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This presentation and those that follow have to be accompanied by a verbal explanation. A simple reading of this presentation without the appropriate verbal explanation could give rise to a partial or incorrect understanding

The future role of GDSs in the Travel Industry

José Antonio Tazón
President & CEO

AMADEUS

Table of Contents

- Industry background – setting the scene
- GDSs - challenges
- GDSs - evolution
- Conclusions

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Industry background

- Three driving forces:
  - airlines (providers?) reducing distribution costs
  - development of e-commerce
  - growth of “no frill” airlines

Industry background (cont'd)

- Power shifting to the end consumer:
  - the best value channel is selected
  - large online retailers are consolidating + diversifying to increase the value offered
    - "Merchant" models emerging
  - disintermediation will increase - if supplier direct initiatives deliver the best value
- Providers moving distribution costs towards the end consumer

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GDSs – a 1990s perspective

- **"The GDSs have to worry if they have a future at all what with the Internet and charging. They are in the firing line and airlines will find a cheaper way of doing it."** *Roger Thompson – GBTA – Business Travel World (1996)*
- **"From a content point of view, our platform is going to be eons superior to today's CRSs."** *Bruce Bishins on Project Genesis – a proposed agent-owned CRS cooperative (1995)*

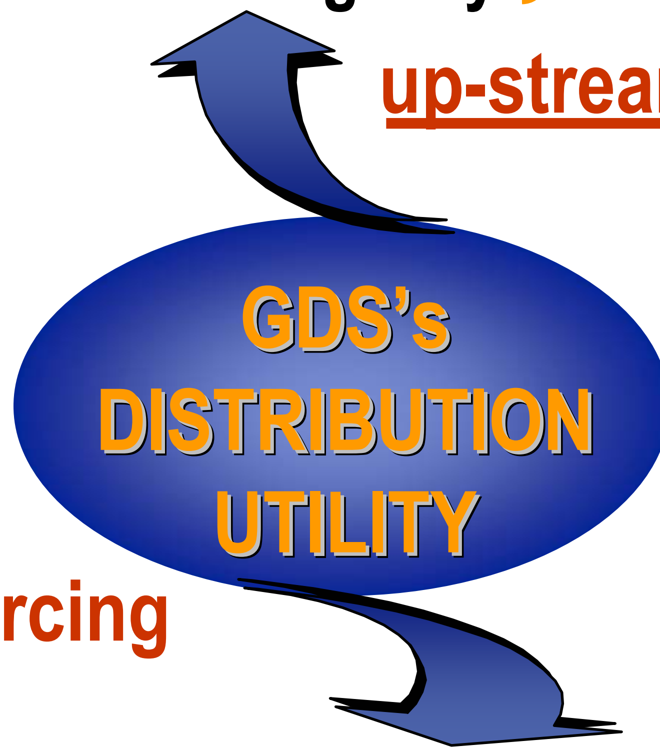
GDS distribution utility (a 1996 view)

GDS

corporate/
corporate travel agency

'NEW ENGINES'

up-stream insourcing



down-stream insourcing

airlines' in-house system

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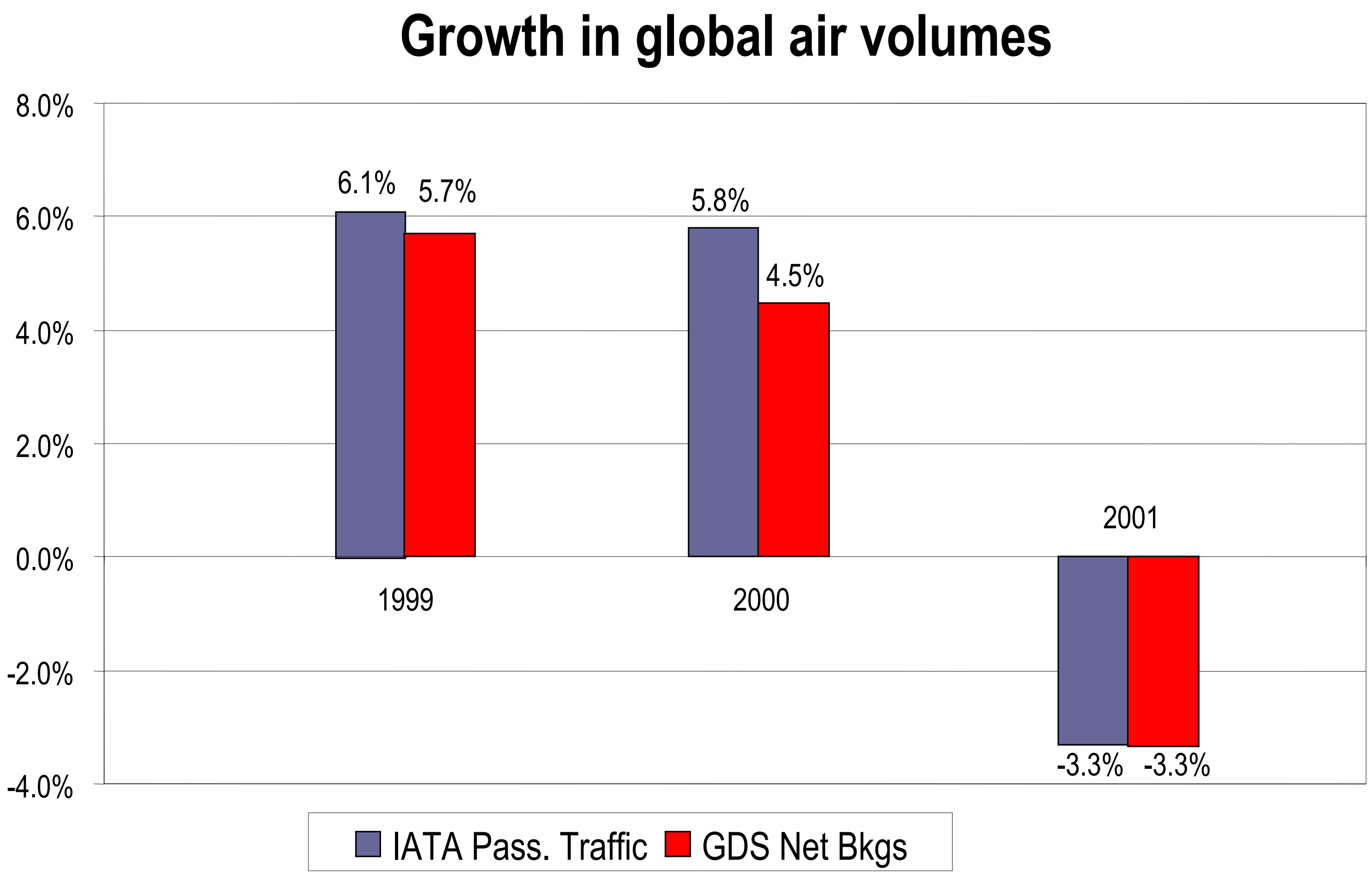
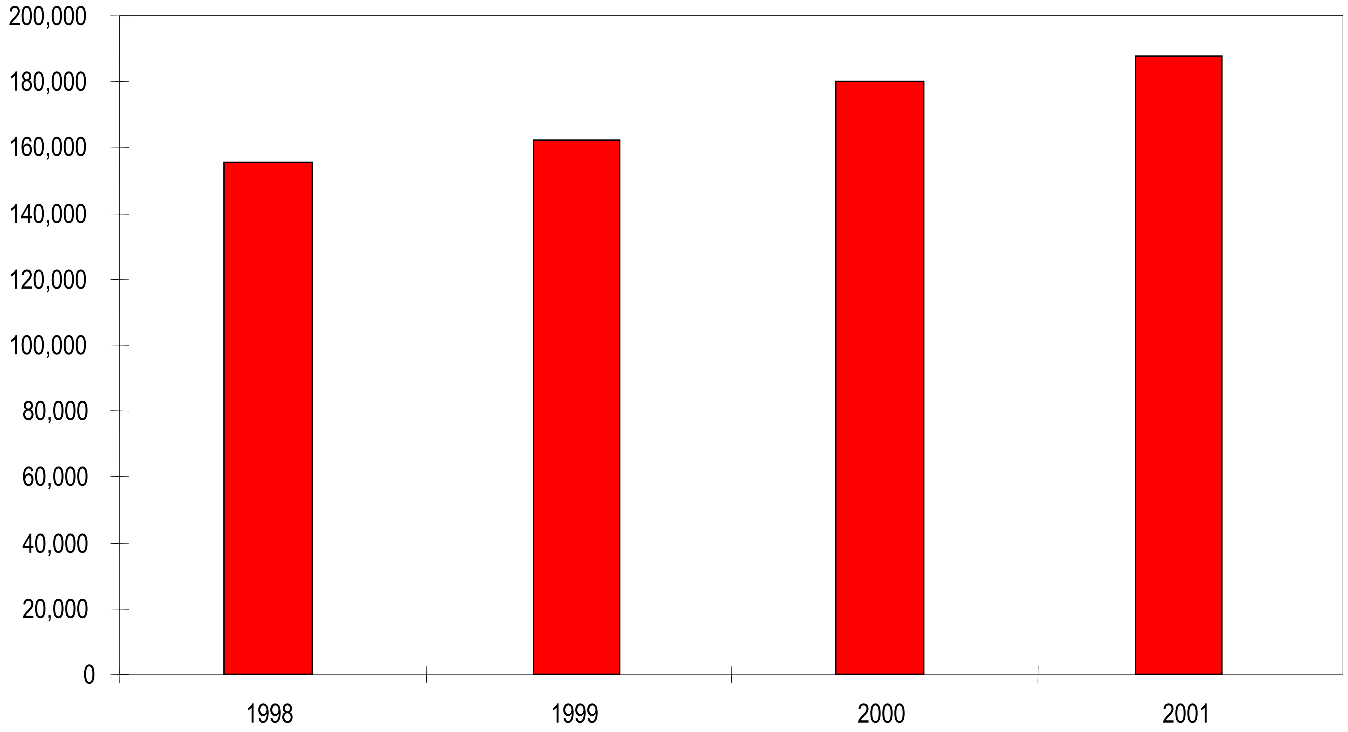
GDSs – still here!



