(2)	(200.0)%
Total owned and leased hotels expense	$1,610	$1,562	$(48)	(3.1)%

Comparable owned and leased hotels expense included $15 million net favorable currency impact during the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase during the year ended December 31, 2016, compared to the year ended December 31, 2015, was driven primarily by increased payroll and related costs, partially offset by a decrease in utilities expenses due to lower gas and oil prices. Non-comparable owned and leased hotels expense increased during the year ended December 31, 2016, compared to the year ended December 31, 2015, driven by the acquisitions and openings in 2016, partially offset by hotels sold in 2015 and 2016. See "— Segment Results" for a discussion of the non-comparable owned and leased hotels activity in 2016 and 2015. Additionally, expenses recognized with respect to our employee benefit programs funded through rabbi trusts increased driven by the performance of the underlying invested assets during the year ended December 31, 2016 compared to the year ended December 31, 2015.

Depreciation and amortization expense. Depreciation and amortization expense increased $24 million during the year ended December 31, 2017, compared to the year ended December 31, 2016, driven primarily by acquisitions, a hotel opening, and technology assets placed in service in 2016 and 2017. Additional depreciation expense was recognized due to accelerated depreciation related to renovations at certain of our owned hotels during 2017. The increase was partially offset by decreased depreciation related to hotels sold in 2016 and 2017. A portion of the depreciation related to technology projects is recovered from our managed and franchised hotels and the corresponding recovery is included in other income (loss), net on our consolidated statements of income.

Depreciation and amortization expense increased $22 million during the year ended December 31, 2016, compared to the year ended December 31, 2015, driven primarily by depreciation for assets placed in service in 2015 and 2016 related to technology projects, acquisitions and hotel openings, partially offset by decreased depreciation related to the sale of Andaz 5th Avenue in the second quarter of 2016.

Other direct costs. Other direct costs increased $16 million during the year ended December 31, 2017, compared to the year ended December 31, 2016, primarily due to the sales of villas at Andaz Maui at Wailea Resort and the acquisition of exhale.

Selling, general, and administrative expenses.

	Year Ended December 31,						
	2017	2016	2015	Change 2017 vs 2016		Change 2016 vs 2015	
Selling, general, and administrative expenses	$379	$315	$308	$64	20.5 %	$7	2.3 %
Less: rabbi trust impact	(37)	(14)	(2)	(23)	(165.6)%	(12)	(600.0)%
Less: stock-based compensation expense	(29)	(25)	(23)	(4)	(15.9)%	(2)	(8.7)%
Adjusted selling, general, and administrative expenses	$313	$276	$283	$37	13.4 %	$(7)	(2.5)%

See "—Non-GAAP Measures" for further discussion of adjusted selling, general, and administrative expenses.

Adjusted selling, general, and administrative expenses increased during the year ended December 31, 2017, compared to the same period in 2016, driven primarily by a $19 million increase in payroll and related costs, including $7 million of severance charges, the acquisitions of Miraval and exhale, and marketing initiatives during 2017, including master brand marketing expenses to support the launch of the World of Hyatt platform.

Adjusted selling, general, and administrative expenses decreased during the year ended December 31, 2016, compared to the same period in 2015, driven primarily by a $10 million decrease in professional fees related to certain initiatives completed in 2015, partially offset by a $5 million increase in payroll and related costs.

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Net gains and interest income from marketable securities held to fund operating programs.

	Year Ended December 31,								
	2017	2016	2015	Better / (Worse) 2017 vs 2016			Better / (Worse) 2016 vs 2015		
Rabbi trust impact allocated to selling, general, and administrative expenses	$37	$14	$2	$23	165.6	%	$12	600.0	%
Rabbi trust impact allocated to owned and leased hotels expense	8	3	1	5	167.8	%	2	200.0	%
Net gains and interest income from marketable securities held to fund the loyalty program allocated to owned and leased hotels revenues	2	2	1	—	(15.3	)%	1	100.0	%
Net gains and interest income from marketable securities held to fund operating programs	$47	$19	$4	$28	148.5	%	$15	375.0	%

Equity earnings (losses) from unconsolidated hospitality ventures.

	Year Ended December 31,								
	2017	2016	2015	Better / (Worse) 2017 vs 2016			Better / (Worse) 2016 vs 2015		
Equity earnings (losses) from unconsolidated hospitality ventures	$220	$68	$(64)	$152	225.6	%	$132	206.3	%

The increase during the year ended December 31, 2017, compared to the year ended December 31, 2016, was attributable to a $217 million liquidating distribution from the sale of Avendra to Aramark, which was partially offset by the following:

- $37 million decrease as 2016 included earnings attributable to distributions from three of our unconsolidated hospitality ventures primarily related to debt refinancings;
- $14 million decrease as 2016 included a gain related to the acquisition of our partners' share in Andaz Maui at Wailea Resort that was recorded as a step acquisition; and
- $7 million decrease as 2016 included earnings related to a forfeited deposit on a sale of hotels by an unconsolidated hospitality venture that did not close.

The increase during the year ended December 31, 2016, compared to the year ended December 31, 2015, was attributable to the following:

- $42 million increase in earnings attributable to distributions from three of our unconsolidated hospitality ventures primarily related to debt refinancings;
- $35 million increase due to foreign currency volatility at one of our unconsolidated hospitality ventures which holds loans denominated in a currency other than its functional currency. During the year ended December 31, 2016, we recognized foreign currency gains of $7 million compared to the year ended December 31, 2015 in which we recognized foreign currency losses of $28 million. A portion of the loan balance was refinanced at the end of 2015 and therefore we anticipate decreased exposure in future periods as compared to 2015;
- $14 million aforementioned gain on the Andaz Maui at Wailea Resort acquisition;
- $21 million increase as a result of losses recognized during the year ended December 31, 2015 related to the sale of an entity that held an interest in one of our foreign currency denominated unconsolidated hospitality ventures and the release of accumulated foreign currency translation losses upon sale;
- $13 million increase primarily attributable to expenses recognized in the year ended December 31, 2015 related to debt repayment guarantees entered into on behalf of our unconsolidated hospitality ventures; and
- $9 million decrease related to impairment charges recorded related to four unconsolidated hospitality ventures during the year ended December 31, 2016.

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Interest expense. Interest expense increased $4 million during the year ended December 31, 2017, compared to the year ended December 31, 2016, driven by a higher average outstanding balance on our revolving line of credit during 2017, which was repaid during the fourth quarter of 2017.

Interest expense increased $8 million during the year ended December 31, 2016, compared to the year ended December 31, 2015, driven by increased interest expense related to the 2026 notes issued in the first quarter of 2016, partially offset by decreased interest expense related to the 2016 notes which were redeemed during the second quarter of 2016.

Gains (losses) on sales of real estate. During the year ended December 31, 2017, we sold Hyatt Regency Louisville and Hyatt Regency Monterey Hotel & Spa on Del Monte Golf Course resulting in a pre-tax gains of $35 million and $17 million, respectively. During the year ended December 31, 2016, we sold Andaz 5th Avenue resulting in a pre-tax loss of $23 million. During the year ended December 31, 2015, we sold Hyatt Regency Indianapolis and a Hyatt House hotel resulting in a $9 million pre-tax gain. See Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 7 to the Consolidated Financial Statements" for additional information regarding the above transactions.

Asset impairments. We did not record any asset impairments during the years ended December 31, 2017 and December 31, 2016. During the year ended December 31, 2015, we recognized $5 million in asset impairment charges related to property and equipment within our owned and leased hotels segment.

Other income (loss), net. Other income (loss), net increased $31 million during the year ended December 31, 2017 compared to the year ended December 31, 2016. See Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 20 to the Consolidated Financial Statements" for additional information. The increase was primarily attributable to the following:

- $94 million of interest income and $40 million of realized losses related to the redemption of our preferred shares in Playa Hotels & Resorts B.V. ("Playa"). See Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 4 to the Consolidated Financial Statements" for additional information;
- $18 million of pre-condemnation income in exchange for the relinquishment of subterranean space at an owned hotel;
- $15 million decrease in performance guarantee liability amortization income primarily related to four managed hotels in France that are subject to a performance guarantee ("the four managed hotels in France"). See Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 14 to the Consolidated Financial Statements" for further detail;
- $21 million cease use liability related to the relocation of our corporate headquarters; and
- $14 million increase in performance guarantee expense, net. The increase primarily relates to the four managed hotels in France for which we recognized $76 million and $64 million during the years ended December 31, 2017 and December 31, 2016, respectively. Due to ongoing renovations, we expect to recognize approximately $65 to $75 million of expense in 2018 related to this guarantee.

Other income (loss), net increased $7 million during the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily attributable to the following:

- $22 million increase in performance guarantee liability amortization income recognized primarily related to the four managed hotels in France;
- $15 million increase primarily due to foreign currency volatility of the Brazilian real largely related to a construction loan for Grand Hyatt Rio de Janeiro;
- $13 million increase in depreciation recovery related to expense recovered from our managed and franchised hotels;
- $12 million of interest income related to the early redemption of a portion of our Playa preferred shares. We also recognized a $6 million realized loss in conjunction with the redemption; and
- $36 million increase in performance guarantee expense, net. We recognized expenses of $64 million and $28 million during the years ended December 31, 2016 and December 31, 2015, respectively, related to the performance guarantee for the four managed hotels in France.

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Provision for income taxes.

	Year Ended December 31,				
	2017	2016	2015	Better / (Worse) 2017 vs 2016	Better / (Worse) 2016 vs 2015
Income before income taxes	$573	$289	$194	$ 284	$ 95
Income tax expense	(323)	(85)	(70)	(238)	(15)
Effective tax rate	56.3 %	29.5 %	36.2 %	(26.8)%	6.7 %

The increased effective tax rate during the year ended December 31, 2017, compared to the year ended December 31, 2016, was driven primarily by a 19 percentage point impact due to U.S. tax reform, of which 17 percentage points related to revaluation of U.S. net deferred tax assets at the lower corporate income tax rate of 21% and 2 percentage points related to the impact of a one-time deemed repatriation tax on undistributed foreign earnings. Income tax expense also increased during the year ended December 31, 2017, compared to the year ended December 31, 2016, as a result of an increase in income before taxes driven primarily by the earnings recognized from the sale of Avendra.

As a result of U.S. tax reform, we expect our global effective tax rate to reduce beginning in 2018, driven primarily by the reduced U.S. corporate tax rate from 35% to 21% on our U.S. earnings, which will be partially offset by increased limitations on compensation and fringe benefit deductions.

The decreased effective tax rate during the year ended December 31, 2016, compared to the year ended December 31, 2015, was driven primarily by a 5 percentage point favorable impact of certain one-time items related to the reversal of uncertain tax positions and by a 3 percentage point impact driven by a nonrecurring foreign tax credit benefit related to a foreign unconsolidated hospitality venture.

See Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 13 to our Consolidated Financial Statements" for further detail.

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Segment Results

We evaluate segment operating performance using segment revenue and segment Adjusted EBITDA, as described in Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 18 to our Consolidated Financial Statements." See "—Key Business Metrics Evaluated by Management" for a discussion of our definition of Adjusted EBITDA, how we use it, why we present it and material limitations on its usefulness. The charts below illustrate revenues by segment excluding other revenues from managed and franchised properties which are presented before intersegment eliminations.

*Consolidated revenues for the year ended December 31, 2017 included corporate and other revenues of $125 million, eliminations of $95 million and other revenues from managed and franchised properties of $1,918 million.
**Consolidated revenues for the year ended December 31, 2016 included corporate and other revenues of $43 million, eliminations of $98 million and other revenues from managed and franchised properties of $1,833 million.
*Consolidated revenues for the year ended December 31, 2015 included corporate and other revenues of $40 million, eliminations of $89 million and other revenues from managed and franchised properties of $1,786 million.

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Owned and leased hotels segment revenues.
2017 compared to 2016

	Year Ended December 31,				
	2017	2016	Better / (Worse)		Currency Impact
Comparable owned and leased hotels revenues	$1,841	$1,823	$ 18	1.0 %	$ 3
Non-comparable owned and leased hotels revenues	296	296	—	(0.1)%	(1)
Total owned and leased hotels revenues	2,137	2,119	18	0.8 %	2
Other revenues	13	—	13	NM	—
Total segment revenues	$2,150	$2,119	$ 31	1.5 %	$ 2

The increase in comparable owned and leased hotels revenues during the year ended December 31, 2017, compared to the year ended December 31, 2016, was driven by increases of $11 million at our hotels in the United States and $7 million at our international hotels. The revenue growth at our comparable hotels in the United States was driven primarily by improved transient business and a business interruption settlement of $6 million related to a claim from a prior year. The increase in comparable international hotels was driven by a net favorable currency impact of $3 million and increased transient business at our hotel in Aruba, partially offset by decreased performance at our hotel in Switzerland.

Non-comparable owned and leased hotels revenues were flat due to increased revenues from our 2016 acquisitions, primarily related to the acquisition of our partners' interest in Andaz Maui at Wailea Resort, offset by decreased revenues as a result of the following dispositions:

- Hyatt Regency Grand Cypress, Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch, Hyatt Regency Louisville, and Hyatt Regency Monterey Hotel & Spa on Del Monte Golf Course in 2017; and
- Andaz 5th Avenue and Hyatt Regency Birmingham (U.K.) in 2016.

Other revenues increased $13 million during the year ended December 31, 2017, compared to the year ended December 31, 2016, due to sales of villas at Andaz Maui at Wailea Resort.

	Year Ended December 31,									
	RevPAR				Occupancy			ADR			
	2017	2016	Better / (Worse)	Better / (Worse) Constant $	2017	2016	Change in Occ % pts	2017	2016	Better / (Worse)	Better / (Worse) Constant $
Comparable owned and leased hotels	$176	$174	1.0 %	0.9 %	76.7%	76.9%	(0.2)%	$229	$226	1.3 %	1.2 %

Excluding the net favorable currency impact, the increase in comparable RevPAR at our owned and leased hotels during the year ended December 31, 2017, compared to the same period in 2016, was driven by improved transient demand and group ADR in the Americas, partially offset by an overall decrease in group demand.

During the year ended December 31, 2017, we removed four full service properties that were sold in the period from the comparable owned and leased hotels results.

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2016 compared to 2015

	Year Ended December 31,					
	2016	2015	Better / (Worse)		Currency Impact	
Comparable owned and leased hotels revenues	$2,029	$2,017	$ 12	0.6 %	$ (23	)
Non-comparable owned and leased hotels revenues	90	62	28	45.2 %	(2	)
Total owned and leased hotels revenues	$2,119	$2,079	$ 40	1.9 %	$ (25	)

The increase in comparable owned and leased hotels revenues during the year ended December 31, 2016, compared to the year ended December 31, 2015, was largely driven by increases of $36 million at our hotels in the United States and $4 million at our owned hotel in Mexico, including a net unfavorable currency impact of $8 million, partially offset by decreases of $28 million at our other international hotels. For the year ended December 31, 2016, revenue growth at our comparable hotels in the United States and Mexico was a result of improved transient business and group ADR as well as food and beverage revenues. The decrease in comparable international hotels was driven by a net unfavorable currency impact of $15 million and decreased performance at our owned hotels in France and Switzerland.

The increase in non-comparable owned and leased hotels revenues was driven by the following activity in 2016:

- the opening of Grand Hyatt Rio de Janeiro;
- the acquisitions of The Confidante Miami Beach and Royal Palms Resort and Spa; and
- the acquisition of our partners' interest in Andaz Maui at Wailea Resort.

The increase in revenues was partially offset by the following activity:

- the dispositions of Andaz 5th Avenue and Hyatt Regency Birmingham (U.K.).

	Year Ended December 31,										
	RevPAR				Occupancy			ADR			
	2016	2015	Better / (Worse)	Better / (Worse) Constant $	2016	2015	Change in Occ % pts	2016	2015	Better / (Worse)	Better / (Worse) Constant $
Comparable owned and leased hotels	$170	$168	1.2 %	2.2 %	76.7%	76.1%	0.6 %	$222	$221	0.3 %	1.4 %

During the year ended December 31, 2016, we removed two full service properties that were sold in the period from the comparable owned and leased hotels results.

Owned and leased hotels segment Adjusted EBITDA.

	Year Ended December 31,						
	2017	2016	2015	Better / (Worse) 2017 vs 2016		Better / (Worse) 2016 vs 2015	
Owned and leased hotels Adjusted EBITDA	$417	$416	$413	$1	0.2 %	$ 3	0.7 %
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	73	100	80	(27)	(28.0)%	20	25.0 %
Segment Adjusted EBITDA	$490	$516	$493	$(26)	(5.3)%	$ 23	4.7 %

Owned and leased hotels Adjusted EBITDA. Adjusted EBITDA at our owned and leased hotels increased $1 million during the year ended December 31, 2017, compared to the same period in 2016, which included a $1 million net unfavorable currency impact.

Adjusted EBITDA at our comparable owned and leased hotels increased $13 million during the year ended December 31, 2016, compared to the same period in 2015, which included $7 million net unfavorable currency impact. The increase was largely due to improved transient business and group ADR at our full service hotels in the United States and Mexico. Partially offsetting the revenue growth were increased payroll and related costs, partially offset by a decrease in utilities expense due to lower gas and oil prices in 2016. Adjusted EBITDA at our non-comparable hotels decreased $10 million during the year ended December 31, 2016 compared to the prior year, primarily attributable to various dispositions and acquisitions in 2016.

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Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA. Our pro rata share of Adjusted EBITDA from our unconsolidated hospitality ventures included an insignificant net favorable currency impact during the year ended December 31, 2017 compared to the year ended December 31, 2016. The decrease was driven primarily by the Playa business combination in the first quarter of 2017 and the acquisition of our partners' share of Andaz Maui at Wailea Resort.

Our pro rata share of Adjusted EBITDA from our unconsolidated hospitality ventures increased during the year ended December 31, 2016, compared to the year ended December 31, 2015, which included an insignificant net unfavorable currency impact. The increase was driven primarily by hotel openings and improved performance at hotels within the Playa unconsolidated hospitality venture and Wailea Hotel Holdings, L.L.C. unconsolidated hospitality venture, prior to our acquisition of the latter in the fourth quarter of 2016.

Americas management and franchising segment revenues.

	Year Ended December 31,								
	2017	2016	2015	Better / (Worse) 2017 vs 2016			Better / (Worse) 2016 vs 2015		
Segment revenues									
Management, franchise, and other fees	$403	$371	$354	$ 32	8.6	%	$ 17	4.8	%
Other revenues from managed and franchised properties	1,730	1,670	1,641	60	3.6	%	29	1.8	%
Total segment revenues	$2,133	$2,041	$1,995	$ 92	4.5	%	$ 46	2.3	%

Americas management and franchising revenues included an insignificant net favorable currency impact during the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase in management, franchise, and other fees was driven partially by a $13 million increase in other fee revenues due to termination fees for a managed hotel conversion to franchised and two hotels that left the chain, as well as increased amortization of deferred gains related to the sales of Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch and Hyatt Regency Grand Cypress. Additionally, franchise fees increased $11 million and base and incentive fees increased $6 million and $2 million, respectively, primarily due to new hotels and improved performance across the region.

The increase in other revenues from managed and franchised properties for the year ended December 31, 2017, compared to the year ended December 31, 2016, was due to increased reimbursements for payroll and related costs, technology costs, and redemptions related to the loyalty program. Additionally, the changes in the value of the underlying assets for our benefit programs funded through rabbi trusts resulted in a $14 million increase during the year ended December 31, 2017 compared to the year ended December 31, 2016.

	Year Ended December 31,														
	RevPAR						Occupancy				ADR					
(Comparable Systemwide Hotels)	2017	2016	Better / (Worse)		Better / (Worse) Constant $		2017	2016	Change in Occ % pts		2017	2016	Better / (Worse)		Better / (Worse) Constant $	
Americas full service	$155	$151	2.4	%	2.4	%	75.8%	75.3%	0.5	%	$204	$201	1.7	%	1.7	%
Americas select service	$108	$105	2.9	%	2.9	%	78.4%	77.3%	1.1	%	$137	$135	1.5	%	1.5	%

Our comparable full service hotels RevPAR increased during the year ended December 31, 2017, compared to the year ended December 31, 2016, driven primarily by improved group and transient ADR, partially offset by lower group demand.

During the year ended December 31, 2017, we removed four properties from the comparable Americas full service systemwide hotels as three properties left the chain and one hotel is undergoing a significant renovation. During the year ended December 31, 2017, two properties that left the chain were removed from the comparable Americas select service systemwide hotels.

Americas management and franchising revenues included $1 million net unfavorable currency impact during the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase in management, franchise, and other fees was driven by a $15 million increase in franchise fees, primarily due to new and converted hotels and improved performance at existing select service hotels and all inclusive resorts. Base fees increased $3 million, driven primarily by strong RevPAR growth at select service properties. Incentive fees increased $2 million driven by full service properties in North America. Other fee revenues decreased $3 million as 2015 included $3 million of termination fees.

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The increase in other revenues from managed and franchised properties during the year ended December 31, 2016, compared to the year ended December 31, 2015, was due to a higher volume of reimbursements for increased redemptions related to the loyalty program, and increased select service payroll and related costs due to new hotels, partially offset by a decrease in full service payroll and related costs due to hotel conversions and one hotel that left the chain. Additionally, the changes in the value of the underlying assets for our benefit programs funded through rabbi trusts resulted in a $7 million increase for the year ended December 31, 2016 compared to the year ended December 31, 2015.

	Year Ended December 31,										
	RevPAR				Occupancy			ADR			
(Comparable Systemwide Hotels)	2016	2015	Better / (Worse)	Better / (Worse) Constant $	2016	2015	Change in Occ % pts	2016	2015	Better / (Worse)	Better / (Worse) Constant $
Americas full service	$151	$148	2.3 %	2.8 %	75.3%	75.5%	(0.2)%	$200	$195	2.5 %	3.1 %
Americas select service	$104	$99	5.3 %	5.4 %	78.1%	76.7%	1.4 %	$134	$129	3.4 %	3.4 %

Our comparable full service hotels RevPAR improved during the year ended December 31, 2016, compared to the year ended December 31, 2015, driven primarily by improved transient business and group ADR. RevPAR at our select service hotels for the year ended December 31, 2016 increased compared to the year ended December 31, 2015, driven primarily by transient business.

During the year ended December 31, 2016, one property that left the chain was removed from the comparable Americas full service systemwide hotels. During the year ended December 31, 2016, one property was removed from the comparable Americas select service systemwide hotels as a result of hurricane damage closing the hotel for an extended period.

Americas management and franchising segment Adjusted EBITDA.

	Year Ended December 31,						
	2017	2016	2015	Better / (Worse) 2017 vs 2016		Better / (Worse) 2016 vs 2015	
Segment Adjusted EBITDA	$350	$318	$300	$ 32	10.2 %	$ 18	6.0 %

Adjusted EBITDA increased during the year ended December 31, 2017, compared to the year ended December 31, 2016, which included an insignificant net favorable currency impact. The increase was driven by the aforementioned increases in management, franchise, and other fees. Adjusted selling, general, and administrative expenses were flat due to an increase in payroll and related costs, offset by higher bad debt reserves in 2016.

Adjusted EBITDA increased during the year ended December 31, 2016, compared to the year ended December 31, 2015, which included a $1 million net unfavorable currency impact. The increase was primarily due to the aforementioned $17 million increase in management, franchise, and other fees and a $1 million decrease in adjusted selling, general, and administrative expenses, primarily due to a $5 million decrease in professional fees, partially offset by a $2 million increase in bad debt reserves, $1 million increase in payroll and related costs, and a $1 million increase in brand conversion expenses.

ASPAC management and franchising segment revenues.

	Year Ended December 31,						
	2017	2016	2015	Better / (Worse) 2017 vs 2016		Better / (Worse) 2016 vs 2015	
Segment revenues							
Management, franchise, and other fees	$112	$96	$91	$ 16	17.3 %	$ 5	5.5 %
Other revenues from managed and franchised properties	114	98	87	16	15.6 %	11	12.6 %
Total segment revenues	$226	$194	$178	$ 32	16.5 %	$ 16	9.0 %

ASPAC management and franchising revenues included $1 million net unfavorable currency impact during the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase was driven by a $15 million increase in management fees primarily due to higher incentive fees attributable to improved performance across the region, as well as base and incentive fees related to new hotels in Greater China and Australia.

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The increase in other revenues from managed and franchised properties during the year ended December 31, 2017, compared to the year ended December 31, 2016, was driven by reimbursements for increased technology costs and redemptions related to the loyalty program.

	Year Ended December 31,										
	RevPAR				Occupancy			ADR			
(Comparable Systemwide Hotels)	2017	2016	Better / (Worse)	Better / (Worse) Constant $	2017	2016	Change in Occ % pts	2017	2016	Better / (Worse)	Better / (Worse) Constant $
ASPAC full service	$148	$140	5.4 %	5.8 %	72.7%	68.4%	4.3 %	$203	$205	(0.9)%	(0.5)%

Excluding the net unfavorable currency impact, the increase in RevPAR during the year ended December 31, 2017, compared to year ended December 31, 2016, was driven by increased occupancy across the region, most notably Greater China, Southeast Asia, and Japan, partially offset by declines at our hotels in South Korea due to lower visitor arrivals in 2017.

During the year ended December 31, 2017, we removed one property from the comparable ASPAC full service systemwide hotels as a result of a seasonal closure.

ASPAC management and franchising revenues included $1 million net unfavorable currency impact during the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase in management, franchise, and other fees during the year ended December 31, 2016 was driven primarily by increased base fees due to hotels opened in Greater China during 2015 and 2016 and increased incentive fees at certain properties in Greater China and Southeast Asia.

The increase in other revenues from managed and franchised properties during the year ended December 31, 2016, compared to the year ended December 31, 2015, was due a higher volume of reimbursements for increased reservation and technology costs as well as increased redemptions related to the loyalty program.

	Year Ended December 31,										
	RevPAR				Occupancy			ADR			
(Comparable Systemwide Hotels)	2016	2015	Better / (Worse)	Better / (Worse) Constant $	2016	2015	Change in Occ % pts	2016	2015	Better / (Worse)	Better / (Worse) Constant $
ASPAC full service	$147	$145	1.9 %	2.2 %	70.8%	67.9%	2.9 %	$208	$213	(2.3)%	(2.0)%

Excluding the net unfavorable currency impact, the increase in RevPAR during the year ended December 31, 2016 compared to year ended December 31, 2015, was driven by increased occupancy in Greater China, South Korea, and Southeast Asia. These increases were partially offset by decreased ADR spread across the region, primarily in Greater China and Southeast Asia.

During the year ended December 31, 2016, we removed two properties from the comparable ASPAC full service systemwide hotels, one as a result of a significant renovation and one that left the chain.

ASPAC management and franchising segment Adjusted EBITDA.

	Year Ended December 31,						
	2017	2016	2015	Better / (Worse) 2017 vs 2016		Better / (Worse) 2016 vs 2015	
Segment Adjusted EBITDA	$70	$ 57	$ 55	$ 13	23.6 %	$ 2	3.6 %

Adjusted EBITDA included an insignificant net unfavorable currency impact during the year ended December 31, 2017 compared to the year ended December 31, 2016. Adjusted EBITDA increased due to the aforementioned increase in management, franchise, and other fees, partially offset by a $2 million increase in payroll and related costs primarily due to development activity in Greater China.

