



# **FORM 10-K**

## **SABRE HOLDINGS CORP – TSG**

**Filed: March 08, 2006 (period: December 31, 2005)**

Annual report which provides a comprehensive overview of the company for the past year

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of this Form 10-K incorporates by reference certain information from the Proxy Statement fo

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

/X/

For the fiscal year ended December 31, 2005

OR

// **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number: 1-12175

**SABRE HOLDINGS CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**75-2662240**  
(I.R.S. Employer  
Identification No.)

**3150 Sabre Drive, Southlake, TX**  
(Address of principal executive offices)

**76092**  
(Zip Code)

(Registrant's telephone number, including area code) **682 605-1000**

**None**

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, \$.01 par value per share	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act:	
<b>None</b>	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes /X/ No //

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes // No /X/ .

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No // .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. //

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer /X/ Accelerated filer // Non-accelerated filer //

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes // No /X/

As of June 30, 2005, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$2,576,044,248 based on the closing sale price of \$19.95 as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**Class**  
Common Stock, \$.01 par value per share

**Outstanding at February 28, 2006**  
131,847,171 shares

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain information from the Proxy Statement for the Annual Meeting of Stockholders to be held May 16, 2006.

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In this Annual Report on Form 10-K, the words "Sabre Holdings," "company," "we," "our," "ours" and "us" refer to Sabre Holdings Corporation and its consolidated subsidiaries unless otherwise stated or the context otherwise requires.

## ITEM 1. BUSINESS

### Overview

Sabre Holdings Corporation is a Delaware holding company incorporated on June 25, 1996. Sabre Inc. is the principal operating subsidiary and sole direct subsidiary of Sabre Holdings Corporation. Sabre Inc. or its direct or indirect subsidiaries conduct all of our businesses.

We are a world leader in travel commerce. Our companies and brands offer a broad portfolio of leading travel marketing, distribution and technology solutions. We support airlines, hotels, cruise lines, car rental agencies and other travel suppliers through a distribution network that enables global marketing through tens of thousands of points of sale, sophisticated data gathering and analysis, and robust business optimization tools. We support online and conventional travel agencies, corporate travel purchasers and consumers by providing an efficient electronic marketplace that consolidates a wealth of travel information, and facilitates shopping and purchasing of travel components and packages. We participate in travel distribution and marketing to multiple audiences through different methods we refer to as "channels." These channels include travel agencies, direct to consumers, and corporate or business-direct.

We organize our businesses into three segments:

- Sabre Travel Network
- Travelocity
- Sabre Airline Solutions

In 2005, approximately 59.7% of our revenue was generated from Sabre Travel Network, 30.7% from Travelocity and 9.6% from Sabre Airline Solutions, based on segment results that include intersegment revenues. Compared to the year-ago period, revenues (including intersegment revenues) for the twelve months ended December 31, 2005 increased 4.1% for Sabre Travel Network, 65.1% for Travelocity (including lastminute.com from July 20, 2005) and 7.1% for Sabre Airline Solutions.

**Sabre Travel Network:** Our *Sabre Travel Network*<sup>TM</sup> segment markets and distributes travel-related products and services for its travel supplier participants through the online and offline travel agency and corporate channels. Our *Sabre*<sup>®</sup> global distribution system (the "*Sabre* system" or "*Sabre* GDS") produces more bookings for airlines and hotels than any other distribution system. Users of the *Sabre* system (who we refer to as subscribers) can access information about, book reservations for, and purchase a variety of travel offerings. These offerings include, among other things, airline trips, hotel stays, car rentals, cruises and tour packages. We also enable corporate travel management through our *GetThere*<sup>®</sup> products. We provide travel agencies with office automation tools, consortia management services and enable them to provide services via the Internet. In addition, Sabre Travel Network provides marketing information to suppliers and reservation management and technology services to hotel properties.

**Travelocity:** Our *Travelocity*® segment markets and distributes travel-related products and services directly to individuals, including leisure travelers and business travelers. Our *Travelocity*® and *lastminute.com*<sup>SM</sup> branded websites and contact centers constitute one of the largest travel agencies in the world. We also provide content and functionality to, and market and sell products and services through private-label websites for suppliers, distribution partners and travel agencies. Through our offerings, travelers can access offerings, pricing and information about airlines, hotels, car rental companies, cruise lines, vacation and last-minute travel packages and other travel-related services. Our *Travelocity Business*<sup>SM</sup> online corporate travel agency provides business travelers the corporate travel technology and full-service offering of our *GetThere*® products along with the online expertise of Travelocity.

**Sabre Airline Solutions:** Our *Sabre Airline Solutions*® segment is a global leader in providing passenger management solutions, software products and related services, and consulting services to help airlines simplify operations and lower costs. We provide airline reservations, inventory and check-in hosting solutions that help airlines address the challenge of building and retaining customer loyalty while reducing costs. We supply decision-support software and technology for airlines to improve profitability, increase revenue, streamline operations and improve workflow. In addition, we offer a complete range of consulting services to the airline industry, ranging from one time to extended engagements. Clients include airlines, airports, manufacturers and governments, as well as individuals, travel agencies and members of the financial community.

## **The Sabre Global Distribution System**

### *Overview*

The *Sabre* system and other global distribution systems are a primary means of air travel distribution in the United States and in many international regions. The *Sabre* system, like other global distribution systems, creates an electronic marketplace where airlines, hotels, and other travel suppliers display information about their products and services.

The *Sabre* system provides subscribers a single rich source of travel information, allowing travel agents and other users to search within seconds tens of thousands of itinerary and pricing options across multiple travel suppliers. The *Sabre* system provides suppliers with data about subscriber-generated reservations, allowing suppliers to better manage inventory and revenues. The *Sabre* system enables printing airline tickets and itineraries. Additionally, the *Sabre* system offers extensive travel information on matters such as currency, medical and visa requirements, weather and sightseeing.

In 2005, more than 750 travel suppliers displayed information about their products and services through the *Sabre* system. We estimate that nearly \$80 billion of travel-related products and services were sold through the *Sabre* system during 2005. During 2005, more airline and hotel bookings were made through the *Sabre* system than through any other global distribution system.

**Travel Supplier Participation and Pricing Options.** Airlines and other travel suppliers display and sell their inventory in the *Sabre* system. We offer airlines a range of participation levels. The lowest level of participation for airlines, *Sabre*® *Basic Booking Request*<sup>SM</sup>, provides schedules and electronic booking functionality only. Higher levels of participation for airlines provide enhanced levels of communication between the *Sabre* system and the travel supplier's inventory system, giving subscribers more reliable information and travel suppliers improved inventory management. For an airline selecting one of the higher levels of participation, the *Sabre* system provides subscribers with a direct connection to the travel supplier's internal reservation system. This direct connection allows the *Sabre* system to provide real-time information about inventory and confirmed reservations and the airline to optimize revenue for each flight. We offer car rental companies and hotel operators similar levels of participation. We also offer travel suppliers marketing data derived from the *Sabre* system bookings. Travel suppliers use this marketing information and other operational systems we sell to improve their revenue and profitability.

We have designed service and pricing offerings to airlines to ensure that subscribers will continue to have broad, dependable access to airline schedules, seat availability and fares. With the deregulation of the United States GDS industry in mid-2004 (described below under *Computer Reservation System Industry Regulation*), we have the flexibility to vary our pricing and other contract terms from airline to airline. We believe that airlines will see the benefits of more customizable relationships with us, including possible reductions in transaction fees. We are setting forth various pricing options for airline suppliers, including options that may include services from each of our business segments and may expand "net rate" or other merchandising opportunities. We also have "opt-in" agreements that offer participating airlines lower transaction fees for bookings created in certain regions, and make certain discounted fares on those airlines available only to those subscribers that accept lowered incentive payments.

We have already implemented new pricing models with some suppliers. For example, under our agreements with AirTran Airways, Northwest Airlines and US Airways, our subscribers obtain broad, dependable access to all of those airlines' published content. We expect to have new agreements in place with many airlines before the expiration of their current Direct Connect Availability ("DCA") 3-Year Option agreements in 2006. As of December 31, 2005, approximately 50% of our global direct air bookings were subject to our discount pricing options. Additionally we have transitioned many carriers from our traditional Participating Carrier Agreement to a new Travel Marketing Agreement that better aligns price with value for the airline and provides better content guarantees to Sabre Travel Network.

