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# 06

## The year in review

## 6.1 The year with Amadeus

### Introduction

Despite a challenging economic environment and difficulties in the travel industry, 2012 was overall a very successful year for Amadeus during which it maintained growth and further consolidated its leading position in the industry.

This growth was attributable to successful expansion across both business lines. In Distribution, our global market share in travel agency air bookings expanded 0.9 percentage point vs. 2011 to become 38.6%, helping grow revenue by 5.8%. In IT Solutions, as the number of migrated Altéa customers increased to 109 airlines, Passengers Boarded rose by 28.4% vs. 2011 and revenue went up by 13%.

Amadeus' overall customer portfolio evolved significantly during the year to diversify by both area and geography. Landmark customer wins in North America with **Expedia**, **Southwest Airlines**, and **Kayak** deserve special mention. So too does the fact that the number of airlines contracted for both Altéa Reservation and Altéa Inventory increased to 121, raising our estimated PB for 2015 to 800 million – which would be an increase of 42% on 2012. In Distribution, whilst many contracts with key airlines were re-signed, we also signed many new Low Cost Carriers (LCCs). Increasing LCC adoption in the travel agency channel is a key priority for Amadeus, and a number of initiatives are in place in order to increase the number of bookings for LCCs from travel agencies. We also made great progress in the growth area of merchandising, and specifically in relation to ancillary services where the Amadeus Ancillary Services

solution has been contracted by 53 airlines. Our New Business units also continued to tap into the significant growth potential for the provision of IT solutions to rail providers, hotels and airports, with many important customer wins.

We attribute these successes directly to our leading customer offering and once again our tireless dedication to innovation remained core throughout the year, launching products such as Amadeus Featured Results and increasing total R&D investment by 20% to €414 million.

### Corporate

#### Debt structure

Early in the year the **European Investment Bank (EIB)**, the European Union's long-term financing institution, granted Amadeus a loan of €200 million to finance the research & development of a variety of projects in the area of IT solutions between 2012 and 2014.

In relation to its debt structure, Amadeus also announced the signature of a €200 million revolving credit facility, via a "club deal" with eleven banks, with a 2.5 year maturity from completion date. This facility added further flexibility to Amadeus' financial structure and provided additional available liquidity. Taking advantage of its strengthened liquidity position, Amadeus used €350 million of existing cash of the Group to partially amortise its outstanding bridge loan. The maturity of the remaining €106 million bridge loan was extended until May 2013.

Meanwhile strong cash flow generation in the period drove consolidated net

financial debt down to €1,495.2 million as of December 31, 2012 (based on covenants' definition). This was down by €356.6 million vs. December 31, 2011 and represented 1.34x the last twelve months' EBITDA, well within the target leverage ratio of 1.0x to 1.5x net debt to EBITDA previously established by the company.

### **Dow Jones inclusion and S&P upgrade**

Amadeus debuted on the **Dow Jones Sustainability Index (DJSI)**, within both the DJSI-World and DJSI-Europe indexes. Out of the 57 companies invited to participate in the Support Services sector - in which Amadeus is included - only 12 members were ultimately selected and Amadeus was ranked as the leader of the sector with a score of 82 points. Amadeus achieved the highest scores in a number of categories, including the overall Economic and Social Dimension of the business, as well as in Environmental Policy/Management or social metrics such as Labour Practice Indicators and Human Rights, and Talent Attraction and Retention. Amadeus' ambitions within Corporate Social Responsibility and sustainability are to improve gradually and visibly the company's contribution to society.

The further deleveraging mentioned above as well as the progress made to strengthen the sound business performance and outlook resulted in an improved credit rating outlook, to positive, by Standard & Poor's, whilst stating that Amadeus had "improved its financial performance beyond our previous expectations".

### **Shareholder remuneration**

The Board of Amadeus IT Holding, S.A., in the meeting held on October 18, 2012, reviewed the dividend policy of the Company, increasing the proposed pay-out ratio to between 40% and 50% of the consolidated profit (excluding extraordinary items), compared to the previous policy, fixed in 2010, which consisted of a pay-out ratio of between 30% and 40%. The new dividend policy, applicable to the period of 2012 and onwards, also establishes the payment of an interim dividend related to the results of each financial period.

Therefore, in 2013 the Board of Directors will submit to the General Shareholders Meeting for approval a gross dividend of €0.50 per share, including an interim dividend of €0.25 per share (gross), which was paid on January 30, 2013. Based on this, the proposed appropriation of the 2012 results included in our 2012 audited consolidated financial statements of Amadeus IT Holding, S.A. and subsidiaries, includes a total amount of €223.8 million corresponding to dividends pertaining to the financial year 2012 – representing a 35% increase on the previous year's dividend.

### **Appointments**

In the early summer Amadeus confirmed its commitment to R&D when Hervé Couturier became Executive Vice President of Development at Amadeus, heading up Amadeus' software development team of more than 4,500 members across 16 different sites worldwide. Couturier was previously Executive Vice President of SAP's Technology Group and brings with him 25 years of international software

development experience in previous high-profile roles, including at IBM and Business Objects.

Amadeus also strengthened its growing hotel business, which incorporates both distribution and IT services, with the key appointment of hotel industry veteran Jeff Edwards. Formerly Chief Information Officer and EVP Distribution of Wyndham Worldwide, he has joined Amadeus with a clear brief to quickly expand its burgeoning hotel division.