Source: Amadeus estimates

GDSs – still here!

Growth in worldwide TA locations of GDSs



Source: Amadeus estimates

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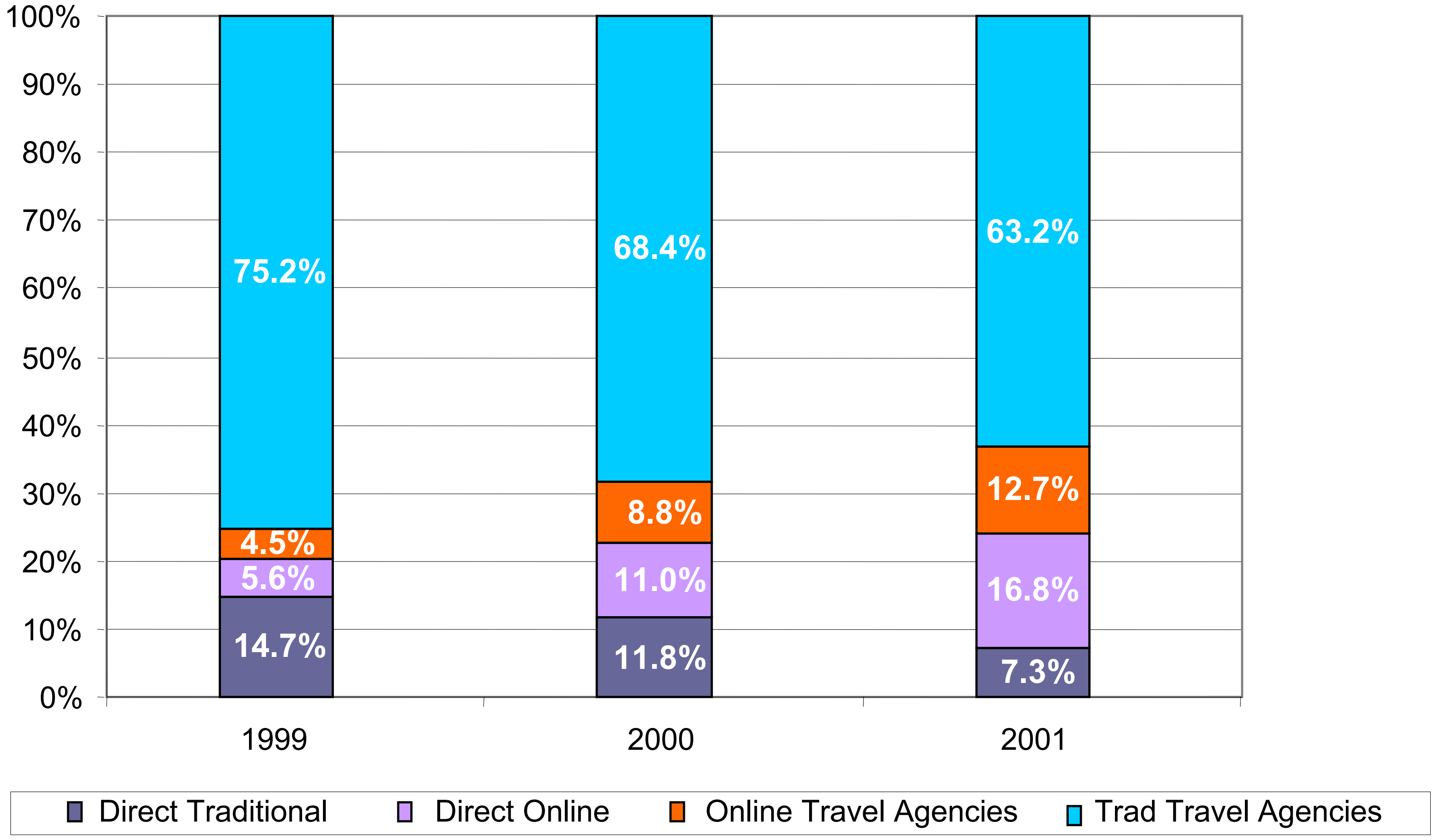
Channel shifts

Total air bookings (via US distribution channels)



Source: Amadeus estimates

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Global view – channel shift

Global air bookings 2001		Total market bkgs. Mn.	Channel share %
Off-line	Travel Agent	1,000	69%
	Airline Direct	350	24%
On-line	Travel Agent	50	3%
	Airline Direct	50	3%
	Corporate	10	1%
	Total	1,460	100%

Source: Amadeus estimates

The challenges…

- **e-retailers/merchants:**
  - **establishing direct connect to providers**
- **Direct connect by providers:**
  - **reaching their customers/retailers directly**
- **“New” GDSs**

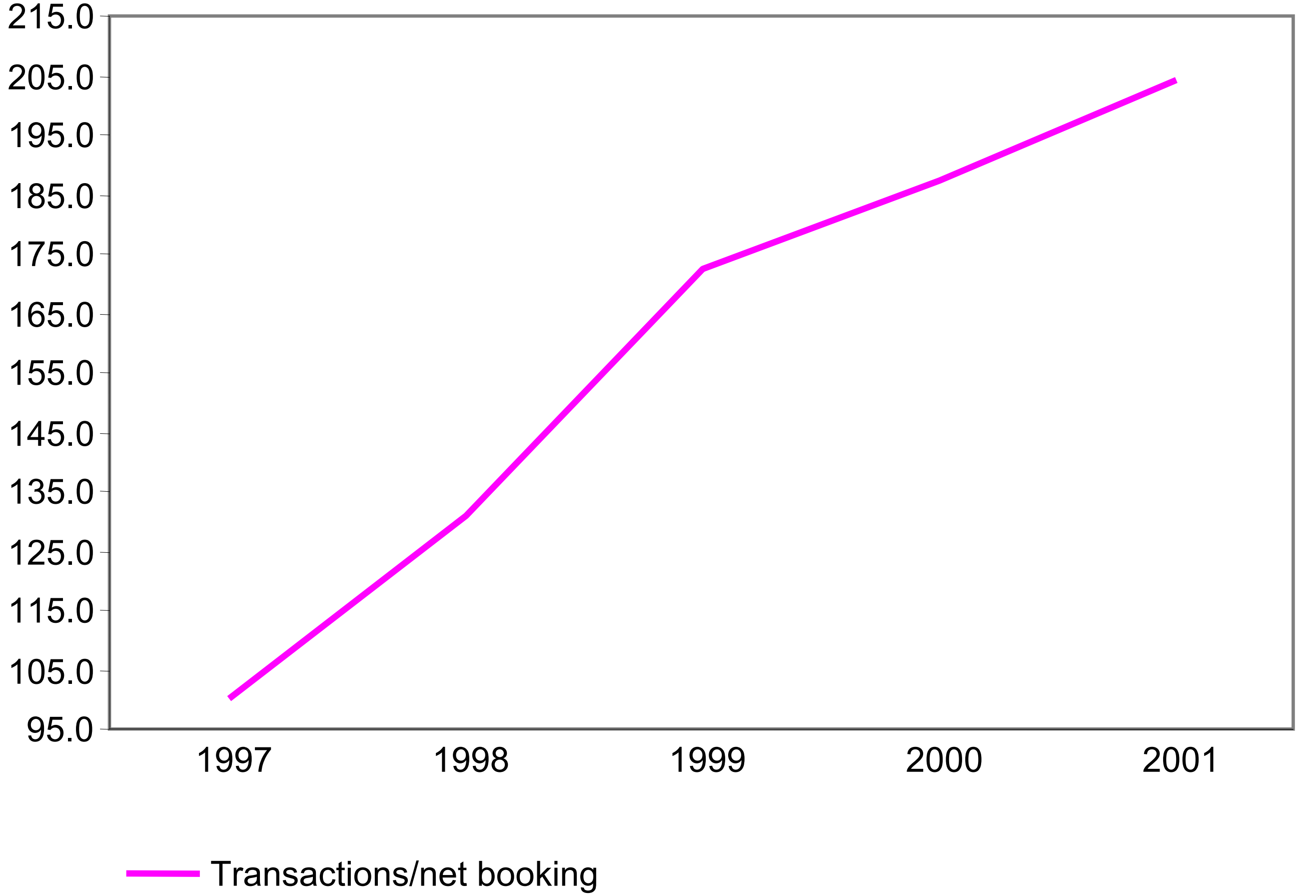
The enablers…

- Internet
- “New technology”

The enablers…

- **Internet:**
  - **standard setter**
  - **network to reach the end consumer**
  - **a cost driver?**

GDS challenges: Internet
Managing the increasing transactions per booking



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GDS (airline systems) costs per channel

