1 Summary

1.1 Introduction

Full Year 2017 highlights (year ended December 31, 2017)

In Distribution, our travel agency air bookings grew 6.3%, to 568.4 million
In IT Solutions, our passengers boarded increased 19.8%, to 1,656.5 million
Revenue expanded by 8.5%, to €4,852.7 million
EBITDA increased by 9.7%, to €1,865.1 million
Adjusted profit[1] grew 22.5%, to €1,116.1 million
Free Cash Flow[2] amounted to €917.6 million, representing growth of 13.1%
Covenant net financial debt[3] was €2,083.3 million at December 31, 2017 (1.12 times last-twelve-month covenant EBITDA)

Amadeus ended the year with a positive evolution through the fourth quarter, delivering 2017 Revenue, EBITDA and Adjusted Profit growth of 8.5%, 9.7% and 22.5%, respectively. Our profitable expansion in 2017 was driven by the strong operating performances of our segments, Distribution and IT Solutions, as well as a Navitaire consolidation effect (acquired late January 2016). Foreign exchange fluctuations had a negative impact on revenues, although a positive effect on EBITDA. Excluding foreign exchange effects, both revenue and EBITDA grew at a high single-digit growth rate.

In Distribution, we successfully renewed or signed content agreements with 26 carriers in the quarter- including Delta Airlines and El Al - amounting to a total of 55 during 2017, as we continue to secure and expand content for our subscribers. Our air volumes continued to grow at a strong pace, driven by a 0.9 p.p. improvement of our competitive position[4] in the quarter (0.6 p.p. in the year), further increasing our relevance to travel providers. Over the year, Asia Pacific and Latin America were our fastest-growing regions, expanding at double-digit growth rates. In 2017, our TA air bookings increased by 6.3% and Distribution Revenue grew 7.3%.

IT Solutions revenue grew 10.8% in 2017. This expansion was driven by (i) underlying growth in Airline IT solutions, (ii) continued expansion in our new businesses and (iii) the consolidation of Navitaire. In Airline IT, Passengers Boarded increased by 19.8% in 2017, resulting from (i) organic Passengers Boarded growth of 7.6%, (ii) 2016 through 2017 new customer migrations, and (iii) the full year impact from Navitaire's Passengers Boarded (since late January 2016).

Our Airline IT customer base continued to expand in the fourth quarter of 2017. We had new signatures for PSS, such as Germania, Germania Swiss, Norwegian Air Argentina or Flybe, Europe's largest regional airline, who also contracted for a number of solutions including Amadeus Anytime Merchandising and Amadeus Customer Experience Management. Our Airline IT upselling activity continued to progress well with new signings in the quarter, including All Nippon Airways, which contracted Airline Cloud Availability, LATAM, which took Altéa DCS Flight Management or Malaysia Airlines, who contracted Amadeus Customer Experience Management, among others.

[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-recurring items.
[2] Defined as EBITDA, minus capex, plus changes in our operating working capital, minus taxes paid, minus interests and financial fees paid.
[3] Based on the definition included in the senior credit agreements.
[4] Competitive position as defined in section 3.

We also had intense customer implementation activity in the quarter, including Japan Airlines.

We continued to advance well in our new businesses. With InterContinental Hotels Group, we are progressing in the roll-out of the Guest Reservation System, with full deployment expected by late 2018 / early 2019. We also signed new Airport IT customers in the fourth quarter, including Velana International Airport, Biarritz Airport or Aktau International Airport.

We remain highly focused on our technology which is fundamental to our success. Our investment in R&D amounted to 15.3% of revenue in the year. It was dedicated to support our mid to long-term growth, through product evolution, portfolio expansion, new customer implementations, system performance optimization and the full decommissioning of our TPF-based operating systems. We are now shifting to next-generation technologies and cloud services.

Our Adjusted profit increased strongly in the year, by 22.5%, resulting from our positive operating performance, a decrease in financial expenses and a reduction in tax expense. The income tax rate for 2017 was 20.8% (vs. the 28.2% rate reported in 2016). The rate was highly impacted by adjustments to deferred tax liabilities in France and the U.S. due to lower corporate tax rates starting in 2018, in accordance with government regulatory changes.

In 2017, our Free Cash Flow grew 13.1% to €917.6 million. At year-end, our consolidated covenant net financial debt stood at €2,083.3 million, representing 1.12 times last-twelve-month covenant EBITDA.

In December 2017, the Amadeus Board of Directors proposed a 50% 2017 dividend pay-out target ratio. Accordingly, our Board of Directors will submit a final gross dividend of €1.135 per share - representing an increase of 20.7% over 2016 - for approval to our General Shareholders' Meeting in June 2018. An interim gross dividend of €0.48 per share was paid on January 31, 2018. The complementary dividend of €0.655 per share will be paid after the General Shareholders' Meeting approval.

Our Board of Directors also agreed to undertake a share repurchase program for the redemption of shares (reduction subject to agreement at our General Shareholders' Meeting). The agreed maximum investment amount will be €1,000 million (not exceeding 25,000,000 shares or 5.69% of share capital). The program will be carried out in two tranches. An up to €500 million non-cancellable tranche, from January 1, 2018 to March 31, 2019. Additionally, an up to €500 million tranche, from April 1, 2019 to March 31, 2020, cancellable at Amadeus' discretion.

1.2 Summary of operating and financial information

	Summary of KPI (figures in million euros)		
	Full year 2017	Full year 2016	% Change
Operating KPI			
TA air competitive position[1]	**43.9%**	**43.2%**	**0.6 p.p.**
TA air bookings (m)	568.4	534.9	6.3%
Non air bookings (m)	64.0	60.4	5.9%
Total bookings (m)	**632.3**	**595.3**	**6.2%**
Passengers boarded (m)	**1,656.5**	**1,382.5**	**19.8%**
Financial results			
Distribution revenue	3,137.6	2,925.0	7.3%
IT Solutions revenue	1,715.1	1,547.9	10.8%
Revenue	**4,852.7**	**4,472.9**	**8.5%**
Distribution contribution	1,306.0	1,223.0	6.8%
IT Solutions contribution	1,177.0	1,040.7	13.1%
Contribution	**2,483.0**	**2,263.7**	**9.7%**
EBITDA	**1,865.1**	**1,700.1**	**9.7%**
EBITDA margin (%)	38.4%	38.0%	0.4 p.p.
Adjusted profit[2]	**1,116.1**	**911.0**	**22.5%**
Adjusted EPS (euros)[3]	**2.55**	**2.08**	**22.3%**
Cash flow			
Capital expenditure	612.1	595.1	2.9%
Free cash flow[4]	917.6	811.4	13.1%
	31/12/2017	31/12/2016	% Change
Indebtedness[5]			
Covenant Net Financial Debt	**2,083.3**	**1,957.5**	**6.4%**
Covenant Net Financial Debt / LTM Covenant EBITDA	1.12x	1.14x	

1. Competitive position as defined in section 3.
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-recurring items.
3. EPS corresponding to the Adjusted profit attributable to the parent company. Calculated based on weighted average outstanding shares of the period.
4. Calculated as EBITDA minus capital expenditure plus changes in our operating working capital minus taxes paid minus interests and financial fees paid.
5. Based on the definition included in the senior credit agreement covenants.

2 Operating Review

2.1 Recent business highlights

Airline Distribution

- During 2017, we signed 55 new contracts or renewals of content agreements with airlines, including TUI fly, Air Canada, Westjet Airlines, Korean Air, Delta Airlines, El Al and Avianca Argentina and 12 low cost carriers.
- Subscribers to Amadeus' inventory can now access over 110 LCC and hybrid carriers' content worldwide, including Eurowings, which signed up for Amadeus Light Ticketing in September. Thanks to this XML connectivity, travel agents connected to Amadeus can book all the Eurowings' published fares and add ancillaries to the booking. LCC and hybrid carriers' bookings grew 9% in 2017 compared to the previous year.
- Our customers continued to show interest for our merchandising solutions throughout 2017. At the close of the year, 143 airlines had signed up to Amadeus Airline Ancillary Services, including Air Canada, Malaysia Airlines and All Nippon Airways, and 115 had implemented the solution. A total of 66 carriers had contracted Amadeus Fare Families, which allows airlines to distribute branded fares, with 50 of them already implemented. Emirates signed up and implemented both Amadeus Airline Ancillary Services and Amadeus Fare Families during the first quarter. In 2017, c.70% of the global air bookings processed through the Amadeus GDS system were eligible to carry an attached ancillary service.
- We achieved New Distribution Capability (NDC) Level 1 certification as an aggregator from IATA in October. This certification follows on from Amadeus becoming one of the first technology companies to receive NDC Level 3 certification as an IT provider, the highest level of certification, in June 2016. Our aim is to become NDC Level 3 certified as aggregator in 2018.

Hotel distribution

- In December, we signed a deal with Expedia Affiliate Network (EAN) that will allow travel sellers worldwide to book EAN's rates and availabilities at more than 350,000 hotels worldwide through Amadeus. The agreement includes full-service hotel brands, boutique hotels, and serviced apartments.

Corporate IT

- We continued to strengthen our corporate customer portfolio during 2017. In July, we launched a new mobile application for Salesforce. Amadeus cytric Travel & Expense is now available to all corporations using Salesforce and will allow them to calculate the return on investment of every business trip, as the solution provides a complete view of travel spend as its connects Salesforce opportunities with the cost of each business trip. It will also offer a smooth travel booking experience for frequent business travellers.

Airline IT

- At the end of December, 199 customers had contracted either of the Amadeus Passenger Service Systems (Altéa or New Skies) and 195 had implemented them.
- Air Canada contracted the full Amadeus Altéa Suite in October. In addition to this, the airline also signed up for a range of other Amadeus airline IT and payments solutions, including Anytime Mer-

chandising, Revenue Integrity and Passenger Recovery. This contract further reinforces our partnership with Air Canada, following the launch of the new aircanada.com in March. Powered by Amadeus' technology, the website offers a new booking and shopping experience to the carriers' customers, while bringing new selling opportunities for the airline.

- Flybe, Europe's largest regional airline, signed up for the full Altéa Suite in November. Thanks to the Altéa Suite, Flybe's passengers will benefit from an enhanced digital experience including personalized offers, tailored pricing and mobile disruption management. Additionally, Flybe contracted Amadeus e-Retail, Amadeus Anytime Merchandising, and Amadeus Customer Experience Management.
- Also, Boliviana de Aviación, MIAT Mongolian Airlines, Air Algerie and Germania contracted Altéa PSS while Swoop, West Jet's new ultra-low cost carrier and flyadeal, Saudia Airlines'new low cost subsidiary, contracted New Skies.
- In terms of implementation we had an intense activity. Southwest Airlines migrated its domestic flights to Altéa in May. Southwest's new reservation system brings an array of features designed to allow Southwest to: optimize its flight schedule; more easily manage inventory between any given origin and destination; govern the value of potential ancillary services; and automate rebookings during flight disruptions. The carrier began operating its international flights through Altéa in July 2014.
- Malaysia Airlines and Kuwait Airways also implemented Altéa, while Go Air, Viva Air Peru, Andes Líneas Aéreas, JetSMART and TUY fly Belgium were among the carriers that implemented New Skies.
- Our upselling efforts for our airline IT portfolio continued in 2017. In March, Finnair and Amadeus launched the Amadeus Altéa NDC solution. This new NDC API offers an additional distribution option for travel retailers to integrate Finnair's flights, seats and ancillaries. Finnair is piloting the solution with Skyscanner and now travellers purchasing Finnair flights from Skyscanner can complete their purchase without leaving the Skyscanner platform. Later in the year we also signed with Finnair Amadeus Digital API to make its booking process easier and more flexible.
- We also strengthened our relationship with FlyDubai with the launch of OPEN, the airline's unique loyalty programme, which uses Amadeus Loyalty Management. Singapore Airlines implemented Altéa Revenue Management solutions during the first quarter of 2017, whilst Swiss International Air Lines, launch partner of Amadeus Passenger Recovery, started using the solution in March.
- In Latin America, LATAM contracted Altéa DCS Flight Management, and GOL contracted Altéa DCS Customer Management, as well as Amadeus Revenue Integrity, Amadeus Flex Pricer and Altéa Reservation Gateway.
- Other upselling deals included Flyadeal, which contracted and implemented Altéa DCS Flight Management, All Nippon Airways, which contracted Airline Cloud Availability, and SmartWings, which signed up and implemented for Altéa DCS Customer Management.

Airport IT

- Our portfolio of Airport IT customers continued to expand its international footprint in 2017. Adelaide Airport announced in March that it will implement Australasia's first fully automated and cloud-based airport management system. The airport will implement three Amadeus airport solutions: Airport Operational Database (AODB), Airport Fixed Resource Management Solution (RMS) and Flight Innovation Display System. Velana International Airport, the main international airport in the

Maldives, deployed Amadeus' airport management solutions in November. The airport implemented Amadeus Airport Operational Database and Amadeus Airport Fixed Resource Management Solution In December, Biarritz Airport contracted Amadeus Airport Common Use Service (ACUS) to increase agility and flexibility of operations to airlines, ground handlers and passengers.

- We made strong progress in our airport IT business across the CIS region in 2017. We signed new contracts with Aktau International Airport, which signed up for Amadeus Airport Common Use Service (ACUS); and Heydar Aliyev International Airport, that contracted the Amadeus' full suite of airport solutions including Amadeus Common Use Service (ACUS), Baggage Reconciliation System (BRS), Airport Operational Database (AODB). Almaty International Airport successfully implemented ACUS and BRS in December.
- We also strengthened our airport IT footprint in the North American market, with a number of new customers including Louis Armstrong New Orleans International Airport, which contracted the Extended Airline System Environment (EASE); Pittsburgh International Airport, that signed up for AODB and RMS; Calgary International Airport and Pittsburgh International Airport which contracted our Airport Operational Database (AODB) and Resource Management System (RMS) solutions and Fort Lauderdale-Hollywood International Airport, which signed up for the Amadeus' Virtual Ramp Control.
- Hong Kong International Airport and Amadeus announced an agreement to deploy the world's first hot-swappable battery powered movable check-in kiosks with both self-service and full-service mode. The versatile kiosks are powered by Amadeus' common use technology and can be rapidly deployed and relocated for use by the traveller to check-in themselves or the airport staff to provide full-service operations. Finally, we also announced a partnership with Off Airport Check-In Solutions (OACIS) to launch the world's first 'pop up' check-in service. Using Amadeus' Airport Common Use Service (ACUS) cloud technology, OACIS can provide travellers with an off-airport, fully mobile check-in service that can be set up at any location. OACIS checks-in the traveller and their luggage, securely transports their bags to the airport and injects them directly into the airport baggage system. Virgin Australia is the first airline to adopt the service and has already piloted it at the Sydney overseas passenger terminal for cruise ships and ocean liners.