## Distribution

### Airlines

Amadeus continued to expand its position in the distribution business and to build upon its leading offering, signing content agreements with a significant number of airlines, including examples such as **Air France KLM, Gulf Air, Korean Air, Malaysian Airlines, Virgin Australia, Emirates, Qantas and Delta Air Lines**. Many of these renewed agreements were expanded to include the sale of ancillary services through Amadeus travel agents. With these content agreement signatures, Amadeus continues to deliver on its commitment to guarantee access to a comprehensive range of fares, schedules and availability for Amadeus' travel agents. Around 80% of Amadeus bookings worldwide are with airlines where a content agreement is in place.

Additionally, global distribution agreements were signed with 13 new airlines, including a number of low-cost carriers, making them accessible to travel agencies globally via the Amadeus system.

Low-cost carriers (LCCs) continued to be an area of growth and opportunity for Amadeus. During the year new distribution contracts were signed with eight LCCs and we worked with a strategic partner to deliver an improved connectivity level and workflow integration in order to increase low cost carrier adoption in the travel agency channel. Bookings for LCCs from travel agencies using Amadeus increased by 14.6% over the full year.

In 2012 we continued to invest significantly in the area of merchandising, with a particular focus on the growth area of ancillary services, where we maintain our position as a leader. In January, the flagship carrier **Finnair** implemented the Amadeus Ancillary Services solution to allow travel agencies to process preferred seats and excess baggage. Amadeus Ancillary Services is an end-to-end solution based on industry standards that helps airlines sell additional services using both travel agencies and the airline's own call centre or website. In June, **Air France** also implemented the solution, followed by **airberlin** and a number of other airlines later in the year. At the close of the year, in total 53 airlines had contracted this service. Of these, 24 had opted to implement the service both in the indirect and direct channels, and 10 were already implemented and using the Amadeus technology to do so.



Photo by Carolina de Caso

## Rail

Expanding the depth and breadth of rail content in the Amadeus system, whilst also improving its bookability and functionality, remained a top priority for Amadeus – and 2012 delivered many successes in this significant growth area.

**SNCF (Société Nationale des Chemins de fer Français)** became the launch customer for Amadeus Rail Agent Track, a state-of-the-art rail booking solution for travel agents which enables agents to access the rail company's schedules and inventory via a 'single view' of fares and availability on one screen. In addition, Amadeus and SNCF also agreed an extension to their full content agreement by which travel sellers have access to all SNCF fares, origins and destinations, and products.

A partnership was also announced with **Trenitalia**, the transport division of the Italian FS Group, to distribute Trenitalia content through all Amadeus channels. Travel agents around the world are able to book both Trenitalia's high speed rail products through the existing sales channels and through the Amadeus global distribution system. Travel agents who use the Amadeus Selling Platform have a standardised way to access Trenitalia services, in turn making bookings through an air/rail-based search solution, FlyByRail Track, and Amadeus Rail Agent Track.

**SJ Swedish Rail**, Sweden's largest rail operator, both extended and expanded its content agreement and commercial partnership to make its content also available through additional channels integrated into Amadeus' Global Rail Sales Platform, the rail-specific distribution service. For the first time SJ content became available through the offline and online travel agency channels using Amadeus Agent Track and Amadeus Web Services Track – as well as continuing to

be distributed through Amadeus e-Travel Management, which distributes rail content through the corporate and travel management companies (TMC) channel.

## Hotel

The Hotel Optimisation Package was launched, a complete set of services and technologies for large travel agencies and travel management companies (TMCs) to increase competitiveness, grant efficient access to all relevant hotel content and save valuable time for travel counsellors. The Amadeus Hotel Optimisation Package portfolio of solutions is articulated under two areas, Profit Optimisation – to help large travel agencies and TMCs save time and have more control over global hotel programmes – and Content Optimisation, converting Amadeus into a one-stop-shop for hotel content. **GSM Travel Management** was one of the first clients to work in partnership with Amadeus on LinkHotel, part of the Amadeus Hotel Optimisation Package, which actively seeks smaller or independent hotels and adds them to the platform, delivering the kind of content that TMC customers frequently need.

A strategic alliance to distribute **Hotel Reservation Services'** (HRS) hotel content through Amadeus was announced. HRS is the worldwide leading hotel portal for corporate customers, and the agreement was a milestone in HRS' strategy as it was the first time the hotel portal made its content available through a global distribution system. Through this strategic partnership, Amadeus took a major step forward in its 'Multisource' hotel initiative to integrate and distribute hotel content from diverse sources. With the integration of HRS, the total hotel inventory available through the Amadeus system exceeded 250,000 hotels.

## Travel Agencies

Our strategy in North America continued to produce significant results with many high-profile developments. Further to **Expedia** signing a multi-year content and technology agreement for North America in April 2012, which provided Expedia with Amadeus' fare search technologies for air travel among other products, as well as access to global travel supplier content through the Amadeus system, Expedia's launch on Amadeus during the summer of 2012 was virtually flawless. Since then Expedia has been ramping up the volumes of bookings made on the Amadeus system. Amadeus has been providing services to Expedia Inc., which is the largest travel enterprise in the world in terms of air volumes, in over 15 countries since 2005.