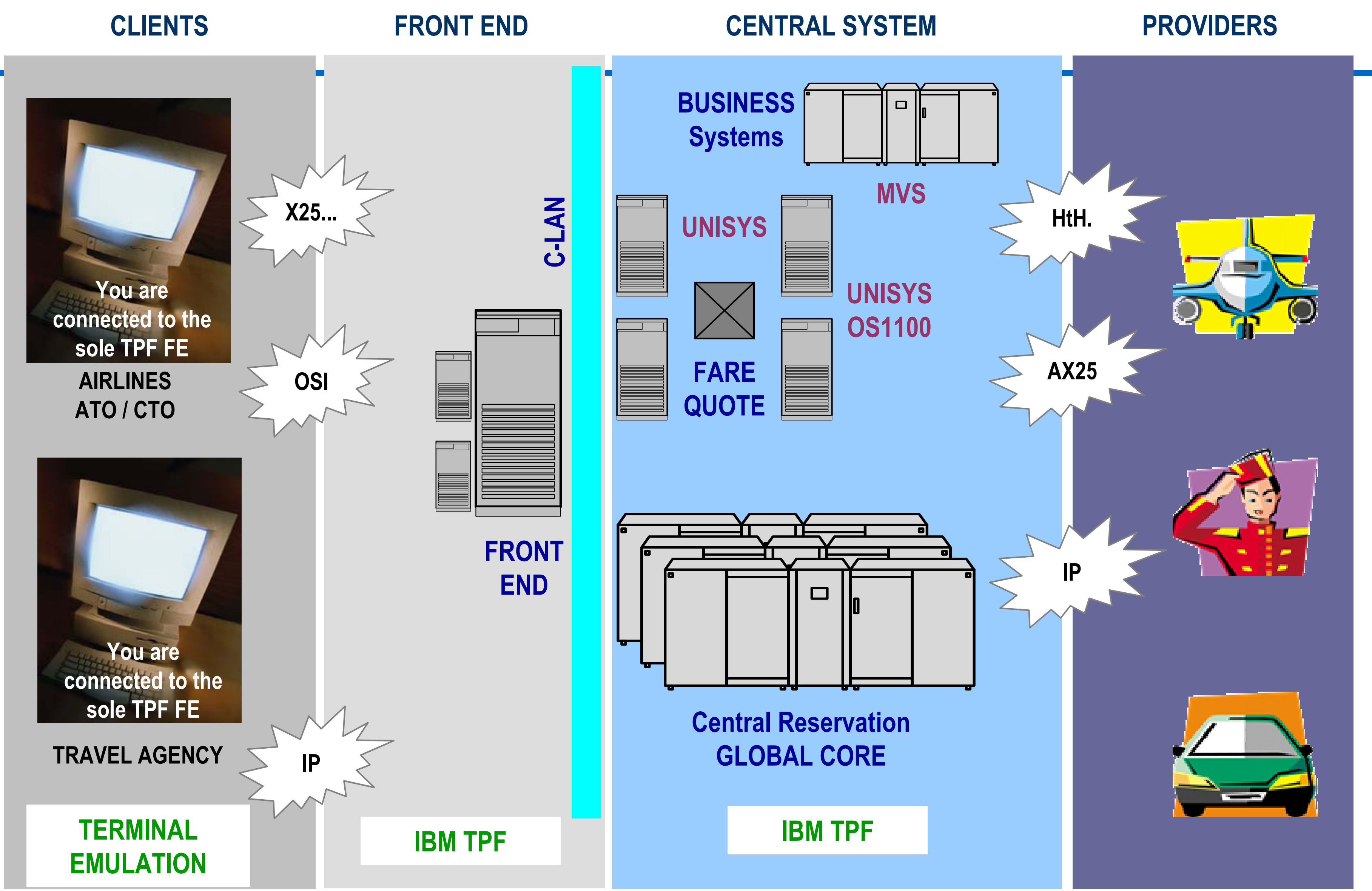
- **The cost of online bookings are 11 times higher than with travel agency and ATO/CTO bookings**

Travel agency bookings	50 transactions per net booking
Online bookings (airline web sites)	192 transactions per net booking
Online bookings (travel portals)	561 transactions per net booking

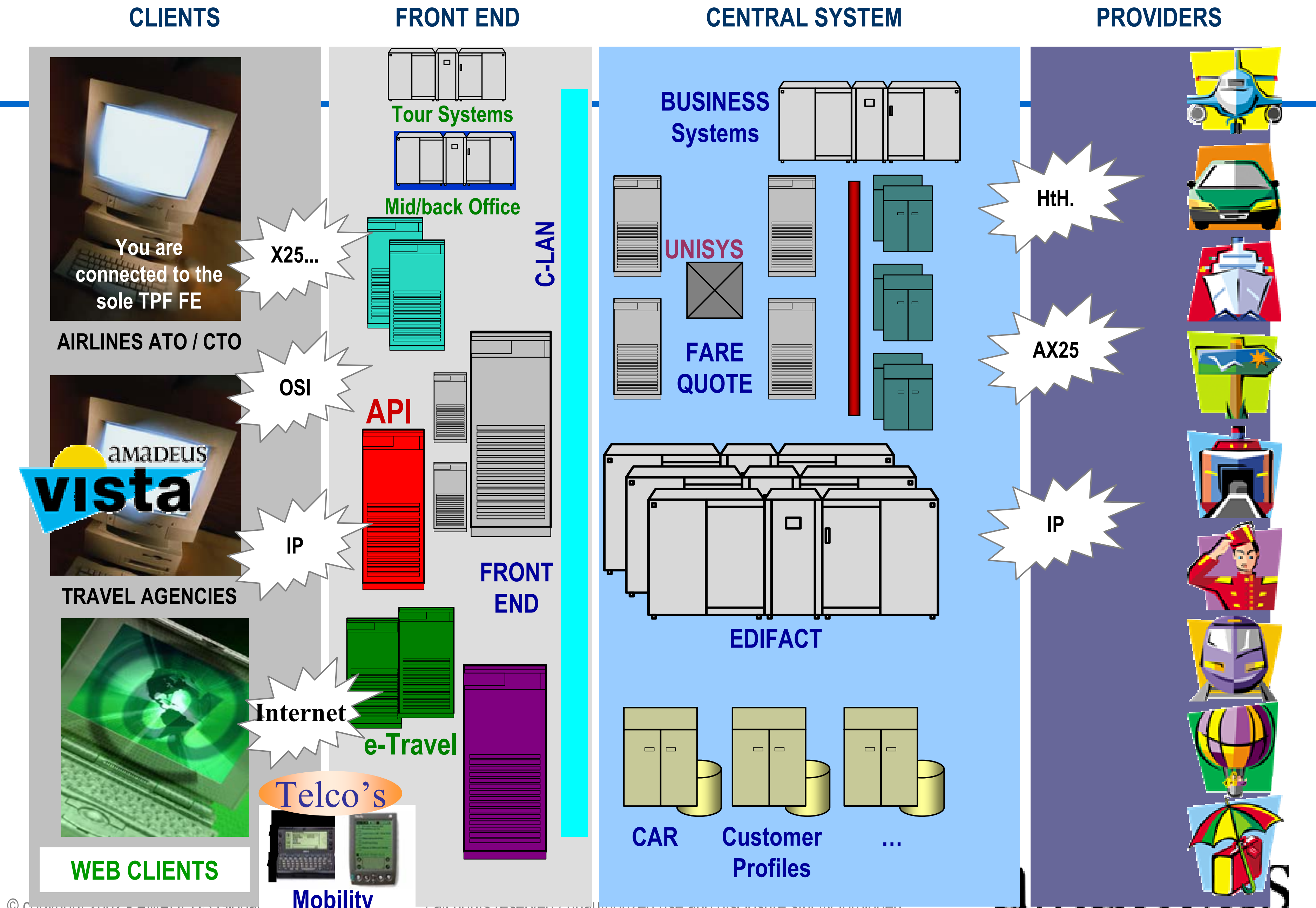
The enablers…

- "New technology":
  - TCP/IP
  - XML
  - open systems

GDS challenges: "New technology" - the early days...



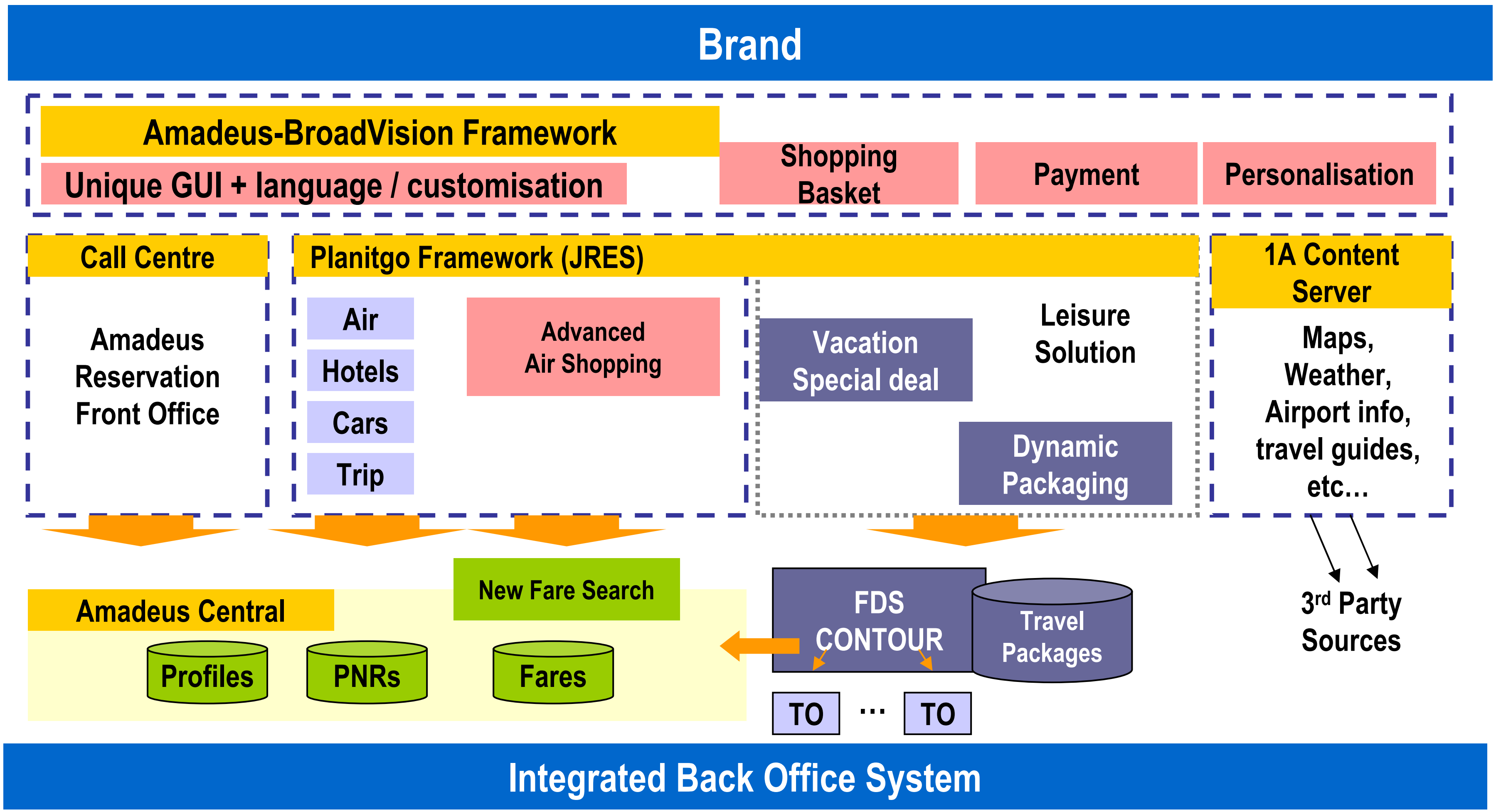
GDS challenges: “New technology” - now...



