



2019 Management Review

February 28, 2020

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1 Summary



1.1 Introduction

Full Year 2019 highlights (year ended December 31, 2019)

- In Distribution, our travel agency bookings grew 0.5%, to 646.6 million.
- In IT Solutions, our passengers boarded increased 7.5%, to 1,993.7 million.
- Revenue grew by 12.8%¹, to €5,577.9 million.
- EBITDA increased by 10.0%¹, to €2,245.3 million.
- Adjusted profit² increased by 13.4%¹, to €1,270.2 million.
- Free Cash Flow was €1,044.8 million³, increasing 5.7% (8.1%³ increase pre-tax).
- Net financial debt⁴ was €2,758.4 million at December 31, 2019 (1.23 times last-twelve-month EBITDA⁴).

Amadeus ended the year with a positive evolution through the fourth quarter, delivering 2019 Revenue, EBITDA and Adjusted Profit growth of 12.8%¹, 10.0%¹, and 13.4%¹, respectively. This positive evolution was supported by the operating performances of our Distribution and IT Solutions segments, TravelClick's acquisition (acquired on October 4, 2018) and positive foreign exchange effects. Our performance took place in the context of a sound financial structure, with leverage closing at 1.23 times last-twelve month EBITDA, supported by free cash flow generation of €1,044.8 million³, a 8.1% pre-tax increase relative to 2018.

In Distribution, during the fourth quarter of 2019, we continued to secure and expand content for our subscribers by renewing or signing content agreements with 17 carriers, reaching a total of 47 in the year 2019. In January 2020, we announced a new distribution agreement with Air India resulting from which travel sellers in India will have access to the airline's international content, while travel sellers in the rest of the world will have access to the full range of Air India's content, both domestic and international. Also, in February 2020, we announced that Japan Airlines will implement Amadeus Altéa NDC and integrate its NDC content into the Amadeus Travel Platform.

Despite a weak industry this year, in 2019, our Distribution travel agency bookings grew by 0.5%, of which, our TA air bookings remained flat relative to 2018. Excluding India, Amadeus TA air bookings grew 2.7%. Our volume growth was supported by an enhancement in our

¹ Adjusted to exclude TravelClick's acquisition related costs (amounting to €9.4 million and €19.5 million in 2019 and 2018, respectively, before taxes) and PPA effects (which reduced revenue and EBITDA by €7.8 million and €3.6 million, respectively, in 2019, and by €8.2 million and €7.7 million, respectively, in 2018. Adjusted profit is not impacted by PPA effects). For full details, please see section 3.1 on TravelClick's acquisition and impacts.

² Excluding after-tax impact of the following items: (i) accounting effects derived from PPA exercises and impairment losses, (ii) non-operating exchange gains (losses) and (iii) other non-operating items.

³ Defined as EBITDA, minus capex, plus changes in our operating working capital, minus taxes paid, minus interests and financial fees paid. Adjusted to exclude TravelClick's acquisition related costs of €14.4 million and €4.8 million, paid in 2019 and 2018, respectively, and TravelClick's acquisition financing related fees of €8.2 million, paid in 2018. For full details, please see section 3.1 on TravelClick's acquisition and impacts.

⁴ Based on our credit facility agreements' definition.

global competitive position⁵ expanding by 0.3 p.p. (by 1.0 p.p. excluding India). In 2019, Amadeus had market share gains across regions, with the exception of Asia-Pacific. In Asia-Pacific, in December 2018, Air India cancelled its distribution agreement with Amadeus and, in April 2019, Jet Airways ceased operations. In 2019, Distribution revenue grew 4.2%, supported by volume growth, average revenue per booking expansion, double-digit growth in Payments Distribution and positive foreign exchange effects.

IT Solutions revenue grew 26.2%¹ in 2019. This evolution was driven by (i) high single-digit growth in Airline IT solutions, (ii) a continued expansion in our new businesses, delivering double-digit revenue growth, (iii) the consolidation of TravelClick and (iv) positive foreign exchange effects. Our Passengers Boarded increased by 8.9% in the quarter and by 7.5% in the year. This growth was driven by (i) customer implementations (including S7 Airlines, Maldivian Airlines, Cyprus Airways and Aeromar in 2018, as well as, Philippine Airlines, Bangkok Airways, Flybe, Air Canada and Air Europa in 2019) and (ii) organic growth of 6.4%. Passengers Boarded growth in 2019 was negatively impacted by the de-migration of LATAM Airlines Brasil from our platform during the second quarter of 2018. Our Airline IT business was also impacted by an unusually high number of airline bankruptcies taking place in 2019, such as Germania, bmi Regional, Avianca Brasil, Avianca Argentina, Thomas Cook UK, Aigle Azur, Adria Airways and XL Airways France. Excluding these airline customers ceasing or suspending operations (which combined had approximately 30 million passengers boarded annually), our Passengers Boarded growth was 10.5% in the fourth quarter and 8.5% in the year.

During the fourth quarter, Air Canada completed its migration to the Altéa Reservations and Inventory modules and also implemented Amadeus Anytime Merchandizing and Amadeus Customer Experience Management. Our Airline IT customer base continued to expand. TAAG Angola signed for the full Altéa suite and Amadeus Revenue Integrity. Norwegian signed for Amadeus Passenger Recovery. Korean Air contracted for some of our disruption related solutions. Chinese carriers Sichuan Airlines and Xiamen Airlines, both, signed for additional functionality within our Digital suite and SriLankan Airlines contracted for Amadeus Group Manager. Russian carrier S7 Airlines contracted and implemented Amadeus Loyalty. Fiji Airways contracted for Amadeus Revenue Management, Amadeus Revenue Accounting and Amadeus Revenue Integrity, among others.

We also continued to expand our customer bases in our non-air businesses. In Hospitality, U.S. hotel chain Coast Hotels contracted TravelClick's iHotelier and business intelligence solutions. Welk Resorts Group and hotel St Giles London contracted for Single Media Agency. World Trade Center Boston & Seaport Hotel as well as, the Australian chain Crown hotels, renewed and implemented the most advanced Amadeus Sales & Event Management solution.

During the quarter, in Airport IT, Perth Airport, a customer of Amadeus Airport Common Use Service since 2015, signed for ICM's Hybrid Auto Bag Drop units and check-in kiosks, along with ICM's local platform to serve the kiosks. Perth airport will also implement Amadeus Passenger Verification. We continued to grow our footprint in the U.S. Nashville International Airport

⁵ Competitive position as defined in section 3.

(Tennessee), Daytona Beach International Airport (Florida) and Fort Lauderdale-Hollywood International Airport (Florida) contracted for our solutions.

A sustained and consistent investment in technology has been key to our success. In 2019, our investment in R&D amounted to 17.3% of revenue. It was dedicated to supporting our mid to long-term growth, through: portfolio expansion and new customer implementations; our internal digitalization and transformational projects to better integrate newly acquired businesses and enhance our performance; and additionally, our system performance optimization and our continued shift to next-generation technologies and cloud architecture.

1.2 Summary of operating and financial information

Summary of KPI (€millions)	Full year 2019 ¹	Full year 2018 ¹	Change
Operating KPI			
TA air bookings (m)	580.4	580.2	0.0%
Non air bookings (m)	66.2	63.0	5.1%
Total bookings (m)	646.6	643.2	0.5%
Passengers boarded (m)	1,993.7	1,853.9	7.5%
Financial results			
Distribution revenue	3,130.6	3,004.3	4.2%
IT Solutions revenue	2,447.3	1,939.7	26.2%
Revenue	5,577.9	4,943.9	12.8%
Distribution contribution	1,405.4	1,380.7	1.8%
IT Solutions contribution	1,577.9	1,352.4	16.7%
Contribution	2,983.3	2,733.1	9.2%
EBITDA	2,245.3	2,040.6	10.0%
EBITDA margin (%)	40.3%	41.3%	(1.0 p.p.)
Profit for the year	1,161.6	1,031.9	12.6%
Adjusted profit²	1,270.2	1,120.1	13.4%
Adjusted EPS (euros)³	2.95	2.60	13.3%
Cash flow			
Capital expenditure	736.1	718.2	2.5%
Free cash flow⁴	1,044.8	988.9	5.7%
Indebtedness⁵	Dec 31, 2019	Dec 31, 2018	Change
Net financial debt	2,758.4	3,074.0	(315.6)
Net financial debt/LTM EBITDA	1.23x	1.47x	

¹Adjusted to exclude TravelClick's acquisition related costs (amounting to €9.4 million and €19.5 million in 2019 and 2018, respectively, before taxes) and PPA effects (which (i) reduced revenue and EBITDA by €7.8 million and €3.6 million, respectively, in 2019, and by €8.2 million and €7.7 million, respectively, in 2018, and (ii) increased amortization expense by €51.6 million and €12.2 million in 2019 and 2018, respectively. Adjusted profit is not impacted by PPA effects). For full details, please see section 3.1 on TravelClick's acquisition and impacts.

²Excluding after-tax impact of the following items: (i) accounting effects derived from PPA exercises and impairment losses, (ii) non-operating exchange gains (losses) and (iii) other non-operating items.

³EPS corresponding to the Adjusted profit attributable to the parent company.

⁴Defined as EBITDA, minus capex, plus changes in our operating working capital, minus taxes paid, minus interests and financial fees paid. Adjusted to exclude TravelClick's acquisition related costs of €14.4 million and €4.8 million, paid in 2019 and 2018, respectively, and TravelClick's acquisition financing related fees of €8.2 million, paid in 2018 (for full details, please see section 3.1 on TravelClick's acquisition and impacts). Also, 2019 free cash flow was impacted by an increase in taxes paid in the first quarter of 2019. Excluding TravelClick's acquisition related costs and financing related fees, pre-tax free cash flow increased by 8.1%.

⁵Based on our credit facility agreements' definition.

2 Operating Review



2.1 Recent business highlights

Distribution

- During the fourth quarter, we signed 17 new contracts or renewals of content agreements with airlines, including easyJet, reaching a total of 47 in 2019. Subscribers to Amadeus' inventory can access more than 110 low cost and hybrid carriers' content worldwide.
- In January 2020, we signed a new distribution agreement with Air India resulting from which travel sellers in India will have access to the airline's full international content, while travel sellers in the rest of the world will have access to the full range of Air India's content, both domestic and international.
- In February 2020, we announced that Japan Airlines (JAL) will be integrating its NDC content into the Amadeus Travel Platform for distribution using Amadeus NDC Connect, a solution specifically designed for Altéa airlines to make their NDC content seamlessly available for travel sellers worldwide. JAL will also implement Amadeus Altéa NDC, a solution that will help the airline enhance the retailing and servicing of its offers across channels, ensuring consistent brand delivery at scale.
- In November, we partnered with KPMG to simplify submission of business travel required documentation, like visa or work permit. Through a combined technological offering, companies and employees will be able to book their business travel and receive immigration, tax and regulatory assessments. Companies using both Amadeus and KPMG business travel technology can elect to have their employee travel data sent directly by Amadeus cytric Travel & Expense to KPMG LINK Business Traveler for assessment. The business traveler can then identify travel requirements at the point of booking or planning a trip.
- In January 2019, we signed a partnership with EbixCash, a leading international supplier of on-demand software and e-commerce services. With 210,000 travel agents to service and 4.5 million users of its travel app, the partnership will provide EbixCash's online websites, travel agents and corporations in Asia-Pacific and UAE with access to the unrivalled breadth of content offered by the Amadeus Travel Platform, enabling EbixCash to become a one-stop-shop for travel.
- The trend towards increased personalization remains strong within the travel industry, as travelers demand more tailored offers and services. Our merchandizing solutions for the travel agency channel are one of the options we offer our customers to meet this demand. During the fourth quarter, 6 airlines signed for Amadeus Airline Fare Families and 3 airlines contracted Amadeus Ancillary Services for the indirect channel, including Malindo Air. In total, in 2019, 24 airlines signed up for Amadeus Airline Fare Families (of which 11 implemented the solution) and 10 contracted Amadeus Ancillary Services (of which 8 implemented it, including Shanghai Airlines in the fourth quarter of 2019).

