

AMADEUS GLOBAL TRAVEL DISTRIBUTION, S.A.

Management discussion and analysis of financial conditions and results of operations for the quarter and nine months ended 30 September 2003.

Summary

- ?? Bookings returned to positive growth, reflecting the “catch-up” effect following the SARS crisis and the Iraq war
- ?? Asia Pacific bookings grew 3.4% in the quarter versus last year, rebounding from a 30% fall in Q2
- ?? Revenues up 7.1% in the quarter versus Q3 2003, to EUR 481.1m
- ?? 20.2% increase in EBITDA to EUR 141.4m
- ?? Net income including special items up 71.6% to EUR 42.3m on Q3 2002

Third quarter highlights (for the three months ended 30 September 2003)

Total revenue for the quarter ended 30 September 2003, was EUR 481.1m, representing an increase of 7.1% or EUR 31.7m compared with the same period in 2002.

Comparable **bookings** for the quarter ended 30 September 2003 were 95.4m, representing an increase of 2.3% with respect to the same period of 2002.

Due to the acquisition of Amadeus Germany (formerly Start Amadeus), we are including an additional 11.2m leisure bookings in the quarter, mainly in rail and tour, which brings our total number of bookings to 106.6m, or 14.3% above the third quarter of last year.

Excluding the aforementioned leisure bookings, Europe saw growth of 2.9% or 1.7m bookings. In North America and the Rest of the World (ROW), bookings also increased by 4.1% or 0.4m and 0.2% or 0.1m, respectively. Total air bookings increased by 2.9% or 2.5m to a total of 89.1m. Non-air bookings fell 5.1% or 0.3m to 6.3m.

Booking revenue increased by 3.9% or EUR 13.8m to EUR 364.0m over the same period of last year. Growth was driven by the increase in volume and the annual price increase.

Non booking fee revenue grew by 18.1% or EUR 18.0m principally due to increases in travel agency fees coming from our recently acquired NMCs, Amadeus Scandinavia and Amadeus Germany.

Operating expenses for the quarter ended 30 September 2003 were EUR 399.2m, representing an increase of 6.5% over the same period in 2002.

Cost of sales increased by 6.7% or EUR 24.0m to EUR 379.8m. During the third quarter of 2003, Amadeus has recognised an exceptional amortisation of goodwill related to the US consortia business amounting to EUR 10.1m due to deteriorating market conditions. Excluding this and the impact of new acquisitions (namely ICSA T, Amadeus Scandinavia & Germany), cost of sales would have decreased by 3%. Our focus in cost control and a favourable booking mix caused by faster growth in fully owned markets have helped to reduce costs in our distribution business.

Selling, general and administrative expenses increased EUR 0.5m over the prior year to EUR 19.4m. Included in this line is the provision for doubtful debts from travel providers, which amounted to EUR 2.1m in the quarter. Excluding this, SG&A represented 3.6% of revenues, in line with the same period of last year.

Operating income for the quarter ended 30 September 2003 was EUR 81.8m, up 9.6% compared with EUR 74.6m for the same period in 2002.

EBITDA for the quarter ended 30 September 2003 was EUR 141.4m, up 20.2% or EUR 23.8m, compared with EUR 117.6m for the same period in 2002. In spite of the strong depreciation of the US dollar between the two periods, Amadeus has managed to limit the overall FX impact in EBITDA during the quarter to approximately EUR -1m. This was mainly due to the hedging of 95% of the US dollar EBITDA exposure at rates close to last year's exchange rate.

Net income excluding special items for the quarter ended 30 September 2003 was EUR 42.1m, up 52.3% compared with EUR 27.6m for the same period in 2002.

Special items for the quarter ended 30 September 2003 amounted to after-tax gains of EUR 0.3m compared with net losses of EUR 2.9m in the same quarter of 2002.

Results from associates for the quarter ended 30 September 2003, before amortisation of goodwill, broke even compared with losses of EUR 11.0m for the same quarter in 2002. Included in last year's results, was a provision of EUR 10.2m mainly related to the closure of Atinera that was concluded during the fourth quarter of 2002.