Hospitality

- In November, Premier Inn announced that it had signed up for two key capabilities of our Hospitality platform: the Central Reservation System (CRS) and the Property Management System (PMS). Together, both solutions will offer the hotel chain a 360° view of all its properties and will allow the company to better personalize its offering. Premier Inn also became the first hotel chain to adopt the Amadeus Payment solutions.
- We continued to advance with InterContinental Hotels Group and together we have initiated the planned Guest Reservation System roll-out in the fourth quarter of 2017, with full deployment expected by late 2018/early 2019.

Payments

- We partnered with Ingenico to launch Amadeus Airport Pay in June. Thanks to this payment solution, carriers and ground handlers can take payments anywhere in the airport as the solution is independent from airport technology. Lufthansa Group, as launch partner, has already started the roll-out of the solution, to be deployed at check-in desks and ticket offices in over 170 airports worldwide.

Rail

- In March, we unveiled a new business model for railways, which will enable railways to reach new travellers in new markets. This merchant model provides travel agencies around the world with one link to sell multiple railways. The new model currently includes the full offers of DB (German), RENFE (Spain), SNCF (French, available in Central, Eastern and Southern Europe only), Trenitalia (Italy) selected eastern European rail operators.

Travel Intelligence

- In May, we launched Amadeus Destination Insight. This solution uses advanced data analytics to offer Destination Marketing Organisations timely insights into traveller intentions and competing destinations.
- In March, we launched Productivity Tracker. This solution, part of the Amadeus Agency Insight Suite, uses data analytics to identify areas for operational improvement and empower agencies of all sizes to make more effective decisions.

Technology

- In June, we retired our last TPF mainframe and our core systems now run exclusively on open systems. This achievement allows us to drive further evolution in specific areas such as Cloud, NDC, merchandising and data analytics, as well as the adoption of new technologies such as artificial intelligence and machine learning.

Additional news

- In June, Decius Valmorbida was appointed Senior Vice President, Travel Channels, and became a member of Amadeus' Executive Committee.

- Amadeus' Shareholders' Annual Meeting, held in June 15, approved the appointment of Mr. Nicolas Huss as independent Director to the Board for a term of three years. Mr. Huss has over twenty years' experience in the financial service industry. He has held a variety of CEO roles for Apollo Global Management, Bank of America and General Electric in different European and Latin American countries, and he was the CEO of Visa Europe until March 2017. Currently he is Executive Vice-President of the Retail Business Unit at Ingenico Group, a global leader in seamless payment.

- In December, the Board of Directors appointed Mrs. Pilar García Ceballos-Zúñiga, effective December 15, 2017 as independent director. Mrs. Pilar García Ceballos-Zúñiga has vast experience in technology. Prior to her appointment as independent Director to Amadeus' Board of Directors, she was Executive Vice President of IBM Global Digital Services, Cloud and Security. Mrs. Pilar García Ceballos-Zúñiga takes over from Mr. Stuart McAlpine, who resigned as director of the Company. The Board of Directors expressed its gratitude to Mr. Stuart McAlpine for his contribution and dedication to Amadeus and welcomed Mrs. Pilar García to her new position.

- During the second half of the year, Standard and Poor's affirmed its "BBB/A-2" Credit Rating and positive outlook and Moody's confirmed its Baa2 rating with stable outlook.
- In September, for the sixth consecutive year, Amadeus was included in the Dow Jones Sustainability Indexes (both the DJSI World and the DJSI Europe). This year, Amadeus was recognised as global leader in the Software & Services industry space.

2.2 Key ongoing R&D projects

As a leading technology provider for the travel industry, Amadeus undertakes significant R&D activities. In 2017, Amadeus devoted 15.3% of its Group revenue to R&D, which focused on:

Product evolution and portfolio expansion:

Ongoing efforts to contribute to the NDC industrialization. Investments related to the development of a travel platform that will combine content from different sources (existing technology, NDC and content from aggregators and other sources) ensuring easy adoption in the marketplace with minimal disruption.
For airlines: investment in merchandising and personalization solutions (including Amadeus Anytime Merchandising, Customer Experience Management, Amadeus Ancillary Services and Amadeus Fare Families), as well as enhanced shopping and retailing solutions. Also, solutions related to cloud availability, revenue optimization and financial suites, as well as disruption management solutions.
For travel agencies, meta-search engines and corporations: efforts linked to our cloud-based new-generation selling platform, search engines and our self-booking and travel expense management tool.
For the hospitality industry: investment to develop and implement our new-generation Central Reservation System and developments related to our new-generation Property Management System.
Continued development and evolution of our Airport IT, Payments, Travel Intelligence and Rail IT portfolios.
Resources devoted to enhance distribution capabilities for Hospitality and Rail.

Customer implementations and services:

Implementation efforts related to recently completed or upcoming PSS implementations (including Southwest Airlines, Japan Airlines, Malaysia Airlines and Air Canada), as well as to our upselling activity (such as Revenue Management, Revenue Accounting, Anytime Merchandising, Passenger Recovery or e-Commerce, among others).
Implementation of Distribution solutions for airlines, travel agencies, and corporations, including the expansion of our customer base in merchandising solutions and the migration of corporations to our self-booking and travel expense management tools.
Works to advance with the IHG Guest Reservation System roll-out.
Implementation of customers to our Airport IT, Payments and Travel Intelligence portfolio of solutions.

Cross-area technology investment:

Completion of our TPF-based operating systems decommissioning and 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.
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, covenant net financial debt and adjusted profit, and its 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.

EBITDA corresponds to segment contributions less net indirect costs as defined in note 6 'Segment Reporting' of the Consolidated annual financial statements for the year ended December 31, 2017.
Covenant net financial debt is defined as current and non-current debt, 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.
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 non-recurring items, as detailed in section 6.1.8.

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 global CRS. It excludes air bookings made directly through in-house airline systems and single country operators (primarily in China, Japan and Russia), which together combined represent an important part of the industry.

3.1 Corporate transactions

i:FAO

On January 13, 2017, Amadeus announced the closing of the acceptance period for the tender offer it had launched on October 21, 2016 for outstanding i:FAO shares Amadeus did not already own (29.74%). As of December 31, 2017, Amadeus had increased its shareholding in i:FAO to 88.89%. The total amount paid for the 963,439 shares acquired in the past months was €29.0 million (€30.0 per share). i:FAO was delisted from the Frankfurt Stock Exchange on December 23, 2016.

Navitaire

On July 1, 2015, Amadeus announced its agreement to acquire Navitaire, a U.S-based provider of technology and business solutions to the airline industry. Amadeus received all the necessary regulatory approvals and the closing took place on January 26, 2016. The cash consideration in relation to this acquisition amounted to €760.1 million. The results of Navitaire were consolidated into Amadeus' books from January 26, 2016.

A purchase price allocation exercise in relation to the consolidation of Navitaire into Amadeus' books was carried out in the fourth quarter of 2016.

Meeting Intelligence business

On July 21, 2016, Amadeus Hospitality Americas Inc. (formerly Newmarket International) divested its non-core Meeting Intelligence business, which provides meetings market intelligence for the hospitality industry. The total net consideration of the transaction was €11.3 million.

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 30%-40% of our total revenue). Revenue generated in currencies other than the Euro or US Dollar is negligible.

In turn, 45%-55% of our operating costs[5] are denominated in many currencies different from the Euro, including the US Dollar which represents 25%-35% 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.

[5] Including Cost of revenue, Personnel expenses and Other operating expenses. Excludes Depreciation and amortization.

Directors' Report for the year ended December 31, 2017 (millions of euros)

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) and taxes paid in the US. We 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 qualify for hedge accounting under IFRS, profits and losses are recognized within the revenue caption. Our hedging arrangements typically qualify for hedge accounting under IFRS.

Given that 20-30% 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.

2017 foreign exchange impacts

In 2017, the USD-Euro exchange rate fluctuations had a significant impact on the evolution of our results throughout the year. The USD, which had appreciated vs. the Euro in the first quarter of the year, started depreciating vs. the Euro during the second quarter (compared to same periods of previous year). Such depreciation accelerated during the second half of the year and was particularly relevant in the fourth quarter of the year. See below a table showing the exchange rates evolution during 2017 vs. 2016:

Average USD-Euro FX rate[1]	*2017*	*2016*	*USD depreciation /(appreciation)*
Jan-Mar	1.068	1.106	(3.5%)
Apr-Jun	1.119	1.122	(0.3%)
Jul-Sep	1.179	1.114	5.8%
Oct-Dec	1.183	1.071	10.5%

1. Calculated as the average of the month-end FX rates in the quarter (official ECB USD-Euro exchange rates).

Revenue, which had been positively impacted by foreign exchange effects in the first half of 2017, was negatively impacted by foreign exchange effects in the second half of the year, particularly in the fourth quarter. As a consequence, full-year revenue was negatively impacted by foreign exchange effects.

As explained above, operating costs are impacted by foreign exchange fluctuations between the Euro and many different currencies. Operating costs, which were negatively impacted by foreign exchange effects in the first quarter of the year, were positively impacted by foreign exchange effects from the second quarter to the end of the year. As a result, full-year operating costs were positively impacted by foreign exchange effects.

As a combination of the above, EBITDA was impacted by positive foreign exchange effects across the year. In turn, foreign exchange effects had a negative impact in the first quarter of the year, and a positive impact from the second quarter to the end of the year, on EBITDA margin.

Excluding the foreign exchange effects described above, in 2017, revenue and EBITDA increased at a high single-digit growth rate and EBITDA margin was broadly stable.

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, 2017, 13.9% of our total covenant financial debt (related to the European Commercial Paper Program) 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 318,000 shares and a maximum of 1,722,000 shares, approximately. It is Amadeus' intention to make use of its treasury shares to settle these plans at their maturity.

5 Operating and financial performance by segment

	Segment Reporting (figures in million euros)		
	Full year 2017	*Full year 2016*	*% Change*
Distribution revenue	3,137.6	2,925.0	7.3%
IT Solutions revenue	1,715.1	1,547.9	10.8%
Group Revenue	**4,852.7**	**4,472.9**	**8.5%**
Distribution contribution	1,306.0	1,223.0	6.8%
IT Solutions contribution	1,177.0	1,040.7	13.1%
Total Contribution	**2,483.0**	**2,263.7**	**9.7%**
Net indirect costs	(617.9)	(563.6)	9.6%
EBITDA	**1,865.1**	**1,700.1**	**9.7%**
EBITDA Margin (%)	38.4%	38.0%	0.4 p.p.

In 2017, revenue increased by 8.5%, negatively impacted by foreign exchange effects. This revenue increase was supported by the positive evolution of our segments:

In Distribution, revenue grew by 7.3%, driven by booking growth, on the back of a 0.6 p.p. enhancement in our competitive position[6], expansive average pricing and an increase in non-booking revenue.
In IT Solutions, revenue increased by 10.8%, driven by the positive evolution of Airline IT and our new businesses, as well as the Navitaire consolidation impact.

EBITDA expanded 9.7% in 2017, as a result of growing contributions in both Distribution (6.8%) and IT Solutions (13.1%), partly offset by an increase in net indirect costs (9.6%). EBITDA margin expanded 0.4 p.p. to 38.4% of revenue. Both EBITDA and EBITDA margin were positively impacted by foreign exchange effects in the year.

Excluding foreign exchange effects, both revenue and EBITDA increased at a high single-digit growth rate and EBITDA margin was broadly stable.

5.1 Distribution

	Distribution (figures in million euros)		
	Full year 2017	*Full year 2016*	*% Change*
Operating KPI			
TA air competitive position[1]	43.9%	43.2%	0.6 p.p.
Total bookings (m)	632.3	595.3	6.2%
Financial results			
Revenue	**3,137.6**	**2,925.0**	**7.3%**
Operating costs	(1,906.8)	(1,769.0)	7.8%
Capitalizations	75.2	67.0	12.3%
Net Operating costs	**(1,831.5)**	**(1,702.0)**	**7.6%**
Contribution	**1,306.0**	**1,223.0**	**6.8%**
As % of Revenue	**41.6%**	**41.8%**	**(0.2 p.p.)**

1. Competitive position as defined in section 3.

In 2017, Distribution revenue increased 7.3% to €3,137.6 million, supported by volume growth, expansive average pricing and growing non-booking revenue. Contribution grew by 6.8%, to €1,306.0 million. As a percentage of revenue, Distribution contribution margin declined by 0.2 p.p. to 41.6%.

[6] Competitive position as defined in section 3.

Directors' Report for the year ended December 31, 2017 (millions of euros)

5.1.1 Evolution of Amadeus bookings

	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
						Operating KPI
TA air booking industry growth	**4.6%**	**5.6%**		**4.5%**	**3.1%**	
TA air competitive position[1]	**44.8%**	**43.9%**	**0.9 p.p.**	**43.9%**	**43.2%**	**0.6 p.p.**
TA air bookings (m)	134.0	125.1	7.1%	568.4	534.9	6.3%
Non air bookings (m)	16.4	15.2	7.6%	64.0	60.4	5.9%
Total bookings (m)	**150.4**	**140.3**	**7.2%**	**632.3**	**595.3**	**6.2%**

1. Competitive position as defined in section 3.

Travel agency air booking industry

Industry travel agency air bookings increased by 4.6% in the fourth quarter of 2017, broadly in line with growth seen in the first nine months of the year. For the full year, industry grew by 4.5%, outperforming growth of 3.1% in 2016.

In the fourth quarter, Central, Eastern and Southern Europe and Asia Pacific continued to be the industry's fastest growing regions, albeit at softer growth rates than in the first nine months of the year. Comparatively, Middle East and Africa, North America and Western Europe reported more limited growth.