### **Sabre Travel Network**

Sabre Travel Network markets the *Sabre* GDS to travel suppliers, travel agency subscribers (online and brick and mortar) and corporations. As of December 31, 2005, travel agencies with approximately 50,000 locations in over 113 countries on 6 continents subscribed to the *Sabre* system. We enabled these subscribers to make reservations with over 410 airlines, 30 car rental companies, 40 tour operators, 11 cruise lines, 6 railroads and 261 hotel companies.

Approximately 59.7%, 67.5% and 71.3% of our revenue (including intersegment revenues) in 2005, 2004 and 2003, respectively, was generated by Sabre Travel Network, primarily through transaction fees paid by travel suppliers.

Subscribers may access the *Sabre* system on their own hardware over communications circuits contracted from their telecommunications vendors, or subscribers may contract with us for the hardware, software, technical support and other services needed to use the *Sabre* system. Increasingly, travel agents are providing the majority of their own hardware. Fees for our services are payable over the term of the subscriber's agreement with us, generally five years in the United States and Latin America, three years in Canada, and one year in Europe. In addition, we pay incentives to many travel agencies based on their booking productivity, which is our largest cost of revenue.

We have designed the *Sabre* system interface to meet the specific needs of different categories of travel agents. The *Sabre* system interfaces are available in English, Spanish, Portuguese, French, German, Italian and Japanese. We offer the *MySabre*<sup>TM</sup> web-based travel agency portal, which combines the breadth of the Internet with the power of the *Sabre* GDS. It provides access to the content of the *Sabre* GDS, as well as Web-based booking tools for cruises, restaurants, ground transportation, theatre, local events and theme parks. *Turbo Sabre*<sup>®</sup> software is an advanced point-of-sale interface and application development tool that enables advanced functionality like customized screens, automated quality control and database integration. In addition, *Turbo Sabre* eliminates complex commands, reducing keystrokes and training requirements.

In addition to the *Sabre* system described above, Sabre Travel Network also provides bookings solutions to serve the specific online needs of our subscribers and travel suppliers, including website development, business logic middleware and back end processing. We also offer travel agencies back-office accounting systems and a simplified method to develop and place their own marketing presence on the Internet. Subscriber and travel supplier product offerings range from off-the-shelf applications to fully customized solutions. Subscribers pay license, consulting and web hosting fees that vary with the level of customization and volume generated by their sites.

**Changing our Sabre Travel Network Revenue Model.** Historically, the vast majority of our travel distribution revenues have been derived from transaction fees paid by travel suppliers measured by subscriber bookings generated through the *Sabre* GDS. From those fees, Sabre Travel Network has paid incentives to its travel agency subscribers as a cost of revenue. We continue to seek ways to provide more flexible and cost-effective distribution options to suppliers and are increasingly entering into arrangements that depart from our traditional revenue model. As our business evolves, we have broadened our description of "transaction" to include any travel reservation that generates a fee paid directly to us, including in part the following:

- traditional booking fees paid by travel suppliers,
- non-traditional transaction fees paid by travel suppliers,
- transaction fees paid by travel agency subscribers, and
- transaction fees paid by corporations related to our online booking tool, *GetThere*.

See "*The Sabre Global Distribution System—Travel Supplier Participation and Pricing Options*" above. For example, we have arrangements under which some travel suppliers pay our travel agency customer (such as Travelocity), who in turn pays a transaction fee to Sabre Travel Network. We are also looking for more opportunities to market net rate offerings, benefiting from the merchandising insight that we gain from our integrated portfolio of travel distribution and travel marketing assets. "Net rate" offerings are explained in more detail below in "*Travelocity—Net Rate Program*." Some of these non-traditional transactions may have a lower rate per transaction than a traditional booking fee, and as a result the overall average revenue per transaction may be lower as these non-traditional transactions increase. See "Item 1A—Changes to our travel..."

### **Travelocity**

Travelocity is a leading provider of consumer direct travel services for the leisure and business traveler. In 2005 we significantly expanded our presence in Europe with the purchase of lastminute.com, a leader in European online travel marketing. Travelocity operates through the *Travelocity.com*® and *Site59.com*® ("Site 59") websites, Travelocity's international websites including *lastminute.com*<sup>SM</sup>, *HolidayAutos.com*<sup>SM</sup> and *Zuji.com*<sup>SM</sup> and its contact centers, travel agency partners, and its *Travelocity Partner Network*<sup>SM</sup> offering. These services allow individual leisure and business travelers to shop, compare prices and make travel reservations online with airlines, car rental agencies, hotel companies and cruise and tour providers. The *Travelocity Partner Network* offering expands Travelocity's distribution reach through agreements with leading online retailers, including Yahoo! Travel, America Online, American Express, Southwest Airlines, US Airways, and AARP. For example, Site 59 powers the last-minute travel sections of Travelocity, AOL Travel, Cheap Tickets, Yahoo! Travel, American Airlines Vacations, Delta Air Lines Vacations, Continental Airlines Vacations, Northwest's nwa.com, and Bestfares.com, among others. We also offer access to a database of information regarding specific destinations and other information of interest to travelers.

Travelocity facilitates transactions between travel suppliers and consumers to book and pay for travel accommodations. For "net rate" transactions, we generate service fee revenue equal to the total amount paid by the customer, minus Travelocity's payment to the travel supplier for the travel accommodations. We also generate revenue from commissions or transaction fees from travel suppliers for the purchase of travel products and services pursuant to reservations made through our system. Other revenue sources include service fees charged to customers, advertising revenues and GDS incentives. Losses from interests in joint ventures, which are described under "*International*" below, are recognized as contra-revenue. We derive intersegment revenues from Sabre Travel Network, consisting mainly of incentives for Travelocity bookings made through the *Sabre* GDS, and fees paid by Sabre Travel Network and Sabre Airline Solutions for corporate and airline trips booked through Travelocity's online booking technology. During 2005, customers transacted approximately \$8 billion in travel and related services through Travelocity.

For our business customers, we also operate *Travelocity Business*<sup>™</sup>, a comprehensive travel service available for corporations and other organizations. *Travelocity Business* combines the integrated corporate travel technology and full-service offering products of *GetThere* with the online expertise of Travelocity. Travelocity also operates multiple businesses tailored to customers outside the United States, as described under "*Investments in Travelocity*" and "*International*" below.

***Investments in Travelocity.*** The growth and development of Travelocity continues to be a strategic focus for us. In 2005, we continued to invest in areas that we believe offer rapid growth opportunities, such as in the business-direct channel and online distribution in Europe and Asia. For example:

- On July 20, 2005, we acquired lastminute.com, a leading online travel and leisure company in Europe that has become Travelocity's lead brand in the region. With the acquisition of lastminute.com, we can now offer travel suppliers a greater number of potential buyers in a broader geographic area, particularly in Europe. We expect this greatly increased scale to allow us to offer consumers even better travel deals and a greater range of international options. An immediate benefit is our ability to give lastminute.com customers access to the wide range of hotels in Travelocity's net rate hotel program. lastminute.com customers have a greater range of U.S. and international travel options, and over time, Travelocity.com customers should gain more European travel choices. Sabre Travel Network also expects to offer its network of travel agency subscribers expanded European travel options as a result of the acquisition, expanding distribution reach for lastminute.com travel suppliers.

- In January 2005, Travelocity entered into a put option agreement relating to the equity of Zuji Holdings Limited ("Zuji"), a joint venture operating in the Asia Pacific region with operations in Australia, Hong Kong, Korea, New Zealand, Singapore and Taiwan. On November 7, 2005, due to our issuing a \$4 million loan to Zuji, we became the primary beneficiary of the joint venture and in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46R, *Consolidation of Variable Interest Entities (Revised)* ("FIN 46R"), we began accounting for our investment in Zuji, which was previously accounted for using the equity method, on a fully consolidated basis. On January 24, 2006, the put option was exercised and we purchased the remaining 90% of Zuji that we did not already own. We expect significant growth from Zuji as adoption of online travel continues to grow in Asia.