Consequently, **net income** for the quarter ended 30 September 2003 was EUR 42.3m, an increase of 71.6% compared with EUR 24.7m for the same period in 2002.

Year to date highlights (for the nine months ended 30 September 2003)

Total revenue for the nine months ended 30 September 2003, was EUR 1,453.4m, representing an increase of 3.4% or EUR 48.5m compared with the same period in 2002.

Comparable **Bookings** for the nine months ended 30 September 2003 were 292.0m, representing a decrease of 3.3% with respect to the same period of 2002.

Due to the acquisition of Amadeus Germany, we include an additional 26.1m leisure bookings year to date, mainly in rail and tour, which brings our total number to 318.1m, or 5.3% above last year.

Excluding those, and compared with the first nine months of 2002, bookings in Europe decreased by 0.5% or 0.9m. In North America and the Rest of the World (ROW) bookings decreased by 4.7% or 1.4m and 10.1% or 7.6m, respectively. Total air bookings fell by 3.0% or 8.4m to a total of 270.6m. Non-air bookings fell 7.0% or 1.6m to 21.3m.

Booking revenue decreased by 1.2% or EUR 13.8m to EUR 1,103.9m over the same period of last year, mainly as a result of the drop in air bookings.

Non booking fee revenue increased by 21.7% or EUR 62.2m principally due to increases in travel agency fees coming from our recently acquired NMCs, Amadeus Scandinavia and Amadeus Germany and increases in BA / Qantas related business.

Operating expenses for the nine months ended 30 September 2003 were EUR 1,200.3m, representing an increase of 4.2% over the same period in 2002.

Cost of sales increased by 3.8% or EUR 42.3m to EUR 1,140.2m. Excluding the impact of new acquisitions (ICSA T, Amadeus Scandinavia & Germany), as well as the aforementioned EUR 10.1m exceptional goodwill amortisation, cost of sales would have decreased by 4%.

Selling, general and administrative expenses increased 12.3% or EUR 6.6m over the prior year to EUR 60.1m, principally due to higher provisions for doubtful debts from travel providers in 2003, which amounted to EUR 9.9m in the quarter versus EUR 5.7m for the same period in the prior year.

Operating income for the nine months ended 30 September 2003 was EUR 253.1m, down 0.2%, compared with the same period in 2002.

EBITDA for the nine months ended 30 September 2003 was EUR 409.2m, up 7.7%, compared with EUR 380.0m for the same period in 2002.

Net income excluding special items for the nine months ended 30 September 2003 amounted to EUR 130.6m, up 7.1% compared with EUR 121.9m for the same period in 2002.

Special items for the nine months ended 30 September 2003 amounted to after-tax gains of EUR 1.8m compared with net gains of EUR 4.5m in the nine months ended September 2002.

Results from associates, before amortisation of goodwill for the nine months ended September 2003, amounted to losses of EUR 1.0m compared with losses of EUR 14.5m for the same nine months of 2002. Included in last year's results was provision of EUR 10.2m as previously mentioned.

Consequently, **net income** for the nine months ended 30 September 2003 was EUR 132.3m, an increase of 4.7% compared with EUR 126.4m for the same period in 2002.

Outlook

Amadeus has generated strong results during the first nine months of 2003. Nevertheless, the anticipation of challenging market conditions in the travel distribution business obliges us to be prudent. Though our EBITDA target may be slightly conservative given actual results year to date, for the net income we maintain our annual target at EUR 155m. Amadeus anticipates additional one off charges during the fourth quarter related to the restructuring of some business areas. This should position Amadeus well for the forthcoming year, when booking levels are expected to make a recovery.

Business Highlights

Operating highlights for the second quarter ended 30 September 2003 include:

Corporate

- ?? Amadeus was selected as a member of the Dow Jones STOXX Sustainability Index (DJSI STOXX) - the first pan-European index tracking the performance of sustainability-driven companies. As one of 178 companies from 13 countries on the index, Amadeus is the only GDS and specialised Travel IT provider and one of seven Spanish companies represented.
- ?? Amadeus continues to lead the industry with international quality standards. It renewed the demanding ISO 9001:2000 Quality certification which will be valid until August 2006.
- ?? Leading intranet experts Nielsen Norman Group selected Amadeus as one of the top intranets worldwide for 2003. Nearly 100 intranet sites were reviewed for the contest out of which ten winners were chosen for best usability and design.