During the full year 2017, all regions performed positively. Central, Eastern and Southern Europe and Asia Pacific were the best performing regions, supported by robust growth reported by their largest markets (Russia and India, respectively). In comparison, Middle East and Africa, North America and Western Europe delivered slower growth rates in the year. Latin America, which showed a volatile performance during the year, delivered healthy growth, mainly driven by Argentina and Brazil.

Amadeus bookings

Amadeus travel agency air bookings accelerated to 7.1% in the fourth quarter of 2017, outperforming the industry thanks to a competitive position enhancement of 0.9 p.p. North America and Central, Eastern and Southern Europe were our fastest growing regions in the quarter.

In the full year 2017, Amadeus' travel agency air bookings increased by 6.3%, supported by industry growth and a 0.6 p.p. enhancement of our competitive position. Asia and Pacific (particularly India and South Korea), Latin America and Central, Eastern and Southern Europe, which benefitted from robust industry growth, as well as North America, were our best performing regions. Middle East and Africa delivered a sustained growth rate, whilst Western Europe delivered slower growth.

	Amadeus TA air bookings (figures in millions)				
	Full year 2017	% of Total	Full year 2016	% of Total	% Change
Western Europe	206.0	36.2%	202.1	37.8%	2.0%
Asia and Pacific	108.6	19.1%	97.4	18.2%	11.4%
North America	99.0	17.4%	90.8	17.0%	9.0%
Middle East and Africa	69.3	12.2%	65.9	12.3%	5.1%
Central, Eastern and Southern Europe	48.1	8.5%	44.5	8.3%	7.9%
Latin America	37.5	6.6%	34.1	6.4%	10.0%
Total TA air bookings	**568.4**	**100.0%**	**534.9**	**100.0%**	**6.3%**

Amadeus' non air bookings increased by 7.6% in the fourth quarter of 2017 vs. prior year, driving full year growth to 5.9%. This positive performance was mostly due to the positive performance of rail and hotel bookings.

5.1.2 Revenue

	Distribution Revenue (figures in million euros)					
	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
Revenue	755.6	705.1	7.2%	3,137.6	2,925.0	7.3%

Distribution delivered 7.2% revenue growth in the fourth quarter of 2017, highly impacted by negative foreign exchange effects. Underlying growth in the quarter was driven by a healthy volume evolution, an average pricing increase and non-booking revenue growth.

For the full year, revenue increased by 7.3% vs. 2016, also negatively impacted by foreign exchange effects. The positive performance in the year was the result of an increase in both booking and non-booking revenue:

Booking revenue expanded 6.9%, resulting from a 6.2% increase in bookings coupled with a 0.6% growth in average revenue per booking. Average unitary booking revenue expansion was supported by booking mix, as the weight of global bookings over our total bookings increased in the period, as well as, customer mix and positive impacts from contract renegotiations.
Non booking revenue increased 9.9% in 2017 vs. prior year, driven by higher revenue from (i) search solutions provided to metasearch engines and online travel agencies, (ii) enhanced functionalities provided to travel agencies, (iii) tools for corporations (including i:FAO), (iv) advertising solutions and (v) our payment offering for travel agencies.

	Distribution Revenue (figures in million euros)		
	Full year 2017	Full year 2016	% Change
Booking revenue	2,737.7	2,561.2	6.9%
Non booking revenue	399.9	363.7	9.9%
Revenue	**3,137.6**	**2,925.0**	**7.3%**
Average fee per booking (€)[1]	**4.33**	**4.30**	**0.6%**

1. Represents our booking revenue divided by the total number of air and non-air bookings.

5.1.3 Contribution

Contribution increased by 6.8%, amounting to €1,306.0 million, in 2017. As a percentage of revenue, contribution was 41.6%, 0.2 p.p. lower than in 2016. Both contribution and contribution margin benefitted from positive foreign exchange impacts.

Contribution growth was supported by an increase in revenue of 7.3%, as explained in section 5.1.2 above, partly offset by 7.6% growth in net operating costs, driven by:

An increase in variable costs, due to higher volumes and a unitary distribution cost expansion, as expected, due to competitive pressure and a negative customer mix on incentives paid to travel agencies.
A net fixed cost contention which mainly resulted from (i) annual salary and variable remuneration reviews and (ii) the expansion of our commercial teams devoted to corporate IT and non-air distribution solutions, offset by (iii) an increase in the capitalization ratio in the year vs. prior year.
A positive foreign exchange impact.

5.2 IT Solutions

	IT Solutions (figures in million euros)		
	Full year 2017	Full year 2016	% Change
Operating KPI			
Passengers boarded (m)	1,656.5	1,382.5	19.8%
Financial results			
Revenue	**1,715.1**	**1,547.9**	**10.8%**
Operating costs	(757.1)	(712.4)	6.3%
Direct capitalizations	219.0	205.2	6.7%
Net operating costs	**(538.1)**	**(507.2)**	**6.1%**
Contribution	**1,177.0**	**1,040.7**	**13.1%**
As % of Revenue	**68.6%**	**67.2%**	**1.4 p.p.**

IT Solutions revenue increased 10.8% in 2017, supported by the positive performance of Airline IT and our new businesses, as well as, the consolidation of Navitaire (from January 26, 2016). Contribution grew by 13.1%, to €1,177.0 million. As a percentage of revenue, IT Solutions contribution margin increased by 1.4 p.p. to 68.6%.

5.2.1 Evolution of Amadeus passengers boarded

Amadeus passengers boarded grew by 21.0% to 428.4 million in the fourth quarter of 2017, driving growth for the full year to 19.8%.

In 2017, passengers boarded increased at a double-digit growth rate, fueled by (i) 7.6% organic growth (resulting from a mid single-digit Altéa PB growth and Navitaire's double-digit growth) and (ii) carrier implementations on our PSS platforms, both in 2017 (including Southwest Airlines, Japan Airlines, Malaysia Airlines, Kuwait Airways, Boliviana de Aviación, SmartWings, Germania, Norwegian Air Argentina, Air Algerie and MIAT - Mongolian Airlines on Altéa, as well as, GoAir, Viva Air Peru, Andes Líneas Aéreas, JetSMART and flyadeal on New Skies) and in 2016 (including Swiss International Air Lines, Brussels Airlines, China Airlines and Ukraine International Airlines on Altéa and Viva Group on New Skies). The Navitaire consolidation impact also contributed, to a lesser extent, to the PB volume growth.

	Total passengers boarded (figures in million)					
	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
Organic growth[1]	352.8	329.7	7.0%	1,395.1	1,296.3	7.6%
Non organic growth	75.6	24.3	n.m.	261.4	86.1	n.m.
Total passengers boarded	**428.4**	**354.0**	**21.0%**	**1,656.5**	**1,382.5**	**19.8%**

1. Calculated based on passengers boarded adjusted to reflect growth of comparable airlines on the Altéa and New Skies platforms during both periods. Excludes Air Berlin and January 2017 Navitaire New Skies passengers boarded.

In 2017, 57.7% of our passengers boarded were generated outside of Europe. Our international footprint has continued to expand, particularly in Asia and Pacific and in North America, supported by the acquisition of Navitaire and the implementations of Southwest Airlines, Japan Airlines and Malaysia Airlines, among others, in 2017.

	Total passengers boarded (figures in million)				
	Full year 2017	% of Total	Full year 2016	% of Total	% Change
Western Europe	611.2	36.9%	562.4	40.7%	8.7%
Asia and Pacific	502.8	30.4%	428.5	31.0%	17.3%
North America	176.5	10.7%	64.9	4.7%	171.9%
Latin America	149.2	9.0%	134.9	9.8%	10.5%
Middle East and Africa	127.2	7.7%	119.7	8.7%	6.2%
Central, Eastern and Southern Europe	89.6	5.4%	72.0	5.2%	24.5%
Total passengers boarded	**1,656.5**	**100.0%**	**1,382.5**	**100.0%**	**19.8%**

5.2.2 Revenue

	IT Solutions Revenue (figures in million euros)					
	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
Revenue	410.5	381.2	7.7%	1,715.1	1,547.9	10.8%

IT Solutions revenue increased by 7.7% in the fourth quarter of the year, highly impacted by negative foreign exchange effects. Excluding foreign exchange effects, revenue in the quarter increased at a double-digit growth rate, resulting from growth delivered by Airline IT and our new businesses.

For the full year, revenue grew by 10.8%, supported by the performances of Airline IT and our new businesses, as well as, the consolidation of Navitaire. Full-year revenue was negatively impacted by foreign exchange effects and the divestment of a non-core business by Hospitality IT in July 21, 2016 (see section 3.1 for further details).

	IT Solutions Revenue (figures in million euros)		
	Full year 2017	*Full year 2016*	*% Change*
IT transactional revenue	*1,282.4*	*1,142.1*	*12.3%*
Direct distribution revenue	*118.4*	*120.8*	*(2.0%)*
Transactional revenue	1,400.8	1,262.9	10.9%
Non transactional revenue	314.3	285.0	10.3%
Revenue	**1,715.1**	**1,547.9**	**10.8%**

Transactional Revenue

IT Transactional Revenue

In this category we include revenues from (i) our PSS offering for airlines, (ii) our e-commerce solutions, which provide online shopping and booking engines for airline websites, along with related functionalities, (iii) our range of standalone IT solutions (in the areas of merchandising, personalization, revenue optimization and disruption management, among others), which are complementary to, and fully compatible with, our Altéa solutions, and (iv) other revenue from our Airport IT and Payments (the Merchant Hub offering) businesses.

IT Transactional revenue increased by 12.3% in 2017, driven by:

Volume expansion, resulting from organic growth and customer implementations, as explained in section 5.2.1, coupled with dilutive PSS average pricing, as a consequence of customer mix (given the increasing weight of low-cost and hybrid carriers' volumes).
An increase in revenue from our airline IT portfolio of solutions, including e-commerce, merchandising and personalization tools, revenue management systems and Airline Cloud Availability, among others, supported by customer implementations and organic volume growth.
A healthy performance of our Airport IT business, most notably in the passenger processing area, and of our Payments Merchant Hub, through which we help travel merchants receive payments.

Direct Distribution Transactional Revenue

Direct distribution revenue includes (i) fees charged for bookings made through the direct sales channel of an airline using our Altéa Reservation solution and for certain types of air bookings made through the direct sales channel of Altéa customers for which we charge a booking fee, not a PB fee, and (ii) fees charged to airlines using our Altéa Reservation solution for complementary functionalities that are closely related to the booking process.

Revenue from Direct Distribution declined by 2.0% in 2017, impacted by non-recurring items. Excluding these items, Direct Distribution revenue increased, supported by organic booking growth.

Non Transactional Revenue

Non-transactional revenue comprises among others, (i) the recognition of deferred customization and implementation fees of our solutions, (ii) the provision of bespoke and consulting services, and (iii) revenues related to our Hospitality IT solutions.

Non transactional revenue increased by 10.3% in 2017, as a combination of:

An increase in airline IT revenue from bespoke IT and consulting services.
The positive evolution of Hospitality IT, mainly in the Sales & Catering business, supported by organic growth and customer implementations. Hospitality IT revenue growth was negatively impacted by the divestment of a non-core Meeting Intelligence business in July 2016, as explained in section 3.1.

5.2.3 Contribution

IT Solutions contribution amounted to €1,177.0 million in 2017, 13.1% higher than in 2016. As a percentage of revenue, contribution margin increased by 1.4 p.p. to 68.6%.

Foreign exchange effects had a negative impact on revenue and a neutral impact on contribution, resulting in a positive impact on contribution margin. Excluding these effects, revenue increased at a low double-digit rate and the contribution margin expanded.

The increase in contribution was the result of 10.8% revenue growth, explained in section 5.2.2, and a 6.1% increase in net operating costs, driven by:

Annual salary and variable remuneration reviews.
Reinforcement of our commercial teams to better support the expansion of our product offering and customer base.
Increased R&D expenditure (most of which is capitalized) dedicated to our Airline IT portfolio evolution and expansion (including enhanced merchandising, personalization and shopping functionalities) and our new businesses, partly offset by lower resources required to implement new carriers to our core Altéa platform.
An increase in the capitalization ratio.
The consolidation of Navitaire since January 26, 2016.
A positive foreign exchange impact.

5.3 EBITDA

In the fourth quarter of 2017, EBITDA increased by 8.4% to €398.8 million. As a percentage of revenue, EBITDA margin expanded by 0.3 p.p. to 34.2%. Both EBITDA and EBITDA margin were positively impacted by foreign exchange effects in the quarter.

In 2017, EBITDA increased 9.7% to €1,865.1 million, driven by the positive performances of Distribution and IT Solutions, as well as, the contribution of Navitaire, consolidated since January 26, 2016. EBITDA margin represented 38.4% of revenue, an expansion of 0.4 p.p. vs. prior year.

In 2017, EBITDA and EBITDA margin were positively impacted by foreign exchange effects (see section 4.1 for details on the exposure of our operating results to foreign exchange fluctuations). Excluding foreign exchange impacts, EBITDA grew at a high single-digit growth rate and EBITDA margin was broadly stable.

The expansion in Distribution and IT Solutions contributions was partly offset by higher net indirect costs, which increased by 9.6% in 2017 vs. 2016, resulting from:

Annual salary and variable remuneration reviews.
Increased resources in our corporate functions to support our business expansion.
The consolidation of Navitaire central costs, from January 26, 2016.
A decrease in the capitalization ratio, impacted by the mix of projects undertaken in the period.
A small positive foreign exchange impact.

