# Management review Q1 2014

May 8, 2014

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# 1 Summary

## 1.1 Introduction

**First three months' highlights (three months ended March 31, 2014)**

- **Our air travel agency bookings increased by 5.3%, to 125.5 million**
- **In our IT Solutions business line, total Passengers Boarded increased by 15.8%, to 152.5 million**
- **Revenue increased by 9.1%, to €867.6 million[1]. Excluding the acquisitions of Newmarket International ("Newmarket") and UFIS Airport Solutions ("UFIS"), comparable growth stood at 7.4%**
- **EBITDA increased by 8.7%, to €351.4 million[1]. Excluding the acquisitions of Newmarket and UFIS, comparable growth stood at 7.4%**
- **Adjusted profit[2] increased to €191.3 million[1], up 8.6%. Excluding the acquisitions of Newmarket and UFIS, comparable growth stood at 7.7%**
- **Covenant net financial debt stood at €1,534.3 million (1.22 times to covenant last twelve months' EBITDA) at March 31, 2014**

Amadeus has delivered an excellent quarterly performance, with 9.1% revenue increase and 8.7% EBITDA growth in the first quarter of 2014. This performance has been driven by the positive contribution of our two business lines and the consolidation of Newmarket and UFIS[1], both acquired in the first quarter of 2014. Adjusted profit increased by 8.6%. Amadeus' resilience and recurring revenue base, coupled with solid operating performance, have allowed for consistency in results.

Amadeus air TA bookings grew 5.3%, driving distribution revenue growth to a notable 6.5%. This expansion was supported by sustained sector growth of 4.4% this quarter (on the back of 4.3% growth in 4Q2013) and continued market share gains (despite a high degree of negative region mix over the quarter), resulting in a global market share of 39.9%, above last year.

Excluding recent acquisitions, IT solutions revenue grew 10.6% fuelled by 15.8% processed passenger growth. Our growth was underpinned by successful ongoing migrations, with 118 airlines migrated to date. The continued expansion of our product offering to airlines enables upselling, customer satisfaction and increased overall profitability. The Asia & Pacific region is steadily growing in importance within our business and will continue to do so, given migrations of Asian carriers scheduled for 2014/15 (Korean Air and All Nippon Airways –their international passengers business only).

We continue to strengthen our value proposition by securing comprehensive content for our travel agency subscribers, widening our global reach through market share gains and by driving innovation throughout our product portfolios and related functionalities. During the period, we continued to invest significantly in R&D (14.4% of revenues) to maintain our support of our technology in our existing businesses and to lay the grounds to capture attractive business diversification opportunities.

Consolidated covenant net financial debt as of March 31, 2014 was €1,534.3 million, representing 1.22x last twelve months' EBITDA. During the period we paid an interim dividend in a total amount of €133.4 million in respect of the 2013 profit.



1. Newmarket and UFIS are consolidated by Amadeus with effect from February 5, 2014 and February 1, 2014, respectively.
2. Excluding after-tax impact of the following items: (i) amortisation of PPA and impairment losses, (ii) changes in fair value of financial instruments and non-operating exchange gains (losses) and (iii) other non-recurring items.

## 1.2 Summary financial information

| **Summary financial information** *Figures in million euros* | Jan-Mar 2014 | Jan-Mar 2014 (excl. M&A)[1] | Jan-Mar 2013 | % Change[1] |
|---|---|---|---|---|
| **KPI** | | | | |
| **Air TA Market Share** | **39.9%** | **39.9%** | **39.8%** | **0.1 p.p.** |
| Air TA bookings (m) | 125.5 | 125.5 | 119.3 | 5.3% |
| Non air bookings (m) | 15.4 | 15.4 | 15.5 | (0.5%) |
| **Total bookings (m)** | **141.0** | **141.0** | **134.8** | **4.6%** |
| **Passengers Boarded (m)** | **152.5** | **152.5** | **131.7** | **15.8%** |
| **Financial results** | | | | |
| Distribution Revenue | 651.7 | 651.7 | 612.2 | 6.5% |
| IT Solutions Revenue | 215.9 | 202.3 | 182.9 | 10.6% |
| **Revenue** | **867.6** | **854.0** | **795.0** | **7.4%** |
| **EBITDA** (2) | **351.4** | **347.2** | **323.4** | **7.4%** |
| EBITDA margin (%) (2) | 40.5% | 40.7% | 40.7% | 0.0 p.p. |
| **Adjusted profit** (3) | **191.3** | **189.8** | **176.3** | **7.7%** |
| **Adjusted EPS (euros)** (4) | **0.43** | **0.43** | **0.40** | **7.7%** |
| **Cash flow** | | | | |
| Capital expenditure | 102.5 | 101.7 | 101.9 | (0.2%) |
| Pre-tax operating cash flow (5) | 229.2 | n.a. | 194.6 | 17.8% |
| | **31/03/2014** | | **31/12/2013** | **% Change** |
| **Indebtedness** (6) | | | | |
| **Covenant Net Financial Debt** | **1,534.3** | | **1,210.7** | **26.7%** |
| Covenant Net Financial Debt / LTM Covenant EBITDA | 1.22x | | 1.01x | |

1. For comparability purposes, we have excluded the Newmarket and UFIS' consolidated results, which are consolidated for the first time in the first quarter of 2014. The "% Change" column above shows the comparable growth, excluding the impact of the recent acquisitions, as explained in this note.
2. Our EBITDA and EBITDA margin were negatively impacted by extraordinary costs amounting to €1.5 million related to the proposal to acquire i:FAO in the first quarter of 2014. Excluding these costs, our reported EBITDA margin would be 40.7%, in line with the first quarter of 2013, and our EBITDA margin excluding Newmarket and UFIS' results would be 40.8%, 0.1 p.p. higher than the first quarter of 2013.
3. Excluding after-tax impact of the following items: (i) amortisation of PPA and impairment losses, (ii) changes in fair value of financial instruments and non-operating exchange gains (losses) and (iii) other non-recurring items. Our adjusted profit was negatively impacted by extraordinary (non-deductible) costs amounting to €1.5 million related to the proposal to acquire i:FAO in the first quarter of 2014.
4. EPS corresponding to the Adjusted profit attributable to the parent company. Calculated based on weighted average outstanding shares of the period. Our adjusted EPS was negatively impacted by extraordinary (non-deductible) costs amounting to €1.5 million related to the proposal to acquire i:FAO in the first quarter of 2014.
5. Calculated as EBITDA less capital expenditure plus changes in our operating working capital.
6. Based on the definition included in the senior credit agreement covenants.

# 2 Business Review

## 2.1 A very active quarter

We are very pleased with the key events announced over the past few months, including the InterContinental Hotels Group announcement, the Newmarket and UFIS acquisitions, our intention to acquire i:FAO and most recently, Southwest Airlines' announcement to adopt the Altéa suite to support both domestic and international flights.

Following a successful migration of Southwest Airlines´ international service to the Altéa platform, Southwest has selected Altéa to support its domestic operations as well. Having the largest domestic airline in the U.S. selecting the Altéa system is testament to the flexibility, functionality and value that Altéa delivers to both airlines and airline customers. Southwest is not only the largest airline in the US by domestic passengers boarded, but it is also a leader in exemplary passenger service, airline operations and profitability. This is undoubtedly a landmark airline IT partnership for Amadeus and we are committed to delivering a successful transition to a single reservation system.

During 2013/1Q14, we have taken key first steps of an ambitious Hotel strategic roadmap which will allow Amadeus to shape the future of the hospitality industry in the coming years.

As we stated in June 2013, our goal in Hotel IT is to continue our track record of success in delivering IT solutions to the travel industry. Hotels are a very important part of the global travel ecosystem and we believe the IT opportunity is substantial. By leveraging on Amadeus' experience, capabilities and proven methodology, we believe Amadeus is uniquely positioned to capture this attractive and challenging new market opportunity.

As part of our stated Hotel strategy, we were delighted to announce our acquisition of **Newmarket** in December 2013 - a leading U.S. cloud-based IT solutions provider for the hotel industry. Newmarket brings us first-hand hotel sector expertise, a highly successful solutions portfolio, very relevant customer relationships and a dedicated commercial and R&D structure developed over the past 25 years. Remarkable customer satisfaction results drive customer loyalty among Newmarket clients, which include 16 out of the top 20 chains globally. The Newmarket acquisition has further evidenced our commitment to the hotel sector and allows us to accelerate our go-to-market timing. As we have stated in the past, Amadeus intends to build a next-generation CRS (central reservation system) and PMS (property management system) – both, core pieces of a hotel business' technology - based on a community platform approach and a transaction-based business model.