Travel Distribution

- ?? Thomas Cook AG, a leading travel group, and Amadeus signed their first global agreement, replacing the existing local agreements covering Germany, UK, France, Austria, Belgium, Luxemburg, Poland, Hungary, Egypt, India and Sri Lanka. This new framework agreement is a reflection of the global partnership between Thomas Cook and Amadeus.

- ?? During the quarter, Amadeus has facilitated e-ticketing to the following airlines in 66 markets: Aegean Airlines, Air Berlin, Air Canada, All Nippon Airways, Austrian Airlines, Bahamasair, British Airways, China Airlines, Eastern Airways, Lufthansa, Singapore Airlines and Spanair.
- ?? Amadeus partnered with GTS, the leading specialist for student travel in Central and Eastern Europe, to bring more competitive travel services to students in the Czech Republic, Slovakia, Romania and Bulgaria. Through this new agreement, GTS and its subsidiaries will use the Amadeus system for sales and reservations and Amadeus Vista and ProTempo with internet connectivity as a front office solution.
- ?? To further accelerate growth in Central and Eastern Europe, Amadeus completed acquisition of its Polish distribution partner - Amadeus Polska - the leading travel technology player in Poland, processing over 62 per cent of the country's air bookings made through travel agencies.
- ?? Eurostar, the leading high speed passenger rail company serving the UK, France and Belgium, chose to expand distribution of its rail services through the Amadeus travel distribution system, via the same neutral display used by airlines. This initiative allows Amadeus travel agents located in most countries where Eurostar services are not already available through local Amadeus rail distribution solutions, to view, book, and ticket Eurostar services.

e-Commerce (including e-Travel)

- ?? Qantas Airways has signed a five-year contract for e-Travel to deliver its leisure, managed, and unmanaged online travel booking solutions.
- ?? bmi has signed a multi-year contract for e-Travel to provide the Internet booking engine and Web Design services for its main Web site.
- ?? e-Travel announced the general availability of e-Travel Reporter, a Web-based reporting application that consolidates online travel patterns and trends across leisure Web sites. This solution enables e-Travel clients to gain business intelligence by data-mining their operational and financial data from their worldwide e-commerce Web sites. Seven launch clients have already signed for e-Travel Reporter including Air France, Alitalia (Northern Europe), Icelandair, Qantas, Widerøe, and a further 2 airlines in Europe and North America.

Airline IT Services

- ?? Amadeus and IBM formed a strategic relationship to address the needs of airline and transportation companies looking to upgrade their IT infrastructure and adapt their business processes.
- ?? Gulf Air introduced sophisticated, self-service electronic check-in kiosks at Abu Dhabi, Muscat, and Bahrain international airports, to speed up and simplify check-in for its passengers, through a combination of Amadeus and IBM technology.
- ?? Six new airline customers in Europe and Africa signed for services from **Altéa**, Amadeus's rebranded Airline IT Services. The airlines will use **Altéa Sell** as a Sales System for their internal sales and reservation needs.

- ?? Continental Airlines, a major U.S. carrier, selected the Altéa Electronic Ticket Server (ETS) Interline Gateway to interline electronic ticketing with other carriers. ETS Interline Gateway is the first, fully neutral interline solution, which allows any airline to make their electronic ticket flight coupons available to previously designated "interline partners", regardless of the hosting system either airline uses.
- ?? To deploy e-ticketing across markets, Aer Lingus implemented Altéa Electronic Ticket Server (ETS), a neutral IT application and database for full management and distribution of e-tickets, with links to global distribution systems for travel agency distribution; to user airlines' own sales and reservation offices for direct sales; and to airline alliance partners for interlining purposes.