Adjusted EBITDA included $1 million net unfavorable currency impact for the year ended December 31, 2016 compared to the year ended December 31, 2015. The aforementioned increase in management, franchise, and other fees was partially offset by an increase in adjusted selling, general, and administrative expenses of $3 million driven by a $2 million increase in payroll and related costs and a $1 million increase in professional fees related to development expenses incurred during the year.

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EAME/SW Asia management and franchising segment revenues.

	Year Ended December 31,						
	2017	2016	2015	Better / (Worse) 2017 vs 2016		Better / (Worse) 2016 vs 2015	
Segment revenues							
Management, franchise, and other fees	$72	$65	$67	$ 7	9.6 %	$ (2)	(3.0)%
Other revenues from managed and franchised properties	74	65	58	9	15.5 %	7	12.1 %
Total segment revenues	$146	$130	$125	$ 16	12.5 %	$ 5	4.0 %

EAME/SW Asia management and franchising revenues included $1 million net favorable currency impact during the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase in management, franchise, and other fees was primarily due to a $5 million increase in incentive fees driven by certain properties in the United Kingdom and Germany and new hotels in the region.

The increase in other revenues from managed and franchised properties during the year ended December 31, 2017, compared to the year ended December 31, 2016, was driven by reimbursements for increased technology costs.

	Year Ended December 31,										
	RevPAR				Occupancy			ADR			
(Comparable Systemwide Hotels)	2017	2016	Better / (Worse)	Better / (Worse) Constant $	2017	2016	Change in Occ % pts	2017	2016	Better / (Worse)	Better / (Worse) Constant $
EAME/SW Asia full service	$123	$117	4.5 %	3.9 %	66.7%	64.0%	2.7 %	$184	$183	0.4 %	(0.2)%
EAME/SW Asia select service	$71	$63	12.0 %	10.3 %	72.9%	66.8%	6.1 %	$97	$95	2.5 %	1.0 %

Excluding the net favorable currency impact, the increase in comparable full service RevPAR during the year ended December 31, 2017, compared to the year ended December 31, 2016, was driven by increased occupancy and ADR in the United Kingdom, Germany, Turkey, and France. The occupancy gains in Germany were driven by increased group business, while the United Kingdom benefited from the completion of a renovation at one hotel. France and Turkey both experienced higher demand as 2016 was impacted by heightened security concerns. These increases were partially offset by decreased ADR in the Middle East as a result of supply pressure and geopolitical events which led to lower business travel in the area.

During the year ended December 31, 2017, one property was removed from the comparable EAME/SW Asia full service systemwide hotel results as a result of significant renovations and no properties were removed from the comparable EAME/SW Asia select service systemwide hotel results.

EAME/SW Asia management and franchising revenues included $2 million net unfavorable currency impact during the year ended December 31, 2016 compared to the year ended December 31, 2015. The decrease in management, franchise, and other fees was primarily due to a $2 million decrease in incentive fees, driven primarily by decreased performance at properties in Europe and the Middle East, partially offset by increases at properties in India and ramping of hotels opened in 2015.

The increase in other revenues from managed and franchised properties during the year ended December 31, 2016 compared to the year ended December 31, 2015 was due to a higher volume of reimbursements for reservation and technology costs as well as increased redemptions related to the loyalty program.

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(Comparable Systemwide Hotels)	Year Ended December 31, RevPAR 2016	2015	Better / (Worse)	Better / (Worse) Constant $	Occupancy 2016	2015	Change in Occ % pts	ADR 2016	2015	Better / (Worse)	Better / (Worse) Constant $
EAME/SW Asia full service	$119	$129	(7.6)%	(4.6)%	63.4%	63.5%	(0.1)%	$188	$203	(7.5)%	(4.4)%
EAME/SW Asia select service	$70	$65	8.6 %	9.4 %	71.9%	64.3%	7.6 %	$98	$100	(2.8)%	(2.1)%

Excluding the net unfavorable currency impact, the decrease in comparable full service RevPAR during the year ended December 31, 2016, compared to the year ended December 31, 2015, was driven primarily by decreased ADR and occupancy in France, Switzerland, Turkey, and the Middle East. These decreases were partially offset by increased ADR and occupancy in Eastern Europe and India.

During the year ended December 31, 2016, three properties were removed from the comparable EAME/SW Asia full service systemwide hotel results as a result of significant renovations and no properties were removed from the comparable EAME/SW Asia select service systemwide hotel results.

EAME/SW Asia management and franchising segment Adjusted EBITDA.

	Year Ended December 31, 2017	2016	2015	Better / (Worse) 2017 vs 2016		Better / (Worse) 2016 vs 2015	
Segment Adjusted EBITDA	$40	$ 33	$ 33	$ 7	21.5 %	$ —	— %

Adjusted EBITDA included $1 million net favorable currency impact during the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase was driven by the aforementioned increase in management, franchise, and other fees.

Adjusted EBITDA included $1 million net unfavorable currency impact during the year ended December 31, 2016 compared to the year ended December 31, 2015. The aforementioned decrease in management, franchise, and other fees was offset by a decrease adjusted selling, general, and administrative expenses, due to lower payroll and related costs during the year ended December 31, 2016 compared to the year ended December 31, 2015.

Corporate and other.

	Year Ended December 31, 2017	2016	2015	Better / (Worse) 2017 vs 2016		Better / (Worse) 2016 vs 2015	
Corporate and other revenues	$125	$43	$40	$ 82	186.9 %	$ 3	7.5 %
Corporate and other Adjusted EBITDA	$(137)	$(139)	$(131)	$ 2	1.8 %	$ (8)	(6.1)%

Revenues increased during the year ended December 31, 2017, compared to the year ended December 31, 2016, driven primarily by the following:

- increase of $64 million due to the acquisition of Miraval;
- increase of $10 million due to the acquisition of exhale; and
- increase of $7 million in revenues from our co-branded credit card program as a result of increased point sales and our new agreement that took effect in the second quarter of 2017.

Revenues increased during the year ended December 31, 2016, compared to the year ended December 31, 2015, driven by a $4 million increase related to our co-branded credit card, partially offset by a $1 million decrease in Hyatt Residence Club license fees.

The decrease in Adjusted EBITDA for the year ended December 31, 2016, compared to the year ended December 31, 2015, was driven by a $12 million increase in promotional reward redemption expense as a result of increased costs related to

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our co-branded credit card, partially offset by the aforementioned $3 million increase in revenues and a $1 million decrease in adjusted selling, general, and administrative expenses. The decrease in adjusted selling, general, and administrative expenses was driven by a $10 million decrease in professional fees related to certain initiatives completed in 2015, partially offset by a $4 million increase in marketing expenses and a $3 million increase in payroll and related costs.

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Adjusted EBITDA by Segment and Non-GAAP Measure Reconciliation

The following charts illustrate Adjusted EBITDA by segment. For a discussion of our definition of Adjusted EBITDA, how we use it, why we present it and material limitations on its usefulness, see "—Key Business Metrics Evaluated by Management."

*Consolidated Adjusted EBITDA for the year ended December 31, 2017 included Corporate and other Adjusted EBITDA of $(137) million and eliminations of $3 million.
**Consolidated Adjusted EBITDA for the year ended December 31, 2016 included Corporate and other Adjusted EBITDA of $(139) million.
*Consolidated Adjusted EBITDA for the year ended December 31, 2015 included Corporate and other Adjusted EBITDA of $(131) million.

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The table below provides a reconciliation of our net income attributable to Hyatt Hotels Corporation to EBITDA and a reconciliation of EBITDA to consolidated Adjusted EBITDA:

	Year Ended December 31,						
	2017	2016	2015	Change 2017 vs 2016		Change 2016 vs 2015	
Net income attributable to Hyatt Hotels Corporation	$249	$204	$124	$45	22.3 %	$80	64.5 %
Interest expense	80	76	68	4	5.4 %	8	11.8 %
Provision for income taxes	323	85	70	238	279.4 %	15	21.4 %
Depreciation and amortization	366	342	320	24	7.1 %	22	6.9 %
EBITDA	1,018	707	582	311	44.1 %	125	21.5 %
Equity (earnings) losses from unconsolidated hospitality ventures	(220)	(68)	64	(152)	(225.6)%	(132)	(206.3)%
Stock-based compensation expense	29	25	23	4	15.9 %	2	8.7 %
(Gains) losses on sales of real estate	(51)	23	(9)	(74)	(323.8)%	32	355.6 %
Asset impairments	—	—	5	—	NM	(5)	NM
Other (income) loss, net	(33)	(2)	5	(31)	NM	(7)	(140.0)%
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	73	100	80	(27)	(28.0)%	20	25.0 %
Adjusted EBITDA	$816	$785	$750	$31	3.9 %	$35	4.7 %

Inflation

We do not believe inflation had a material effect on our business in 2017, 2016, or 2015.

Liquidity and Capital Resources

Overview

We finance our business primarily with existing cash, short-term investments, and cash generated from our operations. As part of our business strategy, we also recycle capital by using net proceeds from dispositions to support our acquisitions and new investment opportunities. When appropriate, we borrow cash under our revolving credit facility or from other third-party sources and may also raise funds by issuing debt or equity securities as necessary. We maintain a cash investment policy that emphasizes preservation of capital. We believe our cash position, short-term investments, and cash from operations, together with borrowing capacity under our revolving credit facility and our access to the capital markets, will be adequate to meet all of our funding requirements and capital deployment objectives for the foreseeable future.

We may, from time to time, seek to retire or purchase additional amounts of our outstanding equity and/or debt securities through cash purchases and/or exchanges for other securities, in open market purchases, privately negotiated transactions or otherwise, including pursuant to a Rule 10b5-1 plan. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions, and other factors. The amounts involved may be material.

Recent Transactions Affecting Our Liquidity and Capital Resources

During the years ended December 31, 2017, December 31, 2016, and December 31, 2015 several transactions impacted our liquidity. See "—Sources and Uses of Cash."

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Sources and Uses of Cash

	Year Ended December 31,		
	2017	2016	2015
Cash provided by (used in):			
Operating activities	$620	$489	$538
Investing activities	266	(380)	(47)
Financing activities	(858)	(96)	(715)
Effect of exchange rate changes on cash	(7)	12	(4)
Net increase (decrease) in cash and cash equivalents	$21	$25	$(228)

We have foreign capital investment needs in excess of foreign earnings, and we have not changed our assertion that undistributed net earnings with respect to certain foreign subsidiaries are indefinitely reinvested outside the U.S. Due to recently enacted U.S. tax legislation, all undistributed net foreign earnings for the year ended December 31, 2017 have been taxed in the U.S. Given the complexity of certain provisions, we are continuing to evaluate the application of the new legislation to our indefinite reinvestment assertion. See Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 13 to our Consolidated Financial Statements" for further detail.

Cash Flows from Operating Activities

Cash provided by operating activities increased $131 million in the year ended December 31, 2017, compared to the year ended December 31, 2016, primarily due to $94 million of interest income received upon the redemption of our Playa preferred shares. The increase was also due to improved performance across all reportable segments, increases in taxes payable driven by transactions, and the timing of accruals. These increases were partially offset by higher income tax payments in 2017.

Cash provided by operating activities decreased $49 million in the year ended December 31, 2016, compared to the year ended December 31, 2015, as 2015 included the release of $82 million of restricted cash from one of our captive insurance companies which was invested in marketable securities. Additionally, the timing of certain accruals contributed to the decrease, which was partially offset by a decrease in income tax payments and the timing of insurance payments received from managed hotels.

Cash Flows from Investing Activities

2017 Activity:

- We sold Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch and Royal Palms Resort and Spa for approximately $296 million. Proceeds from the sale of Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch of $207 million are held as restricted for use in a potential like-kind exchange.
- We received a $217 million liquidating distribution from the sale of Avendra to Aramark.
- We sold Hyatt Regency Grand Cypress for approximately $202 million; the proceeds were initially recorded as restricted cash pursuant to a like-kind exchange and were subsequently released.
- We received $196 million related to the redemption of our Playa preferred shares.
- We sold Hyatt Regency Louisville for approximately $65 million; the proceeds were initially recorded as restricted cash pursuant to a like-kind exchange and were subsequently released.
- We sold Hyatt Regency Monterey Hotel & Spa on Del Monte Golf Course for approximately $58 million.
- We released $33 million from restricted cash related to the finalization of tax regulatory review in connection with the disposition of Hyatt Regency Vancouver in 2014.
- We sold land and construction in progress to an unconsolidated hospitality venture, in which we have a 50% ownership interest for approximately $29 million.
- We received pre-condemnation proceeds of $15 million primarily related to a relinquishment of subterranean space at an owned hotel.
- We invested $298 million in capital expenditures (see "—Capital Expenditures").

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- We acquired Miraval for approximately $237 million.
- We contributed a total of $89 million in investments and held-to-maturity ("HTM") debt securities.
- We acquired exhale for approximately $16 million.

2016 Activity:

- We acquired Thompson Miami Beach for approximately $238 million.
- We invested $211 million in capital expenditures (see "—Capital Expenditures").
- We purchased our partners' interest in Andaz Maui at Wailea Resort for $136 million, net of cash acquired. Additionally, prior to the acquisition we contributed $71 million to the unconsolidated hospitality venture and provided $37 million of financing receivables to our partners to repay the venture's third-party debt. Our partners repaid the financing receivables during 2016.
- We invested $33 million in unconsolidated hospitality ventures, excluding our contribution to Andaz Maui at Wailea Resort discussed above.
- We acquired Royal Palms Resort and Spa for a net purchase price of approximately $86 million.
- We acquired land for $25 million for future development in Philadelphia.
- We sold Andaz 5th Avenue for approximately $240 million, net of closing costs and proration adjustments.
- We received distributions of $132 million from unconsolidated hospitality ventures.
- We sold the shares of the company that owns Hyatt Regency Birmingham (U.K.) for approximately $49 million, net of closing costs and proration adjustments.
- We released $29 million from restricted cash related to the finalization of a tax regulatory review in connection with the disposition of Park Hyatt Toronto in 2014.

2015 Activity:

- We invested $269 million in capital expenditures (see "—Capital Expenditures").
- We had net purchases of $121 million of marketable securities and short-term investments related to the loyalty program and our captive insurance companies.
- We invested a total of $37 million in investments which includes $35 million in unconsolidated hospitality ventures.
- We released $143 million from escrow to cash and cash equivalents related to release of proceeds from like-kind exchanges.
- We received net proceeds of $100 million from the maturity of time deposits.
- We sold Hyatt Regency Indianapolis for approximately $69 million.
- We received proceeds of $28 million from financing receivables.
- We released $19 million from restricted cash related to the development of a hotel in Brazil.
- Two unconsolidated hospitality ventures, which are classified as equity method investments, sold two select service properties to third parties for total proceeds of $16 million.
- We sold land and construction in progress for approximately $14 million.
- We sold a Hyatt House hotel for approximately $5 million.

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Cash Flows from Financing Activities

2017 Activity:

- We drew and repaid $670 million and $770 million, respectively, on our revolving credit facility.
- We repurchased 12,186,308 shares of Class A and Class B common stock for an aggregate purchase price of $723 million. Included in the repurchases are 8,213,057 shares repurchased under the ASR programs for an aggregate purchase price of $480 million. Subsequent to December 31, 2017, the remaining $20 million of shares under the November 2017 ASR was settled. See Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 15 to our Consolidated Financial Statements" for further detail.
- In conjunction with the acquisition of Miraval, we issued $9 million of redeemable preferred shares of a subsidiary.

2016 Activity:

- We received net proceeds of $396 million from the issuance of our 2026 Notes, after deducting discounts and offering expenses of approximately $4 million. Additionally, all of our outstanding 2016 Notes were redeemed for $250 million.
- We repaid the senior secured term loan of $64 million related to Hyatt Regency Lost Pines Resort and Spa.
- We repurchased 5,631,557 shares of Class A and Class B common stock for an aggregate purchase price of $272 million.
- We drew and repaid $210 million and $110 million, respectively, on our revolving credit facility.
- Excluding the effects of currency, we drew $13 million on the construction loan for the development of the Grand Hyatt Rio de Janeiro.

2015 Activity:

- We repurchased 13,199,811 shares of Class A and Class B common stock for an aggregate purchase price of $715 million.
- Excluding the effects of currency, we drew $12 million on the construction loan for the development of the Grand Hyatt Rio de Janeiro.

We define net debt as total debt less the total of cash and cash equivalents and short-term investments. We consider net debt and its components to be an important indicator of liquidity and a guiding measure of capital structure strategy. Net debt is a non-GAAP measure and may not be computed the same as similarly titled measures used by other companies. The following table provides a summary of our debt to capital ratios:

	December 31, 2017	December 31, 2016
Consolidated debt (1)	$ 1,451	$ 1,564
Stockholders' equity	3,525	3,903
Total capital	4,976	5,467
Total debt to total capital	29.2 %	28.6 %
Consolidated debt (1)	1,451	1,564
Less: Cash and cash equivalents and short-term investments	552	538
Net consolidated debt	899	1,026
Net debt to total capital	18.1 %	18.8 %

(1) Excludes approximately $580 million and $745 million of our share of unconsolidated hospitality venture indebtedness at December 31, 2017 and December 31, 2016, respectively, substantially all of which is non-recourse to us and a portion of which we guarantee pursuant to separate agreements. The decrease from December 31, 2016 is primarily attributable to Playa, which is no longer an unconsolidated hospitality venture as discussed in Part IV, Item 15 "Exhibits and Financial Statement Schedule—Note 4 to our Consolidated Financial Statements."

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Capital Expenditures

We routinely make capital expenditures to enhance our business. We classify our capital expenditures into maintenance, enhancements to existing properties, and investment in new properties under development or recently opened. We have been and will continue to be prudent with respect to our capital spending, taking into account our cash flows from operations.

	Year Ended December 31,		
	2017	2016	2015
Maintenance and technology	$80	$68	$110
Enhancements to existing properties	166	72	59
Investment in new properties under development or recently owned	52	71	100
Total capital expenditures	$298	$211	$269

The increase in enhancements to existing properties in 2017 compared to 2016 is driven by increased renovation activity at domestic and international owned full service properties and expenditures related to our new corporate office. The decrease in investment in new properties under development or recently owned from 2016 to 2017 is due to the opening of a property that was previously under construction and the sale of an owned property under development to an unconsolidated hospitality venture. The decreases were partially offset by renovation spend in 2017 at our Miraval properties.

The decrease in maintenance and technology expenditures in 2016 compared to 2015 is driven by decreased technology spending and decreased spending at domestic full service properties. The increase in enhancements to existing properties is driven by increased renovation activity at domestic and international full service properties and expenditures related to our new corporate office. Expenditures related to new properties under development are driven primarily by construction spending related to Grand Hyatt Rio de Janeiro, which opened in early 2016, and two new select service hotels under development in the United States.

Senior Notes

The table below sets forth the outstanding principal balance of our Senior Notes at December 31, 2017, as defined in Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 9 to our Consolidated Financial Statements". Interest on the Senior Notes is payable semi-annually.

Description	Principal amount
2019 Notes	$ 196
2021 Notes	250
2023 Notes	350
2026 Notes	400
Total	$ 1,196

In the indenture that governs the Senior Notes, we agreed not to:

- create any liens on our principal properties, or on the capital stock or debt of our subsidiaries that own or lease principal properties, to secure debt without also effectively providing that the Senior Notes are secured equally and ratably with such debt for so long as such debt is so secured; or
- enter into any sale and leaseback transactions with respect to our principal properties.

These limitations are subject to significant exceptions.

The indenture also limits our ability to enter into mergers or consolidations or transfer all or substantially all of our assets unless certain conditions are satisfied.

If a change of control triggering event occurs, as defined in the indenture governing the Senior Notes, we will be required to offer to purchase the Senior Notes at a price equal to 101% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase. We may also redeem some or all of the Senior Notes at any time prior to their maturity at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed plus accrued and unpaid interest, if any, to the date of redemption plus a make-whole amount.

We are in compliance with all applicable covenants under the indenture governing our Senior Notes at December 31, 2017.

Revolving Credit Facility

On January 6, 2014, we entered into a Second Amended and Restated Credit Agreement with a syndicate of lenders that amended and restated our prior revolving credit facility to extend the facility's expiration from September 9, 2016 to January 4, 2019. The revolving credit facility is intended to provide financing for working capital and general corporate purposes, including commercial paper back-up and permitted investments and acquisitions.

We had no outstanding undrawn letters of credit issued under our revolving credit facility (which would reduce the availability thereunder) at December 31, 2017 and December 31, 2016, respectively. At December 31, 2017, we had available borrowing capacity of $1.5 billion under our revolving credit facility, as there was no outstanding revolver balance.

All of our borrowings under our revolving credit facility are guaranteed by substantially all of our material domestic subsidiaries, as defined in the revolving credit facility. All guarantees are guarantees of payment and performance and not of collection. Hotel Investors I, Inc., a wholly owned subsidiary, is an additional borrower under our revolving credit facility.

Interest rates on outstanding borrowings are either LIBOR-based or based on an alternate base rate, with margins in each case based on our credit rating or, in certain circumstances, our credit rating and leverage ratio. At December 31, 2017, the interest rate for a one month LIBOR borrowing under our revolving credit facility would have been 2.664%, or LIBOR of 1.564% plus 1.100%.

Borrowings under our revolving credit facility bear interest, at our option, at either one-, two-, three- or six-month LIBOR plus a margin ranging from 0.900% to 1.500% per annum (plus any mandatory costs, if applicable) or the alternative base rate plus a margin ranging from 0.000% to 0.500% per annum, in each case depending on our credit rating by either S&P or Moody’s or, in certain circumstances, our credit rating and leverage ratio. Borrowings under our swingline subfacility will bear interest at a per annum rate equal to the alternate base rate plus the applicable percentage for revolving loans that are alternate base rate loans. We are also required to pay letter of credit fees with respect to each letter of credit equal to the applicable margin for LIBOR on the face amount of each letter of credit. In addition, we must pay a fronting fee to the issuer of each letter of credit of 0.10% per annum on the face amount of such letter of credit.

The revolving credit facility also provides for a facility fee ranging from 0.100% to 0.250% of the total commitment of the lenders under the revolving credit facility (depending on our credit rating by either S&P or Moody’s). The facility fee is charged regardless of the level of borrowings.

In the event we no longer have a credit rating from either S&P or Moody’s or our rating falls at or below BBB-/Baa3, with respect to borrowings under our revolving credit facility (a) such borrowings will bear interest at either LIBOR plus 1.300% or 1.500% per annum or the alternative base rate referenced above plus 0.300% or 0.500% per annum, in each case, depending on our leverage ratio and (b) the facility fee will be 0.200% or 0.250%.

Our revolving credit facility contains a number of affirmative and restrictive covenants including limitations on the ability to place liens on our or our direct or indirect subsidiaries’ assets; to merge, consolidate, and dissolve; to sell assets; to engage in transactions with affiliates; to change our or our direct or indirect subsidiaries’ fiscal year or organizational documents; and to make restricted payments.

Our revolving credit facility also requires us to meet Leverage Ratio and Secured Funded Debt Ratio financial covenants in each case measured quarterly as defined in our revolving credit facility.

The revolving credit facility contains certain covenants, including financial covenants that limit our maximum leverage (consisting of the ratio of Adjusted Total Debt to Consolidated EBITDA, each as defined in the revolving credit facility) to not more than 4.5 to 1, and limit our Secured Funded Debt Ratio (consisting of the ratio of Secured Funded Debt to Property and Equipment, each as defined in the revolving credit facility), to not more than 0.30 to 1. Our outstanding Senior Notes do not contain a corresponding financial covenant or a requirement that we maintain certain financial ratios. We currently satisfy all the covenants in our revolving credit facility and Senior Notes, and do not expect the covenants will restrict our ability to meet our anticipated borrowing and guarantee levels, or increase those levels should we decide to do so in the future.

In January 2018, we refinanced our revolving credit facility. See Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 21 to our Consolidated Financial Statements."

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Letters of Credit

We issue letters of credit either under the revolving credit facility or directly with financial institutions. We had $309 million and $230 million in letters of credit issued directly with financial institutions outstanding at December 31, 2017 and December 31, 2016, respectively. These letters of credit had weighted average fees of 93 basis points and a range of maturity of up to three years at December 31, 2017.

Other Indebtedness and Future Debt Maturities

Excluding the $1,196 million of Senior Notes, all other third-party indebtedness at December 31, 2017 was $255 million.

At December 31, 2017, $11 million of our outstanding debt will mature in the following 12 months. We believe we will have adequate liquidity, including our capacity to borrow under our revolving credit facility, and/or the ability to execute on refinancing or new issuances of debt to meet requirements for scheduled maturities.

Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2017:

		Payments Due by Period					
	Total	2018	2019	2020	2021	2022	Thereafter
Debt (1)	$1,934	$83	$278	$68	$318	$ 54	$ 1,133
Capital lease obligations (1)	17	2	2	2	2	2	7
Operating lease obligations	629	36	42	39	36	35	441
Purchase obligations	37	37	—	—	—	—	—
Other long-term liabilities (2)	425	2	2	1	1	1	418
Total contractual obligations	$3,042	$160	$324	$110	$357	$ 92	$ 1,999

(1) Includes principal and interest payments; assumes constant foreign exchange rates at December 31, 2017 for floating rate debt and international debt.

(2) Primarily consists of deferred compensation plan liabilities; excludes $107 million in long-term tax positions due to the uncertainty related to the timing of the reversal of those positions.

Guarantee Commitments

The following table summarizes our guarantee commitments at December 31, 2017:

		Amount of Guarantee Commitments Expiration by Period					
	Total amounts committed	2018	2019	2020	2021	2022	Thereafter
Performance guarantees (1)	$ 323	$ 77	$ 40	$ 173	$ 5	$ 5	$ 23
Debt repayment and other guarantees (2)	708	140	25	504	39	—	—
Total guarantee commitments	$ 1,031	$ 217	$ 65	$ 677	$ 44	$ 5	$ 23

(1) Consists of contractual agreements with third-party owners which require us to guarantee payments to the owners if specified levels of operating profit are not achieved by their hotels.

(2) Consists of various debt repayment and other guarantees related to our unconsolidated hospitality ventures, managed and franchised hotels, and other properties. Certain of these underlying debt agreements have extension periods which are not reflected in the table above. With respect to certain of these debt repayment guarantees we have agreements with either our unconsolidated hospitality venture partner, the respective hotel owners, or other third parties which reduce our maximum guarantee which are not reflected in the table above.

See Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 14 to our Consolidated Financial Statements."

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Investment Commitments

The following table summarizes our investment commitments, which represent our commitment to fund contract acquisition costs and other investments such as unconsolidated hospitality ventures, at December 31, 2017:

		Amount of Investment Commitments Expected Funding by Period					
	Total amounts committed	2018	2019	2020	2021	2022	Thereafter
Investment commitments	$ 452	$ 216	$ 202	$ 3	$ 2	$ 12	$ 17

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements at December 31, 2017 included purchase obligations of $37 million, letters of credit of $309 million and surety bonds of $25 million. These amounts are discussed in "—Sources and Uses of Cash—Revolving Credit Facility and —Letters of Credit", "—Contractual Obligations" and Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 14 to our Consolidated Financial Statements."

