HYATT HOTELS CORP

FORM 10-Q
(Quarterly Report)

Filed 08/01/12 for the Period Ending 06/30/12

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CIK	0001468174
Symbol	H
SIC Code	7011 - Hotels and Motels
Industry	Hotels & Motels
Sector	Services
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

OR

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

For the transition period from to

Commission File No. 001-34521

HYATT HOTELS CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-1480589**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
71 South Wacker Drive 12th Floor, Chicago, Illinois	**60606**
(Address of Principal Executive Offices)	**(Zip Code)**

(312) 750-1234
(Registrant's Telephone Number, Including Area Code)

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As o f July 27, 2012, there were 46,121,321 shares of the registrant's Class A common stock, $0.01 par value, outstanding and 119,614,584 shares of the registrant's Class B common stock, $0.01 par value, outstanding.

HYATT HOTELS CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2012

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Item 1. *Financial Statements.*

HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions of dollars, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
REVENUES:				
Owned and leased hotels	$ 528	$ 484	$ 1,001	$ 916
Management and franchise fees	80	75	159	145
Other revenues	20	17	37	31
Other revenues from managed properties	386	360	775	719
Total revenues	1,014	936	1,972	1,811
DIRECT AND SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:				
Owned and leased hotels	389	372	766	726
Depreciation and amortization	89	72	175	143
Other direct costs	7	6	13	10
Selling, general, and administrative	70	71	163	141
Other costs from managed properties	386	360	775	719
Direct and selling, general, and administrative expenses	941	881	1,892	1,739
Net gains (losses) and interest income from marketable securities held to fund operating programs	(4)	2	10	8
Equity earnings (losses) from unconsolidated hospitality ventures	—	2	(1)	5
Interest expense	(17)	(14)	(35)	(27)
Asset impairments	—	(1)	—	(1)
Other income (loss), net	5	(9)	17	(6)
INCOME BEFORE INCOME TAXES	57	35	71	51
(PROVISION) BENEFIT FOR INCOME TAXES	(18)	1	(22)	(5)
NET INCOME	39	36	49	46
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	1	—	1
NET INCOME ATTRIBUTABLE TO HYATT HOTELS CORPORATION	**$ 39**	**$ 37**	**$ 49**	**$ 47**
EARNINGS PER SHARE - Basic				
Net income	$ 0.24	$ 0.21	$ 0.30	$ 0.27
Net income attributable to Hyatt Hotels Corporation	$ 0.24	$ 0.22	$ 0.30	$ 0.28
EARNINGS PER SHARE - Diluted				
Net income	$ 0.24	$ 0.21	$ 0.30	$ 0.27
Net income attributable to Hyatt Hotels Corporation	$ 0.24	$ 0.22	$ 0.30	$ 0.28

See accompanying notes to condensed consolidated financial statements.

HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions of dollars)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Net income	$ 39	$ 36	$ 49	$ 46
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments, net of income tax of $1 and $1 for the three months ended and $1 and $3 for the six months ended June 30, 2012 and 2011, respectively	(23)	15	(5)	38
Unrealized (losses) gains on available for sale securities, net of income tax of $- and $- for the three months ended and $1 and $- for the six months ended June 30, 2012 and 2011, respectively	(1)	—	1	—
Unrealized gain on derivative activity, net of income tax of $- and $1 for the three months ended and $- and $1 for the six months ended June 30, 2012 and 2011, respectively	—	2	—	2
Other comprehensive income (loss)	(24)	17	(4)	40
COMPREHENSIVE INCOME	15	53	45	86
COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	1	—	1
COMPREHENSIVE INCOME ATTRIBUTABLE TO HYATT HOTELS CORPORATION	$ 15	$ 54	$ 45	$ 87

See accompanying notes to condensed consolidated financial statements.

HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions of dollars, except per share amounts)
(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 404	$ 534
Restricted cash	43	27
Short-term investments	502	588
Receivables, net of allowances of $9 and $10 at June 30, 2012 and December 31, 2011, respectively	280	225
Inventories	85	87
Prepaids and other assets	78	78
Prepaid income taxes	30	29
Deferred tax assets	18	23
Total current assets	1,440	1,591
Investments	317	280
Property and equipment, net	4,184	4,043
Financing receivables, net of allowances	410	360
Goodwill	132	102
Intangibles, net	376	359
Deferred tax assets	244	197
Other assets	578	575
TOTAL ASSETS	$ 7,681	$ 7,507
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 4	$ 4
Accounts payable	116	144
Accrued expenses and other current liabilities	378	306
Accrued compensation and benefits	113	114
Total current liabilities	611	568
Long-term debt	1,220	1,221
Other long-term liabilities	967	890
Total liabilities	2,798	2,679
Commitments and contingencies (see Note 11)		
EQUITY:		
Preferred stock, $0.01 par value per share, 10,000,000 shares authorized and none outstanding as of June 30, 2012 and December 31, 2011	—	—
Class A common stock, $0.01 par value per share, 1,000,000,000 shares authorized, 46,101,596 outstanding and 46,137,869 issued at June 30, 2012, Class B common stock, $0.01 par value per share, 452,472,717 shares authorized, 119,614,584 shares issued and outstanding at June 30, 2012 and Class A common stock, $0.01 par value per share, 1,000,000,000 shares authorized, 44,683,934 outstanding and 44,720,207 issued at December 31, 2011, Class B common stock, $0.01 par value per share, 452,472,717 shares authorized, 120,478,305 shares issued and outstanding at December 31, 2011	2	2
Additional paid-in capital	3,390	3,380
Retained earnings	1,566	1,517
Treasury stock at cost, 36,273 shares at June 30, 2012 and December 31, 2011	(1)	(1)
Accumulated other comprehensive loss	(84)	(80)
Total stockholders’ equity	4,873	4,818
Noncontrolling interests in consolidated subsidiaries	10	10
Total equity	4,883	4,828
TOTAL LIABILITIES AND EQUITY	$ 7,681	$ 7,507

See accompanying notes to condensed consolidated financial statements.

HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions of dollars)
(Unaudited)

	Six Months Ended	
	June 30, 2012	June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 49	$ 46
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	175	143
Deferred income taxes	5	(6)
Asset impairments	—	1
Equity losses from unconsolidated hospitality ventures, including distributions received	9	3
Foreign currency losses	2	4
Loss on sale of real estate	—	2
Realized gains from other marketable securities	(7)	—
Net unrealized (gains) losses from other marketable securities	(10)	7
Working capital changes and other	8	10
Net cash provided by operating activities	231	210
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities and short-term investments	(123)	(160)
Proceeds from the sale of marketable securities and short-term investments	231	151
Contributions to investments	(41)	(19)
Acquisitions, net of cash acquired	(179)	(77)
Capital expenditures	(157)	(118)
Issuance of notes receivable	(52)	—
Proceeds from sales of real estate	—	90
Real estate sale proceeds transferred to escrow as restricted cash	—	(35)
Proceeds from sale of assets held for sale	—	18
Real estate sale proceeds transferred from escrow to cash and cash equivalents	—	97
Increase in restricted cash - investing	(14)	(1)
Other investing activities	(18)	(16)
Net cash used in investing activities	(353)	(70)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	—	25
Repurchase of Class B common stock	—	(396)
Other financing activities	(3)	(3)
Net cash used in financing activities	(3)	(374)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(5)	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(130)	(234)
CASH AND CASH EQUIVALENTS—BEGINNING OF YEAR	534	1,110
CASH AND CASH EQUIVALENTS—END OF PERIOD	$ 404	$ 876
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 34	$ 24
Cash paid during the period for income taxes	$ 21	$ 22
Non-cash investing activities are as follows:		
Equity contribution of property and equipment, net (see Note 6)	$ —	$ 10
Equity contribution of long-term debt (see Note 6)	$ —	$ 25
Change in accrued capital expenditures	$ (38)	$ 23
Contribution to investment (see Note 3)	$ —	$ 20

See accompanying notes to condensed consolidated financial statements.

1 . ORGANIZATION

Hyatt Hotels Corporation, a Delaware corporation, and its consolidated subsidiaries (“Hyatt Hotels Corporation”) provide hospitality services on a worldwide basis through the management, franchising and ownership of hospitality related businesses. As of June 30, 2012 , we operated or franchised 249 full service hotels consisting of 104,006 rooms, in 45 countries throughout the world. We hold ownership interests in certain of these hotels. As of June 30, 2012 , we operated or franchised 220 select service hotels with 29,128 rooms in the United States. We hold ownership interests in certain of these hotels. We develop, operate, manage, license or provide services to Hyatt- branded timeshare, fractional and other forms of residential or vacation properties.

As used in these Notes and throughout this Quarterly Report on Form 10-Q , the terms “Company,” “HHC,” “we,” “us,” or “our” mean Hyatt Hotels Corporation and its consolidated subsidiaries.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information or footnotes required by GAAP for complete annual financial statements. As a result, this Quarterly Report on Form 10-Q should be read in conjunction with the Consolidated Financial Statements and accompanying Notes in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the “ 2011 Form 10-K ”).

We have eliminated all intercompany transactions in our condensed consolidated financial statements. We consolidate entities for which we either have a controlling financial interest or are considered to be the primary beneficiary.

Management believes that the accompanying condensed consolidated financial statements reflect all adjustments, which are all of a normal recurring nature, considered necessary for a fair presentation of the interim periods.

2 . RECENTLY ISSUED ACCOUNTING STANDARDS

Adopted Accounting Standards

Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs . ASU 2011-04 is intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards. The amendments in ASU 2011-04 clarify the intent of the Financial Accounting Standards Board ("FASB") with regard to the application of existing fair value measurement requirements and change some requirements for measuring or disclosing information about fair value measurements. The provisions of ASU 2011-04 became effective for public companies in the first reporting period beginning after December 15, 2011. The adoption of ASU 2011-04 enhanced the disclosure of the fair value of certain financial assets and liabilities that are not required to be recorded at fair value within our financial statements. See Note 4 for discussion of fair value.

In June 2011, the FASB released Accounting Standards Update No. 2011-05 (“ASU 2011-05”), *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* . ASU 2011-05 requires companies to present total comprehensive income, the components of net income, and the components of other comprehensive income in either a continuous statement or in two separate but consecutive statements. The amendments of ASU 2011-05 eliminate the option for companies to present the components of other comprehensive income within the statement of changes of stockholders' equity. The provisions of ASU 2011-05 became effective for public companies in fiscal years beginning after December 15, 2011. The adoption of ASU 2011-05 changed our presentation of comprehensive income.

In September 2011, the FASB released Accounting Standards Update No. 2011-08 (“ASU 2011-08”), *Intangibles-Goodwill and Other (Topic 350): Testing for Goodwill Impairment* . ASU 2011-08 gives companies the option to perform a qualitative assessment before calculating the fair value of the reporting unit. Under the guidance in ASU 2011-08, if this option is selected, a company is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The provisions of ASU 2011-08 became effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, but early adoption was permitted. We adopted ASU 2011-08 during the quarter ended March 31, 2012, but since our annual goodwill impairment test is not performed until the fourth quarter we did not apply its provisions during the six months ended June 30, 2012. We do not expect ASU 2011-08 to materially impact our condensed consolidated financial statements.

In December 2011, the FASB released Accounting Standards Update No. 2011-12 (“ASU 2011-12”), *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* . ASU 2011-12 defers only those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. The provisions of ASU 2011-12 became effective for public companies in fiscal years beginning after December 15, 2011. The adoption of ASU 2011-12 did not materially impact our condensed consolidated financial statements.

Future Adoption of Accounting Standards

In December 2011, the FASB released Accounting Standards Update No. 2011-10 (“ASU 2011-10”), *Property, Plant and Equipment (Topic 360): Derecognition of in Substance Real Estate-a Scope Clarification (a consensus of the FASB Emerging Issues Task Force).* ASU 2011-10 clarifies when a parent (reporting entity) ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt, the reporting entity should apply the guidance for Real Estate Sale (Subtopic 360-20). The provisions of ASU 2011-10 become effective for public companies for fiscal years and interim periods within those years, beginning on or after June 15, 2012. The adoption of ASU 2011-10 is not expected to materially impact our condensed consolidated financial statements.

In December 2011, the FASB released Accounting Standards Update No. 2011-11 (“ASU 2011-11”), *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* . ASU 2011-11 requires companies to provide new disclosures about offsetting and related arrangements for financial instruments and derivatives. The provisions of ASU 2011-11 are effective for annual reporting periods beginning on or after January 1, 2013, and are required to be applied retrospectively. When adopted, ASU 2011-11 is not expected to materially impact our condensed consolidated financial statements.

3 . EQUITY AND COST METHOD INVESTMENTS

We have investments that are recorded under both the equity and cost methods. These investments are considered to be an integral part of our business and are strategically and operationally important to our overall results. Our equity and cost method investment balances recorded at June 30, 2012 and December 31, 2011 are as follows:

	June 30, 2012	December 31, 2011
Equity method investments	$ 244	$ 207
Cost method investments	73	73
Total investments	$ 317	$ 280

During the six months ended June 30, 2012, we invested $37 million in a joint venture, which is classified as an equity method investment, to develop, own and operate a hotel property in the State of Hawaii.

During the second quarter of 2011, we contributed $20 million to a newly formed joint venture with Noble Investment Group ("Noble") in return for a 40% ownership interest in the venture (see Note 6). In addition, the Company and Noble agreed to invest in the strategic new development of select service hotels in the United States. Under that agreement, we are required to contribute up to a maximum of 40% of the equity necessary to fund up to $80 million (i.e. $32 million) of such new development.

The three and six months ended June 30, 2012 includes $1 million in impairment charges in equity earnings (losses) from unconsolidated hospitality ventures related to a vacation ownership property.

Income from cost method investments included in our condensed consolidated statements of income for the three and six months ended June 30, 2012 and 2011 was insignificant.

The following table presents summarized financial information for all unconsolidated ventures in which we hold an investment that is accounted for under the equity method.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Total revenues	$ 251	$ 229	$ 494	$ 468
Gross operating profit	82	71	153	147
Income from continuing operations	5	12	3	23
Net income	5	12	3	23

4 . FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). GAAP establishes a valuation hierarchy for prioritizing the inputs and the hierarchy places greater emphasis on the use of observable market inputs and less emphasis on unobservable inputs. When determining fair value, an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the 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;

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 have various financial instruments that are measured at fair value including certain marketable securities and derivative instruments. We currently do not have non- financial assets or non- financial liabilities that are required to be measured at fair value on a recurring basis.

We 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 fair value measurement 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.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of June 30, 2012 and December 31, 2011 , we had the following financial assets and liabilities measured at fair value on a recurring basis:

	June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs (Level Two)	Significant Unobservable Inputs (Level Three)
Marketable securities included in short-term investments, prepaids and other assets and other assets				
Mutual funds	$ 259	$ 259	$ —	$ —
Equity securities	28	28	—	—
U.S. government obligations	105	—	105	—
U.S. government agencies	99	—	99	—
Corporate debt securities	479	—	479	—
Mortgage-backed securities	20	—	20	—
Asset-backed securities	8	—	8	—
Municipal and provincial notes and bonds	14	—	14	—
Marketable securities recorded in cash and cash equivalents				
Interest bearing money market funds	103	103	—	—
Derivative instruments				
Interest rate swaps	6	—	6	—
Foreign currency forward contracts	(1)	—	(1)	—

	December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs (Level Two)	Significant Unobservable Inputs (Level Three)
Marketable securities included in short-term investments, prepaids and other assets and other assets				
Mutual funds	$ 242	$ 242	$ —	$ —
Equity securities	35	35	—	—
U.S. government obligations	102	—	102	—
U.S. government agencies	132	—	132	—
Corporate debt securities	487	—	487	—
Mortgage-backed securities	23	—	21	2
Asset-backed securities	7	—	7	—
Municipal and provincial notes and bonds	14	—	14	—
Marketable securities recorded in cash and cash equivalents				
Interest bearing money market funds	60	60	—	—
Derivative instruments				
Interest rate swaps	7	—	7	—
Foreign currency forward contracts	(1)	—	(1)	—

During the three and six months ended June 30, 2012 and 2011, 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.

Marketable Securities

Our portfolio of marketable securities consists of various types of U.S. Treasury securities, mutual funds, common stock, and fixed income securities, including government agencies, municipal, provincial and corporate bonds. The fair value of our mutual funds and certain equity securities were classified as Level One as they trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis. The remaining securities, except for certain mortgage- backed securities at December 31, 2011, were 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.

Included in our portfolio of marketable securities are investments in debt and equity securities classified as available for sale. At June 30, 2012 and December 31, 2011 these were as follows:

	June 30, 2012			
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Corporate debt securities	$ 383	$ 6	$ (6)	$ 383
U.S. government agencies and municipalities	61	—	—	61
Equity securities	9	—	(1)	8
Total	$ 453	$ 6	$ (7)	$ 452

	December 31, 2011			
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Corporate debt securities	$ 406	$ 5	$ (5)	$ 406
U.S. government agencies and municipalities	93	—	—	93
Equity securities	9	—	(2)	7
Total	$ 508	$ 5	$ (7)	$ 506

Gross realized gains and losses on available for sale securities were insignificant for the three and six months ended June 30, 2012 and 2011 .