Other highlights in the region also included **KAYAK**, a leading US-based travel search company, signing a multi-year agreement that extended its existing strategic global alliance to expand the use of Amadeus' airline fare and availability technology. The innovative US-based metasearch website **Hipmunk** also selected Amadeus' advanced technology solutions to provide international low fare search and shopping to help assure its users the best online experience and speed. Hipmunk will utilise Amadeus Meta Pricer, Amadeus Master Pricer, and Amadeus Web Services solutions. Also in the U.S., **Routehappy** selected Amadeus as the provider of its airfare pricing and availability information. Routehappy enables users to find flights based on various factors such as plane quality, flight amenities and recent airline ratings provided by real flyers.

Pioneering world leading travel technology solutions for travel agents

remained at the forefront of Amadeus' activity. At the PhoCusWright Conference Travel Innovation Summit in November Amadeus introduced Amadeus Featured Results™, the first search solution which boosts the leisure travellers' purchasing experience by making online travel search simpler and more relevant. This works by integrating Business Intelligence (BI) data into the search algorithm, and instantly presenting the top four most relevant, cheapest, fastest and most popular recommendations. **Vayama**, a leading online travel agency that is part of one of the biggest online travel companies **Travix International, B.V.**, became the first pilot customer to implement the beta version.

Elsewhere in the world we continued to consolidate our leading position with deals including **FCm Travel Solutions**, the global corporate travel and expense management specialist, renewing its global content agreement for a further five years, meaning Amadeus' content will continue to be available to FCm's partner network via Amadeus Selling Platform and AeTM. An agreement was also extended with **STA Travel**, which is a global travel organisation that handles six million passengers each year across 29 markets and specialises in the student and youth sector. Later in the year Cleartrip, one of India's leading online travel companies, also signed a multi-year technology agreement, based on which Amadeus will provide the company with fare search technologies and access to global travel content through the Amadeus system.

## IT Solutions

### Airline IT – Amadeus Altéa

Further growth continued as many leading airlines contracted to the full Amadeus Altéa Suite, the fully integrated passenger service system (PSS) for airlines that includes Altéa Reservation, Altéa Inventory and Altéa Departure Control Systems.

**EVA Airways**, Taiwan's second largest international airline, announced it had selected the full Amadeus Altéa Suite for its passenger management, and also for the international passengers of its subsidiary **UNI Airways**. The airline had been recently accepted onto the **Star Alliance**, for which Amadeus is the preferred IT platform provider. The long-term agreement with Amadeus will bring EVA Airways and UNI Airways onto **Star's** Common IT Platform - already used by 64% of Star Alliance members - which offers enhanced customer service functionalities, for both sales and airport environments. **Garuda Indonesia**,

the national airline of Indonesia, also announced that it will transform its passenger service processes with the introduction of the Amadeus Altéa Suite to manage its domestic and international reservations, inventory and departure control processes.

One particularly noteworthy development occurred in April when **Southwest Airlines**, the largest U.S. carrier in terms of domestic passengers boarded and consistently ranked number one in customer service by the US Department of Transportation, entered into a contract for the Amadeus Altéa Reservation solution to support the carrier's international flights. Whilst the agreement focused on the international element of Southwest's reservation system, which will be implemented by 2014, the contract also provided a future option for Southwest to convert its domestic business to Amadeus.

Additional signatures for the full Amadeus Altéa Suite included **Czech Airlines**, which is the flagship airline carrier of the Czech Republic, along with

other airlines such as **Equatorial Congo Airlines, Izair, Air Côte d'Ivoire** and **Air Greenland**. Both **Mongolian Airlines Group** and Ural Airlines announced contracts for both the full Amadeus Altéa Suite plus the Amadeus e-Retail online booking engine.

In terms of further up selling, a number of existing Altéa users (**Aigle Azur, Bulgaria Air, Trans Air Congo, AeroSvit - Ukrainian Airlines, Egyptair** and its subsidiary **Air Sinai**) completed the full Amadeus Altéa Suite by contracting to use Amadeus Altéa Departure Control Systems.

As of the close of the year, a total number of 121 airlines were contracted for both Altéa Reservation and Altéa Inventory, 104 of which were contracted to use the full Altéa Suite, up from 92 at the end of 2011. Based upon these contracts, Amadeus estimates that by 2015 the number of Passengers Boarded (PB) will be more than 800 million, which would represent an increase of almost 42% vs. the 564 million PB processed on the Altéa platform during 2012 – or a compound annual growth rate (CAGR) of around 12.5%.

In addition to these commercial successes, we continue to deliver in the successful implementation of contracted clients. Many successful migrations onto the Altéa platform were completed during the year. These included **Cathay Airlines** and its subsidiary **Dragonair, Scandinavian Airlines** and later on in the year **Singapore Airlines** and its subsidiary **SilkAir**.

IT Solutions also continued to migrate existing Altéa users to the Departure control module, including **TACA** and many of its group airlines, **Saudi Arabia, airberlin, Royal Brunei, Qatar Airways** or **Egyptair**.





### Airline IT – Stand Alone IT portfolio

Expansion of the IT product portfolio continued, with the launch of its new Passenger Revenue Accounting solution and the announcement of **British Airways** as the first airline to sign-up for the new solution. The new Revenue Accounting solution is a user-friendly, web-based system, which is designed to help airlines increase revenue, reduce operational costs, and make revenue decisions faster and more accurately, bringing revenue accounting closer to operational functions. In addition, the new solution transforms revenue accounting from a labour-intensive task to a fast, flexible strategic function. Later in the year, in October, **Saudi Arabian Airlines** also announced that it had signed-up for Amadeus Passenger Revenue Accounting, and will become the first airline to implement it, early in 2013.

