

## **Management discussion and analysis of financial conditions and results of operations for the quarter and the six months ended 30 June 2001.**

### **1. Summary**

Revenues increased by 20.3 per cent to EUR 469.2m, operating income by 21.6 per cent to EUR 85.6m and net earnings, excluding special items, increased by 2.8 per cent to EUR 41.8m, for the three months ending 30 June 2001 compared with the same period of 2000. Revenue for the six months ending 30 June 2001 grew 21.5 per cent to EUR 951.5m, operating income grew by 20.3% to EUR 179.6m and net earnings, excluding special items, increased by 6.2 per cent to EUR 96.3 m compared with EUR 90.7m in 2000.

### **2. Second quarter highlights (for the three months ending 30 June 2001)**

**Total revenue** for the second quarter 2001, was EUR 469.2 m, representing an increase of 20.3 per cent from EUR 389.9m in 2000.

**Total bookings** for the second quarter 2001 were 102.9 million, representing an increase of 3.1 per cent from 99.8 million in 2000. Air bookings grew by 2.6 per cent and non-air booking growth was 8.8 per cent. Booking growth, outside the North American market, was 5.2 per cent; increasing from 85.5 to 89.9 million.

**Booking revenue** grew by 12.8 per cent, primarily driven by volume growth and price increases applied from 1 January 2001 and the strengthening of USD against EUR.

**Non-booking revenue** increased by 86.3 per cent or EUR 45.2m. Contributing to this increase were revenues from ticketing, dynamic availability, link charges and marketing information products, which grew by 32 per cent or EUR 16.8m, continuing the strong performance already reported during 2000. The remaining increase mainly corresponds to revenue from the US travel agency consortia business amounting to EUR 12.7m and from IT services amounting to EUR 15.7m; both of these activities commenced during the second half of 2000.

**Operating expenses** for the second quarter ended 30 June 2001 were EUR 383.7m, representing an increase of 20.1 per cent over the same period in 2000.

**Cost of sales** increased by 18.3 per cent or EUR 55.5m. Higher distribution costs, resulting mainly from higher booking volume contributed by EUR 17.9m to that increase. Also, contributing to this increase are the expenses from the US travel agency consortia business and expenses from IT services; both of these activities commenced during the second half of 2000. Data processing and development resources were also reinforced to support the new lines of business and new markets.

**Selling, general and administrative** expenses represented 5.3 per cent of total revenue. The increase over the previous year is primarily driven by the

reinforcement of corporate and marketing resources to support the new lines of business, as well as provisions for doubtful debts related to certain airlines.

**Operating income and EBITDA** for the second quarter ended 30 June 2001 were EUR 85.6m and EUR 123.7m, respectively. The increase in operating income for the period was 21.6 per cent and the increase in EBITDA was 23.6 per cent. EBITDA margin for the period was 26.4 per cent, compared with 25.7 per cent in the same period of 2000.

**Net earnings** for the second quarter ended 30 June 2001, excluding special items, were EUR 41.8m, representing an increase of 2.8 per cent over EUR 40.7m in 2000.

**Losses from associates, including amortisation of goodwill**, for the second quarter ended 30 June 2001 amounted to EUR 8.4m compared to EUR 2.6m. This increase is mainly due to new e-commerce and IT joint ventures launched during the second half of 2000. (See section 4 on additional financial information)

**Net earnings, including special items**, for the second quarter ended 30 June 2001 amounted to EUR 46.5m, compared to EUR 55.1m for the same period in 2000.

Special items for the second quarter of 2000 include EUR 14.5m of unrealised after-tax gains from the mark-to-market of equity swap agreements entered into to cover warrants issued by Amadeus in conjunction with existing and potential commercial agreements. Special items for the second quarter of 2001 include EUR 5.6m of unrealised after-tax gains from the mark-to-market of equity swap and warrant agreements mentioned above.

### **3. First half highlights (for the six months ended 30 June, 2001)**

**Total revenue** for the six month period ended 30 June 2001, was EUR 951.5m, representing an increase of 21.5 per cent from EUR 783.3m in 2000.

**Total bookings** for the first half of 2001 were 213.7 million, representing an increase of 3.4 per cent from 206.8 million in 2000. Air bookings grew by 3.1 per cent and non-air bookings growth was 6.6 per cent. Booking growth, outside the North American market, was 5.3 per cent up from 177.7 to 187.1 million.

**Booking revenue** grew by 12.7 per cent, primarily driven by volume growth and price increases applied from 1 January 2001 and the strengthening of USD against EUR.