See "Item 1A—*We may be unsuccessful in pursuing and integrating business combinations...*"

***Net Rate Program.*** In an effort to provide additional choices to consumers, Travelocity is increasingly promoting our net rate program, commonly referred to in the industry as a "merchant model program" due to the fact that Travelocity is the merchant of record for credit card processing. Under the net rate program, we facilitate transactions between travel suppliers and travelers for the booking of and payment for travel accommodations. Under this model, we generally do not purchase and resell travel accommodations and do not have any obligations with respect to travel accommodations listed online that do not sell. Instead, we act as an intermediary by entering into agreements with travel suppliers for the right to market their products, services and other content offerings at pre-determined net rates. Net rate travel offerings can include air travel, hotel stays, car rentals and dynamically packaged combinations. We market these net rate offerings to travelers at a price that includes service fees that we retain, plus an amount sufficient to pay the travel supplier for its charge for providing the travel accommodations, along with any applicable occupancy and other local taxes on that charge. For this type of business model, we require pre-payment by the traveler at the time of booking. Net rate content is beneficial for travelers because they can often book travel at a price lower than regularly published offerings. For us, the net rate model generally delivers higher service fee revenue per transaction than comparable transactions under an agency commission booking fee model. In addition, as long as the net rate program is growing, we experience improved operating cash flows as a result of receiving pre-payments from customers while paying suppliers after the travel occurs. For net rate transactions, we recognize as revenue the service fees that we retain on these transactions.

Our business strategy depends on net rate bookings as a significant source of future revenue growth and increased margins. Our strategy calls for us to increase or maintain the number of hotel rooms we can market under our net rate hotel program, based upon arrangements we make directly with individual hotel properties and hotel chains. Because of Travelocity's supplier-friendly approach, which includes timely payment to suppliers and a two-way seamless connectivity to hotels' property management systems so that reservations are not lost, our hotel program has become successful even though it was started later than some competing programs. One example of the success of this approach was Travelocity's selection by InterContinental Hotels Group ("IHG") as the first online third party intermediary to be certified for IHG's more than 3,500 hotels worldwide, including InterContinental Hotels and Resorts, Crowne Plaza, Holiday Inn, Holiday Inn Express, Staybridge Suites and Candlewood Suites. Please see "Item 1A—Travelocity's revenue growth largely depends on international growth and on expanding net rate (merchant) programs."

### **Sabre Airline Solutions**

Sabre Airline Solutions is a global leader in providing technology that allows airlines to market and sell their inventory and serve their customers. We offer passenger management solutions, software products and related services, and consulting services. Over 200 airlines worldwide use one or more products in our broad portfolio to increase revenues and improve operations. More than 100 airlines worldwide rely on our airline reservation suite products, with eight new carriers added and four carrier renewals in 2005 and two large wins, Frontier Airlines and Aeroflot, a Russian air carrier, for our *SabreSonic™* passenger reservations product suite. More than 100 clients worldwide have utilized our strategic commercial and operational consulting services.

**Airline Passenger Solutions.** We provide airline reservations, inventory and check-in hosting solutions that help airlines address the challenge of building and retaining customer loyalty while also reducing costs. With support of e-ticketing and passenger self-service options, our departure control systems equip airlines with the tools to increase sales through every distribution channel. Built on open-systems technology, our new generation *SabreSonic™ Passenger Solution* offers passenger-facing systems to airlines regardless of size, location, business model or current reservations system.

**Airline Products and Services.** We provide decision-support software and technology for airlines to improve profitability, increase revenue, streamline operations and improve workflow. We offer flexible product and service configurations to meet unique business needs, allowing airlines to choose a single, stand-alone system for a specific operational area or a bundled solution of multiple systems to address a variety of functional requirements and increase information sharing across a greater number of departments. Additionally, we offer the *Sabre®eMergo®* web-enabled and dedicated network solutions, as well as an ASP offering to airlines. Providing convenient remote access to secure data, the *eMergo* solutions help significantly lower or eliminate expenses associated with upfront capital outlay, staffing, data storage, ongoing maintenance and installation. Our decision-support tools are designed exclusively to meet the needs of airlines, regardless of size or business model, and assist in every key functional area of an airline, such as crew and cargo management, flight operations and revenue management.

**Consulting Services.** We offer a complete range of consulting services to the airline industry. Assignments range from a one time engagement to extended engagements. Typical engagements include achieving the necessary standards to join an alliance, preparing for privatization and optimizing current operations. Clients include airlines, airports, manufacturers and governments, as well as individuals, travel agencies and members of the financial community.

### **International**

**Sabre Travel Network**—We market the *Sabre* system internationally both directly and through joint venture and distributorship arrangements. As of December 31, 2005, travel agencies with approximately 50,000 locations in over 113 countries on 6 continents subscribed to the *Sabre* system. Our marketing partners outside the United States principally include airlines that have strong relationships with travel agents in their primary markets, and entities that operate regional computer reservation systems or other travel-related network services.

Sabre Travel Network has long-term agreements with ABACUS International Holdings Ltd., which created ABACUS International PTE Ltd ("Abacus"), a Singapore-based joint venture company that manages travel distribution in the Asia Pacific region. We own 35% of the joint venture and provide it with transaction processing and product development services on the *Sabre* system. Sabre Travel Network also provides distribution products and services to Infnit and Axxess, Japan's two largest GDS travel agency marketing companies. Infnit is owned 40% by ABACUS and 60% by All Nippon Airways. Axxess is owned 25% by Sabre and 75% by Japan Airlines. Sabre Travel Network also provides travel marketing and distribution services in Mexico through our 51% owned (48% voting rights) joint venture, Sabre Sociedad Tecnológica S.A. de C.V. Sabre Travel Network Middle East, a joint venture owned 60% by Sabre Travel Network and 40% by Gulf Air Company GSC ("Gulf Air"), provides technology services, bookable travel products and distribution services for travel agencies, corporations and travel suppliers in the Middle East region.

**Travelocity**—We market Travelocity internationally both directly and through joint venture arrangements. In Canada, Travelocity directly markets its *Travelocity.ca*<sup>SM</sup> site. With the acquisition of lastminute.com in July 2005, we market in Europe using *lastminute.com* as our leading brand. Our European operations also include other European travel websites, including Holiday Autos and Med Hotels, *onlinetravel.com*, *Travelocity.co.uk* in the United Kingdom, *resfeber.se*<sup>SM</sup> in Sweden, *rejsefeber.dk*<sup>SM</sup> in Denmark, *reisefeber.no*<sup>SM</sup> in Norway, *Boomerang Voyages*<sup>SM</sup> in France, and *Travelocity.de*<sup>SM</sup> in Germany. Until December 2005, Travelocity also partnered with Otto Versand through a joint venture company that distributed *Travelocity* in Germany through several brands. Travelocity retained the *Travelocity.de* business on dissolution of that joint venture.

We operate in the Asia Pacific region through *Zuji.com*<sup>SM</sup>, which is hosted by Travelocity and utilizes Travelocity technology. See "*Travelocity—Investments in Travelocity*" above.

**Sabre Airline Solutions**—Sabre Airline Solutions markets software solutions and consulting services on four continents, with primary sales offices in the Dallas/Ft. Worth area, London, Hong Kong and Sydney. We also maintain agency relationships to support sales efforts in key areas, including countries in Asia and the Middle East. Through Stockholm, Sweden-based RM Rocate ("Rocate"), we provide software solutions, including a fully functional flight operations product suite, to international small, medium-size and low cost carriers.

## Competition

The travel marketplace is intensely competitive. Our companies and brands offer a broad portfolio of leading travel marketing, distribution and technology solutions that are well positioned in the marketplace. Sabre Travel Network competes in the travel agency channel against other large and well-established traditional global distribution systems, such as Amadeus Global Travel Distribution S.A. ("Amadeus"), Galileo International Inc. (owned by Cendant Corporation) and Worldspan, L.P. Each of these competitors offers many products and services substantially similar to those offered by Sabre Travel Network. The diverging price structures of competing global distribution systems, and our ability to offer our portfolio of solutions, may provide us with an opportunity to win additional business.