Further contracts were also signed for the Stand Alone IT solutions portfolio. These contracts included **bmi**, **EVA Airways**, **Iberia Express**, and **Ural Airlines** all signing up for Amadeus Ticket Changer (ATC) – whilst **airberlin**, an existing Amadeus Ticket Changer customer, signed-up for the additional Amadeus Ticket Changer Refund module. Amadeus Ticket Changer simplifies the ticket re-issuing process by combining the state-of-the-art Amadeus Fares and Pricing engine with a powerful, multi-channel ticketing functionality. **Qatar Airways** also contracted for the Amadeus Affinity Shopper solution, which enables airlines to improve their share of the leisure travel market. Meanwhile **TAP Portugal** signed to use Flex Pricer, a solution for airline websites which simplifies the customer experience and helps increase yields, and Award Shopper, a solution which allows airline customers

to redeem air miles / points online. **Air China** implemented two additional advanced technology solutions from the Amadeus e-Commerce portfolio, the Amadeus Mobile Solution and German Rail Booking.

Within the Stand Alone IT solutions portfolio, 24 further airlines signed up for the use of the electronic messaging standard Electronic Miscellaneous Document (EMD). EMD enhances ticket services and enables airlines to distribute a wide range of products that help customise their journeys, through ancillary services such as excess baggage.

The world's first interline Electronic Miscellaneous Document (EMD) link was created by Amadeus early in the year. This move enabled launch partner airlines **Finnair** and Star Alliance member **Egypt Air** to grow revenue by facilitating the interline sale of ancillary services. Interline EMD processing between Finnair and Egypt Air means their customers can now buy ancillary services across interline flights. By the close of the year in total 82 airlines, including sub-hosted airlines, had contracted Amadeus' EMD Server and approximately 20% of air bookings made through the Amadeus system are the result of interline partnerships.

### Airport IT

We continued to realise significant opportunities beyond airline IT as our new business portfolio expanded both its offering and customer base. In particular 2012 was a very successful year for Airport IT, which announced the signatures of further new customers for Amadeus Altéa Departure Control System for Ground Handlers. These included Swissport International, the world's leading provider of ground



Photo by Carolina de Caso

services to the aviation sector, and Amadeus' first Asian customer, SATS, a leading provider of gateway services and food solutions in the region. In addition Aviation Handling Services, Billund Airport in Denmark, Egyptian Aviation Services (EAS), the number one ground handler in Egypt, Groundforce Portugal, Groupe Europe Handling, Sky Handling Partner, and SEA Handling, the Milan-based number one Italian ground handler, all also signed-up this year. Agreements are now in place with 21 ground handlers for the deployment of the solution. Altéa Departure Control Systems for Ground Handlers allows all of the handler's airline customers to benefit from the leading-edge technological capabilities of Altéa Departure Control Systems' Customer Management and Altéa DCS's Flight Management services, regardless of whether or not the airline uses Altéa. Separately, Altéa Reservation Desktop (ARD) with Map Handling was launched in Nice Airport and the service is currently being deployed in nine other airports.

## Hotel IT

Also falling within the new business portfolio, Hotel IT continued its success with **Accor**, one of the world's leading hotel operators and market leader in Europe, extending its ten-year collaboration with Amadeus. The new agreement will achieve a higher adoption rate of Amadeus Revenue Management. Amadeus Revenue Management is a web-based solution that makes intelligent rate and inventory recommendations to maximise revenue contribution and increase profitability.

During the first quarter of 2013, a medium-sized European hotel chain

launched their newly developed Amadeus-powered websites across European markets. Over the last months, Amadeus has developed and delivered a fully integrated e-commerce environment for web and mobile for the global hotel marketplace. The solution allows hotels and hotel chains to meet the unique needs of each of its many guests. Available in multiple languages for branded e-commerce sites in numerous markets, the solution includes a scalable booking engine, usability optimisation to drive online conversion rates, cloud-based hosting, dynamic web management and business intelligence.

## Thought leadership

Publishing enlightened market research and advanced white papers is central to Amadeus' position as a leader in travel technology. During 2012, several reports were produced which continue to stimulate and shape debate across the travel industry globally. The following are highlights of reports which are available on Amadeus' website:

- > *Open for business* made the case for the travel industry to embrace open source software in order to benefit from greater innovation, respond faster to industry and consumer change and reduce costs. The report outlined how open systems could free the industry from its reliance on proprietary software and provide travel companies with a greater competitive advantage.
- > *The Amadeus Review of Ancillary Revenue Results* for 2011 was produced by Amadeus and the **IdeaWorksCompany**, the foremost consultancy in the area of airline ancillary revenues. Research was based





on the financial filings of 50 airlines which disclose ancillary revenue activity, to identify the ancillary revenue reported by airlines, which grew to €18.2 billion in 2011. This represented ancillary revenue growth of 66% in the two years since 2009.

