

# AMADEUS GLOBAL TRAVEL DISTRIBUTION, S.A.

## Management discussion and analysis of financial conditions and results of operations for the quarter and six months ended 30 June 2002.

### 1. Summary

Revenues for the quarter ended 30 June 2002 were EUR 474.6m, ahead of expectations, with operating income and net earnings amounting to EUR 84.8m and EUR 45.1m, respectively. Net income excluding special items has grown 9.2% to EUR 45.7m compared to the same quarter in 2001. For the six months ending 30 June 2002, revenues were EUR 955.6m and operating income and net earnings amounted to EUR 178.8m and EUR 101.7m, respectively.

### 2. Second quarter highlights (for the three months ending 30 June 2002)

**Total revenue** for the quarter ended 30 June 2002, was EUR 474.6m, representing an increase of 1.1 per cent or EUR 5.3m compared to the same period in 2001.

**Total bookings** for the quarter ended 30 June 2002 were 103.3m, representing an increase of 0.5 per cent compared to the same period in 2001.

Compared to the second quarter last year, bookings in Europe rose by 1.1 per cent or 0.7m bookings whereas in the Rest of the World (ROW), which excludes North America, bookings increased by 10.4 per cent or 2.5m bookings. In the North American market, bookings decreased by 21.2 per cent or 2.7m bookings.

Total air bookings increased by 0.8 per cent or 0.7m bookings to 95.1m bookings, and non-air bookings fell by 3.3 per cent to 8.2m bookings.

**Booking revenue** increased by 0.1 per cent or EUR 0.3m over the same period last year. Price and volume increases have been partly offset by lower US Dollar revenues caused by the strengthening of the Euro against the US Dollar during the quarter.

**Other revenue** increased by 5.2 per cent or EUR 5.0m to EUR 102.5m. Contributing to this increase was EUR 7.3m additional revenue from our traditional line of business as well as EUR 3.6m from our e-commerce products. However, these increases have been partially offset by expected reductions in miscellaneous IT revenues, such as Fare Quote.

**Operating expenses** for the quarter ended 30 June 2002 were EUR 389.7m, representing an increase of 1.6 per cent over the same period in 2001.

**Cost of sales** increased by 3.0 per cent or EUR 10.8m to EUR 369.5m. This increase is partly driven by new business costs for e-Travel and eviaggi.com amounting to EUR 8.4m. Also contributing to the increase are higher distribution costs, mainly due to ongoing incentive programs as well as the incremental booking volume over the same period in the prior year. On the other hand, other central costs have decreased by EUR 5.5m.

**Selling, general and administrative** expenses represented 4.3 per cent of total revenue or EUR 20.2m. Excluding the provision for doubtful debts from travel providers which amounted to EUR 5.2m in the quarter, selling general & administration expenses decreased against the same period of last year by EUR 5.7m.

**Operating income** for the quarter ended 30 June 2002 was EUR 84.8m compared with EUR 85.6m for the same period in 2001. The operating margin for the quarter was 17.9 per cent, being 0.3 percentage points below that of the same period of last year.

**EBITDA** for the quarter ended 30 June 2002 was EUR 126.9m, up 2.6 per cent, compared with EUR 123.7m for the same period in 2001. EBITDA margin increased by 0.3 percentage points to 26.7 per cent in the quarter.

**Net earnings excluding special items** for the quarter ended 30 June 2002 amounted to EUR 45.7m, up 9.2 per cent compared to EUR 41.8m for the same period in 2001.

**Special items** for the quarter ended 30 June 2002 amounting to EUR 0.6m primarily relate to the net impact of unrealised after-tax losses from the mark-to-market of equity swap agreements and issue of warrants, compared to net gains of EUR 4.7m for the same items in the second quarter 2001.

**Net earnings** for the quarter ended 30 June 2002 were EUR 45.1m, a decrease of 3.2 per cent compared with EUR 46.5m for the same period in 2001.