Number of customers (at December 31, 2019)	Implemented	Contracted
Amadeus Ancillary Services	132	157
Amadeus Airline Fare Families	78	101

Airline IT

- At the close of 2019, 216 customers had contracted either of the Amadeus Passenger Service Systems (Altéa or New Skies) and 208 had implemented them.
- During the fourth quarter, TAAG Angola signed for the full Altéa suite and Amadeus Revenue Integrity. This solution helps the airline to maximize its revenue opportunity by releasing non-committed inventory for resell. Air Canada completed its migration to Altéa Reservation and Inventory, as well as to Altéa Anytime Merchandizing and Altéa Customer Experience. The adoption of these solutions will help the airline to smooth passenger operations, grow brand loyalty and customer satisfaction and increase revenues.
- We renewed and expanded our longstanding technology partnership with the Lufthansa Group (LHG). Through this agreement, Lufthansa, Austrian Airlines, Brussels Airlines, Swiss International Air Lines and Air Dolomiti will continue to rely on Altéa, and Eurowings will continue to rely on New Skies. In addition to the renewed solutions, LHG has contracted an array of new services which are set to transform the way the airline group serves its customers — both online and at the airport — including shopping solutions, Amadeus Instant Search (that improves the returns of the airline's Search Optimization Engine (SEO) to convert more "lookers" into "bookers"), Amadeus Sales Watcher (a revenue integrity solution to secure ticket revenues), and Real-time Ticketing Feed (event-based structured data stream to enable new airline applications, such as customer servicing).
- Our upselling and cross-selling efforts continued during the fourth quarter. Norwegian signed for Amadeus Passenger Recovery. Korean Air contracted some of our disruption related solutions. All Nippon Airways contracted Amadeus DCS-CM Active Standby, which allows the carrier to proactively manage Voluntary Denied Boarding and offers alternative flights for an optimal disruption management. Chinese carriers Sichuan Airlines and Xiamen Airlines both signed for additional functionality within our Digital suite, while SriLankan Airlines contracted Amadeus Group Manager. Russian carrier S7 Airlines contracted and implemented Amadeus Loyalty and implemented Amadeus Enhanced Reaccommodation.
- Fiji Airways contracted Amadeus Revenue Management, Amadeus Revenue Accounting, Amadeus Reservation Desktop Web, Codeshare Synchronization and Amadeus Revenue Integrity. All these solutions will help the airline to regain control faster after disruptions and deliver seamless traveler journeys even during these complicated situations. Fiji Airways will also embark on a project to implement the Amadeus Disruption Transfer and Re-accommodation modules.
- In January 2020, Amadeus completed the acquisition of Sky Suite, the airline network planning software business of Optym. Optym and Amadeus have been partners for more than three years, jointly delivering solutions to Southwest Airlines, easyJet and LATAM Airlines. The Amadeus Sky Suite will be further integrated into the Amadeus Airline Platform, including software for network optimization and simulation, frequency and

capacity planning, network planning and forecasting, and a flight scheduling development platform.

Hospitality

- We continued expanding our portfolio of customers in this segment. American hotel chain Coast Hotels contracted TravelClick's iHotelier and business intelligence solutions, which will be implemented across its almost 40 properties.
- Welk Resorts Group opted for Single Media Agency for 3 of its properties. London-based hotel St Giles London also contracted this solution.
- During the last part of the year, World Trade Center Boston & Seaport Hotel and the Australian chain Crown hotels and its 7 properties renewed their contract and implemented the most advanced version of our Amadeus Sales & Event Management solution. This solution helps hotels deliver exciting, engaging events, underpinned by excellent customer services and operational efficiency.

Airport IT

- We also continued expanding our customer base in the Airport IT business. In February 2020, we announced an agreement with ABC GH, the main ground handling operator of Khujand International Airport (Tajikistan). As part of the agreement, ABC GH has gained access to Amadeus Altéa Departure Control for Ground Handlers and will be able to take advantage of Amadeus technology to expand its cooperation with airlines and airports.
- We also grew our footprint in the United States during the period. Nashville International Airport (Tennessee), signed up for EASE Passenger Processing System, Airport Operational Database (AODB) and Resource Management System (RMS). Daytona Beach International Airport (Florida) also signed up for EASE, while Fort Lauderdale-Hollywood International Airport (Florida) contracted Amadeus Biometric Integrator, which helps to ease the boarding process while reducing the time spent.
- Our upselling efforts in this segment also continued. In December, Perth Airport (Australia), a customer of Amadeus' ACUS since 2015, signed up for ICM's Hybrid Auto Bag Drop units and check-in kiosks, along with ICM's local platform to serve the kiosks (see section 3.2 for details on ICM acquisition). The hybrid functionality means passengers can check-in and drop their bags independently, or the same units can be switched to full-service mode and staffed for conventional check-in. The airport will also implement Amadeus Passenger Verification.

Other announcements

- In December 2019, Amadeus was once more recognized as a key R&D investor in Europe. According to the 2019 European Commission Industrial R&D Scorecard, Amadeus is the leading investor in R&D within the travel sector in Europe, and second in the software industry.
- Also in December, Amadeus Ventures announced that it had made a small investment in Refundit, a startup whose mobile solution allows travelers to claim VAT refunds digitally and avoid tedious paperwork and queues at the airport.

2.2 Key ongoing R&D projects

As a leading technology provider to the travel industry, Amadeus undertakes significant R&D activities. In 2019, Amadeus committed 17.3% of its Group revenue to R&D, which primarily focused on:

— New product development and portfolio expansion:

- Ongoing efforts for NDC industrialization. Investments related to the development of our platform to combine content from different sources (existing technology, NDC and content from aggregators and other sources), ensuring easy adoption in the marketplace with minimal disruption.
- Investment in the Amadeus Suites for airlines, including the Amadeus Offer Suite (which includes enhanced shopping, retailing and merchandizing tools, as well as revenue management solutions), the Amadeus Order Suite (which includes solutions within Passenger Service Systems and payments, among others) and the Amadeus Digital Experience Suite (including digital commerce solutions).
- For travel agencies, meta-search engines and corporations, including efforts linked to our cloud-based new-generation selling platform.
- For the hospitality industry: continued efforts devoted to the evolution of our hospitality platform to integrate our offering, resources dedicated to the development of our modular and combined central reservation system and property management system and further enhancements to our sales and catering technology stack.
- Continued development and evolution of our Airport IT and Payments portfolios.

— Customer implementations and services:

- Implementation efforts related to PSS implementations (including Air Canada), as well as to our upselling activity (such as Revenue Management and Merchandizing, e-commerce and personalization, among others).
- Implementation of Distribution solutions for airlines, travel agencies, and corporations, including, among others, our search and shopping solutions.
- Implementation of customers to our Hospitality, Airport IT and Payments businesses.

— Cross-area technology investment:

- Continued shift to next-generation technologies and cloud services, which provides a flexible and powerful framework for massive deployment and distributed operations of very large transactional and data traffic.
- The application of new technologies, such as artificial intelligence and machine learning, to our product portfolio.
- System performance projects to deliver the highest possible reliability, availability, as well as service and security levels to our customer base.

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- Internal digitalization and transformational projects to better integrate newly acquired businesses and enhance our performance. Projects related to our overall infrastructure and processes to improve efficiency and flexibility.

3 Presentation of financial information



The audited consolidated financial statements of Amadeus IT Group, S.A. and subsidiaries are the source to the financial information included in this document and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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.

This document includes unaudited Alternative Performance Measures such as EBITDA, operating income, net financial debt as defined by our credit facility agreements, adjusted profit and their corresponding ratios. These Alternative Performance Measures have been prepared in accordance with the Guidelines issued by the European Securities and Markets Authority for regulated information published on or after July 3, 2016.

- Segment contribution is defined as the segment revenue less operating costs plus capitalizations directly allocated to the segment. A reconciliation to EBITDA is included in section 5.3.
- EBITDA corresponds to Operating income plus D&A expense. A reconciliation to the financial statements is included in section 6.1.5.
- The reconciliation of Operating income is included in the Group income statement included in section 6.1.
- Adjusted profit corresponds to reported profit for the period, after adjusting for: (i) accounting effects derived from PPA exercises and impairment losses, (ii) non-operating exchange gains (losses), and (iii) other items, as detailed in section 6.1.8.
- Net financial debt as defined by our credit facility agreements is calculated as current and non-current debt (as per the financial statements), less cash and cash equivalents, adjusted for non-debt items (such as deferred financing fees, accrued interest and fair value adjustments to an EIB loan). A reconciliation to the financial statements is included in section 6.2.5.

We believe that these measures provide useful and relevant information to facilitate a better understanding of the performance of Amadeus and its economic position. These measures are not standard and therefore may not be comparable to those presented by other companies.

When we refer to our competitive position, we take into account our travel agency air bookings in relation to the travel agency air booking industry, defined as the total volume of travel agency air bookings processed by the three major global reservation systems (Amadeus, Sabre and Travelport). It excludes air bookings made directly through airlines' direct distribution channels (airline offices and websites), single country operators (primarily in China, Japan, Russia and Turkey), other content aggregators and direct connect applications between airline systems, travel agencies, corporations and meta-bookers, which together combined represent an important part of the industry.

3.1 TravelClick acquisition

On October 4, 2018, Amadeus acquired Project Dwight Ultimate Parent Corporation and its group of companies ("TravelClick"), a U.S.-based leading global provider of technology and business solutions to the hospitality industry. The acquisition price amounted to USD 1,520 million. The acquisition was 100% debt-financed. On September 18, 2018 Amadeus undertook three Eurobond issues for an aggregate amount of €1,500 million, which were partly used to finance TravelClick's acquisition (see section 6.1.1 for more detail). The acquisition was structured through a USD-denominated intercompany loan, hedged by Amadeus. The foreign exchange differences of the loan and its hedge impact our non-operating foreign exchange gains and losses in the Group income statement. The hedging also impacts the non-operating cash flows caption in the Group cash flow statement.

The results of TravelClick ("TC") were consolidated into Amadeus' books from October 4, 2018. TravelClick is reported, as part of our IT Solutions segment (except for TravelClick's indirect costs, which have been allocated to Indirect costs).

As a consequence of TravelClick's acquisition, the following non-recurring effects have been accounted for in 2019:

- TravelClick's integration related costs, incurred in 2019, amounting to €9.4 million (before taxes), of which €6.4 million were paid in the period.
- Also, acquisition related costs amounting to €8.0 million, which were incurred in the fourth quarter of 2018, were paid in 2019.
- A purchase price allocation exercise in relation to the consolidation of TravelClick into Amadeus' books was carried out in the fourth quarter of 2018. As a consequence of such PPA exercise, the following effects (before taxes) arose in 2019: (i) a reduction in revenue and in personnel and other operating expenses amounting to €7.8 million and €4.3 million, respectively, derived from the adjustment to fair value of certain operating liabilities, resulting in a negative impact of €3.6 million to EBITDA (the effects on revenue and other operating expenses from TravelClick's PPA exercise will not impact 2020); and (ii) an additional amortization expense of €51.6 million, increasing the total group amortization expense.