In March 2014, **InterContinental Hotels Group ("IHG")** announced that it would be working together with Amadeus to develop technology solutions to enhance the guest experience across all stages of the guest journey (Dream, Plan, Book, Travel and Share). We are confident that IHG's world class positioning, industry-leading consumer insights and commitment to innovation, combined with Amadeus' technology expertise, broad travel industry know-how and development capabilities will drive industry innovation and significant enhancements to the guest experience.

We have also made exciting progress with our **Airport IT strategy**. As you know, during 2013, we signed our first agreements with Munich and Copenhagen airports to develop two modules, the Fixed Resource Optimiser for Copenhagen and the Sequence Manager for Munich. We also signed Icelandair as launch partner for the Amadeus Baggage Reconciliation System. We recently announced the launch of Amadeus Airport Common Use Service, a new next-generation SaaS solution that will allow airlines and ground handlers to share the airport's physical space and IT resources. We have a number of planned modules for airports in different stages of development and continue to have an active pipeline of discussions with airports throughout the world. We estimate that once all our currently contracted airlines are migrated to Altéa, we will be managing c.80% of passengers in 80 airports (or c.50% of passengers in 200 airports) which positions Amadeus well to capture this adjacent market opportunity.



In February 2014, we acquired **UFIS** Airport Solutions ("UFIS"), a small-sized although highly specialized airport IT player based in Singapore. UFIS' airport solutions portfolio allows Amadeus to accelerate its product development plan and its goal to become a sector reference. UFIS also brings key customer relationships with over 30 airports worldwide, and 25 years of unique airport IT software development expertise.

During 2013 we continued expanding our customer base of ground handlers. Currently, 62 ground handlers across the world, including the top six worldwide, have signed for Amadeus Altéa Ground Handler, launched in 2011.

We are excited about our Airport IT market opportunity driven by its synergies and integration capabilities with Altéa. We expect continued granular progress in the delivery of our Airport IT strategy in the years to come.

Lastly, as part of our strategy to remain focused on innovation and continue to invest in technology across all our businesses, we announced our intention to acquire i:FAO through a tender offer process. i:FAO is a Germany-based leading provider of travel management technology solutions for corporations, which will allow Amadeus to deliver an innovative and attractive end-to-end solution, including Expense Management. Our aim is to serve our customers, in this case, corporations, more effectively and however best suits their needs, either through Travel Management Companies, in partnerships with other IT providers, or directly by us.

## 2.2 Key business highlights for the first quarter

The following are some selected business highlights for the first quarter of 2014:

### Distribution

***Airlines***

- During the first quarter of 2014, Amadeus signed content agreements with a number of airlines including United Airlines. Under the new agreement with United Airlines, Amadeus subscribers around the world are guaranteed continued access to United's full range of content. The agreement also provides for access and booking of the carrier's ancillary offerings such as Economy Plus® extra-legroom premium seating.
- Amadeus´ merchandising suite continued to gain momentum in the first quarter with 15 new airline signatures for the Amadeus Ancillary Services solution and 4 new airline signatures for the Amadeus Fare Family Solution, both in the indirect channel.
- Amadeus has launched with two airlines, Finnair and Brussels Airlines, the display module of the Fare Family solution with travel agency partners Finland Travel Bureau and Sirius Travel in test markets. With this solution, airlines will be able to: package booking classes, fares and services into branded products for the travel agency channel, each associated with a name that reflects its attributes; significantly differentiate their offer from those of their competitors, through a comparison of fares that is based on service and value as well as price; and maximise revenues thanks to an upsell module, which provides relevant, targeted offers to travellers.
- During the first quarter, Amadeus continued with the roll-over of ancillary services in North America. Now Amadeus subscribers in the US and Canada can easily access and book right from their desktop a variety of ancillary services from Air Berlin, Belair, Air France, Air New Zealand, Alitalia, Austrian, Corsair, El Al, Finnair, Iberia, Lufthansa, Niki, Scandinavian and Spirit Airlines. In total, 53 have signed up for distribution of their ancillary services through the Amadeus travel agency channel using the solution across more than 75 countries. Additionally with the announcement of Finnair and Brussels Airlines, 9 airlines have signed up for the Fare Family solution with travel agencies, launched in January 2014.
- Low-cost carriers and hybrids continued to be an area of growth for Amadeus, and distribution agreements were signed with four new airlines. In January, a new partnership was announced with Tigerair to bring its

full range of fares and ancillary sales content to Amadeus travel agencies in Asia Pacific. Travel agency bookings for low-cost carriers increased 11% YoY during the quarter.

- In the first quarter, Air France, KLM and Lufthansa were among the first international airlines to receive approval from the Civil Aviation Administration of China (CAAC) to use Amadeus under the new CRS (Computer Reservations System) regulations. For the first time, the authorised airlines will be bookable, via Amadeus through a pre-selected group of travel agencies in Beijing. This preliminary group of travel agencies will soon be expanded to include other locations such as Shanghai and Guangzhou.

***Rail and car rental***

- Hahn Air, the e-ticketing expert, has chosen Amadeus to introduce its rail offer "speed-alliance"® into the Amadeus Air-Rail Display, a solution that allows travel agencies using Amadeus Selling Platform to book air with additional rail content on the same screen for Eurostar, Thalys and Trenitalia. With the launch of the first phase, selected air routes of WestBahn in Austria and NTV in Italy can be booked worldwide.
- Four major airlines – Air France, Lufthansa, Qatar Airways and TAM – have recently implemented Amadeus Cars which will enable them to generate additional revenue by offering their clients car rental services through their websites. With these four new implementations, a total of 14 airlines worldwide now use Amadeus Cars. Amadeus Cars guarantees access to real-time rates and availability from 33 providers with over 37,000 locations worldwide.

***Travel agencies***

- During the first quarter, Amadeus signed a new multi-year agreement with Orbitz Worldwide, a leading global online travel company which uses technology to transform the way consumers around the world plan and purchase travel. Under the new agreement, Amadeus will deliver its industry-leading technology and global distribution system services to support Orbitz brands in North America from January 2015.
- On April 3, Amadeus announced its intention to acquire i:FAO through a tender offer process, Amadeus has secured 68.5% of i:FAO's share capital in the form of irrevocable undertakings to tender. i:FAO Group is a leading provider of travel management technology solutions for corporations in German speaking countries and is traded on the Frankfurt Stock Exchange.

## IT Solutions

***Airline IT***

- On January 27, 2014 Amadeus successfully implemented the first phase of Southwest's transition to Altéa for its international flying, after almost two years of in-depth program management, requirements definition and scoping, design, development, and testing. International flights are now available for sale through Altéa and from July onwards, Southwest Airlines agents will begin checking in passengers at the various airports using the Amadeus Departure Control System and our user interface. On May 5th, 2014 Southwest Airlines and Amadeus announced they had entered into a joint contract for Amadeus´ Altéa solution that will support the carrier´s domestic service.
- SeaPort Airlines, the Portland, Oregon-based regional airline also completed its successful migration to the Amadeus Altéa portfolio of airline IT solutions. The company's first flight using the new system was operated between Memphis and Jackson, Tennessee, on Sunday, March 23, 2014. The agreement between Amadeus and SeaPort Airlines to adopt the Amadeus Altéa portfolio was first announced in October 2013 and includes IT solutions for reservation, ticketing, inventory, e-commerce, and departure control.

### *Airport IT*

Amadeus continued its expansion into the Airport IT space with the already discussed acquisition of UFIS, the development of new modules and the signature of new ground handlers.