**Losses from associate companies**, including amortisation of goodwill of EUR 4.6m, for the second quarter ended 2002 amounted to EUR 7.1m compared to losses of EUR 8.4m for the second quarter ended 2001. However, net results excluding goodwill amounted to losses of EUR 2.5m, an improvement of EUR 1.6m over the same period in 2001.

### **3. Provision for taxes**

The effective tax rate for the quarter ended 30 June 2002 was 38.5%, which is in line with expectations.

#### **4. First half highlights (for the six months ending 30 June 2002)**

**Total revenue** for the six months ended 30 June 2002, was EUR 955.6m, representing an increase of 0.4 per cent or EUR 4.1m compared to the same period in 2001.

**Total bookings** for the six months ended 30 June 2002 were 208.7m, representing a decrease of 2.3 per cent compared to the same period in 2001.

Compared to the first six months of last year, bookings in Europe decreased by 1.9 per cent or 2.7m bookings whereas in the Rest of the World (ROW), which excludes North America, bookings increased by 6.8 per cent or 3.2m bookings. In the North American market, bookings decreased by 20.8 per cent or 5.5m bookings.

Total air bookings decreased by 2.4 per cent or 4.8m bookings, and non-air bookings fell by 1.3 per cent or 0.2m bookings.

**Booking revenue** declined by 0.8 per cent or EUR 6.1m over the same period of last year mainly driven by the 2.3 per cent reduction in booking volume which has been partly offset by price increases over last year.

**Other revenue** increased by 5.7 per cent or EUR 10.2m to EUR 188.2m. Contributing to this increase was EUR 9.3m additional revenue from our traditional line of business as well as EUR 3.5m from our e-commerce products. However, these increases have been partially offset by expected reductions in miscellaneous IT revenues, such as Fare Quote.

**Operating expenses** for the six months ended 30 June 2002 were EUR 776.8m, representing an increase of 0.6 per cent over the same period in 2001.

**Cost of sales** increased by 2.5 per cent or EUR 18.3m to EUR 742.1m. This increase is mainly driven by new business costs for e-Travel and eviaggi.com amounting to EUR 16.8m.

**Selling, general and administrative** expenses represented 3.6 per cent of total revenue or EUR 34.7m. The provision for doubtful debts from travel providers amounted to EUR 3.0m for the six months ended 30 June 2002, compared to EUR 8.8m in the same period of last year. Excluding the provision for doubtful debts, selling general & administration expenses decreased against the same period of last year by EUR 7.5m mainly due to savings in areas such as advertising & promotion and external services.

**Operating income** for the six months ended 30 June 2002 was EUR 178.8m compared with EUR 179.6m for the same period in 2001. The operating margin was 18.7 per cent, being 0.2 percentage points below that of the same period of last year.

**EBITDA** for the six months ended 30 June 2002 was EUR 262.5m up 3.6 per cent, compared with EUR 253.4m for the same period in 2001. EBITDA margin increased by 0.9 percentage points to 27.5 per cent for the six months ended 30 June 2002.

**Net earnings excluding special items** for the six months ended 30 June 2002 amounted to EUR 94.3m, down 2.2 per cent compared to EUR 96.3m for the same period in 2001.

**Special items** for the six months ended 30 June 2002 amounting to EUR 7.4m primarily relate to the net impact of unrealised after-tax gains from the mark-to-market of equity swap agreements and issue of warrants, compared to net gains of EUR 4.2m for the same items in the first six months of 2001.

**Net earnings** for the six months ended 30 June 2002 were EUR 101.7m, an increase of 1.2 per cent compared with EUR 100.5m for the same period in 2001.

**Losses from associate companies**, including amortisation of goodwill of EUR 9.0m, for the six months ended June 30 2002 amounted to EUR 12.5m compared to losses of EUR 11.6m for the six months ended 2001.

## 5. Provision for taxes

The effective tax rate for the six months ended 30 June 2002 was 38.5%, which is in line with expectations for the period and the full year.