TravelClick's acquisition related effects described above (acquisition related costs and PPA effects) impacted our group results and cash generation, in particular our IT Solutions and Group revenue, IT Solutions contribution, Group EBITDA, Operating income, Profit, Adjusted profit, EPS, adjusted EPS and free cash flow in 2019.

Also, the following non-recurring effects associated with TravelClick's acquisition were accounted for in 2018 (for full details, see section 3.2 of our 2018 Management Review):

- TravelClick's acquisition and integration related costs, amounting to €19.5 million (before taxes), of which €4.8 million were paid in 2018.
- As a consequence of the TravelClick's PPA exercise: (i) a reduction in revenue and in personnel and other operating expenses amounting to €8.2 million and €0.6 million,

respectively, resulting in a negative impact of €7.7 million to EBITDA, and (ii) an additional amortization expense of €12.2 million.

— TravelClick's acquisition financing related fees amounting to €8.2 million, paid in 2018.

For clarification, in the following tables we display (i) Amadeus Group figures, and (ii) Amadeus Group figures excluding non-recurring effects associated with TravelClick's acquisition (acquisition related costs, as well as PPA effects).

The financial results displayed in sections 5 "Operating and financial performance by segment" and 6.1 "Group income statement" are presented excluding the 2018 and 2019 non-recurring costs and PPA derived adjustments associated with TravelClick's acquisition.

	(A)		(B)	(A+B)	
2019 segment reporting (€millions)	Amadeus + TC	Change vs. 2018	Acquisition re- lated costs & PPA	2019 Results	Change vs. 2018
Distribution					
Revenue	3,130.6	4.2%	0.0	3,130.6	4.2%
Net operating costs	(1,725.2)	6.3%	0.0	(1,725.2)	6.3%
Contribution	1,405.4	1.8%	0.0	1,405.4	1.8%
Contribution margin	44.9%	(1.1 p.p.)		44.9%	(1.1 p.p.)
IT Solutions					
Revenue	2,447.3	26.2%	(7.8)	2,439.5	26.3%
Net operating costs	(869.4)	48.0%	(1.0)	(870.3)	44.0%
Contribution	1,577.9	16.7%	(8.8)	1,569.1	18.2%
Contribution margin	64.5%	(5.2 p.p.)		64.3%	(4.4 p.p.)
Indirect costs					
Net indirect costs	(738.0)	6.6%	(4.1)	(742.1)	6.9%
EBITDA	2,245.3	10.0%	(12.9)	2,232.4	10.9%
EBITDA margin	40.3%	(1.0 p.p.)		40.1%	(0.7 p.p.)

	(A)		(B)	(A+B)	
2019 income statement and cash flow (€millions)	Amadeus + TC	Change vs. 2018	Acquisition related costs & PPA	2019 Results	Change vs. 2018
Income statement					
Group revenue	5,577.9	12.8%	(7.8)	5,570.1	12.9%
Cost of revenue	(1,429.5)	18.4%	0.0	(1,429.5)	18.4%
Personnel expenses	(1,539.9)	11.9%	(3.3)	(1,543.2)	11.7%
Other operating expenses	(347.0)	13.4%	(1.8)	(348.8)	9.5%
Dep. and amortization	(721.6)	15.8%	(51.6)	(773.2)	21.7%
Operating income	1,539.9	7.5%	(64.5)	1,475.4	5.9%
Net financial expense	(59.0)	8.9%	0.0	(59.0)	8.9%
Other income (expense)	(10.0)	n.m.	0.0	(10.0)	n.m.
Profit before income taxes	1,470.9	6.9%	(64.5)	1,406.4	5.2%
Income taxes	(322.1)	(7.1%)	16.1	(306.0)	(9.1%)
Profit after taxes	1,148.8	11.6%	(48.4)	1,100.4	10.1%
Share in profit assoc/JV	12.8	n.m.	0.0	12.8	n.m.
Profit for the period	1,161.6	12.6%	(48.4)	1,113.2	11.0%
EPS (€)	2.70	12.4%	(0.11)	2.58	10.9%
Adjusted profit	1,270.2	13.4%	(7.2)	1,263.1	14.3%
Adjusted EPS (€)	2.95	13.3%	(0.02)	2.93	14.2%
Cash flow statement					
Free cash flow	1,044.8	5.7%	(14.4)	1,030.4	5.6%

	(A)		(B)	(A+B)	
Q4 2019 income statement and cash flow (€millions)	Amadeus + TC	Change vs. 2018	Acquisition related costs & PPA	2019 Results	Change vs. 2018
Income statement					
Distribution revenue	735.8	1.5%	0.0	735.8	1.5%
IT Solutions revenue	605.5	13.1%	0.0	605.5	13.1%
Group revenue	1,341.3	6.4%	0.0	1,341.3	7.1%
Cost of revenue	(346.9)	4.4%	0.0	(346.9)	4.4%
Personnel expenses	(394.0)	7.6%	(0.1)	(394.1)	5.8%
Other operating expenses	(114.8)	7.8%	0.1	(114.7)	(3.6%)
Dep. and amortization	(190.6)	7.7%	(13.0)	(203.6)	7.6%
Operating income	295.1	6.1%	(13.1)	282.0	18.0%
Net financial expense	(15.4)	(41.2%)	0.0	(15.4)	(41.2%)
Other income (expense)	(21.5)	n.m.	0.0	(21.5)	n.m.
Profit before income taxes	258.2	2.4%	(13.1)	245.1	15.2%
Income taxes	(30.2)	(44.8%)	3.3	(26.9)	(40.0%)
Profit after taxes	228.0	15.5%	(9.8)	218.2	29.9%
Share in profit assoc/JV	8.7	n.m.	0.0	8.7	n.m.
Profit for the period	236.7	19.7%	(9.8)	226.9	34.8%
EPS (€)	0.55	20.0%	(0.02)	0.53	35.2%
EBITDA	481.5	6.4%	(0.1)	481.4	13.1%
EBITDA margin	35.9%	0.0 p.p.		35.9%	1.9 p.p.
Adjusted profit	277.7	18.9%	(1.6)	276.1	26.3%
Adjusted EPS (€)	0.64	19.2%	0.00	0.64	26.5%
Cash flow statement					
Free cash flow	224.8	24.4%	(3.7)	221.1	27.2%

	(A)	(B)	(A+B)
2018 segment reporting (€millions)	Amadeus + TC	Acquisition related costs & PPA	2018 Results
Distribution			
Revenue	3,004.3	0.0	3,004.3
Net operating costs	(1,623.6)	0.0	(1,623.6)
Contribution	1,380.7	0.0	1,380.7
Contribution margin	46.0%		46.0%
IT Solutions			
Revenue	1,939.7	(8.2)	1,931.4
Net operating costs	(587.2)	(17.1)	(604.3)
Contribution	1,352.4	(25.3)	1,327.1
Contribution margin	69.7%		68.7%
Indirect costs			
Net indirect costs	(692.5)	(1.8)	(694.3)
EBITDA	2,040.6	(27.1)	2,013.5
EBITDA margin	41.3%		40.8%

	(A)	(B)	(A+B)
2018 income statement and cash flow (€millions)	Amadeus + TC	Acquisition related costs & PPA	2018 Results
Income statement			
Group revenue	4,943.9	(8.2)	4,935.7
Cost of revenue	(1,206.9)	0.0	(1,206.9)
Personnel expenses	(1,375.7)	(6.4)	(1,382.1)
Other operating expenses	(305.9)	(12.5)	(318.4)
Dep. and amortization	(623.3)	(12.2)	(635.5)
Operating income	1,432.2	(39.4)	1,392.8
Net financial expense	(54.2)	0.0	(54.2)
Other income (expense)	(2.3)	0.0	(2.3)
Profit before income taxes	1,375.7	(39.4)	1,336.3
Income taxes	(346.7)	9.9	(336.8)
Profit after taxes	1,028.9	(29.4)	999.5
Share in profit assoc/JV	3.0	0.0	3.0
Profit for the period	1,031.9	(29.4)	1,002.5
EPS (€)	2.40	(0.07)	2.33
Adjusted profit	1,120.1	(14.9)	1,105.2
Adjusted EPS (€)	2.60	(0.03)	2.57
Cash flow statement			
Free cash flow	988.9	(12.9)	976.0

	(A)	(B)	(A+B)
Q4 2018 income statement and cash flow (€millions)	Amadeus + TC	Acquisition related costs & PPA	2018 Results
Income Statement			
Distribution revenue	724.9	0.0	724.9
IT Solutions revenue	535.2	(8.2)	527.0
Group revenue	1,260.1	(8.2)	1,251.9
Cost of revenue	(332.2)	0.0	(332.2)
Personnel expenses	(366.2)	(6.4)	(372.6)
Other operating expenses	(106.5)	(12.5)	(119.0)
Dep. and amortization	(177.0)	(12.2)	(189.2)
Operating income	278.3	(39.4)	238.9
Net financial expense	(26.2)	0.0	(26.2)
Other income (expense)	0.1	0.0	0.1
Profit before income taxes	252.2	(39.4)	212.8
Income taxes	(54.7)	(9.9)	(44.8)
Profit after taxes	197.4	(29.4)	168.0
Share in profit assoc/JV	0.3	0.0	0.3
Profit for the period	197.7	(29.4)	168.3
EPS (€)	0.46	(0.07)	0.39
EBITDA	452.6	(27.1)	425.5
EBITDA margin	35.9%		34.0%
Adjusted profit	233.5	(14.9)	218.6
Adjusted EPS (€)	0.54	(0.03)	0.51
Cash flow statement			
Free cash flow	180.7	(6.8)	173.9

3.2 ICM Airport Technics acquisition

On May 31, 2019, Amadeus acquired ICM Group Holding Limited and its group of companies ("ICM"), for €40.1 million. ICM, headquartered in Sydney, Australia, specializes in the provision of passenger automation and self-service bag drop solutions for customers, principally in Asia-Pacific and Europe. The ICM results were consolidated into Amadeus' books from June 1, 2019.

A purchase price allocation exercise in relation to the consolidation of ICM into Amadeus' books will be carried out before the end of the first half of 2020.

4 Main financial risks and hedging policy



4.1 Foreign exchange rate risk

Our reporting currency is the Euro. However, as a result of Amadeus' global activity and presence, part of our results are generated in currencies different from the Euro and therefore are impacted by foreign exchange fluctuations. Similarly, part of our cash inflows and outflows are denominated in non-Euro currencies. As a consequence, both our results and our cash flows are impacted, either positively or negatively, by foreign exchange fluctuations.

Exposure to foreign currencies

Our revenue is almost entirely generated either in Euro or in US Dollar (the latter representing 35%-45% of our total revenue). Revenue generated in currencies other than the Euro or US Dollar is negligible.

In turn, 55%-65% of our operating costs⁶ are denominated in many currencies different from the Euro, including the US Dollar, which represents 30%-40% of our operating costs. The rest of the foreign currency operating expenses are denominated in a variety of currencies, GBP, AUD, INR, SGD and THB being the most significant. A number of these currencies may fluctuate vs. the Euro similarly to the US Dollar - Euro fluctuations, and the degree of this correlation may vary with time.

Hedging policy

Amadeus' target is to reduce the volatility generated by foreign exchange fluctuations on its non-Euro denominated net cash flows. Our hedging strategy is as follows:

- To manage our exposure to the US Dollar, we have a natural hedge to our net operating cash flow generated in US Dollar or US Dollar-correlated currencies through, among others, payments of USD-denominated debt (when applicable), as well as investments and taxes paid in the U.S. We may enter into derivative arrangements when this natural hedge is not sufficient to cover our outstanding exposure.
- We also hedge a number of currencies, including the GBP, AUD, INR and SEK, for which we enter into foreign exchange derivatives with banks.