- UFIS Airport Solutions is a leading information technology player. UFIS brings to Amadeus a complementary suite of airport technology solutions based on UFIS' 25 years of unique Airport IT software development expertise, as well as a set of important customer relationships worldwide. UFIS' products and services offerings are complementary to Amadeus' Airport IT product set, bringing specific expertise in the areas of Airport Operational Databases, Resource Management Systems, Flight Information Display Systems, Collaborative Decision Making tools and Hub Management solutions.
- During this quarter, Amadeus reinforced its commitment to developing the airport of the future with the launch of Amadeus Airport Common Use Service (ACUS), a next-generation airport platform capable of carrying out all passenger processing functions. The cloud-based Software as a Service (SaaS) solution platform will allow airlines and ground handlers to share the physical space and the IT resources of the airport, eliminating hosting and development burden. Amadeus ACUS' key features include:
  - Application virtualization technology - reduces airports' need for on-site equipment, saving costs and space
  - Centrally hosted in a state-of-the-art data centre delivered via SaaS model – allows scalability and resilience for any size airport, airline and ground handler.
  - Secure network connectivity and 4G communications – fast and easy to deploy and maintain, able to run operations both on and off the airport
  - Connection to all airline Departure Control System and airport applications – cost effective and centralised connectivity for airlines expanding their network to new airports whilst lowering network costs
  - Complete end-to-end solution delivery – from software to end-user hardware with 24-7 on-site support
  - Compatible with industry standards (CUPPS and PCI ) – providing a secure and reliable solution

- During the quarter we have signed 7 new ground handlers increasing the total figure to 62. These ground handlers across the world have found in Amadeus Altéa Ground Handler the answer to overcoming many operational challenges. This achievement today means that Amadeus has the leading portfolio of ground handlers signed to its Departure Control System across all continents.

### *Hotel*

- As stated above, during the first quarter, Amadeus completed the acquisition of US based Newmarket International for USD 500 million. Newmarket, which serves around 22,000 unique properties in 154 countries, operates in the group and event management segment of the hotel industry, which is estimated to account for 30-40% of a full-service hotel's revenues. The newly acquired company will be operated as a stand-alone business within Amadeus' Global Hotel Group which will integrate many aspects of Amadeus' robust products and services over time.
- As mentioned previously in this report InterContinental Hotels Group ("IHG") announced our strategic technology relationship. This fully supports our stated mission in hotel IT, to build a community model for the hotel industry. The combination of IHG's industry insight and expertise with Amadeus' technology capabilities and broad travel experience will ensure IHG continues to offer the most innovative and efficient technological solutions at all stages of the Guest Journey.

***Payments***

- Together with Continuum Commerce Solutions, a leading provider of DCC (Dynamic Currency Conversion) and MCP (Multi-Currency Pricing) solutions and RBS's FXmicropay™ a leading FX provider to the travel, e-commerce and payment industries, Amadeus is collaborating on a new product to offer the travel sector a world class multi-currency payment solution. The new multi-currency payments module, fully integrated into the Amadeus Payment Platform, will feature Dynamic Currency Conversion and Multi-Currency Pricing options. It will allow the travel merchant to make a push-offer to the traveller in order to select their home currency in which to settle the payment in.
- Amadeus also launched a joint initiative with Wirecard to offer Wirecard's processing services through the Amadeus Payment Platform, an IT solution that offers payment transaction management for sales performed across all channels, through a wide range of methods of payment.

***Travel intelligence***

- SeaPort Airlines became the first launch customer of the Amadeus Travel Intelligence Engine, a cloud-based platform which allows customers to add as much data as they want to the cloud, allowing them to perform analytics on it.

## Additional news from the first quarter

- In March, Amadeus and the European Travel Commission (ETC) signed a strategic partnership to promote Europe as a tourism destination. This partnership agreement falls within the "Destination Europe 2020" strategy, a joint initiative between the European Commission and ETC to strengthen the image of Europe in long-haul markets through promotional activities and the implementation of new technologies in cooperation with major industry stakeholders.
- On April 1, a major industry study written by Oxford Economics and commissioned by Amadeus was published, predicting a 5.4% annual growth of travel over the next 10 years, outpacing global GDP. The report also predicts that large emerging markets will be driving this growth, with China to surpass the United States to become the world's largest outbound travel market this year and the biggest domestic market by 2017. The report indicates that growth will not be exclusive to China, with forecasts showing that other large emerging markets such as Russia, Brazil, India, Indonesia and Turkey will each also average more than 5% annual growth over the next 10 years.

## 2.3 Key ongoing R&D projects

The main R&D investment in the first quarter of 2014 relates to:

- Existing contracts:
  - Migration efforts in relation to Altéa: migration activity to our Reservations and Inventory modules (mainly related to the contracted pipeline for this year and upcoming years, such as Korean Air, Southwest –the international business– and All Nippon Airways), as well as to our Departure Control System (9 airlines scheduled in 2014).
  - Implementation of our newly launched Revenue Accounting module, with our initial launch customers, as well as up-sell activities related to our Standalone IT or e-Commerce solutions
  - Implementation works on our contracted ground handlers to our DCS module for ground handlers.

- Preparation work to migrate travel agencies in Korea from the local reservation system, Topas, to the Amadeus platform.

– Expansion of the airline IT portfolio, including new modules (revenue management, and other potential areas of expansion into other airline IT decision-making applications), and the evolution of our existing portfolio (ancillary services, payment services, new or improved functionalities such as enhanced shopping solutions).

– Progress on new business opportunities:

  - Development of new modules of our airport IT suite of products, including those contracted by the Copenhagen and Munich airports.
  - Initial costs associated to our recently announced agreement with IHG within the scope of our hotel business.
  - Investment in mobile, rail, payments and travel intelligence, where we continue to work with different industry partners.

– Investments in the Distribution business (IT applications) focused on:

  - Travel agencies: e.g. new generation selling platform, sophisticated search engines, shopping and booking solutions or ancillary services and the creation of the Total Travel Record (the future evolution of the Passenger Name Record, containing all traveler information with cross-sell, cross-channel, multi-GDS data and related customer management functionalities). Additionally, we have invested in improved access to additional content (low-cost carrier, hotel, rail) and better integration into the travel agency workflow, as well as customisation of our product portfolio to specific local needs.
  - Airlines: booking functionality, ancillary services.

– Ongoing TPF decommissioning, which implies the progressive migration of the company's platform to next-generation technologies such as Linux and Unix (today, close to 90% of Amadeus' software is supported by next-generation open systems, which allow for improved efficiency, greater flexibility in terms of the architecture and scalability of the platform). Additionally, investment in enhancements to the platform to maximise system security and stability.

# 3 Presentation of financial information

The consolidated financial information included in this document has been prepared in accordance with International Financial Reporting Standards (IFRS) and has not been audited.

Certain amounts and figures included in this report have been subject to rounding adjustments. Any discrepancies in any tables between the totals and the sums of the amounts listed are due to rounding.

### Acquisition of Newmarket and UFIS

On February 5, 2014 Amadeus acquired, 100% of the voting rights of NMTI Holdings, Inc. and its group of companies ("Newmarket”). The purchase consideration was estimated preliminarily at USD 515 million. The transaction was fully financed by a new bank loan facility, which was drawn down on February 4, 2014. Newmarket consolidated into Amadeus’ books from February 5, 2014, following the approval of the acquisition by the US Federal Trade Commission in January 2014.

Newmarket reported positive results in the first quarter of 2014 vs. the first quarter of 2013, with high-single digit growth in revenue and double-digit growth in EBITDA, leading to EBITDA margin expansion between the two periods. These positive results were supported by an increase in revenue from subscription products and efficiencies reached in certain cost lines (e.g. selling and general and administration expenses).

In addition, Amadeus acquired 100% of the voting rights of UFIS Airport Solutions AS, and its group of companies (“UFIS”) on January 24, 2014. The purchase consideration was estimated preliminarily at €19.4 million. The transaction was fully financed with cash. UFIS has been consolidated into Amadeus’ books from February 1, 2014.

UFIS delivered sound results in the first quarter of 2014 vs. the first quarter of 2013, with double-digit revenue and EBITDA growth.

The financial statements (Income Statement, Statement of financial position and statement of cashflows) of Newmarket and UFIS consolidated into Amadeus’ books are provisional and subject to changes in the next quarters. Also, a purchase price allocation exercise will be carried out during 2014. As a consequence, the balances of the consolidated assets and liabilities of Newmarket and UFIS may be adjusted, and income or loss effects may arise.

For purposes of comparability, our financial results are shown as reported (including the Newmarket and UFIS’ consolidated results with effect from February 5 2014 and February 1 2014, respectively) as well as excluding the Newmarket and UFIS’ consolidated results, in two separate columns, in the tables displayed throughout this report. In addition, the “% Change” column in these tables shows the growth between the first quarter periods of 2014 and 2013, excluding the Newmarket and UFIS’ consolidated results in the first quarter of 2014.