**Non-booking revenue** increased by 72.0 per cent or EUR 74.6m. Contributing to this increase were revenues from ticketing, dynamic availability, link charges and marketing information products, which grew by 31 per cent or EUR 32.6m, continuing the strong performance already reported during 2000. The remaining increase mainly corresponds to revenue from the US travel agency consortia business amounting to EUR 20.7m and from IT services amounting to EUR 21.3m; both of these activities were commenced during the second half of 2000.

**Operating expenses** for the six months ended 30 June 2001 were EUR 771.9m, representing an increase of 21.8 per cent over the same period in 2000.

**Cost of sales** increased by 19.9 per cent or EUR 120.3m. Higher distribution costs, resulting mainly from higher booking volume contributed by EUR 47.9m to that increase. Also, contributing to this increase are the expenses from the US travel agency consortia business and expenses from IT services; both of these activities commenced during 2000. Data processing and development resources were also reinforced to support the new line of business and new markets.

**Selling, general and administrative** expenses represented 5.0 per cent of total revenue. The increase over the previous year is primarily driven by the reinforcement of corporate and marketing resources, as well as provisions for doubtful debts related to certain airlines.

**Operating income and EBITDA** for the six months ended 30 June 2001 were EUR 179.6m and EUR 253.4m, respectively. The increase in operating income for the period was 20.3 per cent and the increase in EBITDA was 21.9 per cent. EBITDA margin for the period was 26.6 per cent, compared with 26.5 per cent in the same period of 2000.

**Net earnings** for the six months ended 30 June 2001, excluding special items, were EUR 96.3m, representing an increase of 6.2 per cent over EUR 90.7m in 2000.

**Losses from associates, including amortisation of goodwill**, for the first half of 2001 amounted to EUR 11.6m compared to EUR 1.1m. This increase is mainly due to the impact of e-commerce and IT joint ventures launched during the second half of 2000.

**Net earnings, including special items**, for the six months ended 30 June 2001 were EUR 100.5m, a decrease of 4.4 per cent compared to 2000. (See section 4 on additional financial information)

Special items for the first half of 2000 include EUR 14.5m of unrealised after-tax gains from the mark-to-market of the equity swap agreements entered into to cover warrants issued by Amadeus in conjunction with existing and potential commercial agreements. Special items for the first half of 2001 include EUR 6.0m of unrealised after-tax gains from the mark-to-market of warrants issued by Amadeus and the equity swap agreements mentioned above.

#### **4. Additional financial information.**

Depreciation and amortisation expenses for the second quarter ended 30 June 2001 were EUR 38.1m, representing an increase of 28.2 per cent over the same period of last year. This increase relates mainly to higher capital spending during the year 2000 in connection with the launching of the new IT and e-commerce activities.

Amortisation of goodwill included in operating expenses totaled EUR 3.3m for the second quarter of 2001 and EUR 6.4m for the six months ended 30 June 2001.

Amortisation of goodwill and other intangible assets relating to acquisitions included in losses from associates totaled EUR 4.8m for the second quarter of 2001 and EUR 9.4 for the six months ended 30 June 2001.

## **5. Recent business developments.**

### **Travel Distribution (to travel agents and airline sales offices)**

Since beginning operations, less than ten years ago, Amadeus has become the market leader in terms of its global presence and travel distribution capability, with its system available to travel agents and airline sales offices in some 200 markets. This achievement reflects the contribution of a growing number of National Marketing Companies (NMCs), which service the needs of travel agents world-wide. In the second quarter, Amadeus added to this network with the opening of an NMC in Qatar. This was recently followed by a new NMC for Nigeria, to help support the development of the company's interests in West Africa.

In June, British Midland International (BMI) out-sourced its internal sales and reservation system to Amadeus. Last month JAT Yugoslav Airlines took a similar step, joining over 100 other airlines that already benefit from using the technologically advanced Amadeus system in their airport and city ticket sales offices.

In the United States, Vacation.com announced the acquisition of Action 6, a significant and profitable leisure travel network with a strong representation in Florida and New England. This acquisition brings the combined total of Vacation.com travel agency members to over 10,000. Action 6 has now been integrated within the operations of Vacation.com, and re-branded accordingly.

Electronic ticketing deployment continues at a sustained pace, with 15 new markets or airlines implemented in the second quarter, bringing the total to 40 airlines distributed variously in up to 40 markets.

Amadeus Cruise, the company's new "point and click" browser-based cruise booking technology, received a major boost in June when Carnival Corporation agreed to distribute its six cruise brands through Amadeus. Together with Royal Caribbean and Celebrity Cruise Lines, the implementation of Carnival Corporation means that some 90 per cent of the cruise capacity distributed through global distribution systems will be available through Amadeus.

### **E-Commerce**

In June Opodo, the new pan-European travel portal which is backed by nine leading European airlines, selected Amadeus as a key technology provider, to include the Amadeus e-commerce travel-booking engine. Amadeus will play a central role in fulfilling Opodo's localisation strategy, as it rolls-out its service on a country-by-country basis, with specially created Web sites in each market.