We routinely face new competitors and new methods of travel distribution. Suppliers and third parties seek to promote distribution systems that book directly with travel suppliers. For example, established and start-up search engine companies are attempting to enter the travel marketplace by aggregating travel search results across supplier, travel agent and other websites. Many alternative distribution systems offer lower costs to suppliers, but they are not global and offer travelers a limited subset of transactions from a limited subset of suppliers in one market segment. The systems often must rely on the scale and functionality of a GDS such as our *Sabre* system for a complete travel distribution solution for suppliers and travel agencies. They do not offer comprehensive functionality and do not have the infrastructure to adequately service and support travel management companies or corporations. They require the integration of a new, stand alone system into most existing agency or corporate booking tool workflows. Many of these alternative travel distribution channels are well financed but are in start-up or developing mode, and have yet to fully define their functionality and costs. These alternative travel distribution systems may have the effect of diverting customers from our online sites and our *Sabre* GDS, putting pressure on our revenues, pricing and operating margins. See "Item 1A—*Travel suppliers are pursuing distribution options....*"

Another form of competition derives from airlines, which have worked to divert travel bookings onto channels that they control. Airlines have withheld inventory from independent travel distributors, have greatly reduced commissions paid to online and traditional travel agencies and have conditioned independent distributors' access to inventory on their acceptance of pricing offered by channels that those airlines control. Their collective efforts have resulted in travel bookings being diverted from traditional distribution channels toward supplier-controlled channels, such as individual airline websites and call centers. We believe, however, that the rate of "channel shift" from the GDS channel to supplier-controlled sites has stabilized.

The development of competing technologies or the emergence of new industry standards may also adversely affect our competitive position. Competition could result in reduced margins on our services and products. See "Item 1A—*Consolidation in the travel industry....*"

We market travel in the consumer-direct channel primarily through Travelocity. Travelocity's competitors include Priceline.com (which also operates Travelweb.com), Cendant Corporation (which owns Orbitz and ebookers.com), Expedia (which also operates Hotels.com and Hotwire.com) and Opodo (owned by nine European airlines and Amadeus). Virtually all major airlines, and many other travel suppliers, have websites that allow consumers to book directly with that supplier, and some offer an array of products and services. Certain owners of these sites may make certain discounted fares and prices available exclusively on their proprietary or multi-vendor websites. See further discussion under "Item 1A—*Customers may reduce...*"

We market travel in the business-direct channel principally through *Travelocity Business*<sup>SM</sup> and our *GetThere*<sup>®</sup> product. The marketplace for Internet-based corporate and government travel procurement and supply services is highly competitive and rapidly evolving. Travelocity's competitors in the business-direct channel include traditional global distribution systems such as Amadeus' E-Travel and Galileo's TravelPort and more recently, online travel agents such as Orbitz.com and Expedia.com.

In the products and services business, Sabre Airline Solutions competes with a number of boutique firms in specific product areas, as well as across our portfolio with vendors such as Lufthansa Systems. In the airline passenger solutions business, Sabre Airline Solutions competes with Amadeus, Navitaire, Worldspan, IBM and others.

#### **Computer Reservation System Industry Regulation**

Aspects of our travel marketing and distribution businesses are subject to the Computer Reservation Systems ("CRS") regulations in the European Union, Canada and Peru. These regulations generally govern GDS services for airlines and travel agencies, but not for non-airline suppliers (except rail suppliers in limited circumstances). Among the topics addressed in some of the current regulations are:

- no preferencing CRS displays based upon airline identity,
- equal treatment of airlines by the CRS,

- equal participation in all CRSs by airlines that have an ownership interest in a CRS, and
- limits on travel agency contract terms.

All CRS regulations in the United States expired on July 31, 2004. CRS regulations in Canada were eliminated on May 7, 2004, except rules prohibiting screen preference and discrimination in providing the right for all airlines to participate in service enhancements. The deregulation of CRSs in both the U.S. and Canada will enhance our opportunities to creatively market airline services and freely negotiate with travel agencies. Regulators in the European Union ("E.U.") have indicated they may propose the total repeal of their current CRS regulations even though four large E.U.-based airlines retain substantial ownership positions in the Amadeus CRS. It is not clear whether or when any amendments in the European Union's CRS Code of Conduct will be formally proposed, or will take effect or what form they may ultimately take. The repeal of CRS rules in a jurisdiction where a locally-strong airline retains an ownership interest in a CRS presents significant competitive risks. See further discussion under "Item 1A—Regulatory developments in Europe could limit our ability to compete..."

#### **Other Regulation**

Our businesses continue to be subject to regulations affecting issues such as: exports of technology, telecommunications, data privacy and electronic commerce. Any such regulations may vary among jurisdictions. We believe that we are capable of addressing these regulatory issues as they arise.

#### **Seasonality**

The travel industry is seasonal in nature. Travel bookings for our Sabre Travel Network business, and the revenue we derive from those bookings, decrease significantly each year in the fourth quarter, primarily in December. Customers generally book their November and December holiday leisure travel earlier in the year, and business travel declines during the holiday season. Travelocity revenues are also impacted by the seasonality of travel bookings, but to a lesser extent since commissions from car and hotel travel providers and net rate revenue for vacation packages and hotel stays are recognized upon date of consumption. See the discussion on Seasonality in "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information. We believe that the acquisition of lastminute.com will cause revenues and net earnings to become more significant in the second and third quarters for the Travelocity segment due largely to European travel patterns.

#### **Research and Development Expenses**

Research and development costs represent costs incurred to investigate and gain new knowledge that could be useful in developing a new product or service and then translating those findings into a plan or design for a product or service. Our research and development costs approximated \$26 million, \$32 million and \$48 million for 2005, 2004 and 2003, respectively.

#### **Segment Information**

Financial information for our operating segments and geographical revenues and assets are included in Note 13 to the Consolidated Financial Statements.

## **Agreements with EDS**

We have an agreement with Electronic Data Systems Corporation ("EDS") through which EDS manages a significant portion of our information technology systems. Under a 10-year agreement through June 2011, EDS provides us with information technology services, including data center management, applications hosting, applications development, data assurance and network management. Among the services provided is transaction processing for our travel marketing and distribution businesses, including operation of the *Sabre* system. The agreement was entered into as part of a 2001 sale to EDS of our infrastructure outsourcing business and information technology infrastructure assets and the associated real estate ("Outsourcing Business"). In connection with the sale, we also entered into agreements with EDS to jointly market information technology services and software solutions to the travel and transportation industries.

## **Intellectual Property**

We use software, business processes and other proprietary information to carry out our business. These assets and related patents, copyrights, trade secrets, trademarks and other intellectual property rights are significant assets of our business. We rely on a combination of patent, copyright, trade secret and trademark laws, confidentiality procedures and contractual provisions to protect these assets. We seek patent protection on key technology and business processes of our business. Our software and related documentation are also protected under trade secret and copyright laws where appropriate. We also seek statutory and common-law protection of our trademarks where appropriate. The laws of some foreign jurisdictions may provide less protection than the laws of the United States for our proprietary rights. Unauthorized use of our intellectual property could have a material adverse effect on us and there can be no assurance that our legal remedies would adequately compensate us for the damages to our business caused by such use.

## **Employees**

As of December 31, 2005, we had approximately 8,800 employees. This represents a substantial increase from 2004, due almost entirely to the acquisition of lastminute.com in 2005. There were approximately 2,000 lastminute.com employees as of December 31, 2005. A central part of our philosophy is to attract and maintain a highly capable staff. We consider our current employee relations to be good. Our employees based in the United States are not represented by a labor union.

## **Available Information**

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, we file reports, proxy and information statements and other information with the Securities and Exchange Commission ("SEC"). Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy and information statements and other information and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through the Investor Relations section of our Website under the links to "—Financial Information—SEC Filings." Our Internet address is [www.sabre-holdings.com](http://www.sabre-holdings.com). Reports are available free of charge as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. In addition, our officers and directors file with the SEC initial statements of beneficial ownership and statements of change in beneficial ownership of our securities, which are also available on our website at the same location. We are not including this or any other information on our website as a part of, nor incorporating it by reference into, this Form 10-K or any of our other SEC filings.

In addition to our website, you may read and copy public reports we file with or furnish to the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains our reports, proxy and information statements, and other information that we file electronically with the SEC at [www.sec.gov](http://www.sec.gov).