### Proposal to acquire i:FAO

As mentioned in section 2.1 of this report, we announced our intention to acquire i:FAO through a tender offer process on April 3, 2014. As a result of the M&A activity carried out and the tender offer process launched and its associated costs, we incurred extraordinary (non-deductible) costs amounting to €1.5 million in the first quarter of 2014. These costs are negatively impacting our operating results, in particular our EBITDA, EBITDA margin, Operating income, Profit, Adjusted profit, EPS and adjusted EPS.

| **Financial KPI excluding the extraordinary costs related to the proposal to acquire i:FAO** ***Figures in million euros*** | **Jan-Mar 2014** | **Jan-Mar 2014 (excl. M&A)[1]** | **Jan-Mar 2013** | **% Change[1]** |
|---|---|---|---|---|
| EBITDA | 352.9 | 348.7 | 323.4 | 7.8% |
| EBITDA margin (%) | 40.7% | 40.8% | 40.7% | 0.1 p.p. |
| Operating income | 279.4 | 277.0 | 257.0 | 7.8% |
| Profit | 180.7 | 180.0 | 164.3 | 9.5% |
| Adjusted profit | 192.8 | 191.3 | 176.3 | 8.6% |
| EPS | 0.41 | 0.40 | 0.37 | 9.6% |
| Adjusted EPS | 0.43 | 0.43 | 0.40 | 8.6% |

1. For comparability purposes, we have excluded the Newmarket and UFIS' consolidated results, which are consolidated for the first time in the first quarter of 2014. The "% Change" column above shows the comparable growth, excluding the impact of the recent acquisitions, as explained in this note

# 4 Financial review

## Group income statement

| **Group Income Statement** *Figures in million euros* | Jan-Mar 2014 | Jan-Mar 2014 (excl. M&A)[1] | Jan-Mar 2013 | % Change[1] |
|---|---|---|---|---|
| **Revenue** | **867.6** | **854.0** | **795.0** | **7.4%** |
| Cost of revenue | (226.7) | (225.5) | (213.3) | 5.7% |
| Personnel and related expenses | (224.7) | (219.5) | (199.9) | 9.8% |
| Depreciation and amortisation | (74.9) | (73.2) | (67.8) | 8.0% |
| Other operating expenses[(2)] | (63.3) | (60.3) | (57.1) | 5.6% |
| **Operating income[(2)]** | **277.9** | **275.5** | **257.0** | **7.2%** |
| Financial income | 0.6 | 0.6 | 0.2 | 136.3% |
| Interest expense | (16.8) | (15.7) | (17.9) | (12.5%) |
| Other financial income (expenses) | (0.8) | (0.8) | (0.1) | n.m. |
| Exchange gains (losses) | (0.6) | (0.5) | 0.7 | n.m. |
| Net financial expense | (17.6) | (16.4) | (17.1) | (4.0%) |
| Other income (expense) | 0.5 | 0.5 | (0.2) | n.m. |
| **Profit before income taxes[(2)]** | **260.8** | **259.6** | **239.6** | **8.3%** |
| Income taxes | (82.2) | (81.6) | (76.5) | 6.7% |
| **Profit after taxes[(2)]** | **178.7** | **177.9** | **163.1** | **9.1%** |
| Share in profit from associates and JVs | 0.5 | 0.5 | 1.2 | (55.5%) |
| **Profit for the period[(2)]** | **179.2** | **178.5** | **164.3** | **8.6%** |
| **Key financial metrics** | | | | |
| **EBITDA[(2)]** | **351.4** | **347.2** | **323.4** | **7.4%** |
| EBITDA margin (%) [(2)] | 40.5% | 40.7% | 40.7% | 0.0 p.p. |
| **Adjusted profit [(3)]** | **191.3** | **189.8** | **176.3** | **7.7%** |
| **Adjusted EPS (euros)[(4)]** | **0.43** | **0.43** | **0.40** | **7.7%** |

1. For comparability purposes, we have excluded the Newmarket and UFIS' consolidated results, which are consolidated for the first time in the first quarter of 2014. The "% Change" column above shows the comparable growth, excluding the impact of the recent acquisitions, as explained in this note.
2. We incurred extraordinary, non-deductible, costs amounting to €1.5 million related to the proposal to acquire i:FAO in the first quarter of 2014. These costs were accounted for in Other operating expenses, and are therefore negatively impacting our EBITDA, EBITDA margin, Profit, Adjusted Profit, EPS and Adjusted EPS. Excluding these costs, our reported EBITDA margin would be 40.7%, in line with the first quarter of 2013, and our EBITDA margin excluding Newmarket and UFIS' results would be 40.8%, 0.1 p.p. higher than the first quarter of 2013.
3. Excluding after-tax impact of the following items: (i) amortisation of PPA and impairment losses, (ii) changes in fair value of financial instruments and non-operating exchange gains (losses) and (iii) other non-recurring items.
4. EPS corresponding to the Adjusted profit attributable to the parent company. Calculated based on weighted average outstanding shares of the period.

## 4.1 Revenue

Revenue increased by 9.1%, from €795.0 million in the first quarter of 2013 to €867.6 million in the first quarter of 2014. Excluding the consolidated results of Newmarket and UFIS, our revenue grew on a comparable basis by 7.4%. Comparable revenue growth is supported by the positive evolution of both our Distribution and IT Solutions businesses.

| **Revenue** *Figures in million euros* | **Jan-Mar 2014** | **Jan-Mar 2014 (excl. M&A)[1]** | **Jan-Mar 2013** | **% Change[1]** |
|---|---|---|---|---|
| Distribution Revenue | 651.7 | 651.7 | 612.2 | 6.5% |
| IT Solutions Revenue | 215.9 | 202.3 | 182.9 | 10.6% |
| **Revenue** | **867.6** | **854.0** | **795.0** | **7.4%** |

1. For comparability purposes, we have excluded the Newmarket and UFIS' consolidated results, which are consolidated for the first time in the first quarter of 2014. The "% Change" column above shows the comparable growth, excluding the impact of the recent acquisitions, as explained in this note

### 4.1.1 Distribution

Our Distribution business continued to grow during the first quarter of 2014, driven by an increase in our air booking volumes, supported by industry growth and market share gains, higher non-booking revenue and an improvement in our average pricing.

As a result, our Distribution revenue increased by 6.5% to €651.7 million in the first quarter of 2014.

**Evolution of KPI**

During the first quarter of 2014, the volume of air bookings processed through travel agencies connected to Amadeus increased by 5.3%. The air travel agency industry continued its positive trend observed during the fourth quarter of 2013 and grew by 4.4%. In turn, our market share was sustained at close to 40%, with market share gains achieved in various geographies, offset by negative region mix effect.

| **Distribution** Figures *in million euros* | **Jan-Mar 2014** | **Jan-Mar 2013** | **% Change** |
|---|---|---|---|
| **Air TA booking industry growth** | **4.4%** | **(1.3%)** | |
| **Air TA market share** | **39.9%** | **39.8%** | **0.1 p.p.** |
| Air TA bookings (m) | 125.5 | 119.3 | 5.3% |
| Non air bookings (m) | 15.4 | 15.5 | (0.5%) |
| **Total bookings (m)** | **141.0** | **134.8** | **4.6%** |

**Air TA booking Industry**

Air travel agency bookings grew by 4.4% in the first quarter of 2014. By region, Middle East and Africa was the strongest, with significant recovery of bookings in some countries that were negatively affected by political unrest in 2013. Western Europe and North America continued their recovery paths and improved their growth rates vs. the previous quarter, albeit still below the growth rate showed by the industry overall. In turn, Central, Eastern and Southern Europe and Asia Pacific slowed down vs. the fourth quarter of 2013. Finally, Latin America was the weakest region, with negative industry growth in the quarter.

**Amadeus**

Our air TA bookings increased by 5.3% in the first quarter of 2014. Amadeus continued outperforming the industry, which grew by 4.4%. Our sustained market share gains, partly offset by the negative impact of the weak industry performance in some countries with significant weighting over our total bookings, drove our global market share up to 39.9% in the first quarter of 2014, slightly higher than the same period of 2013.