- › Later in the year Amadeus and IdeaWorksCompany also produced *The Amadeus Worldwide Estimate of Ancillary Revenue*, which projected that airline ancillary revenue would reach \$36.1 billion worldwide in 2012 – based upon an even larger list of 176 airlines, to provide a truly global projection of ancillary revenue activity by the world's airlines in 2012.
- › *From Chaos to Collaboration* examined how transformative technologies and evolving social values and trends will combine to establish a new era of collaborative travel over the next decade and beyond.
- › *Empowering Inspiration – the future of travel search*. Amadeus commissioned research authority **PhoCusWright Inc.** to produce a global study to identify the online shopping behaviour and future motivations of trend-setting travellers.
- › *Back on Track* called on the international rail industry to embrace a shared approach to customer IT systems in order to meet the multiple challenges of growing passenger numbers, increasing financial pressures and rising customer expectations.
- › *Reinventing the Airport Ecosystem* identified consumer frustrations with today's airport experience, mapping how airports will re-invent themselves up to 2025, with new operating models, driving revenues beyond traditional income streams.

## Awards

In December, once again Amadeus was confirmed as the European leader for R&D in the travel and tourism area. Amadeus' commitment to innovation was recognised in the 2012 EU Industrial R&D Investment Scoreboard, an annual report published by the **European Commission** which examines the largest 1,000 European companies investing in R&D according to the total amount invested.

## Additional news

In China, Amadeus welcomed the publication of the new Civil Aviation Administration of China (CAAC) Computerised Reservation System (CRS) regulations. These are expected to bring enhanced global distribution technologies to the Chinese market that can significantly benefit the travel industry and consumers in China. These regulations started on October 1, 2012 and introduce the option for foreign airlines to use global distribution systems to distribute their air fares to travel agents in China.

In order to drive our response to growing prospects for travel market intelligence, in February Amadeus acquired the Frankfurt-based company **airconomy**, a small international strategy consultancy supplying precise and comprehensive data on passenger demand. **airconomy** will be run as a separate business incubator to develop ideas for new market intelligence products.

## 6.2. Financial review – analysis of results

In 2012 Amadeus successfully delivered against its targets, achieving profitable growth in both its business units. At group revenue level, growth stood at 7.5%, supported by growth in both its business lines. In turn, EBITDA increased by 6.6%, leading to an 18.0% growth in adjusted profit for the year, assisted by lower interest expense.

Indeed, 2012 was a strong year for Amadeus, despite a difficult global macroeconomic backdrop and weak levels of business and consumer confidence. Once again Amadeus benefitted from its successful business model, which provides strong resilience and economies of scale. In addition, our continued investment in R&D and differentiated value proposition allowed us to deliver market share gains, adding new clients to our platform, both in Distribution and IT Solutions.

In our Distribution business, in 2012 we achieved 5.8% revenue growth, despite limited industry growth, which was negatively affected by a weak macro environment, particularly in the second half of the year. Growth was supported both by our market share gains (0.9 p.p.) and average pricing, as well as the positive impact from the translation of USD flows into Euro. We successfully extended all distribution contracts with airlines due for renewal, notably Qantas, Delta and Air France KLM, and continued to expand the content available to our travel agency subscribers, with the addition of 8 new low cost carriers to the platform. We also signed some important travel agency contracts, including Expedia, the largest online travel agency in North America.

Strong results were also achieved in the IT Solutions business, with a 13.0% revenue increase driven by a remarkable increase

of 28.4% in processed PB. Also, we continued to expand our Altéa portfolio with the launch of our new module, Revenue Accounting. At the same time, 10 new Altéa contracts were signed and the pipeline was further reinforced.

Innovation is at the core of our strategy, and as such investment in R&D was further increased by 20.2% in 2012, reaching 14.2% of our revenue. Client implementations, product evolution, portfolio expansion and investment in new opportunities which may expand our total addressable market represent the majority of our investment.

As of December 31, 2012 our consolidated net financial debt was €1,495.2 million (based on covenants' definition in our senior credit agreement), representing 1.34x net debt / LTM EBITDA. This is a significant decrease of €356.7 million vs. net debt of €1,851.8 million as of December 31, 2011, or 1.75x net debt / LTM EBITDA. Our financial structure was further strengthened with the signature of a new loan with the European Investment Bank and a new Revolving credit facility.

In October 2012, having reached the top end of the stated capital structure target (1.0x - 1.5x net debt / EBITDA), the Board of Directors revised the dividend policy, increasing the pay-out ratio to between 40%-50% from the previous 30%-40% of the consolidated profit (excluding extraordinary items).

### Classification of Opodo as discontinued operation

On June 30, 2011 the Group completed the sale of Opodo Ltd and its subsidiaries. In 2011, Opodo was presented as a discontinued operation in our Group income statement. As a result of this

sale the Group booked a gain of €270.9 million. This gain, together with the extraordinary costs related to the sale, are presented within "Profit from discontinued operations".

### Extraordinary costs related to the 2010 Initial Public Offering

On April 29, 2010 Amadeus began trading on the Spanish Stock Exchanges. The Company incurred extraordinary costs in relation to the offering that impacted the figures for 2010, 2011 and 2012.

For the purposes of comparability with previous periods, the figures for 2010, 2011 and 2012 shown in this report have been adjusted to exclude such costs.

### One-time payment from United Airlines in relation to the discontinued Altéa contract

On May 6, 2011 Amadeus announced that it had agreed to dissolve a contract under which United Airlines previously planned to migrate onto the Amadeus Altéa Suite in 2013. United Airlines agreed to make a one-time payment of \$75.0 million to Amadeus for the cancellation of the IT services agreement. The payment was made effective in Q2 2011 and recognised (in Euros, in an amount of €51.7 million) under the "Revenue" caption on the consolidated statement of comprehensive income of our financial statements.

For purposes of comparability with previous periods, this revenue, as well as certain costs of migration that were incurred in relation to this contract, have been reclassified from revenue and other operating expenses, respectively, to the Other income / (expense) caption in our Group income statement shown in this report.