Critical Accounting Policies and Estimates

Preparing financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods, and the related disclosures in our consolidated financial statements and accompanying notes.

A number of our accounting policies, which are described in Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 2 to our Consolidated Financial Statements," are critical due to the fact they involve a higher degree of judgment and estimates. Those accounting policies and other critical estimates are included below. As a result, these accounting policies could materially affect our financial position and results of operations. While we have used our best estimates based on the facts and circumstances available to us at the time, different estimates reasonably could have been used in the current period. In addition, changes in the accounting estimates that we use are reasonably likely to occur from period to period, which may have a material impact on the presentation of our financial condition and results of operations. Although we believe our estimates, assumptions, and judgments are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments, or conditions. Management has discussed the development and selection of these critical accounting policies and estimates with the audit committee of the board of directors.

Guarantees

We enter into performance guarantees related to certain hotels we manage. We also enter into debt repayment and other guarantees with respect to our unconsolidated hospitality ventures, certain managed or franchised hotels, and other properties. Upon inception of the guarantee, we record a stand ready to perform liability that is measured at fair value. In order to estimate fair value, we use a Monte Carlo simulation to model the probability of possible outcomes. We are required to make certain assumptions and judgments in our determination of the fair value, which are based on our knowledge of the hospitality industry, market conditions, location of the property, and specific information available at the time of the valuation.

Goodwill and Indefinite-Lived Intangibles

We evaluate goodwill and indefinite-lived intangibles for impairment annually during the fourth quarter using balances at October 1 and at an interim date, if indications of impairment exist. The Company has eight reporting units which have goodwill at December 31, 2017.

We are required to apply judgment when determining whether or not indications of impairment exist. The determination of the occurrence of a triggering event is based on our knowledge of the hospitality industry, historical experience, location of the property or properties, market conditions, and specific information available at the time of the assessment. We realize, however, that the results of our analysis could vary from period to period depending on how our judgment is applied and the facts and circumstances available at the time of the analysis. Judgment is also required in determining the assumptions and estimates use when calculating the fair value of the reporting unit or indefinite-lived intangible.

Historically, changes in estimates used in the goodwill and indefinite-lived intangibles impairment valuations have not resulted in material impairment charges in subsequent periods as a result of changes in those estimates. However, changes in the economic and operating conditions impacting the assumptions and estimates could result in an impairment charge which could be material to our earnings. At December 31, 2017, a change in our assumptions and estimates that could reduce the fair value of each of our reporting units or indefinite-lived brand intangibles by 10% would not result in an impairment. In periods which are close to an acquisition, we would expect fair value to approximate carrying value and do not consider this to be indicative of an impairment risk, absent other factors.

Business Combinations

Assets acquired and liabilities assumed in a business combination are recorded at fair value as of the acquisition date. We use judgment to determine the fair value of the property or business acquired and to determine the amount of value to allocate to each identifiable asset or liability. Typically, tangible assets acquired include property and equipment, and intangible assets acquired may include a management agreement intangible, a brand intangible, advanced bookings, and goodwill. Changes to the significant assumptions or factors used to determine fair value could affect the measurement and allocation of fair value.

Property and Equipment and Definite-Lived Intangibles

We evaluate property and equipment and definite-lived intangibles for impairment quarterly. We use judgment to determine whether indications of impairment exist. The determination of the occurrence of a triggering event is based on our knowledge of the hospitality industry, historical experience, location of the property, market conditions, and property-specific information available at the time of the assessment. We realize, however, that the results of our analysis could vary from period to period depending on how our judgment is applied and the facts and circumstances available at the time of the analysis. When a triggering event occurs, judgment is also required in determining the assumptions and estimates to use within the recoverability analysis and when calculating the fair value of the asset or asset group, if applicable.

Changes in economic and operating conditions impacting the judgments used could result in impairments to our long-lived assets in future periods, which could be material to our earnings. Historically, changes in estimates used in the property and equipment and definite-lived intangibles impairment assessment process have not resulted in material impairment charges in subsequent periods as a result of changes made to those estimates.

Available For Sale ("AFS") Debt Securities

See Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 4 to our Consolidated Financial Statements" for our assessment process and further information regarding our estimates used in determining the fair value of AFS debt securities.

Unconsolidated Hospitality Ventures

We assess investments in unconsolidated hospitality ventures for impairment quarterly. We use judgment to determine whether or not there is an indication that a loss in value has occurred and whether a decline is deemed to be other than temporary. The determination of whether a loss in value has occurred is based on our knowledge of the hospitality industry, historical experience, location of the underlying venture property, market conditions, and venture-specific information available at the time of the assessment. When there is an indication that a loss in value has occurred, judgment is also required in determining the assumptions and estimates to use when calculating the fair value.

Changes in economic and operating conditions impacting these estimates and judgments could result in impairments to our investments in unconsolidated hospitality ventures in future periods. Historically, changes in estimates used in the unconsolidated hospitality ventures impairment assessment process have not resulted in material impairment charges in subsequent periods as a result of changes made to those estimates.

Income Taxes

Judgment is required in addressing the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns (e.g., realization of deferred tax assets, changes in tax laws or interpretations thereof). In addition, we are subject to examination of our income tax returns by the IRS and other tax authorities. A change in the assessment of the outcomes of such matters could materially impact our consolidated financial statements.

As a result of recently enacted U.S. tax legislation, we recorded an estimated tax provision during the year ended December 31, 2017 in relation to the revaluation of our net deferred tax assets at the lower U.S. corporate income tax rate and the additional tax expense associated with the deemed repatriation tax. Additionally, we recorded a valuation allowance against foreign tax credits which we anticipate will no longer be realizable based upon the taxation of foreign earnings under the new tax legislation.

The impact of the new U.S. tax legislation has been recorded in accordance with Staff Accounting Bulletin ("SAB") 118. In accordance with SAB 118, we are required to recognize the income tax effects of those aspects of the new legislation for which the accounting is complete. To the extent our accounting for certain income tax effects of the new legislation is incomplete, but we are able to determine a reasonable estimate, we must record a provisional estimate in our consolidated financial statements. If we cannot determine a provisional estimate to be included in our consolidated financial statements, we should continue to apply our accounting treatment on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the new legislation. The provisional expenses as they relate to the revaluation of our net deferred tax assets, deemed repatriation tax, and valuation allowance against foreign tax credits recorded during the year ended December 31, 2017 may be subject to adjustments in subsequent periods throughout 2018 as a result of potential amendments, technical corrections, and further interpretation and implementation of the new legislation.

We evaluate tax positions taken or expected to be taken on a tax return to determine whether they are "more likely than not" of being sustained assuming that the tax reporting positions will be examined by taxing authorities with full knowledge of all relevant information prior to recording the related tax benefit in our consolidated financial statements. If the position drops below the "more likely than not" standard, the benefit can no longer be recognized. Assumptions, judgment, and the use of estimates are required in determining if the "more likely than not" standard has been met when developing the provision for income taxes. A change in the assessment of the "more likely than not" standard could materially impact our consolidated financial statements.

For information regarding the impact of the newly enacted tax legislation and the provisional estimates recorded for 2017, see Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 13 to our Consolidated Financial Statements."

Insurance

Our insurance reserves are accrued based on estimates of the ultimate cost of claims that occurred during the covered period, which includes claims incurred but not reported, for which we will be responsible. These estimates are prepared with the assistance of outside actuaries and consultants. Actual cost of claims may differ from our original estimates and could result in a material change to our liability.

Loyalty Program Future Redemption Obligation

We utilize an actuary to assist with our estimate of our future redemption obligation related to the World of Hyatt loyalty program. Changes in the estimates used in the determination of the future redemption obligation, including the estimated cost per point and the estimate of the "breakage" for points that will never be redeemed, could result in a material change to our future redemption obligation.

At December 31, 2017, the redemption liability related to the loyalty program was $469 million. A 10% decrease in the breakage assumption would have resulted in an increase in the redemption liability of approximately $45 million at December 31, 2017.

Future Adoption of Accounting Standards

See Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 2 to our Consolidated Financial Statements" for the Company's current evaluation of the impact of adopting Accounting Standards Update No. 2014-09 ("ASU 2014-09"), Revenue from Contracts with Customers (Topic 606) and other accounting standards effective in future periods.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk primarily from changes in interest rates and foreign currency exchange rates. In certain situations, we seek to reduce earnings and cash flow volatility associated with changes in interest rates and foreign currency exchange rates by entering into financial arrangements to provide a hedge against a portion of the risks associated with such volatility. We continue to have exposure to such risks to the extent they are not hedged. We enter into derivative financial arrangements to the extent they meet the objectives described above, and we do not use derivatives for trading or speculative purposes. At December 31, 2017, we were a party to hedging transactions including the use of derivative financial instruments, as discussed below.

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Interest Rate Risk

In the normal course of business, we are exposed to the impact of interest rate changes due to our borrowing activities. Our objective is to manage the risk of interest rate changes on the results of operations, cash flows, and the market value of our debt by creating an appropriate balance between our fixed and floating-rate debt. We enter into interest rate derivative transactions from time to time, including interest rate swaps, in order to maintain a level of exposure to interest rate variability that we deem acceptable. At December 31, 2017 and December 31, 2016, we did not hold any interest rate swap contracts.

The following table sets forth the contractual maturities and the total fair values at December 31, 2017 for our financial instruments materially affected by interest rate risk:

	Maturities by period							
	2018	2019	2020	2021	2022	Thereafter	Total carrying amount	Total fair value
Fixed-rate debt (1)	$4	$200	$ 5	$255	$ 5	$ 913	$1,382	$1,459
Average interest rate (2)							4.88 %	
Floating-rate debt (3)	$5	$5	$ 6	$6	$ 6	$ 42	$70	$87
Average interest rate (2)							7.94 %	

(1) Excludes capital lease obligations of $13 million and unamortized discounts and deferred financing fees of $14 million.

(2) Average interest rate at December 31, 2017.

(3) Includes the Grand Hyatt Rio de Janeiro construction loan which had a 7.93% interest rate at December 31, 2017. For additional information on floating-rate debt, see Part IV, Item 15, "Exhibits and Financial Statement Schedule—Note 9 to the Consolidated Financial Statements."

Foreign Currency Exposures and Exchange Rate Instruments

We transact business in various foreign currencies and utilize foreign currency forward contracts to offset our exposure associated with the fluctuations of certain foreign currencies. The U.S. dollar equivalent of the notional amount of the outstanding forward contracts, the majority of which relate to intercompany transactions, with terms of less than one year, were $254 million and $204 million at December 31, 2017 and December 31, 2016, respectively. We intend to offset the gains and losses related to our third-party debt, debt repayment guarantees, and intercompany transactions with gains or losses on our foreign currency forward contracts such that there is a negligible effect on net income. At December 31, 2017, a hypothetical 10% change in foreign currency exchange rates would result in an immaterial change in the fair value of the hedging instruments.

For the years ended December 31, 2017, December 31, 2016, and December 31, 2015, the effects of these derivative instruments within other income (loss), net on our consolidated financial statements resulted in losses of $19 million and gains of $25 million and $22 million, respectively. We offset the gains and losses on our foreign currency forward contracts with gains and losses related to our intercompany loans and transactions, such that there is a negligible effect to net income.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements and supplementary data required by Item 8 are contained in Item 15 of this annual report and are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

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Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms. In accordance with Rule 13a-15(b) of the Exchange Act, as of the end of the period covered by this annual report, an evaluation was carried out under the supervision and with the participation of the Company's management, including its Principal Executive Officer and Principal Financial Officer, of the effectiveness of its disclosure controls and procedures. Based on that evaluation, the Company's Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this annual report, were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to the Company's management, including the Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

Management's Report on Internal Control Over Financial Reporting.

Management's Report on Internal Control Over Financial Reporting is included in Part IV, Item 15 of this annual report.

Attestation Report of Independent Registered Public Accounting Firm.

The Attestation Report of Independent Registered Public Accounting Firm is included in Part IV, Item 15 of this annual report.

Changes in Internal Control

There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

On February 14, 2018, we filed a Certificate of Retirement with the Secretary of State of the State of Delaware to retire 135,100 shares of Class B common stock, $0.01 par value per share, of the Company. All 135,100 shares of Class B common stock were converted into shares of Class A common stock, $0.01 par value per share, of the Company in connection with the sale by certain selling stockholders into the public market pursuant to Rule 144 under the Securities Act of 1933, as amended. Our Amended and Restated Certificate of Incorporation requires that any shares of Class B common stock that are converted into shares of Class A common stock be retired and may not be reissued.

Effective upon filing, the Certificate of Retirement amended our Amended and Restated Certificate of Incorporation to reduce the total authorized number of shares of capital stock of the Company by 135,100 shares. The total number of authorized shares of the Company is now 1,412,613,149, such shares consisting of 1,000,000,000 shares designated Class A common stock, 402,613,149 shares designated Class B common stock, and 10,000,000 shares designated preferred stock, par value $0.01 per share. A copy of the Certificate of Retirement is attached as Exhibit 3.1 to this Annual Report on Form 10-K.

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Part III

Item 10. Directors, Executive Officers, and Corporate Governance.
The information required by this Item 10 is incorporated by reference to the information set forth in the Company's definitive proxy statement, to be filed with the SEC within 120 days after the end of the Company's fiscal year ended December 31, 2017 pursuant to Regulation 14A under the Exchange Act in connection with our 2018 Annual Meeting of Stockholders.
Information required by this Item 10 appears under the captions: "CORPORATE GOVERNANCE—PROPOSAL 1—ELECTION OF DIRECTORS," "CORPORATE GOVERNANCE—OUR BOARD OF DIRECTORS," "CORPORATE GOVERNANCE," "CORPORATE GOVERNANCE—COMMITTEES OF THE BOARD OF DIRECTORS—Nominating and Corporate Governance Committee," "STOCK—SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" and "CORPORATE GOVERNANCE—COMMITTEES OF THE BOARD OF DIRECTORS—Audit Committee" in the definitive proxy statement. See Part I, "Executive Officers of the Registrant" of this annual report for information regarding executive officers of the Company.
Code of Business Conduct and Ethics
The Company has adopted the Hyatt Hotels Corporation Code of Business Conduct and Ethics (the "Code of Ethics"), which is applicable to all of the Hyatt directors, officers, and colleagues, including the Company's President and Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer or Controller, and other senior financial officers performing similar functions. The Code of Ethics is posted on the Company's website at http://www.hyatt.com. The Company will furnish a copy of the Code of Ethics to any person, without charge, upon written request directed to: Treasurer and Senior Vice President, Investor Relations and Corporate Finance, Hyatt Hotels Corporation, 150 North Riverside Plaza, Chicago, Illinois 60606. In the event that the Company amends or waives any of the provisions of the Code of Ethics that applies to the Company's Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer or Controller, and other senior financial officers performing similar functions, the Company intends to disclose the subsequent information on its website.
Item 11. Executive Compensation.
The information required by this Item 11 is incorporated by reference to the information set forth in the Company's definitive proxy statement, to be filed with the SEC within 120 days after the end of the Company's fiscal year ended December 31, 2017 pursuant to Regulation 14A under the Exchange Act in connection with our 2018 Annual Meeting of Stockholders.
Information related to this Item 11 appears under the captions: "EXECUTIVE COMPENSATION," "CORPORATE GOVERNANCE—COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION," "CORPORATE GOVERNANCE—COMPENSATION OF DIRECTORS," "CORPORATE GOVERNANCE—COMPENSATION COMMITTEE REPORT" and "CORPORATE GOVERNANCE—COMMITTEES OF THE BOARD OF DIRECTORS— Compensation Committee—Compensation Risk Considerations" in the definitive proxy statement.
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.
The information required by this Item 12 is incorporated by reference to the information set forth in the Company's definitive proxy statement, to be filed with the SEC within 120 days after the end of the Company's fiscal year ended December 31, 2017 pursuant to Regulation 14A under the Exchange Act in connection with our 2018 Annual Meeting of Stockholders.
Information related to this Item 12 appears under the caption: "STOCK—SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" in the definitive proxy statement.

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Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides certain information at December 31, 2017 about Class A common stock that may be issued under our existing equity compensation plans:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted average exercise price of outstanding options		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)	
Equity Compensation Plans Approved by Security Holders	5,409,593	(1)	$47.07	(2)	4,751,206	(3)
Equity Compensation Plans Not Approved by Security Holders	—		—		1,469,195	(4)
Total	5,409,593		$47.07		6,220,401	

(1) Includes (a) Stock Appreciation Rights ("SARs") to purchase 3,825,315 shares of Class A common stock issued under the LTIP with a weighted average exercise price of $47.07 (calculated on a one-for-one basis), (b) 1,570,309 shares of Class A common stock to be issued or retained, as applicable, upon the vesting of Restricted Stock Units ("RSUs") and Performance Share Units ("PSUs") issued under the LTIP for which no exercise price will be paid (assuming maximum payout of PSU awards), and (c) 13,969 shares of Class A common stock issued pursuant to the ESPP in connection with the October 2017 to December 2017 purchase period (which shares will be issued in January 2018).

(2) The calculation of weighted average exercise price only includes outstanding SARs.

(3) Includes (a) 4,267,423 shares of Class A common stock that remain available for issuance under the LTIP and (b) 483,783 shares of Class A common stock that remain available for issuance pursuant to the ESPP.

(4) Includes (a) 1,169,195 shares of Class A common stock that remain available for issuance pursuant to the DCP and (b) 300,000 shares of Class A common stock that remain available for issuance pursuant to the FRP.

The DCP provides eligible participants employed in the United States with the opportunity to defer a portion of their compensation and receive employer contributions. Compensation deferred under the DCP as well as employer contributions, if any, are credited to a participant’s account under the DCP and are held in a rabbi trust on behalf of the participants. A participant may direct the investment of funds in such participant’s account in certain investment funds. In 2010, certain participants were offered a one-time election to have up to 15% of certain fully vested and nonforfeitable accounts invested in Class A common stock (with the account balances calculated as of June 1, 2010). In connection with such elections, 30,805 shares of Class A common stock were issued to the trustee of the DCP. The number of shares of Class A common stock to be allocated to each electing participant’s account was determined by dividing the dollar amount of such participant’s elected percentage of such participant's account balance by the closing price of Class A common stock on June 2, 2010. The shares of Class A common stock held in such accounts are held in the trust on behalf of the participant until distributed upon termination of employment. Participants’ accounts under the DCP generally are distributed in cash. However, the portion of the participant’s account invested in Class A common stock will be distributed in shares of Class A common stock. The material terms of the FRP are the same as the material terms of the DCP. Participants in the FRP are employees located outside of the United States. Participants in the FRP have not been given an election to invest their accounts in Class A common stock due to international securities law considerations. However, the board of directors has reserved 300,000 shares of Class A common stock for issuance under the FRP in the event that participants in the FRP are given such an election in the future.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item 13 is incorporated by reference to the information set forth in the Company's definitive proxy statement, to be filed with the SEC within 120 days after the end of the Company's fiscal year ended December 31, 2017 pursuant to Regulation 14A under the Exchange Act in connection with our 2018 Annual Meeting of Stockholders.

Information related to this Item 13 appears under the captions: "CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS" and "CORPORATE GOVERNANCE—DIRECTOR INDEPENDENCE" in the definitive proxy statement.

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Item 14. Principal Accountant Fees and Services.

The information required by this Item 14 is incorporated by reference to the information set forth in the Company's definitive proxy statement, to be filed with the SEC within 120 days after the end of the Company's fiscal year ended December 31, 2017 pursuant to Regulation 14A under the Exchange Act in connection with our 2018 Annual Meeting of Stockholders.

Information related to this Item 14 appears under the caption "INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM" in the definitive proxy statement.

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Part IV

Item 15. Exhibits and Financial Statement Schedule.

The following documents are filed as part of this annual report.

(a) Financial Statements

The following consolidated financial statements are included in this annual report on the pages indicated:

(b) Financial Statement Schedule

The following financial statement schedule is included in this annual report on the page indicated:

(c) Exhibits

The Exhibit Index follows Schedule II - Valuation and Qualifying Accounts for the Years Ended December 31, 2017, December 31, 2016, and December 31, 2015 and is incorporated herein by reference.

Item 16. Form 10-K Summary.

Omitted at registrant’s option.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HYATT HOTELS CORPORATION

By: /s/ Mark S. Hoplamazian
Mark S. Hoplamazian
President and Chief Executive Officer

Date: February 15, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons, on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Titles	Date
/s/ Mark S. Hoplamazian Mark S. Hoplamazian	President, Chief Executive Officer and Director (Principal Executive Officer)	February 15, 2018
/s/ Patrick J. Grismer Patrick J. Grismer	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 15, 2018
/s/ Elizabeth M. Bauer Elizabeth M. Bauer	Senior Vice President, Corporate Controller (Principal Accounting Officer)	February 15, 2018
/s/ Thomas J. Pritzker Thomas J. Pritzker	Executive Chairman of the Board	February 15, 2018
/s/ Paul D. Ballew Paul D. Ballew	Director	February 15, 2018
/s/ Richard A. Friedman Richard A. Friedman	Director	February 15, 2018
/s/ Susan D. Kronick Susan D. Kronick	Director	February 15, 2018
/s/ Mackey J. McDonald Mackey J. McDonald	Director	February 15, 2018
/s/ Cary D. McMillan Cary D. McMillan	Director	February 15, 2018
/s/ Pamela M. Nicholson Pamela M. Nicholson	Director	February 15, 2018
/s/ Jason Pritzker Jason Pritzker	Director	February 15, 2018
/s/ Michael A. Rocca Michael A. Rocca	Director	February 15, 2018
/s/ Richard C. Tuttle Richard C. Tuttle	Director	February 15, 2018
/s/ James H. Wooten, Jr. James H. Wooten, Jr.	Director	February 15, 2018

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MANAGEMENT'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Hyatt Hotels Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Hyatt Hotels Corporation's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Hyatt Hotels Corporation; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Hyatt Hotels Corporation are being made only in accordance with authorizations of Hyatt Hotels Corporation's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets of Hyatt Hotels Corporation that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Hyatt Hotels Corporation's internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on this assessment, management determined that Hyatt Hotels Corporation maintained effective internal control over financial reporting as of December 31, 2017.

Deloitte & Touche LLP, the independent registered public accounting firm that has audited the consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on Hyatt Hotels Corporation's internal control over financial reporting as of December 31, 2017. That report is included in Item 15 of this Annual Report on Form 10-K.

/s/ Mark S. Hoplamazian
Mark S. Hoplamazian
President & Chief Executive Officer

/s/ Patrick J. Grismer
Patrick J. Grismer
Executive Vice President, Chief Financial Officer

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Stockholders and the Board of Directors of
Hyatt Hotels Corporation
Chicago, Illinois

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Hyatt Hotels Corporation and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 15, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Chicago, Illinois
February 15, 2018

We have served as the Company's auditor since 2003.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Stockholders and the Board of Directors of
Hyatt Hotels Corporation
Chicago, Illinois

Opinion on Internal Control over Financial Reporting
We have audited the internal control over financial reporting of Hyatt Hotels Corporation and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.
We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2017, of the Company and our report dated February 15, 2018, expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.
Basis for Opinion
The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.
Definition and Limitations of Internal Control over Financial Reporting
A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Chicago, Illinois
February 15, 2018

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HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2017, December 31, 2016, and December 31, 2015
(In millions of dollars, except per share amounts)

	2017	2016	2015
REVENUES:			
Owned and leased hotels	$2,192	$2,108	$2,079
Management and franchise fees	505	448	427
Other revenues	70	40	36
Other revenues from managed and franchised properties	1,918	1,833	1,786
Total revenues	4,685	4,429	4,328
DIRECT AND SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:			
Owned and leased hotels	1,674	1,610	1,562
Depreciation and amortization	366	342	320
Other direct costs	46	30	29
Selling, general, and administrative	379	315	308
Other costs from managed and franchised properties	1,918	1,833	1,786
Direct and selling, general, and administrative expenses	4,383	4,130	4,005
Net gains and interest income from marketable securities held to fund operating programs	47	19	4
Equity earnings (losses) from unconsolidated hospitality ventures	220	68	(64)
Interest expense	(80)	(76)	(68)
Gains (losses) on sales of real estate	51	(23)	9
Asset impairments	—	—	(5)
Other income (loss), net	33	2	(5)
INCOME BEFORE INCOME TAXES	573	289	194
PROVISION FOR INCOME TAXES	(323)	(85)	(70)
NET INCOME	250	204	124
NET INCOME AND ACCRETION ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1)	—	—
NET INCOME ATTRIBUTABLE TO HYATT HOTELS CORPORATION	$249	$204	$124
EARNINGS PER SHARE—Basic			
Net income	$2.00	$1.53	$0.87
Net income attributable to Hyatt Hotels Corporation	$1.99	$1.53	$0.87
EARNINGS PER SHARE—Diluted			
Net income	$1.98	$1.52	$0.86
Net income attributable to Hyatt Hotels Corporation	$1.97	$1.52	$0.86

See accompanying Notes to consolidated financial statements.

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HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2017, December 31, 2016, and December 31, 2015
(In millions of dollars)

	2017	2016	2015
Net income	$250	$204	$124
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments, net of tax expense (benefit) of $1, $-, and $(2) for the years ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively	56	(42)	(102)
Unrealized gains (losses) on available-for-sale securities, net of tax expense (benefit) of $23, $(4), and $21 for the years ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively	35	(6)	33
Unrecognized pension cost, net of tax benefit of $- for each of the years ended December 31, 2017, December 31, 2016, and December 31, 2015	—	—	(2)
Unrealized gains on derivative activity, net of tax expense of $-, $1, and $1 for the years ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively	1	1	1
Other comprehensive income (loss)	92	(47)	(70)
COMPREHENSIVE INCOME	342	157	54
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1)	—	—
COMPREHENSIVE INCOME ATTRIBUTABLE TO HYATT HOTELS CORPORATION	$341	$157	$54

See accompanying Notes to consolidated financial statements.