Bookings from Western Europe, which remain the most significant contributors to our total air bookings, were positively impacted by the recovery in the industry. In turn, North America's relative exposure continued increasing, as bookings in the region grew significantly, supported by market share gains and industry improvement. Latin America, Central, Eastern and Southern Europe and Asia Pacific were negatively impacted by a slowdown in the industry. In particular, certain countries where Amadeus has a significant presence (such as India, Japan, Venezuela and Argentina) had a negative industry performance. Finally, bookings in Middle East and Africa, which were negatively impacted by political instability in 2013, recovered strongly.

| **Amadeus Air TA Bookings** ***Figures in million*** | **Jan-Mar 2014** | **% of Total** | **Jan-Mar 2013** | **% of Total** | **% Change** |
|---|---|---|---|---|---|
| Western Europe | 55.7 | 44.4% | 54.1 | 45.4% | 3.0% |
| North America | 17.3 | 13.8% | 14.8 | 12.4% | 17.6% |
| Asia & Pacific | 16.7 | 13.3% | 16.3 | 13.7% | 2.2% |
| Middle East and Africa | 16.0 | 12.8% | 14.4 | 12.1% | 11.4% |
| Central, Eastern and Southern Europe | 11.8 | 9.4% | 11.7 | 9.8% | 0.7% |
| Latin America | 8.0 | 6.4% | 8.0 | 6.7% | 0.2% |
| **Total Air TA Bookings** | **125.5** | **100.0%** | **119.3** | **100.0%** | **5.3%** |

With regards to non-air distribution, bookings for the first quarter of 2014 declined slightly to 15.4 million vs. 15.5 million in the same period of 2013, driven by declining rail bookings.

### 4.1.2 IT Solutions

Our IT Solutions business posted significant growth in the first quarter of 2014. Revenue grew by 10.6% (excluding the Newmarket and UFIS' consolidated results), supported by the increase in IT transactional revenue, fuelled by growth in PB volumes. Migrations to Altéa continue to represent the main growth driver in the first quarter of the year as we are benefitting from the impact of the airlines migrated during 2013.

- IT transactional revenue increased significantly in the first quarter of 2014, as a result of the growth in all main revenue lines. IT transactional revenue per PB in the period was higher than in the first quarter of 2013, mainly driven by the positive impact of the large number of migrations to our Altéa DCS module implemented in 2013.
- Revenue from direct distribution remained broadly stable in the period, as a consequence of the combination of (i) the negative effect of the decline in bookings as a consequence of the migration of

some of our existing users of our Reservations module (e.g. Thai Airways) to the Inventory module of our Altéa Suite in 2013, and (ii) the positive effect of the organic growth in the bookings billed to our customer base.

- Non-transactional revenue declined, mostly due to a decrease in revenue from customisation services. The first quarter of 2013 represented a high base of comparison, as it was positively impacted by one-off payments from customers in relation to services or other ad-hoc projects.

**Evolution of KPI**

Total number of passengers boarded increased by 15.8% to 152.5 million in the first quarter of 2014 vs. the first quarter of 2013, mostly driven by the full-year impact of the migrations implemented during 2013, and organic growth (+3.5%).

| IT Solutions KPI | Jan-Mar 2014 | Jan-Mar 2013 | % Change |
|---|---|---|---|
| Passengers Boarded (PB) (m) | 152.5 | 131.7 | 15.8% |
| Airlines migrated (as of March 31)[1] | 118 | 107 | |

1. Airlines migrated to at least the Altéa Inventory module, in addition to the Reservations module.

As of March 31, 2014, 43.7% of our total PB were generated by Western European airlines, a decrease vs. the same period in 2013, given the increase in the weight of our PB volumes in Asia Pacific. This increase has been driven by the contribution of Asian airlines added to our platform over the last 12 months such as EVA Airways, Garuda Indonesia, Thai Airways, Asiana Airlines and Sri Lankan Airlines. This shift towards Asia Pacific will continue, as we have a number of migrations of Asian carriers scheduled for the coming months (such as Korean Air in 2014 and All Nippon Airways –only the international passengers business– in 2015). The Central, Eastern and Southern Europe region has also benefited from the addition of new airlines to the platform (namely Ural Airlines). In turn, the Middle East and Africa and Latin America regions have been negatively impacted by (i) the slowdown of air traffic in certain countries as well as in passengers carried by some of our clients, and (ii) airlines that are no longer using the Altéa platform.

| **Amadeus Altéa PB** ***Figures in million*** | Jan-Mar 2014 | % of Total | Jan-Mar 2013 | % of Total | % Change |
|---|---|---|---|---|---|
| Western Europe | 66.6 | 43.7% | 64.8 | 49.2% | 2.8% |
| Asia & Pacific | 38.2 | 25.1% | 20.7 | 15.7% | 85.2% |
| Middle East and Africa | 23.9 | 15.7% | 24.0 | 18.2% | (0.4%) |
| Latin America | 16.5 | 10.8% | 16.4 | 12.4% | 1.1% |
| Central, Eastern and Southern Europe | 7.2 | 4.7% | 5.9 | 4.5% | 22.2% |
| **Total Altéa PB** | **152.5** | **100.0%** | **131.7** | **100.0%** | **15.8%** |

## 4.2 Group operating expenses

Group operating expenses in any given quarter is mainly influenced by (i) the evolution of our unit incentive payments (cost of revenue), (ii) the increase in our workforce (both permanent employees – personnel expenses – and contractors – other operating expenses) and related costs, as well as (iii) the nature of our investments and therefore the level of costs which are subject to capitalisation based on the applicable accounting rules. Finally, there may be certain expenses that are incurred in any given quarter which are not recurring, as well as the FX impact on our cost base, based on the evolution of the EUR against various currencies.

In particular, our operating costs include extraordinary costs amounting to €1.5 million related to the proposal to acquire i:FAO in the first quarter of 2014.

### 4.2.1 Cost of revenue

These costs are mainly related to: (i) incentive fees per booking paid to travel agencies, (ii) distribution fees per booking paid to those local commercial organisations which are not majority owned by Amadeus, (iii) distribution fees paid to Amadeus Altéa customers for certain types of air bookings made through their direct sales channels, and (iv) data communication expenses relating to the maintenance of our computer network, including connection charges.

Cost of revenue increased by 6.3%, from €213.3 million in the first quarter of 2013 to €226.7 million in the first quarter of 2014. Excluding the consolidated results of Newmarket and UFIS, cost of revenue increased by 5.7%, and represented 26.4% of our revenue (lower than the 26.8% reported in the first quarter of 2013).

This increase was mainly due to higher air booking volumes in the Distribution business in the quarter (+5.3%), as well as growth in our unit incentive, albeit at a lower rate than in previous quarters. Unit incentive increase was driven by a combination of client mix and competitive pressure. The increase in our unit incentive was partially offset by efficiencies reached in our average unit distribution fee paid to our third-party distributors.

### 4.2.2 Personnel and related expenses and Other operating expenses

Personnel and related expenses increased by 12.4% in the first quarter of 2014. On a comparable basis (excluding the Newmarket and UFIS' consolidated results), our personnel expense grew by 9.8%. In turn, Other operating expenses increased by 10.8% to €63.3 million in the first quarter of 2014, or 5.6%, excluding the Newmarket and UFIS' consolidated costs.

During 2013, a large number of employees who were previously working as contractors in our development centres were hired as permanent staff, resulting in a shift of operating costs from Other operating expenses to Personnel expenses.

Our combined operating expenses cost line, including both Personnel expenses and Other operating expenses, increased by 8.9% in the first quarter of 2014 vs. the first quarter of 2013 (excluding the Newmarket and UFIS' consolidated results).

| **Personnel expenses + Other operating expenses** ***Figures in million euros*** | **Jan-Mar 2014** | **Jan-Mar 2014 (excl. M&A)[1]** | **Jan-Mar 2013** | **% Change[1]** |
|---|---|---|---|---|
| **Personnel expenses + Other operating expenses** | **(288.0)** | **(279.9)** | **(257.0)** | **8.9%** |

1. For comparability purposes, we have excluded the Newmarket and UFIS' consolidated results, which are consolidated for the first time in the first quarter of 2014. The "% Change" column above shows the comparable growth, excluding the impact of the recent acquisitions, as explained in this note.

This increase was driven by the combination of:

- Extraordinary costs amounting to €1.5 million related to the proposal to acquire i:FAO in the first quarter of 2014, included in Other operating expenses. Excluding these costs, the combined operating expenses cost line above grew by 8.3% (excluding the Newmarket and UFIS' consolidated costs).
- An increase of 8% in average FTEs (permanent staff and contractors) in the first quarter of 2014 vs. the same period of 2013.
- The annual salary reviews on a global basis, undertaken in April 2013.
- The slowdown in capitalised expense in the quarter.
- These effects were partially offset by efficiencies reached in our unitary cost, driven by the off-shore location of part of our development activity.