## 6.3 Consolidated P&L

Figures in million euros	2008	2009	2009 <sup>(1)(2)</sup>	2010 <sup>(2)</sup>	2011 <sup>(2)</sup>	2012
<b>Summary Group Income statement</b>						
<b>Revenue</b>	<b>2,505</b>	<b>2,461</b>	<b>2,348</b>	<b>2,594</b>	<b>2,707</b>	<b>2,910</b>
% change	(2.8%)	(1.7%)	n.a.	10.5%	4.4%	7.5%
Cost of revenue	(627)	(592)	(601)	(653)	(678)	(747)
Personnel and related expenses	(598)	(606)	(588)	(640)	(681)	(764)
Depreciation and amortisation	(318)	(347)	(346)	(342)	(242)	(273)
Other operating expenses	(405)	(368)	(294)	(321)	(306)	(287)
<b>Operating Income</b>	<b>557</b>	<b>550</b>	<b>519</b>	<b>637</b>	<b>800</b>	<b>839</b>
% change	19.1%	(1.4%)	n.a.	22.8%	25.6%	4.8%
Net financial expense	(375)	(177)	(176)	(219)	(169)	(93)
Other income / (expense)	54	(1)	(1)	2	55	(17)
<b>Profit before income taxes</b>	<b>237</b>	<b>372</b>	<b>342</b>	<b>421</b>	<b>686</b>	<b>729</b>
% change	8.4%	57.1%	n.a.	23.1%	63.1%	6.2%
Income taxes	(60)	(102)	(93)	(122)	(219)	(231)
<b>Profit after taxes</b>	<b>177</b>	<b>270</b>	<b>249</b>	<b>299</b>	<b>468</b>	<b>497</b>
Share in profit / (losses) from associates and JVs	7	3	3	6	(2)	4
<b>Profit for the period from continuing operations</b>	<b>184</b>	<b>272</b>	<b>251</b>	<b>305</b>	<b>466</b>	<b>502</b>
% change	(8.9%)	47.9%	n.a.	21.2%	52.9%	7.6%
Profit from discontinued operations	n.a.	n.a.	17	79	277	0
<b>Profit for the year</b>	<b>184</b>	<b>272</b>	<b>269</b>	<b>384</b>	<b>742</b>	<b>502</b>
% change	(8.9%)	47.8%	n.a.	42.8%	93.4%	(32.4%)
<b>Other financial information</b>						
<b>EBITDA from continuing operations</b>	<b>871</b>	<b>871</b>	<b>863</b>	<b>976</b>	<b>1,039</b>	<b>1,108</b>
EBITDA margin (%)	34.8%	35.4%	36.8%	37.6%	38.4%	38.1%
<b>Adjusted profit for the year from continuing operations</b>	<b>323</b>	<b>350</b>	<b>344</b>	<b>403</b>	<b>487</b>	<b>575</b>
% change	14.8%	8.3%	n.a.	17.4%	20.7%	18.0%

(1) 2009 figures estimated assuming the application of IFRIC 18 during the year.

(2) On June 30, 2011, the Group completed the sale of Opodo Ltd and its subsidiaries. Opodo has been presented as a discontinued operation since 2009 to allow for comparison between 2009 – 2012 figures.



In 2012, revenue from continuing operations increased by 7.5%, to €2,910.3 million.

Operating income increased by 4.8% during the year, while EBITDA increased by 6.6%, to €1,108 million, representing a margin of 38.1%, compared to 38.4% in 2011.

Adjusted profit for the year increased to €575.1 million, up 18.0% from €487.2 million in 2011.

## Revenue

Revenue reached €2,910.4 million in 2012, representing a 7.5% growth compared to revenue in 2011. Underlying growth was driven by both our business lines:

- In our Distribution business, revenue for the full year increased by €121.6 million, or 5.8%, in 2012, as a combination of growth in the GDS business and Amadeus market share gains, leading to strong growth in booking volume, as well as an increase in non booking revenue.
- In our IT Solutions business, revenue grew by 13.0% or €81.4 million driven by a combination of: the increase in IT transactional revenue (both as a result of new implementations and organic growth of existing clients) and growth in non-transactional revenue.

Both business lines were positively impacted by FX. Excluding FX impact, group revenue for the year would have grown by 5.7%.

Figures in million euros	2011	2012	% change
<b>Revenue breakdown</b>			
Distribution revenue	2,079.4	2,201.0	5.8%
IT solutions revenue	628.0	709.4	13.0%
<b>Revenue</b>	<b>2,707.4</b>	<b>2,910.4</b>	<b>7.5%</b>



Photo by Deepti Gupta

## Operating income

Operating Income for 2012, excluding the impact of extraordinary IPO costs, amounted to €838.8 million, €38.5 million or 4.8% higher than in 2011. The increase was driven by revenue growth in both business lines, partially offset by an increase in operating expenses and higher D&A and impairment charges.

- Cost of revenue amounted to €747.2 million, an increase of 10.2% vs. 2011. This increase was mainly driven by the growth in volumes in the period and an increase experienced in average unit incentives and distribution fees, due to the current competitive environment, as well as business mix (different growth rate experienced in different regions or within different types of travel agencies). In addition, this cost line was negatively impacted by FX impact (translation of different currencies into Euro). Excluding this negative impact, this caption would have grown by 7.4% in the year. As a percentage of revenue, cost of revenue in 2012 represented 25.7%, slightly higher than the percentage rate registered in 2011 (25.1%).
- Personnel and related expenses amounted to €763.9 million, 12.2% higher than in 2011, adjusted for extraordinary IPO expenses.