When the hedges in place covering operating flows qualify for hedge accounting under IFRS, profits and losses are recognized within EBITDA. Our hedging arrangements typically qualify for hedge accounting under IFRS.

Given that 35-45% of our net free cash flow is generated in USD or currencies that fluctuate vs. the Euro similarly to the US Dollar-Euro fluctuations, and that our hedging policy targets to reduce cash volatility, our hedging results are generally insufficient to mitigate the impacts from foreign exchange fluctuations on our operating results.

⁶ Including Cost of revenue, Personnel expenses and Other operating expenses. Excludes Depreciation and amortization.

Both in the fourth quarter and in the full year 2019, foreign exchange fluctuations had a positive impact on both revenue and EBITDA and a negative impact on costs.

4.2 Interest rate risk

Our target is to reduce volatility in net interest flows. In order to achieve this objective, Amadeus may enter into interest rate hedging agreements (interest rate swaps, caps, collars) to cover the floating rate debt.

At December 31, 2019, 33% of our total financial debt⁷ (related to the European Commercial Paper Program and one Eurobond issue) was subject to floating interest rates, indexed to the EURIBOR. As of this date no interest rate hedges were in place.

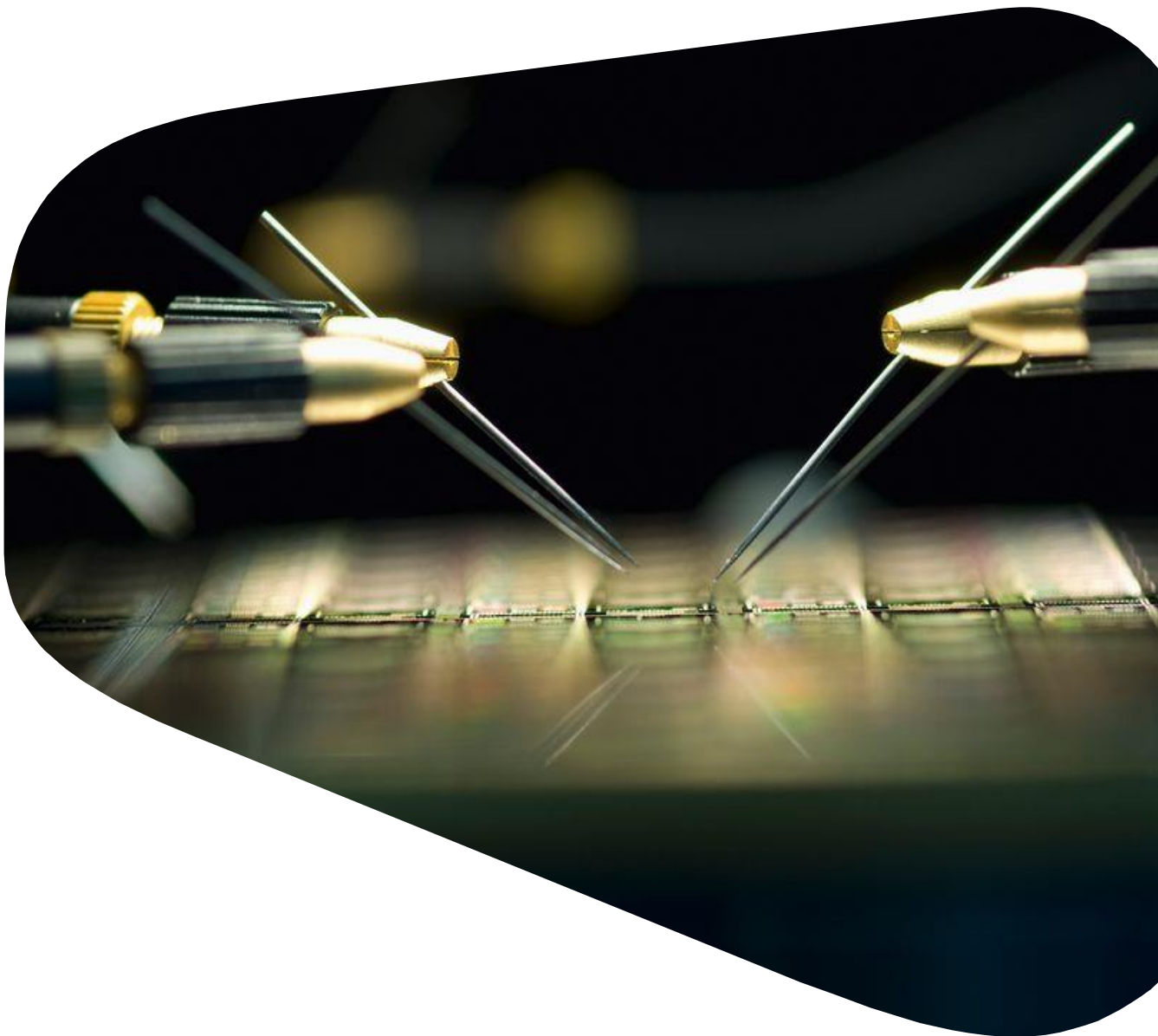
4.3 Own shares price evolution risk

Amadeus has three different staff remuneration schemes which are settled with Amadeus' shares.

According to the rules of these plans, when they mature all beneficiaries will receive a number of Amadeus shares which for the outstanding plans amount to (depending on the evolution of certain performance conditions), between a minimum of 300,000 shares and a maximum of 1,340,000 shares, approximately. It is Amadeus' intention to make use of its treasury shares to settle these plans at their maturity.

⁷ Based on our credit facility agreements' definition.

5 Operating and financial performance by segment



As indicated in section 3.1, the financial results displayed in section 5 “Operating and financial performance by segment” are presented excluding the non-recurring costs and PPA derived adjustments associated with TravelClick’s acquisition.

Segment Reporting (€millions)	Full year 2019	Full year 2018	Change
Distribution revenue	3,130.6	3,004.3	4.2%
IT Solutions revenue	2,447.3	1,939.7	26.2%
Group Revenue	5,577.9	4,943.9	12.8%
Distribution contribution	1,405.4	1,380.7	1.8%
IT Solutions contribution	1,577.9	1,352.4	16.7%
Total Contribution	2,983.3	2,733.1	9.2%
Net indirect costs	(738.0)	(692.5)	6.6%
EBITDA	2,245.3	2,040.6	10.0%
EBITDA Margin (%)	40.3%	41.3%	(1.0 p.p.)

5.1 Distribution

Distribution (€millions)	Full year 2019	Full year 2018	Change
Operating KPI			
TA air competitive position ¹	44.0%	43.7%	0.3 p.p.
TA bookings (m)	646.6	643.2	0.5%
Financial results			
Revenue	3,130.6	3,004.3	4.2%
Operating costs	(1,810.6)	(1,696.7)	6.7%
Capitalizations	85.3	73.0	16.8%
Net Operating costs	(1,725.2)	(1,623.6)	6.3%
Contribution	1,405.4	1,380.7	1.8%
As % of Revenue	44.9%	46.0%	(1.1 p.p.)

¹ Competitive position as defined in section 3.

5.1.1 Evolution of Amadeus bookings

Operating KPI	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
TA air booking industry growth	(1.2%)	1.1%		(0.9%)	2.9%	
TA air competitive position ¹	44.8%	44.8%	0.0 p.p.	44.0%	43.7%	0.3 p.p.
TA air bookings (m)	133.4	135.3	(1.5%)	580.4	580.2	0.0%
Non air bookings (m)	16.9	16.2	4.4%	66.2	63.0	5.1%
Total bookings (m)	150.2	151.5	(0.8%)	646.6	643.2	0.5%

¹ Competitive position as defined in section 3.

Travel agency air booking industry

In the fourth quarter of 2019, the travel agency air booking industry contracted by 1.2%. All regions but North America and Central, Eastern and Southern Europe reported industry declines. The Western European industry deteriorated further in the quarter, compared to previous quarters, impacted by macroeconomic effects, bankruptcies and strikes (particularly affecting markets such as United Kingdom, Germany, France and Italy). The industry in Asia-Pacific continued to report negative growth, impacted by a number of effects, including the India situation and the fires in Australia. Middle East and Africa and Latin America contracted in the quarter, facing adverse geopolitical tension in several countries (such as Lebanon, Yemen, Chile and Bolivia). In turn, the North American industry reported modest growth.

In 2019, the travel agency air booking industry declined by 0.9% whereas, excluding India, it remained broadly flat. North America and Central, Eastern and Southern Europe were the growing regions. In contrast, Western Europe, Asia-Pacific and Middle East and Africa showed a contraction, impacted by the effects mentioned above. Latin America had a broadly stable performance in the period.

Amadeus bookings

In 2019, Amadeus travel agency air bookings remained broadly stable vs. previous year. Excluding the Indian market, Amadeus' global air bookings grew by 2.7%. Amadeus bookings outperformed the industry evolution, supported by market share expansion across regions, except for Asia-Pacific. Excluding India, Amadeus' global competitive position⁸ expanded by 1.0 p.p. in the full-year period. Amadeus bookings reported high growth in Latin America, Central, Eastern and Southern Europe and, most notably, in North America. Amadeus bookings in Western Europe reported growth, on the back of robust market share gains and despite the industry contraction (affected by macroeconomic effects, bankruptcies and strikes). Amadeus bookings in Asia-Pacific and Middle East and Africa, impacted by the industry booking decline, showed a contraction. Amadeus Asia-Pacific bookings were also impacted by Air India's

⁸ Competitive position as defined in section 3.

cancellation of our distribution agreement at the end of 2018⁹, and by the cessation of operations of Jet Airways in April 2019.

In the fourth quarter of 2019, Amadeus travel agency air bookings declined by 1.5%, impacted by India. Excluding India, Amadeus' global air bookings grew by 1.3% in the quarter. Amadeus air bookings grew in all regions, except for Western Europe, Asia-Pacific and Middle East and Africa. Despite market share gains in the regions, Amadeus bookings in Western Europe and in Middle East and Africa declined, impacted by the industry contraction.

Amadeus TA air bookings (millions)	Full year 2019	% of Total	Full year 2018	% of Total	Change
Western Europe	193.4	33.3%	191.7	33.0%	0.9%
North America	118.6	20.4%	108.1	18.6%	9.7%
Asia-Pacific	103.9	17.9%	121.2	20.9%	(14.3%)
Middle East and Africa	69.8	12.0%	71.9	12.4%	(2.9%)
Central, Eastern and Southern Europe	53.2	9.2%	48.9	8.4%	8.7%
Latin America	41.4	7.1%	38.3	6.6%	8.1%
Amadeus TA air bookings	580.4	100.0%	580.2	100.0%	0.0%

Amadeus' non air bookings increased by 5.1% in 2019 vs. prior year, driven by several products, including hotel, rail and car bookings.

5.1.2 Revenue

Distribution Revenue (€millions)	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
Revenue	735.8	724.9	1.5%	3,130.6	3,004.3	4.2%

In 2019, 4.2% distribution revenue growth resulted from (i) an increase in bookings of 0.5%, (ii) an expansive average revenue per booking, supported by booking mix (from a higher weight of both, global bookings over total air bookings, and hotel bookings over total bookings) and customer renegotiations, (iii) high double-digit growth delivered by our payments distribution business, and (iv) positive foreign exchange effects.

In the fourth quarter of 2019, distribution revenue increased by 1.5% vs. the same period of 2018. Fourth-quarter revenue growth decelerated vs. previous quarters, due to (i) an 0.8% reduction in booking volumes, as explained in section 5.1.1 above, (ii) a softer, double-digit, growth rate delivered by our payments distribution business in the period compared to previous quarters, and (iii) a smaller impact from positive foreign exchange effects.