## 6. Business review

Operating highlights for the second quarter ended 30 June 2002 include:

Reaching a break-through agreement with **TravelSky Technology Ltd.**, China's only computer reservation system, whereby Amadeus becomes the first GDS to enable 7,000 Chinese travel agencies to book hotels, car rental and other related products worldwide.

The introduction of **Dynamic Access**, with launch partner **Marriott International**, to transform hotel distribution by offering travel agents direct access to the reservation systems of participating hotels, at all stages of the booking process. Amongst other benefits, Dynamic Access ensures travel agents have the most accurate and reliable data regarding hotel rates and availability.

In June, with global launch partner **Avis**, Amadeus announced its enhanced **Complete Access Plus** solution which allows travel agents to search for and fully price cars from the car rental company's own database. Apart from enhanced data accuracy, the launch brings greater pricing transparency for both agents and travellers. Now, for the first time, an estimated total rate is shown throughout the search and booking process, which includes all applicable taxes and mandatory surcharges. This simplifies price comparison between competing offers and accelerates the car booking process, which is particularly helpful for leisure agents.

The industry leading **Amadeus Cruise**, which provides travel agents with "point and click" technology to serve their cruise customers quickly and efficiently, was further enhanced when **Norwegian Cruise Line** and **Orient Lines** began distribution through it. This brought to seven the number of cruise lines available for booking in Amadeus Cruise.

**LanChile** highlighted the progress it has made in electronic ticketing thanks to Amadeus. In general, airlines can save a minimum of 80 per cent on their electronic ticketing maintenance costs with Amadeus. Following implementation of the **Amadeus Electronic Ticketing Server** in 2001, LanChile now issues almost 40 per cent of its tickets in electronic form.

In June, **Thai Airways International (Thai)** renewed its partnership agreement with the company, that includes using Amadeus as its internal reservation system. This followed

a thorough evaluation by Thai that led its President to remark “at every level of the decision-making process, we came to the same conclusion – Amadeus is an outstanding choice for partnership with Thai.”

**JAT Yugoslav Airlines** joined a community of over 110 airlines that use the Amadeus sales system to make reservations and issue tickets in all its offices worldwide. This followed the successful migration of its sales and reservation system to Amadeus in April. In the same month French carrier **Air Littoral** migrated to the Amadeus sales system, to be followed in June by the Cuban airline **Cubana de Aviación**.

In a move that further extends the company’s global reach, **Amadeus Gulf** was inaugurated as a new National Marketing Company to serve the United Arab Emirates. This adds to the company’s existing regional presence in Egypt, Qatar and Saudi Arabia.

In May, Amadeus announced it had teamed with **Groupe Galeries Lafayette** to launch a new online travel portal in France later this year. This portal will enable French customers to purchase a wide variety of international and domestic travel products, in addition to offering related travel services such as news, reports and destination information.

During the quarter **e-Travel**, the online travel solutions unit of Amadeus strengthened its offering with the debut of **Planitgo Version 7**. With improved functionality and technical specifications over its predecessor version, Planitgo V7 is the most flexible Internet booking solution for travel suppliers and agencies looking to transact business successfully online.

## Outlook

Although Amadeus has performed better than expected in the second quarter, the recovery in air travel remains sluggish, suggesting that a return to normalised booking levels may occur later than previously expected. Therefore, Amadeus maintains its previous bookings target for the full year 2002.

If the current weakness of the US Dollar to the Euro continues for the remainder of the year, the previous revenue estimate would require a slight reduction as noted below. However, no adverse effect from such depreciation of the US Dollar is expected to affect the EBITDA target due to hedging programs currently in place.