The challenges…

- **e-retailers/merchants' direct connect to providers…**

The combined e-commerce platform



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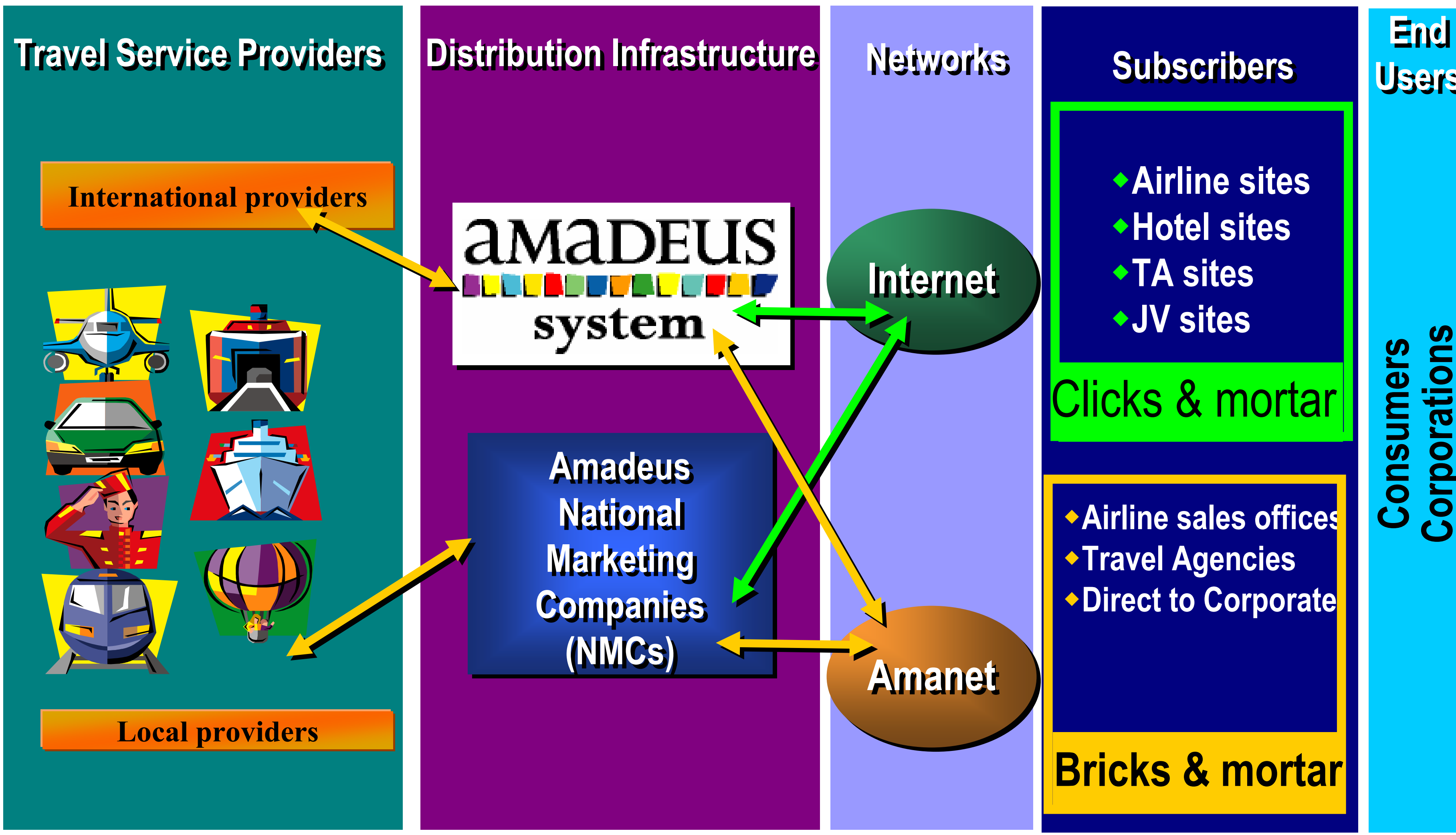
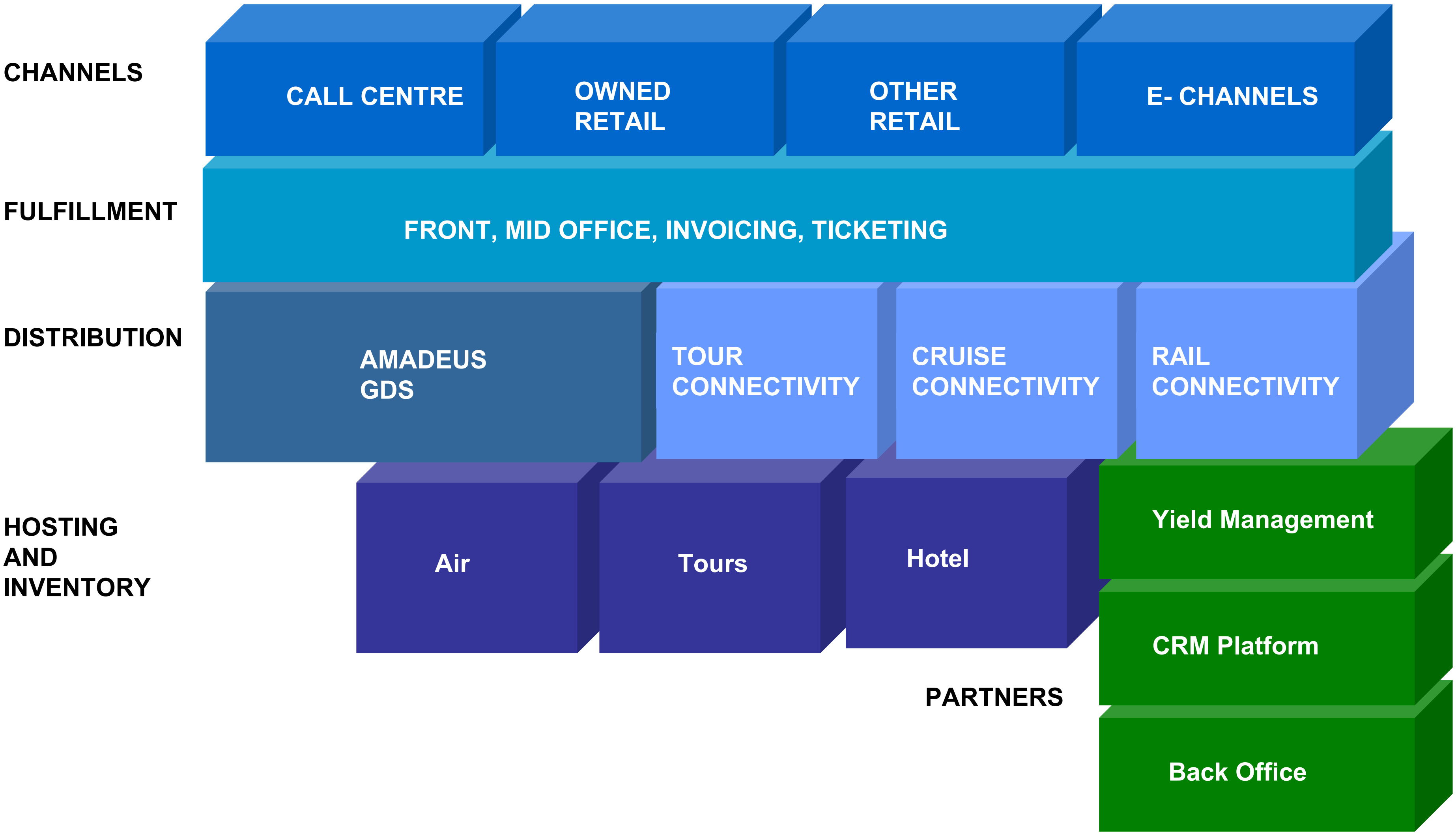
The challenges…

- **Direct connect by providers:**
  - **reaching their customers/retailers directly…**

Amadeus - distributing to all channels



Amadeus – an industry solution



Amadeus – technology investment 2003-2005

IT	25%
GDS	24%
TSP	8%
e-Travel	11%
System Architecture	20%
Other	12%

Total investment: 3,500 man years

The challenges…

- **“New” GDSs…**

The challenges…

- **“New” GDSs?**

…we are the new GDSs!!!