	Indirect costs (figures in million euros)		
	Full year 2017	*Full year 2016*	*% Change*
Indirect costs	(779.4)	(721.6)	8.0%
Indirect capitalizations & RTC[1]	161.5	158.0	2.2%
Net indirect costs	**(617.9)**	**(563.6)**	**9.6%**

1. Includes the Research Tax Credit (RTC).

6 Consolidated financial statements

6.1 Group income statement

	Income Statement (figures in million euros)					
	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
Revenue	**1,166.1**	**1,086.4**	**7.3%**	**4,852.7**	**4,472.9**	**8.5%**
Cost of revenue	(317.0)	(286.1)	10.8%	(1,291.0)	(1,150.0)	12.3%
Personnel and related expenses	(341.1)	(326.7)	4.4%	(1,337.6)	(1,280.0)	4.5%
Other operating expenses	(105.1)	(103.0)	2.1%	(344.4)	(331.5)	3.9%
Depreciation and amortization	(163.1)	(136.6)	19.4%	(556.5)	(499.1)	11.5%
Operating income	**239.8**	**234.0**	**2.5%**	**1,323.2**	**1,212.3**	**9.1%**
Net financial expense	(14.4)	(15.7)	(8.0%)	(60.1)	(71.6)	(16.1%)
Other income (expense)	0.7	(0.9)	n.m.	(0.6)	3.1	n.m.
Profit before income taxes	**226.1**	**217.5**	**4.0%**	**1,262.5**	**1,143.8**	**10.4%**
Income taxes	2.3	(63.5)	n.m.	(262.0)	(322.9)	(18.9%)
Profit after taxes	**228.4**	**154.0**	**48.4%**	**1,000.5**	**820.9**	**21.9%**
Share in profit from associates and JVs	0.0	2.6	n.m.	4.2	5.4	(22.6%)
Profit for the period	**228.4**	**156.6**	**45.9%**	**1,004.7**	**826.3**	**21.6%**
Key financial metrics						
EBITDA	**398.8**	**368.0**	**8.4%**	**1,865.1**	**1,700.1**	**9.7%**
EBITDA margin (%)	34.2%	33.9%	0.3 p.p.	38.4%	38.0%	0.4 p.p.
Adjusted profit[1]	**269.4**	**172.9**	**55.8%**	**1,116.1**	**911.0**	**22.5%**
Adjusted EPS (euros)[2]	**0.62**	**0.40**	**55.7%**	**2.55**	**2.08**	**22.3%**

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-recurring 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 2017, revenue amounted to €1,166.1 million, growing 7.3% vs. prior year. Revenue in the quarter was highly impacted by negative foreign exchange effects, excluding which, revenue grew at a low double-digit growth rate.

For the full year 2017, revenue increased by 8.5% to €4,852.7 million, supported by:

An increase of 7.2% in Distribution revenue in the fourth quarter, driving full-year growth to 7.3%.
7.7% revenue growth from IT Solutions in the fourth quarter of 2017, or 10.8% in the year (favored by the Navitaire consolidation from January 26, 2016).
A negative foreign exchange effect.

See sections 5.1.2. and 5.2.2. for more details on revenue growth in Distribution and IT Solutions.

	Revenue (figures in million euros)					
	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
Distribution	755.6	705.1	7.2%	3,137.6	2,925.0	7.3%
IT Solutions	410.5	381.2	7.7%	1,715.1	1,547.9	10.8%
Revenue	**1,166.1**	**1,086.4**	**7.3%**	**4,852.7**	**4,472.9**	**8.5%**

6.1.2 Cost of revenue

These costs are mainly related to: (i) incentive fees paid to travel agencies, (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) and (iii) data communication expenses related to the maintenance of our computer network, including connection charges.

Cost of revenue amounted to €317.0 million in the fourth quarter of 2017, 10.8% higher than in the same period of 2016, driving full-year growth to 12.3%. The increase during the year was driven by (i) travel agency air booking growth along with a higher unitary distribution cost, mainly resulting from competitive pressure and a negative customer mix on incentives paid to travel agencies and (ii) an increase in data communication expenses. Cost of revenue was positively impacted by foreign exchange effects in 2017.

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. 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, including both Personnel expenses and Other operating expenses, increased by 3.8% in the fourth quarter of 2017 vs. prior year, or 4.4% in 2017.

Growth in fixed operating expenses in the year resulted from:

An increase of 4% in average FTEs (permanent staff and contractors), due to:

Higher headcount in R&D dedicated to product evolution and portfolio expansion (see further details in sections 2.2 and 6.3.2).
An expansion in the development and commercial teams dedicated to the new businesses, to support the ongoing customer implementations and commercial activities.
The reinforcement of our corporate, technical and commercial teams reflecting our business growth, to better support and serve our customers, both centrally and locally.
The consolidation of Navitaire since January 26, 2016.

Global salary and variable remuneration reviews, partly offset by efficiencies reached due to a positive country mix.
Growth in non-personnel related expenses, to support the overall business and geographical expansion.
An increase in the overall capitalization ratio, impacted by the mix of projects undertaken.

A positive foreign exchange impact.

	Personnel expenses + Other operating expenses (figures in million euros)					
	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
Personnel expenses + Other operating expenses	**(446.2)**	**(429.7)**	**3.8%**	**(1,682.0)**	**(1,611.5)**	**4.4%**

6.1.4 Depreciation and amortization

Depreciation and amortization (including capitalized D&A) was 18.7% higher in the fourth quarter of 2017 vs. the same period in 2016, driving full year growth to 11.1%.

Ordinary D&A grew by 14.3% in 2017 vs. prior year, mainly driven by 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. The depreciation expense (related to hardware and software acquired for our data processing center in Erding) and the consolidation impact of Navitaire, also contributed to the overall increase.

In compliance with IFRS, impairment tests are carried out annually, typically during the third and fourth quarters of the year. During 2016 and 2017 we reported certain impairment losses in relation to products that we estimated would not deliver the expected economic benefits, due to either unforeseen efforts required to deliver the customer's needs, or a reassessment downwards of expected demand.

	Depreciation and Amortization (figures in million euros)					
	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
Ordinary depreciation and amortization	(117.4)	(104.1)	12.7%	(428.3)	(374.7)	14.3%
Amortization derived from PPA	(22.3)	(24.1)	(7.5%)	(95.9)	(97.5)	(1.6%)
Impairments	(23.4)	(8.4)	n.m.	(32.3)	(27.0)	19.9%
Depreciation and amortization	**(163.1)**	**(136.6)**	**19.4%**	**(556.5)**	**(499.1)**	**11.5%**
Capitalized depreciation and amortization[1]	4.1	2.7	53.9%	14.6	11.3	29.1%
Depreciation and amortization post-capitalizations	**(159.0)**	**(134.0)**	**18.7%**	**(541.9)**	**(487.8)**	**11.1%**

1. Included within the Other operating expenses caption in the Group income statement.

6.1.5 EBITDA and Operating income

EBITDA increased by 8.4% in the fourth quarter of 2017 and by 9.7% to €1,865.1 million in 2017 vs. prior year, positively impacted by foreign exchange effects (see section 4.1 for details on the exposure of our operating results to foreign exchange fluctuations). Excluding foreign exchange effects, EBITDA grew at a high single-digit growth rate in the year, supported by the positive performances of Distribution and IT Solutions, as well as, the contribution of Navitaire, consolidated since January 26, 2016.

Operating Income in the fourth quarter of 2017 grew by 2.5%, or 9.1% to €1,323.2 million in the year, as a result of EBITDA expansion offset by higher D&A charges.

	Operating income – EBITDA (figures in million euros)					
	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
Operating income	**239.8**	**234.0**	**2.5%**	**1,323.2**	**1,212.3**	**9.1%**
Depreciation and amortization	163.1	136.6	19.4%	556.5	499.1	11.5%
Capitalised depreciation and amortization	(4.1)	(2.7)	53.9%	(14.6)	(11.3)	29.1%
EBITDA	**398.8**	**368.0**	**8.4%**	**1,865.1**	**1,700.1**	**9.7%**
EBITDA margin (%)	34.2%	33.9%	0.3 p.p.	38.4%	38.0%	0.4 p.p.

6.1.6 Net financial expense

Net financial expense decreased by 16.1% in 2017 vs. prior year. Interest expense declined by 43.7% in 2017, as a consequence of a lower average cost of debt (mainly due to the refinancing of €750 million notes in July 2016) and a lower amount of average gross debt outstanding.

Exchange losses amounted to €18.9 million in 2017, compared to €3.2 million gains in 2016. 2017 exchange losses were mostly driven by the adjustment of non-operating assets and liabilities denominated in foreign currencies (mainly USD) to year-end FX rates (vs. FX rates at Dec 31, 2016).

	Net financial expense (figures in million euros)					
	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
Financial income	(0.2)	0.4	n.m.	1.3	1.7	(23.5%)
Interest expense	(7.6)	(10.6)	(28.2%)	(32.9)	(58.5)	(43.7%)
Other financial expenses	(3.5)	(15.4)	(77.3%)	(9.6)	(18.0)	(46.5%)
Exchange gains (losses)	(3.1)	9.9	n.m.	(18.9)	3.2	n.m.
Net financial expense	**(14.4)**	**(15.7)**	**(8.0%)**	**(60.1)**	**(71.6)**	**(16.1%)**

6.1.7 Income taxes

Income taxes amounted to €262.0 million in 2017, 18.9% lower than in 2016. The income tax rate for 2017 was 20.8%, lower than the 28.2% rate reported in 2016. The decline in income tax rate was driven by a number of factors, including (i) a reduction in the 2017 corporate tax rate in France, as well as, adjustments to deferred tax liabilities in France and the U.S. due to lower corporate tax rates starting in 2018, in accordance with government regulatory changes, (ii) tax deductions related to non-recurring transactions, and (iii) the application of a reduced tax rate regime over certain research and development costs in France.

6.1.8 Profit for the period. Adjusted profit

Reported profit amounted to €1,004.7 million in 2017, a 21.6% increase vs. 2016. After adjusting for (i) accounting effects derived from PPA exercises and impairment losses, (ii) non-operating exchange gains (losses), and (iii) other non-recurring items, adjusted profit increased by 22.5% to €1,116.1 million in 2017.

						Adjusted profit (figures in million euros)
	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
Reported profit	**228.4**	**156.6**	**45.9%**	**1,004.7**	**826.3**	**21.6%**
Adjustments						
Impact of PPA[1]	20.1	16.4	23.1%	71.5	67.8	5.6%
Non-operating FX results[2]	2.7	(6.9)	n.m.	11.8	(2.3)	n.m.
Non-recurring items	(0.4)	1.8	n.m.	2.6	(0.6)	n.m.
Impairments	18.5	5.2	n.m.	25.4	19.8	28.6%
Adjusted profit	**269.4**	**172.9**	**55.8%**	**1,116.1**	**911.0**	**22.5%**

1. After tax impact of accounting effects derived from purchase price allocation exercises.
2. After tax impact of non-operating exchange gains (losses).

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 2017, our reported EPS increased by 21.4% to €2.29 and our adjusted EPS by 22.3% to €2.55.

						Earnings per share
	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
Weighted average issued shares (m)	438.8	438.8		438.8	438.8	
Weighted average treasury shares(m)	(2.6)	(1.5)		(1.7)	(2.0)	
Outstanding shares (m)	**436.2**	**437.3**		**437.1**	**436.8**	
EPS (euros)[1]	**0.52**	**0.36**	**45.6%**	**2.29**	**1.89**	**21.4%**
Adjusted EPS (euros)[2]	**0.62**	**0.40**	**55.7%**	**2.55**	**2.08**	**22.3%**

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 (figures in million euros)	
	31/12/2017	*31/12/2016*
Property, plant and equipment	479.8	459.7
Intangible assets	3,204.3	3,210.3
Goodwill	2,714.2	2,793.3
Other non-current assets	253.7	218.4
Non-current assets	6,652.0	6,681.8
Current assets	651.5	642.3
Cash and equivalents	579.5	450.1
Total assets	**7,883.0**	**7,774.1**
Equity	2,649.0	2,761.5
Non-current debt	1,755.1	1,422.7
Other non-current liabilities	1,195.4	1,282.0
Non-current liabilities	2,950.5	2,704.7
Current debt	396.1	969.5
Other current liabilities	1,887.4	1,338.5
Current liabilities	2,283.5	2,307.9
Total liabilities and equity	**7,883.0**	**7,774.1**
Net financial debt (as per financial statements)	**1,571.7**	**1,942.1**

6.2.1 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 increased by €20.1 million in 2017. This increase was mainly the result of the combination of the following effects: (i) additions (+€154.7 million), mostly related to data processing hardware and software acquired for our data processing center in Erding (Germany), (ii) depreciation charges (-€127.4 million) and (iii) foreign exchange effects (-€6.1 million).

6.2.2 Intangible assets

This caption principally includes (i) the net cost of acquisition or development and (ii) the excess purchase price, allocated to patents, trademarks and licenses[7], technology and content[8] and contractual relationships[9]. In particular, it includes the excess purchase price derived from the business

[7] 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.

[8] 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.

[9] 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.

combination (acquisition) between Amadeus IT Group, S.A. (the former listed company in 2005) and Amadeus IT Group, S.A. (the currently listed company, formerly known as Amadeus IT Holding, S.A. or WAM Acquisition, S.A.) in 2005.

Intangible assets decreased by €6.0 million in 2017. This decrease was mainly the result of the combination of the following effects: (i) additions of internally developed software (+€451.4 million) and acquired assets (+€63.2 million), (ii) amortisation charges and impairment losses (-€429.1 million) and (iii) foreign exchange effects (-€91.2 million).

6.2.3 Goodwill

Goodwill amounted €2,714.2 million as of December 31, 2017. 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 in 2014, 2015 and 2016. Goodwill decreased by €79.1 million in 2017, due to foreign exchange effects.

6.2.4 Equity, Share capital

As of December 31, 2017 the share capital of our Company was represented by 438,822,506 shares with a nominal value of €0.01 per share.