Based on the above, Amadeus now has the following targets for the full year 2002:

Full year bookings	391 million
Full year revenue	EUR 1,822 million
Full year EBITDA	EUR 458 million

### 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 June, 2002

(Expressed in thousands of EUROS unless indicated)

	For the quarter ended 30 June, 2002 Excluding Special Items			For the quarter ended 30 June, 2002 Including Special Items		
	2002 (Unaudited)	2001 (Unaudited)	% change	2002 (Unaudited)	2001 (Unaudited)	% change
Revenue	474,554	469,247	1.1%	474,554	469,247	1.1%
Cost of sales	369,505	358,670	3.0%	369,505	358,670	3.0%
Selling, general and admin. expenses	20,222	24,998	(19.1%)	20,222	24,998	(19.1%)
Total operating expenses	389,727	383,668	1.6%	389,727	383,668	1.6%
<b>Operating income</b>	<b>84,827</b>	<b>85,579</b>	<b>(0.9%)</b>	<b>84,827</b>	<b>85,579</b>	<b>(0.9%)</b>
Other income (expense)						
Interest expense, net (4)	(2,837)	(5,155)	(45.0%)	(3,926)	(6,473)	(39.3%)
Exchange gains (losses) (4)	(1,389)	(582)	138.7%	(1,389)	(582)	138.7%
Other	5,121	(194)	(2739.7%)	5,291	8,404	(37.0%)
<b>Income before income taxes</b>	<b>85,722</b>	<b>79,648</b>	<b>7.6%</b>	<b>84,803</b>	<b>86,928</b>	<b>(2.4%)</b>
Income taxes	32,953	29,422	12.0%	32,632	31,970	2.1%
<b>Income after taxes</b>	<b>52,769</b>	<b>50,226</b>	<b>5.1%</b>	<b>52,171</b>	<b>54,958</b>	<b>(5.1%)</b>
Equity in income (losses) from associates	(7,114)	(8,435)	(15.7%)	(7,114)	(8,435)	(15.7%)
<b>Net income</b>	<b>45,655</b>	<b>41,791</b>	<b>9.2%</b>	<b>45,057</b>	<b>46,523</b>	<b>(3.2%)</b>
<b>Other information</b>						
Operating margin	17.9%	18.2%	(0.3 pp)	17.9%	18.2%	(0.3 pp)
<b>EBITDA (1)</b>	<b>126,940</b>	<b>123,691</b>	<b>2.6%</b>	<b>126,940</b>	<b>123,691</b>	<b>2.6%</b>
<b>EBITDA margin</b>	<b>26.7%</b>	<b>26.4%</b>	<b>0.3 pp</b>	<b>26.7%</b>	<b>26.4%</b>	<b>0.3 pp</b>
Goodwill amortization in Operating Expenses	3,165	3,262	(3.0%)	3,165	3,262	(3.0%)
Goodwill amortization in Associates (5)	4,591	4,260	7.8%	4,591	4,260	7.8%
<b>Total Goodwill Amortization</b>	<b>7,756</b>	<b>7,522</b>	<b>3.1%</b>	<b>7,756</b>	<b>7,522</b>	<b>3.1%</b>
<b>Booking information by Category (2)</b>						
Air bookings	95,113	94,367	0.8%	95,113	94,367	0.8%
Non air bookings	8,220	8,497	(3.3%)	8,220	8,497	(3.3%)
	<b>103,333</b>	<b>102,864</b>	<b>0.5%</b>	<b>103,333</b>	<b>102,864</b>	<b>0.5%</b>
<b>Booking information by Region (2)</b>						
North America (3)	10,197	12,933	(21.2%)	10,197	12,933	(21.2%)
Europe	66,815	66,085	1.1%	66,815	66,085	1.1%
Rest of the world (ROW)	26,321	23,846	10.4%	26,321	23,846	10.4%
	<b>103,333</b>	<b>102,864</b>	<b>0.5%</b>	<b>103,333</b>	<b>102,864</b>	<b>0.5%</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 thousands of bookings.

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

(4) A reclassification has been made to 2001 figures from Interest expense to Exchange gains to conform with the 2002 presentation.

(5) Goodwill amortization in Associates for 2001 has been reported excluding amortization of other intangible assets related to acquisition to be comparable with 2002.