The table below summarizes available for sale fixed maturity securities by contractual maturity at June 30, 2012 . Actual maturities may differ from contractual maturities because certain securities may be called or prepaid with or without call or prepayment penalties. Securities not due at a single date are allocated based on weighted average life. Although a portion of our available for sale fixed maturity securities mature after one year, we have chosen to classify the entire portfolio as current. The portfolio's objectives are to preserve capital, provide liquidity to satisfy operating requirements, working capital purposes and strategic initiatives and capture a market rate of return. Therefore, since these securities represent funds available for current operations, the entire investment portfolio is classified as current assets.

	June 30, 2012	
Contractual Maturity	Cost or Amortized Cost	Fair Value
Due in one year or less	$ 269	$ 269
Due in one to two years	175	175
Total	$ 444	$ 444

We invest a portion of our cash balance into short- term interest bearing money market funds that have a maturity of less than ninety 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 amount of total gains or losses included in net gains (losses) and interest income from marketable securities held to fund operating programs due to the change in unrealized gains or losses relating to assets still held at the reporting date for the three and six months ended June 30, 2012 and 2011 were insignificant.

Derivative Instruments

Our derivative instruments are foreign currency exchange rate instruments and interest rate swaps. The instruments are valued using an income approach with factors such as interest rates and yield curves, which represent market observable inputs and are generally classified as Level Two. Credit valuation adjustments may be made to ensure that derivatives are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality and our nonperformance risk. As of June 30, 2012 and December 31, 2011 , the credit valuation adjustments were insignificant. See Note 8 for further details on our derivative instruments.

Mortgage Backed Securities

During the six months ended June 30, 2012 , we sold mortgage backed securities that had been classified as Level 3 at December 31, 2011. The following table provides a reconciliation of the beginning and ending balances for the mortgage backed securities measured at fair value using significant unobservable inputs (Level 3):

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3) - Mortgage Backed Securities	
	2012	2011
Balance at January 1,	$ 2	$ 2
Transfers into (out of) Level Three	—	—
Settlements	(2)	—
Total gains (losses) (realized or unrealized)	—	—
Balance at March 31,	$ —	$ 2
Transfers into (out of) Level Three	—	—
Settlements	—	—
Total gains (losses) (realized or unrealized)	—	—
Balance at June 30,	$ —	$ 2

Other Financial Instruments

We estimated the fair value of financing receivables using discounted cash flow analysis based on current market assumptions for similar types of arrangements. Based upon the availability of market data, we have classified our financing receivables as Level Three. The primary sensitivity in these calculations is based on the selection of appropriate interest and discount rates. Fluctuations in these assumptions will result in different estimates of fair value. For further information on financing receivables see Note 5 .

We estimated the fair value of debt, excluding capital leases, which consists of our Senior Notes. Our Senior Notes are classified as Level Two due to the use and weighting of multiple market inputs 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.

The carrying amounts and fair values of our other financial instruments are as follows:

	Asset (Liability)				
	June 30, 2012				
	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)
Financing receivables					
Secured financing to hotel owners	$ 312	$ 311	$ —	$ —	$ 311
Vacation ownership mortgage receivable	41	42	—	—	42
Unsecured financing to hotel owners	68	68	—	—	68
Debt, excluding capital lease obligations	(1,008)	(1,122)	—	(1,122)	—

	Asset (Liability)				
	December 31, 2011				
	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)
Financing receivables					
Secured financing to hotel owners	$ 312	$ 311	$ —	$ —	$ 311
Vacation ownership mortgage receivable	42	42	—	—	42
Unsecured financing to hotel owners	16	15	—	—	15
Debt, excluding capital lease obligations	(1,008)	(1,059)	—	(1,059)	—

5 . FINANCING RECEIVABLES

We have divided our financing receivables, which includes loans and other financing arrangements, into three portfolio segments based on their initial measurement, risk characteristics and our method for monitoring or assessing credit risk. These portfolio segments correspond directly with our assessed class of receivables and are as follows:

- Secured Financing to Hotel Owners—These financing receivables are senior secured mortgage loans and are collateralized by underlying hotel properties currently in operation. These loans consist primarily of a $278 million mortgage loan receivable to an unconsolidated hospitality venture which was formed to acquire ownership of a hotel property in Waikiki, Hawaii, and which is accounted for under the equity method. This mortgage receivable has interest set at 30- day LIBOR+ 3.75% due monthly and a stated maturity date of July 2013 . Secured financing to hotel owners also includes financing provided to certain franchisees for the renovations and conversion of certain franchised hotels. These franchisee loans accrue interest at fixed rates ranging between 5.5% and 6.0% .
- Vacation Ownership Mortgage Receivables—These financing receivables are comprised of various mortgage loans related to our financing of vacation ownership interval sales. As of June 30, 2012 , the weighted- average interest rate on vacation ownership mortgage receivables was 13.9% .
- Unsecured Financing to Hotel Owners—These financing receivables are primarily made up of individual unsecured loans and other types of financing arrangements provided to hotel owners. During the quarter ended June 30, 2012, we entered into a loan agreement to provide a $50 million mezzanine loan for the construction of a hotel that we will manage. Under the loan agreement, interest accrues at the greater of one-month LIBOR plus 5.0% , or 6.5% . Our other financing receivables have stated maturities and interest rates, however, the expected repayment terms may be dependent on the future cash flows of the hotel and, therefore, are not considered loans as the repayment date is not fixed or determinable. Because these arrangements are not considered loans, we do not include them in our impaired loans analysis. Since these receivables may come due earlier than the stated maturity date, the expected maturity dates have been excluded from the maturities table below.

The three portfolio segments of financing receivables and their balances at June 30, 2012 and December 31, 2011 are as follows:

	June 30, 2012	December 31, 2011
Secured financing to hotel owners	$ 319	$ 319
Vacation ownership mortgage receivables at various interest rates with varying payments through 2022	49	50
Unsecured financing to hotel owners	144	91
	512	460
Less allowance for losses	(91)	(90)
Less current portion included in receivables, net	(11)	(10)
Total long-term financing receivables	$ 410	$ 360

Financing receivables held by us as of June 30, 2012 are scheduled to mature as follows:

Year Ending December 31,	Secured Financing to Hotel Owners	Vacation Ownership Mortgage Receivables
2012	$ 1	$ 3
2013	278	7
2014	—	8
2015	40	8
2016	—	7
2017	—	5
Thereafter	—	11
Total	319	49
Less allowance	(7)	(8)
Net financing receivables	$ 312	$ 41

Allowance for Losses and Impairments

We individually assess all loans in the secured financing to hotel owners portfolio and in the unsecured financing to hotel owners portfolio for impairment. We assess the vacation ownership mortgage receivables portfolio, which consists entirely of loans, for impairment on an aggregate basis. We do not assess, for impairment, our other financing arrangements included in unsecured financing to hotel owners. However, we do regularly evaluate our reserves for these other financing arrangements and record provisions in the financing receivables allowance as necessary. Impairment charges for loans within all three portfolios and reserves related to our other financing arrangements are recorded as provisions in the financing receivables allowance. We consider the provisions on all of our portfolio segments to be adequate based on the economic environment and our assessment of the future collectability of the outstanding loans.

The following tables summarize the activity in our financing receivables allowance for the three and six months ended June 30, 2012 and 2011 :

	Secured Financing	Vacation Ownership	Unsecured Financing	Total
Allowance at January 1, 2012	$ 7	$ 8	$ 75	$ 90
Provisions	—	1	3	4
Write-offs	—	(1)	(3)	(4)
Recoveries	—	—	—	—
Allowance at March 31, 2012	$ 7	$ 8	$ 75	$ 90
Provisions	—	2	3	5
Write-offs	—	(2)	—	(2)
Recoveries	—	—	(2)	(2)
Allowance at June 30, 2012	$ 7	$ 8	$ 76	$ 91

	Secured Financing	Vacation Ownership	Unsecured Financing	Total
Allowance at January 1, 2011	$ 4	$ 10	$ 68	$ 82
Provisions	—	1	1	2
Other Adjustments	—	—	1	1
Write-offs	(1)	(1)	—	(2)
Recoveries	—	—	—	—
Allowance at March 31, 2011	$ 3	$ 10	$ 70	$ 83
Provisions	—	—	2	2
Other Adjustments	—	—	—	—
Write-offs	—	(1)	—	(1)
Recoveries	—	—	—	—
Allowance at June 30, 2011	$ 3	$ 9	$ 72	$ 84

Note: Amounts included in other adjustments represent currency translation on foreign currency denominated financing receivables.

We routinely evaluate loans within financing receivables for impairment. To determine whether an impairment has occurred, we evaluate the collectability of both interest and principal. A loan is considered to be impaired when the Company determines that it is probable that we will not be able to collect all amounts due under the contractual terms. We do not record interest income for impaired loans unless cash is received, in which case the payment is recorded to other income (loss), net in the accompanying condensed consolidated statements of income. During the three and six months ended June 30, 2012 , we recorded impairment charges of $2 million and $3 million , respectively, for loans. There were no impairment charges recorded during the three and six months ended June 30, 2011.

An analysis of our loans included in secured financing to hotel owners and unsecured financing to hotel owners had the following impaired amounts at June 30, 2012 and December 31, 2011 , all of which had a related allowance recorded against them:

Impaired Loans				
June 30, 2012				
	Gross Loan Balance (Principal and Interest)	Unpaid Principal Balance	Related Allowance	Average Recorded Loan Balance
Secured financing to hotel owners	$ 40	$ 40	$ (7)	$ 40
Unsecured financing to hotel owners	51	46	(47)	50

Impaired Loans				
December 31, 2011				
	Gross Loan Balance (Principal and Interest)	Unpaid Principal Balance	Related Allowance	Average Recorded Loan Balance
Secured financing to hotel owners	$ 41	$ 40	$ (7)	$ 40
Unsecured financing to hotel owners	51	46	(46)	51

Interest income recognized on these impaired loans within other income (loss), net on our condensed consolidated statements of income for the three and six months ended June 30, 2012 and 2011 was as follows:

Interest Income				
	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Secured financing to hotel owners	$ —	$ —	$ 1	$ 1
Unsecured financing to hotel owners	—	—	—	—

Credit Monitoring

On an ongoing basis, we monitor the credit quality of our financing receivables based on payment activity. We categorize our financing receivables as follows:

- Past-due Receivables—We determine financing receivables to be past- due based on the contractual terms of each individual financing receivable agreement.
- Non-Performing Receivables—Receivables are determined to be non- performing based upon the following criteria: (1) if interest or principal is greater than 90 days past due for secured financing to hotel owners and unsecured financing to hotel owners; (2) 120 days past due for vacation ownership mortgage receivables; (3) if an impairment charge has been recorded for a loan or a provision established for our other financing arrangements. For the three and six months ended June 30, 2012 and 2011 , no interest income was accrued for secured financing to hotel owners and unsecured financing to hotel owners greater than 90 days past due and for vacation ownership receivables greater than 120 days past due. For the three and six months ended June 30, 2012 and 2011 , insignificant interest income was accrued for vacation ownership receivables greater than 90 days and less than 120 days.

If a financing receivable is non-performing, we place the financing receivable on non- accrual status. We only recognize interest income when received for financing receivables on non- accrual status. Accrual of interest income is resumed when the receivable becomes contractually current and collection doubts are removed.

The following tables summarize our aged analysis of past-due financing receivables by portfolio segment, the gross balance of financing receivables greater than 90 days past-due and the gross balance of financing receivables on non- accrual status as of June 30, 2012 and December 31, 2011 :

Analysis of Financing Receivables

June 30, 2012

	Receivables Past Due	Greater than 90 Days Past Due	Receivables on Non-Accrual Status
Secured financing to hotel owners	$ —	$ —	$ 41
Vacation ownership mortgage receivables	2	—	—
Unsecured financing to hotel owners *	3	3	77
Total	$ 5	$ 3	$ 118

Analysis of Financing Receivables

December 31, 2011

	Receivables Past Due	Greater than 90 Days Past Due	Receivables on Non-Accrual Status
Secured financing to hotel owners	$ —	$ —	$ 41
Vacation ownership mortgage receivables	3	—	—
Unsecured financing to hotel owners *	6	6	76
Total	$ 9	$ 6	$ 117

* Certain of these receivables have been placed on non-accrual status and we have recorded allowances for these receivables based on estimates of the future cash flows available for payment of these financing receivables. However, a majority of these payments are not past due.

6 . ACQUISITIONS, DISPOSITIONS, AND DISCONTINUED OPERATIONS

We continually assess strategic acquisitions and dispositions to complement our current business.

Acquisitions

Hyatt Regency Mexico City —During the second quarter of 2012, we acquired all of the outstanding shares of capital stock of a company that owned a full service hotel in Mexico City, Mexico in order to expand our presence in the region. The total purchase price was approximately $201 million . As part of the purchase, we acquired cash and cash equivalents of $11 million , resulting in a net purchase price of $190 million . We began managing this property during the second quarter and have rebranded it as Hyatt Regency Mexico City.

In conjunction with the acquisition, we entered into a holdback escrow agreement. Pursuant to the holdback escrow agreement, we withheld $11 million from the purchase price and placed it into an escrow account, which was classified as restricted cash on our condensed consolidated balance sheet. The funds in the escrow account will be released to the seller, less any indemnity claims, upon satisfaction of the terms pursuant to the holdback escrow agreement within the nine months following the close of the transaction. Because we expect the terms of the holdback escrow agreement to be satisfied, we have recorded a corresponding liability on our condensed consolidated balance sheet.

The following table summarizes the preliminary estimated fair value of the identifiable assets acquired and liabilities assumed in our owned and leased hotels segment for the acquisition (in millions):

Cash and cash equivalents	$ 11
Other current assets	3
Land, property, and equipment	190
Intangibles	12
Total assets	216
Current liabilities	3
Other long-term liabilities	42
Total liabilities	45
Total net assets acquired	$ 171

The acquisition created goodwill of Mexican Peso ("MXP") 410 million , or $30 million at the date of acquisition, which is not deductible for tax purposes and is recorded within our owned and leased segment. The definite lived intangibles, which are substantially comprised of management intangibles, will be amortized over a weighted average useful life of 17 years . Within the other long-term liabilities is a $41 million deferred tax liability, the majority of which relates to property and equipment.

Supplemental Information for our Acquisitions —The results of the Hyatt Regency Mexico City since the acquisition date have been included in our condensed consolidated financial statements. The following table presents the results of this property since the acquisition date on a stand- alone basis:

	Hyatt Regency Mexico City's operations included in 2012 results
Revenues	$ 5
Income from continuing operations	1

The following table presents our revenues and income from continuing operations on a pro forma basis as if we had completed the acquisition and rebranding of the Hyatt Regency Mexico City as of January 1, 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Pro forma revenues	$ 1,020	$ 948	$ 1,990	$ 1,833
Pro forma income from continuing operations	41	39	53	48

The above 2012 pro forma income from continuing operations for the three and six months ended June 30, 2012 excludes $1 million , respectively, of transaction costs incurred to acquire a company that owned the hotel and other assets that were recorded to other income (loss), net on our condensed consolidated statements of income. The six months ended June 30, 2011 pro forma income from continuing operations was adjusted to include these charges.

Woodfin Suites —During the second quarter of 2011, we acquired three Woodfin Suites properties in California for a total purchase price of approximately $77 million . We began managing these properties during the second quarter of 2011 and have rebranded them as Hyatt Summerfield Suites.

Dispositions

Hyatt Place and Hyatt Summerfield Suites —During the second quarter of 2011, we sold six Hyatt Place and two Hyatt Summerfield Suites properties to a newly formed joint venture with an affiliate of Noble Investment Group, LLC, in which the Company holds a 40% ownership interest. The properties were sold for a combined sale price of $110 million , or $90 million net of our $20 million contribution to the new joint venture. The sale resulted in a pretax loss of $2 million , which has been recognized in other income (loss), net on our condensed consolidated statements of income. In conjunction with the sale, we entered into a long-term franchise agreement with the joint venture for each property. The six Hyatt Place and two Hyatt Summerfield Suites hotels continue to be operated as Hyatt-branded hotels. The operating results and financial positions of these hotels prior to the sale remain within our owned and leased hotels segment.

Hyatt Regency Minneapolis —During the first quarter of 2011, we entered into an agreement with third parties to form a new joint venture, the purpose of which was to own and operate the Hyatt Regency Minneapolis. We contributed a fee simple interest in the Hyatt Regency Minneapolis to the joint venture as part of our equity interest subject to a $25 million loan to the newly formed joint venture. HHC has guaranteed the repayment of the loan (see Note 11). In conjunction with our contribution, we entered into a long- term management contract with the joint venture. The terms of the joint venture provide for capital contributions by the non-HHC partners that will be used to complete a full renovation of the Hyatt Regency Minneapolis.

Like-Kind Exchange Agreements

In conjunction with the sale of three Hyatt Place properties in the second quarter of 2011, we entered into a like-kind exchange agreement with an intermediary. Pursuant to the like-kind exchange agreement, the proceeds from the sales of these three hotels were placed into an escrow account administered by the intermediary. Therefore, we classified the net proceeds of $35 million as restricted cash on our condensed consolidated balance sheet as of June 30, 2011 which was subsequently utilized during the third quarter of 2011 as part of the purchase of hotels and other assets from LodgeWorks, L.P. and its private equity partners.

During the six months ended June 30, 2011, we released the net proceeds from the 2010 sales of Grand Hyatt Tampa Bay and Hyatt Regency Greenville of $56 million and $15 million , respectively, from restricted cash on our condensed consolidated balance sheet, as a like-kind exchange agreement was not consummated within applicable time periods. The net proceeds of $26 million from the sale of Hyatt Deerfield were utilized in a like-kind exchange agreement to acquire one of the Woodfin Suites properties.