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HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2017 and December 31, 2016
(In millions of dollars, except share and per share amounts)

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$503	$482
Restricted cash	234	76
Short-term investments	49	56
Receivables, net of allowances of $21 and $18 at December 31, 2017 and December 31, 2016, respectively	350	304
Inventories	14	28
Prepaids and other assets	153	153
Prepaid income taxes	24	40
Total current assets	1,327	1,139
Investments	211	186
Property and equipment, net	4,034	4,270
Financing receivables, net of allowances	19	19
Goodwill	150	125
Intangibles, net	683	599
Deferred tax assets	242	313
Other assets	1,006	1,098
TOTAL ASSETS	$7,672	$7,749
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST, AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$11	$119
Accounts payable	175	162
Accrued expenses and other current liabilities	635	514
Accrued compensation and benefits	145	129
Total current liabilities	966	924
Long-term debt	1,440	1,445
Other long-term liabilities	1,725	1,472
Total liabilities	4,131	3,841
Commitments and contingencies (see Note 14)		
Redeemable noncontrolling interest in preferred shares of a subsidiary	10	—
EQUITY:		
Preferred stock, $0.01 par value per share, 10,000,000 shares authorized and none outstanding as of December 31, 2017 and December 31, 2016	—	—
Class A common stock, $0.01 par value per share, 1,000,000,000 shares authorized, 48,231,149 issued and outstanding at December 31, 2017, and Class B common stock, $0.01 par value per share, 402,748,249 shares authorized, 70,753,837 shares issued and outstanding at December 31, 2017. Class A common stock, $0.01 par value per share, 1,000,000,000 shares authorized, 39,952,061 issued and outstanding at December 31, 2016, and Class B common stock, $0.01 par value per share, 422,857,621 shares authorized, 90,863,209 shares issued and outstanding at December 31, 2016	1	1
Additional paid-in capital	967	1,686
Retained earnings	2,742	2,493

Accumulated other comprehensive loss	(185)	(277)
Total stockholders’ equity	3,525	3,903
Noncontrolling interests in consolidated subsidiaries	6	5
Total equity	3,531	3,908
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST, AND EQUITY	$7,672	$7,749

See accompanying Notes to consolidated financial statements.

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HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017, December 31, 2016, and December 31, 2015
(In millions of dollars)

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$250	$204	$124
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	366	342	320
Amortization of share awards	32	26	26
Deferred income taxes	47	(3)	(103)
Equity (earnings) losses from unconsolidated hospitality ventures	(220)	(68)	64
(Gains) losses on sales of real estate	(51)	23	(9)
Realized losses from marketable securities	40	6	—
Distributions from unconsolidated hospitality ventures	29	35	36
Other	1	(44)	55
Increase (decrease) in cash attributable to changes in assets and liabilities			
Restricted cash	13	(4)	78
Receivables, net	(37)	(14)	29
Inventories	12	2	1
Prepaid income taxes	14	21	(16)
Accounts payable, accrued expenses, and other current liabilities	95	7	(7)
Accrued compensation and benefits	22	7	5
Other long-term liabilities	24	10	1
Other, net	(17)	(61)	(66)
Net cash provided by operating activities	620	489	538

(Continued)

See accompanying Notes to consolidated financial statements.

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HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017, December 31, 2016, and December 31, 2015
(In millions of dollars)

	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of marketable securities and short-term investments	$(469)	$(464)	$(530)
Proceeds from marketable securities and short-term investments	480	457	521
Contributions to investments	(89)	(107)	(37)
Return of investments	425	132	19
Acquisitions, net of cash acquired	(259)	(492)	(3)
Capital expenditures	(298)	(211)	(269)
Issuance of financing receivables	—	(38)	(8)
Proceeds from financing receivables	—	38	28
Proceeds from sales of real estate, net of cash disposed	663	289	88
Sales proceeds transferred to escrow as restricted cash	(474)	—	—
Sales proceeds transferred from escrow to cash and cash equivalents	300	29	143
Pre-condemnation proceeds	15	—	—
Other investing activities	(28)	(13)	1
Net cash provided by (used in) investing activities	266	(380)	(47)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt, net of issuance costs of $-, $4, and $-, respectively	670	620	12
Repayments of debt	(782)	(438)	(5)
Repurchase of common stock	(743)	(272)	(715)
Proceeds from redeemable noncontrolling interest in preferred shares in a subsidiary	9	—	—
Other financing activities	(12)	(6)	(7)
Net cash used in financing activities	(858)	(96)	(715)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(7)	12	(4)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21	25	(228)
CASH AND CASH EQUIVALENTS—BEGINNING OF YEAR	482	457	685
CASH AND CASH EQUIVALENTS—END OF PERIOD	$503	$482	$457
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for interest	$80	$75	$69
Cash paid during the period for income taxes	$175	$95	$145
Non-cash investing and financing activities are as follows:			
Non-cash contributions to investments	$5	$13	$17
Non-cash management and franchise agreement intangibles	$3	$47	$3
Change in accrued capital expenditures	$9	$2	$6

(Concluded)

See accompanying Notes to consolidated financial statements.

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HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2017, December 31, 2016, and December 31, 2015
(In millions of dollars)

	Total	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock Amount	Accumulated Other Comprehensive Loss	Noncontrolling Interests in Consolidated Subsidiaries
BALANCE—January 1, 2015	$4,631	$ 2	$ 2,621	$ 2,165	$ (1)	$ (160)	$ 4
Total comprehensive income	54	—	—	124	—	(70)	—
Repurchase of common stock	(715)	(1)	(714)	—	—	—	—
Directors compensation	2	—	2	—	—	—	—
Employee stock plan issuance	3	—	3	—	—	—	—
Share-based payment activity	20	—	19	—	1	—	—
BALANCE—December 31, 2015	$3,995	$ 1	$ 1,931	$ 2,289	$ —	$ (230)	$ 4
Total comprehensive income	157	—	—	204	—	(47)	—
Contributions from noncontrolling interests	1	—	—	—	—	—	1
Repurchase of common stock	(272)	—	(272)	—	—	—	—
Directors compensation	2	—	2	—	—	—	—
Employee stock plan issuance	3	—	3	—	—	—	—
Share-based payment activity	22	—	22	—	—	—	—
BALANCE—December 31, 2016	$3,908	$ 1	$ 1,686	$ 2,493	$ —	$ (277)	$ 5
Total comprehensive income	341	—	—	249	—	92	—
Contributions from noncontrolling interests	1	—	—	—	—	—	1
Repurchase of common stock	(743)	—	(743)	—	—	—	—
Directors compensation	2	—	2	—	—	—	—
Employee stock plan issuance	4	—	4	—	—	—	—
Share-based payment activity	18	—	18	—	—	—	—
BALANCE—December 31, 2017	$3,531	$ 1	$ 967	$ 2,742	$ —	$ (185)	$ 6

See accompanying Notes to consolidated financial statements.

HYATT HOTELS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in millions, unless otherwise indicated)

1. ORGANIZATION

Hyatt Hotels Corporation, a Delaware corporation, and its consolidated subsidiaries (collectively "Hyatt Hotels Corporation") provide hospitality and other services on a worldwide basis through the development, ownership, operation, management, franchising, and licensing of hospitality and wellness related businesses. We develop, own, operate, manage, franchise, license, or provide services to a portfolio of properties consisting of full service hotels, select service hotels, resorts, and other properties, including branded spas and fitness studios, and timeshare, fractional, and other forms of residential or vacation properties. At December 31, 2017, (i) we operated or franchised 331 full service hotels, comprising 128,051 rooms throughout the world, (ii) we operated or franchised 388 select service hotels, comprising 54,862 rooms, of which 343 hotels are located in the United States, and (iii) our portfolio of properties included 6 franchised all inclusive Hyatt-branded resorts, comprising 2,401 rooms, and 3 destination wellness resorts, comprising 399 rooms. At December 31, 2017, our portfolio of properties operated in 58 countries around the world.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—Our consolidated financial statements present the results of operations, financial position, and cash flows of Hyatt Hotels Corporation and its majority owned and controlled subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates—We are required to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying Notes. Actual results could differ materially from such estimated amounts.

Revenue Recognition—Our revenues are primarily derived from the following sources and are generally recognized when services have been rendered:

- Owned and leased hotels revenues are derived from room rentals and services provided at our owned and leased properties and are recognized when rooms are occupied and services have been rendered. Sales and occupancy taxes are recorded on a net basis in our consolidated statements of income.
- Management and franchise fees earned from hotels managed and franchised worldwide:
  - Management fees primarily consist of a base fee, which is generally computed as a percentage of gross revenues, and an incentive fee, which is generally computed based on a hotel profitability measure. Base fee revenues are recognized when earned in accordance with the terms of the contract. We recognize incentive fees that would be due as if the contract were to terminate at that date, exclusive of any termination fees payable or receivable by us.
  - Realized gains from the sale of hotel real estate assets where we maintain substantial continuing involvement in the form of a long-term management contract are deferred and recognized as management fee revenue over the term of the underlying management contract.
  - Franchise fees consist of an initial application fee and continuing royalty fees calculated based on a percentage of gross room revenues and in certain circumstances, food and beverage revenues. Fees are recognized as they are earned and become due from the franchisee and when all material services have been substantially performed or satisfied by the franchisor.
- Other revenues include revenues from our co-branded credit card and exhale. We recognize revenue from our co-branded credit card upon: (1) the sale of points to our third-party partner and (2) the fulfillment or expiration of a card member's promotional awards.
- Other revenues from managed and franchised properties represent the reimbursement of costs incurred on behalf of the owners of hotel properties we manage and franchise. These costs relate primarily to payroll costs at managed properties where we are the employer, as well as reservations, sales, marketing, technology, and loyalty program costs at managed and franchised properties. Since the reimbursements are made based upon the costs incurred with no added margin, these revenues and corresponding expenses have no effect on our net income.

Cash Equivalents—We consider all highly liquid investments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents.

Restricted Cash—We had restricted cash of $234 million and $76 million at December 31, 2017 and December 31, 2016, respectively, which includes:

- $207 million at December 31, 2017 related to sale proceeds from the disposition of Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch pursuant to a like-kind exchange (see Note 7);
- $12 million and $14 million, respectively, related to debt service on bonds acquired in connection with the acquisition of the entity that owned Grand Hyatt San Antonio (see Note 9); in addition, we have $11 million recorded in other assets in both periods;
- $9 million related to our captive insurance subsidiary for minimum capital and surplus requirements in accordance with local insurance regulations (see Note 14); and
- $40 million at December 31, 2016 related to sales proceeds from the 2014 dispositions of two Canadian hotels, as the Canadian tax regulations required a portion of the proceeds be classified as restricted until completion of regulatory review.

The remaining restricted cash balances of $6 million and $13 million at December 31, 2017 and December 31, 2016, respectively, relate to escrow deposits and other arrangements. These amounts are invested in interest-bearing accounts.

Investments—We have investments in unconsolidated hospitality ventures recorded under the equity and cost methods. These investments are an integral part of our business and are strategically and operationally important to our overall results. When we receive a distribution from an investment, we determine whether it is a return on our investment or a return of our investment based on the underlying nature of the distribution. We assess investments in unconsolidated hospitality ventures for impairment quarterly. When there is indication a loss in value has occurred, we evaluate the carrying value in comparison to the estimated fair value of the investment. Fair value is based upon internally developed discounted cash flow models, third-party appraisals, and if appropriate, current estimated net sales proceeds from pending offers. The principal factors used in the discounted cash flow analysis requiring judgment are the projected future cash flows, the discount rate, and the capitalization rate assumptions. Our estimates of projected future cash flows are based on historical data, various internal estimates, and a variety of external sources, and are developed as part of our routine, long-term planning process. If the estimated fair value is less than carrying value, we use our judgment to determine if the decline in value is other than temporary. In determining this, we consider factors including, but not limited to, the length of time and extent of the decline, loss of value as a percentage of the cost, financial condition and near-term financial projections, our intent and ability to recover the lost value, and current economic conditions. Impairments deemed other than temporary are charged to equity earnings (losses) from unconsolidated hospitality ventures or other income (loss), net on our consolidated statements of income. For additional information about investments, see Note 3.

Marketable Securities—Our investments in marketable securities consist of various types of mutual funds, preferred shares, interest bearing money market funds, time deposits, common stock, and fixed income securities, including U.S. government obligations, obligations of other government agencies, corporate debt, mortgage-backed and asset-backed securities, and municipal and provincial notes and bonds and are classified as either trading, AFS, or HTM.

- Trading securities—recorded at fair value based on listed market prices or dealer price quotations where available. Realized gains and losses on trading securities are reflected in net gains and interest income from marketable securities held to fund operating programs on our consolidated statements of income.
- AFS securities—recorded at fair value as described in Note 4. Unrealized gains and losses on AFS securities are reported as part of accumulated other comprehensive loss on our consolidated balance sheets. Realized gains and losses on AFS securities are recognized in other income (loss), net on our consolidated statements of income.
- HTM securities—debt security investments which we have the ability to hold until maturity and are recorded at amortized cost.

AFS and HTM securities are assessed for impairment quarterly. To determine if an impairment is other than temporary, we consider the duration and severity of the loss position, the strength of the underlying collateral, the term to maturity, credit rating, and our intent to sell. For debt securities that are deemed other than temporarily impaired and there is no intent to sell, impairments are separated into the amount related to the credit loss, which is typically recorded in other income (loss), net on our consolidated statements of income and the amount related to all other factors, which is recorded in accumulated other comprehensive loss on our consolidated balance sheets. For debt securities that are deemed other than temporarily impaired and there is intent to sell, impairments in their entirety are recorded on our consolidated statements of income. For additional information about marketable securities, see Note 4.

Foreign Currency—The functional currency of our consolidated entities located outside the United States of America is generally the local currency. The assets and liabilities of these entities are translated into U.S. dollars at year-end exchange rates, and the related gains and losses, net of applicable deferred income taxes, are reflected in accumulated other comprehensive loss on our consolidated balance sheets. Gains and losses from foreign currency transactions are included in earnings. Gains and losses from foreign exchange rate changes related to intercompany receivables and payables of a long-term nature are generally included in accumulated other comprehensive loss. Gains and losses from foreign exchange rate movement related to intercompany receivables and payables that are not long-term are included in earnings.

Financing Receivables—Financing arrangements represent contractual rights to receive money either on demand or on fixed or determinable dates and are recognized on our consolidated balance sheets at amortized cost. We recognize interest income as earned and provide an allowance for cancellations and defaults. Our financing receivables are composed of individual unsecured loans and other types of unsecured financing arrangements provided to hotel owners. These financing receivables generally have stated maturities and interest rates, however, the repayment terms vary and may be dependent upon future cash flows of the hotel.

On an ongoing basis, we monitor the credit quality of our financing receivables based on payment activity. We determine our financing to hotel owners to be non-performing if interest or principal is greater than 90 days past due based on the contractual terms of the individual financing receivables, if an impairment charge is recorded for a loan, or if a provision is established for our other financing arrangements. If we consider a financing receivable to be non-performing, we place the financing receivable on non-accrual status.

We individually assess all loans within financing receivables for impairment quarterly. This assessment is based on an analysis of several factors including current economic conditions and industry trends, as well as the specific risk characteristics of these loans including capital structure, loan performance, market factors, and the underlying hotel performance. When it is probable that we will be unable to collect all amounts due in accordance with the contractual terms of the individual loan agreement or if projected future cash flows available for repayment of unsecured receivables indicate there is a collection risk, we measure the impairment based on the present value of projected future cash flows discounted at the loan's effective interest rate. For impaired loans, we establish a specific loan loss reserve for the difference between the recorded investment in the loan and the estimated fair value.

In addition to loans, we include other types of financing arrangements in unsecured financing to hotel owners which we do not assess individually for impairment. We regularly evaluate our reserves for these other financing arrangements.

We write off financing to hotel owners when we determine the receivables are uncollectible and when all commercially reasonable means of recovering the receivable balances have been exhausted.

We recognize interest income when received for impaired loans and financing receivables on non-accrual status which is recorded to other income (loss), net in our consolidated statements of income. Accrual of interest income is resumed when the receivable becomes contractually current and collection doubts are removed. For additional information about financing receivables, see Note 6.

Accounts Receivable—Our accounts receivable primarily consist of trade receivables due from guests for services rendered at our owned and leased properties and from hotel owners with whom we have management and franchise agreements for services rendered and for reimbursements of costs incurred on behalf of managed and franchised properties. We record an accounts receivable reserve when losses are probable, based on an assessment of past collection activity and current business conditions.

Inventories—Inventories are comprised of operating supplies and equipment that have a period of consumption of two years or less, and food and beverage items at our owned and leased hotels which are generally valued at the lower of cost (first-in, first-out) or net realizable value. At December 31, 2016, inventories also included two luxury villas and the associated land at Andaz Maui at Wailea Resort which were carried at the lower of cost or net realizable value.

Property and Equipment and Definite-Lived Intangibles—Property and equipment and definite-lived intangibles are stated at cost, including interest incurred during development and construction periods, less accumulated depreciation and amortization. Depreciation and amortization are recognized over the estimated useful lives of the assets, primarily on the straight-line method.

Useful lives assigned to property and equipment are as follows:

Buildings and improvements	10-50 years
Leasehold improvements	The shorter of the lease term or useful life of asset
Furniture and equipment	3-20 years
Computers	3-7 years

Useful lives assigned to definite-lived intangibles are as follows:

Management and franchise agreement intangibles	Initial term of management or franchise agreement
Lease related intangibles	Lease term
Advanced booking intangibles	Period of the advanced bookings

We assess property and equipment and definite-lived intangibles for impairment quarterly. When events or circumstances indicate the carrying amount may not be recoverable, we evaluate the net book value of the assets for impairment by comparison to the projected undiscounted future cash flows of the assets. The principal factor used in the undiscounted cash flow analysis requiring judgment is the projected future operating cash flows, which are based on historical data, various internal estimates, and a variety of external resources, and are developed as part of our routine, long-term planning process.

If the projected undiscounted future cash flows are less than the net book value of the assets, the fair value is determined based upon internally developed discounted cash flows of the assets, third-party appraisals or broker valuations, and if appropriate, current estimated net sales proceeds from pending offers. The principal factors used in the discounted cash flow analysis requiring judgment are the projected future operating cash flows, the discount rates, and the capitalization rate assumptions. The excess of the net book value over the estimated fair value is charged to asset impairments within our consolidated statements of income.

We evaluate the carrying value of our property and equipment and definite-lived intangibles based on our plans, at the time, for such assets and consider qualitative factors such as future development in the surrounding area, status of local competition, and any significant adverse changes in the business climate. Changes to our plans, including a decision to dispose of or change the intended use of an asset, may have a material impact on the carrying value of the asset.

For additional information about property and equipment and definite-lived intangibles, see Notes 5 and 8, respectively.

Acquisitions—Assets acquired and liabilities assumed in business combinations are recorded on our consolidated balance sheets at the respective acquisition dates based upon their estimated fair values, see Note 7. The results of operations of businesses acquired have been included in our consolidated statements of income since their respective dates of acquisition. In certain circumstances, the purchase price allocations are based upon preliminary estimates and assumptions. Accordingly, the allocations are subject to revision when we receive final information, including appraisals and other analyses.

Under the supervision of management, independent third-party valuation specialists estimate the fair value of our properties or businesses acquired using various recognized valuation methods including the income approach, the cost approach, and the sales comparison approach, which are primarily based on Level Three assumptions. Assumptions utilized in determining the fair value under these approaches include, but are not limited to, historical financial results when applicable, projected cash flows, discount rates, capitalization rates, current market conditions, and comparable transactions. The fair value is then allocated to tangible and intangible assets with any remaining value assigned to goodwill, if applicable. Various assumptions are used when determining the value to allocate to each identifiable asset, including discount rates, capitalization rates, royalty rates, timing of future cash flows, and a variety of external sources. When we acquire the remaining ownership interest in or the property from an unconsolidated hospitality venture in a step acquisition, we estimate the fair value of our equity interest using the assumed cash proceeds we would receive from sale to a third party at a market sales price, which is determined using the aforementioned fair value methodologies and assumptions.

Goodwill—Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. As required, we evaluate goodwill for impairment annually, and do so during the fourth quarter of each year using balances at October 1 and at an interim date if indications of impairment exist. Goodwill impairment is determined by comparing the fair value of a reporting unit to its carrying amount.

We evaluate the fair value of the reporting unit either by performing a qualitative or quantitative assessment. In any given year, we can elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is in excess of its carrying value. If it is not more likely than not that the fair value is in excess of the carrying value, or we elect to bypass the qualitative assessment, we proceed to the quantitative assessment.

When determining fair value, we utilize internally developed discounted future cash flow models, third-party appraisals or broker valuations and, if appropriate, current estimated net sales proceeds from pending offers. Under the discounted cash flow approach, we utilize various assumptions requiring judgment, including projected future cash flows, discount rates, and capitalization rates. Our estimates of projected future cash flows are based on historical data, various internal estimates, and a variety of external sources, and are developed as part of our routine, long-term planning process. We then compare the estimated fair value to our carrying value. If the carrying value is in excess of the fair value, we record an impairment charge based on the amount by which the reporting unit's carrying value exceeded its fair value, limited to the carrying amount of goodwill. The identified loss is recorded to asset impairments within our consolidated statements of income. For additional information about goodwill, see Note 8.
Indefinite-Lived Intangible Assets—We have certain indefinite-lived brand intangibles that were acquired through various business combinations. At the time of each respective acquisition, fair value was estimated using a relief from royalty methodology.
As required, we evaluate indefinite-lived intangible assets for impairment annually, and do so during the fourth quarter of each year using balances at October 1 and at an interim date if indications of impairment exist. We use the relief from royalty method to estimate the fair value. When determining fair value, we utilize internally developed discounted future cash flow models, which include various assumptions requiring judgment, including projected future cash flows and market royalty rates. Our estimates of projected cash flows are based on historical data, various internal estimates, and a variety of external sources, and are developed as part of our routine, long-term planning process. We then compare the estimated fair value to our carrying value. If the carrying value is in excess of the fair value, we record an impairment charge. The excess of the carrying value over the fair value is recorded to asset impairments within our consolidated statements of income. For additional information about indefinite-lived intangible assets, see Note 8.
Guarantees—We enter into performance guarantees related to certain hotels we manage. We also enter into debt repayment guarantees or other guarantees with respect to unconsolidated hospitality ventures, certain managed or franchised hotels, and other properties. We record a liability for the fair value of these guarantees at their inception date. In order to estimate the fair value, we use a Monte Carlo simulation to model the probability of possible outcomes. The valuation methodology requires that we make certain assumptions and judgments regarding: discount rates, volatility, hotel operating results, and hotel property sales prices. The fair value is not re-valued due to future changes in assumptions. The corresponding offset depends on the circumstances in which the guarantee was issued and is recorded to investments, intangibles, or expense. We amortize the liability for the fair value of a guarantee into income over the term of the guarantee using a systematic and rational, risk-based approach. Guarantees related to our managed or franchised hotels and other properties are amortized into income in other income (loss), net in our consolidated statements of income. Guarantees related to our unconsolidated hospitality ventures are amortized into equity earnings (losses) from unconsolidated hospitality ventures in our consolidated statements of income. On a quarterly basis, we evaluate the likelihood of funding under a guarantee. To the extent we determine an obligation to fund is both probable and estimable based upon performance during the period, we record a separate contingent liability in other income (loss), net or equity earnings (losses) from unconsolidated hospitality ventures. For additional information about guarantees, see Note 14.
Income Taxes—We account for income taxes to recognize the amount of taxes payable or refundable for the current year and the amount of deferred tax assets and liabilities resulting from the future tax consequences of differences between the financial statements and tax basis of the respective assets and liabilities. We recognize the financial statement effect of a tax position when, based on the technical merits of the uncertain tax position, it is more likely than not to be sustained on a review by taxing authorities. We review these estimates and make changes to recorded amounts of uncertain tax positions as facts and circumstances warrant. For additional information about income taxes, see Note 13.
Fair Value—We apply the provisions of fair value measurement to various financial instruments, which we measure at fair value on a recurring basis, and to various financial and nonfinancial assets and liabilities, which we measure at fair value on a nonrecurring basis. We disclose the fair value of our financial assets and liabilities based on observable

market information where available, or on market participant assumptions. These assumptions are subjective in nature, involve matters of judgment, and, therefore, fair values cannot always be determined with precision. When determining fair value, we maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level One—Fair values based on unadjusted quoted prices in active markets for identical assets and liabilities;

Level Two—Fair values based on quoted market prices for similar assets and liabilities in active markets, quoted prices in inactive markets for identical assets and liabilities, and inputs other than quoted market prices that are observable for the asset or liability; and

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Level Three—Fair values based on inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. Valuation techniques could include the use of discounted cash flow models and similar techniques.

We typically utilize the market approach and income approach for valuing our financial instruments. The market approach utilizes prices and information generated by market transactions involving identical or similar assets and liabilities and the income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). For instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the classification within the fair value hierarchy has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of fair value assets and liabilities within the fair value hierarchy.

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the short-term nature of these items and their close proximity to maturity. The carrying value of restricted cash approximates fair value. The fair value of marketable securities is discussed in Note 4; the fair value of financing receivables is discussed in Note 6; the fair value of long-term debt is discussed in Note 9; and the fair value of our guarantee liabilities is discussed in Note 14.

Stock-Based Compensation—As part of our LTIP, we award SARs, RSUs, Performance Shares ("PSs"), and PSUs to certain employees and directors:

- SARs—Each vested SAR gives the holder the right to the difference between the value of one share of our Class A common stock at the exercise date and the value of one share of our Class A common stock at the grant date. Vested SARs can be exercised over their life as determined in accordance with the LTIP. All SARs have a 10-year contractual term, are settled in shares of our Class A common stock, and are accounted for as equity instruments.

We record the compensation expense for SARs on a straight-line basis from the date of grant through the requisite service period. The exercise price of these SARs is the fair value of our common stock at the grant date, based on a valuation of the Company prior to the IPO, or the closing share price on the date of grant (as applicable). We recognize the effect of forfeitures for SARs as they occur.

- RSUs—Each vested RSU will generally be settled by delivery of a single share of our Class A common stock and therefore is accounted for as an equity instrument. In certain situations, we also grant a limited number of cash-settled RSUs, which are recorded as a liability instrument. The cash-settled RSUs represent an insignificant portion of certain previous grants.

The value of the RSUs is based upon the fair value of our common stock at the grant date, based upon a valuation of the Company prior to IPO, or the closing stock price of our Class A common stock for the December 2009 award and all subsequent awards. Awards issued prior to our November 2009 IPO are deferred in nature and will be settled once all tranches of the award have fully vested or otherwise as provided in the relevant agreements, while all awards issued in December 2009 and later will be settled as each individual tranche vests under the relevant agreements. We record compensation expense over the requisite service period of the individual grant and record the effect of forfeitures as they occur.

- PSs—The Company has granted PSs to certain executive officers. The number of PSs that will ultimately vest with no further restrictions on transfer depends upon the performance of the Company at the end of the applicable three-year performance period relative to the applicable performance target. The PSs vest in full if the maximum performance metric is achieved and are generally subject to continued employment through the applicable performance period. At the end of the performance period, the PSs that do not vest will be forfeited. The PSs will vest at the end of the performance period only if the performance threshold is met and continued service requirements are satisfied; there is no interim performance metric except in the case of certain change in control transactions. PSs will be settled in shares of our Class A common stock.
- PSUs—The Company has granted PSUs to certain executive officers. PSUs vest and are settled in Class A common stock based upon the performance of the Company through the end of the applicable three-year performance period relative to the applicable performance target and are generally subject to continued employment through the

applicable performance period. The PSUs will vest at the end of the performance period only if the performance threshold is met and continued service requirements are satisfied; there is no interim performance metric except in the case of certain change in control transactions.

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For additional information about stock-based compensation, see Note 16.