During the second quarter ebookers.com signed a pan-European agreement with Amadeus. Amadeus was selected to provide this prominent European online travel company with technology expertise, and reservation technology for scheduled flights, hotels and other related products. This agreement acknowledges the importance of Amadeus as a leading provider of online technology solutions for the travel industry.

In April, Amadeus and BroadVision Inc. launched BroadVision-Amadeus Travel Commerce™. This innovative travel application combines the best of Amadeus travel distribution technology with the BroadVision's significant e-business experience and One-to-One® personalisation technology. The application allows travel providers to

fully personalise their Web-based travel offering to boost customer retention and service. Iberia became the first customer for this application, which is already generating broad interest within the online travel market.

In corporate travel management, during the second quarter, the Government of Norway contracted to use Corporate Traveller. This win, amongst others in the period, means that Corporate Traveller is now firmly established within the unrivalled Amadeus portfolio of corporate travel management solutions, that includes Lotus and SAP corporate users.

Overall, corporate travel management represents a significant business opportunity for Amadeus. In the US market alone, according to Jupiter Media Metrix, the market for self-booking travel solutions is expected to grow from USD 6.1 billion to USD 30.6 billion between now and 2006. Reflecting this opportunity, earlier this week, Amadeus announced the acquisition of US-based e-Travel, whose corporate self-booking travel products are already used by such customers as Gateway, Philip Morris and Vivendi Universal.

### **Information Technology Services**

The company has been selected by, and is negotiating with, a significant airline group to provide it with passenger management systems. Together with existing customers British Airways and Qantas, this represents a further important expansion of the company's interests in the provision of IT Services to the travel industry.

Atinera, the joint venture with Fourth Dimension Software (FDS) that offers complete solutions to travel providers, tour operators and wholesalers, made excellent progress during the period. The company's US and European management team is now in place and the first customers, namely US operators Brennan Tours and Discover Wholesale Travel, have been signed.

## **6. Outlook**

Although a slow-down in economic activity is now clearly evident in certain markets, such as the US, Amadeus expects to continue out-performing the GDS industry in the coming months. The company is making good progress with the creation of a strong and sustainable IT Services division. The continuing growth of non-booking revenues is expected to help offset the impact of softness in booking revenues, due to the generally tougher trading environment. Overall, Amadeus expects to remain on track to achieve its revenue growth target for the full year of between 16 to 20 per cent.

### **Note 1:**

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 three months period ended June 30, 2001**

(Expressed in thousands EURO unless indicated)

	For the three months period ended June 30, 2001 <b>Excluding Special Items</b>			For the three months period ended June 30, 2001 <b>Including Special Items</b>		
	2001	2000	% change	2001	2000	% change
	(Unaudited)			(Unaudited)		
Revenue	469,247	389,926	20.3%	469,247	389,926	20.3%
Cost of sales	358,670	303,167	18.3%	358,670	303,167	18.3%
Selling, general and admin. expenses	24,998	16,382	52.6%	24,998	16,382	52.6%
Total operating expenses	383,668	319,549	20.1%	383,668	319,549	20.1%
<b>Operating income</b>	<b>85,579</b>	<b>70,377</b>	<b>21.6%</b>	<b>85,579</b>	<b>70,377</b>	<b>21.6%</b>
Other income (expense)						
Interest expense, net	(4,717 )	(4,389 )	7.5%	(6,035 )	(4,389 )	37.5%
Exchange gains (losses)	(1,020 )	(276 )	269.6%	(1,020 )	(276 )	269.6%
Other	(194 )	138	n/a	8,404	22,418	(62.5%)
<b>Income before income taxes</b>	<b>79,648</b>	<b>65,850</b>	<b>21.0%</b>	<b>86,928</b>	<b>88,130</b>	<b>(1.4%)</b>
Income taxes	29,422	22,605	30.2%	31,970	30,403	5.2%
<b>Income after taxes</b>	<b>50,226</b>	<b>43,245</b>	<b>16.1%</b>	<b>54,958</b>	<b>57,727</b>	<b>(4.8%)</b>
Equity in income (losses) from associates	(8,435 )	(2,581 )	226.8%	(8,435 )	(2,581 )	226.8%
<b>Net earnings</b>	<b>41,791</b>	<b>40,664</b>	<b>2.8%</b>	<b>46,523</b>	<b>55,146</b>	<b>(15.6%)</b>
<b>Other information</b>						
Operating margin	18.2%	18.0%	0.2 pp	18.2%	18.0%	0.2 pp
<b>EBITDA (1)</b>	<b>123,691</b>	<b>100,102</b>	<b>23.6%</b>	<b>123,691</b>	<b>100,102</b>	<b>23.6%</b>
<b>EBITDA margin</b>	<b>26.4%</b>	<b>25.7%</b>	<b>0.7 pp</b>	<b>26.4%</b>	<b>25.7%</b>	<b>0.7 pp</b>
<b>Booking information by Channel (2)</b>						
Air bookings	94,446	92,028	2.6%	94,446	92,028	2.6%
Non air bookings	8,419	7,738	8.8%	8,419	7,738	8.8%
	<b>102,865</b>	<b>99,766</b>	<b>3.1%</b>	<b>102,865</b>	<b>99,766</b>	<b>3.1%</b>
<b>Booking information by Region (2)</b>						
North America (3)	12,919	14,248	(9.3%)	12,919	14,248	(9.3%)
Europe	66,131	63,022	4.9%	66,131	63,022	4.9%
ROW	23,815	22,496	5.9%	23,815	22,496	5.9%
	<b>102,865</b>	<b>99,766</b>	<b>3.1%</b>	<b>102,865</b>	<b>99,766</b>	<b>3.1%</b>