Assets Held for Sale

During the first quarter of 2011, we closed on the sale of a Company owned airplane to a third party for net proceeds of $18 million . The transaction resulted in a small pre- tax gain upon sale.

7 . GOODWILL AND INTANGIBLE ASSETS

We review the carrying value of all our goodwill by comparing the carrying value of our reporting units to their fair values in a two- step process. We define a reporting unit at the individual property or business level. We are required to perform this comparison at least annually or more frequently if circumstances indicate that a possible impairment exists. When determining fair value in step one, we utilize internally developed discounted future cash flow models, third party appraisals and, if appropriate, current estimated net sales proceeds from pending offers. We then compare the estimated fair value to our carrying value. If the carrying value is in excess of the fair value, we must determine our implied fair value of goodwill to measure if any impairment charge is necessary.

Goodwill was $132 million at June 30, 2012 and $102 million at December 31, 2011 . The increase in goodwill is due to the acquisition of the Hyatt Regency Mexico City which created goodwill of MXP 410 million , or $30 million (see Note 6). During the three and six months ended June 30, 2012 and 2011 , no impairment charges were recorded related to goodwill.

Definite lived intangible assets primarily include contract acquisition costs, acquired lease rights, and acquired franchise and management intangibles. Contract acquisition costs and franchise and management intangibles are generally amortized on a straight- line basis over their contract terms, which range from approximately 5 to 40 years and 10 to 30 years, respectively. Acquired lease rights are amortized on a straight- line basis over the lease term. Definite lived intangibles are tested for impairment whenever events or circumstances indicate that the carrying amount of a long- lived asset may not be recoverable. There were no impairment charges related to intangible assets with definite lives during the three and six months ended June 30, 2012 and 2011 .

The following is a summary of intangible assets at June 30, 2012 and December 31, 2011 :

	June 30, 2012	Weighted Average Useful Lives (in years)	December 31, 2011
Contract acquisition costs	$ 181	23	$ 167
Acquired lease rights	135	112	133
Franchise and management intangibles	125	25	115
Other	9	10	7
	450		422
Accumulated amortization	(74)		(63)
Intangibles, net	$ 376		$ 359

Amortization expense relating to intangible assets was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Amortization expense	$ 7	$ 5	$ 12	$ 8

8 . DERIVATIVE INSTRUMENTS

It is our policy that derivative transactions are executed only to manage exposures arising in the normal course of business and not for the purpose of creating speculative positions or trading. As a result of the use of derivative instruments, we are exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, we have a policy of only entering into contracts with carefully selected major financial institutions based upon their credit rating and other factors. Our derivative instruments do not contain credit- risk related contingent features.

All derivatives are recognized on the balance sheet at fair value. Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in accumulated other comprehensive loss on the balance sheet until they are reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Changes in the fair value of a derivative that is qualified, designated and highly effective as a fair value hedge, along with the gain or loss on the hedged asset or liability that is attributable to the hedged risk are recorded in current earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in current period earnings. Cash flows from designated derivative financial instruments are classified within the same category as the item being hedged on the statement of cash flows. Cash flows from undesignated derivative financial instruments are included in the investing category on the statement of cash flows.

Interest Rate Swap Agreements —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. Interest rate derivative transactions, including interest rate swaps, are entered to maintain a level of exposure to interest rates which the Company deems acceptable.

As of June 30, 2012 and December 31, 2011 , we held a total of seven and eight $25 million interest rate swap contracts, respectively, each of which expires on August 15, 2015 . Taken together, these swap contracts effectively convert a total of $175 million and $200 million , as of June 30, 2012 and December 31, 2011 , respectively, of the $250 million of senior notes issued in August 2009 with a maturity date of August 15, 2015 (the "2015 Notes") to floating rate debt based on three- month LIBOR plus a fixed rate component. The fixed rate component of each swap varies by contract, ranging from 2.68% to 4.77% . The interest rate swaps were designated as a fair value hedge as their objective is to protect the 2015 Notes against changes in fair value due to changes in the three- month LIBOR interest rate. The swaps were designated as fair value hedges at inception and at June 30, 2012 and December 31, 2011 were highly effective in offsetting fluctuations in the fair value of the 2015 Notes. At June 30, 2012 and December 31, 2011 , the fixed to floating interest rate swaps were recorded within other assets at a value of $6 million and $7 million , respectively, offset by a fair value adjustment to long- term debt of $9 million and $8 million , respectively. At June 30, 2012 and December 31, 2011 , the difference between the other asset value and fair market value adjustment to long-term debt includes the ineffective portion of the swap life-to-date in the amount of $1 million and $1 million , respectively. During the three months ended June 30, 2012 , we terminated a $25 million interest rate swap contract. Upon termination the Company received a cash payment of $2 million to settle the fair value of the swap, this amount is included within the carrying value of long-term debt at June 30, 2012 and will be amortized to interest expense over the remaining term of the 2015 Note.

Interest Rate Lock —During the three months ended June 30, 2011, we entered into treasury- lock derivative instruments with $250 million of notional value to hedge a portion of the risk of changes in the benchmark interest rate associated with the senior notes issued in August 2011 with a maturity date of August 15, 2021 (the "2021 Notes"). These derivative instruments were designated as cash flow hedges at inception and at June 30, 2011 were highly effective in offsetting fluctuations in the benchmark interest rate. Changes in the fair value relating to the effective portion of the lock were recorded in accumulated other comprehensive loss and the corresponding fair value was included in prepaids and other assets.

We settled the treasury- lock derivative instruments at the inception of the loan agreement for the 2021 Notes in August 2011. The $14 million loss on the settlement was recorded to accumulated other comprehensive loss and will be amortized over the remaining life of the 2021 Notes. For the three and six months ended June 30, 2012 , the amount of incremental interest expense was insignificant and $1 million , respectively.

Foreign Currency Exchange Rate Instruments —We transact business in various foreign currencies and utilize foreign currency forward contracts to offset the risks associated with the effects of certain foreign currency exposures. Our strategy is to have increases or decreases in our foreign currency exposures offset by gains or losses on the foreign currency forward contracts to mitigate the risks and volatility associated with foreign currency transaction gains or losses. These foreign currency exposures typically arise from intercompany loans and other intercompany transactions. Our foreign currency forward contracts generally settle within 12 months. We do not use these forward contracts for trading purposes. We do not designate these forward contracts as hedging instruments. Accordingly, we record the fair value of these contracts as of the end of our reporting period to our condensed consolidated balance sheets with changes in fair value recorded in our condensed consolidated statements of income within other income (loss), net for both realized and unrealized gains and losses. The balance sheet classification for the fair values of these forward contracts is to prepaids and other assets for unrealized gains and to accrued expenses and other current liabilities for unrealized losses.

The U.S. dollar equivalent of the notional amount of the outstanding forward contracts, the majority of which relate to intercompany loans, with terms of less than one year, is as follows (in U.S. dollars):

	June 30, 2012	December 31, 2011
Pound Sterling	$ 152	$ 126
Swiss Franc	46	59
Korean Won	33	33
Canadian Dollar	27	27
Total notional amount of forward contracts	$ 258	$ 245

Certain energy contracts at our hotel properties include derivatives. However, we qualify for and have elected the normal purchases or sales exemption for these derivatives.

The effects of derivative instruments on our condensed consolidated financial statements were as follows as of June 30, 2012 , December 31, 2011 and for the three and six month periods ended June 30, 2012 and 2011 :

Fair Values of Derivative Instruments

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	**June 30, 2012**	**December 31, 2011**	**Balance Sheet Location**	**June 30, 2012**	**December 31, 2011**
Derivatives designated as hedging instruments						
Interest rate swaps	Other assets	$ 6	$ 7	Other long-term liabilities	$ —	$ —
Derivatives not designated as hedging instruments						
Foreign currency forward contracts	Prepaids and other assets	—	—	Accrued expenses and other current liabilities	1	1
Total derivatives		**$ 6**	**$ 7**		**$ 1**	**$ 1**

Effect of Derivative Instruments on Income

	Location of Gain (Loss)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Fair value hedges:					
Interest rate swaps					
Gains (losses) on derivatives	Other income (loss), net*	$ 1	$ 2	$ 1	$ 1
Gains (losses) on borrowings	Other income (loss), net*	(1)	(2)	(1)	(1)

	Location of Gain (Loss)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Cash flow hedges:					
Interest rate locks					
Amount of gain (loss) recognized in accumulated other comprehensive income (loss) on derivative (effective portion)	Accumulated other comprehensive loss	$ —	$ 4	$ —	$ 4
Amount of gain (loss) reclassified from accumulated other comprehensive income (loss) into income (effective portion)	Interest expense	—	—	—	—
Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Other income (loss), net**	—	—	—	—

	Location of Gain (Loss)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Derivatives not designated as hedges:					
Foreign currency forward contracts	Other income (loss), net	$ 4	$ (6)	$ (2)	$ (8)

* For the three and six months ended June 30, 2012 and 2011 , there was an insignificant loss recognized in income related to the ineffective portion of these hedges. No amounts were excluded from the assessment of hedge effectiveness for the three and six months ended June 30, 2012 and 2011 .

** For the three and six months ended June 30, 2011 , there was an insignificant gain recognized in income related to the ineffective portion of these hedges. No incremental amounts were excluded from the assessment of hedge effectiveness for the three and six months ended June 30, 2011 .

9 . EMPLOYEE BENEFIT PLANS

Descriptions of our employee benefit plans and the related costs incurred for the three and six months ended June 30, 2012 and 2011 are provided below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Defined benefit plan	$ 1	$ 1	$ 1	$ 1
Defined contribution plans	9	8	18	17
Deferred compensation plan	1	1	5	4

Defined Benefit Plan —We sponsor a frozen unfunded supplemental defined benefit executive retirement plan for certain former executives.

Defined Contribution Plans —We provide retirement benefits to certain qualified employees under the Retirement Savings Plan (a qualified plan under Internal Revenue Code Section 401(k)), the Field Retirement Plan (a nonqualified plan), and other similar plans. We record expenses related to the Retirement Savings Plan based on a percentage of qualified employee contributions on stipulated amounts; a substantial portion of these contributions are included in the other revenues from managed properties and other costs from managed properties lines in the condensed consolidated statements of income as the costs of these programs are largely related to employees located at lodging properties managed by us and are therefore paid for by the property owners.

Deferred Compensation Plan —We provide a deferred compensation plan in which contributions and investment elections are determined by the employees. The Company also provides contributions according to preapproved formulas. A portion of these contributions relate to hotel property level employees, which are reimbursable to us and are included in the other revenues from managed properties and other costs from managed properties lines in the condensed consolidated statements of income. As of June 30, 2012 and December 31, 2011 , the plan is fully funded in a rabbi trust. The assets of the plan are primarily invested in mutual funds, which are recorded in other assets in the condensed consolidated balance sheets. The related deferred compensation liability is recorded in other long- term liabilities.

10 . INCOME TAXES

The effective income tax rates for the three months ended June 30, 2012 and 2011 were 30.3% and (2.7)% , respectively. The effective income tax rates from continuing operations for the six months ended June 30, 2012 and 2011 were 30.8% and 9.2% , respectively.

For the three months ended June 30, 2012, the effective tax rate is lower than the U.S. statutory federal income tax rate of 35% primarily due to foreign earnings subject to tax at rates below the U.S. rate and the recognition of foreign tax credits of $10 million . These benefits are partially offset by a provision of approximately $7 million resulting from a reduction in the deferred tax assets of certain non-consolidated investments. For the six months ended June 30, 2012, the effective tax rate is lower than the U.S. statutory federal income tax rate of 35% primarily due to the recognition of foreign tax credits of $10 million and a release of $5 million in reserves for interest related to our treatment for expensing certain renovation costs in prior years. The rate was further reduced by foreign earnings subject to tax at rates below the U.S. rate. These benefits are partially offset by the $7 million provision described above as well as a provision of approximately $4 million (including $2 million of interest and penalties) for uncertain tax positions in foreign jurisdictions.

For the three months ended June 30, 2011, the effective tax rate differed from the U.S. statutory federal income tax rate of 35% primarily due to an increase in deferred tax assets of $12 million related to the release of a valuation allowance against certain foreign net operating losses. In addition, the reduced effective tax rate is due to foreign operations taxed at rates below the U.S. rate. For the six months ended June 30, 2011, the effective tax rate differed from the U.S. statutory federal income tax rate of 35% primarily due to an increase in deferred tax assets of $12 million related to the release of a valuation allowance against certain foreign net operating losses, and certain other adjustments to foreign deferred taxes of $2 million . In addition, the reduced effective tax rate is due to foreign operations taxed at rates below the U.S. rate. These items were partially offset by unrecognized tax benefits of $4 million (including $3 million of interest and penalties).

Total unrecognized tax benefits at June 30, 2012 and December 31, 2011 were $175 million , of which $49 million would impact the effective tax rate if recognized. It is reasonably possible that a reduction of up to $46 million of unrecognized tax benefits could occur within twelve months resulting from the resolution of audit examinations and the expiration of certain tax statutes of limitations.

11 . 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:

Guarantees and Commitments —As of June 30, 2012 , we are committed, under certain conditions, to lend or invest up to $536 million , net of any related letters of credit, in various business ventures.

Included in the $536 million in commitments are the following:

- Our share of a hospitality venture's commitment to purchase a hotel within a to- be constructed building in New York City for a total purchase price of $375 million . The hospitality venture will be funded upon the purchase of the hotel, and our share of the purchase price commitment is 66.67% (or approximately $250 million). In accordance with the purchase agreement, we have agreed to fund a $50 million letter of credit as security towards this future purchase obligation. The agreement stipulates that the purchase of the completed property is contingent upon the completion of certain contractual milestones. The $50 million funded letter of credit is included as part of our total letters of credit outstanding at June 30, 2012 , and therefore netted against our future commitments amount disclosed above. For further discussion, see the "Letters of Credit" section of this footnote below.

- Our commitment to develop, own and operate a hotel property in the State of Hawaii through a joint venture formed in 2010. The expected remaining commitment under the joint venture agreement at June 30, 2012 , is $81 million .

Certain of our hotel lease or management agreements contain performance tests that stipulate certain minimum levels of operating performance. These performance test clauses give us the option to fund any shortfall in profit performance. If we choose not to fund the shortfall, the hotel owner has the option to terminate the lease or management contract. As of June 30, 2012 , there were no amounts recorded in accrued expenses and other current liabilities related to these performance test clauses.

Additionally, from time to time we may guarantee certain of our hotel owners certain levels of hotel profitability based on various metrics. We have management agreements where we are required to make payments based on specified thresholds and we have recorded $0 and a $2 million charge under one of these agreements in the three and six months ended June 30, 2012 , respectively. Under a separate agreement, we had $2 million accrued as of June 30, 2012 . The remaining maximum potential payments related to these agreements are $27 million .

We have entered into various loan, lease completion and repayment guarantees related to investments held in hotel operations. The maximum exposure under these agreements as of June 30, 2012 , is $109 million . With respect to repayment guarantees related to two joint venture properties, the Company has agreements with its respective partners that require each partner to pay a pro- rata portion of the guarantee based on each partner's ownership percentage. Assuming successful enforcement of these agreements with respect to these two joint ventures, our maximum exposure under all of the various agreements described above as of June 30, 2012 , would be $81 million . As of June 30, 2012 , the maximum exposure includes $25 million of a loan repayment agreement guarantee related to our contribution of our interest in Hyatt Regency Minneapolis to a newly formed joint venture (see Note 6).

Surety Bonds —Surety bonds issued on our behalf totaled $24 million at June 30, 2012 , 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 as of June 30, 2012 , totaled $120 million , the majority of which relate to our ongoing operations. Of the $120 million letters of credit outstanding, $99 million reduces the available capacity under the revolving credit facility.

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 and/or the general partner(s) thereof.

In conjunction with financing obtained for our unconsolidated hospitality ventures, 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 joint venture owners.

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 current insurance programs, subject to deductibles. We recognize a liability associated with such commitments and contingencies when a loss is probable and reasonably estimable. Although the liability for these matters cannot be determined at this point, based on information currently available, we do not expect that the ultimate resolution of such claims and litigation will have a material effect on our condensed consolidated financial statements.

12 . EQUITY

Stockholders' Equity and Noncontrolling Interests — The following table details the equity activity for the six months ended June 30, 2012 and 2011 , respectively.

	Stockholders' equity	Noncontrolling interests in consolidated subsidiaries	Total equity
Balance at January 1, 2012	$ 4,818	$ 10	$ 4,828
Net income (loss)	49	—	49
Other comprehensive income (loss)	(4)	—	(4)
Issuance of common stock shares to directors	1	—	1
Share based payment activity	9	—	9
Balance at June 30, 2012	**$ 4,873**	**$ 10**	**$ 4,883**
Balance at January 1, 2011	$ 5,118	$ 13	$ 5,131
Net income (loss)	47	(1)	46
Other comprehensive income (loss)	40	—	40
Purchase of company stock	(396)	—	(396)
Issuance of common stock shares to directors	1	—	1
Share based payment activity	12	—	12
Balance at June 30, 2011	**$ 4,822**	**$ 12**	**$ 4,834**

Accumulated Other Comprehensive Income (Loss) — The following table details the accumulated other comprehensive income activity for the six months ended June 30, 2012 and 2011 , respectively.