Loyalty Program—We operate the World of Hyatt loyalty program for the benefit of the Hyatt portfolio of properties owned, operated, managed, franchised, or licensed by us during the period of their participation in the loyalty program. The loyalty program is primarily funded through contributions from eligible revenues from loyalty program members and we use these funds for the payment of operating expenses and redemption of member awards associated with the loyalty program.

We charge the cost of operating the loyalty program, including the estimated cost of award redemption, to the properties based on members' qualified expenditures. Due to the requirement under the loyalty program that the properties reimburse us for the program's operating costs, we recognize this revenue from properties through other revenues from managed and franchised properties at the time such costs are incurred and expensed. We defer revenue received from the properties equal to the actuarially determined estimate of our future redemption obligation. Upon the redemption of points, we recognize the previously deferred revenue through other revenues from managed and franchised properties and recognize the corresponding expense relating to the cost of the awards redeemed through other costs from managed and franchised properties. Revenue is recognized by the properties when the points are redeemed, and expenses are recognized when the points are earned by the members.

We actuarially determine the estimate of the future redemption obligation based on statistical formulas that project the timing of future point redemption based on historical experience, including an estimate of the breakage for points that will never be redeemed, and an estimate of the points that will eventually be redeemed. Actual expenditures for the program may differ from the actuarially determined liability.

The loyalty program is financed by payments from the properties and returns on marketable securities. We invest amounts received from the properties in marketable securities which are included in other current and noncurrent assets (see Note 4). The noncurrent liabilities of the loyalty program are included in other long-term liabilities (see Note 12). Assets and liabilities of the loyalty program are as follows:

	December 31, 2017	December 31, 2016
Current assets	$ 171	$ 150
Noncurrent assets	298	296
Total assets	$ 469	$ 446
Current liabilities	$ 171	$ 150
Noncurrent liabilities	298	296
Total liabilities	$ 469	$ 446

The current liabilities include $152 million and $139 million recorded in accrued expenses and other current liabilities on our consolidated balance sheets at December 31, 2017 and December 31, 2016, respectively.

Recently Issued Accounting Pronouncements

Adopted Accounting Standards

In March 2016, the Financial Accounting Standards Board ("FASB") released Accounting Standards Update No. 2016-09 ("ASU 2016-09"), Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 simplifies the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The provisions of ASU 2016-09 were effective for interim periods and fiscal years beginning after December 15, 2016. We adopted ASU 2016-09 on January 1, 2017, which resulted in recognition of excess tax benefits from share-based payment transactions on our consolidated statements of income and within operating activities on our consolidated statements of cash flows, on a prospective basis. ASU 2016-09 did not materially impact our consolidated financial statements and prior periods have not been adjusted.

In January 2017, the FASB released Accounting Standards Update No. 2017-04 ("ASU 2017-04"), Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. ASU 2017-04 eliminates Step 2 from the impairment test which requires entities to determine the implied fair value of goodwill to measure if any impairment charge is necessary. Instead, entities will record an impairment charge based on the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The provisions of ASU 2017-04 are to be applied on a prospective basis and are effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted. We adopted ASU 2017-04 during the year ended December 31, 2017 in conjunction with our

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annual goodwill impairment testing. ASU 2017-04 did not materially impact our consolidated financial statements and prior periods have not been adjusted.

Future Adoption of Accounting Standards

In May 2014, the FASB released Accounting Standards Update No. 2014-09 ("ASU 2014-09"), Revenue from Contracts with Customers (Topic 606). ASU 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and provides a single, comprehensive revenue recognition model for contracts with customers. Subsequently, the FASB issued several related ASUs which further clarify the application of the standard. In August 2015, the FASB released Accounting Standards Update No. 2015-14 ("ASU 2015-14"), Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. ASU 2015-14 delays the effective date of ASU 2014-09 by one year, making it effective for interim periods and fiscal years beginning after December 15, 2017, with early adoption permitted as of the original effective date under ASU 2014-09.

ASU 2014-09 requires entities to recognize revenue when a customer obtains control of a good or a service. Revenues are recognized in an amount that reflects the consideration expected to be received in return for the goods or services. ASU 2014-09 also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The standard permits the use of either the full retrospective or modified retrospective (cumulative effect) transition method. We expect to adopt ASU 2014-09, and all related ASUs, utilizing the full retrospective transition method on January 1, 2018.

While we continue to evaluate possible impacts on our consolidated financial statements, ASU 2014-09 and the related ASUs are currently expected to impact either the amount or timing of revenue recognition as follows:

- Under existing guidance, gains on sales of real estate are deferred when we maintain substantial continuing involvement and are amortized into management and franchise fee revenues. Upon adoption of ASU 2014-09, gains on sales of real estate will be recognized when control of the property transfers to the buyer within gains (losses) on sales of real estate on our consolidated statements of income. As a result, we expect a reduction in management and franchise fee income in future periods, but in periods in which we dispose of a property, we expect to recognize the gain upon sale which would increase net income in the period of sale. Any remaining unamortized deferred gains at the date of adoption will be included as an adjustment to retained earnings. For the years ended December 31, 2017 and December 31, 2016, we recognized $25 million and $21 million, respectively, of management and franchise fee revenues related to the amortization of these deferred gains on our consolidated statements of income.
- Under existing guidance, amortization of certain management and franchise agreement intangibles is recorded within depreciation and amortization on our consolidated statements of income. Upon adoption of ASU 2014-09, certain management and franchise agreement intangibles will meet the definition of consideration paid to a customer and therefore, the amortization will be recorded as contra-revenue within management and franchise fee revenues on our consolidated statements of income following the same timing and recognition pattern as existing guidance. For the years ended December 31, 2017 and December 31, 2016, we recognized $18 million and $16 million, respectively, of amortization expense related to management and franchise agreement intangibles that will meet the definition of consideration paid to a customer upon adoption of ASU 2014-09. As a result, we expect an equal and offsetting reduction in both revenues and amortization expense in future periods, such that there is no impact to net income.
- Under existing guidance, incentive fees are recognized in the amount that would be due as if the contract were to terminate at that time. Under ASU 2014-09, variable consideration is included in the transaction price only if it is probable that a significant reversal in the cumulative amount of revenue recognized would not occur when the uncertainty associated with the variable consideration is subsequently resolved. This may result in a different pattern of quarterly recognition for incentive fees for certain contracts. We do not anticipate a material impact to incentive fee recognition on a full-year basis.
- Under existing guidance, franchise application fees are recognized at a point in time. Upon adoption of ASU 2014-09, franchise application fees will be recognized over the initial term of the franchise agreement. We do not expect this change to materially impact our consolidated financial statements.
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Under existing guidance, revenues include the reimbursement of costs incurred to operate our sales, reservations, technology, and marketing programs on behalf of the owners of managed and franchised properties and are recognized when costs are incurred with no added margins. Upon adoption of ASU 2014-09, we anticipate that the timing of revenue recognition may no longer align with the timing of expense recognition primarily in interim periods. However we do not anticipate a material impact to our consolidated statements of income on a full-year basis.

- Under existing guidance, revenues related to loyalty program award redemptions are deferred and recognized on a gross basis upon redemption. Upon adoption of ASU 2014-09, we anticipate recognizing revenue related to the loyalty program upon redemption, net of any reward reimbursement paid to a third party. We are still evaluating additional quantitative impacts of the new standard on our consolidated statements of income.

We do not expect the standard to materially affect the amount or timing of revenue recognition for royalty fees from our franchised properties, base management fees from our managed properties, technical services fees, termination fees, or revenues from hotel guest transactions at our owned and leased properties.

In January 2016, the FASB released Accounting Standards Update No. 2016-01 ("ASU 2016-01"), Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 revises the accounting for equity investments, excluding those accounted for under the equity method, and the presentation and disclosure requirements for financial instruments. The provisions of ASU 2016-01 are effective for interim periods and fiscal years beginning after December 15, 2017. ASU 2016-01 supersedes the guidance to classify equity securities with readily determinable fair values into different categories (trading versus AFS). All equity securities will be measured at fair value on a recurring basis unless an equity security does not have a readily determinable fair value. Equity securities without a readily determinable fair value will be remeasured at fair value only in periods in which an observable price change is available or upon identification of an impairment. All changes in fair value will be recognized in net income on our consolidated statements of income. Upon adoption, the unrealized gains (losses), net of tax, on our AFS equity securities, specifically on our investment in Playa Hotels & Resorts N.V. ("Playa N.V.") (see Note 4), will be reclassified from accumulated other comprehensive loss to retained earnings. The reclassification is estimated to be approximately $70 million at January 1, 2018. Subsequent changes in fair value will be recognized in net income on our consolidated statements of income. We do not expect that other requirements of ASU 2016-01 will have a material impact on our consolidated financial statements.

In February 2016, the FASB released Accounting Standards Update No. 2016-02 ("ASU 2016-02"), Leases (Topic 842). ASU 2016-02 requires lessees to record lease contracts on the balance sheet by recognizing a right-of-use asset and lease liability. The provisions of ASU 2016-02 are to be applied using a modified retrospective approach and are effective for interim periods and fiscal years beginning after December 15, 2018, with early adoption permitted. The leases for a majority of our hotels include contingent lease payments, which will be excluded from the impact of ASU 2016-02, see Note 10. We are currently evaluating the impact of adopting ASU 2016-02 and expect this ASU may have a material effect.

In June 2016, the FASB released Accounting Standards Update No. 2016-13 ("ASU 2016-13"), Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 replaces the existing impairment model for most financial assets from an incurred loss impairment model to a current expected credit loss model, which requires an entity to recognize an impairment allowance equal to its current estimate of all contractual cash flows the entity does not expect to collect. ASU 2016-13 also requires credit losses relating to AFS debt securities to be recorded through an allowance for credit losses. The provisions of ASU 2016-13 are to be applied using a modified retrospective approach and are effective for interim periods and fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting ASU 2016-13.

In October 2016, the FASB released Accounting Standards Update No. 2016-16 ("ASU 2016-16"), Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. ASU 2016-16 requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The provisions of ASU 2016-16 are effective for interim periods and fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-16 requires an entity to adopt the amendments on a modified retrospective basis, recognizing the effects in retained earnings at the beginning of the year of adoption. Upon adoption, we do not expect ASU 2016-16 to have a material impact on our consolidated financial statements.

In November 2016, the FASB released Accounting Standards Update No. 2016-18 ("ASU 2016-18"), Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force). Currently, transfers between cash and cash equivalents and restricted cash are included within operating and investing activities on our consolidated statements of cash flows. ASU 2016-18 requires amounts generally described as restricted cash to be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statements of cash flows. The provisions of ASU 2016-18 are effective for interim periods and fiscal years beginning after December 15, 2017, and are to be applied on a retrospective basis with early adoption permitted. Upon adoption, our restricted cash balances of $234 million and $76 million at December 31, 2017 and December 31, 2016, respectively, will be included in cash, cash equivalents, and restricted cash on our consolidated statements of cash flows.

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In January 2017, the FASB released Accounting Standards Update No. 2017-01 ("ASU 2017-01"), Business Combinations (Topic 805): Clarifying the Definition of a Business. ASU 2017-01 clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. Generally, our acquisitions of individual hotels are accounted for as business combinations, however, upon adoption of ASU 2017-01, there is an increased likelihood that certain acquisitions of individual hotels will be accounted for as asset acquisitions. The provisions of ASU 2017-01 are effective for interim periods and fiscal years beginning after December 15, 2017. This standard is effective on a prospective basis, and therefore does not affect the accounting treatment for any previous transactions. We will evaluate the other impacts of adopting ASU 2017-01 based on facts and circumstances prospectively as transactions occur.

3. EQUITY AND COST METHOD INVESTMENTS

	December 31, 2017	December 31, 2016
Equity method investments	$ 184	$ 180
Cost method investments	27	6
Total investments	$ 211	$ 186

Of our total investment balance at December 31, 2017 and December 31, 2016, $190 million and $186 million, respectively, were recorded in our owned and leased hotels segment.

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The carrying values and ownership percentages of our unconsolidated investments in hospitality ventures accounted for under the equity method were as follows:

	Ownership interests		Investment balance December 31, 2017	Investment balance December 31, 2016
Juniper Hotels Private Limited	50.0	%	$ 26	$ 37
Macae Partners SARL	70.0	%	17	7
San Jose Hotel Partners, LLC	40.0	%	16	15
Four One Five, LLC	44.7	%	16	15
Hotel Am Belvedere GmbH & Co KG	50.0	%	15	12
Hotel Hoyo Uno, S. de R.L. de C.V.	40.0	%	15	13
Rio Preto Partners SARL	70.0	%	13	14
Desarrolladora Hotelera Acueducto, S. de R.L. de C.V.	50.0	%	13	13
HH Nashville JV Holdings, LLC	50.0	%	12	7
Glendale Hotel Properties, LLC	50.0	%	11	—
Playa Hotels & Resorts BV	—	%	—	23
Other			30	24
Total			$ 184	$ 180

The following tables present summarized financial information for all unconsolidated hospitality ventures in which we hold an investment accounted for under the equity method:

	Years Ended December 31, 2017	2016	2015
Total revenues	$ 832	$ 1,229	$ 1,079
Gross operating profit	289	398	312
Income from continuing operations	54	160	33
Net income	54	160	33

	December 31, 2017	December 31, 2016
Current assets	$ 215	$ 443
Noncurrent assets	1,308	2,701
Total assets	$ 1,523	$ 3,144
Current liabilities	$ 156	$ 385
Noncurrent liabilities	1,224	2,037
Total liabilities	$ 1,380	$ 2,422

During 2017, we had the following activity:

- In conjunction with the sale of Avendra, an equity method investment within our Americas management and franchising segment, to Aramark, we received net proceeds of approximately $217 million. We recorded a gain of $217 million in equity earnings (losses) from unconsolidated hospitality ventures on our consolidated statements of income.
- We sold our ownership interest in an equity method investment within our owned and leased hotels segment for which we received proceeds of $8 million. We recorded a gain of $3 million in equity earnings (losses) from unconsolidated hospitality ventures on our consolidated statements of income.
- Two unconsolidated hospitality ventures, which are classified as equity method investments within our owned and leased hotels segment, sold two Hyatt Place hotels. We received proceeds of $4 million and recorded a gain of $3 million in equity earnings (losses) from unconsolidated hospitality ventures on our consolidated statements of income.

During 2016, we had the following activity:

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- We purchased our partners' interests in Andaz Maui at Wailea Resort. The transaction was accounted for as a step acquisition, and we recorded a gain of $14 million in equity earnings (losses) from unconsolidated hospitality ventures on our consolidated statements of income. See Note 7 for further discussion of our acquisition.
- We sold our ownership interest in an equity method investment within our owned and leased hotels segment for which we received proceeds of $4 million. We recorded a gain of $3 million in equity earnings (losses) from unconsolidated hospitality ventures on our consolidated statements of income.
- Two unconsolidated hospitality ventures, which are classified as equity method investments within our owned and leased hotels segment, sold five Hyatt Place hotels, for which we received combined proceeds of $15 million. We recorded gains of $7 million in equity earnings (losses) from unconsolidated hospitality ventures on our consolidated statements of income.

During 2015, we had the following activity:

- Unconsolidated hospitality ventures, which are classified as equity method investments within our owned and leased hotels segment, sold two Hyatt Place hotels for which we received proceeds of $16 million. We recorded gains of $13 million in equity earnings (losses) from unconsolidated hospitality ventures on our consolidated statements of income.
- We sold an entity which held an interest in one of our foreign currency denominated equity method investments within our owned and leased hotels segment, for which we received proceeds of $3 million. In connection with the sale, we released $21 million of accumulated foreign currency translation losses to equity earnings (losses) from unconsolidated hospitality ventures on our consolidated statements of income.

During 2017, 2016, and 2015, we recorded $3 million, $9 million, and $0, respectively, in impairment charges in equity earnings (losses) from unconsolidated hospitality ventures. The impairment charges in 2017 relate to one unconsolidated hospitality venture which is accounted for as an equity method investment. The impairment charges in 2016 relate to four unconsolidated hospitality ventures which are accounted for as equity method investments.

4. MARKETABLE SECURITIES

We hold marketable securities to fund certain operating programs and for investment purposes. Additionally, we periodically transfer available cash and cash equivalents to purchase marketable securities for investment purposes.

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Marketable Securities Held to Fund Operating Programs—Marketable securities held to fund operating programs, which are recorded at fair value and included on our consolidated balance sheets, were as follows:

	December 31, 2017	December 31, 2016
Loyalty program (Note 2)	$ 403	$ 394
Deferred compensation plans held in rabbi trusts (Note 11)	402	352
Captive insurance companies	111	65
Total marketable securities held to fund operating programs	$ 916	$ 811
Less current portion of marketable securities held to fund operating programs included in cash and cash equivalents, short-term investments, and prepaids and other assets	(156)	(109)
Marketable securities held to fund operating programs included in other assets	$ 760	$ 702

Net gains and interest income from marketable securities held to fund operating programs on our consolidated statements of income included realized and unrealized gains and losses and interest income related to the following:

	Years Ended December 31,		
	2017	2016	2015
Loyalty program	$2	$ 2	$ 1
Deferred compensation plans held in rabbi trusts	45	17	3
Total net gains and interest income from marketable securities held to fund operating programs	$47	$ 19	$ 4

Our captive insurance companies hold marketable securities which are classified as AFS debt securities and are invested in U.S. government agencies, time deposits, and corporate debt securities. We classify these investments as current or long-term, based on their contractual maturity dates, which range from 2018 through 2022.

Marketable Securities Held for Investment Purposes—Marketable securities held for investment purposes, which are recorded at fair value and included on our consolidated balance sheets, were as follows:

	December 31, 2017	December 31, 2016
Interest bearing money market funds	$ 26	$ 106
Time deposits	37	45
Preferred shares	—	290
Common shares	131	—
Total marketable securities held for investment purposes	$ 194	$ 441
Less current portion of marketable securities held for investment purposes included in cash and cash equivalents and short-term investments	(63)	(151)
Marketable securities held for investment purposes included in other assets	$ 131	$ 290

Preferred shares—During the year ended December 31, 2013, we invested $271 million in Playa for convertible redeemable preferred shares which were classified as an AFS debt security. The fair value of the preferred shares was:

	2017	2016
Fair value at January 1	$290	$335
Gross unrealized gains	—	19
Gross unrealized losses	(54)	(29)
Realized losses	(40)	(6)
Interest income	94	12
Cash redemption	(290)	(41)
Fair value at December 31	$—	$290

In October 2016, Playa redeemed 3,458,530 of our preferred shares plus accrued and unpaid paid in kind ("PIK") dividends thereon for $41 million.

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In March 2017, Playa completed a business combination with Pace Holdings Corporation ("Pace"), and our preferred shares plus accrued and unpaid PIK dividends were redeemed in full for $290 million. Upon redemption, we recorded $94 million of interest income and $40 million of realized losses in other income (loss), net on our consolidated statements of income. The realized losses were the result of a difference between the fair value of the initial investment and the contractual redemption price of $8.40 per share.

Prior to the redemption, the preferred shares were classified as a Level Three fair value measurement. At December 31, 2016, as a result of Playa's potential Pace business combination or potential future Playa IPO, we utilized a hybrid of the option-pricing model and the probability-weighted expected return method, to estimate the fair value of Playa's preferred shares. The hybrid model included various scenarios, such as the successful completion of the Pace business combination, potential future Playa IPO with assumptions around conversion and redemption, as well as a scenario using the option-pricing model. We assigned a probability to each scenario to arrive at the estimated fair value at December 31, 2016. Our scenarios included assumptions regarding (i) the successful completion of the Pace business combination, (ii) a potential range of IPO prices and size of the offering, and (iii) conversion of up to $50 million of our preferred shares into common shares of Playa. The option-pricing model scenario included assumptions regarding the expected term, risk-free interest rate over the expected term, volatility, dividend yield, and enterprise value. Financial forecasts were used in the computation of the enterprise value using the income approach, based on assumed revenue growth rates and operating margin levels. The risks associated with achieving these forecasts were assessed in selecting the appropriate weighted-average cost of capital.

The option-pricing scenarios included various assumptions as follows:

	December 31, 2016	
Expected term	1 year	
Risk-free interest rate	0.85	%
Volatility	46.5	%
Dividend yield	12.0	%

Common shares—Prior to the Playa business combination, we accounted for our common share investment in Playa as an equity method investment. As a result of the Playa business combination, Playa N.V. is publicly traded on the NASDAQ and our ownership percentage was diluted to 11.57%. As we no longer have the ability to significantly influence Playa N.V., our investment was recharacterized as an AFS equity security in March 2017. The fair value of the common shares is classified as Level One in the fair value hierarchy as we are able to obtain market available pricing information. The remeasurement of our investment at fair value resulted in unrealized gains recorded in other comprehensive income of $112 million at December 31, 2017. In conjunction with the Playa business combination, we also received 1,738,806 of founders' warrants to purchase 579,602 additional shares of Playa N.V.'s common stock and 237,110 of earn-out warrants. During the year ended December 31, 2017, we completed a non-cash exchange of the founders' warrants for additional common shares in Playa N.V.

HTM Debt Securities—At December 31, 2017 and December 31, 2016, we had investments in HTM debt securities of $47 million and $27 million, respectively, which are investments in third-party entities that own certain of our hotels and are recorded within other assets in our consolidated balance sheets. The securities are mandatorily redeemable between 2020 and 2025. The amortized cost of our investments approximate fair value. We estimated the fair value of our investments using internally developed discounted cash flow models based on current market inputs for similar types of arrangements. Based upon the lack of available market data, our investments are classified as Level Three within the fair value hierarchy. The primary sensitivity in these calculations is based on the selection of appropriate discount rates. Fluctuations in these assumptions could result in different estimates of fair value.

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Fair Value—We measured the following financial assets at fair value on a recurring basis:

	December 31, 2017	Cash and cash equivalents	Short-term investments	Prepaids and other assets	Other assets
Level One - Quoted Prices in Active Markets for Identical Assets					
Interest bearing money market funds	$ 75	$ 75	$ —	$ —	$ —
Mutual funds	402	—	—	—	402
Common Shares	131	—	—	—	131
Level Two - Significant Other Observable Inputs					
Time deposits	50	—	39	—	11
U.S. government obligations	158	—	—	38	120
U.S. government agencies	47	—	2	7	38
Corporate debt securities	179	—	8	33	138
Mortgage-backed securities	25	—	—	6	19
Asset-backed securities	40	—	—	10	30
Municipal and provincial notes and bonds	3	—	—	1	2
Total	$ 1,110	$ 75	$ 49	$ 95	$ 891

	December 31, 2016	Cash and cash equivalents	Short-term investments	Prepaids and other assets	Other assets
Level One - Quoted Prices in Active Markets for Identical Assets					
Interest bearing money market funds	$ 114	$ 114	$ —	$ —	$ —
Mutual funds	352	—	—	—	352
Level Two - Significant Other Observable Inputs					
Time deposits	59	—	46	—	13
U.S. government obligations	142	—	—	33	109
U.S. government agencies	53	—	9	8	36
Corporate debt securities	181	—	1	35	145
Mortgage-backed securities	22	—	—	5	17
Asset-backed securities	34	—	—	8	26
Municipal and provincial notes and bonds	5	—	—	1	4
Level Three - Significant Unobservable Inputs					
Preferred shares	290	—	—	—	290
Total	$ 1,252	$ 114	$ 56	$ 90	$ 992

During the years ended December 31, 2017 and December 31, 2016, there were no transfers between levels of the fair value hierarchy. Our policy is to recognize transfers in and transfers out as of the end of each quarterly reporting period. We do not have non-financial assets or non-financial liabilities required to be measured at fair value on a recurring basis.

We invest a portion of our cash into short-term interest bearing money market funds that have a maturity of less than 90 days. Consequently, the balances are recorded in cash and cash equivalents. The funds are held with open-ended registered investment companies, and the fair value of the funds is classified as Level One as we are able to obtain market available pricing information on an ongoing basis. The fair value of our mutual funds is classified as Level One as they trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis. Time deposits are recorded at par value, which approximates fair value, and are classified as Level Two. The remaining securities, other than our investment in preferred shares, are classified as Level Two due to the use and weighting of multiple market inputs being considered in the final price of the security. Market inputs include quoted market prices from active markets for identical securities, quoted market prices for identical securities in inactive markets, and quoted market prices in active and inactive markets for similar securities.

5. PROPERTY AND EQUIPMENT, NET

	December 31, 2017	December 31, 2016
Land	$ 916	$ 901
Buildings	3,880	4,125
Leasehold improvements	210	202
Furniture, equipment, and computers	1,204	1,316
Construction in progress	122	90
	6,332	6,634
Accumulated depreciation	(2,298)	(2,364)
Total property and equipment, net	$ 4,034	$ 4,270

	Years Ended December 31, 2017	2016	2015
Depreciation expense	$ 335	$ 315	$ 289

The net book value of capital leased assets at December 31, 2017 and December 31, 2016 was $10 million and $12 million, respectively, which is net of accumulated depreciation of $12 million and $10 million, respectively.
Interest capitalized as a cost of property and equipment was $4 million, $3 million, and $6 million for the years ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively.

6. FINANCING RECEIVABLES

	December 31, 2017	December 31, 2016
Unsecured financing to hotel owners	$ 127	$ 119
Less allowance for losses	(108)	(100)
Financing receivables, net of allowances	$ 19	$ 19

During the year ended December 31, 2015, we settled all of our outstanding secured financing receivables to hotel owners, resulting in net cash proceeds of $26 million and a net recovery of $8 million, which was recognized in other income (loss), net on our consolidated statements of income during the year ended December 31, 2015.

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Allowance for Losses and Impairments—The following table summarizes the activity in our unsecured financing receivables allowance:

	2017	2016
Allowance at January 1	$100	$98
Provisions	6	10
Write-offs	—	(8)
Other adjustments	2	—
Allowance at December 31	$108	$100

Credit Monitoring—Our unsecured financing receivables were as follows:

	December 31, 2017			
	Gross loan balance (principal and interest)	Related allowance	Net financing receivables	Gross receivables on non-accrual status
Loans	$13	$ —	$ 13	$ —
Impaired loans (1)	59	(59)	—	59
Total loans	72	(59)	13	59
Other financing arrangements	55	(49)	6	49
Total unsecured financing receivables	$127	$ (108)	$ 19	$ 108

(1) The unpaid principal balance was $44 million and the average recorded loan balance was $58 million at December 31, 2017.

	December 31, 2016			
	Gross loan balance (principal and interest)	Related allowance	Net financing receivables	Gross receivables on non-accrual status
Loans	$13	$ —	$ 13	$ —
Impaired loans (2)	56	(56)	—	56
Total loans	69	(56)	13	56
Other financing arrangements	50	(44)	6	44
Total unsecured financing receivables	$119	$ (100)	$ 19	$ 100

(2) The unpaid principal balance was $43 million and the average recorded loan balance was $57 million at December 31, 2016.

Fair Value—We estimated the fair value of financing receivables, which are classified as Level Three in the fair value hierarchy, to be approximately $20 million and $19 million at December 31, 2017 and December 31, 2016, respectively.