The 12.2% growth in personnel and related expenses in 2012 is the result of:

- A 9% increase in average FTEs, driven both by the increase in development and commercial activity, as well as the transfer of approximately 500 contractors from our permanent staff (shift of operating cost from Other operating expenses to Personnel expenses)

- The revision of the salary base as per market conditions on a global basis (+c.3-4%).
- The impact of the EUR depreciation against various currencies (cost base in many sites negatively impacted by EUR depreciation) (resulting in c.2 p.p. higher growth rate).
- Other one-off impacts, such as the higher impact from our recurring incentive scheme (stronger company performance than initially expected), as well as the reinforcement of our management team with the recruitment of industry talent in various areas.
- Total D&A increased by 12.9% in 2012, driven by a higher amortisation charge, within the Ordinary depreciation and amortisation line. The increase in amortisation of intangible assets is linked to the amortisation of capitalised expenses in our balance sheet, once the associated product / contract start generating revenues. In addition, we registered certain impairment losses in the last quarter of the year, in relation to a short list of projects where a reassessment of the business case delivered lower recoverable amounts than initially expected, or in relation to products that were developed for airlines that went into bankruptcy during the year
- Other operating expenses declined by by €18.9 million or 6.2%, driven to a large extent by the transfer of contractors to our permanent staff.

On a net basis, personnel and other operating expenses increased by 6.5% in 2012.

## EBITDA

EBITDA increased by 6.6%, from €1,039.0 million in 2011 to €1,107.7 million in 2012.

As a percentage of revenue, EBITDA margin in 2012 was 38.1%, slightly reduced from 38.4% in 2011, as a result of the negative FX impact. Excluding such impact, EBITDA margin would have been 38.4%, in line with the previous year.

## Net financial expense

In 2012, Net financial expense declined by 29.2% or €38.5 million to €93 million. This decrease is explained by (i) the lower amount of average gross debt outstanding, after debt repayments in 2011 and 2012 and (ii) a lower average interest paid on the new financing package (unsecured senior credit agreement signed in May 2011, bond issuance in July 2011 and loan received from EIB in May 2012). This significant decrease is partially offset by the exchange gains registered in 2011 as well as significant income from change in fair value of financial instruments also in 2011 (as opposed to neutral contribution from both items in 2012).

## Profit for the year

Profit for the period from continuing operations amounted to €501.6 million, an increase of 7.6% when compared to profit for the period in 2011.

After adjusting for (i) non-recurring items and (ii) accounting charges related to the PPA (purchase price allocation) amortisation and other mark-to-market items, adjusted profit for the period (from continuing operations) increased by 18.0% in 2012, to €575.1 million.



Photo by Carolina de Caso

## 6.4 Statement of financial position

Figures in million euros	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012
<b>Assets</b>					
Tangible assets	346	314	283	282	299
Intangible assets	1,802	1,681	1,642	1,778	1,879
Goodwill	2,240	2,239	2,071	2,071	2,065
Total other non-current assets	107	104	133	114	140
Total non-current assets	4,495	4,338	4,128	4,245	4,384
Current assets	376	397	395	406	372
Cash and cash equivalents	617	811	535	393	400
Total current assets	993	1,208	930	799	772
Non-current assets classified as held for sale	17	17	274	0	0
<b>Total assets</b>	<b>5,505</b>	<b>5,563</b>	<b>5,331</b>	<b>5,044</b>	<b>5,155</b>
<b>Liabilities and shareholder's equity</b>					
Total equity	(539)	(278)	767	1,266	1,531
Total non-current liabilities	5,023	4,817	3,526	2,760	2,412
Total current liabilities	1,018	1,021	943	1,018	1,212
Liabilities associated with non-current assets classified as held for sale	3	3	95	0	0
<b>Total equity and liabilities</b>	<b>5,505</b>	<b>5,563</b>	<b>5,331</b>	<b>5,044</b>	<b>5,155</b>

## Tangible assets

This caption principally includes land and buildings, data processing hardware and software, and other tangible assets such as building installations, furniture and fittings and miscellaneous. The total amount of investment in tangible assets in 2012 amounted to €55.8 million, an increase of 26.0% vs. 2011.

## Intangible assets

This caption principally includes (i) the net cost of acquisition or development and (ii) the excess purchase price allocated to patents, trademarks and licenses, technology and content and contractual relationships. Following the acquisition of Amadeus IT Group, S.A. (the former listed company) by Amadeus IT Holding, S.A. (the current listed company, formerly known as WAM Acquisition, S.A.) in 2005, the excess purchase price derived from the business combination between them was partially allocated (purchase price allocation ("PPA") exercise) to intangible assets. The intangible assets identified for the purposes of our PPA exercise in 2005 are amortised on a straight-line basis over the useful life of each asset and the amortisation charge is recorded in our P&L. The amortisation charge attributable to PPA amounted to €71.0 million in the full year 2012.

Capital expenditure in intangible assets in 2012 amounted to €293.1 million, a 9.2% increase vs. 2011.