	Balance at January 1, 2012	Current period other comprehensive income (loss)	Balance at June 30, 2012
Foreign currency translation adjustments	$ (64)	$ (5)	$ (69)
Unrealized gain (loss) on AFS securities	(2)	1	(1)
Unrecognized pension cost	(6)	—	(6)
Unrealized gain (loss) on derivative instruments	(8)	—	(8)
Accumulated Other Comprehensive Income (Loss)	**$ (80)**	**$ (4)**	**$ (84)**

	Balance at January 1, 2011	Current period other comprehensive income (loss)	Balance at June 30, 2011
Foreign currency translation adjustments	$ (33)	$ 38	$ 5
Unrealized gain (loss) on AFS securities	—	—	—
Unrecognized pension cost	(5)	—	(5)
Unrealized gain (loss) on derivative instruments	—	2	2
Accumulated Other Comprehensive Income (Loss)	**$ (38)**	**$ 40**	**$ 2**

Share Repurchase — During the second quarter of 2011, we repurchased 8,987,695 shares of Class B common stock for $44.03 per share, the closing price of the Company's Class A common stock on May 13, 2011, for an aggregate purchase price of approximately $396 million . The shares repurchased represented approximately 5.2% of the Company's total shares of common stock outstanding prior to the repurchase. The shares of Class B common stock were repurchased from trusts for the benefit of certain Pritzker family members in privately- negotiated transactions 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.

13 . STOCK-BASED COMPENSATION

As part of our long- term incentive plan, we award Stock Appreciation Rights ("SARs"), Restricted Stock Units ("RSUs"), Performance Share Units ("PSUs"), and Performance Vested Restricted Stock ("PSSs") to certain employees. Compensation expense and unearned compensation figures within this note exclude amounts related to employees of our managed hotels as this expense has been and will continue to be reimbursed by our third party hotel owners and is recorded on the lines other revenues from managed properties and other costs from managed properties. Compensation expense related to these awards for the three and six months ended June 30, 2012 and 2011 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Stock appreciation rights	$ 2	$ 2	$ 4	$ 4
Restricted stock units	3	3	6	6
Performance share units and Performance vested restricted stock	—	—	1	1

Stock Appreciation Rights —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 by the plan. All SARs have a 10 -year contractual term and are settled in shares of our Class A common stock. The Company is accounting for these SARs as equity instruments.

During the six months ended June 30, 2012 , the Company granted 405,877 SARs to employees with a weighted average grant date fair value of $17.29 . The fair value of each SAR was estimated on the date of grant using the Black- Scholes- Merton option- valuation model.

Restricted Stock Units —The Company grants both RSUs that may be settled in stock and RSUs that may be settled in cash. Each vested stock- settled RSU will be settled with a single share of our Class A common stock. The value of the stock-settled RSUs was based on the closing stock price of our Class A common stock as of the grant date. We record compensation expense earned for RSUs on a straight- line basis from the date of grant. In certain situations we also grant cash- settled RSUs which are recorded as a liability instrument. The liability and related expense for cash- settled RSUs are insignificant as of, and for the three and six months ended June 30, 2012 . During the six months ended June 30, 2012 , the Company granted a total of 463,846 RSUs (an insignificant portion of which are cash- settled RSUs) to employees which, with respect to stock- settled RSUs, had a weighted average grant date fair value of $41.06 .

Performance Share Units and Performance Vested Restricted Stock —The Company has granted to certain executive officers both PSUs, which are restricted stock units, and PSSs, which are performance vested restricted stock. The number of PSUs that will ultimately vest and be paid out in Class A common stock and the number of PSSs 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. During the six months ended June 30, 2012 , the Company granted to its executive officers a total of 209,569 PSSs, which vest in full if the maximum performance metric is achieved. At the end of the performance period, the PSSs that did not vest will be forfeited. The PSSs had a weighted average grant date fair value of $41.29 . The performance period is three years beginning January 1, 2012 and ending December 31, 2014. The PSSs will vest at the end of the performance period only if the performance threshold is met; there is no interim performance metric.

Our total unearned compensation for our stock- based compensation programs as of June 30, 2012 was $17 million for SARs, $37 million for RSUs and $3 million for PSUs and PSSs, which will be recorded to compensation expense primarily over the next four years with respect to SARs and RSUs and over the next three years with respect to PSUs and PSSs. The amortization for certain RSU awards extends to nine years .

14 . RELATED-PARTY TRANSACTIONS

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

Leases —Our corporate headquarters has been located at the Hyatt Center in Chicago, Illinois, since 2005. A subsidiary of the Company holds a master lease for a portion of the Hyatt Center and has entered into sublease agreements with certain related parties. During the first quarter of 2012, one of these sublease agreements was amended to reduce the related party's occupied space. As a result, we received a payment of $4 million , representing the discounted future sublease payments, less furniture and fixtures acquired as part of the amendment. During the second quarter of 2011, we agreed to a new sublease agreement with a related party which resulted in a $5 million loss on the transaction, which is recorded in other income (loss), net on the condensed consolidated statements of income. Future sublease income from sublease agreements with related parties under our master lease is $11 million .

Legal Services —A partner in a law firm that provided services to us throughout the six months ended June 30, 2012 and 2011 is the brother- in- law of our Executive Chairman. We incurred insignificant and $1 million in legal fees with this firm for the three months ended June 30, 2012 and 2011 , respectively. We incurred legal fees with this firm of $1 million and $2 million for the six months ended June 30, 2012 and 2011 , respectively. Legal fees, when expensed, are included in selling, general and administrative expenses. As of June 30, 2012 , and December 31, 2011 , we had insignificant amounts, respectively, due to the law firm.

Other Services —A member of our board of directors, who was appointed in 2009, is a partner in a firm whose affiliates own hotels from which we recorded management and franchise fees of $1 million and $1 million during the three months ended June 30, 2012 and 2011 , respectively, and $3 million and $3 million during the six months ended June 30, 2012 and 2011 , respectively. As of June 30, 2012 , and December 31, 2011 , we had $1 million , respectively, due from these properties.

Equity Method Investments —We have equity method investments in entities that own properties for which we provide management and/or franchise services and receive fees. We recorded fees of $9 million and $10 million for the three months ended June 30, 2012 and 2011 , respectively. We recorded fees of $19 million and $18 million for the six months ended June 30, 2012 and 2011 , respectively. As of June 30, 2012 , and December 31, 2011 , we had receivables due from these properties of $13 million and $7 million , respectively. In addition, in some cases we provide loans or guarantees (see Note 11) to these entities. Our ownership interest in these equity method investments generally varies from 8 to 50 percent.

Share Repurchase — During the second quarter of 2011, we repurchased 8,987,695 shares of Class B common stock for $44.03 per share, the closing price of the Company’s Class A common stock on May 13, 2011, for an aggregate purchase price of approximately $396 million . The shares repurchased represented approximately 5.2% of the Company’s total shares of common stock outstanding prior to the repurchase. The shares of Class B common stock were repurchased from trusts for the benefit of certain Pritzker family members in privately- negotiated transactions 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.

15 . SEGMENT INFORMATION

Our operating 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 the Chief Executive Officer. The Company announced on May 2, 2012, that it intends to realign its corporate and regional operations to enhance organizational effectiveness and adaptability. The organizational changes are expected to be completed by the fourth quarter of 2012. The Company's chief operating decision maker will continue to assess performance and make decisions regarding the allocation of resources on the basis of our historical operating segments until such time as the realignment is effective. Accordingly, we continue to define our reportable segments as follows:

Owned and Leased Hotels —This segment derives its earnings from owned and leased hotel properties located predominantly in North America but also from 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.

North American Management and Franchising —This segment derives its earnings from services provided, including hotel management and licensing of our family of brands to franchisees located in the U.S., 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, and include in costs and expenses these reimbursed costs.

These costs relate primarily to payroll costs at managed properties where the Company is the employer. These revenues and costs are recorded on the lines other revenues from managed properties and other costs from managed properties, respectively. The intersegment revenues relate to management fees that are collected from the Company’s owned hotels, which are eliminated in consolidation.

International Management and Franchising —This segment derives its earnings from services provided, including hotel management and licensing of our family of brands to franchisees located in countries outside of the U.S., 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, and include in costs and expenses these reimbursed costs. These costs relate primarily to reservations, marketing and IT costs. These revenues and costs are recorded on the lines other revenues from managed properties and other costs from managed properties, respectively. The intersegment revenues relate to management fees that are collected from the Company’s owned hotels, which are eliminated in consolidation.

Our chief operating decision maker evaluates performance based on each segment’s Adjusted EBITDA. We define Adjusted EBITDA as net income attributable to Hyatt Hotels Corporation plus our pro- rata share of unconsolidated hospitality ventures' Adjusted EBITDA before equity earnings (losses) from unconsolidated hospitality ventures; asset impairments; other income (loss), net ; net loss attributable to noncontrolling interests; depreciation and amortization; interest expense; and (provision) benefit for income taxes.

The table below shows summarized consolidated financial information by segment. Included within Corporate and other are unallocated corporate expenses, revenues and expenses on our vacation ownership properties, and the results of our co- branded credit card.

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
North American Management and Franchising				
Revenues	$ 433	$ 397	$ 864	$ 789
Intersegment Revenues (a)	22	15	40	29
Adjusted EBITDA	54	44	100	84
Depreciation and Amortization	5	3	9	6
International Management and Franchising				
Revenues	55	54	110	105
Intersegment Revenues (a)	4	5	8	9
Adjusted EBITDA	24	22	44	42
Depreciation and Amortization	1	1	1	1
Owned and Leased Hotels (b)				
Revenues	528	484	1,001	916
Adjusted EBITDA	132	114	225	189
Depreciation and Amortization	81	66	161	132
Corporate and other				
Revenues	24	21	45	39
Adjusted EBITDA	(30)	(29)	(64)	(55)
Depreciation and Amortization	2	2	4	4
Eliminations (a)				
Revenues	(26)	(20)	(48)	(38)
Adjusted EBITDA	—	—	—	—
Depreciation and Amortization	—	—	—	—
TOTAL				
Revenues	$ 1,014	$ 936	$ 1,972	$ 1,811
Adjusted EBITDA	180	151	305	260
Depreciation and Amortization	89	72	175	143

(a) Intersegment revenues are included in the segment revenue totals and eliminated in Eliminations.

(b) Assets within the Owned and Leased segment at June 30, 2012, equaled $5,012 million compared to $4,825 million at December 31, 2011. The increase in assets is primarily due to the acquisition of a company that owned a full service hotel in Mexico City, Mexico which we rebranded as the Hyatt Regency Mexico City. Refer to Note 6 for further details.

The table below provides a reconciliation of our consolidated Adjusted EBITDA to EBITDA and a reconciliation of EBITDA to net income attributable to Hyatt Hotels Corporation for the three and six months ended June 30, 2012 and 2011 .

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Adjusted EBITDA	**$ 180**	**$ 151**	**$ 305**	**$ 260**
Equity earnings (losses) from unconsolidated hospitality ventures	—	2	(1)	5
Asset impairments	—	(1)	—	(1)
Other income (loss), net	5	(9)	17	(6)
Net loss attributable to noncontrolling interests	—	1	—	1
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	(22)	(22)	(40)	(37)
EBITDA	**163**	**122**	**281**	**222**
Depreciation and amortization	(89)	(72)	(175)	(143)
Interest expense	(17)	(14)	(35)	(27)
(Provision) benefit for income taxes	(18)	1	(22)	(5)
Net income attributable to Hyatt Hotels Corporation	**$ 39**	**$ 37**	**$ 49**	**$ 47**

16 . EARNINGS PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Numerator:				
Net income	$ 39	$ 36	$ 49	$ 46
Net loss attributable to noncontrolling interests	—	1	—	1
Net income attributable to Hyatt Hotels Corporation	$ 39	$ 37	$ 49	$ 47
Denominator:				
Basic weighted average shares outstanding:	165,854,130	169,907,013	165,737,068	172,056,525
Share-based compensation	116,442	231,715	265,757	272,713
Diluted weighted average shares outstanding	165,970,572	170,138,728	166,002,825	172,329,238
Basic Earnings Per Share:				
Net income	$ 0.24	$ 0.21	$ 0.30	$ 0.27
Net loss attributable to noncontrolling interests	—	0.01	—	0.01
Net income attributable to Hyatt Hotels Corporation	$ 0.24	$ 0.22	$ 0.30	$ 0.28
Diluted Earnings Per Share:				
Net income	$ 0.24	$ 0.21	$ 0.30	$ 0.27
Net loss attributable to noncontrolling interests	—	0.01	—	0.01
Net income attributable to Hyatt Hotels Corporation	$ 0.24	$ 0.22	$ 0.30	$ 0.28

The computations of diluted net income per share for the three and six months ended June 30, 2012 and 2011 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Stock-settled SARs	37,400	273,320	32,100	150,400
RSUs	27,300	49,000	16,300	4,440

17 . OTHER INCOME (LOSS), NET

Other income (loss), net includes interest income, gains (losses) on other marketable securities, foreign currency losses, including gains (losses) on foreign currency exchange rate instruments (see Note 8), loss on sale of real estate, costs incurred as part of our Company's realignment (which include employee separation costs, consulting fees, and legal fees), and transaction costs incurred to acquire the Hyatt Regency Mexico City (see Note 6). The table below provides a reconciliation of the components in other income (loss), net for the three and six months ended June 30, 2012 and 2011 , respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Interest income	$ 6	$ 6	$ 11	$ 11
Gains (losses) on other marketable securities	9	(6)	17	(7)
Foreign currency losses	(2)	(3)	(2)	(4)
Loss on sale of real estate	—	(2)	—	(2)
Realignment costs	(7)	—	(7)	—
Transaction costs	(1)	—	(1)	—
Other	—	(4)	(1)	(4)
Other income (loss), net	**$ 5**	**$ (9)**	**$ 17**	**$ (6)**

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

This quarterly report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include statements about the Company's plans, strategies, financial performance, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, our actual results, performance or achievements may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue,” “likely,” “will,” “would” and variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by us and our management, are inherently uncertain. Factors that may cause actual results to differ materially from current expectations include, but are not limited to: the factors discussed in our filings with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K; general economic uncertainty in key global markets; the rate and the pace of economic recovery following economic downturns; levels of spending in business and leisure segments as well as consumer confidence; declines in occupancy and average daily rate; our ability to successfully execute and implement our organizational realignment and the costs associated with such organizational realignment; loss of key personnel, including as a result of our organizational realignment; hostilities, including future terrorist attacks, or fear of hostilities that affect travel; travel-related accidents; natural or man-made disasters such as earthquakes, tsunamis, tornados, hurricanes, floods, oil spills and nuclear incidents; the seasonal and cyclical nature of the real estate and hospitality businesses; changes in distribution arrangements, such as through internet travel intermediaries; changes in the tastes and preferences of our customers; relationships with associates and labor unions and changes in labor laws; financial condition of, and our relationships with, third-party property owners, franchisees and hospitality venture partners; risks associated with potential acquisitions and dispositions; changes in federal, state, local or foreign tax law; increases in interest rates and operating costs; foreign exchange rate fluctuations or currency restructurings; lack of acceptance of new brands or innovation; general volatility of the capital markets and our ability to access the capital markets; changes in the competitive environment in our industry and the markets where we operate; outcomes of legal proceedings; and violation of regulations or laws related to our franchising business. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Forward-looking statements speak only as of the date they are made, and we do not undertake or assume any obligation to update publicly any of these forward-looking statements to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

The following discussion should be read in conjunction with the Company's Condensed Consolidated Financial Statements and accompanying notes, which appear elsewhere in this Quarterly Report on Form 10-Q.

Executive Overview

We are a global hospitality company engaged in the management, franchising, ownership and development of Hyatt-branded hotels, resorts and residential and vacation ownership properties around the world. As of June 30, 2012 , our worldwide property portfolio consisted of 492 properties (135,327 rooms and units), including:

- 184 managed properties (68,838 rooms), all of which we operate under management agreements with third-party property owners;
- 142 franchised properties (23,296 rooms), all of which are owned by third parties that have franchise agreements with us and are operated by third parties;
- 105 owned properties (including 2 consolidated hospitality ventures) (26,235 rooms) and 4 leased properties (1,718 rooms), all of which we manage and account for as operating leases;
- 26 managed properties and 8 franchised properties owned or leased by unconsolidated hospitality ventures (13,047 rooms);
- 15 vacation ownership properties (963 units), all of which we manage; and
- 8 residential properties (1,230 units), all of which we manage and some of which we own.

During the quarter ended June 30, 2012 we announced the purchase of a full-service hotel in the Polanco area of Mexico City which has been rebranded as Hyatt Regency Mexico City. The introduction of the Hyatt Regency Mexico City marks the first step in our expansion plans in Mexico and throughout Latin America which include plans for new Hyatt-branded hotels in Mexico, Chile and Colombia.

Additionally, in the quarter ended June 30, 2012 we announced two new Hyatt Regency hotels in India and the Hyatt Regency Riyadh in the Kingdom of Saudi Arabia. These developments, along with our development activity in the first quarter of 2012, are further examples of our commitment to expanding our brands globally.