7. ACQUISITIONS AND DISPOSITIONS

Acquisitions

Exhale—During the year ended December 31, 2017, we acquired the equity of exhale from an unrelated third party for a purchase price of $16 million, net of $1 million cash acquired. Assets acquired and recorded within corporate and other primarily include a $9 million brand indefinite-lived intangible and $4 million of goodwill, of which $3 million is deductible for tax purposes.

Miraval—During the year ended December 31, 2017, we acquired Miraval from an unrelated third party. The transaction included the Miraval Life in Balance Spa brand, Miraval Arizona Resort & Spa in Tucson, Arizona, Travaasa Resort in Austin, Texas, and the option to acquire Cranwell Spa & Golf Resort ("Cranwell") in Lenox, Massachusetts. We subsequently exercised our option and acquired approximately 95% of Cranwell during the year ended December 31, 2017. Total cash consideration for Miraval was $237 million.

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The following table summarizes the fair value of the identifiable net assets acquired in the acquisition of Miraval, which is recorded within corporate and other:

Current assets, net of cash acquired	$1
Property and equipment	173
Indefinite-lived intangibles (1)	37
Management agreement intangibles (2)	14
Goodwill (3)	19
Other definite-lived intangibles (4)	7
Total assets	$251
Current liabilities	$12
Deferred tax liabilities	3
Total liabilities	15
Total net assets acquired attributable to Hyatt Hotels Corporation	236
Total net assets acquired attributable to noncontrolling interests	1
Total net assets acquired	$237

(1) Includes an intangible attributable to the Miraval brand.
(2) Amortized over a useful life of 20 years.
(3) The goodwill, of which $8 million is deductible for tax purposes, is attributable to Miraval's reputation as a renowned provider of wellness and mindfulness experiences, the extension of the Hyatt brand beyond traditional hotel stays, and the establishment of deferred tax liabilities.
(4) Amortized over useful lives ranging from two to seven years.

In conjunction with the acquisition of Miraval, a consolidated hospitality venture for which we are a managing partner (the "Miraval Venture") issued $9 million of redeemable preferred shares to unrelated third-party investors. The preferred shares are non-voting, except as required by applicable law and certain contractual approval rights, and have liquidation preference over all other classes of securities within the Miraval Venture. The redeemable preferred shares earn a return of 12% and a redemption premium that increases over time depending on the length of time the redeemable preferred shares are outstanding. The shares are classified as a redeemable noncontrolling interest in preferred shares of a subsidiary, which are presented between liabilities and equity on our consolidated balance sheets and carried at the current redemption value.

Andaz Maui at Wailea Resort—We previously held an equity method investment with a 65.7% interest and had a $180 million investment in the entities that own Andaz Maui at Wailea Resort. During the year ended December 31, 2016, we purchased the remaining 34.3% for a net purchase price of approximately $136 million, net of $12 million of cash acquired. This transaction was accounted for as a step acquisition and we recorded a gain of $14 million in equity earnings (losses) from unconsolidated hospitality ventures on our consolidated statements of income. The purchase of the remaining 34.3% interest was structured and identified as replacement property in a potential reverse like-kind exchange, but the allowable period to complete the exchange expired during 2017. In conjunction with the acquisition, the outstanding debt at the unconsolidated hospitality venture was repaid in full and we were released from our debt repayment guarantee obligation, see Note 14.

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The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed, which are recorded in our owned and leased hotels segment at the date of acquisition:

Cash and cash equivalents	$12
Receivables	3
Inventories	13
Prepaids and other assets	1
Property and equipment	323
Total assets	$352
Current liabilities	$10
Total liabilities	10
Total net assets acquired	$342

Land Held for Development—During the year ended December 31, 2016, we acquired land of $25 million from an unrelated third party with the intent to develop a hotel in Philadelphia.
Royal Palms Resort and Spa—During the year ended December 31, 2016, we acquired Royal Palms Resort and Spa in Phoenix, Arizona, from an unrelated third party for a net purchase price of approximately $86 million, net of $2 million of proration adjustments. Due to the iconic nature of the hotel, we retained the Royal Palms Resort and Spa name and added the hotel to The Unbound Collection by Hyatt. Of the $88 million purchase price, assets acquired and recorded in our owned and leased hotels segment consist of $75 million of property and equipment, a $9 million indefinite-lived brand intangible, and $1 million of advanced bookings intangibles. We also recorded $3 million of management agreement intangibles in our Americas management and franchising segment, which are being amortized over a useful life of 20 years.
The Confidante Miami Beach—During the year ended December 31, 2016, we acquired Thompson Miami Beach for a purchase price of approximately $238 million, from a seller indirectly owned by a limited partnership affiliated with the brother of our Executive Chairman. Of the $238 million purchase price, assets acquired consist of $228 million of property and equipment, which was recorded in our owned and leased hotels segment, and $10 million of management agreement intangibles, which were recorded in our Americas management and franchising segment and are being amortized over a useful life of 20 years. We rebranded this hotel as The Confidante Miami Beach and added the hotel to The Unbound Collection by Hyatt.
Dispositions
Hyatt Regency Monterey Hotel & Spa on Del Monte Golf Course—During the year ended December 31, 2017, we sold Hyatt Regency Monterey Hotel & Spa on Del Monte Golf Course to an unrelated third party for $58 million, net of closing costs and proration adjustments, and entered into a long-term franchise agreement with the owner of the property. The sale resulted in a pre-tax gain of $17 million, which was recognized in gains (losses) on sales of real estate on our consolidated statements of income during the year ended December 31, 2017. The operating results and financial position of this hotel prior to the sale remain within our owned and leased hotels segment.
Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch and Royal Palms Resort and Spa—During the year ended December 31, 2017, we sold Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch and Royal Palms Resort and Spa to an unrelated third party as a portfolio for $296 million, net of proration adjustments and closing costs, and entered into a long-term management agreement for each property upon sale. The sale resulted in a pre-tax gain of $160 million, which was deferred and is being recognized in management and franchise fees over the term of the management agreements within our Americas management and franchising segment. The operating results and financial position of these hotels prior to the sale remain within our owned and leased hotels segment.
Hyatt Regency Grand Cypress—During the year ended December 31, 2017, we sold Hyatt Regency Grand Cypress to an unrelated third party for $202 million, net of closing costs and proration adjustments, and entered into a long-term management agreement with the owner of the property. The sale resulted in a pre-tax gain of $26 million, which was deferred and is being recognized in management and franchise fees over the term of the management agreement within our Americas management and franchising segment. The operating results and financial position of this hotel

prior to the sale remain within our owned and leased hotels segment.

Hyatt Regency Louisville—During the year ended December 31, 2017, we sold Hyatt Regency Louisville to an unrelated third party for $65 million, net of closing costs and proration adjustments, and entered into a long-term franchise agreement with the owner of the property. The sale resulted in a pre-tax gain of $35 million, which was recognized in gains (losses) on sales of real estate on our consolidated statements of income during the year ended December 31, 2017. The operating results and financial position of this hotel prior to the sale remain within our owned and leased hotels segment.

Land Held for Development—During the year ended December 31, 2017, we sold land and construction in progress for $29 million to an unconsolidated hospitality venture in which we have a 50% ownership interest, with the intent to complete development of a hotel in Glendale, California.

Hyatt Regency Birmingham (U.K.)—During the year ended December 31, 2016, we sold the shares of the company that owns Hyatt Regency Birmingham (U.K.) to an unrelated third party for approximately $49 million, net of closing costs and proration adjustments, and entered into a long-term management agreement with the owner of the property. The sale resulted in a pre-tax gain of $17 million, which was deferred and is being recognized in management and franchise fees over the term of the management agreement, within our EAME/SW Asia management and franchising segment. The operating results and financial position of this hotel prior to the sale remain within our owned and leased hotels segment.

Andaz 5th Avenue—During the year ended December 31, 2016, we sold Andaz 5th Avenue to an unrelated third party for $240 million, net of $10 million of closing costs and proration adjustments, and entered into a long-term management agreement with the owner of the property. The sale resulted in a pre-tax loss of $23 million which was recognized in gains (losses) on sales of real estate on our consolidated statements of income during the year ended December 31, 2016. The operating results and financial position of this hotel prior to the sale remain within our owned and leased hotels segment.

Hyatt Regency Indianapolis—During the year ended December 31, 2015, we sold Hyatt Regency Indianapolis for $69 million, net of closing costs, to an unrelated third party, and entered into a long-term franchise agreement with the owner of the property. The sale resulted in a pre-tax gain of $8 million, which was recognized in gains (losses) on sales of real estate on our consolidated statements of income during the year ended December 31, 2015. The operating results and financial position of this hotel prior to the sale remain within our owned and leased hotels segment.

Land Held for Development—During the year ended December 31, 2015, we sold land and construction in progress for $14 million to an unconsolidated hospitality venture in which Hyatt has a 40% ownership interest.

A Hyatt House Hotel—During the year ended December 31, 2015, we sold a select service property for $5 million, net of closing costs, to an unrelated third party resulting in a pre-tax gain of $1 million which was recognized in gains (losses) on sales of real estate on our consolidated statements of income during the year ended December 31, 2015. The operating results and financial position of this hotel prior to the sale remain within our owned and leased hotels segment.

Like-Kind Exchange Agreements

Periodically, we enter into like-kind exchange agreements upon the disposition or acquisition of certain hotels. Pursuant to the terms of these agreements, the proceeds from the sales are placed into an escrow account administered by a qualified intermediary. The proceeds are recorded as restricted cash on our consolidated balance sheets and released (i) if they are utilized as part of a like-kind exchange agreement, (ii) if we do not identify a suitable replacement property within 45 days after the agreement date, or (iii) when a like-kind exchange agreement is not completed within the remaining allowable time period.

In conjunction with the sale of Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch during the year ended December 31, 2017, proceeds of $207 million were held as restricted for use in a potential like-kind exchange. In conjunction with the sales of Hyatt Regency Grand Cypress and Hyatt Regency Louisville during the year ended December 31, 2017, proceeds were initially held as restricted for use in a potential like-kind exchange. However, since suitable replacement properties were not identified within the specified 180 and 45 day periods, respectively, the proceeds from these sales were subsequently released.

The purchases of Royal Palms Resort and Spa and The Confidante Miami Beach during the year ended December 31, 2016 were initially structured and identified as replacement property in potential reverse like-kind exchange agreements, but the allowable periods to complete an exchange expired during the first quarter of 2017 and the fourth quarter of 2016, respectively.

In conjunction with the sale of five Hyatt Place properties during the year ended December 31, 2014, we entered into like-kind exchange agreements with a qualified intermediary. Pursuant to the like-kind exchange agreements, the combined net proceeds of $51 million from the sales of these hotels were placed into an escrow account administered by a qualified intermediary. During the year ended December 31, 2015, the qualified intermediary released the net proceeds as the identified replacement property was not acquired to complete the exchange.

In conjunction with the sale of 38 select service properties during the year ended December 31, 2014, we entered into like-kind exchange agreements with a qualified intermediary for 27 of the select service hotels. In the fourth quarter of 2014, we classified net proceeds of $403 million from the sale of these 27 properties as restricted cash. Of this total, the qualified intermediary utilized net proceeds of $311 million related to 21 of the select service hotels to acquire Park Hyatt New York. During the year ended December 31, 2015, the qualified intermediary utilized the remaining $92 million of net proceeds related to the other six hotels to complete a like-kind exchange in conjunction with the acquisition of Hyatt Regency Lost Pines Resort and Spa.

8. GOODWILL AND INTANGIBLE ASSETS, NET

	Owned and Leased Hotels	Americas Management and Franchising	Corporate and Other	Total
Balance at January 1, 2016				
Goodwill	$ 191	$ 33	$ —	$224
Accumulated impairment losses	(95)	—	—	(95)
Goodwill, net	$ 96	$ 33	$ —	$129
Activity during the year				
Foreign exchange (1)	(4)	—	—	(4)
Balance at December 31, 2016				
Goodwill	187	33	—	220
Accumulated impairment losses	(95)	—	—	(95)
Goodwill, net	$ 92	$ 33	$ —	$125
Activity during the year				
Additions	—	—	23	23
Foreign exchange (1)	2	—	—	2
Balance at December 31, 2017				
Goodwill	189	33	23	245
Accumulated impairment losses	(95)	—	—	(95)
Goodwill, net	$ 94	$ 33	$ 23	$150

(1) Foreign exchange translation adjustments related to the goodwill associated with Hyatt Regency Mexico City.

	December 31, 2017	Weighted average useful lives	December 31, 2016
Management and franchise agreement intangibles	$ 653	24	$ 589
Lease related intangibles	127	110	115
Brand and other indefinite-lived intangibles	53	—	16
Advanced booking intangibles	9	6	11
Other definite-lived intangibles	9	11	6
	851		737
Accumulated amortization	(168)		(138)
Intangibles, net	$ 683		$ 599

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	Years Ended December 31,		
	2017	2016	2015
Amortization expense	$ 31	$ 27	$ 31

We estimate amortization expense for definite-lived intangibles as follows:

Years Ending December 31,	
2018	$33
2019	32
2020	33
2021	32
2022	32

During the years ended December 31, 2017, December 31, 2016, and December 31, 2015, we did not record any impairment charges.

9. DEBT

	December 31, 2017	December 31, 2016
$196 million senior unsecured notes maturing in 2019—6.875%	$ 196	$ 196
$250 million senior unsecured notes maturing in 2021—5.375%	250	250
$350 million senior unsecured notes maturing in 2023—3.375%	350	350
$400 million senior unsecured notes maturing in 2026—4.850%	400	400
Tax-Exempt Contract Revenue Empowerment Zone Bonds, Series 2005A	130	130
Contract Revenue Bonds, Senior Taxable Series 2005B	55	59
Floating average rate construction loan	70	79
Revolving credit facility	—	100
Other	1	1
Long-term debt before capital lease obligations	1,452	1,565
Capital lease obligations	13	15
Total long-term debt	1,465	1,580
Less current maturities	(11)	(119)
Less unamortized discounts and deferred financing fees	(14)	(16)
Total long-term debt, net of current maturities	$ 1,440	$ 1,445

Under existing agreements, maturities of debt for the next five years and thereafter are as follows:

Years Ending December 31,	
2018	$11
2019	207
2020	12
2021	262
2022	12
Thereafter	961
Total	$1,465

Senior Notes—At December 31, 2017 and December 31, 2016, we had various series of senior unsecured notes, as further defined below, (the "Senior Notes"). Interest on the Senior Notes is payable semi-annually. We may redeem all or a portion of the Senior Notes at any time at 100% of the principal amount of the Senior Notes redeemed together with the accrued and unpaid interest, plus a make-whole amount, if any. The amount of any make-whole payment depends, in part, on the yield of U.S. Treasury securities with a comparable maturity to the Senior Notes at the date of redemption. A summary of the terms of the Senior Notes, by year of issuance, is as follows:

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- In 2009, we issued $250 million of 6.875% senior notes due 2019, at an issue price of 99.864% (the "2019 Notes"). Following a cash tender offer during the year ended December 31, 2013, $196 million aggregate principal amount of 2019 Notes remains outstanding.
- In 2011, we issued $250 million of 5.375% senior notes due 2021, at an issue price of 99.846% (the "2021 Notes").
- In 2013, we issued $350 million of 3.375% senior notes due 2023 at an issue price of 99.498% (the "2023 Notes").
- In 2016, we issued $400 million of 4.850% senior notes due 2026, at an issue price of 99.920% (the "2026 Notes"). We received net proceeds of $396 million from the sale of the 2026 Notes, after deducting discounts and offering expenses of approximately $4 million. We used a portion of the net proceeds to pay for the redemption of the 2016 Notes (as described below), with the remaining proceeds intended to be used for general corporate purposes.
- During the year ended December 31, 2016, we fully redeemed $250 million of 3.875% senior notes due 2016 (the "2016 Notes"), which represented the aggregate principal amount outstanding. The redemption price, which was calculated in accordance with the terms of the 2016 Notes and included principal and accrued interest plus a make-whole premium, was $254 million. The make-whole premium was recorded within other income (loss), net on our consolidated statements of income, see Note 20.

Tax-Exempt Contract Revenue Empowerment Zone Bonds, Series 2005A and Contract Revenue Bonds, Senior Taxable Series 2005B—During the year ended December 31, 2013, we acquired our partner's interest in the entity that owned Grand Hyatt San Antonio, and as a result, we consolidated $198 million of bonds, net of the $9 million bond discount, which is being amortized over the life of the bonds. The construction was financed in part by The City of San Antonio, Texas Convention Center Hotel Finance Corporation ("Texas Corporation"), a non-profit local government corporation created by the City of San Antonio, Texas for the purpose of providing financing for a portion of the costs of constructing the hotel. On June 8, 2005, the Texas Corporation issued $130 million of original principal amount Tax-Exempt Contract Revenue Empowerment Zone Bonds, Series 2005A ("Series 2005A Bonds") and $78 million of original principal amount Contract Revenue Bonds, Senior Taxable Series 2005B ("Series 2005B Bonds"). The Series 2005A Bonds mature between 2034 and 2039, with interest ranging from 4.75% to 5.00% and the remaining Series 2005B Bonds mature between 2020 and 2028, with interest ranging from 5.1% to 5.31%. The loan payments are required to be funded solely from net operating revenues of Grand Hyatt San Antonio and in the event that net operating revenues are not sufficient to pay debt service, the Texas Corporation under certain circumstances will be required to provide certain tax revenue to pay debt service on the 2005 Series bonds. The indenture allows for optional early redemption of the Series 2005B bonds subject to make-whole payments at any time with consent from the Texas Corporation and beginning in 2015 for the Series 2005A Bonds. Interest is payable semi-annually.

Floating Average Rate Construction Loan —During the year ended December 31, 2012, we obtained a secured construction loan with Banco Nacional de Desenvolvimento Econômico e Social - BNDES ("BNDES") in order to develop Grand Hyatt Rio de Janeiro. The loan is split into four separate sub-loans with different interest rates for each such sub-loan. All four sub-loans mature in 2023, with options to extend the maturity up to 2031 for sub-loans (a) and (b), subject to the fulfillment of certain conditions. Borrowings under the four sub-loans bear interest at the following rates, depending on the applicable sub-loan (a) the variable rate published by BNDES plus 2.92%, (b) the Brazilian Long Term Interest Rate - TJLP plus 3.92%, (c) 2.5% and (d) the Brazilian Long Term Interest Rate - TJLP, with the interest rates referred to in sub-loans (a) and (b) subject to reduction upon the delivery of certain certifications. On sub-loans (b) and (d), when the TJLP rate exceeds 6%, the amount corresponding to the TJLP portion above 6% is required to be capitalized daily. At December 31, 2017, the weighted average interest rates for the sub-loans we have drawn upon is 7.93%. The outstanding balance of the sub-loan subject to the interest rate described in (a) above is subject to adjustment on a daily basis based on BNDES’s calculation of the weighted average of exchange rate variations related to foreign currency funds raised by BNDES in foreign currency. At December 31, 2017 and December 31, 2016, we had Brazilian Real ("BRL") 231 million, or $70 million, and BRL 258 million, or $79 million, outstanding, respectively.

Revolving Credit Facility—At January 6, 2014, we entered into a Second Amended and Restated Credit Agreement with a syndicate of lenders that amended and restated our prior revolving credit facility and provides for a $1.5 billion senior unsecured revolving credit facility that matures in January 2019 (see Note 21). Interest rates on outstanding borrowings are either LIBOR-based or based on an alternate base rate, with margins in each case based on our credit rating or, in certain circumstances, our credit rating and leverage ratio. During the year ended December 31, 2017, we had borrowings of $670 million and repayments of $770 million on our revolving credit facility, resulting in no outstanding balance and an available line of credit of $1.5 billion at December 31, 2017. At December 31, 2017, we had various letter of credit agreements that did not reduce our available capacity under the revolving credit facility. The weighted average interest rate on these borrowings was 2.18% at December 31, 2017. At December 31, 2016, we had $100 million outstanding.

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The Company had $309 million and $230 million of letters of credit issued through additional banks at December 31, 2017 and December 31, 2016, respectively.

Senior Secured Term Loan—During the year ended December 31, 2016, we repaid the senior secured term loan of $64 million related to Hyatt Regency Lost Pines Resort and Spa.

Fair Value—We estimated the fair value of debt, excluding capital leases, which consists of our Senior Notes, bonds, and other long-term debt. Our Senior Notes and bonds are classified as Level Two due to the use and weighting of multiple market inputs in the final price of the security. We estimated the fair value of other debt instruments using discounted cash flow analysis based on current market inputs for similar types of arrangements. Based upon the lack of availability of market data, we have classified our revolving credit facility and other debt instruments as Level Three. The primary sensitivity in these calculations is based on the selection of appropriate discount rates. Fluctuations in these assumptions will result in different estimates of fair value.

	December 31, 2017				
	Carrying value	Fair value	Quoted prices in active markets for identical assets (level one)	Significant other observable inputs (level two)	Significant unobservable inputs (level three)
Debt (1)	$1,452	$1,546	$ —	$ 1,459	$ 87

(1) Excludes capital lease obligations of $13 million and unamortized discounts and deferred financing fees of $14 million.

	December 31, 2016				
	Carrying value	Fair value	Quoted prices in active markets for identical assets (level one)	Significant other observable inputs (level two)	Significant unobservable inputs (level three)
Debt (2)	$1,565	$1,642	$ —	$ 1,450	$ 192

(2) Excludes capital lease obligations of $15 million and unamortized discounts and deferred financing fees of $16 million.

10. LEASES

We lease hotels and equipment under a combination of operating and capital leases, which generally require us to pay taxes, maintenance, and insurance. Most of the leases contain renewal options, which enable us to retain use of the facilities in desirable operating areas.

The operating leases for the majority of our leased hotels require the calculation of rental payments to be based on a percentage of the operating profit of the hotel, as defined by contract. As a result, future lease payments related to these leases are contingent upon operating results and are not included in the table below.

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Corporate Office Space—During the year ended December 31, 2017, we relocated our corporate headquarters in Chicago, Illinois under a lease that expires in 2034.

The future minimum lease payments for our corporate office space and leased hotels due in each of the next five years and thereafter are as follows:

Years Ending December 31,	Operating leases	Capital leases
2018	$ 36	$ 2
2019	42	2
2020	39	2
2021	36	2
2022	35	2
Thereafter	441	7
Total minimum lease payments	$ 629	$ 17
Less amount representing interest		4
Present value of minimum lease payments		$ 13

A summary of rent expense from continuing operations for all operating leases is as follows:

	Years Ended December 31,		
	2017	2016	2015
Minimum rentals	$42	$ 37	$ 34
Contingent rentals	52	53	53
Total	$94	$ 90	$ 87

We lease retail space at our owned hotel locations under operating leases. We recorded rental income of $27 million, $25 million, and $28 million within owned and leased hotels revenues on our consolidated statements of income for the years ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively. The future minimum lease receipts scheduled to be received in each of the next five years and thereafter are as follows:

Years Ending December 31,	
2018	$23
2019	16
2020	15
2021	13
2022	13
Thereafter	59
Total minimum lease receipts	$139

11. EMPLOYEE BENEFIT PLANS

Defined Benefit Plans—We sponsor supplemental executive retirement plans consisting of funded and unfunded defined benefit plans for certain former executives. Retirement benefits are based primarily on the former employees' salary, as defined, and are payable upon satisfaction of certain service and age requirements as defined by the plans. The accumulated benefit obligation related to the unfunded U.S. plan was $21 million at December 31, 2017 and December 31, 2016, of which $20 million was classified as a long-term liability. At December 31, 2017, we expect benefits of $1 million to be paid annually over the next 10 years.

Defined Contribution Plans—We provide retirement benefits to certain eligible employees under the Retirement Savings Plan (a qualified plan under Internal Revenue Code Section 401(k)), the FRP, and other similar plans. For the years ended December 31, 2017, December 31, 2016, and December 31, 2015, we recorded expenses of $39 million, $36 million, and $35 million, respectively, related to the Retirement Savings Plan based on a percentage of eligible employee contributions on stipulated amounts. The majority of these contributions relate to hotel property level employees, which are reimbursable to us and are included in the other revenues from managed and franchised properties and other costs from managed and franchised properties on our consolidated statements of income.

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Deferred Compensation Plans—We provide nonqualified deferred compensation for certain employees through the DCP. Contributions and investment elections are determined by the employees, and we provide contributions to certain eligible employees according to pre-established formulas. The DCP is fully funded through a rabbi trust, therefore changes in the underlying securities impact the deferred compensation liability, which is recorded in other long-term liabilities (see Note 12) and the corresponding marketable securities assets (see Note 4).
Employee Stock Purchase Program—We provide the Hyatt Hotels Corporation ESPP, which qualifies under Section 423 of the Internal Revenue Code. The ESPP provides eligible employees the opportunity to purchase shares of the Company's common stock on a quarterly basis through payroll deductions at a price equal to 95% of the fair value on the last trading day of each quarter. Approximately 69,000 shares and 76,000 shares were issued under the ESPP during 2017 and 2016, respectively.

12. OTHER LONG-TERM LIABILITIES

	December 31, 2017	December 31, 2016
Deferred gains on sales of hotel properties	$ 523	$ 363
Deferred compensation plans (see Note 11)	402	352
Loyalty program liability (see Note 2)	298	296
Other accrued income taxes (see Note 13)	107	100
Guarantee liabilities (see Note 14)	104	124
Deferred income taxes (see Note 13)	62	57
Other	229	180
Total	$ 1,725	$ 1,472

13. INCOME TAXES

Our tax provision includes federal, state, local, and foreign income taxes.

	Years Ended December 31,		
	2017	2016	2015
U.S. income before tax	$500	$180	$119
Foreign income before tax	73	109	75
Income before income taxes	$573	$289	$194

The provision (benefit) for income taxes from continuing operations is comprised of the following:

	Years Ended December 31,		
	2017	2016	2015
Current:			
Federal	$201	$66	$134
State	45	15	18
Foreign	30	7	21
Total Current	$276	$88	$173
Deferred:			
Federal	$48	$(12)	$(78)
State	(14)	(2)	(20)
Foreign	13	11	(5)
Total Deferred	$47	$(3)	$(103)
Total	$323	$85	$70

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("Tax Act"). The Tax Act made broad and significant changes to the U.S. tax code that affects the year ended December 31, 2017, including, but not limited to, the requirement to pay a one-time transition tax ("deemed repatriation tax") on all undistributed earnings of foreign subsidiaries and bonus depreciation that will allow for full expensing of qualified property.