(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 thousand bookings

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

Certain amounts for prior periods have been reclassified to conform with the 2001 presentation

**Selected financial information and operating statistics**  
**For the six months period ended June 30, 2001**

(Expressed in thousands EURO unless indicated)

	For the six months period ended June 30, 2001 <b>Excluding Special Items</b>			For the six months period ended June 30, 2001 <b>Including Special Items</b>		
	2001	2000	% change	2001	2000	% change
	(Unaudited)			(Unaudited)		
Revenue	951,485	783,325	21.5%	951,485	783,325	21.5%
Cost of sales	723,829	603,531	19.9%	723,829	603,531	19.9%
Selling, general and admin. expenses	48,024	30,413	57.9%	48,024	30,413	57.9%
Total operating expenses	771,853	633,944	21.8%	771,853	633,944	21.8%
<b>Operating income</b>	<b>179,632</b>	<b>149,381</b>	<b>20.3%</b>	<b>179,632</b>	<b>149,381</b>	<b>20.3%</b>
Other income (expense)						
Interest expense, net	(10,627)	(8,125)	30.8%	(13,445)	(8,125)	65.5%
Exchange gains (losses)	(86)	(1,189)	(92.8%)	(86)	(1,189)	(92.8%)
Other	(359)	1,220	n/a	8,846	23,500	(62.4%)
<b>Income before income taxes</b>	<b>168,560</b>	<b>141,287</b>	<b>19.3%</b>	<b>174,947</b>	<b>163,567</b>	<b>7.0%</b>
Income taxes	60,673	49,496	22.6%	62,909	57,294	9.8%
<b>Income after taxes</b>	<b>107,887</b>	<b>91,791</b>	<b>17.5%</b>	<b>112,038</b>	<b>106,273</b>	<b>5.4%</b>
Equity in income (losses) from associates	(11,551)	(1,116)	935.0%	(11,551)	(1,116)	935.0%
<b>Net earnings</b>	<b>96,336</b>	<b>90,675</b>	<b>6.2%</b>	<b>100,487</b>	<b>105,157</b>	<b>(4.4%)</b>
<b>Other information</b>						
Operating margin	18.9%	19.1%	(0.2 pp)	18.9%	19.1%	(0.2 pp)
<b>EBITDA (1)</b>	<b>253,358</b>	<b>207,917</b>	<b>21.9%</b>	<b>253,358</b>	<b>207,917</b>	<b>21.9%</b>
<b>EBITDA margin</b>	<b>26.6%</b>	<b>26.5%</b>	<b>0.1 pp</b>	<b>26.6%</b>	<b>26.5%</b>	<b>0.1 pp</b>
<b>Booking information by Channel (2)</b>						
Air bookings	197,182	191,258	3.1%	197,182	191,258	3.1%
Non air bookings	16,538	15,513	6.6%	16,538	15,513	6.6%
	<b>213,720</b>	<b>206,771</b>	<b>3.4%</b>	<b>213,720</b>	<b>206,771</b>	<b>3.4%</b>
<b>Booking information by Region (2)</b>						
North America (3)	26,588	29,114	(8.7%)	26,588	29,114	(8.7%)
Europe	139,713	133,410	4.7%	139,713	133,410	4.7%
ROW	47,419	44,247	7.2%	47,419	44,247	7.2%
	<b>213,720</b>	<b>206,771</b>	<b>3.4%</b>	<b>213,720</b>	<b>206,771</b>	<b>3.4%</b>

(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 thousand bookings

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

Certain amounts for prior periods have been reclassified to conform with the 2001 presentation