Our financial performance for the second quarter of 2012 included an increase in our consolidated revenues of $78 million , or 8.3% (9.2% excluding the effects of currency), compared to the quarter ended June 30, 2011 . Owned and leased hotels revenue for the quarter ended June 30, 2012 , increased by $44 million compared to the quarter ended June 30, 2011, which includes net unfavorable currency impacts of $7 million. The increase in revenue was primarily due to the completion of renovations at certain full service hotels and the acquisition of 24 properties, the majority of which were acquired during the second half of 2011 and none of which were in our portfolio for the full quarter ended June 30, 2011. These increases were partially offset by the loss of revenue from 11 properties that were sold or otherwise left the chain throughout 2011. Our management and franchise fees for the quarter ended June 30, 2012 , increased $5 million , and includes net unfavorable foreign currency impacts of $2 million, as compared to the quarter ended June 30, 2011 . Fee increases were driven by improved base management and franchise fees. We also experienced a $3 million increase in other revenues for the quarter ended June 30, 2012 , compared to the quarter ended June 30, 2011 , related to the operating results of our vacation ownership business and our co-branded credit card. Additionally, we had a $26 million increase in other revenues from managed properties for the quarter ended June 30, 2012 , compared to the quarter ended June 30, 2011 driven primarily by the addition of new properties under management.

Our consolidated Adjusted EBITDA for the second quarter of 2012 , compared to the second quarter of 2011 , increased by $29 million , including $4 million of net unfavorable foreign currency impacts. The Adjusted EBITDA improvement was driven largely by increased performance at our owned and leased hotels of $18 million, which includes net unfavorable currency impacts of $2 million, and increased performance within our North America management and franchising business of $10 million. Growth within our comparable owned and leased segment was driven by the hotels that completed renovations as noted above. Growth within our North America management and franchising business was driven by continuing positive trends in demand, primarily from transient business, as we began to reach historic highs in occupancy at our North America full service properties at the end of the second quarter. As a result of the strong demand, average daily rates also grew in the period, accounting for just over half of our RevPAR growth. Our international management and franchise business had Adjusted EBITDA growth of $2 million, which included $2 million of net unfavorable foreign currency impacts. Our international business had RevPAR growth of 3.8% (8.5% excluding the effects of currency). Asia Pacific and Latin America continue to be our strongest performing regions. Asia Pacific has benefited from a rebound in Japan as well as continued strength in Hong Kong, Macau and Australia. Excluding the impact of foreign currency, Latin America has had significant RevPAR increases over last year across the majority of our properties in the region. These increases were partially offset by increases in selling, general and administrative costs, which, excluding the impact of Rabbi Trust, increased 6% in the three months ended June 30, 2012 compared to the same period in 2011, primarily due to increased sales and marketing costs. See "—Non-GAAP Measure Reconciliation," below, for an explanation of how we use Adjusted EBITDA, why we present it and material limitations on its usefulness.

As of June 30, 2012 , we had approximately $906 million in cash and cash equivalents, investments in highly-rated money market funds and short-term investments. At June 30, 2012 , we had available credit facilities with banks for various corporate purposes. The amount of undrawn borrowing availability as of June 30, 2012 was approximately $1.4 billion .

We report our consolidated operations in U.S. dollars and manage our business within three reportable segments as described below:

- Owned and leased hotels, which consists of our owned and leased full service and select service hotels and, for purposes of segment Adjusted EBITDA, our pro rata share of the Adjusted EBITDA of our unconsolidated hospitality ventures, based on our ownership percentage of each venture.

- North American management and franchising, which consists of our management and franchising of properties located in the United States, Canada and the Caribbean.

- International management and franchising, which consists of our management and franchising of properties located outside of the United States, Canada and the Caribbean.

In addition to our three reportable segments, Corporate and other includes the results of our vacation ownership business, the results of our co-branded credit card and unallocated corporate expenses. The Company announced on May 2, 2012, that it intends to realign its corporate and regional operations to enhance organizational effectiveness and adaptability. The organizational changes are expected to be completed by the fourth quarter of 2012. The Company's chief operating decision maker will continue to assess performance and make decisions regarding the allocation of resources on the basis of our historical operating segments until such time as the realignment is effective.

Results of Operations

Three and Six Months Ended June 30, 2012 Compared with Three and Six Months Ended June 30, 2011

Consolidated Results

	Three Months Ended June 30,			
(In millions, except percentages)	**2012**	**2011**	**Better / (Worse)**	
REVENUES:				
Total revenues	$ 1,014	$ 936	$ 78	8 %
DIRECT AND SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:				
Owned and leased hotels	389	372	(17)	(5)%
Depreciation and amortization	89	72	(17)	(24)%
Other direct costs	7	6	(1)	(17)%
Selling, general, and administrative	70	71	1	1 %
Other costs from managed properties	386	360	(26)	(7)%
Direct and selling, general, and administrative expenses	941	881	(60)	(7)%
Net gains (losses) and interest income from marketable securities held to fund operating programs	(4)	2	(6)	(300)%
Equity earnings from unconsolidated hospitality ventures	—	2	(2)	(100)%
Interest expense	(17)	(14)	(3)	(21)%
Asset impairments	—	(1)	1	100 %
Other income (loss), net	5	(9)	14	(156)%
INCOME BEFORE INCOME TAXES	57	35	22	63 %
(PROVISION) BENEFIT FOR INCOME TAXES	(18)	1	(19)	1,900 %
NET INCOME	39	36	3	8 %
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	1	(1)	(100)%
NET INCOME ATTRIBUTABLE TO HYATT HOTELS CORPORATION	$ 39	$ 37	$ 2	5 %

(In millions, except percentages)	Six Months Ended June 30, 2012	2011	Better / (Worse)	
REVENUES:				
Total revenues	$ 1,972	$ 1,811	$ 161	9 %
DIRECT AND SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:				
Owned and leased hotels	766	726	(40)	(6)%
Depreciation and amortization	175	143	(32)	(22)%
Other direct costs	13	10	(3)	(30)%
Selling, general, and administrative	163	141	(22)	(16)%
Other costs from managed properties	775	719	(56)	(8)%
Direct and selling, general, and administrative expenses	1,892	1,739	(153)	(9)%
Net gains and interest income from marketable securities held to fund operating programs	10	8	2	25 %
Equity earnings (losses) from unconsolidated hospitality ventures	(1)	5	(6)	(120)%
Interest expense	(35)	(27)	(8)	(30)%
Asset impairments	—	(1)	1	100 %
Other income (loss), net	17	(6)	23	(383)%
INCOME BEFORE INCOME TAXES	71	51	20	39 %
PROVISION FOR INCOME TAXES	(22)	(5)	(17)	(340)%
NET INCOME	49	46	3	7 %
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	1	(1)	(100)%
NET INCOME ATTRIBUTABLE TO HYATT HOTELS CORPORATION	$ 49	$ 47	$ 2	4 %

Revenues . Consolidated revenues for the three months ended June 30, 2012 , increased $78 million , or 8% , compared to the three months ended June 30, 2011 , including net unfavorable foreign currency impacts of $9 million , and a $26 million increase in other revenues from managed properties. Consolidated revenues for the six months ended June 30, 2012 increased $161 million , or 9% , compared to the six months ended June 30, 2011 , including net unfavorable foreign currency impacts of $10 million , and a $56 million increase in other revenues from managed properties.

Other revenues from managed properties includes a decrease of $5 million and an increase of $1 million resulting from changes in the underlying assets for our benefit programs funded through rabbi trusts for the three and six months ended June 30, 2012 , respectively, compared to the three and six months ended June 30, 2011 . These gains are offset in other costs from managed properties, thus having no net impact to our earnings. Excluding this amount, other revenues from managed properties increased $31 million , or 9% , in the three months ended June 30, 2012 , compared to the three months ended June 30, 2011 and $55 million , or 8% , in the six months ended June 30, 2012 , compared to the six months ended June 30, 2011 . The increase in other revenues from managed properties was due to higher cost reimbursements paid to us by our managed properties, with increases driven primarily by new managed hotel openings in 2011 and an owned hotel that was converted to a management agreement in 2011.

Comparable owned and leased hotel revenue increased $21 million and $52 million for the three and six month periods, respectively, which includes net unfavorable foreign currency impacts of $7 million and $8 million . The increase was driven by increased revenues from the North American hotels that were under significant renovation in the prior year. Noncomparable owned and leased hotel revenue increased $23 million and $33 million in the three and six months ended June 30, 2012 , respectively, compared to the three and six months ended June 30, 2011 . These increases were due to the acquisition of 23 properties primarily in the second and third quarters of 2011 and one property in 2012, partially offset by the sale of 11 hotels during 2011.

We also experienced a $5 million and $14 million increase in management and franchise fee revenues for the three and six month periods ending June 30, 2012, which includes net unfavorable currency effects of $2 million in both periods when compared to the three and six months ended June 30, 2011 . Included in consolidated management fees for the three months and six months ended June 30, 2012 were base management fees of $40 million and $78 million , an 8% and 10% increase from the three and six months ended June 30, 2011 , respectively. Incentive management fees were $26 million and $52 million , which were flat compared to the three month period ended June 30, 2011 , and 2% greater compared to the six months ended June 30, 2011, respectively. The increase in hotel revenue and fees were primarily driven by increases in occupancy and rate, led by increases in North America transient demand and rates.

Corporate and other revenues, which includes the revenues of our vacation ownership business and our co-branded credit card, increased $3 million and $6 million during the three and six months ended June 30, 2012 , compared to the same period ended June 30, 2011 . The tables below provide a breakdown of revenues by segment for the three and six months ended June 30, 2012 and 2011 .

For further discussion of segment revenues for the periods presented, please refer to “—Segment Results” below.

	Three Months Ended June 30,			
(in millions, except percentages)	**2012**	**2011**	**Better / (Worse)**	
Owned and leased hotels	$ 528	$ 484	$ 44	9.1 %
North American management and franchising	433	397	36	9.1 %
International management and franchising	55	54	1	1.9 %
Corporate and other	24	21	3	14.3 %
Eliminations	(26)	(20)	(6)	(30.0)%
Consolidated revenues	$ 1,014	$ 936	$ 78	8.3 %

	Six Months Ended June 30,			
(in millions, except percentages)	**2012**	**2011**	**Better / (Worse)**	
Owned and leased hotels	$ 1,001	$ 916	$ 85	9.3 %
North American management and franchising	864	789	75	9.5 %
International management and franchising	110	105	5	4.8 %
Corporate and other	45	39	6	15.4 %
Eliminations	(48)	(38)	(10)	(26.3)%
Consolidated revenues	$ 1,972	$ 1,811	$ 161	8.9 %

Owned and leased hotels expense . Expenses for owned and leased hotels increased by $17 million and $40 million in the three and six months ended June 30, 2012 , respectively, compared to the three and six months ended June 30, 2011 . The increase was driven by a $10 million and $30 million increase in comparable owned and leased hotels expense for the three and six months ended June 30, 2012, respectively, compared to the three and six months ended June 30, 2011, largely attributable to higher compensation and related costs, which were partially driven by the newly renovated hotels. Additionally, expenses recognized with respect to our employee benefit programs funded through rabbi trusts decreased $1 million in the three months ended June 30, 2012 and increased $1 million in the six months ended June 30, 2012 , compared to the respective periods in 2011. These expenses are fully offset by corresponding net gains (losses) and interest income from marketable securities held to fund operating programs, thus having no net impact to our earnings. Noncomparable owned and leased hotels expense increased $8 million and $9 million in the three and six months ended June 30, 2012, compared to the same periods in 2011, as increases from the 23 hotels purchased in 2011 and the one hotel purchased in 2012 were partially offset by reduced expenses from the 11 properties which were sold or otherwise left the chain in 2011.

Depreciation and amortization expense . Depreciation and amortization expense increased by $17 million and $32 million in the three and six months ended June 30, 2012 compared to the three and six months ended June 30, 2011 . The increase was driven by noncomparable hotel depreciation and amortization expense which increased $14 million and $26 million in the three and six months ended June 30, 2012, respectively, compared to the same period in 2011 due to the purchase of 23 properties previously described. Comparable hotels depreciation and amortization expense increased $3 million and $6 million in the three and six months ended June 30, 2012, respectively, compared to the same period in 2011, due to renovation activity and accelerated amortization of an intangible asset.

Other direct costs . Other direct costs, which represent costs associated with our vacation ownership operations and our co-branded credit card, increased by $1 million in the three months ended June 30, 2012 compared to the three months ended June 30, 2011 primarily due to vacation ownership costs. Other direct costs increased $3 million in the six months ended June 30, 2012 compared to the six months ended June 30, 2011 primarily due to costs associated with our co-branded credit card.

Selling, general and administrative expenses . Selling, general and administrative expenses decreased by $1 million , or 1% , and increased $22 million , or 16% , in the three and six months ended June 30, 2012 compared to the three and six months ended June 30, 2011 , respectively. Included in selling, general and administrative expenses is the financial performance of the investment securities held in rabbi trusts to fund certain benefit programs. The financial performance of these investments resulted in a decrease in costs of $5 million and an increase in costs of $1 million for the three and six months ended June 30, 2012 , respectively, compared to the three and six months ended June 30, 2011 . These expenses are offset in net gains (losses) and interest income from marketable securities held to fund operating programs, thus having no net impact to our earnings.

Excluding the rabbi trust amounts, selling, general and administrative costs increased $4 million , or 6% , and $21 million , or 15% , in the three and six months ended June 30, 2012 compared to the three and six months ended June 30, 2011 , respectively. During the three months ended June 30, 2012, sales and marketing expense increased $2 million and our benefit from the recovery of bad debt was $2 million lower than in the prior year. The most significant driver of the increase for the six month comparative period was compensation and related expenses of $7 million, which was due in part to additional development resources and related staff added over the course of 2011 to support the ongoing growth of our business. Sales and marketing expenses increased $5 million due to the relaunch of the Hyatt House brand, marketing programs for our select service brands and an increase in sales and marketing related to our vacation ownership properties. Compared to the six months ended June 30, 2011, our bad debt expense was $3 million greater this year as the expense was flat in the current year and a $3 million benefit in the comparative prior year period. Other miscellaneous expenses increased $3 million, partially due to franchise taxes.

Net gains (losses) and interest income from marketable securities held to fund operating programs. Marketable securities held to fund our benefit programs funded through rabbi trusts resulted in a net loss of $5 million and in a net gain of $9 million in the three and six months ended June 30, 2012 , respectively, compared to a net gain of $1 million and $7 million in the three and six months ended June 30, 2011 , respectively. These changes are driven by the market performance of the underlying securities. The gains or losses on securities held in the rabbi trusts are offset to our owned and leased hotels expense for our hotel staff and selling, general and administrative expenses for our corporate staff and personnel supporting our business segments, having no net impact on our earnings. Of the $6 million change in the underlying securities in the three months ended June 30, 2012 compared to the three months ended June 30, 2011 , $5 million was offset in selling, general and administrative expenses and $1 million was offset in owned and leased hotel expenses. Of the $2 million change in the underlying securities in the six months ended June 30, 2012 compared to the six months ended June 30, 2011 , $1 million was offset in selling, general and administrative expenses and $1 million was offset in owned and leased hotel expenses.

Marketable securities held to fund our Gold Passport program and related to our owned and leased hotels generated a net gain of $1 million in the three and six months ended June 30, 2012, respectively, compared to a net gain of $1 million in the three and six months ended June 30, 2011, respectively. The gains and losses on securities held to fund our Gold Passport program and related to our owned and leased hotels are offset by corresponding changes to our owned and leased hotel revenues, thus having no net impact on our earnings.

Equity earnings (losses) from unconsolidated hospitality ventures . Equity losses from unconsolidated hospitality ventures were insignificant and $1 million in the three and six months ended June 30, 2012 compared to equity earnings of $2 million and $5 million for the three and six months ended June 30, 2011 . During the second quarter of 2012, we recorded an impairment charge of $1 million related to our interest in a vacation ownership property. The remaining decreases were primarily due to $1 million and $5 million of lower distributions and lower net income generated by vacation ownership properties and hospitality ventures for the three and six months ended June 30, 2012, respectively, compared to the three and six months ended June 30, 2012.

Interest expense . Interest expense increased $3 million and $8 million in the three and six months ended June 30, 2012 , respectively, compared to the three and six months ended June 30, 2011 , respectively, due primarily to the issuance of $500 million aggregate principal amount of senior unsecured notes in August 2011 which resulted in a $6 million and $12 million increase in interest expense for the three and six months ended June 30, 2012 , compared to the same periods in 2011 , respectively. These increases were partially offset by a reduction in fees related to the amendment of our revolving credit facility and the repayment of a loan in 2011.

Asset impairments. In conjunction with our regular assessment of impairment indicators, during the three months ended June 30, 2012, we identified property, plant and equipment for which a 10% change in certain estimates used in our undiscounted cash flow calculation could result in an impairment charge of approximately $26 million. In conjunction with that same assessment, we recognized a $1 million charge recorded in asset impairments in the three and six months ended June 30, 2011, respectively, for the impairment of property and equipment in our owned and leased hotel segment.

Other income (loss), net . Other income (loss), net , increased by $14 million and $23 million in the three and six months ended June 30, 2012 , respectively, compared to the three and six months ended June 30, 2011 , primarily due to better performance on other marketable securities of $15 million and $24 million, respectively. The table below provides a breakdown of other income (loss), net , for the three and six months ended June 30, 2012 and 2011 :

	Three Months Ended June 30,		
(in millions except percentages)	**2012**	**2011**	**Better / (Worse)**
Interest income	$ 6	$ 6	$ —
Gains (losses) on other marketable securities	9	(6)	15
Foreign currency losses	(2)	(3)	1
Loss on sale of real estate (1)	—	(2)	2
Realignment costs (2)	(7)	—	(7)
Transaction costs (3)	(1)	—	(1)
Other (4)	—	(4)	4
Other income (loss), net	**$ 5**	**$ (9)**	**$ 14**

	Six Months Ended June 30,		
(in millions except percentages)	**2012**	**2011**	**Better / (Worse)**
Interest income	$ 11	$ 11	$ —
Gains (losses) on other marketable securities	17	(7)	24
Foreign currency losses	(2)	(4)	2
Loss on sale of real estate (1)	—	(2)	2
Realignment costs (2)	(7)	—	(7)
Transaction costs (3)	(1)	—	(1)
Other (4)	(1)	(4)	3
Other income (loss), net	**$ 17**	**$ (6)**	**$ 23**

(1) Represents the loss on the sale of eight properties in the second quarter of 2011.
(2) Represents costs incurred as part of the realignment of corporate and regional operations and includes employee separation costs, consulting fees, and legal fees.
(3) Amount represents transaction costs incurred to acquire the Hyatt Regency Mexico City. See Note 6 for further details.
(4) Includes loss from a sublease agreement agreed to with a related party in 2011 and gains (losses) on asset retirements for each period presented. See Note 14 for further details.