## ITEM 1A. RISK FACTORS.

### RISK FACTORS

Risks associated with an investment in our securities, and with achieving the forward-looking statements contained in this report or in our news releases, websites, public filings, investor and analyst conferences or elsewhere, include, but are not limited to, the risk factors described below. Any of the risk factors described below could have a material adverse effect on our business, financial condition or results of operations. We may not succeed in addressing these challenges and risks.

***Our revenues are highly dependent on the travel and transportation industries, and particularly on air travel, and a prolonged substantial decrease in travel transaction volumes could adversely affect us.***

Our revenue increases and decreases with the level of travel and transportation activity. The travel industry is seasonal and our revenue varies significantly from quarter to quarter. Our revenue is also highly subject to declines in or disruptions to travel and transportation that may be caused by factors entirely out of our control. For example, negative perceptions held by travelers about the following factors may adversely affect travel activity:

- economic downturns, rising fuel costs and the financial instability of travel suppliers,
- political instability, acts of terrorism, hostilities and war,
- security issues, including increased airport security,
- inclement weather, including hurricanes,
- increased occurrence of travel-related accidents, and
- travelers' concerns about exposure to contagious diseases such as severe acute respiratory syndrome (SARS) or avian influenza (bird flu).

A prolonged substantial decrease in travel transaction volumes could have an adverse impact on our financial performance, operations, liquidity, or capital resources.

***Changes to our travel supplier relationships may reduce our revenues.***

Most of our revenue is derived from airlines, hotel operators, car rental companies, cruise and tour operators and other suppliers in the travel and transportation industry. We depend on a relatively small number of airlines for a significant portion of our revenues. To compete effectively in the travel distribution industry, we must offer broad, dependable access to airline content and features such as schedules, seat availability and fares, including web fares. Airlines and other suppliers may choose to reduce our access to content that we have offered in the past. In particular, since the deregulation of the CRS industry in the United States, airlines have more flexibility to limit their participation in our *Sabre* GDS, or to not participate. Several major airlines in the United States are experiencing liquidity problems. Some of those airlines are consolidating, others have sought bankruptcy protection, and still others may consider bankruptcy relief. The financial instability of airlines or other travel suppliers could have a material negative impact on our business. If our access to supplier-provided content or features were to be diminished relative to our competitors, our business could be materially adversely affected. Because offerings from major airlines represent a large part of our business, if the *Sabre* GDS were to lack the ability to facilitate bookings on one or more major airlines, our distribution channels would be relatively less attractive to travel agencies and travel purchasers, which could reduce our transaction fee revenue and materially adversely affect our business.

***Travel suppliers are pursuing distribution options that may reduce our access to content, which could reduce our revenues.***

Some travel suppliers are seeking to decrease their reliance on distribution intermediaries, including global distribution systems such as our *Sabre* GDS, by promoting other distribution channels. Many airlines, hotels, car rental companies and cruise operators have call centers and have established their own travel distribution websites. The airline industry has experienced a shift in segment share from full-service carriers to low-price carriers, many of which do not distribute their tickets through third-party intermediaries such as the *Sabre* GDS and Travelocity. Travel suppliers may create or expand commercial relationships with online and offline travel agencies that directly book travel with those suppliers, diverting bookings from our distribution channels. From time to time, travel suppliers offer advantages, such as bonus loyalty awards, lower transaction fees, or discounted prices, when their products and services are purchased from these supplier-related channels. Some of these offerings are not available to unrelated intermediaries, or those intermediaries must accept lower transaction fees in exchange for access to the offerings. Our *Sabre* GDS also competes with competitors who may offer less content, functionality and marketing reach at a relatively lower cost to suppliers. In addition, search engine providers are attempting to enter the online travel marketplace by aggregating travel search results across supplier, travel agent and other travel-related websites. These search engines and alternative travel distribution channels have the potential to divert customers from our distribution channels. If our access to supplier-provided content or features were to be diminished relative to our competitors, our business could be materially adversely affected. Because offerings from major airlines represent a large part of our business, if the *Sabre* GDS were to lack the ability to facilitate bookings on one or more major airlines, our distribution channels would be relatively less attractive to travel agencies and travel purchasers, which could reduce our transaction fee revenue and materially adversely affect our business. See "*Business Trends—Supplier Efforts to Control Travel Distribution*" and "*Business Trends—Alternative Distribution Systems*."

***Customers may reduce transactions through our distribution channels, which could reduce our revenues.***

Our portfolio of travel distribution businesses includes channels that support the travel agency, business-direct and consumer-direct segments of the global travel distribution marketplace. We believe that we and our customers benefit when we broadly participate in the travel distribution industry, including our direct to traveler services. Broad participation in the industry gives us a competitive advantage, including greater scale of our technology and other synergies. In all of these distribution channels, we face significant competition.

- In the travel agency channel, our Sabre GDS historically has competed with other large and well-established global distribution systems.
- In the business-direct channel, both the *Travelocity Business*<sup>SM</sup> and *Sabre Travel Network*® *GetThere*® products compete with similar offerings from travel agencies, airlines and other suppliers.
- In the consumer-direct channel, Travelocity competes not only against similar offerings from affiliates of other global distribution systems, but also with travel suppliers, online vertical search engines, and a large number of online travel agencies.
- Our Sabre Airline Solutions business unit competes against several organizations offering internal reservation system and related technology services to airlines.

In some circumstances, our business segments have objectives that lead to conflicts with customers of our other business segments. For example, our Travelocity and Travelocity Business operations compete with travel-agency subscribers of Sabre Travel Network. That competition could cause current or potential travel agency subscribers to elect to use competing GDS providers, websites or other channels of travel distribution, which could reduce our transaction fee revenue and materially adversely affect our business. If our competitors introduce new pricing or offerings that we cannot meet in a timely or cost-effective manner, our customers may elect to use other travel distribution channels and our business may be materially adversely affected. In addition, travelers and other persons may use our websites and other resources to obtain schedules, availability, pricing and other travel information and then elect to purchase travel from a competitor, which would tend to increase our costs without producing revenue.

***Consolidation in the travel industry and increased competition for customers may increase costs and reduce revenue.***

Consolidation among participants in the travel industry may increase their negotiating leverage, thereby providing them with competitive advantages over us that may increase our costs and reduce our revenues. Consolidation among travel suppliers, such as major hotel and airline mergers and alliances, may increase competition from these supplier-related distribution channels or give them additional leverage to negotiate lower transaction fees payable to our travel distribution channels, including the *Sabre* GDS. In order for our distribution channels to obtain access to important airline content offerings, we are evaluating various pricing models for airline suppliers. It is, however, difficult to predict with certainty, in a recently deregulated environment, the impact of new pricing models on our revenues or results of operations.

GDSs, such as our *Sabre* GDS, compete to attract and retain travel agencies. Some travel suppliers have reduced or eliminated commissions paid to travel agencies (including consumer-direct travel sites like Travelocity). The loss of supplier commissions causes travel agencies to become more dependent on other sources of revenues, such as traveler-paid service fees and GDS-paid incentives. The reduction or elimination of supplier-paid commissions has forced some smaller travel agencies to close or to combine with larger travel agencies. Although the *Sabre* GDS has a leading share of large travel agencies, competition is particularly intense among global distribution systems for larger travel agency subscribers, including online travel agencies. Consolidation of travel agencies may increase competition for these subscribers and increase the ability of those agencies to negotiate higher GDS paid incentives. In order to compete effectively, we may need to increase incentives, pre-pay incentives, increase spending on marketing or product development, or make significant investments to purchase strategic assets.

***Travelocity's revenue growth largely depends on international growth and on expanding net rate (merchant) programs.***

Travelocity's revenue growth is driven by expanding global use of the Internet and driving purchases through our online travel websites. The online travel marketplace is highly competitive, with both independent online travel agencies and suppliers' proprietary websites competing for customers. Travelocity's business strategy largely depends on growing its net rate program offerings (commonly referred to in the industry as "merchant model" programs, because the online agency is the merchant of record for credit card processing). Growing the net rate programs is particularly dependent upon our ability to offer adequate hotel rooms. Many hoteliers utilize net rate programs to dispose of excess hotel rooms at discounted rates. Demand for supplier offerings may increase as a result of increased travel and competition from net rate offerings by our competitors. If demand increases for suppliers' products, services and other content offerings, suppliers may limit our right to distribute their offerings or may increase the cost of those offerings. Travelocity's business strategy also depends on expanding its dynamically packaged offerings, maintaining the breadth of its access to supplier offerings, developing its brand in a cost-effective manner in the United States, Europe, Asia and other growth regions, increasing traffic to its websites (including direct distribution as well as through current and future distribution partners), and expanding the appeal of the *Travelocity Business* tool to business travelers. We also plan to invest strategically in growth opportunities, such as our recent acquisition of lastminute.com in Europe and Zuji.com in the Asia Pacific region. If any of these initiatives is not successful, or requires extensive investment, Travelocity's growth may be limited and it may be unable to achieve or maintain profitability.