The increase in average FTEs in the first quarter of 2014 was mainly driven by:

- Higher headcount in R&D across all our development sites, with a significant reinforcement of our teams in Bangalore and US. This increase focused on:
  - New projects such as Revenue Management, as well as functionality enhancements, such as mobile, ancillary services and enhanced shopping and search solutions. Notably, development efforts in the airport IT and hotel areas, as well as in payments, rail and travel intelligence.
  - Implementation work in all business areas, notably in airport IT, as we work on the implementation of the large number of contracts signed with ground handlers during 2013 to our DCS offering for ground handlers, and in airline IT, in relation to our Revenue Accounting solution. Also, sustained level of implementation activity to our Altéa suite, with nine airlines scheduled to be migrated to our DCS module in 2014, in addition to the contracted pipeline to Reservations and Inventory (namely Korean Air, All Nippon Airways and Southwest –the international business).
  - Ongoing TPF decommissioning, which implies the progressive migration of the company's platform to open systems through next-generation technologies, such as Linux and Unix.
- Reinforcement of our commercial and technical support in geographical areas with significant business growth (e.g. the US) or areas where a business opportunity is identified (e.g. airport IT and hotel).
- The addition of employees from Amadeus IT Services Turkey (former Hitit Loyalty), the market leader in the airline loyalty space, in terms of customers, acquired by Amadeus in 2013.
- The headcount growth at our data centre in Erding, in order to ensure a sustained level of maximum reliability as well as to increase the development support (test environments, governance and efficiency, etc.).

## EBITDA

EBITDA amounted to €351.4 million in the first quarter of 2014. EBITDA was negatively impacted by extraordinary costs amounting to €1.5 million related to the proposal to acquire i:FAO in the first quarter of 2014. Excluding these costs, our EBITDA grew by 9.1% at group level, and our EBITDA margin was 40.7%, in line with the first quarter of 2013.

Excluding the consolidated results of Newmarket and UFIS, our EBITDA amounted to €347.2 million, representing a 7.4% increase vs. the first quarter of 2013. Excluding the abovementioned extraordinary costs related to the proposal to acquire i:FAO, EBITDA stood at €348.7 million, a 40.8% margin over revenue (an EBITDA margin expansion of 0.1 p.p.).

The comparable growth in EBITDA was supported by the positive contributions of both our Distribution and IT Solutions businesses, partly offset by an increase in net indirect costs.

The table below shows the reconciliation between Operating income and EBITDA.

| **EBITDA** *Figures in million euros* | **Jan-Mar 2014** | **Jan-Mar 2014 (excl. M&A)¹** | **Jan-Mar 2013** | **% Change¹** |
|---|---|---|---|---|
| **Operating income(2)** | **277.9** | **275.5** | **257.0** | **7.2%** |
| Depreciation and amortisation | 74.9 | 73.2 | 67.8 | 8.0% |
| Capitalised depreciation and amortisation | (1.5) | (1.5) | (1.4) | 4.7% |
| **EBITDA(2)** | **351.4** | **347.2** | **323.4** | **7.4%** |
| EBITDA margin (%)(2) | 40.5% | 40.7% | 40.7% | 0.0 p.p. |

1. For comparability purposes, we have excluded the Newmarket and UFIS' consolidated results, which are consolidated for the first time in the first quarter of 2014. The "% Change" column above shows the comparable growth, excluding the impact of the recent acquisitions, as explained in this note.
2. Operating income, EBITDA and EBITDA margin were negatively impacted by extraordinary costs amounting to €1.5 million related to the proposal to acquire i:FAO in the first quarter of 2014.

### 4.2.3 Depreciation and Amortisation

D&A increased by 10.5% in the first quarter of 2014. On a comparable basis (excluding the consolidated D&A of Newmarket and UFIS), D&A increased by 8.0% in the first quarter of 2014. This increase was explained by higher ordinary D&A expenses, partly offset by a reduction of the PPA amortisation charge.

Ordinary D&A grew on a comparable basis by 12.8% in the first quarter of 2014, mainly driven by higher amortisation of intangible assets, in turn mostly linked to the amortisation of capitalised development expenses on our balance sheet, as the associated product / contract started generating revenues during the year (for example, those costs related to Altéa migrations which were implemented in the period, as well as to certain projects related to product development). Additionally, depreciation expense was also higher in the quarter vs. the first quarter of previous year.

| **Depreciation and Amortisation** *Figures in million euros* | **Jan-Mar 2014** | **Jan-Mar 2014 (excl. M&A)¹** | **Jan-Mar 2013** | **% Change¹** |
|---|---|---|---|---|
| Ordinary depreciation and amortisation | (57.0) | (56.4) | (50.0) | 12.8% |
| Amortisation derived from PPA | (17.9) | (16.8) | (17.8) | (5.6%) |
| **Depreciation and amortisation** | **(74.9)** | **(73.2)** | **(67.8)** | **8.0%** |
| Depreciation and amortisation capitalised(2) | 1.5 | 1.5 | 1.4 | 4.7% |
| **Depreciation and amortisation post-capitalisations** | **(73.5)** | **(71.7)** | **(66.4)** | **8.0%** |

1. For comparability purposes, we have excluded the Newmarket and UFIS' consolidated results, which are consolidated for the first time in the first quarter of 2014. The "% Change" column above shows the comparable growth, excluding the impact of the recent acquisitions, as explained in this note
2. Included within the other operating expenses caption in the Group Income Statement

## 4.3 Operating income (EBIT)

Operating income for the first quarter of 2014 increased by €20.9 million or 7.8% to €277.9 million. On a comparable basis (excluding the impact of the recent acquisitions), our operating income grew by 7.2%.

Operating income was negatively impacted by extraordinary costs related to the proposal to acquire i:FAO in the first quarter of 2014. Excluding these costs, operating income grew by 7.8%, excluding the consolidated results of Newmarket and UFIS.

The increase was driven by growth in our Distribution and IT Solutions business lines, partially offset by an increase in the indirect costs line and higher D&A charges.

## 4.4 Net financial expense

Net financial expense, excluding extraordinary costs and interest expense related to the Newmarket acquisition debt, decreased by 4.0% in the first quarter of 2014. This decrease is explained by the lower amount of average gross debt outstanding (excluding the debt related to the acquisition of Newmarket), resulting in a 12.5% lower interest expense, partially offset by (i) an increase of €0.7 million in other financial expenses to €0.8 million, and (ii) non-operating foreign exchange losses of €0.5 million (vs. gains of €0.7 million in the first quarter of 2013).

## 4.5 Income taxes

Income taxes for the first quarter of 2014 amounted to €82.2 million vs. €76.5 million for the same period of 2013. The income tax rate for 2014 was 31.5%, lower than the 31.9% income tax rate in the first quarter of 2013.

## 4.6 Profit for the period. Adjusted profit for the period

As a result of the above, profit in the first quarter of 2014 amounted to €179.2 million, an increase of 9.0% vs. a profit of €164.3 million in the first quarter of 2013. Excluding the consolidated results of Newmarket and UFIS, profit for the period increased on a comparable basis by 8.6%.

Excluding the extraordinary (non-deductible) costs related to the proposal to acquire i:FAO, our profit grew by 9.5%, excluding the consolidated results of Newmarket and UFIS.

### 4.6.1 Adjusted profit for the period

| **Adjusted profit** ***Figures in million euros*** | Jan-Mar 2014 | Jan-Mar 2014 (excl. M&A)[1] | Jan-Mar 2013 | % Change[1] |
|---|---|---|---|---|
| **Reported profit** | **179.2** | **178.5** | **164.3** | **8.6%** |
| **Adjustments** | | | | |
| Impact of PPA[(2)] | 12.2 | 11.5 | 12.2 | (5.6%) |
| Non-operating FX results and mark-to-market[(3)] | 0.3 | 0.2 | (0.4) | n.m. |
| Non-recurring items[(4)] | (0.4) | (0.4) | 0.2 | n.m. |
| **Adjusted profit** | **191.3** | **189.8** | **176.3** | **7.7%** |

1. For comparability purposes, we have excluded the Newmarket and UFIS' consolidated results, which are consolidated for the first time in the first quarter of 2014. The "% Change" column above shows the comparable growth, excluding the impact of the recent acquisitions, as explained in this note.
2. After tax impact of amortisation of intangible assets identified in purchase price allocation exercises.
3. After tax impact of changes in fair value of financial instruments and non-operating exchange gains (losses).
4. After tax impact of other non-recurring items.

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 increased by 7.7% (excluding the consolidated results of Newmarket and UFIS). Excluding the extraordinary costs related to the proposal to acquire i:FAO, adjusted profit increased by 8.6%, excluding the consolidated results of Newmarket and UFIS.