6.2.5 Financial indebtedness

	Indebtedness (figures in million euros)	
	31/12/2017	31/12/2016
Covenants definition[1]		
Long term bonds	1,500.0	1,000.0
Short term bonds	0.0	400.0
European Commercial Paper	300.0	485.0
EIB loan	257.5	307.5
Revolving credit facilities	0.0	100.0
Other debt with financial institutions	13.2	21.0
Obligations under finance leases	92.1	93.9
Share repurchase program	500.0	0.0
Covenant Financial Debt	**2,662.8**	**2,407.5**
Cash and cash equivalents	(579.5)	(450.1)
Covenant Net Financial Debt	**2,083.3**	**1,957.5**
Covenant Net Financial Debt / LTM Covenant EBITDA	**1.12x**	**1.14x**
Reconciliation with financial statements		
Net financial debt (as per financial statements)	**1,571.7**	**1,942.1**
Interest payable	(2.1)	(2.5)
Deferred financing fees	10.3	12.6
EIB loan adjustment	3.4	5.2
Share repurchase program	500.0	0.0
Covenant Net Financial Debt	**2,083.3**	**1,957.5**

1. Based on the definition included in the senior credit agreements.

Net financial debt as per our financial covenants' terms amounted to €2,083.3 million at December 31, 2017 (1.12 times last-twelve-month covenant EBITDA). The main changes affecting our debt structure during 2017 were:

A €500 million Eurobond issue in May 2017 (under our Euro Medium Term Note Program), with a two year maturity, an annual coupon of 0.0%, and an issue price of 99.932% of nominal value.
The amortization of €400 million bonds issued in December 2014 which reached maturity in December 2017.
A €185.0 million net repayment related to our Multi-Currency European Commercial Paper Program, to reach a total nominal amount of €300.0 million at the end of December 2017.
The repayment of €50.0 million related to our European Investment Bank loan.
The full repayment of €100 million related to our revolving credit facilities.
As explained in section 7.3.2, Amadeus announced a share repurchase program on December 14, 2017. The maximum investment will be €1,000 million, not exceeding 25,000,000 shares (or 5.69% of the share capital of the Company). The program will be executed through two tranches (of up to €500 million investment each): the first tranche (non-cancellable) from January 1, 2018 to March 31, 2019 and the second tranche (cancellable at Company's discretion) from April 1, 2019 to March 31, 2020. The future payments under the first, non-cancellable tranche of the share repurchase program,

Directors' Report for the year ended December 31, 2017 (millions of euros)

amounting to €500 million, were included in the "Other current liabilities" caption in the statement of financial position, as well as in covenant net financial debt as of December 31, 2017.

Reconciliation with net financial debt as per our financial statements

Under the covenant terms, Covenant Financial Debt (i) does not include the accrued interest payable (€2.1 million at December 31, 2017) which is treated as debt in our financial statements, (ii) is calculated based on its nominal value, while in our financial statements our financial debt is measured at 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 €10.3 million at December 31, 2017), (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 (€3.4 million at December 31, 2017), and (iv) includes the outstanding payment of the first tranche of the share repurchase program at December 31, 2017 (€500 million), as explained above, which has been included in the "Other current liabilities" caption in the statement of financial position.

Debt structure as of December 31, 2017

	Description	*Amount*	*Maturity*
Capital markets financing	Euro Bond	€500m €500m €500m	May 2019 Oct 2020 Nov 2021
EIB Loans	Development Loan	€122.5m €135m	May 2021 May 2022
ECP	European Commercial Paper	€300m	Max 364 days
Revolving Credit Facilities	Revolving[1]	€500m €500m	Mar 2020 Jul 2021

1. As of December 31, 2017 the revolving credit facilities were undrawn.

Debt maturity profile as of December 31, 2017

6.3 Group cash flow

Consolidated Statement of Cash Flows (figures in million euros)	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
EBITDA	398.8	368.0	8.4%	1,865.1	1,700.1	9.7%
Change in working capital	77.9	89.2	(12.6%)	55.3	93.8	(41.0%)
Capital expenditure	(173.8)	(165.7)	4.9%	(612.1)	(595.1)	2.9%
Pre-tax operating cash flow	**302.9**	**291.5**	**3.9%**	**1,308.2**	**1,198.7**	**9.1%**
Taxes	(159.3)	(151.1)	5.4%	(363.4)	(300.8)	20.8%
Interest and financial fees paid	(14.5)	(17.5)	(17.2%)	(27.2)	(86.5)	(68.6%)
Free cash flow	**129.1**	**122.9**	**5.1%**	**917.6**	**811.4**	**13.1%**
Equity investment	(2.5)	(0.7)	n.m.	(31.4)	(761.9)	n.m.
Cash flow from extraordinary items	(5.8)	(22.1)	n.m.	(62.0)	(12.5)	n.m.
Debt payment	(442.5)	(127.5)	n.m.	(275.7)	63.6	n.m.
Cash to shareholders	0.0	0.0	n.m.	(419.0)	(362.5)	15.6%
Change in cash	**(321.7)**	**(27.3)**	**n.m.**	**129.5**	**(261.9)**	**n.m.**
Cash and cash equivalents, net[1]						
Opening balance	900.9	477.0		449.6	711.6	
Closing balance	579.1	449.6		579.1	449.6	

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

6.3.1 Change in working capital

Working capital inflow decreased by €38.5 million in 2017 mostly driven by (i) the recognition of previously deferred revenue, with no cash impact in the period (as related collections were received in previous years), and (ii) higher personnel-related payments.

6.3.2 Capital expenditure, R&D investment

Capital expenditure

The table below details the capital expenditure in the period, 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.

Capex increased by 4.9% in the fourth quarter of 2017 and by 2.9% in the full year period vs. 2016. As a percentage of revenue, capex declined 0.7 p.p. to 12.6% in the year.

The growth in capex in 2017 was driven by:

An increase of €11.4 million in capex in property, plant and equipment, mostly resulting from higher hardware and software purchases and equipment for new office buildings in Europe and the Americas.

A €5.7 million increase in capex in intangible assets, due to higher capitalizations from software development (as a consequence of both an increase in R&D investment, as explained below, and a higher capitalization ratio, due to the mix of projects undertaken and the different stages in which they are vs. prior year). Capex related to signing bonuses paid to travel agencies in the year declined vs. 2016.

It is important to note that a large part of our investments 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. It is also important to note that a large part of our investments related to the migration of our clients is paid by the customer, although not recognized as revenue but deferred in the balance sheet. It is therefore capex which does not have a negative cash impact and where revenue does not get recognized as such, making the ratio of capex to revenue less relevant.

	Capital Expenditure (figures in million euros)					
	Oct-Dec 2017	*Oct-Dec 2016*	*% Change*	*Full year 2017*	*Full year 2016*	*% Change*
Capital Expenditure in PP&E	32.2	32.7	(1.5%)	116.4	105.1	10.8%
Capital Expenditure in intangible assets	141.6	132.9	6.5%	495.7	490.0	1.2%
Capital Expenditure	**173.8**	**165.7**	**4.9%**	**612.1**	**595.1**	**2.9%**
As % of Revenue	14.9%	15.2%	(0.3 p.p.)	12.6%	13.3%	(0.7 p.p.)

R&D investment

R&D expenditure (including both capitalized and non-capitalized expense) increased by 5.3% in 2017 vs. prior year. As a percentage of revenue, R&D investment amounted to 15.3%. Growth in R&D investment in the year resulted from:

Increased resources to enhance and expand our product portfolio (including efforts related to NDC, merchandising, shopping and personalization solutions, corporate IT, Cloud solutions for airlines and travel agencies, etc.) and to implement solutions associated with our Airline IT upselling activity, combined with lower efforts devoted to implementing new carriers to our core Altéa platform.
Higher efforts dedicated to our new businesses: Hospitality, Airport IT, Payments, Rail and Travel Intelligence.
A decline in the level of investment devoted to transversal projects driven by the completion of the full decommissioning of our TPF-based operating systems. Now that our systems are run exclusively on open systems, our investments focus on cloud services and continued enhancement of our overall infrastructure and processes to enhance efficiency, flexibility, availability and security.

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 (figures in million euros)					
	Oct-Dec 2017	Oct-Dec 2016	% Change	Full year 2017	Full year 2016	% Change
R&D investment[1]	**199.7**	**184.7**	**8.1%**	**744.2**	**706.5**	**5.3%**
As % of Revenue	17.1%	17.0%	0.1 p.p	15.3%	15.8%	(0.5 p.p)

1. Net of Research Tax Credit.

6.3.3 Taxes paid

Cash taxes increased by €62.6 million in 2017, driven by a number of effects including, most importantly, (i) regularizations taking place in the second quarter of 2017 in various regions, due to higher than expected 2016 results, as well as (ii) a regulatory increase in the percentage of corporate taxes to be prepaid in Spain.

6.3.4 Interest and financial fees paid

Interest payments under our debt arrangements amounted to €27.2 million in 2017, €59.3 million lower than in 2016. The decrease mainly resulted from (i) a combination of a lower average gross debt and a lower average cost of debt, (ii) the payment in 2016 of the annual coupon of the €750 million notes, part of the Euro Medium Term Note Program, which matured on July 15, 2016, and (iii) a non-recurring fee from the cancellation of an interest rate swap in 2016.

6.3.5 Free cash flow

Free cash flow increased by €6.2 million or 5.1% in the fourth quarter of 2017. For the full year 2017 free cash flow amounted to €917.6 million, a 13.1% increase vs. 2016. This increase was the result of EBITDA expansion and lower interest and financial fees paid, partly offset by a lower cash inflow from working capital, growth in capex and higher taxes paid in the period.

6.3.6 Equity investments

Equity investments amounted to €31.4 million in 2017. This cash outflow mainly relates to the acquisition of i:FAO shares. Equity investments in 2016 (€761.9 million) mostly correspond to the acquisition of Navitaire. See section 3.1 for more details.

6.3.7 Cash flow from extraordinary items

Cash outflow from extraordinary items amounted to €62.0 million in 2017, and mostly related to (i) a payment of a deposit in relation to a tax contingency, and (ii) exchange differences related to non-operating assets and liabilities.

6.3.8 Cash to shareholders

In 2017, the cash outflow to shareholders, amounting to €419.0 million, corresponds to (i) a payment of €411.3 million related to the ordinary dividend of €0.94 per share (gross) on the 2016 profit, and (ii) €7.7 million related to the acquisition of treasury shares in the year to cover the staff shared-based remuneration schemes (see section 4.3).

7 Investor information

7.1 Capital stock. Share ownership structure

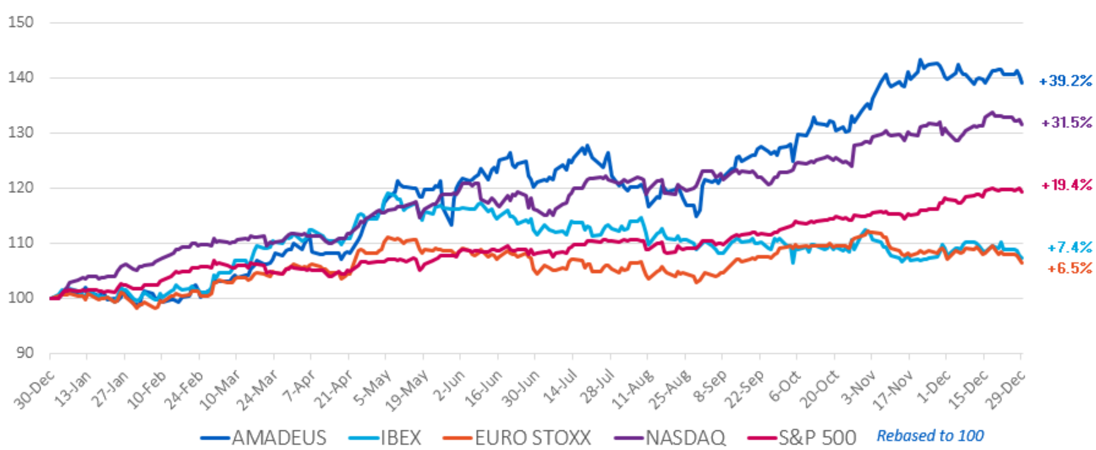
As of December 31, 2017, the capital stock of our company is €4,388,225.06 represented by 438,822,506 shares with a nominal value of €0.01 per share, all belonging to the same class, fully subscribed and paid in.

The shareholding structure as of December 31, 2017 is as described in the table below:

	Shareholders	
	Shares	% Ownership
Free float	437,296,273	99.65%
Treasury shares[1]	1,069,252	0.24%
Board members	456,981	0.11%
Total	**438,822,506**	**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.

7.2 Share price performance in 2017



	Key trading data
Number of publicly traded shares (# shares)	438,822,506
Share price at December 31, 2017 (in €)	60.11
Maximum share price in Jan - Dec 2017 (in €) (November 21, 2017)	61.95
Minimum share price in Jan - Dec 2017 (in €) (February 1, 2017)	42.58
Market capitalization at December 31, 2017 (in € million)	26,378
Weighted average share price in Jan - Dec 2017 (in €)[1]	51.75
Average Daily Volume in Jan - Dec 2017 (# shares)	1,369,088

1. Excluding cross trade

7.3 Shareholder remuneration

7.3.1 Dividend payments and dividend policy

At the General Shareholders' Meeting held on June 15, 2017, our shareholders approved the annual gross dividend from the 2016 profit. The total value of the dividend increased 21.3% vs. prior year to €412.5 million, representing a pay-out of 50% of the 2016 reported profit for the year, or €0.94 per share (gross). An interim amount of €0.40 per share (gross) was paid on February 1, 2017 and the complementary dividend of €0.54 per share (gross) was paid on June 30, 2017.

On December 14, 2017 the Board of Directors of Amadeus proposed a 50% pay-out ratio for the 2017 dividend.

In June 2018, the Board of directors will submit to the General Shareholders' Meeting for approval a final gross dividend of €1.135 per share, representing a 20.7% increase vs. the 2016 dividend. An interim dividend of €0.48 per share (gross) was paid in full on January 31, 2018. Based on this, the proposed appropriation of the 2017 results included in our 2017 audited consolidated financial statements includes a total amount of €498.1 million corresponding to dividends pertaining to the financial year 2017.

7.3.2 Share repurchase program

On December 14, 2017 the Board of Directors of Amadeus agreed to undertake a share repurchase program, in accordance with the authorization granted by the General Shareholders' Meeting held on June 20, 2013. The purpose of the share repurchase program is for the redemption of shares (subject to our General Shareholders' Meeting approval). The maximum investment will be €1,000 million, not exceeding 25,000,000 shares (or 5.69% of share capital), and will be carried out in two tranches:

Tranche 1: up to €500 million (non-cancellable), from January 1, 2018 to March 31, 2019.
Tranche 2: up to €500 million (cancellable at Company's discretion), from April 1, 2019 to March 31, 2020.

As of December 31, 2017, the Company had not acquired any shares under the repurchase program. The future payments under the first, non-cancellable tranche of the program, amounting to €500 million, were included in the "Other current liabilities" caption in the statement of financial position, as well as in covenant net financial debt, as of December 31, 2017.