## Goodwill

Goodwill mainly relates to the unallocated amount of €2,065.4 million of the excess purchase price derived from the business combination between Amadeus IT Holding, S.A. (the current listed company, formerly known as WAM Acquisition, S.A.) and Amadeus IT Group, S.A. (the former listed company), following the acquisition of Amadeus IT Group, S.A. by Amadeus IT Holding, S.A. in 2005.



Photo by Employee & Brand Engagement team



## Financial indebtedness

The net financial debt as per the existing financial covenants' terms amounted to €1,495.2 million at December 31, 2012, a reduction of €356.7 million vs. December 31, 2011, thanks to the free cash flow generated during the period and after (i) payment of the 2011 dividend, in a total amount of €164.5 million and (ii) the acquisition of treasury shares to cover future delivery of shares to employees in relation to management shared-based incentive schemes.

During the period, the following changes to our capital structure took place:

- Partial amortisation of the bank financing (tranche A of the senior credit facility), as agreed in the senior credit agreement.
- Partial repayment of the bridge loan (tranche B of the senior credit facility) by an amount of €350 million.
- The European Investment Bank granted Amadeus a loan by an amount of €200 million to finance R&D activities.
- New revolving credit facility in an amount of €200 million, which remained undrawn at December 31, 2012.
- Cancellation of the financial leases related to our data centre facilities and refinancing with a new mortgage loan (notional value of €62 million)

### Hedging arrangements

Based on the current debt structure, 45% of our total covenant financial debt is subject to floating interest rates, indexed to the EURIBOR or the USD LIBOR, while 55% of our debt has a fixed cost and is therefore not subject to interest rate risk. However, we use hedging arrangements to limit our exposure to movements in the underlying interest rates. Under these arrangements, 92% of our euro-denominated gross debt subject to floating interest rates has its base interest rate fixed until June 2014 at an average rate of 1.9%, and 82% of our USD-denominated gross debt subject to floating interest rates has its base interest rate fixed for the same period at an average rate of 1.2%. In total, in the aforementioned period, 94% of our total covenant financial debt will accrue fixed interest.

Figures in million euros	Dec 31, 2011	Dec 31, 2012
<b>Financial Indebtedness based on Covenants Definition<sup>(1)</sup></b>		
Senior Loan (EUR)	951.9	490.8
Senior Loan (USD) <sup>(2)</sup>	442.3	361.5
Long term bonds	750.0	750.0
EIB loan	0.0	200.0
Other debt with financial institutions	9.8	72.7
Obligations under finance leases	77.5	20.1
Guarantees	13.6	0.0
<b>Covenant financial debt</b>	<b>2,245.0</b>	<b>1,895.0</b>
Cash and cash equivalents <sup>(2)</sup>	(393.2)	(399.9)
<b>Covenant net financial debt</b>	<b>1,851.8</b>	<b>1,495.2</b>
<b>Covenant net financial debt / LTM covenant EBITDA</b>	<b>1.75x</b>	<b>1.34x</b>

(1) Based on the definition included in the senior credit agreement.

(2) The outstanding balances denominated in USD have been converted into EUR using the USD / EUR exchange rate of 1.2939 and 1.3194 (official rate published by the ECB on Dec 31, 2011 and Dec 31, 2012, respectively).

(3) LTM Covenant EBITDA as defined in the senior credit agreements.

## 6.5 Segment reporting: reconciliation with EBITDA

Figures in million euros	2008	2009	2009 <sup>(1)(2)</sup>	2010 <sup>(2)</sup>	2011 <sup>(2)</sup>	2012
<b>Segment reporting: reconciliation with EBITDA</b>						
<b>Revenue</b>	<b>2,431</b>	<b>2,384</b>	<b>2,347</b>	<b>2,594</b>	<b>2,707</b>	<b>2,910</b>
% change	1.6%	(1.9%)	n.a.	10.5%	4.4%	7.5%
Distribution revenue	1,931	1,836	1,836	1,992	2,079	2,201
% change	(0.3%)	(4.9%)	n.a.	8.5%	4.4%	5.8%
IT Solutions revenue	500	548	511	601	628	709
% change	9.6%	9.6%	n.a.	17.7%	4.4%	13.0%
<b>Contribution</b>	<b>1,242</b>	<b>1,222</b>	<b>1,209</b>	<b>1,336</b>	<b>1,406</b>	<b>1,494</b>
% change	(0.2%)	(1.6%)	n.a.	10.5%	5.3%	6.2%
Distribution - contribution	907	873	873	926	950	975
% change	(2.9%)	(3.8%)	n.a.	6.1%	2.6%	2.5%
Contribution margin (%)	47.0%	47.5%	47.5%	46.5%	45.7%	44.3%
IT Solutions - contribution	335	350	336	410	456	519
% change	7.9%	4.5%	n.a.	21.8%	11.3%	13.9%
Contribution margin (%)	67.0%	63.8%	65.8%	68.1%	72.6%	73.2%
Net indirect costs	(371)	(351)	(346)	(359)	(367)	(386)
% change	(2.3%)	(5.3%)	n.a.	3.8%	2.2%	5.1%
<b>EBITDA</b>	<b>871</b>	<b>871</b>	<b>863</b>	<b>976</b>	<b>1,039</b>	<b>1,108</b>
% change	0.7%	0.0%	n.a.	13.2%	6.4%	6.6%
EBITDA margin (%)	35.8%	36.5%	36.8%	37.6%	38.4%	38.1%

(1) 2009 figures estimated assuming the application of IFRIC 18 during the year.

(2) Excluding Opodo.