*We may be unsuccessful in pursuing and integrating business combinations, strategic alliances, or products and technologies, which could result in increased expenditures or cause us to fail to achieve anticipated cost savings or revenue growth.*

We are currently seeking to integrate recently acquired businesses as described in this report, including our acquisition of lastminute.com. There are risks inherent in these types of transactions, such as: difficulty in assimilating or integrating the operations, technology and personnel of the combined companies; difficulties and costs associated with integrating and evaluating the internal control systems of acquired businesses; disruption of our ongoing business, including loss of management focus on existing businesses and marketplace developments; problems retaining key technical and managerial personnel; expenses associated with the amortization of identifiable intangible assets; additional or unanticipated operating losses, expenses or liabilities of acquired businesses; impairment of relationships with existing employees, customers and business partners; and fluctuations in value and losses that may arise from equity investments.

We expect to realize strategic and other benefits as a result of our acquisition of lastminute.com. Our ability to realize these benefits or successfully integrate lastminute.com's businesses, however, is subject to certain risks and uncertainties, including:

- We have initiated our efforts to assess the internal controls over financial reporting related to lastminute.com's business, but we are in the early stages of this evaluation process. As discussed under Item 9A of Part II, certain material weaknesses in information technology systems at lastminute.com have already been identified. As we progress, we may identify additional deficiencies that represent material weaknesses. Further, as more information is learned we may determine that some combination of deficiencies when evaluated together result in a material weakness. We will attempt to promptly resolve identified deficiencies, which may involve material changes to lastminute.com's internal controls. We may incur significant additional costs to resolve deficiencies in internal controls and disclosure controls. As we note in Item 9A of Part II of this Form 10-K, we do not expect to report until our 2006 Form 10-K on our assessment of, or on any material change that we may make to, lastminute.com's internal controls over financial reporting.
- We may be unable to anticipate or manage risks that are unique to lastminute.com's business, including those related to its workforce, customer demographics, regulatory environment, information systems, culture and geography.

Our failure to manage these or other risks related to the acquisition could prevent us from realizing the expected benefits of the acquisition and also may have a material adverse effect on our results of operations and financial condition.

In addition, we plan to continue to examine possible business combinations, investments, joint ventures or other strategic alliances with other companies in order to maintain and grow revenue and marketplace presence. We may not be able to: identify suitable candidates for additional business combinations and strategic investments; obtain financing on acceptable terms for such business combinations and strategic investments; or otherwise consummate such business combinations and strategic investments on acceptable terms. We may be unable to successfully complete potential acquisitions due to multiple factors, such as issues related to regulatory review of the proposed transactions. To consummate such transactions, we may need to raise external funds through the sale of stock and/or debt in the capital markets or through private placements, which might affect our liquidity.

***Rapid technological changes and new distribution channels or unauthorized use of intellectual property may adversely affect the value of our current or future technologies to us and our customers, which could cause us to increase expenditures to upgrade and protect our technology or develop and protect competing offerings in new distribution channels.***

New distribution channels, technology and customer behavior in our industry are evolving rapidly. Our ability to compete and our future results depend in part on our continued ability to maintain and to make timely and cost-effective enhancements, upgrades and additions to our technology in response to changes in consumer preferences and increased demand for our products and services. We must also keep pace with rapid advancements in technology, standards and practices, and protect our technology. Maintaining flexibility to respond to technological and marketplace dynamics may require substantial expenditures and lead time. We cannot assure you that we will successfully identify and develop new products or services in a timely manner, that offerings, technologies or services developed by others will not render our offerings obsolete or noncompetitive, or that the technologies in which we focus our research and development investments will achieve acceptance in the marketplace and provide a return on our investment.

Unauthorized use of our intellectual property could have a material adverse effect on us, and our legal remedies may not adequately compensate us for the damages to our business caused by such use. Protecting our intellectual property from unauthorized use could be expensive and time-consuming. Additionally, claims that our products or services may infringe the intellectual property rights of others may require additional expenditures in resolving such claims and/or development of alternate technologies, either or which could be expensive and time-consuming.

***We will encounter risks and difficulties similar to those frequently experienced in rapidly evolving industries such as the travel distribution industry.***

Some of these risks relate to our ability to:

- attract and retain customers on a cost-effective basis,
- expand and enhance our service offerings, including the use of new technologies,
- operate, support, expand and develop our operations, websites, software, data centers, communications and other systems,
- maintain and diversify our sources of revenue, including by entering into agreements that may reflect changes to our *Sabre* GDS business model,
- maintain and develop our existing brands and distribution channels, as well as to make cost-effective expenditures in connection with these initiatives,
- manage our relationships with important travel suppliers and other industry participants, and
- respond to competitive marketplace conditions.

If we are unsuccessful in addressing these risks or in executing our business strategy, our business, financial condition or results of operations may suffer.

***We rely on third parties to provide critical systems and infrastructure.***

Our businesses are largely dependent on the computer data centers and network systems operated for us by Electronic Data Systems Corporation except for our *lastminute.com* operations which uses Colt Telecom. We also rely on other providers and on the global telecommunications infrastructure. We rely on several communications service suppliers and on the global Internet to provide network access between our computer data center and call centers and end-users of our services. The *Travelocity* (including the *Site59*® and *lastminute.com* websites) business is dependent upon GDSs (the *Sabre* GDS and others) to process travel bookings. If those providers do not enable us to provide our customers and suppliers with reliable, real-time access to our systems, our business may be materially adversely affected.

***Our success depends on maintaining the integrity of, and upgrading the quality of, our systems and infrastructure, which may suffer failures, capacity constraints and business interruptions, which could increase our operating costs and cause us to lose customers.***

In order to be successful, we must provide reliable, real-time access to our systems for our customers and suppliers while also pursuing a low-cost model. Consumers and suppliers will not tolerate a service hampered by slow delivery times, unreliable service levels, service outages due to the installation of upgrades, or insufficient capacity. As our operations grow in both size and scope, we will continually need to improve and upgrade our systems and infrastructure to offer an increasing number of customers and travel suppliers enhanced products, services, features and functionality—all while maintaining the reliability and integrity of our systems and infrastructure and while pursuing reduced costs per transaction. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and technical resources before the volume of business increases, with no assurance that the volume of business will increase. System capacity limits or constraints arising from unexpected increases in our volume of business could cause interruptions, outages or delays in our services, or deterioration in their performance, or could impair our ability to process transactions. We occasionally experience system interruptions that make unavailable some or all of our global distribution system or other data processing services (including the services that Sabre Airline Solutions provides to airlines). System interruptions may prevent us from efficiently providing services to our customers or other third parties, which could result in our losing customers and revenues, or incurring liabilities. Much of the computer and communications hardware upon which we depend is located in a single facility. Our systems might be damaged or interrupted by fire, flood, power loss, telecommunications failure, break-ins, earthquakes, terrorist attacks, hostilities or war or similar events. Computer viruses, denial of service attacks, physical or electronic break-ins and similar disruptions affecting the global Internet or our systems might cause service interruptions, delays and loss of critical data, and could prevent us from providing our services. Problems affecting our systems might be expensive to remedy and could significantly diminish our reputation and brand name and prevent us from providing services. We could be harmed by outages in, or unreliability of, the data center or network systems. The occurrence of any of these events could result in a material adverse effect on our business.