Provision for income taxes. We recorded income tax rates of 30.3% and (2.7%) for the three months ended June 30, 2012 and 2011, respectively. We recorded income tax rates of 30.8% and 9.2% for the six months ended June 30, 2012 and 2011, respectively.

For the three months ended June 30, 2012, the effective tax rate is lower than the U.S. statutory federal income tax rate of 35% primarily due to foreign earnings that are taxed at rates below the U.S. rate as well as a benefit from foreign tax credits of $10 million offset by an adjustment to the deferred tax assets of certain non-consolidated investments in the amount of $7 million. For the six months ended June 30, 2012, the effective tax rate is lower than the U.S. statutory federal income tax rate of 35% primarily due to a benefit from foreign tax credits of

$10 million and a release of $5 million in reserves for interest related to our treatment for expensing certain renovation costs in prior years. The interest was initially accrued during the fourth quarter of 2011 in response to the issuance of temporary IRS Treasury Regulations which addressed the capitalization of tangible property. During the first quarter of 2012, the IRS issued transitional guidance related to these temporary regulations that resulted in our release of the accrued interest. Our rate was further reduced by foreign earnings subject to tax at rates below the U.S. rate. These benefits are partially offset by the $7 million provision described above and approximately $4 million (including $2 million of interest and penalties) for uncertain tax positions in foreign jurisdictions.

For the three months ended June 30, 2011, the effective tax rate exceeded the U.S. statutory federal income tax rate of 35% primarily due to an increase in deferred tax assets of $12 million related to the release of a valuation allowance against certain foreign net operating losses. In addition, the reduced effective tax rate is due to foreign operations taxed at rates below the U.S. rate. For the six months ended June 30, 2011, the effective tax rate differed from the U.S. statutory federal income tax rate of 35% primarily due to an increase in deferred tax assets of $12 million related to the release of a valuation allowance against certain foreign net operating losses, and certain other adjustments to foreign deferred taxes of $2 million. In addition, the reduced effective tax rate is due to foreign operations taxed at rates below the U.S. rate. These items were partially offset by unrecognized benefits of $4 million (including $3 million of interest and penalties).

Segment Results

We evaluate segment operating performance using segment revenue and segment Adjusted EBITDA, as described in Note 15 . The segment results presented below are presented before intersegment eliminations.

Owned and Leased Hotels . Revenues increased $44 million in the three months ended June 30, 2012 , compared to the three months ended June 30, 2011 , which included $7 million in net unfavorable currency impact. Revenues increased $85 million in the six months ended June 30, 2012 , compared to the six months ended June 30, 2011 , which included $8 million in net unfavorable currency impact. Worldwide comparable hotel revenues increased $21 million and $52 million in the three and six months ended June 30, 2012 , respectively, as compared to the three and six months ended June 30, 2011 , which included revenue increases of $23 million and $42 million, respectively, from the North American hotels which were under significant renovation in 2011. These increases were partially offset by our comparable international hotel revenue which was negatively impacted by foreign currency of $7 million and $8 million in the three and six months ended June 30, 2012, respectively, compared to the same periods in 2011. Revenue growth at our comparable full service owned hotels was driven primarily by increased transient and group occupancy in the three and six months ended June 30, 2012, as compared to the same period in 2011. Non-comparable owned and leased hotel revenues increased $23 million and $33 million in the three and six months ended June 30, 2012 , respectively, compared to the three and six months ended June 30, 2011 , largely driven by 23 hotels purchased primarily during the second and third quarter of 2011 and one hotel purchased in the second quarter of 2012, partially offset by a decrease in revenues from the 11 hotels that were sold or otherwise left the chain throughout 2011. During the three and six months ended June 30, 2012 , no properties were removed from the comparable owned and leased hotel results.

	Three Months Ended June 30,								
	RevPAR			Occupancy			ADR		
(Comparable Owned and Leased Hotels)	2012	2011	Better / (Worse)	2012	2011	Change in Occ % pts	2012	2011	Better / (Worse)
Full Service	$ 159	$ 147	8.0%	79.1%	73.8%	5.3%	$ 201	$ 199	0.7%
Select Service	79	75	5.4%	80.0%	81.4%	(1.4%)	99	92	7.1%
Total Owned and Leased Hotels	$ 139	$ 129	7.6%	79.3%	75.7%	3.6%	$ 175	$ 170	2.6%

	Three Months Ended June 30,			
(in millions except percentages)	2012	2011	Better / (Worse)	
Segment Revenues	$ 528	$ 484	$ 44	9.1%
Segment Adjusted EBITDA	$ 132	$ 114	$ 18	15.8%

(Comparable Owned and Leased Hotels)	Six Months Ended June 30, RevPAR 2012	2011	Better / (Worse)	Occupancy 2012	2011	Change in Occ % pts	ADR 2012	2011	Better / (Worse)
Full Service	$ 151	$ 139	8.4%	74.8%	69.5%	5.3%	$ 201	$ 200	0.8%
Select Service	74	71	4.8%	76.1%	76.3%	(0.2%)	98	93	5.2%
Total Owned and Leased Hotels	$ 131	$ 122	7.9%	75.1%	71.2%	3.9%	$ 175	$ 171	2.3%

(in millions except percentages)	Six Months Ended June 30, 2012	2011	Better / (Worse)	
Segment Revenues	$ 1,001	$ 916	$ 85	9.3%
Segment Adjusted EBITDA	$ 225	$ 189	$ 36	19.0%

Adjusted EBITDA increased by $18 million and $36 million in the three and six months ended June 30, 2012 , respectively, compared to the three and six months ended June 30, 2011 , which included $2 million and $3 million in net unfavorable currency effects, respectively. Noncomparable hotels improved $13 million and $19 million for the three and six month ended June 30, 2012, respectively, due to 23 hotels purchased in 2011 and one hotel purchased in 2012, partially offset by decreases from sold hotels. Our comparable owned and leased properties also improved $5 million and $14 million for the three and six months ended June 30, 2012 , respectively, compared to the same period in 2011, due primarily to increased demand, especially at our properties that were under significant renovation last year, partially offset by higher compensation and related expenses. Additionally, we had improvements of $3 million in Adjusted EBITDA in the six months ended June 30, 2012 at our joint venture hotels due to improved performance at the underlying hotel properties.

North American management and franchising . North American segment revenues increased by $36 million and $75 million in the three and six months ended June 30, 2012 , respectively, compared to the three and six months ended June 30, 2011 . Other revenues from managed properties increased $26 million and $54 million in the three and six months ended June 30, 2012 , respectively, compared to the three and six months ended June 30, 2011 .

The increase in other revenues from managed properties was driven by higher cost reimbursements from increased hotel payroll expense, partially due to hotel openings and newly converted hotels. Management and franchise fees increased $10 million compared to the three months ended June 30, 2011 , due to increased base fees of $5 million, increased incentive fees of $3 million, and increased franchise fees and other revenues of $2 million. Management and franchise fees increased $21 million compared to the six months ended June 30, 2011 , due to increased base fees of $11 million, increased incentive fees of $6 million, and increased franchise fees and other revenues of $4 million. Of the $10 million and $21 million improvement in total North America management and franchise fees, comparable systemwide North America management and franchise fees increased $7 million and $14 million, respectively, in the three and six months ended June 30, 2012, respectively, compared to the three and six months ended June 30, 2011.

Our full service hotels comparable RevPAR improvement was primarily driven by the continuing growth in transient rate and occupancy. Group occupancy and rates also increased in the three months and six months ended June 30, 2012 as compared to the same periods in 2011 as short term in-the-year-for-the-year bookings were strong. RevPAR at our select service hotels in the three and six months ended June 30, 2012 increased by 6.4% and 6.7% compared to the three and six months ended June 30, 2012, respectively, driven primarily by rate growth. During the three and six months ended June 30, 2012 , no properties were removed from the comparable North America full service systemwide hotels, nor were any properties removed from the comparable North America select service systemwide hotels.

(Comparable Systemwide Hotels)	Three Months Ended June 30, RevPAR 2012	2011	Better / (Worse)	Occupancy 2012	2011	Change in Occ % pts	ADR 2012	2011	Better / (Worse)
North American Full Service	$ 133	$ 123	8.7%	77.5%	74.6%	2.9%	$ 172	$ 164	4.8%
North American Select Service	80	75	6.4%	78.3%	77.6%	0.7%	102	97	5.4%

(in millions except percentages)	Three Months Ended June 30, 2012	2011	Better / (Worse)	
Segment Revenues				
Management and Franchise Fees	$ 66	$ 56	$ 10	17.9%
Other Revenues from Managed Properties	367	341	26	7.6%
Total Segment Revenues	$ 433	$ 397	$ 36	9.1%
Segment Adjusted EBITDA	$ 54	$ 44	$ 10	22.7%

	Six Months Ended June 30,								
	RevPAR			Occupancy			ADR		
(Comparable Systemwide Hotels)	2012	2011	Better / (Worse)	2012	2011	Change in Occ % pts	2012	2011	Better / (Worse)
North American Full Service	$ 126	$ 116	8.4%	73.6%	70.5%	3.1%	$ 171	$ 165	3.8%
North American Select Service	76	71	6.7%	74.7%	73.1%	1.6%	102	98	4.5%

(in millions except percentages)	Six Months Ended June 30, 2012	2011	Better / (Worse)	
Segment Revenues				
Management and Franchise Fees	$ 128	$ 107	$ 21	19.6%
Other Revenues from Managed Properties	736	682	54	7.9%
Total Segment Revenues	$ 864	$ 789	$ 75	9.5%
Segment Adjusted EBITDA	$ 100	$ 84	$ 16	19.0%

Adjusted EBITDA increased by $10 million in the three months ended June 30, 2012 compared to the three months ended June 30, 2011 due primarily to increased management and franchise fees of $10 million . Selling, general, and administrative costs were relatively flat in the three months ended June 30, 2012 compared to the same period in 2011. Adjusted EBITDA increased by $16 million in the six months ended June 30, 2012 compared to the six months ended June 30, 2011 due primarily to increased management and franchise fees of $21 million . These improvements were partially offset by increased bad debt expense of $3 million and increased sales and marketing costs of $2 million due to the relaunch of the Hyatt House brand and other marketing programs for our select service brands for the six months ended June 30, 2012 compared to the same period in 2011 .

International management and franchising. International segment revenues increased by $1 million in the three months ended June 30, 2012 compared to the three months ended June 30, 2011 , which included $2 million in net unfavorable currency impact. International segment revenues increased by $5 million in the six months ended June 30, 2012 compared to the six months ended June 30, 2011 , which included $2 million in net unfavorable currency impact.

Management and franchise fees increased by $1 million and $3 million in the three and six months ended June 30, 2012 compared to the three and six months ended June 30, 2011, respectively. Both comparative periods included $2 million in net unfavorable foreign currency effects. The six months ended June 30, 2012 included a $1 million increase in base management fees, a $1 million increase in incentive fees, and a $1 million increase in termination fees compared to the six months ended June 30, 2011. Of the $1 million and $3 million increase in total management and franchise fees, comparable systemwide international management and franchise fees were flat and increased $2 million, which includes $2 million in net unfavorable currency impact in both the three and six months ended June 30, 2012, compared to the three and six months ended June 30, 2011.

Comparable systemwide international full service RevPar increased 3.8% (or 8.5% excluding the unfavorable currency impact) and increased 4.7% (or 7.5% excluding the unfavorable currency impact) in the three and six months ended June 30, 2012 compared to the three and six months end June 30, 2011, respectively. This RevPAR improvement was primarily driven by an increase in average daily rates on a constant currency basis and occupancy, with particularly strong results continuing from the Asia Pacific and Latin America regions. Each of our four operating regions showed RevPAR growth on a constant currency basis for the three and six months ended June 30, 2012 when compared to the same periods last year. Excluding the effect of unfavorable currency, average daily rates increased in the comparative periods across all regions, with the exception of Europe, Africa and the Middle East, where rates were relatively flat when compared to last year. During the three and six months ended June 30, 2012, we removed zero and one property from the comparable international full service systemwide hotels, respectively.

(Comparable Systemwide Hotels)	Three Months Ended June 30, RevPAR 2012	2011	Better / (Worse)	Occupancy 2012	2011	Change in Occ % pts	ADR 2012	2011	Better / (Worse)
International Full Service	$ 158	$ 152	3.8%	67.0%	64.5%	2.5%	$ 236	$ 236	(0.1%)

(in millions except percentages)	Three Months Ended June 30, 2012	2011	Better / (Worse)	
Segment Revenues				
Management and Franchise Fees	$ 40	$ 39	$ 1	2.6%
Other Revenues from Managed Properties	15	15	—	—%
Total Segment Revenues	$ 55	$ 54	$ 1	1.9%
Segment Adjusted EBITDA	$ 24	$ 22	$ 2	9.1%

(Comparable Systemwide Hotels)	Six Months Ended June 30, RevPAR 2012	2011	Better / (Worse)	Occupancy 2012	2011	Change in Occ % pts	ADR 2012	2011	Better / (Worse)
International Full Service	$ 156	$ 149	4.7%	66.1%	64.2%	1.9%	$ 235	$ 232	1.7%

(in millions except percentages)	Six Months Ended June 30, 2012	2011	Better / (Worse)	
Segment Revenues				
Management and Franchise Fees	$ 79	$ 76	$ 3	3.9%
Other Revenues from Managed Properties	31	29	2	6.9%
Total Segment Revenues	$ 110	$ 105	$ 5	4.8%
Segment Adjusted EBITDA	$ 44	$ 42	$ 2	4.8%

Adjusted EBITDA increased $2 million in both the three and six months ended June 30, 2012 compared to the three and six months ended June 30, 2011 , which included $2 million and $2 million in net unfavorable currency impact, respectively. The increase in EBITDA for the three months ended June 30, 2012 compared to the same period in 2011, was primarily driven by increased management and franchise fees. During the six months ended June 30, 2012 compared to the same period in 2011, increased management and franchise fees of $3 million drove the $2 million increase in adjusted EBITDA, partially offset by increased expenses, primarily related to legal fees associated with the previously mentioned termination fee increase.

Corporate and other. Corporate and other includes unallocated corporate expenses, the results of our vacation ownership business and the results of our co-branded credit card. Revenues increased $3 million and $6 million for the three and six months ended June 30, 2012 , respectively, compared to the same periods in 2011 . The increase is primarily driven by our vacation ownership business, which increased $2 million and $4 million for the three and six months ended June 30, 2012 compared to the three and six months ended June 30, 2011, respectively, due to increased contract sales. The remaining increases in the comparative periods are driven by our co-branded credit card.

(in millions except percentages)	Three Months Ended June 30, 2012	2011	Better / (Worse)		Six Months Ended June 30, 2012	2011	Better / (Worse)	
Corporate and other Revenues	$ 24	$ 21	$ 3	14.3 %	$ 45	$ 39	$ 6	15.4%
Corporate and other Adjusted EBITDA	$ (30)	$ (29)	$ (1)	(3.4)%	$ (64)	$ (55)	$ (9)	16.4%

Adjusted EBITDA decreased $1 million in the three months ended June 30, 2012 compared to the three months ended June 30, 2011 primarily due to a $4 million increase in selling, general, and administrative expenses for our unallocated corporate expenses and vacation ownership business, mostly driven by a $2 million increase in sales and marketing expenses. The increases in our selling, general and administrative expenses were partially

offset by revenue increases for our vacation ownership business.

Adjusted EBITDA decreased $9 million in the six months ended June 30, 2012 compared to the six months ended June 30, 2011 primarily due to an increase in selling, general, and administrative expenses for our unallocated corporate expenses and vacation ownership business of $13 million. This increase in selling, general, and administrative expenses was primarily due to increased compensation and related expense increases for our unallocated corporate personnel of $6 million, sales and marketing expense increases of $3 million and other unallocated miscellaneous expenses increases of $3 million, partially due to franchise taxes, during the six months ended June 30, 2012. Additionally, other direct costs increased $3 million in the six months ended June 30, 2012 as compared to the same the period in 2011, related primarily to a $2 million increase in costs for our co-branded credit card. These increases in our expenses were partially offset by a $6 million increase in revenues for our vacation ownership business and co-branded credit card.

Eliminations . Eliminations of $26 million and $20 million for the three months ended June 30, 2012 and 2011 , respectively, and eliminations of $48 million and $38 million for the six months ended June 30, 2012 and 2011 , respectively, primarily represent fees charged by our management and franchising segments to our owned and leased hotels for managing their operations.