⁹ A new distribution agreement between Amadeus and Air India was announced on January 6, 2020.

5.1.3 Contribution

In 2019, contribution increased by 1.8% to €1,405.4 million, representing 44.9% of revenue. Contribution growth resulted from an increase in revenue of 4.2%, as explained in section 5.1.2 above, and a 6.3% increase in net operating costs, which mainly resulted from (i) 0.5% higher booking volumes, (ii) a unitary distribution cost expansion, mainly resulting from an increase in our average unitary incentive fee for travel agencies, mostly due to competitive pressure, (iii) double-digit growth in commissions paid to travel agencies for the use of our distribution payments solutions, driven by the strong business performance, and (iv) negative foreign exchange effects.

5.2 IT Solutions

IT Solutions (€millions)	Full year 2019	Full year 2018	Change
Operating KPI			
Passengers boarded (m)	1,993.7	1,853.9	7.5%
Financial results			
Revenue	2,447.3	1,939.7	26.2%
Operating costs	(1,133.9)	(838.5)	35.2%
Capitalizations	264.5	251.3	5.3%
Net Operating costs	(869.4)	(587.2)	48.0%
Contribution	1,577.9	1,352.4	16.7%
As % of Revenue	64.5%	69.7%	(5.2 p.p.)

5.2.1 Evolution of Amadeus Passengers boarded

Passengers boarded (millions)	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
Organic growth ¹	474.8	447.3	6.1%	1,922.2	1,806.8	6.4%
Non organic growth ²	22.3	9.3	139.0%	71.4	47.2	51.4%
Total passengers boarded	497.1	456.6	8.9%	1,993.7	1,853.9	7.5%

¹ Calculated based on passengers boarded adjusted to reflect growth of comparable airlines on our PSS platforms during both periods.

² Includes the impact from 2018 and 2019 migrations, partly offset by the effects from (i) airlines ceasing or suspending operations and (ii) the de-migration of LATAM Airlines Brasil from our platform during the second quarter of 2018.

In the fourth quarter of 2019, Amadeus passengers boarded grew by 8.9% to 497.1 million, driving a full-year growth of 7.5%. Growth in 2019 resulted from:

- Organic growth of 6.4%.
- The positive impact from customer implementations (including S7 Airlines, Maldivian Airlines, Cyprus Airways and Aeromar, in 2018, and Philippine Airlines, Bangkok Airways, Flybe, Air Canada and Air Europa, in 2019).
- The negative impact from (i) airline customers ceasing or suspending operations, including Germania and bmi Regional (both in February 2019), Avianca Brasil (in May 2019), Avianca Argentina (in June 2019), and Thomas Cook UK, Aigle Azur, Adria Airways and XL Airways France (all in September 2019), and (ii) the de-migration of LATAM Airlines Brasil from our platform during the second quarter of 2018.
- Excluding airlines ceasing or suspending operations, Amadeus passengers boarded grew 10.5% in the fourth quarter of 2019, and 8.5% in the full-year period.

During 2019, 60.0% of our passengers boarded were generated outside of Europe. The evolution of Amadeus passengers boarded both in Europe and in Latin America was negatively impacted by the airlines ceasing or suspending operations in the period, and the de-migration of LATAM Airlines Brasil from our platform during the second quarter of 2018.

Passengers boarded (millions)	Full year 2019	% of Total	Full year 2018	% of Total	Change
Western Europe	660.7	33.1%	624.3	33.7%	5.8%
Asia-Pacific	645.2	32.4%	594.3	32.1%	8.6%
North America	269.9	13.5%	247.0	13.3%	9.3%
Middle East and Africa	148.8	7.5%	138.1	7.5%	7.7%
Central, Eastern & Southern Europe	137.1	6.9%	111.5	6.0%	23.0%
Latin America	132.0	6.6%	138.8	7.5%	(4.9%)
Passengers boarded	1,993.7	100.0%	1,853.9	100.0%	7.5%

5.2.2 Revenue

IT Solutions Revenue (€millions)	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
Revenue	605.5	535.2	13.1%	2,447.3	1,939.7	26.2%

IT Solutions revenue increased by 13.1% in the fourth quarter of 2019, resulting from (i) a low double-digit airline IT revenue growth, on the back of volume growth and a higher average revenue per PB, and (ii) double-digit growth delivered by our new businesses.

In 2019, revenue increased by 26.2%, as a result of (i) a high single-digit airline IT revenue growth, supported by higher PB volumes and an expansive unitary revenue, (ii) double-digit growth delivered by our new businesses (excluding TravelClick), and (iii) the consolidation of TravelClick from October 4, 2018.

IT Solutions Revenue (€millions)	Full year 2019	Full year 2018	Change
IT transactional revenue	1,506.8	1,380.7	9.1%
Direct distribution revenue	151.5	137.8	10.0%
Airline services and hospitality IT revenue	789.0	421.2	87.3%
Revenue	2,447.3	1,939.7	26.2%

IT transactional revenue¹⁰

In this category we include revenues from (i) our IT offering for airlines, including passenger service systems, digital solutions, merchandizing and personalization tools, and revenue optimization and disruption management software, among others, and (ii) our Airport IT and Payments IT (the Merchant Hub offering) businesses.

IT transactional revenue increased by 9.1% in 2019, driven by:

- Airline IT transactional revenue growth, resulting from (i) PB volume expansion, as explained in section 5.2.1, and (ii) an expansive airline IT transactional revenue per PB, supported by upselling activity (including solutions such as revenue management, disruption management, merchandizing and personalization and revenue accounting), and despite the negative impact from an increasing weight of low-cost and hybrid carriers.
- The positive contribution from the airport IT and payments IT businesses.

Direct distribution revenue

Direct distribution revenue mainly includes fees charged for bookings made through the direct sales channel of an airline using our Altéa Reservation solution and for certain types of bookings made through the direct sales channel of Altéa customers, for which we charge a booking fee, not a PB fee. It also includes several solutions related with the booking process.

Revenue from direct distribution increased by 10.0%, driven by booking volume growth and the positive performance of several solutions, such as Amadeus Customs.

Airline services and hospitality IT revenue

This caption mainly comprises (i) the provision of bespoke and consulting services, (ii) the recognition of deferred customization and implementation fees of our solutions, and (iii) our Hospitality IT solutions.

Airline services and hospitality IT revenue increased by 87.3% in 2019, highly impacted by the consolidation of TravelClick. Excluding TravelClick, this revenue line grew at a double-digit rate, driven by an increase in revenue from services provided to airlines, and double-digit growth delivered by hospitality IT. Both hospitality IT excluding TravelClick, and TravelClick standalone grew at a double-digit growth rate.

¹⁰ Note, the “transactional” concept herein is based on management view, and is not related with IFRS15.

5.2.3 Contribution

In 2019, contribution expanded by 16.7%, amounting to €1,577.9 million. This positive performance was the combination of 26.2% revenue growth, as explained in section 5.2.2 above, and 48.0% increase in our net operating costs. Growth in net operating costs was highly impacted by the consolidation of TravelClick. Excluding TravelClick, underlying growth in net operating costs resulted from:

- Higher personnel-related expenses, driven by the reinforcement of our commercial teams to better support the expansion of our product offering and customer base, as well as, increased R&D expenditure dedicated to our airline IT portfolio evolution and expansion and to our new businesses, coupled with growth in unit personnel cost.
- An increase in several cost lines, such as bad debt provisions, which by nature may show a more volatile behavior per quarter.
- A lower capitalization ratio, impacted by project mix.
- Negative foreign exchange effects.

5.3 EBITDA

In the fourth quarter of 2019, EBITDA amounted to €481.5 million, a 6.4% increase vs. the fourth quarter of 2018. EBITDA growth resulted from a higher contribution from our Distribution and IT Solutions businesses, an increase in net indirect costs and the TravelClick consolidation effect. EBITDA growth was positively impacted by foreign exchange effects. EBITDA margin was 35.9% in the period, in line with the fourth quarter of last year.

In 2019, EBITDA increased by 10.0% to €2,245.3 million. EBITDA growth resulted from the increase in the Distribution and IT Solutions contributions, partly offset by an increase in net indirect costs. EBITDA growth was positively impacted by foreign exchange effects (see section 4.1 for details on the exposure of our operating results to foreign exchange fluctuations). In the full-year period, EBITDA margin declined by 1.0 p.p. to 40.3%, impacted by (i) the TravelClick consolidation, (ii) a decrease in the Group capitalization ratio, and (iii) a double-digit growth rate delivered by our distribution payments business, a lower margin business. Excluding the impact from these effects, EBITDA margin was broadly stable.

Net indirect costs increased by 6.6% in 2019 vs. 2018, mainly driven by increased resources in our corporate functions to support our business expansion, the addition of TravelClick's indirect costs and negative foreign exchange effects.

Indirect costs (€millions)	Full year 2019	Full year 2018	Change
Indirect costs	(972.4)	(932.0)	4.3%
Indirect capitalizations & RTC ¹	234.4	239.5	(2.1%)
Net indirect costs	(738.0)	(692.5)	6.6%

¹ Includes the Research Tax Credit (RTC).

6 Consolidated financial statements



As indicated in section 3.1, the financial results displayed in section 6.1 “Group income statement” are presented excluding the non-recurring costs and PPA derived adjustments associated with TravelClick’s acquisition.

6.1 Group income statement

Income Statement (€millions)	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
Revenue	1,341.3	1,260.1	6.4%	5,577.9	4,943.9	12.8%
Cost of revenue	(346.9)	(332.2)	4.4%	(1,429.5)	(1,206.9)	18.4%
Personnel expenses	(394.0)	(366.2)	7.6%	(1,539.9)	(1,375.7)	11.9%
Other operating expenses	(114.8)	(106.5)	7.8%	(347.0)	(305.9)	13.4%
D&A expense	(190.6)	(177.0)	7.7%	(721.6)	(623.3)	15.8%
Operating income	295.1	278.3	6.1%	1,539.9	1,432.2	7.5%
Net financial expense	(15.4)	(26.2)	(41.2%)	(59.0)	(54.2)	8.9%
Other income (expense)	(21.5)	0.1	n.m.	(10.0)	(2.3)	n.m.
Profit before income tax	258.2	252.2	2.4%	1,470.9	1,375.7	6.9%
Income taxes	(30.2)	(54.7)	(44.8%)	(322.1)	(346.7)	(7.1%)
Profit after taxes	228.0	197.4	15.5%	1,148.8	1,028.9	11.6%
Share in profit from associates and JVs	8.7	0.3	n.m.	12.8	3.0	n.m.
Profit for the period	236.7	197.7	19.7%	1,161.6	1,031.9	12.6%
EPS (€)	0.55	0.46	20.0%	2.70	2.40	12.4%
Key financial metrics						
EBITDA	481.5	452.6	6.4%	2,245.3	2,040.6	10.0%
EBITDA margin (%)	35.9%	35.9%	0.0 p.p.	40.3%	41.3%	(1.0 p.p.)
Adjusted profit ¹	277.7	233.5	18.9%	1,270.2	1,120.1	13.4%
Adjusted EPS (€) ²	0.64	0.54	19.2%	2.95	2.60	13.3%

¹ Excluding after-tax impact of the following items: (i) accounting effects derived from PPA exercises and impairment losses, (ii) non-operating exchange gains (losses) and (iii) other non-operating items.

² EPS corresponding to the Adjusted profit attributable to the parent company. Calculated based on weighted average outstanding shares of the period.