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The Tax Act also establishes new tax laws that will affect future periods, including, but not limited to: (1) reducing the U.S. federal corporate tax rate; (2) limiting deductible interest expense; (3) modifying the tax treatment of like-kind exchanges; (4) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (5) imposing a new provision designed to tax global intangible low-tax income ("GILTI"); (6) creating the base erosion anti-abuse tax, a new minimum tax; (7) limiting the use of net operating loss carryforwards created in tax years beginning after December 31, 2017; (8) modifying the limitations on the use of foreign tax credits ("FTCs") to reduce our U.S. income tax liability; and (9) further restricting the deductibility of certain executive compensation and fringe benefits.
The following is a reconciliation of the statutory federal income tax rate to the effective tax rate from continuing operations:

	Years Ended December 31,		
	2017	2016	2015
Statutory U.S. federal income tax rate	35.0 %	35.0 %	35.0 %
State income taxes—net of federal tax benefit	3.4	3.4	3.5
Impact of foreign operations (excluding unconsolidated hospitality ventures losses)	(6.8)	(5.4)	(13.8)
Tax Act deferred rate change	16.9	—	—
Tax Act deemed repatriation tax	2.3	—	—
Change in valuation allowances	3.8	3.6	3.1
Foreign unconsolidated hospitality ventures	1.1	1.2	10.0
Playa foreign tax credit benefit	(1.3)	(2.6)	—
Tax contingencies	1.3	(5.2)	(1.5)
Equity based compensation	0.7	0.4	(0.5)
General business credits	(0.4)	(0.8)	(1.9)
Other	0.3	(0.1)	2.3
Effective income tax rate	56.3 %	29.5 %	36.2 %

We have not completed our accounting for the income tax effects of the Tax Act and we recorded the following provisional estimates in accordance with SAB 118 at December 31, 2017:

- The Tax Act reduces the U.S. corporate income tax rate from 35% to 21% effective January 1, 2018. We recorded a provisional expense of $97 million with a corresponding decrease to our net deferred tax assets. Our estimated impact may be affected by other analyses related to the Tax Act which are not complete, including, but not limited to, our calculation of deemed repatriation of deferred foreign income.
- We estimated the deemed repatriation tax, including state tax impacts, and recorded a provisional expense of $13 million. The deemed repatriation tax is a tax on previously untaxed earnings and profits of certain foreign subsidiaries. To determine the amount of the tax, we must determine, in addition to other factors, the amount of earnings and profits subject to U.S. tax for the relevant subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. We are continuing to gather additional information to more precisely compute the amount of deemed repatriation tax, inclusive of state tax implications, which may be impacted by further legislative technical corrections, amendments, and/or revised earnings and profits computations.
- We must assess whether our valuation allowances are affected by various aspects of the Tax Act (e.g., deemed repatriation of deferred foreign income, GILTI inclusions, and new categories of FTCs). Therefore, any corresponding changes in our valuation allowances are also provisional. We recorded a provisional valuation allowance of $15 million related to FTCs that are not expected to be utilized in the future as a result of our interpretation of the Tax Act.
- Under U.S. GAAP, we are allowed to make an accounting policy election to treat taxes due as a current period expense when incurred or to factor such amounts into our measurement of our deferred taxes. Our accounting policy election with respect to the new GILTI rules will depend, in part, on completing an analysis of our global income to determine whether we expect to have future U.S. inclusions in taxable income related to GILTI and the expected impact. Whether we expect to have future U.S. inclusions in taxable income related to GILTI depends not only on our current structure and estimated future global results, but also on our intent and ability to modify our structure and/or

our business. We are not yet able to reasonably estimate the effect of this provision of the Tax Act. As a result, we have not made adjustments related to potential GILTI tax in our financial statements and have not made a policy election.

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At December 31, 2017, we have not made a change to our assertion that undistributed net earnings with respect to certain foreign subsidiaries are indefinitely reinvested outside the United States. All undistributed net earnings have been taxed in the U.S. as a result of the Tax Act, and consistent with our assertion, the Company intends to limit any future distributions to previously taxed income for which relevant taxes have been recorded. However, we are continuing to analyze the impact of the Tax Act on our assertion, and thus the recording of related deferred taxes is provisional as of December 31, 2017.

Additional items that impacted the 2017 effective tax rate include certain foreign net operating losses generated in the current year that are not expected to be utilized in the future. These losses were partially offset by the benefit related to the rate differential of foreign operations and the recognition of foreign tax credits in the amount of $10 million generated by distributions from certain foreign subsidiaries.

Significant items affecting the 2016 effective tax rate include benefits related to the rate differential of foreign operations, foreign tax credit benefits associated with the Playa foreign unconsolidated hospitality venture, and a $15 million benefit (including $4 million of interest and penalties) primarily related to the reversal of uncertain tax positions for certain foreign filing positions. These benefits are partially offset by the impact of certain foreign net operating losses generated that are not expected to be utilized in the future.

Significant items affecting the 2015 effective tax rate include a benefit related to the impact of global transfer pricing changes implemented during 2015 to better align the Company’s transfer pricing with the Company’s global business operating model. This benefit is offset by the effect of certain foreign unconsolidated hospitality venture losses that are not fully benefited. The impact of tax contingencies includes a benefit of $10 million (including $5 million of interest and penalties) due to statute expirations with respect to state and foreign tax filing positions and an expense of $7 million due to an uncertain tax position recorded during 2015 related to transfer pricing positions.

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The components of the net deferred tax assets and deferred tax liabilities are comprised of the following:

	December 31, 2017	December 31, 2016
Deferred tax assets related to:		
Employee benefits	$ 128	$ 202
Foreign and state net operating losses and credit carryforwards	65	46
Investments	36	55
Allowance for uncollectible assets	31	36
Deferred gains on sales of hotel properties	132	134
Loyalty program	58	81
Interest and state benefits	1	2
Unrealized losses	2	5
Other	40	54
Valuation allowance	(51)	(27)
Total deferred tax asset	$ 442	$ 588
Deferred tax liabilities related to:		
Property and equipment	$ (157)	$ (224)
Investments	(19)	(28)
Intangibles	(32)	(14)
Unrealized gains	(35)	(39)
Prepaid expenses	(8)	(12)
Other	(11)	(15)
Total deferred tax liabilities	$ (262)	$ (332)
Net deferred tax assets	$ 180	$ 256
Recognized in the balance sheet as:		
Deferred tax assets—noncurrent	$ 242	$ 313
Deferred tax liabilities—noncurrent	(62)	(57)
Total	$ 180	$ 256

During the year ended December 31, 2017, significant changes to our deferred tax assets and liabilities include the $97 million decrease to all U.S. deferred tax assets and liabilities as a result of the Tax Act, as discussed above. Other significant changes to our deferred assets and liabilities include a $64 million increase as a result of an increase in deferred gains related to the sales of hotels in 2017.

At December 31, 2017, we have $45 million of deferred tax assets related to foreign and state net operating losses and $20 million related to federal and state credits. We have recorded a valuation allowance of $51 million for certain deferred tax assets related to net operating losses and credits that we do not believe are more likely than not to be realized. These operating losses ($25 million deferred tax asset) are primarily foreign, do not expire, and may be carried forward indefinitely. The remaining losses expire over time through 2037.

At December 31, 2017 and December 31, 2016, total unrecognized tax benefits were $94 million and $86 million, respectively, of which $33 million and $5 million, respectively, would impact the effective tax rate if recognized. It is reasonably possible that a reduction of up to $3 million of unrecognized tax benefits could occur within 12 months resulting from the expiration of certain tax statutes of limitations.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2017	2016
Unrecognized tax benefits—beginning balance	$86	$110
Total increases—current period tax positions	11	2
Total decreases—prior period tax positions	(1)	(21)
Lapse of statute of limitations	(3)	(5)
Foreign currency fluctuation	1	—

Unrecognized tax benefits—ending balance	$94	$86

In 2017, the $8 million net increase in uncertain tax positions is primarily related to an accrual for the U.S. tax treatment of the loyalty program. The $3 million decrease with respect to lapse of statute of limitations is due to various foreign tax filing positions.

In 2016, the $24 million decrease in uncertain tax positions primarily related to the reversal of uncertain tax positions for certain filing positions in foreign jurisdictions. The $5 million decrease with respect to lapse of statute of limitations was due to various state and foreign tax filing positions.

We recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. Total gross accrued interest and penalties were $14 million at both December 31, 2017 and December 31, 2016.

The amount of interest and penalties recognized as a component of income tax expense in 2017 was insignificant, comprised primarily of a benefit of $3 million resulting from the release of interest and penalties related to certain foreign tax positions and an additional interest and penalty accrual of $2 million on federal, state, and foreign tax matters.

The amount of interest and penalties recognized as a component of income tax expense in 2016 was a benefit of $4 million. This amount is comprised of a benefit of $9 million resulting from the release of interest and penalties related to certain foreign tax positions and an additional interest and penalty accrual of $5 million on federal, state, and foreign tax matters.

We are subject to audits by federal, state, and foreign tax authorities. U.S. tax years 2012, 2013, and 2014 are currently under field examination by the IRS. During the first quarter of 2017, the IRS issued a "Notice of Deficiency" for our 2009 through 2011 tax years. We disagree with the IRS' assessment as it relates to the inclusion of loyalty program contributions as taxable income to the Company. In the second quarter of 2017, we filed a petition with the U.S. Tax Court for redetermination of the tax liability asserted by the IRS related to the loyalty program. If the IRS' position is upheld, it would result in an income tax liability of $126 million (including $31 million of estimated interest, net of federal benefit) for these tax years that would be partially offset by a deferred tax asset. Future tax benefits will be recognized at the reduced U.S. corporate income tax rate, therefore, $60 million of the liability and related interest would have an impact on the effective tax rate if recognized. We believe we have an adequate liability recorded in connection with this matter. The statute of limitations for U.S. tax years 2005, 2006, 2007, and 2008 remain open for the computational impacts of net operating losses and general business credit carrybacks to those years which could be impacted by the final resolution of tax years 2009-2011.

We have several state and foreign audits pending. State income tax returns are generally subject to examination for a period of three to five years after filing of the return. However, the state impact of any federal changes remains subject to examination by various states for a period generally up to one year after formal notification to the states of the federal changes. The statute of limitations for the foreign jurisdictions ranges from three to ten years after filing the applicable tax return.

14. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, we enter into various commitments, guarantees, surety bonds, and letter of credit agreements, which are discussed below:

Commitments—At December 31, 2017, we are committed, under certain conditions, to lend or invest up to $452 million, net of any related letters of credit, in various business ventures.

Performance Guarantees—Certain of our contractual agreements with third-party owners require us to guarantee payments to the owners if specified levels of operating profit are not achieved by their hotels, see Note 2.

Our most significant performance guarantee relates to four managed hotels in France that we began managing in the second quarter of 2013, which has a term of seven years, with approximately two and one-half years remaining. This guarantee has a maximum cap, but does not have an annual cap. The remaining maximum exposure related to our performance guarantees at December 31, 2017 was $323 million, of which €224 million ($269 million using exchange rates at December 31, 2017) related to the four managed hotels in France.

We had total net performance guarantee liabilities of $71 million and $79 million at December 31, 2017 and December 31, 2016, respectively, which included $45 million and $55 million recorded in other long-term liabilities and $26

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million and $24 million in accrued expenses and other current liabilities on our consolidated balance sheets, respectively.

	The four managed hotels in France		Other performance guarantees		All performance guarantees	
	2017	2016	2017	2016	2017	2016
Beginning balance, January 1	$66	$93	$ 13	$ 4	$ 79	$ 97
Initial guarantee obligation liability	—	—	3	9	3	9
Amortization of initial guarantee obligation liability into income	(15)	(33)	(4)	(1)	(19)	(34)
Performance guarantee expense (income), net	76	64	1	(1)	77	63
Net (payments) receipts during the year	(78)	(57)	—	2	(78)	(55)
Foreign currency exchange, net	9	(1)	—	—	9	(1)
Ending balance, December 31	$58	$66	$ 13	$ 13	$ 71	$ 79

Additionally, we enter into certain management contracts where we have the right, but not an obligation, to make payments to certain hotel owners if their hotels do not achieve specified levels of operating profit. If we choose not to fund the shortfall, the hotel owner has the option to terminate the management contract. At December 31, 2017 and December 31, 2016, there were no amounts recorded on our consolidated balance sheets related to these performance test clauses.

Debt Repayment and Other Guarantees—We enter into various debt repayment and other guarantees in order to assist hotel owners in obtaining third-party financing or to obtain more favorable borrowing terms. Included within debt repayment and other guarantees are the following:

Property description	Maximum potential future payments	Maximum exposure net of recoverability from third parties	Other long-term liabilities recorded at December 31, 2017	Other long-term liabilities recorded at December 31, 2016	Year of guarantee expiration
Hotel property in Washington State (1), (3), (4), (5)	$ 215	$ —	$ 26	$ 35	2020
Hotel properties in India (2), (3)	188	188	17	21	2020
Hotel and residential properties in Brazil (1), (4)	97	40	4	3	various, through 2021
Hotel property in Massachusetts (6)	107	107	1	—	2020
Hotel properties in California (1)	31	13	6	6	various, through 2021
Hotel property in Minnesota	25	25	2	2	2021
Hotel property in Arizona (1), (4)	25	—	1	2	2019
Other (1)	20	14	2	—	various, through 2021
Total	$ 708	$ 387	$ 59	$ 69	

(1) We have agreements with our unconsolidated hospitality venture partner, the respective hotel owners, or other third parties to recover certain amounts funded under the debt repayment guarantee; the recoverability mechanism may be in the form of cash, financing receivable, or HTM debt security.

(2) Debt repayment guarantee is denominated in Indian rupees and translated using exchange rates at December 31, 2017. We have the contractual right to recover amounts funded from the unconsolidated hospitality venture, which is a related party. We expect our maximum exposure to be $94 million, taking into account our partner’s 50% ownership interest in the unconsolidated hospitality venture.

(3) Under certain events or conditions, we have the right to force the sale of the property(ies) in order to recover amounts funded.
(4) If certain funding thresholds are met or if certain events occur, we have the ability to assume control of the property. This right only exists for the residential property in Brazil.
(5) We are subject to a completion guarantee whereby the parties agree to substantially complete the construction of the project by a specified date. In the event of default, we are obligated to complete construction using the funds available from the outstanding loan. Any additional funds paid by us are subject to recovery through a HTM debt security.
(6) We are subject to a completion guarantee whereby the parties agree to substantially complete the construction of the project by a specified date. In the event of default, we are obligated to complete construction and any additional funds paid by us are not recoverable.

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At December 31, 2017, we are not aware of, nor have we received notification that hotel owners are not current on their debt service obligations, where we have provided a debt repayment guarantee.

Guarantee Liabilities Fair Value—We estimated the fair value of our guarantees to be $177 million and $231 million at December 31, 2017 and December 31, 2016, respectively. Due to the lack of readily available market data, we have classified our guarantees as Level Three in the fair value hierarchy.

Insurance—We obtain commercial insurance for potential losses for general liability, workers' compensation, automobile liability, employment practices, crime, property, cyber risk, and other miscellaneous coverages. A portion of the risk is retained on a self-insurance basis primarily through U.S. based and licensed captive insurance companies that are wholly owned subsidiaries of Hyatt and generally insure our deductibles and retentions. Reserve requirements are established based on actuarial projections of ultimate losses. Losses estimated to be paid within 12 months are $32 million and $30 million at December 31, 2017 and December 31, 2016, respectively, and are classified within accrued expenses and other current liabilities on our consolidated balance sheets, while losses expected to be payable in future periods are $69 million and $62 million at December 31, 2017 and December 31, 2016, respectively, and are included in other long-term liabilities on our consolidated balance sheets. At December 31, 2017, standby letters of credit of $7 million were issued to provide collateral for the estimated claims, which are guaranteed by us.

Collective Bargaining Agreements—At December 31, 2017, approximately 25% of our U.S. based employees were covered by various collective bargaining agreements, generally providing for basic pay rates, working hours, other conditions of employment, and orderly settlement of labor disputes. Certain employees are covered by union sponsored multi-employer pension and health plans pursuant to agreements between us and various unions. Generally, labor relations have been maintained in a normal and satisfactory manner, and we believe our employee relations are good.

Surety Bonds—Surety bonds issued on our behalf were $25 million at December 31, 2017 and primarily relate to workers’ compensation, taxes, licenses, and utilities related to our lodging operations.

Letters of Credit—Letters of credit outstanding on our behalf at December 31, 2017 were $309 million, which relate to our ongoing operations, hotel properties under development in the U.S., including one unconsolidated hospitality venture, collateral for estimated insurance claims, and securitization of our performance under our debt repayment guarantee associated with the hotel properties in India, which is only called upon if we default on our guarantee. The letters of credit outstanding do not reduce the available capacity under our revolving credit facility (see Note 9).

Capital Expenditures—As part of our ongoing business operations, significant expenditures are required to complete renovation projects that have been approved.

Other—We act as general partner of various partnerships owning hotel properties that are subject to mortgage indebtedness. These mortgage agreements generally limit the lender’s recourse to security interests in assets financed and/or other assets of the partnership(s) and/or the general partner(s) thereof.

In conjunction with financing obtained for our unconsolidated hospitality ventures, certain managed hotels and other properties, we may provide standard indemnifications to the lender for loss, liability, or damage occurring as a result of our actions or actions of the other unconsolidated hospitality venture partners, respective hotel owners, or other third parties.

As a result of certain dispositions, we have agreed to provide customary indemnifications to third-party purchasers for certain liabilities incurred prior to sale and for breach of certain representations and warranties made during the sales process, such as representations of valid title, authority, and environmental issues that may not be limited by a contractual monetary amount. These indemnification agreements survive until the applicable statutes of limitation expire or until the agreed upon contract terms expire.

We are subject, from time to time, to various claims and contingencies related to lawsuits, taxes, and environmental matters, as well as commitments under contractual obligations. Many of these claims are covered under our current insurance programs, subject to deductibles. Although the ultimate liability for these matters cannot be determined at this point, based on information currently available, we do not expect the ultimate resolution of such claims and litigation will have a material effect on our consolidated financial statements.

15. STOCKHOLDERS’ EQUITY AND COMPREHENSIVE LOSS

Common Stock—At December 31, 2017, Pritzker family business interests beneficially owned, in the aggregate, approximately 96.8% of our Class B common stock and less than 0.1% of our Class A common stock, representing approximately 57.6% of the outstanding shares of our common stock and approximately 90.6% of the total voting power of our outstanding common stock. As a result, consistent with the voting agreements contained in the Amended and Restated Global

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Hyatt Agreement and Amended and Restated Foreign Global Hyatt Agreement, Pritzker family business interests are able to exert a significant degree of influence or actual control over our management and affairs and over matters requiring stockholder approval, including the election of directors and other significant corporate transactions. While the voting agreements are in effect, they may provide our board of directors with effective control over matters requiring stockholder approval. Because of our dual class ownership structure, Pritzker family business interests will continue to exert a significant degree of influence or actual control over matters requiring stockholder approval, even if they own less than 50% of the outstanding shares of our common stock. Pursuant to the Amended and Restated Global Hyatt Agreement and Amended and Restated Foreign Global Hyatt Agreement, the Pritzker family business interests have agreed to certain voting agreements and to certain limitations with respect to the sale of shares of our common stock. In addition, other stockholders beneficially own, in the aggregate, approximately 3.2% of our outstanding Class B common stock representing approximately 1.9% of the outstanding shares of our common stock and approximately 3.0% of the total voting power of our outstanding common stock. Pursuant to the 2007 Stockholders' Agreement, these entities have also agreed to certain voting agreements and to certain limitations with respect to the sale of shares of our common stock.

Share Repurchase— During 2017, 2016, and 2015, our board of directors authorized the repurchase of up to $1,250 million, $500 million, and $400 million, respectively, of our common stock. These repurchases may be made from time to time in the open market, in privately negotiated transactions, or otherwise, including pursuant to a Rule 10b5-1 plan, at prices we deem appropriate and subject to market conditions, applicable law, and other factors deemed relevant in our sole discretion. The common stock repurchase program applies to our Class A common stock and our Class B common stock. The common stock repurchase program does not obligate us to repurchase any dollar amount or number of shares of common stock and the program may be suspended or discontinued at any time.

During the year ended December 31, 2017, we entered into various ASR programs with third-party financial institutions to repurchase Class A shares as follows:

	Total number of shares repurchased (1)	Weighted-average price per share	Total cash paid
March 2017	5,393,669	$ 55.62	$300
August 2017	1,666,484	$ 60.01	$100
November 2017 (2)	1,152,904	$ 69.39	$100

(1) The delivery of shares resulted in a reduction in weighted-average common shares outstanding for basic and diluted earnings per share for the year ended December 31, 2017, see Note 19.

(2) This initial delivery of shares repurchased represents the minimum number of shares that we may receive under the agreement and was accounted for as a reduction to stockholders' equity on our consolidated balance sheets. At December 31, 2017, the remaining shares yet to be delivered totaled $20 million, which were accounted for as an equity-classified forward contract, and were settled subsequent to December 31, 2017 for 244,260 shares. Overall, we repurchased 1,397,164 shares at a weighted-average price per share of $71.57.

During 2017 and 2016, we repurchased 12,186,308 and 5,631,557 shares of common stock, respectively. The shares of common stock were repurchased at a weighted average price of $59.34 and $48.37 per share, respectively, for an aggregate purchase price of $723 million and $272 million, respectively, excluding related insignificant expenses in both periods. The shares repurchased during 2017 represented approximately 9% of our total shares of common stock outstanding at December 31, 2016. The shares repurchased during 2016 represented approximately 4% of our total shares of common stock outstanding at December 31, 2015.

The shares of Class A common stock repurchased on the open market were retired and returned to the status of authorized and unissued shares, while the shares of Class B common stock repurchased were retired and the total number of authorized Class B shares was reduced by the number of shares repurchased, see Note 17. At December 31, 2017, we had $864 million remaining under the share repurchase authorization.

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Accumulated Other Comprehensive Loss

	Balance at January 1, 2017	Current period other comprehensive income (loss) before reclassification	Amount reclassified from accumulated other comprehensive loss	Balance at December 31, 2017
Foreign currency translation adjustments	$ (299)	$ 56	$ —	$ (243)
Unrealized gains on AFS securities	33	35	—	68
Unrecognized pension cost	(7)	—	—	(7)
Unrealized gains (losses) on derivative instruments	(4)	1	—	(3)
Accumulated other comprehensive income (loss)	$ (277)	$ 92	$ —	$ (185)

	Balance at January 1, 2016	Current period other comprehensive income (loss) before reclassification	Amount reclassified from accumulated other comprehensive loss (a)	Balance at December 31, 2016
Foreign currency translation adjustments	$ (257)	$ (45)	$ 3	$ (299)
Unrealized gains (losses) on AFS securities	39	(6)	—	33
Unrecognized pension cost	(7)	—	—	(7)
Unrealized gains (losses) on derivative instruments	(5)	1	—	(4)
Accumulated other comprehensive income (loss)	$ (230)	$ (50)	$ 3	$ (277)

(a) The amount reclassified from accumulated other comprehensive loss related to the sale of the shares of the company that owns Hyatt Regency Birmingham (U.K.) and was recorded within other long-term liabilities on our consolidated balance sheets.

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16. STOCK-BASED COMPENSATION

As part of our LTIP, we award SARs, RSUs, PSUs, and PSs to certain employees, see Note 2. Under the LTIP, we are authorized to issue up to 14,375,000 shares. Compensation expense and unearned compensation presented below exclude amounts related to employees of our managed hotels and other employees whose payroll is reimbursed, as this expense has been and will continue to be reimbursed by our third-party hotel owners and is recorded within other revenues from managed and franchised properties and other costs from managed and franchised properties on our consolidated statements of income. Stock-based compensation expense (income) included in selling, general, and administration expense on our consolidated statements of income related to these awards was as follows:

	Years Ended December 31,		
	2017	2016	2015
SARs	$ 11	$ 10	$ 9
RSUs	16	15	17
PSUs and PSs	2	—	(3)

The expected income tax benefit to be realized at the time of vest related to these awards for the years ended December 31, 2017, December 31, 2016, and December 31, 2015 was as follows:

	Years Ended December 31,		
	2017	2016	2015
SARs	$ 3	$ 4	$ 3
RSUs	4	5	5
PSUs and PSs	1	—	(1)

SARs—The following table sets forth a summary of the SAR grants in 2017, 2016, and 2015:

Grant Date	Granted	Value at date of grant	Vesting period	Vesting start month
September 2017	20,139	$18.62	25 % annually	September 2018
March 2017	605,601	16.35	25 % annually	March 2018
March 2016	45,710	14.22	33 % annually	March 2017
March 2016	878,714	14.54	25 % annually	March 2017
March 2015	380,604	20.64	25 % annually	March 2016
March 2015	41,373	24.17	50 % annually	March 2018
February 2015	39,401	25.38	100% at vest	March 2018

The weighted average grant date fair value for the awards granted in 2017, 2016, and 2015 was $16.42, $14.52, and $21.36, respectively.

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The fair value of each SAR was estimated based on the date of grant using the Black-Scholes-Merton option-pricing model with the following weighted average assumptions:

	2017	2016	2015
Exercise price	$52.93	$47.36	$56.57
Expected life in years	6.24	6.23	6.31
Risk-free interest rate	2.11 %	1.55 %	1.63 %
Expected volatility	26.56 %	27.72 %	35.39 %
Annual dividend yield	— %	— %	— %

Due to a lack of historical exercise information, the expected life was estimated based on the midpoint between the vesting period and the contractual life of each SAR. The risk-free interest rate was based on U.S. Treasury instruments with similar expected life. We calculate volatility using our trading history over a time period consistent with our expected term assumption.

A summary of employee SAR activity is presented below:

	SAR units	Weighted average exercise price (in whole dollars)	Weighted average remaining contractual term
Outstanding at December 31, 2016:	4,453,987	$ 47.88	5.25
Granted	625,740	52.93	
Exercised	(764,417)	42.66	
Forfeited or expired	(715,355)	61.83	
Outstanding at December 31, 2017:	3,599,955	$ 47.09	6.30
Exercisable at December 31, 2017:	2,003,976	$ 43.88	4.67

During the year ended December 31, 2017, the intrinsic value of exercised SARs was $24 million. The total intrinsic value of SARs outstanding at December 31, 2017 was $95 million and the total intrinsic value for exercisable SARs was $59 million at December 31, 2017.

RSUs—The following table sets forth a summary of the employee RSU grants:

Grant Date	RSUs	Value	Total value	Vesting period
December 2017	9,238	$70.35	$ 1	various
September 2017	22,357	61.50	1	various
September 2017	43,151	60.48	3	various
May 2017	1,390	57.51	—	4 years
March 2017	416,404	52.65	22	various
December 2016	40,633	56.60	2	4 years
March 2016	444,629	47.36	21	4 years
December 2015	4,089	48.90	—	4 years
September 2015	3,898	51.30	—	3 years
September 2015	8,576	51.30	—	4 years
May 2015	23,746	58.95	1	4 years
March 2015	380,939	56.27	21	4 years
February 2015	29,278	59.77	2	4 years

The weighted average grant date fair value for the awards granted in 2017, 2016, and 2015 was $54.08, $48.13, and $56.43, respectively. The liability and related expense for granted cash-settled RSUs are insignificant at and for the year ended December 31, 2017.

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A summary of the status of the nonvested employee RSU awards outstanding under the LTIP is presented below:

	Restricted Stock Units	Weighted average grant date fair value
Nonvested at December 31, 2016:	1,016,177	$ 50.15
Granted	492,540	54.08
Vested	(378,432)	48.97
Forfeited or canceled	(100,701)	52.59
Nonvested at December 31, 2017:	1,029,584	$ 52.22

The total intrinsic value of nonvested RSUs at December 31, 2017 was $76 million.