# Selected financial information and operating statistics

For the six months period ended 30 June, 2002

(Expressed in thousands of EUROS unless indicated)

	For the six month period ended 30 June, 2002 Excluding Special Items			For the six month period ended 30 June, 2002 Including Special Items		
	2002 (Unaudited)	2001 (Unaudited)	% change	2002 (Unaudited)	2001 (Unaudited)	% change
Revenue	955,599	951,485	0.4%	955,599	951,485	0.4%
Cost of sales	742,099	723,829	2.5%	742,099	723,829	2.5%
Selling, general and admin. expenses	34,658	48,024	(27.8%)	34,658	48,024	(27.8%)
Total operating expenses	776,757	771,853	0.6%	776,757	771,853	0.6%
<b>Operating income</b>	<b>178,842</b>	<b>179,632</b>	<b>(0.4%)</b>	<b>178,842</b>	<b>179,632</b>	<b>(0.4%)</b>
Other income (expense)						
Interest expense, net (4)	(6,517)	(10,627)	(38.7%)	(8,487)	(13,445)	(36.9%)
Exchange gains (losses) (4)	(18)	(86)	(79.1%)	(18)	(86)	(79.1%)
Other	1,865	(359)	(619.5%)	15,306	8,846	73.0%
<b>Income before income taxes</b>	<b>174,172</b>	<b>168,560</b>	<b>3.3%</b>	<b>185,643</b>	<b>174,947</b>	<b>6.1%</b>
Income taxes	67,432	60,673	11.1%	71,455	62,909	13.6%
<b>Income after taxes</b>	<b>106,740</b>	<b>107,887</b>	<b>(1.1%)</b>	<b>114,188</b>	<b>112,038</b>	<b>1.9%</b>
Equity in income (losses) from associates	(12,476)	(11,551)	8.0%	(12,476)	(11,551)	8.0%
<b>Net income</b>	<b>94,264</b>	<b>96,336</b>	<b>(2.2%)</b>	<b>101,712</b>	<b>100,487</b>	<b>1.2%</b>
<b>Other information</b>						
Operating margin	18.7%	18.9%	(0.2 pp)	18.7%	18.9%	(0.2 pp)
<b>EBITDA (1)</b>	<b>262,462</b>	<b>253,358</b>	<b>3.6%</b>	<b>262,462</b>	<b>253,358</b>	<b>3.6%</b>
<b>EBITDA margin</b>	<b>27.5%</b>	<b>26.6%</b>	<b>0.9 pp</b>	<b>27.5%</b>	<b>26.6%</b>	<b>0.9 pp</b>
Goodwill amortization in Operating Expenses	6,493	6,427	1.0%	6,493	6,427	1.0%
Goodwill amortization in Associates (5)	9,011	8,257	9.1%	9,011	8,257	9.1%
<b>Total Goodwill Amortization</b>	<b>15,504</b>	<b>14,684</b>	<b>5.6%</b>	<b>15,504</b>	<b>14,684</b>	<b>5.6%</b>
<b>Booking information by Category (2)</b>						
Air bookings	192,401	197,182	(2.4%)	192,401	197,182	(2.4%)
Non air bookings	16,331	16,538	(1.3%)	16,331	16,538	(1.3%)
	<b>208,732</b>	<b>213,720</b>	<b>(2.3%)</b>	<b>208,732</b>	<b>213,720</b>	<b>(2.3%)</b>
<b>Booking information by Region (2)</b>						
North America (3)	21,052	26,588	(20.8%)	21,052	26,588	(20.8%)
Europe	137,035	139,713	(1.9%)	137,035	139,713	(1.9%)
Rest of the world (ROW)	50,645	47,419	6.8%	50,645	47,419	6.8%
	<b>208,732</b>	<b>213,720</b>	<b>(2.3%)</b>	<b>208,732</b>	<b>213,720</b>	<b>(2.3%)</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 thousands of bookings.

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

(4) A reclassification has been made to 2001 figures from Interest expense to Exchange gains to conform with the 2002 presentation.

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