6.1.1 Revenue

In the fourth quarter of 2019, revenue amounted to €1,341.3 million, growing 6.4% vs. prior year. In 2019, revenue increased by 12.8% to €5,577.9 million. Revenue growth resulted from:

- A 4.2% increase in Distribution revenue in 2019, as detailed in section 5.1.2.
- A 26.2% increase in IT Solutions in 2019, as detailed in section 5.2.2.

In 2019, revenue growth was impacted by the TravelClick consolidation and positive foreign exchange effects.

Revenue (€millions)	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
Distribution	735.8	724.9	1.5%	3,130.6	3,004.3	4.2%
IT Solutions	605.5	535.2	13.1%	2,447.3	1,939.7	26.2%
Revenue	1,341.3	1,260.1	6.4%	5,577.9	4,943.9	12.8%

6.1.2 Cost of revenue

These costs are mainly related to: (i) incentive fees paid to travel sellers for bookings done through our reservations platforms, (ii) distribution fees paid to local commercial organizations which act as a local distributor (mainly in the Middle East, North Africa, India, and South Korea), (iii) data communication expenses related to the maintenance of our computer network, including connection charges, (iv) fees paid in relation to advertising and data analytics activities in Hospitality, and (v) commissions paid to travel agencies for the use of our payments distribution solutions.

In the fourth quarter of 2019, cost of revenue amounted to €346.9 million, 4.4% higher than in the same period of 2018. In the full-year period, cost of revenue grew by 18.4%, highly impacted by the consolidation of TravelClick. Cost of revenue was also negatively impacted by foreign exchange effects across the year.

Excluding TravelClick and foreign exchange effects, cost of revenue grew at a mid single-digit rate in 2019, mainly as a result of (i) our distribution payments solutions high growth in the period, generating double-digit growth in commissions paid to travel agencies, and (ii) a unitary distribution cost expansion, driven by an increase in our average unitary incentive fee for travel agencies, mostly due to competitive pressure.

6.1.3 Personnel and related expenses and other operating expenses

A large number of Amadeus' employees are software engineers. Amadeus also hires contractors to support development activity, complementing permanent staff, which provides flexibility to increase or reduce our development activity. The overall ratio of permanent staff vs. contractors devoted to R&D may fluctuate depending on business needs and project mix, therefore impacting the evolution of both "Personnel expenses" and "Other operating expenses" captions in our income statement.

Our combined operating expenses cost line, representing both Personnel expenses and Other operating expenses, increased by 7.6% in the fourth quarter of 2019, vs. prior year. In 2019, this combined cost line grew 12.2%, highly impacted by the consolidation of TravelClick. Growth in our fixed cost base resulted from:

- A 11% increase in average FTEs (permanent staff and contractors), mainly due to (i) the addition of TravelClick's employees, (ii) higher resources devoted to R&D (see further

details in sections 2.2 and 6.3.2), and (iii) the expansion of our commercial teams and customer support units to support the ongoing customer implementations and commercial activities. Excluding TravelClick, Amadeus FTEs grew by 4% in the full-year period.

- Growth in unit personnel cost, as a result of our global salary increase.
- A negative impact from foreign exchange effects.

Personnel + Other op. expenses (€millions)	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
Personnel + Other operating expenses	(508.7)	(472.7)	7.6%	(1,886.9)	(1,681.6)	12.2%

6.1.4 Depreciation and amortization

Depreciation and amortization was 15.9% higher in 2019 vs. 2018. In particular, ordinary D&A grew by 14.6%, driven by a higher amortization of intangible assets, as capitalized development expenses on our balance sheet started being amortized in parallel with the associated project or contract revenue recognition. Also, an increase in depreciation expense related to hardware and software acquired, and the consolidation of TravelClick, contributed to the increase in ordinary D&A in the year.

In 2019, impairment losses amounted to €29.2 million, and were mostly related to (i) specific developments and implementation efforts carried out for customers that have either cancelled contracts, suspended or ceased operations, and (ii) investments related to new solutions or technology which did not or will not deliver the expected benefits.

Depreciation & Amort. (€millions)	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
Ordinary D&A	(158.9)	(143.3)	10.9%	(592.1)	(516.5)	14.6%
Amortization derived from PPA	(25.2)	(24.2)	4.1%	(100.3)	(97.3)	3.1%
Impairments	(6.5)	(9.5)	(31.1%)	(29.2)	(9.5)	n.m.
D&A	(190.6)	(177.0)	7.7%	(721.6)	(623.3)	15.8%
Capitalized D&A ¹	4.2	2.6	61.5%	16.2	14.8	9.5%
D&A post-capitalizations	(186.4)	(174.4)	6.9%	(705.4)	(608.5)	15.9%

¹ Included within the Other operating expenses caption in the Group income statement. D&A is capitalized when the related asset is used for an internally developed software project whose related costs are capitalized.

6.1.5 EBITDA and Operating income

In the fourth quarter of 2019, operating income grew by 6.1%, driving 7.5% growth in 2019. Operating income growth resulted from EBITDA expansion, partly offset by higher D&A charges.

In 2019, EBITDA increased by 10.0% to €2,245.3 million. EBITDA growth resulted from the positive contributions of Distribution and IT Solutions, as well as the TravelClick consolidation

effect, partly offset by an increase in net indirect costs. EBITDA growth was positively impacted by foreign exchange effects. In 2019, EBITDA margin declined by 1.0 p.p. to 40.3%, impacted by (i) the TravelClick consolidation, (ii) a decrease in the Group capitalization ratio, and (iii) a double-digit growth rate delivered by our distribution payments business, a lower margin business. Excluding the impact from these effects, EBITDA margin was broadly stable.

In the fourth quarter of 2019, EBITDA amounted to €481.5 million, a 6.4% increase vs. the fourth quarter of 2018. EBITDA growth was supported by positive foreign exchange effects. EBITDA margin was 40.3% in the fourth quarter, in line with the fourth quarter of last year.

Operating income – EBITDA (€millions)	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
Operating income	295.1	278.3	6.1%	1,539.9	1,432.2	7.5%
D&A expense	190.6	177.0	7.7%	721.6	623.3	15.8%
Capitalized D&A	(4.2)	(2.6)	61.5%	(16.2)	(14.9)	9.5%
EBITDA	481.5	452.6	6.4%	2,245.3	2,040.6	10.0%
EBITDA margin (%)	35.9%	35.9%	0.0 p.p.	40.3%	41.3%	(1.0 p.p.)

6.1.6 Net financial expense

Net financial expense increased by €4.8 million, or 8.9%, in 2019. Interest expense grew by €4.1 million or 10.8%, as a consequence of a higher amount of average gross debt outstanding, compared to 2018, driven by TravelClick's acquisition.

Net financial expense (€millions)	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
Financial income	0.5	0.3	66.7%	1.6	2.0	(20.0%)
Interest expense	(10.7)	(11.6)	(7.8%)	(42.0)	(37.9)	10.8%
Other financial expenses	(3.9)	(3.2)	21.9%	(10.3)	(8.8)	17.0%
Exchange gains (losses)	(1.3)	(11.7)	(88.9%)	(8.3)	(9.5)	(12.6%)
Net financial expense	(15.4)	(26.2)	(41.2%)	(59.0)	(54.2)	8.9%

6.1.7 Income taxes

Income taxes amounted to €322.1 million in 2019, 7.1% lower than 2018. The income tax rate for 2019 was 21.9%, a decrease vs. 24.1% reported in the first nine months of 2019, and 25.2% reported in 2018. This decrease was mostly driven by recent changes in tax regulation, mainly in France (the new French Patent Box Regime), resulting in an increase in tax deductions expected for the year, associated with R&D. Income taxes declined by 44.8% in the fourth quarter of 2019, impacted by the reduction in the income tax rate for the year associated with the above mentioned effect.

6.1.8 Profit for the period. Adjusted profit

Reported profit amounted to €1,161.6 million in 2019, a 12.6% increase vs. the same period of 2018. After adjusting for (i) accounting effects derived from PPA exercises and impairment losses, (ii) non-operating exchange gains (losses), and (iii) other non-operating items, adjusted profit increased by 13.4% to €1,270.2 million in 2019.

Reported-Adj. profit (€millions)	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
Reported profit	236.7	197.7	19.7%	1,161.6	1,031.9	12.6%
Adjustments						
Impact of PPA ¹	18.4	19.2	(4.4%)	71.9	71.6	0.4%
Impairments ¹	4.7	7.1	(33.2%)	22.2	7.1	n.m.
Non-operating FX ²	1.1	9.4	(88.4%)	6.6	7.7	(14.0%)
Other non-op. items ²	16.8	0.0	n.m.	7.9	1.7	n.m.
Adjusted profit	277.7	233.5	18.9%	1,270.2	1,120.1	13.4%

¹ After tax impact of accounting effects derived from purchase price allocation exercises and impairment losses.

² After tax impact of non-operating exchange gains (losses) and other non-operating income (expense).

6.1.9 Earnings per share (EPS)

The table below shows EPS for the period, based on the profit attributable to the parent company (after minority interests), both on a reported basis and on an adjusted basis (adjusted profit as detailed in section 6.1.8). In 2019, our reported EPS increased by 12.4% to €2.70 and our adjusted EPS by 13.3% to €2.95.

Earnings per share	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
Weighted average issued shares (m)	431.3	438.8		435.0	438.8	
Weighted average treasury shares (m)	(0.2)	(8.2)		(4.2)	(8.5)	
Outstanding shares (m)	431.0	430.6		430.8	430.4	
EPS (€)¹	0.55	0.46	20.0%	2.70	2.40	12.4%
Adjusted EPS (€)²	0.64	0.54	19.2%	2.95	2.60	13.3%

¹ EPS corresponding to the Profit attributable to the parent company. Calculated based on weighted average outstanding shares of the period.

² EPS corresponding to the Adjusted profit attributable to the parent company. Calculated based on weighted average outstanding shares of the period.

6.2 Statement of financial position (condensed)

Statement of financial position (€millions)	Dec 31,2019	Dec 31,2018	Change
Intangible assets	4,187.8	4,093.8	94.0
Goodwill	3,661.5	3,598.0	63.5
Property, plant and equipment	432.1	433.2	(1.1)
Right of use assets	336.4	351.2	(14.8)
Other non-current assets	340.2	282.8	58.0
Non-current assets	8,958.0	8,759.0	199.0
Current assets	879.1	808.5	70.6
Cash and equivalents	564.0	562.6	1.4
Total assets	10,401.1	10,130.1	271.0
Equity	3,797.1	3,191.7	605.4
Non-current debt	2,328.2	2,898.1	(569.9)
Other non-current liabilities	1,305.5	1,347.2	(41.7)
Non-current liabilities	3,633.7	4,245.3	(611.6)
Current debt	1,245.5	986.9	258.6
Other current liabilities	1,724.8	1,706.2	18.6
Current liabilities	2,970.3	2,693.1	277.2
Total liabilities and equity	10,401.1	10,130.1	271.0
Net financial debt (as per financial statements)	3,009.7	3,322.4	312.7

6.2.1 Intangible assets

This caption principally includes the cost of acquisition or development, as well as the excess purchase price allocated to, patents, trademarks and licenses¹¹, technology and content¹² and contractual relationships¹³, net of amortization.

Intangible assets amounted to €4,187.8 million at December 31, 2019, an increase of €94.0 million vs. December 31, 2018. This increase was mainly the result of the combination of the following effects: (i) additions of internally developed software (+€574.2 million) and acquired

¹¹ Net cost of acquiring brands and trademarks (either by means of business combinations or in separate acquisitions) as well as the net cost of acquiring software licenses developed outside the Group for Distribution and IT Solutions.