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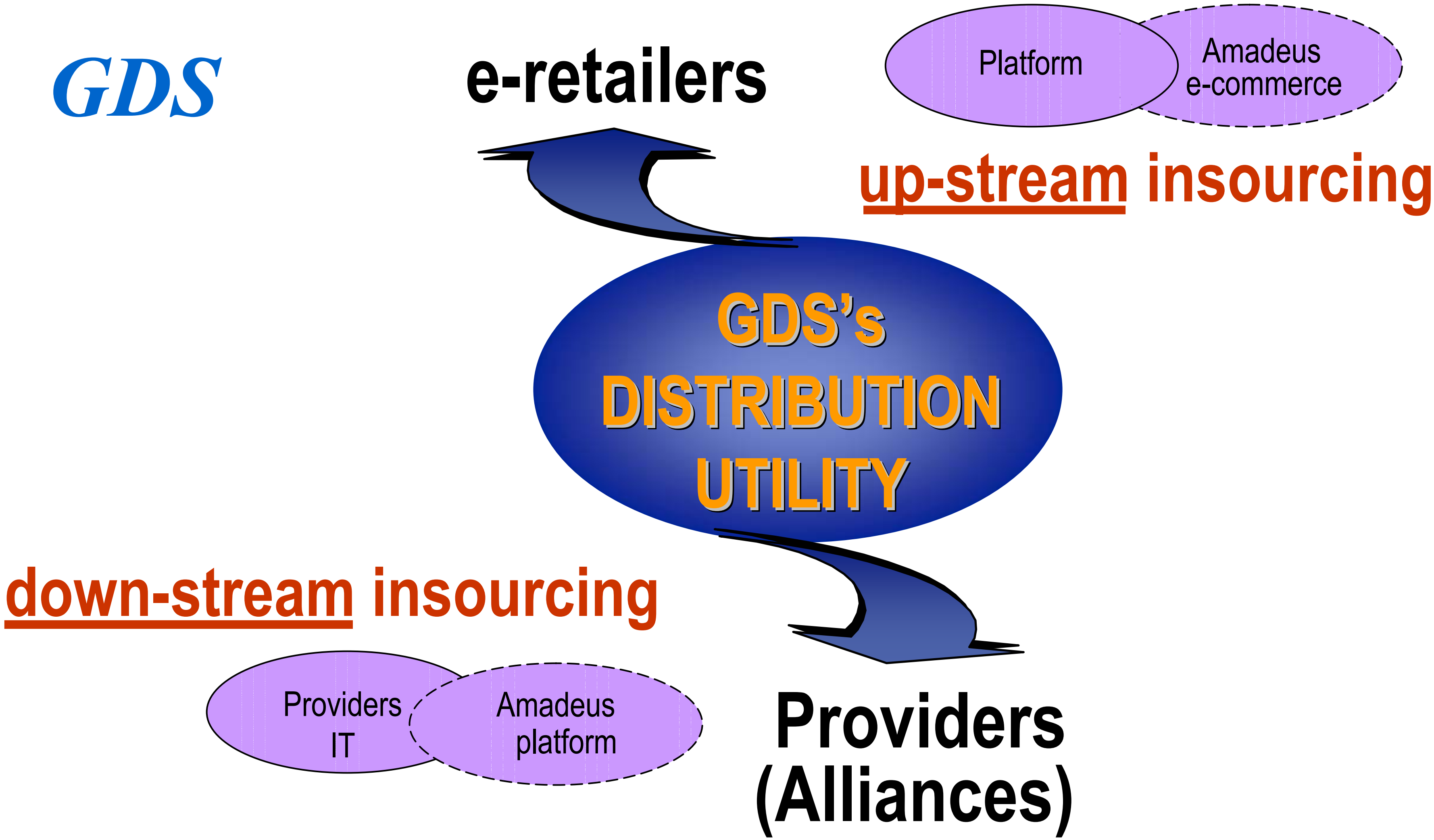
GDS distribution utility (a 2002 view)



Conclusion: Amadeus' future

- **We will remain the most efficient content integrator and distribution system:**
  - **leveraging our market presence, economies of scale, industry know-how and technology skills**
- **We will evolve to extend our offering to the whole Travel & Tourism industry:**
  - **both to grow our business and respond to the industry's evolution**
- **Our business model will continue to develop reflecting market forces**

Amadeus in three years time

- **We are targeting billable booking levels in the region of 465 million by 2005**
- **We expect to achieve a level of contracted RPBs in the range of 285 – 335 million by 2005**

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The business lines

David V Jones

Executive Vice President Commercial

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Table of Contents

- Distribution
  - The Distribution business
    - Low Cost Carriers
  - Revenue sources
  - System Users
  - The market situation
    - NMC integration
    - Market analysis inc multi-national business
  - Leisure opportunity
- E-Commerce
- IT Services

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DISTRIBUTION

The Distribution business

- Enabling the sale of seats, beds and berths, on behalf of the supplier and retailer
- Transactional model pumping transactions through an infrastructure
  - Software
  - Datacentre
  - Telecommunications network
  - Contracts
  - Global sales and marketing capability
  - A numbers game

  - Challenge – diseconomies of complexity

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The Distribution business

- **Enabling the sale of seats, beds and berths, on behalf of the supplier and retailer**
- **Transactional model**
- **Still good growth prospects**

Amadeus reaction to Low Cost Carriers

- Amadeus has defined a "basic" access level to cover Low Cost Carriers
- Little market interest so far
- In Europe, competitor products have minimal take up
  - Although, in the US, South West are directing 25% of bookings through a special Sabre product
- Bigger issue is the probable full service carrier response
- Exploring pricing options

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Revenue sources/opportunities

- Booking fee
- Transaction charges
- Local revenues
- Data mining
- Merchant model

Airline System Users

- Unique to Amadeus; airline outsources its direct distribution to Amadeus
- Projected growth 2003-05: 23.5% to 101m bookings
- Recent wins – the Austrian Group, British Airways, British Midland, Qantas
- "Halo" effect in markets
- Launchpad for IT services - community concept proven: common application shared by many customers

National Marketing Companies (NMC's) - their role

- Seventy NMCs distributing across 200 territories
- Companies entering into a contract with Amadeus to distribute Amadeus products in a defined territory
- Three models
  - Partner airline
  - Distribution Partner
  - Amadeus owned

  depending on market situation
- Non owned funded by *distribution fee* per booking
- Owned NMCs funded by cost plus and managed by P&L contribution

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NMCs - Division of Labour

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NMCs	Corporate
Focused on	Delivering
• Marketing	• Processes
• Sales	• Tools
• Customer care	• Solutions
• Content	• Content
▼	▼
Customer	Synergy

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NMC Integration

- Secure distribution channel
- Align strategic goals through common P&L
- Maximise operational synergies (e.g. marketing programmes, sales training, platform and product range, overhead reduction, network purchasing)
- Strengthen Amadeus brand

- Downside – add to fixed costs in period of uncertainty

NMC Integration – the SMART example

- Forecast 25m bookings in 2002, 8.2% of Amadeus TA business
- Acquired 1 September 2002
- SAS (former 95% shareholder) increasingly distanced from SMART business and wanted to sell
- Purchase enables Amadeus to
  - Protect distribution business in one of Europe's most technologically advanced markets
  - Market share target 85.0% by 2005 (+5.5pp vs today)
  - Consolidate SMART's local provider network into homogeneous Amadeus product line
    - e.g. SMART ferry, SMART tours
  - Grow Travel Agency EBIT contribution by 50% by 2005
- Immediately accretive