8 Other additional information

8.1 Expected Business Evolution

8.1.1 Macroeconomic environment

Given that Amadeus operates transaction-based business models, Amadeus' operating results are highly linked to travel volumes (mainly bookings made by travel agencies connected to the Amadeus Distribution system, or passengers boarded by airlines using our IT solutions) at a global scale. Our businesses and operations are largely dependent on the worldwide travel and tourism industry, which is sensitive to general economic conditions and trends.

In January 2018, the IMF updated its World Economic Outlook, reporting expected 2018 global economy growth of 3.9%, an acceleration vs. 3.7% growth in 2017.

Advanced economies are projected to grow by 2.3% in 2018 (compared to a flat performance in 2017). This is the result of: (i) moderate growth in the Euro Area (2.2% in 2018, vs. 2.4% in 2017) and the United Kingdom (1.5% in 2018, vs. 1.7% in 2017); (ii) a deceleration in growth in Japan (1.2% in 2018 vs. 1.8% in 2017) and Canada (2.3% in 2018 vs. 3.0% in 2017), and (iii) an acceleration in the United States economy growth (2.7% in 2018, vs. 2.3% in 2017).
Emerging markets and developing economies are expected to accelerate growth, from 4.7% in 2017, to 4.9% in 2018, reflecting normalization in countries which suffered from economic strains (e.g. Saudi Arabia and Brazil).

In light of the expected improvement in the global economy, IATA forecasts another robust year for air traffic growth, albeit at a softer rate than in 2017, due to increasing fuel prices. The 6.0%[10] forecasted air traffic growth in 2018 (vs. 7.5% in 2017) is the result of positive performances in all regions. Africa and Latin America are expected to be the fastest growing regions (+8.0% each), followed by Middle East and Asia Pacific (+7.0%). Europe and North America are estimated to grow by 6.0% and 3.5%, respectively.

8.1.2 Amadeus strategic priorities and expected business evolution in 2018

Amadeus is a leading technology provider for the travel industry. Amadeus has built commercial relationships with players across the industry, including airlines, travel agencies, hotels and airports, among others, and across the globe (with presence in more than 190 countries). Amadeus has invested consistently over the years to have a unique technology offering. Having market leading and cutting-edge technology allows us to serve our customers better, to customize more efficiently and to continue innovating.

In Distribution, we see growth coming from adding travel providers and travel agencies to our network, as well as from expanding the content offering distributed through Amadeus. In Airline IT, future growth will be driven by (i) implementing new customers to our current solutions, (ii) increasing the penetration of our solutions within our current customer base, and (iii) expanding our portfolio of solutions to address customer needs. Additionally, we expect growth to come from our new businesses, including Hospitality, Airport IT, Payments, Rail and Travel Intelligence, as we progress in each of them, and as we materialize the synergies between the different verticals.

In 2018, we expect to continue evolving positively. In Distribution, we expect to maintain our leadership position, supported by our sustained investment in R&D and focus on innovation, global footprint, local market understanding and industry expertise. In Airline IT, our PSS business will continue to expand, as we implement our contracted upcoming migrations, such as flybe. Also, volumes will benefit from the full-year impact from the 2017 customer implementations, most notably Southwest Airlines and Japan Airlines. Beyond the PSS business, we continue to invest on enhancing and expanding our solutions portfolio in order to sustain our upselling activity, with particular focus on the areas of merchandising, personalization, revenue optimization, digitalization and disruption management. Within our hospitality IT business, with InterContinental Hotels Group, we are progressing in the roll-out of the Guest Reservation System, with full deployment expected by late 2018 / early 2019. We also continue with the developments related to our new-generation Property Management System.

Investing in technology is a key pillar to our success. In 2018, Amadeus will continue to invest in R&D to support long term growth through new customer implementations, product evolution, portfolio

[10] IATA Airline Industry Economic Performance-December , 2017

expansion (including non-air IT diversification) and cross-area technological projects. We will continue investing for our NDC vision, which is to develop an integrated solution that can be widely adopted by both travel agencies and airlines to deliver sustainable results on a scale that matters. Also, we will progress on our shift to next-generation technologies and cloud services, as well as the application of new technologies, such as artificial intelligence and machine learning.

Amadeus has a proven track record of operating a solid and resilient business model that results in strong cash generation, allowing for sustained investment in R&D and innovation, as well as for shareholder remuneration, while maintaining a flexible capital structure. Ordinary dividends paid have grown consistently every year since our IPO, at an average annual rate of 23% and we have complemented this with share repurchases.

In December 2017, the Amadeus Board of Directors proposed a 50% 2017 dividend pay-out target ratio. Accordingly, our Board of Directors will submit a final gross dividend of €1.135 per share - representing an increase of 20.7% over 2016 - for approval to our General Shareholders' Meeting in June 2018. Our Board of Directors also agreed to undertake a share repurchase program for the redemption of shares (reduction subject to agreement at General Shareholders' Meeting). The agreed maximum investment amount will be €1,000 million (not exceeding 25,000,000 shares or 5.69% of share capital). The program will be carried out in two tranches. An up to €500 million non-cancellable tranche, from January 1, 2018 to March 31, 2019. Additionally, an up to €500 million tranche, from April 1, 2019 to March 31, 2020, cancellable at Amadeus' discretion.

8.2 Research and Development Activities

Research and development (R&D) is core to the company's strategy and key to a sustainable competitive advantage. In addition, R&D activities help increase efficiency and improve the Amadeus System functionality, as well as to reduce maintenance and operating costs.

The Group is continuously investing in its systems, including the development of new products and functionalities, as well as the evolution of the existing platform, based on the latest state-of-the-art technology available. The group has 16 development centres, including 3 regional centres and the central development sites in Nice and Bangalore.

During the year ended December 31, 2017, Amadeus expensed €299.0 million for R&D activities and capitalized €464.0 million (before deducting any incentives), which compares to €291.9 million and €433.9 million, respectively, in 2016.

Our R&D investment enables us to offer some of the most advanced, integrated and powerful business tools available in the market, in order to deliver a best-in-class service to airlines and travel agencies. Indeed, Amadeus offers enhanced functionalities, such as advanced search and booking engines, both for travel agencies and travel providers. In addition, our product offering addresses the Passenger Service Systems for airlines, enabling processes such as central reservation, inventory management, departure control and e-commerce, as well as providing direct distribution technologies. We are also expanding our airline IT Solutions offering and we are seeking to grow our market share within the non-airline IT Solutions markets, including the hotel, rail and airport IT markets.

8.3 Treasury Shares

The reconciliation of the carrying amounts for the years ended December 31, 2017 and 2016, of the treasury shares is set forth in the table below:

	Treasury Shares	Millions of euros
Carrying amount at December 31, 2015	2,214,916	29.3
Acquisitions	616,111	24.0
Retirement	(1,309,754)	(29.7)
Carrying amount at December 31, 2016	1,521,273	23.6
Acquisitions	147,562	7.7
Retirement	(599,583)	(14.2)
Share buy-back programme	-	500.0
Carrying amount at December 31, 2017	1,069,252	517.1

The Group holds treasury shares for the future specific share delivery commitments with the Group employees and management.

8.4 Financial Risks

The Group has exposure, as a result of the normal course of its business activities, to foreign exchange, interest rate, own shares price evolution, credit and liquidity risk. The goal of the Group is to identify measure and minimize these risks using the most effective and efficient methods to eliminate, reduce, or transfer such exposures. With the purpose of managing these risks, in some occasions, the Group enters into hedging activities with derivatives and non-derivative instruments.

8.4.1 Foreign exchange rate risk

The reporting currency in the Group's consolidated annual accounts is the Euro (EUR). As a result of the multinational orientation of its business, the Group is subject to foreign exchange rate risks derived from the fluctuations of many currencies. The target of the Group's foreign exchange hedging strategy is to reduce the volatility of the Euro value of the consolidated foreign currency denominated cash flows. The instruments used to achieve this goal depend on the denomination currency of the operating cash flow to be hedged:

— The strategy for US Dollar (USD) exposures is based on the use of natural hedges and of derivatives. This strategy aims at reducing the exposure created by the USD denominated operating cash inflows of the Group with the USD payments of principals of the USD denominated debt and with derivatives, although as of December 31, 2017, there was no USD denominated debt.

— Aside from the USD, the foreign currency exposures are expenditures denominated in a variety of foreign currencies. The most significant of these exposures are denominated in Sterling Pounds (GBP), Indian Rupees (INR), Australian Dollars (AUD) and Swedish Kronas (SEK). For these exposures, a natural hedge strategy is not possible. In order to hedge a significant portion of the aforementioned short exposures (net expenditures) the Group can engage into derivative contracts with banks: basically currency forwards, currency options and combinations of currency options.

Provided that the objective in relation with the foreign exchange rate risk is to reduce the volatility of the EUR value of the foreign currency denominated cash flows, the total exposure of the Group to changes in the foreign exchange rates is measured in terms of Cash-flow at Risk (CFaR). This risk measure provides an estimate of the potential EUR loss of the foreign currency denominated cash flows from the moment the estimation is calculated to the moment the cash flow is expected to take place. These estimates are made using a 95% confidence level.

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The CFaR methodology is similar in many respects to the Value at Risk (VaR) methodology. However, whereas VaR is generally centred in the changes in the value of a portfolio of exposures in a given future interval of time, CFaR is focused on the changes in the value of the cash-flows of that portfolio from the calculation date to the moment in which these cash-flows effectively take place. In the case of Amadeus CFaR is a more adequate measure of the risk of the Group given that the goal of our risk management strategy with relation to foreign exchange risk is reducing the volatility of the EUR value of the foreign currency denominated cash-flows. An additional reason for focusing on cash-flows is that, eventually, the cash-flows of a company result in its level of liquidity which in the case of a non-financial corporation it is generally a scarce and valuable element.

The main limitations of the CFaR methodology are very similar to the ones of the VaR methodology:

- Firstly, its results are based on several of hypotheses on the future volatilities of the exchange rates and the future correlation among them which may correspond with the real evolution of the exchange rates or not[11].
- Additionally, the foreign exchange exposure estimates used as inputs to the model may deviate with respect to the exposures which will finally take place in the future[12].
- Finally, it is important to mention that given a level of CFaR calculated with a 95% confidence level, the losses which could take place in the remaining 5% of the cases may be significantly greater than the level of risk as measured with the CFaR methodology for a 95% confidence level.

The CFaR of the foreign exchange exposures of the Group calculated with a 95% confidence level is set forth in the table below:

31/12/2017			31/12/2016		
2018 CFaR	2019 CFaR	2020 CFaR	2017 CFaR	2018 CFaR	2019 CFaR
(5.6)	(24.4)	(53.9)	(24.1)	(62.5)	(86.4)

There are two main reasons for the decrease in the CFaR levels of the Group for the next three years with respect to the CFaR levels outstanding at the end of 2016. On one side, the smaller US Dollar exposure as a consequence of the larger amount of hedges outstanding. Additionally, foreing exchange implicit volatilities outstanding at the end of 2017 were lower than the ones used to make the calculation in the previous year.

As it can be observed in the table above, the level of risk measured in CFaR terms tends to increase for the periods which are further away. The reasons for this are: (1) the further away the future cash-flows are, more adverse the effect of foreign exchange fluctuations can be potentially; (2) the level of hedging

[11] The volatilities implicit in the market prices of currency options and the historic correlations among the main currencies in which Amadeus has exposures are used as inputs to the model.

[12] In order to calculate the foreign currency exposures of the Group we take into account the estimated cash flows in each currency according to the last available forecast and the foreign currency hedges contracted as of the CFaR calculation date.

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is smaller for the later periods; (3) in the later periods the size of the foreign exchange exposures tends to be greater.

8.4.2 Interest rate risk

The objective of the Group in terms of interest rate risk management is reducing the volatility of the net interest flows payable by the Group. In line with this goal as of December 2017 approximately 86% (76% as of December 2016) of the debt contracted by the Group was fixed rate debt. No interest rate hedges were hedging this debt as of December 2017 (as of December 2016 there was no interest rate hedges hedging floating rate debt either).

As of December 2016 the only outstanding interest rate derivatives were hedging future debt that it was expected to be contracted during 2017. These derivatives were cancelled in March 2017 since the expected financing to be hedged did not materialized.

Although the interest rate hedge mentioned above fixes the amount of interests to be paid by Amadeus in future years, its fair value is sensitive to changes in the level of interest rates. The sensitivity of fair value to a 0.1% (10 bps) parallel shift of the interest rate curve as of December 31, 2017 and 2016 is set forth in the table below:

	31/12/2017		31/12/2016	
	+10 bps	-10 bps	+10 bps	-10 bps
EUR denominated debt	4.2	(4.7)	5.7	(5.8)
EUR accounting hedges	-	-	2.5	(2.5)
Total	**4.2**	**(4.7)**	**8.2**	**(8.3)**

In 2017 there has been a decrease in the sensitivity of the EUR denominated debt to the movements of the interest rate curve with respect to the previous year. This decrease is basically due to the reduction in the average time to maturity of the outstanding debt. Although the future flows of the fixed rate debt instruments are not sensitive to the changes in the level of interest rates, the fair value of the instruments is sensitive to these changes.

According to the table above a 10 bps drop in the level of interest rates would cause a loss in the fair value of the debt (an increase of the liability) and the derivatives in the Amadeus hedging portfolio amounting to €4.2 million at December 31, 2017, and €8.3 million at December 31, 2016 respectively. However, given that the changes in the fair value of the derivatives that qualify for hedge accounting are recognized directly in equity and the debt is measured at amortized cost, the impact of a 10 bps drop in the level of interest rates would imply no loss recognized in the profit for the year at December 31, 2017 and 2016, since the derivatives in the interest rate portfolio of the Group as of December 31, 2016 were accounted as a cash-flow hedges.

In cash flow terms, in the case of a parallel drop (or rise) in the level of interest rates the lower (or higher) interests payable for the debt which was hedged in 2017, would be compensated by a similar amount of higher (or lower) debt interests to be paid during the life of the hedges (cash flow hedge concept).

8.4.3 Own shares price evolution risk

As of December 31, 2017, the Group has three different remuneration schemes outstanding which are settled with Amadeus shares; the Performance Share Plan (PSP), the Restricted Share Plan (RSP) and the Share Match Plan.

According to the rules of these plans, when they mature their beneficiaries will receive a number of Company's shares which for the outstanding plans will be (depending on the evolution of certain performance conditions) between a maximum of 1,722,000 shares and a minimum of 318,000 shares, approximately. It is Amadeus intention to make use of its 1,069,252 treasury shares to settle these plans at their maturity.