Non-GAAP Measure Reconciliation

We use the term Adjusted EBITDA throughout this quarterly report. Adjusted EBITDA, as we define it, is a non-GAAP measure. 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:

- equity earnings (losses) from unconsolidated hospitality ventures;
- asset impairments;
- other income (loss), net ;
- net loss attributable to noncontrolling interests;
- depreciation and amortization;
- interest expense; and
- provision (benefit) for income taxes.

We calculate consolidated Adjusted EBITDA by adding the Adjusted EBITDA of each of our reportable segments to corporate and other Adjusted EBITDA.

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 operating performance 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 that we use internally for purposes of assessing our operating performance and making compensation decisions.

Adjusted EBITDA is not a substitute for net income attributable to Hyatt Hotels Corporation, net income, cash flows from operating activities or any other measure prescribed by GAAP. There are limitations to using non-GAAP measures such as Adjusted 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 or discretionary cash available to us to invest in the growth of our business. Our management compensates for these limitations by reference to our GAAP results and using Adjusted EBITDA supplementally. See our condensed consolidated statements of income and condensed consolidated statements of cash flows in our condensed consolidated financial statements included elsewhere in this quarterly report.

The following table sets forth Adjusted EBITDA by segment for the three and six months ended June 30, 2012 and 2011 .

	Three Months Ended June 30,			
(in millions, except percentages)	2012	2011	Better / (Worse)	
Owned and leased hotels	$ 132	$ 114	$ 18	15.8 %
North American management and franchising	54	44	10	22.7 %
International management and franchising	24	22	2	9.1 %
Corporate and other	(30)	(29)	(1)	(3.4)%
Consolidated Adjusted EBITDA	$ 180	$ 151	$ 29	19.2 %

	Six Months Ended June 30,			
(in millions, except percentages)	2012	2011	Better / (Worse)	
Owned and leased hotels	$ 225	$ 189	$ 36	19.0 %
North American management and franchising	100	84	16	19.0 %
International management and franchising	44	42	2	4.8 %
Corporate and other	(64)	(55)	(9)	(16.4)%
Consolidated Adjusted EBITDA	$ 305	$ 260	$ 45	17.3 %

The table below provides a reconciliation of our consolidated Adjusted EBITDA to EBITDA and a reconciliation of EBITDA to net income attributable to Hyatt Hotels Corporation for the three and six months ended June 30, 2012 and 2011 :

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2012	2011	2012	2011
Adjusted EBITDA	**$ 180**	**$ 151**	**$ 305**	**$ 260**
Equity earnings (losses) from unconsolidated hospitality ventures	—	2	(1)	5
Asset impairments	—	(1)	—	(1)
Other income (loss), net	5	(9)	17	(6)
Net loss attributable to noncontrolling interests	—	1	—	1
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	(22)	(22)	(40)	(37)
EBITDA	**163**	**122**	**281**	**222**
Depreciation and amortization	(89)	(72)	(175)	(143)
Interest expense	(17)	(14)	(35)	(27)
Provision (benefit) for income taxes	(18)	1	(22)	(5)
Net income attributable to Hyatt Hotels Corporation	**$ 39**	**$ 37**	**$ 49**	**$ 47**

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 acquisitions and new investment opportunities. When appropriate, we also 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. At June 30, 2012 and December 31, 2011 , we had cash and cash equivalents and short-term investments of $906 million and $1,122 million , respectively. We believe that 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 in 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. 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.

On August 1, 2012, the Company announced that the Board of Directors has authorized the repurchase of up to $200 million of the Company's common stock. These repurchases may be made from time to time in the open market, in privately negotiated transactions, or otherwise, at prices that the Company deems appropriate and subject to market conditions, applicable law and other factors deemed relevant in the Company's sole discretion. The common stock repurchase program does not obligate the Company to repurchase any dollar amount or number of shares of common stock, and the program may be suspended or discontinued at any time. The Company intends to pay for any shares repurchased with cash from its balance sheet.

Sources and Uses of Cash

At June 30, 2012 and December 31, 2011 , we had cash and cash equivalents of $404 million and $534 million , respectively. Additionally, we had short-term investments in certificates of deposit and other marketable securities of $502 million and $588 million as of June 30, 2012 and December 31, 2011 , respectively.

	Six Months Ended June 30,	
(in millions)	**2012**	**2011**
Cash provided by (used in):		
Operating activities	$ 231	$ 210
Investing activities	(353)	(70)
Financing activities	(3)	(374)
Effects of changes in exchange rate on cash and cash equivalents	(5)	—
Net change in cash and cash equivalents	$ (130)	$ (234)

Cash Flows from Operating Activities

Cash flows provided by operating activities totaled $231 million in the six months ended June 30, 2012 , compared to $210 million in the same period last year. Cash flow from operations increased in the six months ended June 30, 2012 when compared to the six months ended June 30, 2011 due to cash generated from operations across all our segments.

Cash Flows from Investing Activities

Cash flows used in investing activities totaled $353 million in the six months ended June 30, 2012 compared to $70 million used in the same period last year. For the six months ended June 30, 2012 and 2011 , capital expenditures were $157 million and $118 million , respectively (see "Capital Expenditures" below).

During the second quarter of 2012, we acquired the common stock of an entity that owned a full service hotel in Mexico City, Mexico, for a net purchase price of $190 million, of which $11 million is held in restricted cash at June 30, 2012. In the six months ended June 30, 2012 , we invested a total of $41 million in unconsolidated hospitality ventures, which included $37 million related to our commitment to the development of a property in Hawaii. During the second quarter of 2012, we executed a $50 million note related to the development of a property in New York City. During the first half of 2012, we had a total of $108 million in net proceeds from maturities of available-for-sale securities and sales of equity securities owned by Hyatt.

During the first half of 2011, we entered into an agreement with a third party to sell eight properties for a combined sales price of $110 million ($90 million, net of $20 million contributed to a new joint venture), and we sold a Company owned airplane for $18 million, net of closing costs. Of the proceeds received during the six months ended June 30, 2011, $35 million were held in restricted cash as of June 30, 2011 and were subsequently released during the third quarter of 2011. In 2011, we invested $19 million in unconsolidated hospitality ventures, which included $5 million related to the aforementioned property in Hawaii. During the second quarter of 2011, we acquired three properties in California for a total purchase price of approximately $77 million. Additionally during the six months ended June 30, 2011, we released $97 million of restricted cash related to the sales of three properties in 2010 as like-kind exchange agreements were not consummated within applicable time periods. During the first half of 2011, we had a total of $9 million in net purchases of marketable securities and short-term investments.

Cash Flows from Financing Activities

During the six months ended June 30, 2012 , there were insignificant cash flows used in financing activities compared to cash flows used in financing activities of $374 million in the same period last year. During the six months ended June 30, 2011, we repurchased 8,987,695 shares of class B common stock for approximately $396 million. Additionally, during the six months ended June 30, 2011, we assigned a $25 million loan to a newly formed joint venture formed for the purpose of owning and operating the Hyatt Regency Minneapolis. The loan was obtained during the quarter and the proceeds from the loan were retained by the Company. During the three and six ended June 30, 2012 and 2011 we had no drawings on our revolving credit facility.

The following is a summary of our debt to capital ratios:

(in millions, except percentages)	June 30, 2012	December 31, 2011
Consolidated debt (1)	$ 1,224	$ 1,225
Stockholders' equity	4,873	4,818
Total capital	6,097	6,043
Total debt to total capital	20.1%	20.3%
Consolidated debt (1)	1,224	1,225
Less: Cash and cash equivalents and short-term investments	906	1,122
Net consolidated debt (cash and short-term investments)	318	103
Net debt to total capital	5.2%	1.7%

(1) Excludes approximately $549 million and $543 million of our share of unconsolidated hospitality venture indebtedness as of June 30, 2012 and December 31, 2011 , respectively, substantially all of which is non-recourse to us.

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.

During the six months ended June 30, 2012 , we had total capital expenditures of $157 million , which included $84 million for enhancements to existing properties, $43 million for maintenance and $30 million for investment in new properties. Included in the $30 million for investment in new properties is $18 million related to the final payment for a parcel of land in Latin America which we acquired in 2010 and that we intend to use for future hotel development. During the comparable period in 2011 , our total capital expenditures were $118 million , which included $86 million for enhancements to existing properties, $27 million for maintenance and $5 million for investment in new properties. We have been and will continue to be prudent with respect to our capital spending, taking into account our cash flow from operations.

Senior Notes

The following table below sets forth the principal, maturity and interest rates of our senior unsecured notes (collectively, the "Senior Notes"). Interest on the Senior Notes is payable semi-annually.

Description	Principal Amount
5.750% senior notes due 2015	$ 250,000,000
3.875% senior notes due 2016	250,000,000
6.875% senior notes due 2019	250,000,000
5.375% senior notes due 2021	250,000,000
Total	$ 1,000,000,000

We are in compliance with all applicable covenants under the indenture governing our Senior Notes as of June 30, 2012 .

Revolving Credit Facility

In September 2011, we entered into an Amended and Restated Credit Agreement with a syndicate of lenders that amended and restated our prior revolving credit facility to increase the borrowing availability under the facility from $1.1 billion to $1.5 billion and extend the facility's expiration from June 29, 2012 to September 9, 2016. 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. The average daily borrowings under the revolving credit facility were $0 for the six months ended June 30, 2012 and 2011 . There was no outstanding balance on this credit facility at June 30, 2012 or December 31, 2011 .

We did, however, have $99 million in outstanding undrawn letters of credit that are issued under our revolving credit facility (which reduces the availability thereunder by the corresponding amount) as of June 30, 2012 and December 31, 2011 .

We are in compliance with all applicable covenants as of June 30, 2012 .

Letters of Credit

We issue letters of credit either under the revolving credit facility or directly with financial institutions. We had $120 million in letters of credit outstanding at June 30, 2012 and December 31, 2011 . We had letters of credit issued directly with financial institutions of $21 million at June 30, 2012 and December 31, 2011 . These letters of credit had weighted average fees of 138 basis points at June 30, 2012 . The range of maturity on these letters of credit was up to one year as of June 30, 2012 .

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. We have discussed those estimates that we believe are critical and require the use of complex judgment in their application in our 2011 Form 10-K . Since the date of our 2011 Form 10-K , there have been no material changes to our critical accounting policies or the methodologies or assumptions we apply under them.

Item 3. *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 June 30, 2012 , we were a party to hedging transactions, including the use of derivative financial instruments, as discussed below.

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. Interest rate derivative transactions, including interest rate swaps and interest rate locks, are entered into to maintain a level of exposure to interest rate variability that the Company deems acceptable.

During the three months ended June 30, 2011, we entered into treasury- lock derivative instruments with $250 million of notional value to hedge a portion of the risk of changes in the benchmark interest rate associated with the 2021 Notes we issued in August 2011 (see Note 8). We settled the treasury- lock derivative instruments at the inception of the loan agreement for the 2021 Notes in August 2011. The $14 million loss on the settlement was recorded to accumulated other comprehensive loss and will be amortized over the remaining life of the 2021 Notes. For the three and six months ended June 30, 2012 , the amount of incremental interest expense was insignificant.

As of June 30, 2012 and December 31, 2011 , we held a total of seven $25 million interest rate swap contracts, and eight $25 million interest rate swap contracts, respectively, each of which expires on August 15, 2015 . Taken together these swap contracts effectively convert a total of $175 million and $200 million , as of June 30, 2012 and December 31, 2011 , respectively, of the $250 million of senior notes issued in August 2009 with a maturity date of August 15, 2015 (the “2015 Notes”) to floating rate debt based on three- month LIBOR plus a fixed rate component. The fixed rate component of each swap varies by contract, ranging from 2.68% to 4.77% . The interest rate swaps were designated as a fair value hedge as their objective is to protect the 2015 Notes against changes in fair value due to changes in the three- month LIBOR interest rate. The swaps were designated as fair value hedges at inception and at June 30, 2012 and December 31, 2011 were highly effective in offsetting fluctuations in the fair value of the 2015 Notes. At June 30, 2012 and December 31, 2011 , the fixed to floating interest rate swaps were recorded within other assets at a value of $6 million and $7 million , respectively, offset by a fair value adjustment to long- term debt of $9 million , and $8 million , respectively. At June 30, 2012 and December 31, 2011 , the difference between the other asset value and fair market value adjustment to long-term debt includes the ineffective portion of the swap life-to-date in the amount of $1 million and $1 million , respectively. During the three months ended June 30, 2012 , we unwound one $25 million interest rate swap contract. During the three months ended June 30, 2012 , we terminated a $25 million interest rate swap contract. Upon termination the Company received a cash payment of $2 million to settle the fair value of the swap, this amount is included within the carrying value of long-term debt at June 30, 2012 and will be amortized to interest expense over the remaining term of the 2015 Note. See Note 8 to the accompanying condensed consolidated financial statements for further information on our interest rate risk.

A hypothetical 10% increase or decrease in average market interest rates would decrease or increase the fair value of our interest rate swap contracts by an insignificant amount.

Foreign Currency Exposures and Exchange Rate Instruments

We conduct business in various foreign currencies and use foreign currency forward contracts to offset our exposure associated with the fluctuations of certain foreign currencies. These foreign currency exposures typically arise from intercompany loans and other intercompany transactions. The U.S. dollar equivalent of the notional amount of the forward contracts as of June 30, 2012 and December 31, 2011 was $258 million and $245 million , respectively, all of which expire within the next twelve months. We intend to offset the gains and losses related to our intercompany loans and transactions with gains or losses on our foreign currency forward contracts such that there is a negligible effect on net income attributable to Hyatt Hotels Corporation. We expect to continue this practice relating to our intercompany loans and transactions, and may also begin to manage the risks associated with other transactional and translational foreign currency volatility within our business. See Note 8 to the accompanying condensed consolidated financial statements for further information on our foreign currency exposures and exchange rate risk.

ITEM 4. ***Controls and Procedures.***

Disclosure Controls and Procedures. The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission (“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 quarterly report, an evaluation was carried out under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this quarterly 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 Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. 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.

PART II. OTHER INFORMATION

Item 1. *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 1A. *Risk Factors.*

At June 30, 2012, there have been no material changes from the risk factors previously disclosed in response to Item 1A. to Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds.*

None.

Item 3. *Defaults Upon Senior Securities.*

None.

Item 4. Mine Safety Disclosures *.*

Not Applicable.

Item 5. *Other Information.*

None.

Item 6. ***Exhibits.***

Exhibit Number	Exhibit Description
10.1	Sixth Amendment to Sublease, dated as of June 12, 2012, between Hyatt Corporation and The Pritzker Organization, L.L.C.
10.2	Transition Agreement, dated as of May 1, 2012, between Hyatt Hotels Corporation and Harmit J. Singh (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 May 3, 2012)
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
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
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

SIGNATURES

Pursuant to the requirements 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

Date: August 1, 2012

By: /s/ Mark S. Hoplamazian

Mark S. Hoplamazian
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the undersigned, in his capacity as the principal financial and accounting officer of the registrant.

Date: August 1, 2012

By: /s/ Harmit J. Singh

Harmit J. Singh
Executive Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 10.1

SIXTH AMENDMENT TO SUBLEASE

THIS SIXTH AMENDMENT TO SUBLEASE (this " **Sixth Amendment** ") is dated as of June 12, 2012 (the " **Effective Date** ") between HYATT CORPORATION, a Delaware corporation (" **Sublandlord** "), and THE PRITZKER ORGANIZATION, L.L.C., a Delaware limited liability company (" **Subtenant** "), with reference to the following:

RECITALS:

A. Sublandlord and Subtenant heretofore entered into a certain Sublease dated as of June 15, 2004 (the " **Original Sublease** "), pursuant to which Subtenant subleased from Sublandlord certain premises in the building located at 71 South Wacker Drive, Chicago, Illinois, and known as Hyatt Center, (the " **Building** ").

B. The Original Sublease has been amended by that certain Master Landlord Recognition Agreement dated as of June 15, 2004 (the " **Recognition Agreement** "), by that certain Ratification Agreement and First Amendment to Sublease dated as of February 1, 2007 (the " **First Amendment** "), by that certain Second Amendment to Sublease dated as of January 25, 2008 (the " **Second Amendment** "), by that certain Third Amendment to Sublease dated as of February 9, 2009 (the " **Third Amendment** "), by that certain Fourth Amendment to Sublease dated as of April 28, 2009 (the " **Fourth Amendment** ") and by that certain Fifth Amendment to Sublease dated as of November 2, 2011, (the " **Fifth Amendment** "). The Original Sublease, as amended by the Recognition Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment and the Fifth Amendment, is herein referred to as the " **Sublease** ."

C. The space subleased by Subtenant pursuant to the Sublease in effect immediately prior to the date hereof, which currently contains approximately 31,993 square feet of Rentable Area on the 47 th floor of the Building, is herein referred to as the " **Existing Subleased Premises** ."

D. Sublandlord and Subtenant desire to amend the Sublease to provide for, among other things, the subleasing by Subtenant of certain additional premises on the 47 th floor of the Building, upon the terms and conditions herein set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties, Sublandlord and Subtenant agree as follows:

1. Incorporation and Defined Terms . The recital paragraphs set forth above are hereby incorporated herein as if fully set forth herein. Capitalized terms not otherwise defined herein shall have the same meanings as are ascribed to such terms in the Sublease.