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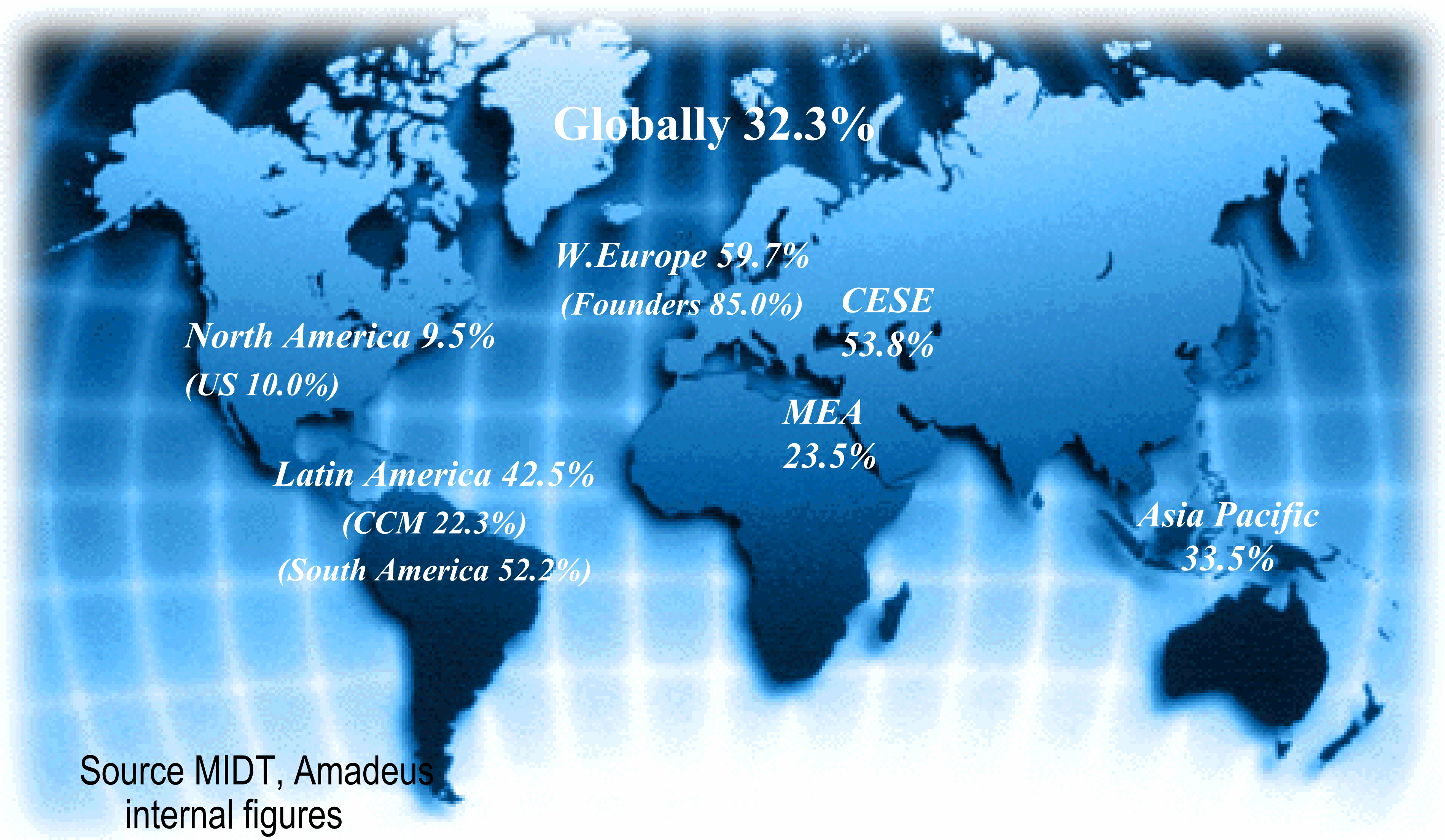
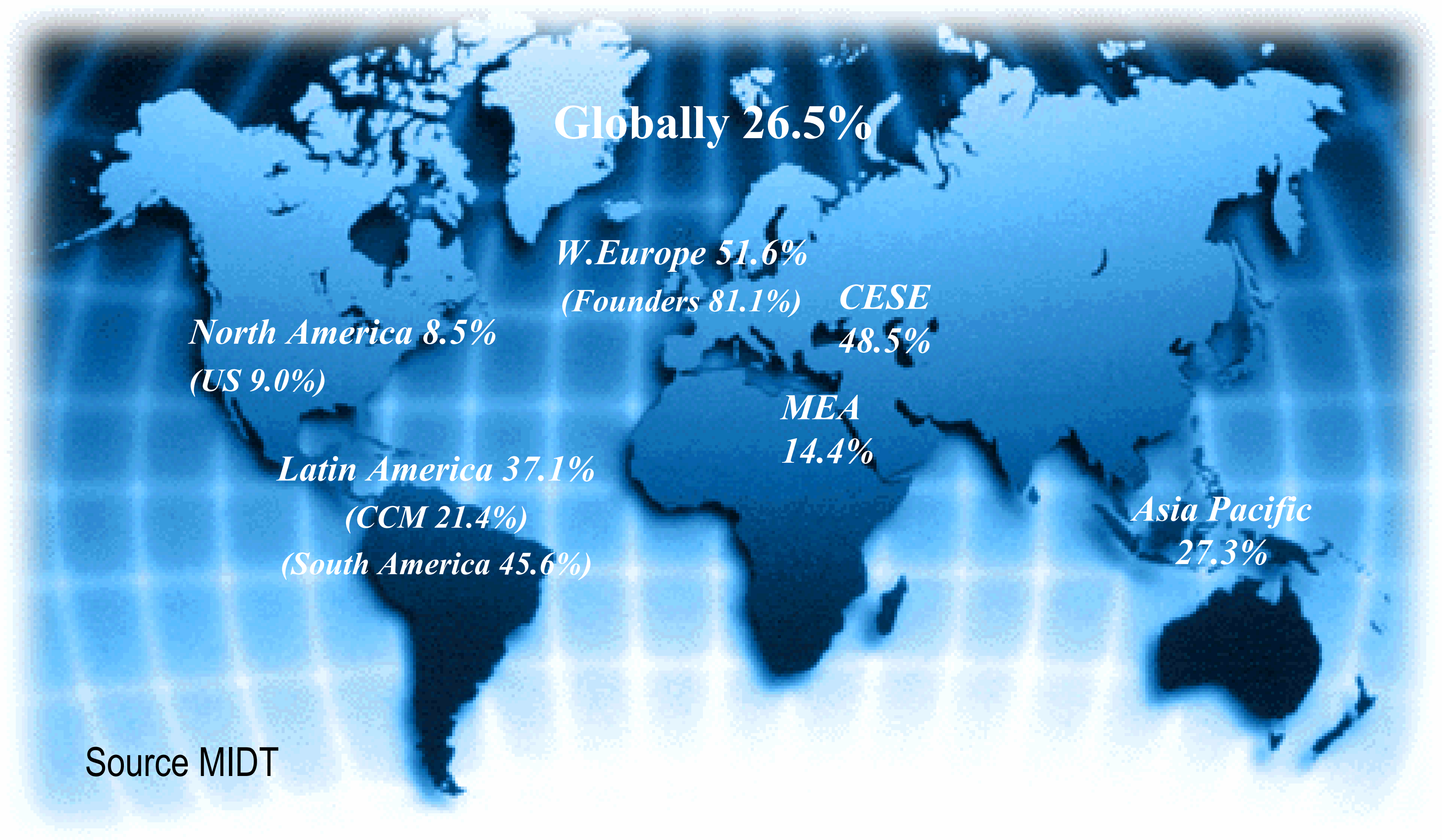
The regional picture - Market share by region - YTD (August) 2002 – All air bookings



The regional picture - Market share by region - YTD (August) 2002 – TA air bookings



Amadeus market share change by region 1H1999 – 1H2002

	1999	2002	2002/99	%age of Amadeus Bookings (1H 2002)
Founders	80.47%	81.47%	+1.00pp	43.80%
Other W. Europe	12.64%	21.79%	+9.15pp	11.30%
CESE	40.88%	48.39%	+7.51pp	4.50%
MEA	11.22%	14.23%	+3.01pp	3.40%
N. America	10.95%	8.47%	-2.48pp	13.00%
Latin America	34.32%	36.75%	+2.43pp	12.30%
Asia Pacific	19.60%	27.50%	+7.90pp	11.70%
TOTAL	**24.47%**	**26.78%**	**+2.31pp**	**100.00%**

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W European Founder markets (1)

- Projected growth 2003-05: 8.8%
- Preserve strong position in managed corporate travel
- Corporate solutions programme
- Grow share in leisure
  - New leisure distribution content
  - Focus

W European Founder markets (2)

- Roll out of advanced agency management systems – advanced GUI on IP networks (Amadeus Vista)
  - Enhanced agency productivity
  - Reduce our costs
- Sales and Marketing Focus programmes
- Segmented value propositions to minimise incentives
- Roll out of sales management tools (CRM)

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Other W European markets (1)

- Projected growth 2003-05: 50.5%
- Focus on market share growth in the UK, Italy, Benelux and Switzerland
  - Overall market share target of 30.5% by 2005
- Focus on specific local opportunities
- Sales and Marketing Focus programmes

Other W European markets (2)

- Synergies in NMC back office activities
  - HR
  - Finance
  - Purchasing
  - Help Desk?
- Search for new revenue opportunities
  - Corporate solutions
  - Local providers
  - Agency Management tools
  - Integration and consulting
  - Target 20% of revenues by 2005!

Multi-national agencies (1)

- **Multi-national bookings represent 31% of all Amadeus TA bookings**
- **Business breakdown by region**

Founders	79.9%
Other Western Europe	10.0%
CESE	1.6%
MEA	0.7%
North America	0.3%
Latin America	4.5%
Asia	3.0%
Total	100%

YTD August 2002

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Multi-nationals (2)

- A problem area when Amadeus began operations
- To meet NMC requirements could only offer local agreements
- Global agreements now in place (3-10 years).
- No business lost
- New phase as technology partners

Central, Eastern and South Eastern Europe

- Projected growth 2003-05: 17.2%
- Strong reputation for products and services
- Value added services (IP network, enhanced content and enabling e-commerce)
- Telecommunications and hardware economies
- Refining our customer service and sales and marketing skills

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MEA markets

- Projected growth 2003-05: 28.9%
- Amadeus strong in N and W Africa
- Building relations with national carriers and Arab Air Carriers Organisation (AACO)
- Skills investment
- Pursuing low cost internet solutions especially in Africa

Asia Pacific markets (1)

- **Projected growth 2003-05: 44.9%**
- **Good underlying travel growth**
- **We enjoy superior delivery capability**
- **Regional CRSs are major players**

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Asia Pacific markets (2) – Key opportunities

- **Multi-national agencies**
- **Closer relationships with airlines**
- **Internet products a huge hit in Japan**
- **China – the untapped giant**
- **In partnership with Korean CRS**
- **Already market leader in India**

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Latin American markets (1)

- **Projected growth 2003-05: 20.5%**
- **Growth in market share 3%, 1H 2002**
- **Biggest opportunities – Brazil and Mexico**
- **Further NMC Integration**
- **Strengthen relationships with key airlines**

Latin American markets (2)

- Leveraging our best products
  - Browser based front office
  - Corporate solutions
  - E-commerce platforms
- Reducing telecommunications costs
- Raising NMC professionalism

N America (1)

- Projected growth 2003-05: flat
- Very difficult market situation
- Growing share in traditional agency business
  - Vacation.com conversions
  - Managed corporate travel
- Major cost reductions in communications and field services
- Strong in niche segments (especially cruise)
- On-going focus: on-line, managed corporate travel, complex leisure

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N America (2) – Vacation.com

- Vacation.com model less affected by on-line shift
- 6,000 non Amadeus members
- Strong merchanting potential