8.4.4 Credit risk

Credit risk is the risk that a counterparty to a financial asset will cause a loss for the Group by failing to discharge an obligation.

Amadeus' cash and cash equivalents are deposited in major banks on the basis of diversification and the credit risk of the available investment alternatives.

The credit risk of Amadeus' customer accounts receivable is mitigated by the fact that the majority are settled through the clearing houses operated by the International Air Transport Association ("IATA") and Airlines Clearing House, Inc. ("ACH"). These systems guarantee that the cash inflows from our customers will be settled at a certain fixed date, and mitigate the credit risk partially by the fact that the members of the clearing house are required to make deposits that would be used in the event of default. Moreover, our customer base is large and unrelated which results in a low concentration of our credit risk.

8.4.5 Liquidity risk

The Corporate Treasury is responsible for providing the cash needed by all the companies of the Group. In order to perform this task more efficiently, the Group concentrates the excess liquidity of the subsidiaries and channel it to the companies with cash needs.

This allocation of the cash position among the companies of the Group is mainly made through:

- A cash pooling agreement with most of the subsidiaries located in the Euro area.
- Through bilateral Treasury Optimization agreements between Amadeus IT Group, S.A. and its subsidiaries.

Corporate Treasury monitors the Group's cash position through rolling forecasts of expected cash flows. These forecasts are performed by the subsidiaries of the Group and later on consolidated in order to examine both the liquidity situation and prospects of the Group and its subsidiaries.

The detail of the contractual maturities of the Group's debt financing as of the end of the financial year 2017 is described in the note 16 "Current and non-current debt".

In addition to other smaller treasury lines agreed with several banks, the Group has access to two Revolving Credit facilities as detailed in note 16. Each of these two facilities has a notional of €500.0 million and can be used to cover working capital needs and general corporate purposes. As of December 31, 2017 these two facilities were fully unused and thus €1,000.0 million can be used to cover the liquidity needs of the Group (as of December 31, 2016, the used amount was €100.0 million and thus the unused part of these facilities amounted to €900.0 million).

Finally, in August 2016, the notional of the Multi-Currency European Commercial Paper (ECP) program was increased from €500.0 million up to €750.0 million. This program can be used for raising short term financing. As of December 31, 2017 €300.0 million of this program were in use (€485.0 million as of December 31, 2016).

8.5 Subsequent events

On February 16, 2018 the treasury shares of the Company amount to 2,349,107 shares, that represents 0.5353% of its share capital, which will increase in the coming months with subsequent acquisitions as per the Share-Buy Back Programme as detailed in note 15.

9 Non-financial and diversity information

9.1 A quick look at Amadeus' history

Amadeus is a leading provider of technology solutions and services for the travel industry: airlines, airports, ground handlers, car rental agencies, corporations, cruise and ferry operators, hotels and event venues, insurance providers, travel sellers, tourism boards, travelers themselves and more. Amadeus facilitates complex transactions between travel providers and travel sellers, and provides mission critical IT solutions for travel providers. Amadeus operates in more than 190 countries with more than 70 commercial offices worldwide.

Amadeus was founded in 1987 to develop a standard system for connecting airlines with travel agencies. We created the world's leading Global Distribution System, offering unmatched search, pricing, booking, ticketing, and servicing capabilities.

In the year 2000, we pioneered the development of a revolutionary reservation technology that provided airlines and travel agencies with a shared view of travelers and allowed for truly seamless reservation servicing across direct and indirect channels to create a state-of-the art airline Passenger Service System. Building on this success, we have continued to expand our IT portfolio to include a variety of other applications.

Additionally, at the beginning of 2016 Amadeus made the largest acquisition in its history, purchasing the US-based company Navitaire, allowing us to broaden the scope of our services, particularly for low-cost carriers. We are a publicly listed company and part of the IBEX 35, as well as stock indices worldwide. Amadeus has more than 99% of its equity in free float as at 31 December 2017.

Today, we are exploring the potential of artificial intelligence, augmented and virtual reality, the Internet of Things and other emerging technologies to add value to the business and experience of travel. After 30 years of providing solutions to the travel industry, we believe that innovation has been, is and will be key to our growth, and to helping our customers and partners thrive for years to come.

9.2 Amadeus business lines

Amadeus is in a unique position to add value to customers and providers and to diversify into related solutions for the travel industry. Amadeus powers commerce and mission-critical operations for the entire travel ecosystem through its highly synergistic business lines.

9.2.1 Distribution

Through our Distribution business area, we act as a global network providing comprehensive real-time search, pricing, booking, ticketing and other processing solutions to our travel providers and travel agency customers.

Amadeus offers a full range of commercial services and complementary technologies that:

- Connect sellers, buyers and partners across the global travel industry and beyond
- Create opportunities to increase revenue by maximizing existing and new sales channels
- Provide economies of scale and unparalleled efficiency in delivering higher-margin bookings

9.2.2 Airline IT

Through our IT Solutions business area, we offer travel providers an extensive portfolio of technology solutions which facilitate certain mission-critical business processes, such as reservations, ticketing, inventory management and departure control. Amadeus offers airlines integrated Passenger Service System (PSS), standalone software, analytics and consulting solutions that:

- Grow revenues by helping travel businesses reach more potential customers more profitably through direct sales and merchandising
- Optimize costs by streamlining marketing, sales and business operations
- Increase customer loyalty with better brand differentiation and data-driven personalization

9.2.3 Strategic Growth Businesses

Complementing our offer in the travel industry, we diversified our business, providing cutting-edge technology to other key sectors in the industry like airports, hospitality and railways, as well as to transversal segments that are relevant to all travel industry players such as payment systems or mobile solutions.

9.3 Amadeus Global Report

Amadeus strives to offer transparent reporting. That is why every year we produce the Amadeus Global Report. The principal objective of the Global Report is to provide a comprehensive and transparent view of Amadeus' activities, operations and performance from a commercial, financial and sustainability perspective. The Report contains a basic explanation of our business lines for any internal or external audience, as well as a summary of our financial results and management review of the year. A significant portion of the report is dedicated to environmental, social and governance matters (ESG), in addition to a description of our activities in the areas of industry relations and corporate risk management.

The Amadeus Global Report is verified by an external firm, and it follows the Global Reporting Initiative (GRI) international reporting guidelines (G4) for the reporting of non-financial information.

The Amadeus Global Report is published every year at the beginning of May.

9.4 Amadeus' environmental sustainability strategy

The increasing number of travelers prompts a growing pressure on the environmental, making it clear the need to prioritize environmental sustainability as a key objective.

Amadeus' sustainability strategy is based on the premise that active involvement in improving environmental performance is fundamental to (among others):

- Achieving travel industry sustainability over the long term
- Improving the value proposition both for Amadeus and for its providers and customers
- Improving the operational efficiency of the industry by capitalizing on common economic and environmental objectives

In accordance with the above, Amadeus' environmental sustainability strategy includes three pillars:

1_ Environmental efficiency of Amadeus operations

We measure the environmental impact of our operations, identify areas for improvement, implement solutions and continue to monitor our performance for achieving continuous improvement in environmental efficiency.

2_ Identification and fostering of the environmental benefits of Amadeus solutions

We help our customers achieve their environmental objectives, delivering IT solutions that continually improve customers' operational and environmental efficiency.

3_ Participation in joint industry environmental initiatives

We work in partnership with other industry stakeholders on projects to improve travel industry sustainability.

9.4.1 Amadeus Environmental Management System (EMS)

The environmental reporting at Amadeus is governed by the Amadeus Environmental Management System (EMS). The EMS was designed and created as the tool we use at Amadeus to measure, monitor, identify best practices, and to continuously improve the environmental performance of our operations at office buildings and at the Data Center.

EMS material aspects

The EMS helps to manage the five principal elements related to the environmental impact of Amadeus' operations. These aspects were identified in a materiality exercise in which we consulted our own internal experts, and benchmarked with other companies in similar economic sectors. The five elements included in Amadeus EMS are: electricity consumption, CO_2 emissions, paper consumption, water use and waste generation.

- **Energy consumption**: The most important component of our energy consumption is electricity. We measure electricity consumption at our Data Center and at our office buildings separately. We also report natural gas consumption, which is normally used for heating some of our buildings, as well as diesel, used mainly at our Data Center for a guaranteed uninterrupted power supply.
- **CO_2 emissions**: In order to measure CO_2 emissions, we follow the Greenhouse Gas Protocol (GHGP) standards:[13]
    - In Scope 1, we include emissions from natural gas and diesel.
    - In Scope 2, we include emissions linked to the use of electricity[14] at our office buildings worldwide and at the Data Center.

[13] The Greenhouse Gas Protocol (GHGP) is the most widely used international accounting tool for government and business leaders to understand, quantify and manage greenhouse gas emissions. The GHGP classifies emissions into three scopes. Scope 1: direct GHG emissions from sources owned by the company; Scope 2: indirect GHG emissions produced as a consequence of the company's operations; and Scope 3: other indirect GHG emissions, such as emissions from travel providers for business travel.

[14] The conversion factors applied, i.e. the amount of CO_2 emitted per kWh used, are taken from the latest updated averages for each country, published by the International Energy Agency (IEA) in their publication: CO_2 Emissions from Fuel Combustion – 2016 edition. Paris, IEA Publications, pages 123–125.

- In Scope 3, we include emissions from paper consumption and from business travel. We gather information about business trips from our travel agency provider and we use the International Civil Aviation Organization (ICAO) carbon calculator to estimate emissions per passenger. Emissions are therefore calculated for each individual trip.

— **Paper consumption**: We report paper consumption at our premises worldwide either by summing up the amount of paper bought during the year or, when available, through automated badge-based printing systems. These automated systems permit a more precise monitoring and facilitate the identification of areas for improvement.

— **Water use**: The use of water at Amadeus is divided into three categories:
  - Office buildings (kitchens, toilets, etc).
  - Irrigation, in cases where we have gardens and the means of separately measuring irrigation-related consumption.
  - Cooling of servers, principally at the Data Center.

— **Waste generation**: This concerns waste generated at our premises from kitchens and from general office use. Waste is difficult to measure, since in some cases we do not have the means or documentation to report part of the waste. The principal sources of information to report waste at Amadeus are the recycling companies that provide their services to Amadeus, since they can report the amount of waste collected for recycling, as this is the basis for their invoices. On the other hand, waste generated by extraordinary activities, like works done in buildings, is generally measured, but for comparability reasons it is reported separately from regular waste.

EMS geographical scope

The EMS includes the environmental reporting of some of the largest Amadeus sites by number of employees:

1_ Nice, France

2_ Bangalore, India

3_ Miami, US

4_ Erding, Germany

5_ Madrid, Spain (headquarters)

6_ London, United Kingdom

7_ Bad Homburg, Germany

8_ Bangkok, Thailand

9_ Sydney, Australia

10_ Paris, France

11_ Madrid, Spain (Amadeus Commercial Organization)

12_Waltham, US

13_Singapore

The scope of the Amadeus EMS reaches 13 of our largest sites across the world, which account for close to 80% of all Amadeus employees and approximately 90% of the total estimated Amadeus resource consumption worldwide (considering that our Data Center in Germany is by far the largest energy consumer in the Amadeus Group).

In this respect, our Data Center located in Germany is included in the EMS and accounts for almost 50% of the overall estimated environmental impact and more than 70% of scopes 1 and 2 emissions.

The scope of the Amadeus EMS is regularly reviewed and adapted to the changing circumstances of Amadeus and of our business environment. For example, in 2013 we expanded the scope of the EMS with the inclusion of our R&D Center in Bangalore, which in only three years has become the second largest Amadeus site by number of employees, with a headcount of more than 1,600 by end of 2017. Moreover, during 2017 we included in the EMS our sites in Singapore and Waltham (US).

In order to make sure that the EMS remains an efficient tool to provide visibility of Amadeus operations' environmental impact and that it also allows the proper monitoring by comparing performance from one year to the next, every year the scope of the EMS is reviewed; and when new additions are included, we provide proper comparisons including and excluding the new additions, so that internal and external audiences can easily understand the information and the performance. At the same time, all the 13 sites included in the EMS have remained operational since their inclusion in the EMS so, we haven't had the need to remove any of the sites from the EMS.

We have prioritized those elements in the EMS that are quantitatively more relevant for Amadeus global performance and those where we have room for improvement and management. Following this reasoning, for example electricity gets a higher weight in our objectives than waste generation, since our electricity consumption is more important in absolute terms than the waste generated and also because, arguably, we have more capacity to manage our electricity consumption than the waste generated through our operations.

Environmental performance at office buildings

We have introduced a number of environmentally friendly measures that helped to improve efficiency in the use of resources. Some examples of best practices:

- Replace incandescent lights by LEDs
- Thorough planning of areas covered by specific light switches
- Maximize the use of natural light
- Connect light switches to movement-detection devices
- Automatically switch off lights at certain hours
- Adapt room temperature to weather
- Purchase carbon-neutral paper
- Implement badge-based printing systems
- Set printers by default to black-and-white double-sided printing
- Raise awareness of the environmental impact of printing

Regarding renewable energy, our two main buildings in Nice are working on the potential installation of photovoltaic panels on the roofs of our buildings both at the Bel Air and Sophia locations. This system is expected to deliver between 7% and 8% of the total energy consumption of the buildings, reducing energy costs and CO_2 emissions.

Environmental performance at the Amadeus Data Center

Energy efficiency at the Amadeus Data Center remains a priority. In the last four years, we have reduced the PUE[15] from 1.39 to 1.32.

The number of transactions and queries processed at the Data Center (hits in the system) has increased dramatically over recent years, due to the increasing number of online devices that can connect and trigger queries: broad use of the internet, increase of ancillary and customized services to travelers, ability to change travel plans using different means, etc. One of the consequences of this increase in hits in the Amadeus system is that the energy required to process the increasing number of transactions also continues to increase despite the improvements in energy efficiency. As a way to counteract this trend in energy consumption and greenhouse gas emissions, and following our initiative implemented in 2015, the Data Center offsets the increased emissions released at its site compared to 2014 levels.

To this end, we have been working with the UNFCCC (United Nations Framework Convention on Climate Change) to invest in Clean Development Mechanism projects in India.