PSUs and PSs—The following table sets forth a summary of PSU and PS grants:

Year Granted	Granted	Weighted average grant date fair value	Performance period	Performance period start date
2017 PSUs	102,115	$ 52.65	3 years	January 1, 2017
2016 PSUs	111,620	$ 47.36	3 years	January 1, 2016
2015 PSs	146,902	$ 56.27	3 years	January 1, 2015

There were 168,095 shares forfeited during the year ended December 31, 2017. At December 31, 2017, the total intrinsic value of nonvested PSs and PSUs if target performance is achieved was $11 million.

Unearned Compensation—Our total unearned compensation for our stock-based compensation programs at December 31, 2017 is as follows and is expected to be recorded as stock-based compensation expense:

	2018	2019	2020	2021	Total
SARs	$ 2	$ 2	$ 1	$ —	$ 5
RSUs	8	5	2	1	16
PSUs and PSs	3	1	—	—	4
Total	$ 13	$ 8	$ 3	$ 1	$ 25

17. RELATED-PARTY TRANSACTIONS

In addition to those included elsewhere in the Notes to our consolidated financial statements, related-party transactions entered into by us are summarized as follows:

Leases — Since 2005, we leased space for our corporate headquarters at the Hyatt Center in Chicago, Illinois. A subsidiary of the Company held a master lease for a portion of the Hyatt Center and entered into sublease agreements with certain related parties. Following the relocation of our corporate headquarters during the year ended December 31, 2017, we terminated the sublease agreements and terminated the master lease.

Legal Services—A partner in a law firm that provided services to us throughout 2017, 2016, and 2015 is the brother-in-law of our Executive Chairman. We incurred legal fees with this firm of $3 million, $2 million, and $6 million for each of the years ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively. At December 31, 2017 and December 31, 2016, we had insignificant amounts due to the law firm.

Equity Method Investments—We have equity method investments in entities that own properties for which we receive management or franchise fees. We recorded fees of $24 million, $30 million, and $26 million for the years ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively. At December 31, 2017 and December 31, 2016, we had receivables due from these properties of $11 million and $7 million, respectively. In addition, in some cases we provide loans (see Note 6) or guarantees (see Note 14) to these entities. During the three years ended December 31, 2017, December 31, 2016, and December 31, 2015, we recorded income related to these guarantees of $5 million, $5 million, and $2 million, respectively. Our ownership interest in these unconsolidated hospitality ventures varies from 24% to 70%. See Note 3 for further details regarding these investments.

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Class B Share Repurchase—During 2017, we repurchased 3,089,437 shares of Class B common stock for a weighted average price of $63.30 per share, for an aggregate purchase price of approximately $196 million. The shares repurchased represented approximately 2% of our total shares of common stock outstanding at December 31, 2016. During 2016, we repurchased 1,881,636 shares of Class B common stock at a weighted average price of $53.15 per share, for an aggregate purchase price of approximately $100 million. The shares repurchased represented approximately 1% of our total shares of common stock outstanding at December 31, 2015. The shares of Class B common stock were repurchased in privately negotiated transactions from trusts for the benefit of certain Pritzker family members and limited partnerships owned indirectly by trusts for the benefit of certain Pritzker family members and were retired, thereby reducing the total number of shares outstanding and reducing the shares of Class B common stock authorized and outstanding by the repurchased share amount.

Class B Share Conversion—During the years ended December 31, 2017 and December 31, 2016, 17,019,935 shares and 16,884,117 shares, respectively, of Class B common stock were converted on a share-for-share basis into shares of our Class A common stock, $0.01 par value per share. The shares of Class B common stock that were converted into shares of Class A common stock have been retired, thereby reducing the shares of Class B common stock authorized and outstanding.

18. SEGMENT AND GEOGRAPHIC INFORMATION

Our reportable segments are components of the business which are managed discretely and for which discrete financial information is reviewed regularly by the chief operating decision maker to assess performance and make decisions regarding the allocation of resources. Our chief operating decision maker is our President and Chief Executive Officer. We define our reportable segments as follows:

- Owned and leased hotels—This segment derives its earnings from owned and leased hotel properties located predominantly in the United States, but also in certain international locations and for purposes of segment Adjusted EBITDA, includes our pro rata share of the Adjusted EBITDA of our unconsolidated hospitality ventures, based on our ownership percentage of each venture. Adjusted EBITDA includes intercompany expenses related to management fees paid to the Company's management and franchising segments, which are eliminated in consolidation. Intersegment revenues relate to promotional award redemptions earned by our owned and leased hotels related to our co-branded credit card and are eliminated in consolidation.
- Americas management and franchising—This segment derives its earnings primarily from a combination of hotel management and licensing of our portfolio of brands to franchisees located in the United States, Latin America, Canada, and the Caribbean. This segment's revenues also include the reimbursement of costs incurred on behalf of managed hotel property owners and franchisees with no added margin. These costs relate primarily to payroll costs at managed properties where the Company is the employer, as well as reservations, sales, marketing, loyalty program, and technology costs. These revenues and costs are recorded within other revenues from managed and franchised properties and other costs from managed and franchised properties, respectively. The intersegment revenues relate to management fees earned from the Company's owned hotels and are eliminated in consolidation.
- ASPAC management and franchising—This segment derives its earnings primarily from a combination of hotel management and licensing of our portfolio of brands to franchisees located in Southeast Asia, as well as Greater China, Australia, South Korea, Japan, and Micronesia. This segment's revenues also include the reimbursement of costs incurred on behalf of managed hotel property owners and franchisees with no added margin. These costs relate primarily to reservations, sales, marketing, and technology costs. These revenues and costs are recorded within other revenues from managed and franchised properties and other costs from managed and franchised properties, respectively. The intersegment revenues relate to management fees earned from the Company's owned hotels and are eliminated in consolidation.
- EAME/SW Asia management and franchising—This segment derives its earnings primarily from a combination of hotel management and licensing of our portfolio of brands to franchisees located in Europe, Africa, the Middle East, India, Central Asia, and Nepal. This segment's revenues also include the reimbursement of costs incurred on behalf of managed hotel property owners and franchisees with no added margin. These costs relate primarily to reservations, sales, marketing, and technology costs. These revenues and costs are recorded within other revenues from managed

and franchised properties and other costs from managed and franchised properties, respectively. The intersegment revenues relate to management fees earned from the Company's owned hotels and are eliminated in consolidation.

Our chief operating decision maker evaluates performance based on each segment's revenue and Adjusted EBITDA. Adjusted EBITDA, as we define it, is a non-GAAP measure. We define Adjusted EBITDA as net income attributable to Hyatt Hotels Corporation plus our pro rata share of unconsolidated hospitality ventures Adjusted EBITDA based on our ownership percentage of each venture, adjusted to exclude interest expense; provision for income taxes; depreciation and amortization;

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equity earnings (losses) from unconsolidated hospitality ventures; stock-based compensation expense; gains (losses) on sales of real estate; asset impairments; and other (income) loss, net.

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The table below shows summarized consolidated financial information by segment. Included within corporate and other are the results of Miraval, exhale, Hyatt Residence Club license fees, results related to our co-branded credit card, and unallocated corporate expenses.

	Years Ended December 31,		
	2017	2016	2015
Owned and leased hotels			
Owned and leased hotels revenues	$2,137	$2,119	$2,079
Other revenues	13	—	—
Intersegment revenues (a)	9	11	—
Adjusted EBITDA	490	516	493
Depreciation and amortization	295	285	277
Capital expenditures	195	200	225
Americas management and franchising			
Management and franchise fees revenues	403	371	354
Other revenues from managed and franchised properties	1,730	1,670	1,641
Intersegment revenues (a)	74	75	74
Adjusted EBITDA	350	318	300
Depreciation and amortization	19	18	19
Capital expenditures	—	—	—
ASPAC management and franchising			
Management and franchise fees revenues	112	96	91
Other revenues from managed and franchised properties	114	98	87
Intersegment revenues (a)	2	2	2
Adjusted EBITDA	70	57	55
Depreciation and amortization	2	1	1
Capital expenditures	1	1	1
EAME/SW Asia management and franchising			
Management and franchise fees revenues	72	65	67
Other revenues from managed and franchised properties	74	65	58
Intersegment revenues (a)	10	10	13
Adjusted EBITDA	40	33	33
Depreciation and amortization	5	5	5
Capital expenditures	1	1	—
Corporate and other			
Revenues	125	43	40
Adjusted EBITDA	(137)	(139)	(131)
Depreciation and amortization	45	33	18
Capital expenditures	101	9	43
Eliminations (a)			
Revenues	(95)	(98)	(89)
Adjusted EBITDA	3	—	—
TOTAL			
Revenues	$4,685	$4,429	$4,328
Adjusted EBITDA	816	785	750
Depreciation and amortization	366	342	320
Capital expenditures	298	211	269

(a)

Intersegment revenues are included in the management and franchise fees revenues and owned and leased hotels revenues and eliminated in Eliminations.

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The table below presents summarized consolidated balance sheet information by segment:

Total Assets

	December 31, 2017	December 31, 2016
Owned and leased hotels	$ 4,842	$ 5,393
Americas management and franchising	524	564
ASPAC management and franchising	121	128
EAME/SW Asia management and franchising	196	186
Corporate and other	1,989	1,478
TOTAL	$ 7,672	$ 7,749

The following tables present revenues and property and equipment, net, intangibles, net, and goodwill by geographical region:

	Years Ended December 31,		
	2017	2016	2015
Revenues:			
United States	$ 3,771	$ 3,571	$ 3,494
All foreign	914	858	834
Total	$ 4,685	$ 4,429	$ 4,328

	December 31, 2017	December 31, 2016
Property and equipment, net, Intangibles, net, and Goodwill:		
United States	$ 3,743	$ 3,915
All foreign	1,124	1,079
Total	$ 4,867	$ 4,994

The table below provides a reconciliation of our net income attributable to Hyatt Hotels Corporation to EBITDA and a reconciliation of EBITDA to our consolidated Adjusted EBITDA:

	Years Ended December 31,		
	2017	2016	2015
Net income attributable to Hyatt Hotels Corporation	$ 249	$ 204	$ 124
Interest expense	80	76	68
Provision for income taxes	323	85	70
Depreciation and amortization	366	342	320
EBITDA	1,018	707	582
Equity (earnings) losses from unconsolidated hospitality ventures	(220)	(68)	64
Stock-based compensation expense	29	25	23
(Gains) losses on sales of real estate	(51)	23	(9)
Asset impairments	—	—	5
Other (income) loss, net	(33)	(2)	5
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	73	100	80
Adjusted EBITDA	$ 816	$ 785	$ 750

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19. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share, including a reconciliation of the numerator and denominator, are as follows:

	Years Ended December 31,		
	2017	2016	2015
Numerator:			
Net income	$250	$ 204	$ 124
Net income and accretion attributable to noncontrolling interests	(1)	—	—
Net income attributable to Hyatt Hotels Corporation	$249	$ 204	$ 124
Denominator:			
Basic weighted average shares outstanding	124,836,917	132,930,578	142,814,868
Share-based compensation and equity-classified forward contract	1,509,986	1,008,753	1,184,455
Diluted weighted average shares outstanding	126,346,903	133,939,331	143,999,323
Basic Earnings Per Share:			
Net income	$2.00	$ 1.53	$ 0.87
Net income and accretion attributable to noncontrolling interests	(0.01)	—	—
Net income attributable to Hyatt Hotels Corporation	$1.99	$ 1.53	$ 0.87
Diluted Earnings Per Share:			
Net income	$1.98	$ 1.52	$ 0.86
Net income and accretion attributable to noncontrolling interests	(0.01)	—	—
Net income attributable to Hyatt Hotels Corporation	$1.97	$ 1.52	$ 0.86

The computations of diluted net income per share for the years ended December 31, 2017, December 31, 2016, and December 31, 2015 do not include the following shares of Class A common stock assumed to be issued as stock-settled SARs and RSUs because they are anti-dilutive.

	Years Ended December 31,		
	2017	2016	2015
SARs	21,400	74,500	1,500
RSUs	100	900	—

20. OTHER INCOME (LOSS), NET

	Years Ended December 31,		
	2017	2016	2015
Interest income (Note 4)	101	19	8
Depreciation recovery	27	25	12
Performance guarantee liability amortization (Note 14)	19	34	12
Pre-condemnation income	18	—	—
Debt repayment guarantee liability amortization (Note 14)	10	3	—
Foreign currency (losses) gains, net	(2)	1	(14)
Cease use liability	(21)	—	—
Realized losses (Note 4)	(40)	(6)	—
Performance guarantee expense, net (Note 14)	(77)	(63)	(27)
Other	(2)	(11)	4
Other income (loss), net	$ 33	$ 2	$ (5)

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During the year ended December 31, 2017, we relocated our corporate headquarters and recognized a corresponding cease use liability of $21 million.

During the year ending December 31, 2017, we recognized approximately $18 million primarily related to pre-condemnation income for relinquishment of subterranean space at an owned hotel.

21. SUBSEQUENT EVENT

On January 10, 2018, we refinanced our $1.5 billion senior unsecured revolving credit facility with a syndicate of lenders, extending the maturity of the facility to January 2023. The revolving credit facility is intended to provide financing for working capital and general corporate purposes, including commercial paper back-up and permitted investments and acquisitions.

On February 14, 2018, we announced that our board of directors declared a cash dividend of $0.15 per share of Class A common stock and Class B common stock for the first quarter of 2018, payable on March 29, 2018 to the Company's shareholders of record on March 22, 2018.

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22. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth the historical unaudited quarterly financial data. The information for each of these periods has been prepared on the same basis as the audited consolidated financial statements and, in our opinion, reflects all adjustments necessary to present fairly our financial results. Operating results for previous periods do not necessarily indicate results that may be achieved in any future period.

	For the Three Months Ended							
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Consolidated statements of income data:								
Owned and leased hotels	$525	$ 518	$ 577	$ 572	$ 514	$ 519	$ 559	$ 516
Management and franchise fees	131	122	130	122	116	110	115	107
Other revenues	17	16	15	22	9	11	11	9
Other revenues from managed and franchised properties	511	463	473	471	448	448	480	457
Total revenues	1,184	1,119	1,195	1,187	1,087	1,088	1,165	1,089
Direct and selling, general, and administrative expenses	1,124	1,062	1,090	1,107	1,027	1,019	1,063	1,021
Net income	76	17	87	70	41	62	67	34
Net income attributable to Hyatt Hotels Corporation	$76	$ 16	$ 87	$ 70	$ 41	$ 62	$ 67	$ 34
Net income per common share, basic	$0.63	$ 0.14	$ 0.69	$ 0.54	$ 0.31	$ 0.48	$ 0.50	$ 0.25
Net income per common share, diluted	$0.62	$ 0.14	$ 0.68	$ 0.54	$ 0.31	$ 0.47	$ 0.49	$ 0.25

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HYATT HOTELS CORPORATION AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2017, December 31, 2016, and December 31, 2015
(In millions of dollars)

Description	Column A Balance at beginning of period	Column B Additions charged to revenues, costs and expenses	Column C Additions charged to other accounts	Column D Deductions	Column E Balance at end of period
Year Ended December 31, 2017:					
Trade receivables—allowance for doubtful accounts	$ 18	$ 8	$ —	$ (5)	$ 21
Financing receivables—allowance for losses	100	6	2 A	—	108
Deferred tax assets—valuation allowance	27	24 B	—	—	51
Year Ended December 31, 2016:					
Trade receivables—allowance for doubtful accounts	15	6	—	(3)	18
Financing receivables—allowance for losses	98	10	—	(8)	100
Deferred tax assets—valuation allowance	17	10	—	—	27
Year Ended December 31, 2015:					
Trade receivables—allowance for doubtful accounts	13	5	—	(3)	15
Financing receivables—allowance for losses	100	10	(2) A	(10)	98
Deferred tax assets—valuation allowance	15	2	—	—	17

A—This amount represents currency translation on foreign currency denominated notes receivable.
B—This amount represents the allowance related to our foreign tax credit carryforward balance.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation of Hyatt Hotels Corporation
3.2	Amended and Restated Bylaws of Hyatt Hotels Corporation (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on September 11, 2014)
4.1	Specimen Class A Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on October 1, 2009)
4.2	Registration Rights Agreement, dated as of August 28, 2007, as amended, by and among Global Hyatt Corporation, Madrone GHC, LLC, Lake GHC, LLC, Shimoda GHC, LLC, GS Sunray Holdings, L.L.C., GS Sunray Holdings Subco I, L.L.C., GS Sunray Holdings Subco II, L.L.C., GS Sunray Holdings Parallel, L.L.C., GS Sunray Holdings Parallel Subco, L.L.C., Mori Building Capital Investment LLC and others party thereto (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on August 5, 2009)
4.3	Joinder Agreement to Registration Rights Agreement, dated as of January 26, 2010, by and among Hyatt Hotels Corporation and Mori Building Co., Ltd. (incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (File No. 001-34521) filed with the Securities and Exchange Commission on February 25, 2010)
4.4	Indenture, dated as of August 14, 2009, as amended, between Hyatt Hotels Corporation and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on September 9, 2009)
4.5	First Supplemental Indenture, dated as of August 14, 2009, between Hyatt Hotels Corporation and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on September 9, 2009)
4.6	Second Supplemental Indenture, dated as of August 4, 2011, between the Company and Wells Fargo, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (File No. 333-176038) filed with the Securities and Exchange Commission on August 4, 2011)
4.7	Third Supplemental Indenture, dated as of August 9, 2011, between the Company and Wells Fargo, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on August 9, 2011)
4.8	Fourth Supplemental Indenture, dated May 10, 2013, between Hyatt Hotels Corporation and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on May 10,

	2013)
4.9	Fifth Supplemental Indenture, dated May 10, 2013 between Hyatt Hotels Corporation and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on May 10, 2013)

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Exhibit Number	Exhibit Description
4.10	Sixth Supplemental Indenture, dated March 7, 2016, between Hyatt Hotels Corporation and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on March 8, 2016)
4.11	Form of 6.875% Senior Notes due 2019 (included as part of Exhibit 4.5 above) (incorporated by reference to Exhibit 4.4 to the Company’s Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on September 9, 2009)
4.12	Form of 5.375% Senior Notes due 2021 (included as part of Exhibit 4.7 above) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on August 9, 2011)
4.13	Form of 3.375% Senior Notes due 2023 (included as part of Exhibit 4.9 above) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on May 10, 2013)
4.14	Form of 4.850% Senior Note due 2026 (included as part of Exhibit 4.10 above) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on March 8, 2016)
4.15	Registration Rights Agreement, dated as of October 12, 2009, by and among Hyatt Hotels Corporation and Thomas J. Pritzker, Marshall E. Eisenberg and Karl J. Breyer, solely in their capacity as co-trustees (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on October 15, 2009)
10.1	2007 Stockholders' Agreement, dated as of August 28, 2007, as amended, by and among Hyatt Hotels Corporation, Madrone GHC, LLC, Lake GHC, LLC, Shimoda GHC, LLC, GS Sunray Holdings, L.L.C., GS Sunray Holdings Subco I, L.L.C., GS Sunray Holdings Subco II, L.L.C., GS Sunray Holdings Parallel, L.L.C., GS Sunray Holdings Parallel Subco, L.L.C., Mori Building Capital Investment LLC and others party thereto (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on August 5, 2009)
10.2	Joinder Agreement to 2007 Stockholders' Agreement, dated as of January 26, 2010, by and among Hyatt Hotels Corporation and Mori Building Co., Ltd. (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (File No. 001-34521) filed with the SEC on February 25, 2010)
10.3	Joinder Agreement to 2007 Stockholders' Agreement, dated as of March 12, 2014, by and among Hyatt Hotels Corporation and Gregory B. Penner (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (File No. 001-34521) filed with the Securities and Exchange Commission on February 18, 2015)
+10.4	Third Amended and Restated Hyatt Hotels Corporation Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (File No. 001-34521) filed with the SEC on February 18, 2016)

+10.5	Form of Non-Employee Director Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on August 5, 2009)
+10.6	Amendment to Hyatt Hotels Corporation Non-Employee Director Restricted Stock Unit Award Agreements (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No. 001-34521) filed with the Securities and Exchange Commission on November 3, 2010)

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Exhibit Number	Exhibit Description
+10.7	Form of Non-Employee Director Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on August 5, 2009)
+10.8	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A (File No. 001-34521) filed with the Securities and Exchange Commission on April 13, 2012)
+10.9	Second Amendment to Hyatt Hotels Corporation Special Restricted Stock Unit Award Agreements (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No. 001-34521) filed with the Securities and Exchange Commission on November 3, 2010)
+10.10	Amendment to Hyatt Hotels Corporation 2008 and 2009 Restricted Stock Unit Award Agreements, dated December 17, 2010 (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (File No. 001-34521) filed with the SEC on February 17, 2011)
+10.11	Form of 2006 Stock Appreciation Rights Award Agreement under Long-Term Incentive Plan (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on August 5, 2009)
+10.12	Form of 2007 Stock Appreciation Rights Award Agreement under Long-Term Incentive Plan (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on August 5, 2009)
+10.13	Form of 2008 Stock Appreciation Rights Award Agreement under Long-Term Incentive Plan (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on August 5, 2009)
+10.14	Form of 2009 Stock Appreciation Rights Award Agreement under Long-Term Incentive Plan (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on August 5, 2009)
+10.15	Form of Stock Appreciation Rights Award Agreement under Long-Term Incentive Plan (incorporated by reference to Exhibit 10.57 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (File No. 001-34521) filed with the Securities and Exchange Commission on February 25, 2010)
+10.16	Form of Performance Share Unit Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on March 25, 2016)
+10.17	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.1 to Amendment No. 1 to the Company's Current Report on Form 8-K/A (File No. 001-34521) filed with the Securities and

	Exchange Commission on April 13, 2012)
+10.18	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34521) filed with the Securities and Exchange Commission on February 18, 2014)
+10.19	Amended and Restated Hyatt Hotels Corporation Deferred Compensation Plan for Directors, dated as of December 8, 2016 (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (File No. 001-34521) filed with the Securities and Exchange Commission on February 16, 2017)

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Exhibit Number	Exhibit Description
+10.20	Hyatt Hotels Corporation Amended and Restated Summary of Non-Employee Director Compensation (January 1, 2017) (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (File No. 001-34521) filed with the Securities and Exchange Commission on February 16, 2017)
+10.21	Employment Letter, dated as of December 12, 2012, between Hyatt Hotels Corporation and Mark S. Hoplamazian (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on December 14, 2012)
+10.22	Employment Letter, dated as of December 12, 2012, between Hyatt Hotels Corporation and Thomas J. Pritzker (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on December 14, 2012)
+10.23	Employment Letter, dated as of May 3, 2007, between Hyatt Hotels Corporation and Stephen Haggerty (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (File No. 001-34521) filed with the Securities and Exchange Commission on August 5, 2010)
+10.24	Letter Agreement, dated as of December 28, 2012, between Hyatt Hotels Corporation and Stephen Haggerty (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (File No. 001-34521) filed with the Securities and Exchange Commission on February 13, 2013)
+10.25	Transition and Separation Agreement, dated as of January 17, 2018, between Hyatt Hotels Corporation and Stephen Haggerty (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on January 23, 2018)
+10.26	Employment Letter, dated as of February 10, 2016, between Hyatt Corporation and Patrick J. Grismer (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on February 11, 2016)
+10.27	Amended and Restated Hyatt Hotels Corporation Executive Incentive Plan (incorporated by reference to Appendix B to the Company's Definitive Proxy Statement or Schedule 14A (File No. 001-34521) filed with the Securities and Exchange Commission on April 22, 2013)
+10.28	Hyatt International Hotels Retirement Plan (incorporated by reference to Exhibit 10.55 to the Company's Registration Statement on Form S-1 (File No. 333-161068) filed with the Securities and Exchange Commission on November 2, 2009)
+10.29	Amended and Restated Hyatt Corporation Deferred Compensation Plan, effective May 3, 2010 (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8 (File No. 333-165384) filed with the Securities and Exchange Commission on March 10, 2010)
+10.30	

	First Amendment to the Amended and Restated Hyatt Corporation Deferred Compensation Plan, effective May 3, 2010 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (File No. 001-34521) filed with the Securities and Exchange Commission on May 6, 2010)
+10.31	Second Amendment to the Amended and Restated Hyatt Corporation Deferred Compensation Plan, effective September 30, 2010 (incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (File No. 001-34521) filed with the Securities and Exchange Commission on February 16, 2012)

Exhibit Number	Exhibit Description
+10.32	Hyatt Hotels Corporation Employee Stock Purchase Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A (File No. 001-34521) filed with the Securities and Exchange Commission on April 21, 2010)
+10.33	First Amendment to the Hyatt Hotels Corporation Employee Stock Purchase Plan, dated March 19, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (File No. 001-34521) filed with the Securities and Exchange Commission on May 3, 2012)
10.34	Agreement Regarding Allocation of Certain Office Costs Relating to Thomas J. Pritzker in his role as Executive Chairman of Hyatt Hotels Corporation, dated as of February 14, 2012, between Hyatt Corporation and The Pritzker Organization, L.L.C. (incorporated by reference to Exhibit 10.49 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (File No. 001-34521) filed with the Securities and Exchange Commission on February 16, 2012)
10.35	Second Amended and Restated Credit Agreement, dated as of January 6, 2014, among Hyatt Hotels Corporation and Hotel Investors I, Inc., as Borrowers, certain subsidiaries of Hyatt Hotels Corporation, as Guarantors, various Lenders, Wells Fargo Bank, National Association, as Administrative Agent, Bank of America, N.A., as Syndication Agent, Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC and Deutsche Bank Securities, Inc., as Joint Book Runners and Co-Lead Arrangers, and JPMorgan Chase Bank, N.A., Deutsche Bank Securities, Inc. and SunTrust Bank, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on January 6, 2014)
10.36	First Amendment to Second Amended and Restated Credit Agreement, dated as of January 10, 2018, among Hyatt Hotels Corporation and Hotel Investors I, Inc., as Borrowers, certain subsidiaries of Hyatt Hotels Corporation, as Guarantors, various Lenders and Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on January 17, 2018)
10.37	Form of Franchise Agreement with Hyatt Place Franchising, L.L.C., as amended (incorporated by reference to Exhibit 10.46 to the Company's Registration Statement on Form S-1 (File No. 333- 161068) filed with the Securities and Exchange Commission on August 5, 2009)
12.1	Statement Regarding Computation of Ratio of Earnings to Fixed Charges
14.1	Code of Business Conduct and Ethics
21.1	List of Subsidiaries
23.1	Consent of Deloitte & Touche LLP
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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Exhibit Number	Exhibit Description
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Amended and Restated Global Hyatt Agreement, dated as of October 1, 2009, by and among Thomas J. Pritzker, Marshall E. Eisenberg and Karl J. Breyer, solely in their capacity as co-trustees, and each signatory thereto
99.2	Amended and Restated Foreign Global Hyatt Agreement, dated as of October 1, 2009, by and among each signatory thereto
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

+Management contract or compensatory plan or arrangement.