***Our collection, processing, storage, use and transmission of personal data may be restricted or result in liabilities.***

In our processing of travel transactions, we collect, process, store, use and transmit large amounts of personally identifiable data about travelers. Our handling of these types of data is increasingly subject to legal restrictions around the world, including the European Union. In addition, the United States government is contemplating initiatives to enhance national and aviation security. These initiatives may result in conflicting legal requirements in the United States and other jurisdictions. Companies that handle these types of data have also been subject to investigations, lawsuits and adverse publicity due to allegedly improper disclosure of personally identifiable information. Our business could be materially adversely affected if legal restrictions on the use of personally identifiable information are expanded or are interpreted in ways that conflict with our business practices.

***Tax issues have the potential to have an adverse effect on our financial condition and results of operations.***

We are subject to a variety of taxes in many jurisdictions globally. We establish reserves for our potential liability for taxes, consistent with applicable accounting principles and in light of all current facts and circumstances. Regarding value-added taxes, we have established reserves regarding the collection of refunds which are subject to audit and collection risks in various regions of Europe. The reserves represent our best estimate of our contingent liability for taxes. The interpretation of tax laws and the determination of any potential liability under those laws are complex, and the amount of our liability may exceed our established reserves and could therefore have a material adverse effect on our financial results.

Some state and local taxing authorities impose taxes on the sale, use or occupancy of hotel room accommodations, which are called transient, occupancy, accommodation, sales or hotel room taxes. Hotel operators generally collect and remit these occupancy taxes. Consistent with that practice, when a customer books a hotel room through one of our travel services under our net rate hotel program, we collect from the customer an amount sufficient to pay the hotel its room charge and the occupancy taxes on that charge, as well as an additional amount that represents our fees. We do not collect or remit occupancy taxes on our fees. Some tax authorities claim that occupancy taxes should be collected on some or all of those fees. We believe there are strong arguments that our fees are not subject to occupancy taxes (although tax laws vary among the jurisdictions). We are attempting to resolve this issue with tax authorities in various jurisdictions, but we cannot predict the resolution in any particular jurisdiction. Any actual liability we may have for occupancy taxes, or the size of the reserve we may establish for those taxes, could be affected by a variety of factors, such as the number of jurisdictions that prevail in either assessing additional occupancy taxes or negotiating a settlement with us, the amount of fees potentially subject to tax in each jurisdiction, changes in applicable tax laws, and the timing of any or all of the foregoing.

***Regulatory developments in Europe could limit our ability to compete by removing key protections needed to safeguard competition where locally strong airlines retain ownership interests in a CRS, and regulatory developments elsewhere could, among other things, inhibit our flexibility to contract with airlines or travel agencies, which could cause our customers to be diverted to our competitors and adversely affect our revenue and results of operations.***

The E.U. Commission has suggested the potential elimination of its rules governing CRS systems. It is unclear when or if the E.U. Commission will make such a formal proposal, or if it does, the final changes that might ultimately be made to those rules. Because large E.U.-based airlines retain substantial ownership interests in one CRS, we could be unfairly and adversely affected if, for example, the E.U. Commission were to eliminate current requirements for airlines that own an interest in a CRS to participate equally in other CRSs. We also could be adversely affected in Europe or elsewhere if restrictions were imposed or continued on CRS advertising and displays, or if additional limitations were placed upon our right to contract with travel agents or airlines. We could also be adversely affected if changes to any of the foregoing CRS rules or to other general laws affecting our businesses, or if decisions made under such rules or laws, were to increase our cost of doing business or otherwise impair our flexibility.

***Our international operations are subject to other risks, which may impede our ability to grow internationally and adversely affect our overall results of operations.***

We continually seek to expand the reach of our various businesses into international markets as well as to successfully integrate, operate and manage our existing and future international operations. Our international operations are subject to risks, including those listed below, that may adversely affect our ability to conduct and grow business internationally and could materially adversely affect our business:

- changes in foreign currency exchange rates;
- difficulty in developing, managing and staffing international operations as a result of distance, language and cultural differences;
- disruptions to communication and transportation services;
- business, political and economic instability in foreign locations, including actual or threatened terrorist activities, and military action;
- adverse laws, governmental policies or actions, such as consumer and trade protection measures; taxes, restrictions on foreign investment, limits on the repatriation of funds; and lesser protection for intellectual property; and
- economic and political conditions, including adverse political or consumer reactions in the United States.

*Our ongoing cost reduction plans may not continue to be successful.*

Our strategy depends, to a substantial degree, on reducing and controlling operating expenses. In furtherance of this strategy, we have engaged in ongoing, company-wide activities intended to reduce costs. These activities include personnel reductions, reductions in personnel-related costs, programs designed to reduce the growth rate of incentive payments to travel agencies, and realigning and streamlining operations and consolidating facilities. Part of our cost reduction strategy involves leveraging our status as a global company to conduct some of our operations outside the United States, such as customer call centers and software development, either by contracting with foreign companies that work for us or by expanding our own operations outside the United States. We cannot assure you that our efforts will continue to result in the increased profitability, cost savings or other benefits that we expect.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

We had no unresolved SEC staff comments through December 31, 2005.

**ITEM 2. PROPERTIES**

In June 2003, Sabre Inc. refinanced the syndicated lease arrangement regarding our corporate headquarters facility in Southlake, Texas, and entered into a ten-year master lease, accounted for as a capital lease. The initial term of the lease expires in 2013 with an option to purchase these facilities prior to or upon expiration of the lease (see Notes 5 and 8 to the Consolidated Financial Statements for additional information on our capital lease).

Additionally, we lease office facilities in Westlake, Texas, under leases expiring in 2008. These facilities are utilized by each of our three business units. We also lease office facilities for our business units in approximately 150 other locations worldwide. These locations serve a variety of functions including facilities for various operating subsidiaries, branch offices in international locations and customer call centers.

In July 2005, we acquired 31 office locations throughout Europe as a result of our acquisition of lastminute.com. These locations operate within our Travelocity segment. We currently occupy 27 of the locations; 2 are sublet, 2 are currently vacant and 2 are scheduled to be closed/vacated sometime in 2006 as a part of our lastminute.com restructuring plan (see Note 4 to the Consolidated Financial Statements).

EDS subleases a large office facility from us in Fort Worth, Texas, under a sublease that will expire in 2019. We also sublease five small office facilities in North America to various companies.

On December 3, 2003, we sold one of our previous office facilities in Fort Worth, Texas, for proceeds of approximately \$3 million and recognized a pre-tax loss of approximately \$3 million.

We believe that our office facilities will be adequate for our immediate needs and could accommodate expansion.

**ITEM 3. LEGAL PROCEEDINGS**

The litigation matters described below involve issues or claims that may be of particular interest to the Company's stockholders, regardless of whether any of these matters may be material to the financial position or operations of the Company based upon the standard set forth in the SEC's rules.

We previously disclosed two lawsuits (which were consolidated in federal court in Fort Worth, Texas) to which we were a party against Northwest Airlines, Inc. ("Northwest") related to Northwest's August 24, 2004 announcement and implementation on September 1, 2004 of a fare supplement for travel reservation bookings made through a GDS (including the *Sabre* GDS) by traditional travel agencies and some online travel sites (such as Travelocity). On January 24, 2006, we announced that this litigation had been settled. The bankruptcy court approved a settlement of this litigation by an order effective on February 25, 2006.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to a vote of our security holders during the fourth quarter of the fiscal year ended December 31, 2005.

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our Class A Common Stock, par value \$0.01 per share ("Common Stock") is traded on the New York Stock Exchange (symbol TSG). The approximate number of holders of record of our Common Stock at March 6, 2006 was 9,349.

The range of the high and low sales prices for our Common Stock as reported by the New York Stock Exchange by quarter for the two most recent fiscal years were:

	<u>High</u>	<u>Low</u>
Quarter Ended:		
December 31, 2005	\$ 24.90	\$ 18.93
September 30, 2005	\$ 20.45	\$ 18.26
June 30, 2005	\$ 22.24	\$ 19.19
March 31, 2005	\$ 22.21	\$ 19.84
Quarter Ended:		
December 31, 2004	\$ 25.81	\$ 20.56
September 30, 2004	\$ 27.99	\$ 21.22
June 30, 2004	\$ 28.85	\$ 22.70
March 31, 2004	\$ 24.96	\$ 20.10

**DIVIDENDS AND SHARE REPURCHASES**

On May 12, 2005, we entered into an \$800 million, unsecured bridge loan agreement (the "Bridge Facility") that matures on August 12, 2006, in order to provide short-term financing in connection with the lastminute.com acquisition and to satisfy legal requirements for certainty of funding for the acquisition. The Bridge Facility contains various terms and conditions that are typical for a bridge credit facility of this type which, among other things, limits our ability to pay in excess of \$150 million during the term of the Bridge Facility as dividends or as repurchases of our stock. See "Liquidity and Capital Resources" in Part II, Item 7 of this Form 10-K for additional details about the Bridge Facility.