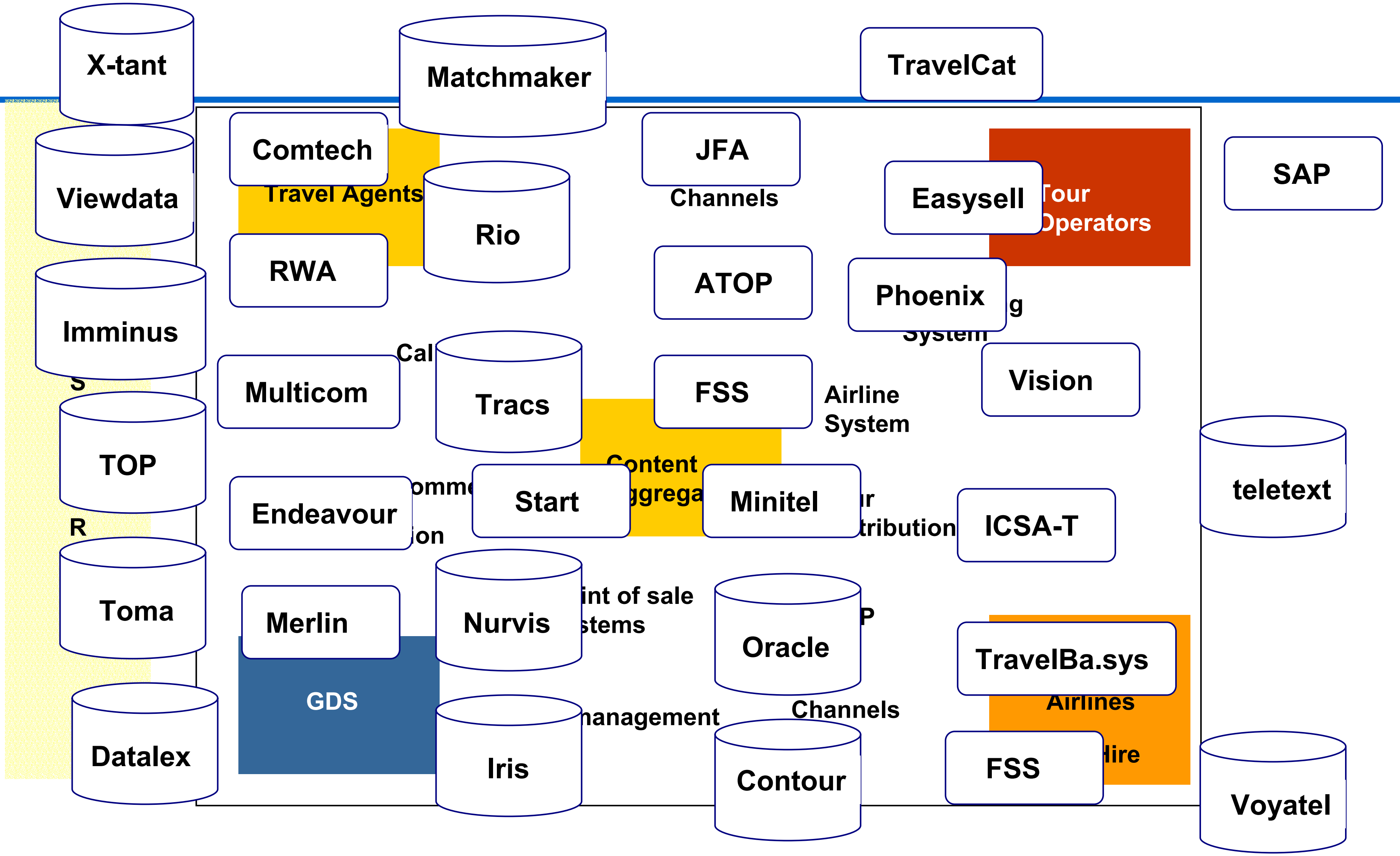
Travel Service Providers

- Projected growth 2003-05: 23.6% to 39m bookings
- Car and hotel – mature, offering “Complete Access Plus” connectivity direct with supplier systems.
- Amadeus offers the highest level of GDS connectivity for both hotels and cars
- Complemented by rail, ferry, travel insurance, tours and cruise products to provide complete range for agencies (and System User airlines) to sell

The Leisure Opportunity

- Goal 1. To replicate the success of START in other markets
  - Leading position with key multi-national companies
  - UK market – same size as Germany with no equivalent platform
  - France + Scandinavia + Benelux + Italy markets together the same size as Germany
- Goal 2. To become the system of choice for component based leisure

The leisure technology marketplace is complex



…with bespoke developments and multiple vendors

The economic picture is changing rapidly

CUSTOMERS

Travel Agents

Consolidation

Tour Operators

Merchant models

?

Self assembly + packages

GDS

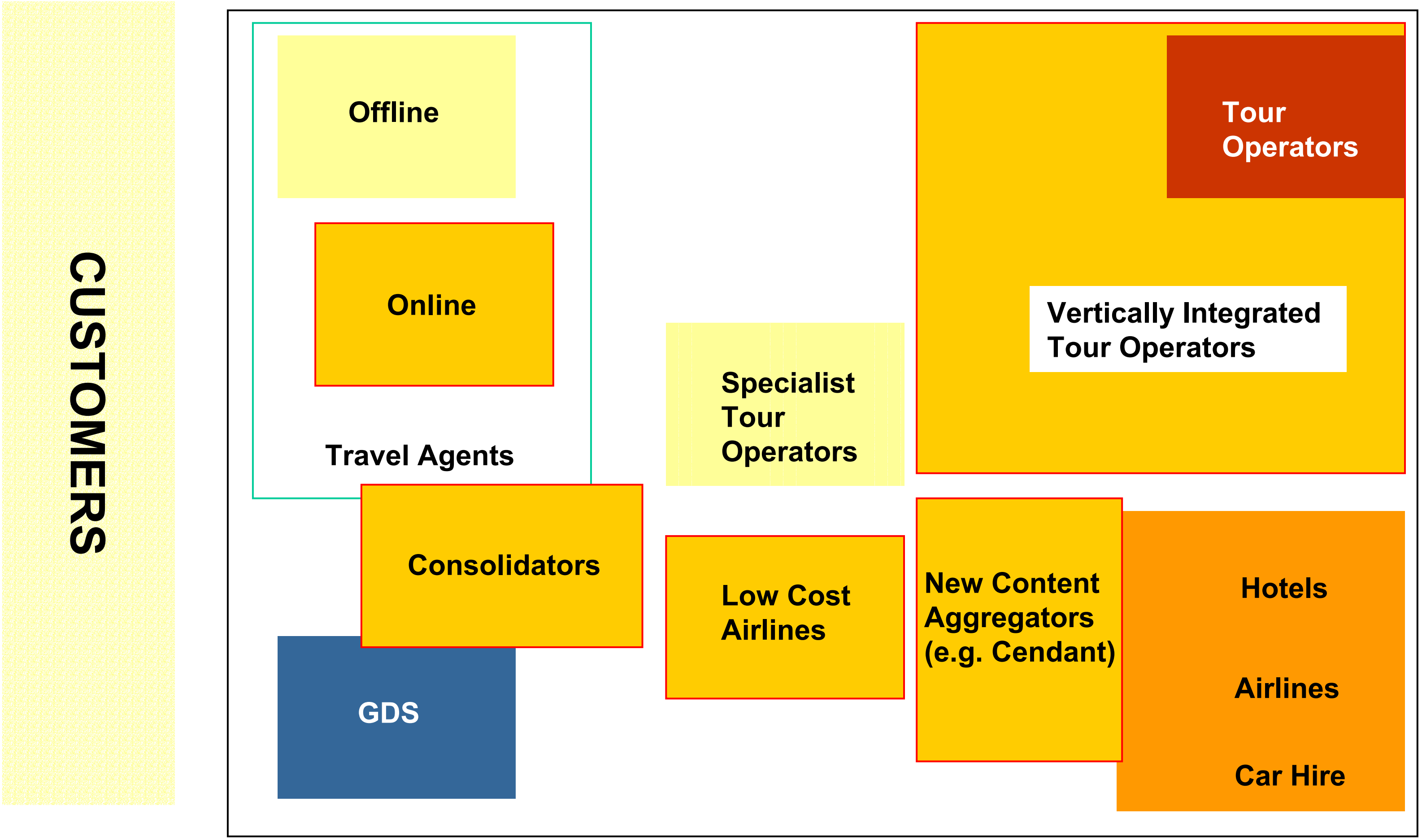
0% commission
Nego rates

Hotels

Airlines

Car Hire

New entrants are blurring traditional boundaries…



…customers are demanding more flexibility and taking greater control

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Many issues to deal with at once

- Nature of market is changing
- Local markets are different but VITO's need to extract benefits from vertical and horizontal integration
- Many current systems are "past their sell by date"
- Other potential GDS suppliers are becoming competitors to the VITO's
- Internally driven investment in IT has in many cases been expensive and not resulted in value

Internal and piecemeal solutions have had their day….

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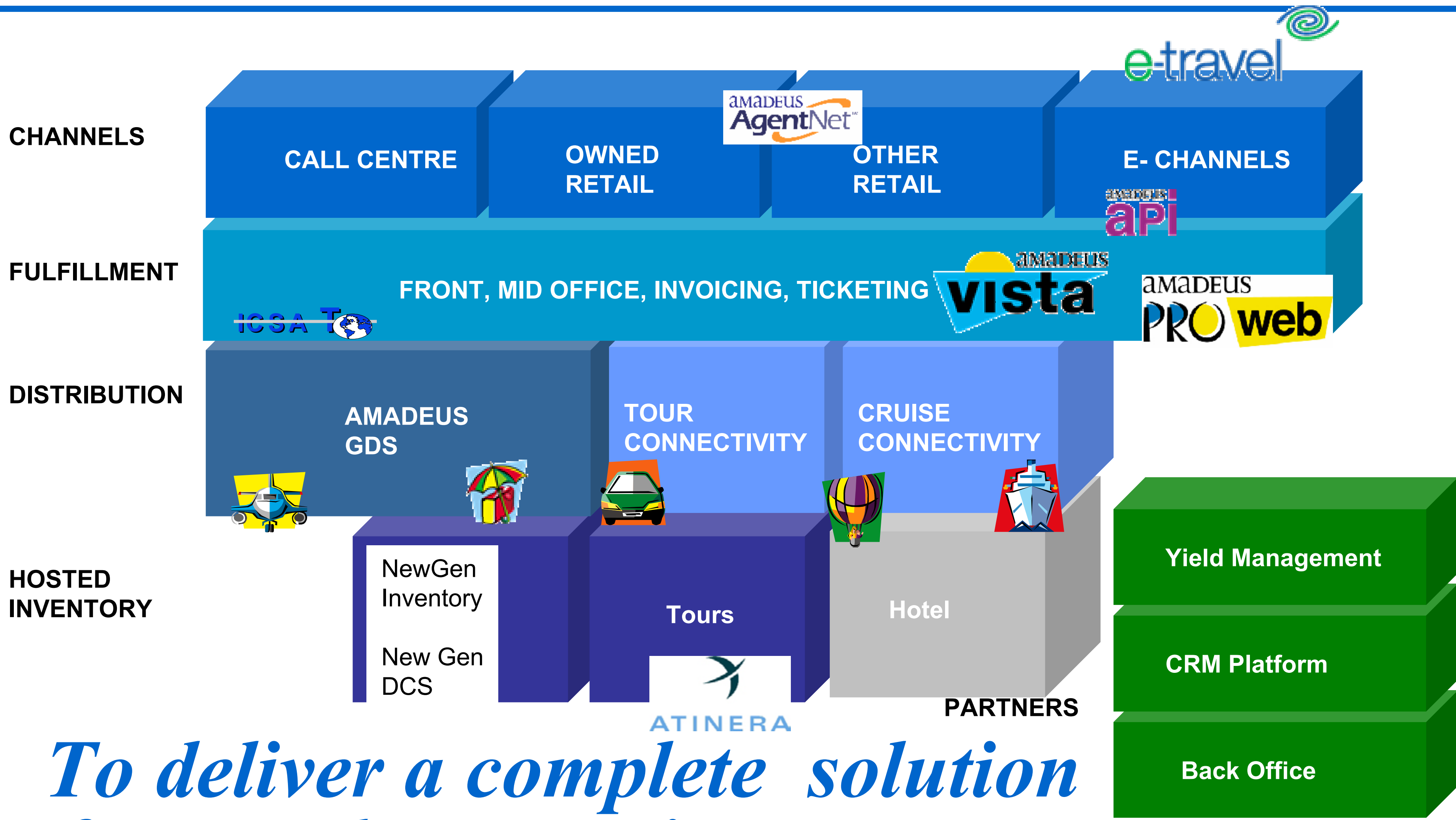
And many of the building blocks