¹² Net cost of acquiring technology software and travel content either by means of acquisitions through business combinations/separate acquisitions or internally generated (software applications developed by the Group, including the development technology of the IT solutions business). Travel content is obtained by Amadeus through its relationships with travel providers.

¹³ Net cost of contractual relationships with travel agencies, as acquired through business combinations, as well as costs subject to capitalizations, related to travel agency incentives, that can be recognized as an asset.

assets (+€72.1 million), (ii) amortization charges and impairment losses (-€575.3 million) and (iii) foreign exchange effects (+€25.1 million).

6.2.2 Goodwill

Goodwill mainly relates to the unallocated amount of the excess purchase price derived from (i) the business combination (acquisition) between Amadeus IT Group, S.A. (the currently listed company, formerly named Amadeus IT Holding, S.A. or WAM Acquisition, S.A.) and Amadeus IT Group, S.A. (the former listed company in 2005) in 2005, and (ii) acquisitions, most of them completed between 2014 and 2018.

Goodwill amounted €3,661.5 million as of December 31, 2019. Goodwill increased by €63.5 million in 2019, mainly due to ICM's acquisition (see section 3.2) and exchange rate adjustments.

6.2.3 Property, plant and equipment (PP&E)

This caption principally includes land and buildings, data processing hardware and software, and other PP&E assets such as building installations, furniture and fittings and miscellaneous.

PP&E amounted to €432.1 million at December 31, 2019, a decrease of €1.1 million vs. December 31, 2018. This decrease was mainly the result of the following effects: (i) additions (+€130.1 million), mostly related to data processing hardware and software acquired for our data processing center in Erding (Germany), (ii) depreciation charges (-€133.1 million), and (iii) foreign exchange effects (+€2.5 million).

6.2.4 Equity, Share capital

As of December 31, 2019 the share capital of our Company was represented by 431,268,436 shares with a nominal value of €0.01 per share.

6.2.5 Financial indebtedness

Indebtedness¹ (€millions)	Dec 31, 2019	Dec 31, 2018	Change
Long term bonds	2,000.0	2,500.0	(500.0)
Short term bonds	500.0	500.0	0.0
European Commercial Paper	580.0	330.0	250.0
EIB loan	127.5	192.5	(65.0)
Other debt with financial institutions	31.1	24.0	7.1
Obligations under finance leases	83.7	90.1	(6.4)
Financial debt	3,322.4	3,636.6	(314.2)
Cash and cash equivalents	(564.0)	(562.6)	(1.4)
Net financial debt	2,758.4	3,074.0	(315.6)
Net financial debt / LTM EBITDA	1.23x	1.47x	
Reconciliation with financial statements			
Net financial debt (as per financial statements)	3,009.7	3,322.4	(312.7)
Interest payable	(5.7)	(5.5)	(0.2)
Deferred financing fees	10.6	14.9	(4.3)
EIB loan adjustment	0.9	1.9	(1.0)
Operating lease liabilities	(257.1)	(259.7)	(2.6)
Net financial debt (as per credit facility agreements)	2,758.4	3,074.0	(315.6)

¹ Based on our credit facility agreements' definition.

Net financial debt, as per our credit facility agreements' terms, amounted to €2,758.4 million at December 31, 2019 (representing 1.23x times last-twelve-month EBITDA).

The main changes to our debt in 2019 were:

- The amortization of €500 million bonds issued in May 2017, which reached maturity in May 2019.
- The increase in the use of the Multi-Currency European Commercial Paper (ECP) program by a net amount of €250.0 million.
- The repayment of €65.0 million related to our European Investment Bank loan.

On April 27, 2018 Amadeus executed a new €1,000 million Single Currency Revolving Loan Facility, with a five-year term, to be used for working capital requirements and general corporate purposes. On the same date, Amadeus cancelled both the Facility A of the Revolving Credit Facility, signed on March 5, 2015, and the Revolving Credit Facility signed on April 26, 2016, each of them amounting to €500.0 million. The new revolving facility remained undrawn at December 31, 2019.

Reconciliation with net financial debt as per our financial statements

Under our credit facility agreements' terms, financial debt (i) does not include the accrued interest payable (€5.7 million at December 31, 2019) which is treated as financial debt in our financial statements, (ii) is calculated based on its nominal value, while in our financial statements our financial debt is measured at amortized cost, i.e. after deducting the deferred financing fees (that mainly correspond to fees paid upfront in connection with the set-up of new credit agreements and amount to €10.6 million at December 31, 2019), (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 (€0.9 million at December 31, 2019), and (iv) does not include debt related to assets under operating lease agreements (which form part of the financial debt in the statement of financial position) amounting to €257.1 million at December 31, 2019.

6.3 Group cash flow¹⁴

Consolidated Statement of Cash Flows (€millions)	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
EBITDA	481.4	425.5	13.1%	2,232.4	2,013.5	10.9%
Change in working capital	54.2	121.0	(55.2%)	(95.2)	0.7	n.m.
Capital expenditure	(192.1)	(212.0)	(9.4%)	(736.1)	(718.2)	2.5%
Pre-tax operating cash flow	343.5	334.5	2.7%	1,401.1	1,296.0	8.1%
Taxes paid	(108.9)	(142.5)	(23.6%)	(335.3)	(287.6)	16.6%
Interest & financial fees paid	(13.4)	(18.1)	(26.0%)	(35.4)	(32.4)	8.9%
Free cash flow	221.1	173.9	27.2%	1,030.4	976.0	5.6%
Equity investment	4.1	(1,305.9)	n.m.	(46.2)	(1,315.1)	n.m.
Non-operating items	2.0	(26.4)	n.m.	(51.6)	(48.7)	5.9%
Debt payment	(238.2)	(253.1)	(5.9%)	(417.3)	1,373.8	n.m.
Cash to shareholders	0.0	(237.5)	n.m.	(516.3)	(1,003.2)	(48.5%)
Change in cash	(11.0)	(1,649.0)	n.m.	(0.9)	(17.2)	(94.5%)
Cash & cash equivalents, net¹						
Opening balance	571.7	2,210.9		561.8	579.1	
Closing balance	561.0	561.8		561.0	561.8	

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

In 2019, Amadeus Group free cash flow amounted to €1,030.4 million, 5.6% higher than in 2018, impacted by an increase in taxes paid in the first quarter of 2019. Free cash flow was also impacted by non-recurring costs related to TravelClick's acquisition, amounting to €14.4

¹⁴ Figures as reported, not adjusted to exclude TravelClick's acquisition related effects.

million, paid in 2019, and €12.9 million, paid in 2018. Excluding these non-recurring costs paid in relation to TravelClick's acquisition, pre-tax free cash flow increased by 8.1%.

In the fourth quarter of 2019, Amadeus Group free cash flow amounted to €221.1 million, an increase of 27.2% vs. the same period of 2018. Excluding non-recurring costs paid in relation to TravelClick's acquisition, both in the fourth quarter of 2019 and 2018, free cash flow increased by 24.4%. See section 3.1 for further explanation about TravelClick's acquisition effects.

6.3.1 Change in working capital

In 2019, the change in working capital deteriorated by €96.0 million vs. previous year. The change in working capital, both in 2019 and 2018, was impacted by TravelClick's acquisition related effects (see section 3.1 for further explanation about TravelClick's acquisition effects). Excluding TravelClick's acquisition related effects, the change in working capital in 2019 deteriorated by €72.2 million, mainly resulting from: (i) payments, amounting to €34.3 million, advanced from January 2020 to December 2019, due to scheduled changes in accounting and payment systems during January 2020 in several countries, which interrupted the payment flows for a period of time during the January month, (ii) an increase in advanced payments related to customer renegotiations, and (iii) timing differences in some payments and collections, partly related to VAT reimbursements.

6.3.2 Capital expenditure, R&D investment

Capital expenditure

The table below details the capital expenditure, both in relation to property, plant and equipment ("PP&E") and to intangible assets. Based on the nature of our investments in PP&E, the figures may show variations on a quarterly basis, depending on the timing of 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 negotiations. In turn, our capitalized R&D investment may fluctuate depending on the level of capitalization ratio, which is impacted by the intensity of the development activity, the mix of projects undertaken and the different stages of the various projects.

In the fourth quarter of 2019, capex declined by €19.9 million, or 9.4%, vs. the same period of 2018, mainly driven by (i) a reduction in software capitalizations, resulting from a decrease in R&D investment in the period, coupled with a decline in the capitalization ratio, and (ii) lower signing bonuses paid.

In 2019, capex amounted to €736.1 million, an increase of €17.9 million, or 2.5%, vs. previous year. As a percentage of revenue, capex decreased by 1.3 p.p. to 13.2%. The growth in capex in 2019 was driven by:

- A €32.9 million, or 5.4% increase in capex in intangible assets, as a result of higher capitalizations from software development (driven by the increase in R&D investment, as

explained below, coupled with a lower capitalization ratio), the TravelClick consolidation effect and an increase in signing bonuses paid.

- A €15.0 million, or 13.8% decline in capex in property, plant and equipment.

It is important to note that a large part of our R&D capitalizations do not have any revenue associated at this stage (particularly in the case of new diversification initiatives), or are investments for projects that will produce revenue during the life of the contracts, on average 10 to 15 years in Airline IT and 3 to 5 in Distribution, thereby affecting the capex as a percentage of revenue ratio.

Capital Expenditure (€millions)	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
Capital Expenditure in intangible assets	163.0	181.0	(9.9%)	642.6	609.7	5.4%
Capital Expenditure PP&E	29.1	31.0	(6.1%)	93.5	108.5	(13.8%)
Capital Expenditure	192.1	212.0	(9.4%)	736.1	718.2	2.5%
As % of Revenue	14.3%	16.9%	(2.6 p.p.)	13.2%	14.6%	(1.3 p.p.)

R&D investment

In the fourth quarter of 2019, R&D investment (including both capitalized and non-capitalized expense) declined by 0.1%, compared to the same period of previous year, mainly due to a reduction in the efforts devoted to some internal performance enhancement projects, coupled with an increase in research tax credits.

In 2019, R&D investment increased by 10.1% vs. prior year. As a percentage of revenue, R&D investment amounted to 17.3%, in line with previous year. Growth in R&D investment in the full-year period resulted from:

- Increased resources to enhance and expand our product portfolio (including efforts related to NDC, shopping and digital solutions, etc.).
- Efforts dedicated to our new businesses, particularly to Hospitality (including the consolidation effect of TravelClick) and payments.
- Investment focused on cloud services and the continued enhancement of our overall infrastructure and processes to enhance efficiency, flexibility, availability and security.

See section 2.2 for further detail on our R&D projects.

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

R&D investment (€millions)	Oct-Dec 2019	Oct-Dec 2018	Change	Full year 2019	Full year 2018	Change
R&D investment ¹	253.2	253.5	(0.1%)	965.3	876.7	10.1%
As % of Revenue	18.9%	20.3%	(1.4 p.p.)	17.3%	17.8%	(0.4 p.p.)

¹ Net of Research Tax Credit (RTC). R&D investment for the first three quarters of 2019 has been adjusted to include an additional amount of €4.0 million of RTC. As a result, R&D investment amounted to €712.1 million in the first nine months of 2019.

6.3.3 Taxes paid

Cash taxes increased by €47.7 million, or 16.6%, in 2019 vs. previous year, mainly due to (i) no reimbursements from taxes paid in previous years in 2019, compared to reimbursements received from previous years in 2018 (mainly in the first quarter), and (ii) higher taxes paid in several countries from previous years, driven by increases in profits before taxes. Cash tax savings in France as a result of an increase in tax deductions expected for the year, associated with R&D (as a consequence of recent changes in tax regulation), partly offset these effects.