### 4.6.2 Earnings per share (EPS)

| **Earnings per share** | Jan-Mar 2014 | Jan-Mar 2014 (excl. M&A)[1] | Jan-Mar 2013 | % Change[1] |
|---|---|---|---|---|
| Weighted average issued shares (m) | 447.6 | 447.6 | 447.6 | |
| Weighted average treasury shares (m) | (3.0) | (3.0) | (3.4) | |
| **Outstanding shares (m)** | **444.6** | **444.6** | **444.2** | |
| **EPS (euros)[(2)]** | **0.40** | **0.40** | **0.37** | **8.7%** |
| **Adjusted EPS (euros)[(3)]** | **0.43** | **0.43** | **0.40** | **7.7%** |

1. For comparability purposes, we have excluded the Newmarket and UFIS' consolidated results, which are consolidated for the first time in the first quarter of 2014. The "% Change" column above shows the comparable growth, excluding the impact of the recent acquisitions, as explained in this note.
2. EPS corresponding to the Profit attributable to the parent company. Calculated based on weighted average outstanding shares of the period.
3. EPS corresponding to the Adjusted profit attributable to the parent company. Calculated based on weighted average outstanding shares of the period.

The table above shows EPS for the period, based on the profit attributable to the parent company (after minority interests, which amounted to a profit of €0.1 million in the first quarter of 2014 and €0.2 million in the same period of 2013), both on a reported basis and on an adjusted basis (adjusted profit as detailed above).

Excluding the extraordinary (non-deductible) costs related to the proposal to acquire i:FAO, EPS increased by 9.6% and adjusted EPS increased by 8.6%, both excluding the consolidated results of Newmarket and UFIS.

# 5 Other financial information

## 5.1 R&D investment

R&D investment (including both capitalised and non-capitalised expenses) increased by 6.1% in the first quarter of 2014 vs. the same period in 2013. Excluding the Newmarket and UFIS' consolidated investment, R&D investment increased by 4.2% in the first quarter of 2014 vs. the same period in 2013. As a percentage of revenue, R&D investment (excluding Newmarket and UFIS' investment) amounted to 14.4%.

This increase in R&D in the first quarter of 2014 reflects, amongst others:

i. Higher investment carried out as a result of the high level activity in terms of ongoing projects (portfolio expansion or product evolution initiatives, such as revenue management, mobile and search solutions, and implementation activity related to the contracted pipeline to Altéa).

ii. Additional investment in new projects or new initiatives. In particular, increased resources devoted to airport IT, linked to the contracts signed in the year as well as to portfolio development, and to hotel, rail, payments and travel intelligence.

iii. Ongoing investment in the TPF reengineering and increased efforts on system performance to sustain the highest possible reliability and service levels to our client base.

It should be noted that a significant part of our research and development costs are linked to activities which are subject to capitalisation. The intensity of the development activity and the different stages in the ongoing projects have an effect on the capitalisation ratio in any given quarter, therefore impacting the level of operating expenses that are capitalised on our balance sheet.

| **R&D Investment** *Figures in million euros* | **Jan-Mar 2014** | **Jan-Mar 2014 (excl. M&A)[1]** | **Jan-Mar 2013** | **% Change[1]** |
|---|---|---|---|---|
| **R&D investment[(2)]** | **125.3** | **123.1** | **118.1** | **4.2%** |
| R&D as a % of Revenue | 14.4% | 14.4% | 14.9% | (0.4 p.p.) |

1. For comparability purposes, we have excluded the Newmarket and UFIS' consolidated results, which are consolidated for the first time in the first quarter of 2014. The "% Change" column above shows the comparable growth, excluding the impact of the recent acquisitions, as explained in this note.
2. Net of Research Tax Credit.

## 5.2 Capital expenditure

The table below details the capital expenditure in the period, both in tangible and intangible assets. Based on the nature of our investments in tangible assets, the figures may show variations on a quarterly basis, depending on the timing on certain investments. The same applies to our investments in contractual relationships where payments to travel agencies may take place in different periods, based on the timing of the renegotiations.

Capex in the first quarter of 2014 amounted to €102.5 million, 0.6% higher than in the same period of 2013. Excluding the Newmarket and UFIS' consolidated capex, our capex declined by 0.2%. As a percentage of revenue, capex (excluding Newmarket and UFIS' investment) represented 11.9%, below 12.8% in the first quarter of 2013.

This decline in capex was driven by a €0.5 million reduction in capex in tangible assets, partially offset by a €0.9 million or 1.0% growth in investment in intangible assets. The decline in the investment in tangible assets was mainly due to timing differences. In turn, the increase in capex in intangible assets was due to higher signing bonuses paid in the quarter, partly offset by a slowdown in capitalised R&D and lower capitalised licenses, the latter also driven by timing differences.

| **Capital Expenditure** ***Figures in million euros*** | **Jan-Mar 2014** | **Jan-Mar 2014 (excl. M&A)[1]** | **Jan-Mar 2013** | **% Change[1]** |
|---|---|---|---|---|
| Capital expenditure in tangible assets | 11.8 | 11.6 | 12.1 | (3.8%) |
| Capital expenditure in intangible assets | 90.7 | 90.1 | 89.8 | 0.3% |
| **Capital expenditure** | **102.5** | **101.7** | **101.9** | **(0.2%)** |
| As % of Revenue | 11.8% | 11.9% | 12.8% | (0.9 p.p.) |

1. For comparability purposes, we have excluded the Newmarket and UFIS' consolidated capital expenditure, which are consolidated for the first time in the first quarter of 2014. The "% Change" column above shows the comparable growth, excluding the impact of the recent acquisitions, as explained in this note.

# 6 Investor information

## 6.1 Capital stock. Share ownership structure

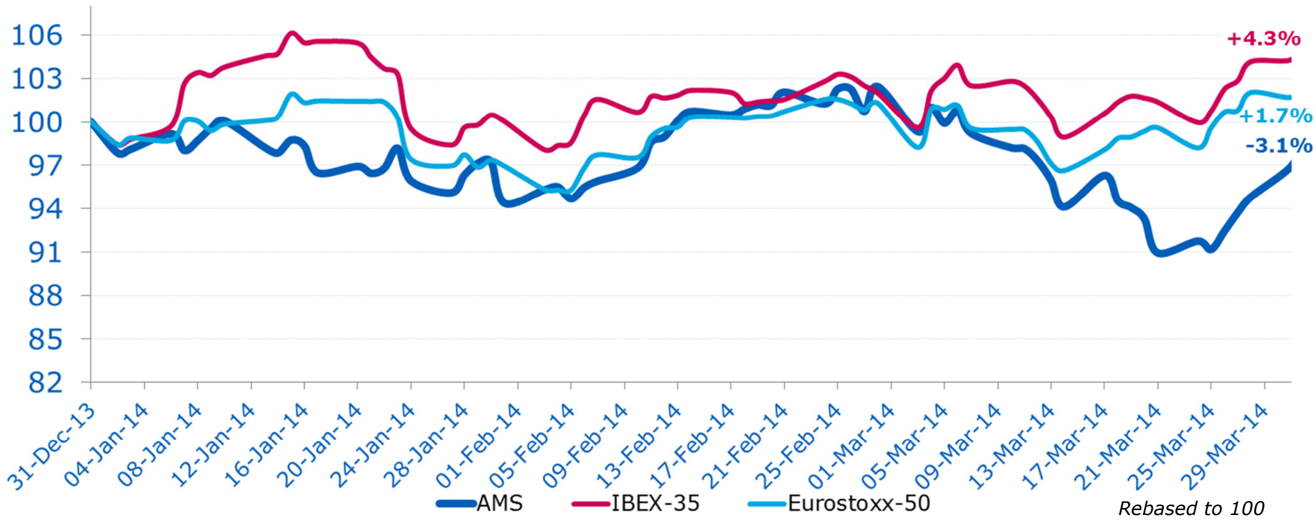
As of March 31, 2014 the capital stock of our company is €4,475,819.5 represented by 447,581,950 shares with a nominal value of €0.01 per share, all belonging to the same class, fully subscribed and paid in.

The shareholding structure as of March 31, 2014 is as described in the table below:

| Shareholders | Shares | % Ownership |
|---|---|---|
| Air France Finance | 22,578,223 | 5.04% |
| Malta Pension Investments | 17,903,279 | 4.00% |
| Free float | 403,862,208 | 90.23% |
| Treasury shares[1] | 2,963,138 | 0.66% |
| Board members | 275,102 | 0.06% |
| **Total** | **447,581,950** | **100.00%** |

[1] Voting rights suspended for as long as the shares are held by our company.