9.4.2 Climate change-related risks and opportunities

Background

Greenhouse gas emissions and climate change are a principal concern for the travel industry, due to the high-energy intensity of different modes of transportation. Climate change is one of the main risks our planet faces today, the effects of which are predicted to intensify in the following decades, as illustrated by the Intergovernmental Panel on Climate Change (IPCC).[16] Moreover, some of the places most vulnerable to climate change are tourist destinations in developing countries, whose economies depend greatly on the jobs and income generated by tourism.

Most travel industry associations and organizations are addressing climate change as a matter of priority. For example, the International Air Transport Association (IATA), the World Travel and Tourism Council (WTTC) and the International Civil Aviation Organization (ICAO) have put into place specific plans and targets for the reduction of emissions over the mid and long term. The actions required for the achievement of these targets mean, among other things, that the foundations of the travel industry as we know it today will need to change.

Amadeus is involved in the travel experience of more than 2 million passengers daily. We are an important player in the travel and tourism industry and we acknowledge our responsibility to contribute to the fight against climate change.

Risks and opportunities

The climate change-related risks faced by Amadeus can be classified into the following categories:

Physical risks

- Physical risks affecting the communities in which we operate

Amadeus operates in over 190 countries. The risk of climate change impact and/or extreme weather events affecting any of these communities is therefore very high. As part of our social responsibility

[15] PUE stands for Power Usage Effectiveness and is a common metric used to measure the energy efficiency of data centers. The closer to 1 the PUE, the more efficient the data center is.
[16] IPCC (2014). Climate Change 2014 Synthesis Report – Summary for Policymakers. Geneva, IPCC.

efforts, we have built a global team of more than 80 social responsibility representatives who, among other things, coordinates emergency responses in the event of natural calamities occurring in the markets we serve.

— Physical risks affecting our travel providers and/or customers

Risk of exposure in this case is limited, and the impacts tend to be local. As a mitigation measure, our 24-hour follow-the-sun customer service network is set up to provide extra support in case of need.

— Physical risks affecting Amadeus' operations

Amadeus' operations rely on two basic kinds of infrastructure: (1) commercial and support organizations, with offices across all continents; and (2) the Amadeus Data Center. The probability of a severe weather event affecting any of our numerous offices worldwide is relatively high, but fortunately the adverse impact of such events is mitigated by communications technology that allows for uninterrupted customer service in most cases. Moreover, our Risk and Compliance Office directly manages all infrastructure-related risks for the Data Center, where strict prevention measures are implemented.

Regulatory risks

Climate-related discussions and initiatives at local, national and international level continue to increase, and we expect they will continue to gain momentum over the mid-term. Accordingly, many countries have introduced climate change-related regulations. A principal focus of these regulations is the reduction of greenhouse gas emissions, particularly of CO2, as well as the promotion of renewable sources of energy. At the moment we identify two kinds of environmental regulations that may present an opportunity or a risk to Amadeus:

— Carbon reporting regulations

Some countries like France have already passed legislation mandating corporations to build and report carbon footprint inventories. In the specific sector of transport,[17] travel providers are requested to inform travelers about emissions produced on their trips. Amadeus can help corporations gather the data required for this kind of reporting.

However, there is also the risk that these regulations will become too complex or heterogeneous, making it costly for Amadeus to help corporations report emissions. The Amadeus Industry Affairs team is working with several stakeholders, including the European Union and ICAO, to promote an industry-standard methodology to estimate emissions related to travel.

— Regulations that impose charges on emissions and/or impose emissions reductions

An example of such a regulation is the EU Emissions Trading Scheme (ETS). The ETS was first implemented in 2005, and extended to the aviation sector in 2012. The presence of a regional emissions market in a global sector like aviation may create competitive and political disruptions, leading to increased uncertainty in the travel industry and the additional costs that this implies, at least in the short term.

[17] Decree No. 2011 – 1336 (France), 24 October 2011.

At the moment we do not expect these regulations to have a significant impact on Amadeus, given the relatively low cost of compliance with the scheme (which is unlikely to reduce travel demand) as well as the geographical spread of Amadeus' operations.

In addition, any IT solution that includes in its value proposition a reduction of fuel consumption and emissions becomes instantly more attractive to customers.

Reputational risks

Travelers and the general public are increasingly aware of climate change risks and expect environmentally responsible operations from companies. Even though Amadeus' exposure to the general public is limited, we need to prioritize compliance with industry environmental standards, making sure our performance in this field excels.

The Amadeus Environmental Management System provides a solid record of our performance evolution and permits the easy identification of areas for improvement. Additionally, Amadeus has been included in external sustainability indices like the Dow Jones Sustainability Index (DJSI)[18] and the CDP,[19] which provide recognition of commitment to sustainability.

The opportunities for Amadeus relating to climate change are divided into two categories:

— Opportunities for new products and services

As mentioned above, corporations are becoming increasingly involved in the reporting of greenhouse gas emissions associated with their operations, including emissions linked to the business travel of employees. Taking advantage of the data and information processed by Amadeus, we can offer solutions that:

- Display emissions during the booking process
- Compare emissions released on different alternative itineraries
- Provide post-trip reports to corporations so they can measure, report and follow up on their environmental impact relating to business travel
- Facilitate mitigation measures, such as carbon offsetting programs

— Opportunities for enhanced value proposition

Amadeus designs IT solutions to improve operational efficiencies for our customers. These operational efficiencies are linked in many cases to better environmental performance, particularly in relation to reduced fuel consumption and emissions for travel provider customers. Examples of these Amadeus solutions include Amadeus Altéa Departure Control-Flight Management, implemented for airlines and ground handlers; Airport IT solutions such as Sequence Manager, which reduces the amount of time spent by ground movements and queuing of aircraft; Amadeus Airport Common Use Service, which helps airports reduce energy costs; and Amadeus Schedule Recovery, which helps airlines react quickly

[18] The Dow Jones Sustainability Indices (DJSI), launched in 1999, are a family of indices evaluating the sustainability performance of the largest 2,500 companies listed on the Dow Jones Global Total Stock Market Index.

[19] The CDP (formerly Carbon Disclosure Project) is an international, not-for-profit organization providing the only global system for companies and cities to measure, disclose, manage and share environmental information. CDP is recognized as the main international standard for climate change reporting and management for corporations.

and efficiently to disruptions to their operations caused by events such as bad weather and air traffic congestion.

9.5 Amadeus workforce

The Amadeus team is formed by a workforce of more than 15,000 serving in more than 190 countries. At Amadeus we believe that a diverse and inclusive workforce is critical to the success of our company, our customers, our employees, our shareholders, our suppliers and more generally all the communities in which we operate.

9.5.1 Diversity and inclusion

Following the appointment of our Chief Diversity Officer in 2015 we have worked to ensure that we have a robust framework and processes to help us deliver on our diversity and inclusion strategy.

We have reinforced our corporate culture and environment to continue to provide a workplace where everybody fits in, promoting respect, fairness, equality of opportunity and dignity for every employee. Our commitment towards diversity and inclusion is clearly reflected in our recruitment, promotion, retention, non-discrimination and other policies and practices.

As a company where multiculturalism is the cornerstone of our culture and values, and inherent in the way we work together and operate, we see diversity and inclusion as a business imperative and we strive relentlessly towards this objective. Cultural sensitivity is a core leadership competency and a must in our company. It allows our cross-cultural groups to work together effectively and professionally and capitalize on our multicultural strengths. We are a culturally competent organization that brings together the knowledge of our different groups of people and catalyzes it into expertise and know-how.

At Amadeus, valuing diversity and inclusion means accepting and respecting differences between and within cultures, while acknowledging and endorsing differences based on gender, age, race, ethnicity, beliefs, sexual orientation and disabilities.

In 2017, we have been very active in showcasing our diversity and inclusion through a series of internal and external initiatives that help illustrate how we recognize, respect and value all differences.

Diversity at Board level

The Directors' Selection Policy approved by the Board of Directors in the session held on April 21, 2016, establishes that each Director Selection Process will start with an analysis of the Board's needs, bearing in mind several factors, among others, the diversity of the Board, in particular, but not restricted to, diversity of gender.

Amadeus recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity of knowledge, experience and gender at Board level as an essential element in continually improving the Board's effectiveness. A truly diverse Board includes and makes good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between Directors. These differences are considered in determining the optimum composition of the Board and when possible are balanced appropriately. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

In accordance with the recommendations of the Good Governance Code of listed Companies, the Directors' Selection Policy has a stated objective of having at least 30% of total Amadeus Board places occupied by women directors by the year 2020.

To ensure that Directors' selection processes are free of any implicit bias or any kind of discrimination and specifically discrimination against female candidates form part of the Policy endorsed by the Nominations and Remuneration Committee.

A direct consequence of the Directors' Selection Policy is Mrs. Pilar García's recent appointment, who contributes not only to gender diversity, but also complements the professional area of knowledge of the Board of Directors, due to her expertise in the technology arena.

Her appointment increases up to 18.18% the proportion of women in the Board of Directors, bearing in mind that the size of the Board has been increased from 10 to 11 members.

9.5.2 Gender diversity

Amadeus' recruitment policies are based on skills and professional background and its job offers are gender-neutral, ensuring a bias-free selection.

Our salary systems and processes are designed to avoid discrimination based on gender, and equal pay is an area that we monitor closely.

Acknowledging the challenges of recruiting and retaining women for STEM roles, we are working on programs to raise awareness and encourage young school girls and female university students to pursue Computer Science studies (or any IT), and have also celebrated the international Girls in ICT Day.

9.5.3 Human Rights Policy

Amadeus is committed to developing an organizational culture and structure that supports human rights policies all around the world. Amadeus aims to clearly set out its views on potential issues surrounding human rights such as fair wages and compensation, freedom of association and collective bargaining, health and safety, migrant workers, and non-discrimination of the workforce.

Amadeus, and its global group of companies worldwide, is committed to developing an organizational culture and structure based upon the principles set forth in The Universal Declaration of Human Rights, The International Covenant on Civil and Political Rights, The International Covenant on Economic, Social and Cultural Rights and The International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.

We seek to establish relationships with entities and organizations that share the same principles and values as Amadeus. It is expected from our partners to respect and not infringe upon human rights. Within our company, should any employee believe that someone is violating the Human Rights Policy or the legislation, they are asked to immediately report it to their manager, to the Human Resources department or to the Ethics Committee.

Our senior management has the responsibility for ensuring adherence to these commitments as well as for overseeing their implementation and guaranteeing that any breaches are investigated.

Amadeus adheres to national law and regulation in each market in which it operates. In situations where Amadeus faces conflicts between internationally recognized human rights and national regulations, the company will follow processes that seek ways to honor the principles of international human rights.

In addition to working within the respect for human rights, we also pursue opportunities to support human rights in areas where we can make a positive impact, in local communities, through our CSR initiatives.

Child labor

There is no child labor in Amadeus, therefore it is excluded from any recruitment activity. This statement uses the applicable local legislation to determine the definition of a child.

Fair wages/compensation

Every Amadeus employee has the right to a fair compensation for his/her work. The company is committed to remunerating employees in line with the labor market best practices and local legislation.

Freedom of association/collective bargaining

Amadeus reaffirms its support to the freedom of association and the right to collective bargaining. In that regard, the company is committed to complying with the ILO Conventions with respect to freedom of association and trade union rights, fully acknowledging the right to organize and the right of unions to represent and negotiate on behalf of the employees, without prejudice to existing local legislation.

Health and safety

Amadeus is firmly committed to a work environment where all activities are carried out safely, and with all possible measures taken to remove (or at least reduce) risks to the health, safety and welfare of employees, contractors, authorized visitors, and anyone else who may be affected by our operations. Amadeus' Health and Safety policy requires that each of its companies or legal entities develops and approves a Health and Safety Policy. Programs and procedures in line with this policy are developed and implemented at local level following the approval of the General Manager/Site Manager.

Migrant workers

All of Amadeus employees, including migrant workers, are provided wages, benefits and working conditions that are fair and in accordance with local legislations. We do not condone holding workers' passports to keep them from leaving, charging any type of fee or deposit for employment, or any other unfair practice. Amadeus repudiates human trafficking.

Non-discrimination

At Amadeus, we value and respect the differences of our workforce. We are committed to ensuring that every single employee is treated with respect, dignity and fairness and that he/she is given equal opportunity. This means that throughout all our HR processes - recruitment, compensation and benefits, training, development, promotion, transfer, mobility and termination -, individuals are solely assessed based on their merit and their ability to meet the requirements and standards of the role and that they are not discriminated against. For our company, valuing diversity and inclusion means accepting and respecting differences between and within cultures, while acknowledging and endorsing differences based on gender, age, race, ethnicity, beliefs, sexual orientation and disabilities. We respect everybody's rights and we have a zero tolerance policy to discrimination.

Amadeus reserves the right to amend this policy at any time. This Human Rights Policy Statement consolidates our commitment so its principles can be implemented across the Company.

Non Compliance with Policy and consequences

Non-compliance with this policy will not only violate Amadeus values, but it may also have a wider socio-economic impact on the Amadeus company as a whole. Negative press and links with human rights violations can be very damaging to a company's reputation and can lead to loss of customer trust and engagement.

Reporting violations will be treated as highly confidential and will be recorded anonymously. All reports will be taken seriously and will be treated on a case by case basis, with adequate escalation to relevant governing bodies if needed.

9.6 Social commitment

Our goal in relation to social responsibility is to improve our contribution to society by engaging the unique resources that Amadeus has to make a real difference in the countries where we operate.

Amadeus' Community Support program aims to improve the living standards of disadvantaged people through initiatives with non-profit organizations and local authorities across the markets we serve.

Under this program, Amadeus staff funds the work of around 100 non-profit organizations. Through sports for charity, fundraising and cash donations, our people found creative ways to help in their local communities. Amadeus staff also dedicated over 10,000 hours to volunteering per year.

In addition, Amadeus business teams found ways to include a responsible component in their activities: volunteering in the local community as part of leadership development and team-building activities; using donations to incentivize survey and campaign responses; rewarding competition winners with donations to a charitable cause; and dedicating their customer Christmas present budget to a non-profit. The funds raised this way grow continuously, reflecting staff's enthusiasm to make a difference.