Note:

This document contains certain forward-looking statements and information that are based on the current expectations of the Company's management as well as assumptions based on information available to the Company. Such statements reflect the current views of the Company, or its management, with respect to future events and are subject to certain risks, uncertainties and assumptions that could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements of the Company that may be expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these statements. The Company does not intend, and does not assume any obligation, to update or revise forward-looking statements set forth in this document, whether on the basis of new information, future events or otherwise.

Selected financial information and operating statistics

For the quarter ended 30 September, 2003

(Expressed in thousands of EUROS unless indicated)

	For the quarter ended 30 September Excluding Special Items			For the quarter ended 30 September Including Special Items		
	2003 (Unaudited)	2002 (Unaudited)	% change	2003 (Unaudited)	2002 (Unaudited)	% change
Revenue	481,064	449,335	7.1%	481,064	449,335	7.1%
Cost of sales	379,803	355,806	6.7%	379,803	355,806	6.7%
Selling, general and admin. expenses	19,428	18,890	2.8%	19,428	18,890	2.8%
Total operating expenses	399,231	374,696	6.5%	399,231	374,696	6.5%
Operating income	81,833	74,639	9.6%	81,833	74,639	9.6%
Other income (expense)						
Interest expense, net	(3,642)	(4,187)	(13.0%)	(3,905)	(5,249)	(25.6%)
Exchange gains (losses)	(772)	(569)	35.7%	(772)	(569)	35.7%
Other	(292)	146	n/a	399	(3,298)	n/a
Income before income taxes	77,127	70,029	10.1%	77,555	65,523	18.4%
Income taxes	31,260	26,816	16.6%	31,410	25,244	24.4%
Income after taxes	45,867	43,213	6.1%	46,145	40,279	14.6%
Equity in earnings (losses) from associates	(3,802)	(6,647)	(42.8%)	(3,802)	(6,647)	(42.8%)
Equity in earnings (losses) from discontinued Operations of associates	0	(8,917)	(100.0%)	0	(8,917)	(100.0%)
Minority interests	(6)	(40)	(85.0%)	(6)	(40)	(85.0%)
Net income	42,059	27,609	52.3%	42,337	24,675	71.6%
Other information						
Operating margin	17.0%	16.6%	0.4 pp	17.0%	16.6%	0.4 pp
EBITDA (1)	141,372	117,582	20.2%	141,372	117,582	20.2%
EBITDA margin	29.4%	26.2%	3.2 pp	29.4%	26.2%	3.2 pp
Goodwill amortisation in Operating Expenses	16,855	3,548	375.1%	16,855	3,548	375.1%
Goodwill amortisation in Associates	3,655	4,536	(19.4%)	3,655	4,536	(19.4%)
Total Goodwill Amortisation	20,510	8,084	153.7%	20,510	8,084	153.7%
Booking information by Category (2)						
Air bookings	89,105	86,605	2.9%	89,105	86,605	2.9%
Non air bookings	6,278	6,617	(5.1%)	6,278	6,617	(5.1%)
Amadeus Germany Leisure bookings	11,211	0	n/a	11,211	0	n/a
Total non air bookings	17,489	6,617	164.3%	17,489	6,617	164.3%
Total Bookings	106,594	93,222	14.3%	106,594	93,222	14.3%
Total Bookings excluding Leisure bookings	95,383	93,222	2.3%	95,383	93,222	2.3%
Booking information by Region (2)						
North America (3)	9,449	9,075	4.1%	9,449	9,075	4.1%
Europe	60,883	59,150	2.9%	60,883	59,150	2.9%
Amadeus Germany Leisure bookings	11,211	0	n/a	11,211	0	n/a
Total Europe	72,094	59,150	21.9%	72,094	59,150	21.9%
Rest of the world (ROW)	25,051	24,997	0.2%	25,051	24,997	0.2%
Total Bookings	106,594	93,222	14.3%	106,594	93,222	14.3%

(1) EBITDA calculated as follows: operating income + operating depreciation and amortisation.

(2) These number of bookings are net of cancellations made as of the end of the applicable period and before any estimate of future cancellations of bookings outstanding (such as for bookings not yet used or cancelled). In thousands of bookings.