## 6.2 Share price performance in 2014




| Amadeus | |
|---|---|
| Number of publicly traded shares (# shares) | 447,581,950 |
| Share price at March 31, 2014 (in €) | 30.15 |
| Maximum share price in Jan - Mar 2014 (in €) (February 28, 2014) | 31.87 |
| Minimum share price in Jan - Mar 2014 (in €) (March 21, 2014) | 28.29 |
| Market capitalisation at March 31, 2014 (in € million) | 13,495 |
| Weighted average share price in Jan - Mar 2014 (in €)[1] | 30.4 |
| Average Daily Volume in Jan - Mar 2014 (# shares) | 3,909,378 |

1. Excluding cross trades.

## 6.3 Dividend payments

In 2014, the Board of directors will submit to the General Shareholders Meeting for approval a final gross dividend of €0.625 per share, including an interim dividend of €0.30 per share (gross), which was fully subscribed and paid up on January 31, 2014. Based on this, the proposed appropriation of the 2013 results included in our 2013 audited consolidated financial statements of Amadeus IT Holding, S.A. and subsidiaries includes a total amount of €279.7 million corresponding to dividends pertaining to the financial year 2013.

# 7 Key terms

- “ACH”: refers to “Airlines Clearing House”
- “ACO”: refers to “Amadeus Commercial Organisation”
- “Air TA bookings”: air bookings processed by travel agencies using our distribution platform
- “CRS” : refers to “ Computerised Reservation System”
- “DCS”: refers to “Departure Control System”
- “EMD”: refers to “electronic miscellaneous document”
- “EPS”: refers to “Earnings Per Share”
- “EIB”: refers to “European Investment Bank”
- “FTE”: refers to “full-time equivalent” employee
- “GDS”: refers to a “global distribution system”, i.e. a worldwide computerised reservation system (CRS) used as a single point of access for reserving airline seats, hotel rooms and other travel-related items by travel agencies and large travel management corporations
- “Distribution industry”: includes the total volume of air bookings processed by GDSs, excluding (i) air bookings processed by the single country operators (primarily in China, Japan, South Korea and Russia) and (ii) bookings of other types of travel products, such as hotel rooms, car rentals and train tickets
- “IATA”: the “International Air Transportation Association”
- “ICH”: the “International Clearing House”
- “IFRIC”: refers to “International Financial Reporting Interpretation Committee”
- “IPO”: refers to “Initial Public Offering”
- “JV”: refers to “Joint Venture”
- “KPI”: refers to “key performance indicators”
- “LATAM”: refers to “Latin America”
- “LTM”: refers to “last twelve months”
- “n.m.”: refers to “not meaningful”
- “PB”: refers to “passengers boarded”, i.e. actual passengers boarded onto flights operated by airlines using at least our Amadeus Altéa Reservation and Inventory modules
- “p.p.”: refers to “percentage point”
- “PPA”: refers to “purchase price allocation” (please refer to page 18 for further details)
- “RTC”: refers to “Research Tax Credit”
- “TA”: refers to “travel agencies”
- “TPF”: refers to “Transaction Processing Facility”, a software license from IBM

# 8 Appendix: Financial tables

## 8.1 Statement of financial position (condensed)

| **Statement of Financial Position** ***Figures in million euros*** | **31/03/2014** | **31/12/2013** |
|---|---|---|
| Property, plant and equipment | 326.2 | 304.6 |
| Intangible assets | 2,053.0 | 1,983.9 |
| Goodwill | 2,431.4 | 2,068.3 |
| Other non-current assets | 164.8 | 164.9 |
| Non-current assets | 4,975.4 | 4,521.8 |
| Current assets | 527.9 | 414.5 |
| Cash and equivalents | 553.8 | 490.9 |
| **Total assets** | **6,057.1** | **5,427.1** |
| | | |
| Equity | 2,018.5 | 1,840.1 |
| Non-current debt | 1,809.3 | 1,427.3 |
| Other non-current liabilities | 981.1 | 946.7 |
| Non-current liabilities | 2,790.4 | 2,374.0 |
| Current debt | 286.3 | 270.9 |
| Other current liabilities | 961.9 | 942.2 |
| Current liabilities | 1,248.3 | 1,213.0 |
| **Total liabilities and equity** | **6,057.1** | **5,427.1** |
| | | |
| **Net financial debt (as per financial statements)** | **1,541.8** | **1,207.3** |

## 8.2 Financial indebtedness

| **Indebtedness** *Figures in million euros* | **31/03/2014** | **31/12/2013** |
|---|---|---|
| **Covenants definition**[1] | | |
| Senior Loan (EUR) | 265.9 | 265.9 |
| Senior Loan (USD)[2] | 253.7 | 253.6 |
| Debt associated with the acquisition of Newmarket[2] | 362.6 | 0.0 |
| Long term bonds | 750.0 | 750.0 |
| EIB loan | 350.0 | 350.0 |
| Other debt with financial institutions | 62.0 | 60.7 |
| Obligations under finance leases | 43.9 | 21.4 |
| **Covenant Financial Debt** | **2,088.1** | **1,701.6** |
| Cash and cash equivalents | (553.8) | (490.9) |
| **Covenant Net Financial Debt** | **1,534.3** | **1,210.7** |
| **Covenant Net Financial Debt / LTM Covenant EBITDA**[3] | **1.22x** | **1.01x** |
| **Reconciliation with financial statements** | | |
| **Net financial debt (as per financial statements)** | **1,541.8** | **1,207.3** |
| Interest payable | (29.9) | (20.6) |
| Deferred financing fees | 11.1 | 12.3 |
| EIB loan adjustment | 11.2 | 11.7 |
| **Covenant Net Financial Debt** | **1,534.3** | **1,210.7** |

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 1.3788 and 1.3791 (official rate published by the ECB on Mar 31, 2014 and Dec 31, 2013, respectively).
3. LTM' covenant EBITDA as defined in the senior credit agreement.

### Reconciliation with net financial debt as per our financial statements

Under the covenant terms, Covenant Financial Debt (i) does not include the accrued interest payable (€29.9 million at March 31, 2014) which is treated as debt in our financial statements, (ii) is calculated based on its nominal value, while in our financial statements our financial debt is measured at amortised cost, i.e., after deducting the deferred financing fees (that correspond mainly to fees paid upfront in connection with the set-up of new credit agreements and amount to €11.1 million at March 31, 2014) and (iii) does not include an adjustment for the difference between the nominal value of the loan granted by the EIB at below-market interest rate and its fair value (€11.2 million at March 31, 2014).

## 8.3 Group cash flow

| **Consolidated Statement of Cash Flows** ***Figures in million euros*** | **Jan-Mar 2014** | **Jan-Mar 2013** | **% Change** |
|---|---|---|---|
| EBITDA | 351.4 | 323.4 | 8.7% |
| Change in working capital | (19.7) | (26.9) | (26.8%) |
| Capital expenditure | (102.5) | (101.9) | 0.6% |
| **Pre-tax operating cash flow** | **229.2** | **194.6** | **17.8%** |
| Taxes | (17.9) | (8.1) | 119.4% |
| Equity investments | (345.1) | 0.0 | n.m. |
| Non-operating cash flows | (0.7) | (0.4) | 105.1% |
| Cash flow from extraordinary items | 0.2 | 0.4 | (34.9%) |
| **Cash flow** | **(134.3)** | **186.4** | **n.m.** |
| Interest and financial fees paid | (6.3) | (7.2) | (13.3%) |
| Debt payment | 332.2 | (10.5) | n.m. |
| Cash to shareholders | (133.4) | (111.1) | 20.0% |
| **Change in cash** | **58.2** | **57.6** | **1.1%** |
| | | | |
| **Cash and cash equivalents, net** [1] | | | |
| Opening balance | 490.6 | 399.6 | 22.8% |
| Closing balance | 548.8 | 457.2 | 20.0% |

1. Cash and cash equivalents are presented net of overdraft bank accounts

# Contacts

For any other information please contact:

**Ana de Pro**
Chief Financial Officer
ana.depro@amadeus.com

**Cristina Fernández**
Director, Investor Relations
cristina.fernandez@amadeus.com

*You can follow us on:*
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**investors.amadeus.com**

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