6.3.4 Interest and financial fees paid

Interest payments under our debt arrangements amounted to €35.4 million in 2019, €2.9 million or 8.9% higher than in 2018. This increase was mostly due to a higher amount of average gross debt, compared to 2018, driven by TravelClick's acquisition.

6.3.5 Equity investments

Equity investments amounting to €46.2 million in 2019 and €1,315.1 in 2018 mainly related to ICM's and TravelClick's acquisitions, respectively, as detailed in section 3.2.

6.3.6 Non-operating items

In 2019, cash outflow from non-operating items amounted to €51.6 million, and mostly responded to hedging costs and results, mainly in relation to a USD-denominated intercompany loan, linked to TravelClick's acquisition. See section 3.1 for details on TravelClick's acquisition.

6.3.7 Cash to shareholders

In 2019, the cash outflow to shareholders, amounting to €516.3 million, mainly corresponds to the payment of the ordinary dividend of €1.175 per share (gross) on the 2018 profit, as detailed in section 7.3.

7 Investor information



7.1 Capital stock. Share ownership structure

At December 31, 2019, Amadeus' capital stock amounted to €4,312,684.36, represented by 431,268,436 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 December 31, 2019 is as described in the table below:

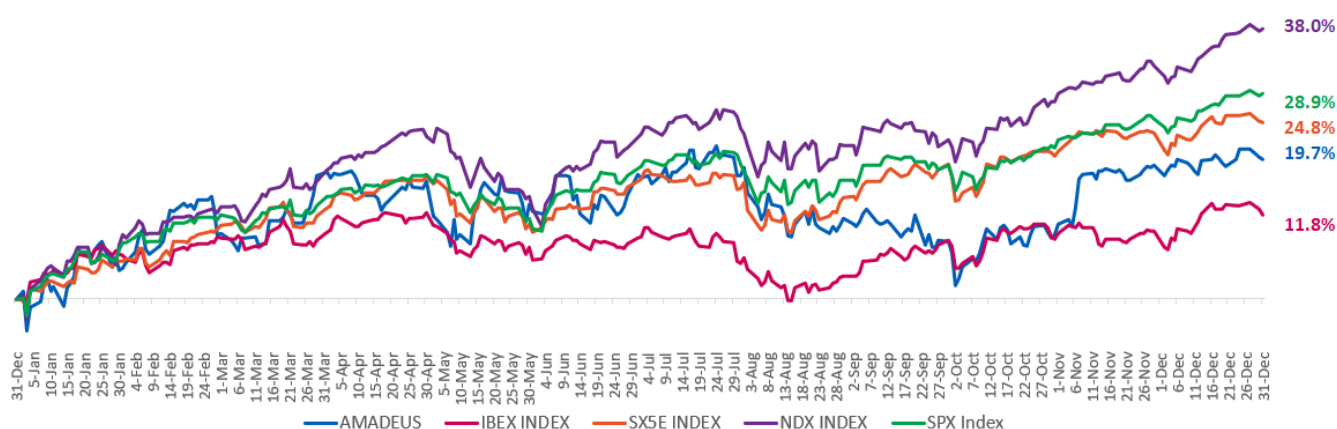
Shareholders	Shares	% Ownership
Free float	430,745,967	99.88%
Treasury shares ¹	244,708	0.06%
Board members	277,761	0.06%
Total	431,268,436	100.00%

¹ Voting rights suspended for as long as the shares are held by the company. Includes treasury shares acquired to cover the exchange ratio related to the merger of Amadeus IT Holding, S.A. and Amadeus IT Group, S.A. not yet delivered.

On December 10, 2018, Amadeus announced it had completed the share repurchase program approved by the Board of Directors of Amadeus on December 14, 2017, upon reaching the maximum investment under the first tranche (€500 million) of the share repurchase program (the second tranche of the program had been cancelled, following TravelClick's acquisition on October 4, 2018). Under the program, Amadeus acquired 7,554,070 shares (representing 1.721% of Amadeus share capital).

The share capital reduction through the amortization of the treasury shares was approved by the General Shareholders Meeting on June 19, 2019 and registered with the Commercial Registry of Madrid on July 11, 2019.

7.2 Share price performance in 2019



Key trading data

Number of publicly traded shares (# shares)	431,268,436
Share price at December 31, 2019 (in €)	72.80
Maximum share price in 2019 (in €) (July 24, 2019)	73.88
Minimum share price in 2019 (in €) (January 3, 2019)	58.06
Market capitalization at December 31, 2019 (in € million)	31,396
Weighted average share price in 2019 (in €) ¹	68.36
Average Daily Volume in 2019 (# shares)	1,417,902

¹ Excluding cross trade

7.3 Shareholder remuneration

At the General Shareholders' Meeting, held on June 19, 2019, our shareholders approved a final 2018 gross dividend of €1.175 per share, representing a 3.5% increase vs. the 2017 dividend and 50% of our reported Profit, adjusted to exclude TravelClick acquisition related effects. An interim dividend of €0.51 per share (gross) was paid on January 17, 2019 and a complementary dividend of €0.665 per share (gross) was paid on July 12, 2019.

On December 12, 2019 the Board of Directors of Amadeus proposed a 50% pay-out ratio for the 2019 dividend.

In June 2020, the Board of directors will submit to the General Shareholders' Meeting for approval a final gross dividend of €1.30 per share, representing a 10.6% increase vs. the 2018 dividend and a 50% of the reported Profit. An interim dividend of €0.56 per share (gross) was paid in full on January 17, 2020. Based on this, the proposed appropriation of the 2019 results included in our 2019 audited consolidated financial statements includes a total amount of €560.6 million corresponding to dividends pertaining to the financial year 2019.

8 Annex

8.1 Key terms

- “API”: refers to “Application Programming Interface”
- “D&A”: refers to “depreciation and amortization”
- “ECP”: refers to “European Commercial Paper”
- “EIB”: refers to “European Investment Bank”
- “EPS”: refers to “Earnings Per Share”
- “FTE”: refers to “Full-Time Equivalent” employee
- “IFRS”: refers to “International Financial Reporting Standards”
- “JV”: refers to “Joint Venture”
- “KPI”: refers to “Key Performance Indicators”
- “LTM”: refers to “last twelve months”
- “NDC”: refers to “New Distribution Capability”. NDC is a travel industry-supported program launched by IATA for the development and market adoption of a new, XML-based data transmission standard
- “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 or Navitaire New Skies
- “p.p.”: refers to “percentage point”
- “PPA”: refers to “Purchase Price Allocation”
- “PP&E”: refers to “Property, Plant and Equipment”
- “PNR”: refers to “Passenger Name Record”
- “PSS”: refers to “Passenger Service System”
- “R&D”: refers to “Research and Development”
- “TA”: refers to “travel agencies”
- “TA air bookings”: air bookings processed by travel agencies using our distribution platform
- “TA air booking industry”: defined as the total volume of travel agency air bookings processed by the three major global reservation systems (Amadeus, Sabre and Travelport). It excludes air bookings made directly through airlines’ direct distribution channels (airline offices and websites), single country operators (primarily in China, Japan, Russia and Turkey), other content aggregators and direct connect applications between airline systems, travel agencies, corporations and meta-bookers, which together combined represent an important part of the industry
- “XML”: refers to “Extensible Markup Language”

8.2 Product descriptions

Airline portfolio

- Amadeus DCS-CM Active Standby: allows the carrier to proactively manage Voluntary Denied Boarding, and offers alternative flights for an optimal disruption management.
- Altéa Group Manager: helps airlines to manage group bookings from quotation to contract.
- Altéa NDC: is an IATA certified solution that allows Altéa airlines to distribute advanced merchandizing offers to third parties, reaching more distribution channels with a consistent shopping experience.
- Altéa NDC Connect: integrates Altéa NDC customers' NDC content into the Amadeus Travel Platform automatically.
- Amadeus Anytime Merchandizing: improves the airline merchandizing capabilities, allowing for the distribution of customized content offers to travel agencies and travelers.
- Amadeus Codeshare Schedule Synchronization: helps the airline (acting as marketing carrier) to manage its codeshare agreements by allowing synchronization of schedule data between codeshare partners.
- Amadeus Customer Experience: provides a complete overview of the traveler including past behavior, preferences or customer value, allowing the airline to provide tailored offers to develop a closer relationship with him.
- Amadeus Disruption Transfer: allows authorised users to transfer passenger itineraries via the Altéa DCS Customer Management GUI to either (i) an airline's flight or (ii) to another airline's flight.
- Amadeus Enhanced Re-accommodation: enables the re-booking of passengers to either (i) same airline's flights or (ii) another airline's flights, cancelling their previous reservation and issuing a new one, or updating their PNR in Altéa Reservation.
- Amadeus Loyalty: uses relevant data from multiple sources to enhance customer experience and build customer loyalty.
- Amadeus Passenger Recovery: analyzes flight disruption and optimizes the transfer of passengers with greater speed and efficiency taking into account traveler's itinerary and overall value.
- Amadeus PNR Push to Customs: allows airlines to manage the PNR data sent to requesting Customs authorities for security reasons.
- Amadeus Reservation Desktop Web: it is a web-based graphical user interface built to improve the efficiency of the airline's agents across reservation, sales and customers service.
- Amadeus Revenue Accounting: enables airlines to record, monitor, analyze and collect all types of passenger revenue through any distribution channel, and to analyze sales data in real-time.
- Amadeus Revenue Integrity: helps the airline to maximize its revenue opportunity by releasing non-committed inventory for resell.
- Amadeus Revenue Management: helps the airline maximize revenue opportunities across all its sales channels, using real-time data to accurately forecast demand, taking into account customer purchasing behavior, competitor pricing and yield capacity.
- Amadeus Sales Watcher: is a revenue integrity solution to secure ticket revenues.

- Codeshare Schedule Synchronization: helps the airline (acting as the marketing carrier) to manage its codeshare agreements by allowing synchronization of schedule data between codeshare partners.
- Real-time Ticketing Feed: is an event-based structured data stream to enable new airline applications, such as customer servicing.

Hospitality portfolio

- Amadeus Sales and Event Management: helps hoteliers to sell, organize and manage events efficiently.
- iHotelier: is a TravelClick web-based hotel central reservation system. Flexible and integrated, this solution connects to multiple distribution channels and offers distribution modules for your web, mobile, voice, travel agent and online travel agent channels.
- Single Media Agency: places advertizing on major internet channels including search, display, social, and meta-search to drive highly profitable direct bookings on a hotel's website.

Airport portfolio

- Amadeus Biometric Integrator: facilitates connectivity between the local Customs and Border Protection traveler verification system and airlines' departure control systems. It allows for a one-step process where, through biometric verification, with facial recognition, the passenger identity is verified, and the passenger is authorized to board.
- Amadeus Airport Common Use Service (ACUS): is a cloud- based solution, which enables airlines' passenger processing systems to be accessed and deployed anywhere, on demand (both within and outside the airport terminal).
- Amadeus EASE (Amadeus Extended Airline System Environment): allows airlines to connect airports directly to their data hosts and run their own native applications, without any modification or limitations due to the airport's infrastructure.
- Amadeus Passenger Verification: ensures only authorized travelers may enter airside by verifying their boarding passes against the passenger data included in the airlines' systems.
- Amadeus Resource Management System: provides the airport with a complete overview of its fixed resources, allowing the optimal use of the existing infrastructures to maximize resources' performance and value.
- Airport Operational Database (AODB): is an intelligent repository to host, manage and disseminate complex flight-related information to improve critical decision-making across the airport environment.

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