(3) North America includes: USA, Canada & Pacific Islands.

Selected financial information and operating statistics

For the nine months period ended 30 September, 2003

(Expressed in thousands of EUROS unless indicated)

	For the nine month period ended 30 September Excluding Special Items			For the nine month period ended 30 September Including Special Items		
	2003 (Unaudited)	2002 (Unaudited)	% change	2003 (Unaudited)	2002 (Unaudited)	% change
Revenue	1,453,384	1,404,934	3.4%	1,453,384	1,404,934	3.4%
Cost of sales	1,140,157	1,097,905	3.8%	1,140,157	1,097,905	3.8%
Selling, general and admin. expenses	60,137	53,548	12.3%	60,137	53,548	12.3%
Total operating expenses	1,200,294	1,151,453	4.2%	1,200,294	1,151,453	4.2%
Operating income	253,090	253,481	(0.2%)	253,090	253,481	(0.2%)
Other income (expense)						
Interest expense, net	(11,594)	(10,705)	8.3%	(11,837)	(13,736)	(13.8%)
Exchange gains (losses)	(398)	(587)	(32.2%)	(398)	(587)	(32.2%)
Other	(378)	2,012	n/a	2,565	12,008	(78.6%)
Income before income taxes	240,720	244,201	(1.4%)	243,420	251,166	(3.1%)
Income taxes	97,640	94,248	3.6%	98,585	96,699	2.0%
Income after taxes	143,080	149,953	(4.6%)	144,835	154,467	(6.2%)
Equity in earnings (losses) from associates	(12,477)	(16,703)	(25.3%)	(12,477)	(16,703)	(25.3%)
Equity in earnings (losses) from discontinued Operations of associates	0	(11,337)	(100.0%)	0	(11,337)	(100.0%)
Minority interests	(50)	(40)	25.0%	(50)	(40)	25.0%
Net income	130,553	121,873	7.1%	132,308	126,387	4.7%
Other information						
Operating margin	17.4%	18.0%	(0.6 pp)	17.4%	18.0%	(0.6 pp)
EBITDA (1)	409,230	380,044	7.7%	409,230	380,044	7.7%
EBITDA margin	28.2%	27.1%	1.1 pp	28.2%	27.1%	1.1 pp
Goodwill amortisation in Operating Expenses	28,866	10,042	187.5%	28,866	10,042	187.5%
Goodwill amortisation in Associates	11,484	13,547	(15.2%)	11,484	13,547	(15.2%)
Total Goodwill Amortisation	40,350	23,589	71.1%	40,350	23,589	71.1%
Booking information by Category (2)						
Air bookings	270,627	279,006	(3.0%)	270,627	279,006	(3.0%)
Non air bookings	21,345	22,948	(7.0%)	21,345	22,948	(7.0%)
Amadeus Germany Leisure bookings	26,121	0	n/a	26,121	0	n/a
Total non air bookings	47,466	22,948	106.8%	47,466	22,948	106.8%
Total Bookings	318,093	301,954	5.3%	318,093	301,954	5.3%
Total Bookings excluding Leisure bookings	291,972	301,954	(3.3%)	291,972	301,954	(3.3%)
Booking information by Region (2)						
North America (3)	28,710	30,127	(4.7%)	28,710	30,127	(4.7%)
Europe	195,267	196,185	(0.5%)	195,267	196,185	(0.5%)
Amadeus Germany Leisure bookings	26,121	0	n/a	26,121	0	n/a
Total Europe	221,388	196,185	12.8%	221,388	196,185	12.8%
Rest of the world (ROW)	67,995	75,643	(10.1%)	67,995	75,643	(10.1%)
Total Bookings	318,093	301,954	5.3%	318,093	301,954	5.3%

(1) EBITDA calculated as follows: operating income + operating depreciation and amortisation.

(2) These number of bookings are net of cancellations made as of the end of the applicable period and before any estimate of future cancellations of bookings outstanding (such as for bookings not yet used or cancelled). In thousands of bookings.

(3) North America includes: USA, Canada & Pacific Islands.