To deliver a complete solution for travel companies

E-COMMERCE

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E-Commerce Line of Business

Includes

- **E-Travel Business Unit**
- **Amadeus API**
- **Revenues and costs from bookings generated by e-Travel and API e-commerce customers**

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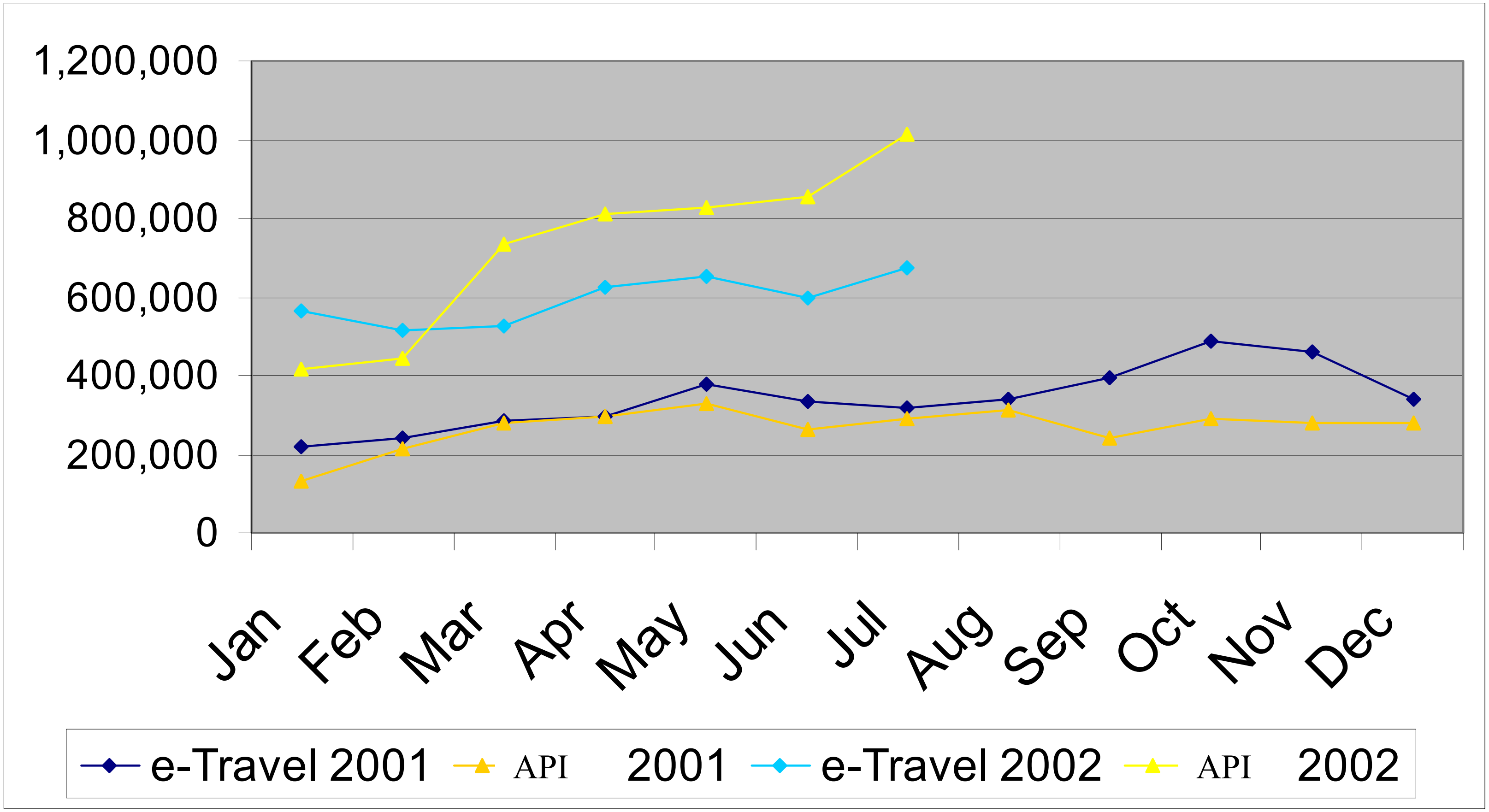
Online Segments: API and e-Travel



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Amadeus API

- **What is it?**

  A set of structured messages ("verbs") that in total comprehend the entire distribution system

- **What does it do?**

  Permits 3rd party programmers to develop against the Amadeus system quickly and easily in a seamless and transparent way.

- **What is its purpose?**

  To permit customers to incorporate the Amadeus distribution functions in their own application environment

e-Travel

Includes

- Former Amadeus Online and Corporate Group (B2B/B2C; Sales and Marketing, Product Management, Software Development)
- Former e-Travel Inc (acquired July 2001)
- c 300 staff

Purpose

- To support the retention and growth of Amadeus business (both distribution and IT services)
- To generate its own revenues and become profitable in its own right

Points of expert presence

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e-Travel Targets (2004)

- **To become the global leader in e-commerce technology by leading in 7 out of the 10 top markets, as measured by net trips**
- **To be the clear number two provider of online travel services to corporations in USA, as measured by net trips**
- **To support the core business of Amadeus by securing and growing online bookings through the Amadeus GDS**
- **Break-even**

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Country Focus

- USA
- Canada
- Brazil
- Germany
- France
- Scandinavia
- Spain (mainly consumer)
- UK
- Benelux
- Australia

e-Travel Strategy

- Focus on 3 customer groups: airlines, large corporations, travel agencies through our NMC network
- Focus on resellers, internal and external
- Focus on 3 core products: Checkmytrip, e-Travel Planitgo, e-Travel Aergo
- Achieve one technical platform in 2003, for economies in development and operations
- Transaction, implementation and maintenance fees, for sustainable, recurring revenues with guaranteed minima
- Step up marketing in 2003

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e-Travel customers

170 corporate sites

2100 agency sites

130 airline sites

...Across 90 countries

...In over 20 languages

IT SERVICES

Airline IT Services Offering

- **Unique ASP and transactional model covering**
  - Reservation System handling airline Direct Distribution, including the on-line channel. Industry unique concept with 115 customers and 10 years of experience.
  - New Generation Inventory (NGI) and Departure Control Systems (NGD) : Open systems (UNIX), relational data base (Oracle), object oriented, passenger centric.
- **Model creates value for Airlines**
  - IT costs alignment with business volumes
  - Improved yield
  - Improved loyalty - Customer centric
  - Ready for use by Alliance members
  - Evolution flexibility, time to market
  - Reduced development costs - Community vs traditional outsourcing model
  - Phase out of Airline Passenger Services platform

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Airline IT Services Status

- **Project Status**
  - **Transition of BA systems to Erding, BA migration to System User completed, Qantas migration to System User in November 2002**
- **Commercial Status**
  - **LOI signed with Finnair**
  - **Active sales pipeline**

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Airline IT Services
Evaluation of progress to date

- **The implementation of BA to System User is a success**
  - Convincing customers to make best use of existing functionality is necessary to keep implementation costs down
  - Contribution of Amadeus to specific developments has to be capped at a low level
- **Initial estimates of development effort were understated**
- **The development of NGI and NGD is progressing to target**

- **The Sales cycle is long**
  - Large, complex, strategic decision for airlines

Airline IT Services Strategy

- **Concentrate on Passengers Service Systems (PSS)**
- **Concentrate on large international airlines, alliance members in particular**
- **Remain attentive to opportunities in the US**
  - Large launch customer needed to justify data center in the US which is perceived as a pre-requisite
  - Partnership with Integrator / Operational outsourcer may be required
- **Evaluate licensing model as a complement to the ASP model**

➔ Strategic objective is to become a profitable number one provider of PSS solutions outside the US

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Airline IT Services
Business Plan Highlights

- 350m RPB's contracted 2005, 500m 2010
- 20% global market share by 2010 (38% non-US)
- No US customers assumed
- Heavy investment period 2000-2002
- Cash flow positive from 2005, EBIT from 2006
- Adequate NPV 2003-2010
- Long term business with strong recurring cash flows.

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