2. Leasing of Fourth Additional 47 th Floor Subleased Premises . Effective as of the Sixth Amendment Expansion Date (as defined below), Sublandlord hereby subleases to Subtenant, and Subtenant hereby accepts from Sublandlord, an additional 1,378 rentable square feet comprising a portion of the 47 th floor of the Building (the portion so subleased being herein referred to as the " **Fourth Additional 47 th Floor Subleased Premises** "), such Fourth Additional 47 th Floor Subleased Premises being depicted more particularly on Exhibit J attached hereto. Subtenant's leasing of the Fourth Additional 47 th Floor Subleased Premises shall be in accordance with, and subject to, all of the terms, covenants and conditions of the Sublease applicable to the Existing Subleased Premises, except as otherwise provided in this Sixth Amendment.

3. References to Subleased Premises . Except as expressly set forth herein to the contrary, from and after the Sixth Amendment Expansion Date, all references in the Sublease and this Sixth Amendment to the " **Subleased Premises** " shall be deemed to include the Existing Subleased Premises and the Fourth Additional 47 th Floor Subleased Premises.

4. Rentable Area . Effective as of the Sixth Amendment Expansion Date, the Subleased Premises shall consist of 33,371 square feet of Rentable Area.

5. Floor Plan . Effective as of the Sixth Amendment Expansion Date, the floor plan of the Subleased Premises shall be as set forth in Exhibit B-Sixth Amended attached hereto, which replaces in its entirety Exhibit B-Fifth Amended attached to the Fifth Amendment, and for all purposes of the Sublease, the Subleased Premises, as so depicted on Exhibit B-Sixth Amended , shall be the Subleased Premises under the Sublease.

6. Net Rent . Effective as of the Sixth Amendment Expansion Date, (i) Exhibit E-Fifth Amended attached to the Fifth Amendment shall be deleted in its entirety and Exhibit E-Sixth Amended attached hereto shall be substituted therefor and (ii) Net Rent payable by Subtenant to Sublandlord in respect of the Subleased Premises from and after the Sixth Amendment Expansion Date shall be as set forth in Exhibit E-Sixth Amended .

7. Subtenant's Share . Subject to adjustment from time to time in accordance with Paragraph 1.5 of the Original Sublease, effective as of the Sixth Amendment Expansion Date, Subtenant's Share shall be adjusted to 10.499% (calculated by dividing the 33,371 square feet of Rentable Area of the Subleased Premises by the 317,826 square feet of the Rentable Area of the Master Premises).

8. Common 47 th Floor Master Leased Space . Effective as of the Sixth Amendment Expansion Date, Subtenant is the sole subtenant of Sublandlord on the 47 th Floor. Therefore, as of the Sixth Amendment Expansion Date, no further allocation of the Common 47 th Floor Master Leased Space shall be required as between Subtenant and any other subtenants. Subtenant shall continue to have the rights, in common with Sublandlord, to use and have access to the Common Facilities of the 47 th Floor.

9. Delivery of Possession and Improvements . Sublandlord shall deliver possession of the Fourth Additional 47 th Floor Subleased Premises to Subtenant on or before the Sixth Amendment Expansion Date. Subtenant shall accept possession of the Fourth Additional 47 th Floor Subleased Premises in as-is condition, it being acknowledged that no agreement of Sublandlord to alter, remodel, decorate, clean or improve the Fourth Additional 47 th Floor Subleased Premises or the Building, and no representation or warranty regarding the condition of the Fourth Additional 47 th Floor Subleased Premises or the Building has been made by Sublandlord or by any party acting on Sublandord's behalf. Any work necessary for Subtenant's use and occupancy thereof shall be performed by Subtenant at Subtenant's sole cost and expense. Any such work shall be performed in accordance with, and subject to, the terms and provisions of the Sublease.

10. Certain Defined Terms . "Sixth Amendment Expansion Date" means February 1, 2012.

11. Confirmation Agreements . At any time and from time to time upon either Sublandlord's or Subtenant's request Sublandlord and Subtenant shall execute a Confirmation Agreement confirming Subtenant's Share and any other information reasonably requested by Sublandlord or Subtenant pertinent to this Sublease.

12. No Offer. Submission of this Sixth Amendment by Sublandlord to Subtenant is not an offer to enter into this Sixth Amendment but rather is a solicitation for such an offer from Subtenant. Sublandlord shall not be bound by this Sixth Amendment until Sublandlord has executed and delivered the same to Subtenant.

13. Integration of Sublease and Controlling Language. This Sixth Amendment and the Sublease shall be deemed to be, for all purposes, one instrument. In the event of any conflict between the terms and provisions of this Sixth Amendment and the terms and provisions of the Sublease, the terms and provisions of this Sixth Amendment, in all instances, shall control and prevail.

14. Severability. If any provision of this Sixth Amendment or the application thereof to any person or circumstances is or shall be deemed illegal, invalid or unenforceable, the remaining provisions hereof shall remain in full force and effect and this Sixth Amendment shall be interpreted as if such legal, invalid or unenforceable provision did not exist herein.

15. Entire Agreement. This Sixth Amendment and the Sublease contain the entire integrated agreement between the parties respecting the subject matter of this Sixth Amendment and the Sublease and supersede all prior and contemporaneous understandings and agreements other than the Sublease between the parties respecting the subject matter of this Sixth Amendment and the Sublease. There are no representations, agreements, arrangements or understandings, oral or in writing, between or among the parties to this Sixth Amendment relating to the subject matter of this Sixth Amendment or the sublease which are not fully expressed in this Sixth Amendment and the Sublease, and no party hereto has relied upon any other representations, agreements, arrangements or understandings. The terms of this Sixth Amendment and the Sublease are intended by the parties as the final expression of their agreement with respect to those terms and may not be contradicted by evidence of any prior agreement or of any contemporaneous agreement. The parties further intend that no extrinsic evidence whatsoever may be introduced in any judicial proceeding involving this Sixth Amendment (and, for avoidance of doubt, the Sublease is not extrinsic for this purpose).

16. Successors and Assigns. Each provision of the Sublease and this Sixth Amendment shall extend to and shall bind and inure to the benefit of Sublandlord and Subtenant, their respective heirs, legal representatives, and permitted successors and assigns.

17. Time of the Essence. Time is of the essence of this Sixth Amendment and the Sublease and each provision hereof.

18. Multiple Counterparts. This Sixth Amendment may be executed in counterparts, all of which, when taken together, shall constitute a fully executed instrument.

19. Authority. Sublandlord and Subtenant each represent and warrant that it has full authority to execute and deliver this Sixth Amendment.

20. Real Estate Brokers. Each of Sublandlord and Subtenant represent that it has not dealt with any broker, agent or finder in connection with this Sixth Amendment, and that insofar as each party knows, no brokers have participated in the procurement of Subtenant or in the negotiation of this Sixth Amendment or are entitled to any commission in connection therewith. Each of Sublandlord and Subtenant shall indemnify and hold the other harmless from all damages, judgments, liabilities and expenses (including reasonable attorneys' fees) arising from its breach of the foregoing representation.

21. Ratification Generally . Except as amended and modified hereby, the Sublease shall be and shall remain unchanged and in full force and effect in accordance with its terms, and, as the Sublease is amended and modified hereby, the sublease is hereby ratified, adopted and confirmed.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Sublandlord and Subtenant have executed this Sixth Amendment to Sublease as of the date and year first above written.

SUBLANDLORD:

HYATT CORPORATION, a Delaware corporation

By: /s/ Robert Webb
Name: Robert Webb
Title: Attorney-in-Fact

SUBTENANT:

THE PRITZKER ORGANIZATION, L.L.C., a Delaware limited liability company

By: /s/ Ronald Wray
Name: Ronald Wray
Title: Vice President

Exhibit 10.1

EXHIBIT B - SIXTH AMENDED

FLOOR PLAN OF THE SUBLEASED PREMISES
47 TH FLOOR

(See Attached)

Exhibit 10.1

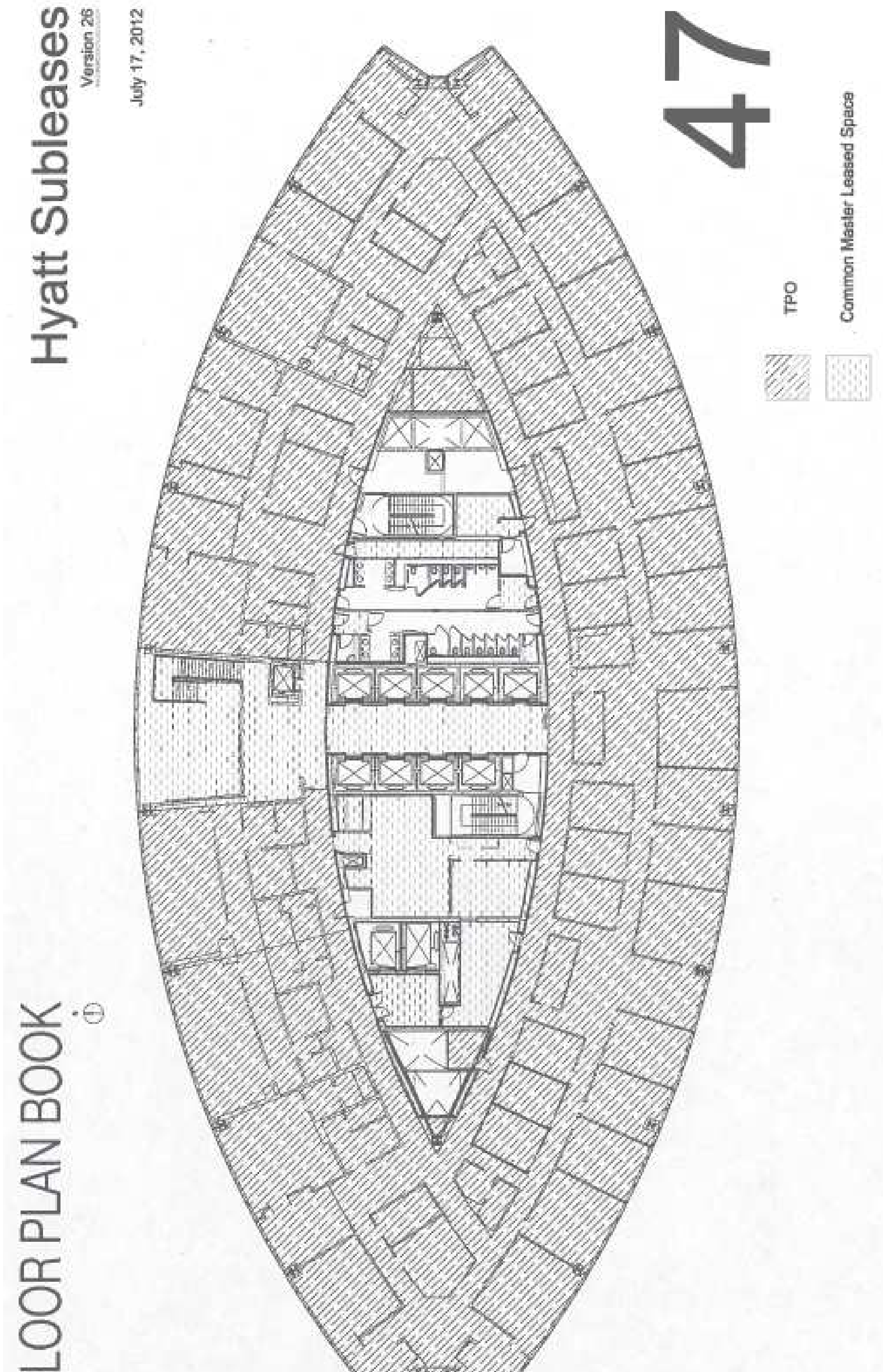
FLOOR PLAN BOOK
Hyatt Subleases
Version 26
July 17, 2012
47
TPO
Common Master Leased Space

Exhibit 10.1

EXHIBIT E - SIXTH AMENDED

NET RENT SCHEDULE

OFFICE PREMISES FLOOR 47 (33,371 FEET OF RENTABLE AREA

TIME PERIOD	NET RENT PER SQUARE FOOT OF RENTABLE AREA	ANNUAL NET RENT	MONTHLY INSTALLMENT OF NET RENT
February 1, 2012 to December 31, 2012	$12.50	$417,137.50	$34,761.46
January 1, 2013 to December 31, 2013	$12.86	$429,151.06	$35,762.59
January 1, 2014 to December 31, 2014	$13.26	$442,499.46	$36,874.96
January 1, 2015 to December 31, 2015	$13.66	$455,847.86	$37,987.32
January 1, 2016 to December 31, 2016	$14.07	$469,529.97	$39,127.50
January 1, 2017 to December 31, 2017	$14.49	$483,545.79	$40,295.48
January 1, 2018 to December 31, 2018	$14.92	$497,895.32	$41,491.28
January 1, 2019 to December 31, 2019	$15.37	$512,912.27	$42,742.69
January 1, 2020 to February 29, 2020	$15.83	$528,262.93	$44,021.91

Exhibit 10.1

EXHIBIT J

FOURTH ADDITIONAL 47 TH FLOOR SUBLEASED PREMISES

(See Attached)

Exhibit 10.1

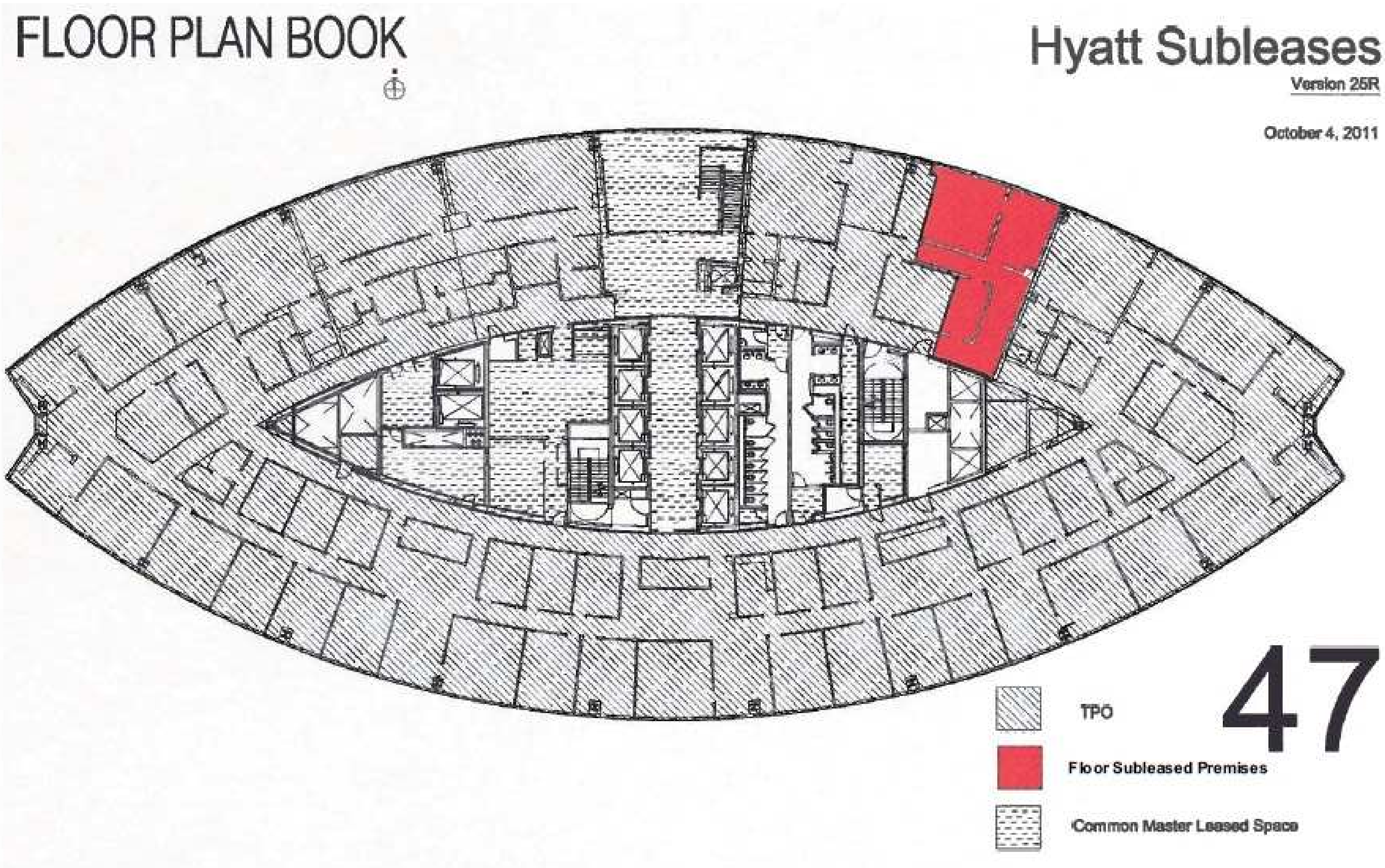
FLOOR PLAN BOOK
Hyatt Subleases
Version 25R
October 4, 2011
47
TPO
Floor Subleased Premises
Common Master Leased Space

Exhibit 31.1

PRINCIPAL EXECUTIVE OFFICER'S CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark S. Hoplamazian, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hyatt Hotels Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2012

/s/ Mark S. Hoplamazian

Mark S. Hoplamazian
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

PRINCIPAL FINANCIAL OFFICER'S CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Harmit J. Singh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hyatt Hotels Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2012

/s/ Harmit J. Singh

Harmit J. Singh

Executive Vice President, Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hyatt Hotels Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2012

/s/ Mark S. Hoplamazian
Mark S. Hoplamazian
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of this report or on a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hyatt Hotels Corporation (the “Company”) on Form 10-Q for the quarter ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2012

/s/ Harmit J. Singh

Harmit J. Singh
Executive Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of this report or on a separate disclosure document.