**DIVIDENDS**

During 2003, 2004 and 2005 we paid out the following cash dividends:

<u>Declaration Date</u>	<u>Payable Date</u>	<u>Amount per Share</u>
<b>2003:</b>		
April 17, 2003	May 15, 2003	\$ 0.070
July 15, 2003	August 15, 2003	0.070
October 21, 2003	November 14, 2003	0.070
<b>2004:</b>		
January 20, 2004	February 17, 2004	\$ 0.075
April 20, 2004	May 14, 2004	0.075
July 20, 2004	August 16, 2004	0.075
October 26, 2004	November 15, 2004	0.075
<b>2005:</b>		
February 1, 2005	February 28, 2005	\$ 0.090
May 3, 2005	May 26, 2005	0.090
July 26, 2005	August 18, 2005	0.090
November 1, 2005	November 29, 2005	0.090

On January 30, 2006, our Board of Directors approved a dividend of \$0.10 per share payable on February 28, 2006 to stockholders of record at February 10, 2006.

Our Board of Directors currently intends to consider declaring and paying comparable future dividends on a regular quarterly basis, subject to our ability to pay dividends and to a determination by management and our Board of Directors that dividends continue to be in the Company's best interests and those of our stockholders. For additional information on dividends see the following sections of this Form 10-K: "Liquidity and Capital Resources" in Part II, Item 7; "Consolidated Statements of Cash Flows" and "Consolidated Statements of Shareholders' Equity" in Part III, Item 8.

#### ISSUER PURCHASES OF EQUITY SECURITIES

On October 25, 2004, our Board of Directors approved a share repurchase program authorizing us to repurchase up to \$100 million of our Common Stock. We completed this authorization in March 2005 with the purchase of 2,042,063 shares of our Common Stock during the first three months of 2005. All purchases were made through the open market pursuant to 10b5-1 trading plans.

On May 2, 2005, we received authorization from our Board of Directors to repurchase an additional \$100 million of our Common Stock. Due to the acquisition of lastminute.com, no purchases of our Common Stock have been made under this authorization as of the date of this report. As in the past, implementation of the program is at management's discretion and will depend on the best uses for our available cash.

On October 20, 2003 our Board of Directors issued a standing annual authorization to purchase shares of our Common Stock to satisfy our obligations to deliver shares under our Employee Stock Purchase Plan and our Long-Term Incentive Plan (the "Alternative Share Settlement Program"). We purchased 850,000 shares of our Common Stock under this authorization in December 2003 and 840,000 shares of our Common Stock under this authorization in January 2005 through the open market pursuant to 10b5-1 trading plans.

We expect that the timing, volume and price of any future repurchases of our Common Stock will be made pursuant to trading plans that we intend as qualifying under Rule 10b5-1, unless such plans are terminated at the discretion of management.

We made no repurchases of our Common Stock during the last quarter of 2005:

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Value of Shares That May Yet be Purchased Under such Programs (1)
October 1, 2005—October 31, 2005	—	n/a	—	\$ 100,000,000
November 1, 2005—November 30, 2005	—	n/a	—	\$ 100,000,000
December 1, 2005—December 31, 2005	—	n/a	—	\$ 100,000,000
Total 4 <sup>th</sup> Quarter 2005 Repurchases	—	n/a	—	

(1)

Our Board of Directors did not impose a set limit on the repurchase authority under the Alternative Shares Settlement Program described above. The amount purchased is dependent on the number of shares required to satisfy our obligations to deliver shares under the Employee Stock Purchase Plan and Long-Term Incentive Plan.

For additional information on purchases of equity securities see the following sections of this Form 10-K: "Liquidity and Capital Resources" in Part II, Item 7; "Consolidated Statements of Cash Flows" and "Consolidated Statements of Shareholders' Equity" in Part III, Item 8.

**ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected financial data should be read in conjunction with "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8: Financial Statements and Supplementary Data." We have derived the selected financial data set forth below from our audited financial statements and related notes.

We have completed numerous acquisitions during the years 2001 through 2005 which affect the comparability of the selected consolidated financial data presented. The table below summarizes these transactions. For further information regarding these transactions, see "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to the Consolidated Financial Statements.

<b>Year acquired</b>	<b>Entity</b>	<b>Purchase price (in millions)</b>
<b>2005</b>	SynXis Corporation	\$ 41
	lastminute.com plc	\$ 1,174
	Zuji Holdings Limited (1)	\$ —
<b>2004</b>	RM Rocado AB and RM Rocado Assist AB	\$ 15
	All State Tours, Inc.	\$ 25
	Travelocity Europe—Remaining 50% of the non-German operations	\$ 33
	Sabre Travel Network Middle East Joint Venture—60% ownership	\$ 31
<b>2003</b>	Dillon Communications Systems GmbH ("Dillon")— remaining 49% interest	\$ 30
	World Choice Travel, Inc.	\$ 50
<b>2002</b>	Site59.com, Inc.	\$ 44
<b>2001</b>	Sabre Pacific, Pty Limited	\$ 46

(1)

Zuji Holdings Limited is consolidated in compliance with FIN 46R. See Note 4 to the Consolidated Financial Statements for further discussion.

On April 8, 2002, we completed a \$28 per share cash tender offer for all of the approximately 16.7 million outstanding publicly held common shares of Travelocity.com that we did not own. Prior to the tender offer, we had an approximate 70% ownership stake in Travelocity.com. We consolidated Travelocity.com and accounted for the 30% outside ownership as a minority interest. After the tender offer, we effected a short-form merger on April 11, 2002, whereby Travelocity.com became our indirect 100% owned subsidiary.

The following table presents selected historical financial data for each of the five years in the period ended December 31, 2005:

	Year Ended December 31,				
	2005	2004	2003 (3)	2002 (3)	2001 (3)
	(in millions, except per share data and other data where indicated)				
<b>Income Statement Data (2) (8) (10):</b>					
Revenues	\$ 2,521.3	\$ 2,131.0	\$ 2,045.2	\$ 2,056.5	\$ 2,145.0
Operating expenses, excluding amortization of goodwill and intangible assets	2,212.2	1,825.4	1,822.7	1,685.6	1,876.2
Amortization of goodwill and intangible assets (2)	48.2	46.9	56.3	53.4	277.5
Operating income (loss)	260.9	258.7	166.2	317.5	(8.7)
Other income (expense), net (9)	(24.6)	(3.3)	(38.4)	21.4	20.2
Minority interests	8.4	1.7	(0.4)	0.2	22.5
Income from continuing operations before provision for income taxes	244.7	257.1	127.4	339.1	34.0
Provision for income taxes	72.6	66.7	44.1	125.0	81.0
Income (loss) from continuing operations	172.2	190.4	83.3	214.1	(47.0)
Income from discontinued operations, net (1)(4)	—	—	—	—	75.1
Cumulative effect of accounting change, net (5)	—	—	—	—	3.1
Net earnings	\$ 172.2	\$ 190.4	\$ 83.3	\$ 214.1	\$ 31.2
Earnings (loss) per common share—basic:					
Income (loss) from continuing operations	\$ 1.33	\$ 1.40	\$ 0.59	\$ 1.53	\$ (0.35)
Income from discontinued operations, net (1)(4)	—	—	—	—	0.57
Cumulative effect of accounting change, net (5)	—	—	—	—	0.02
Net earnings	\$ 1.33	\$ 1.40	\$ 0.59	\$ 1.53	\$ 0.24
Earnings (loss) per common share—diluted:					
Income (loss) from continuing operations	\$ 1.32	\$ 1.38	\$ 0.58	\$ 1.50	\$ (0.35)
Income from discontinued operations, net (1)(4)	—	—	—	—	0.57
Cumulative effect of accounting change, net (5)	—	—	—	—	0.02
Net earnings	\$ 1.32	\$ 1.38	\$ 0.58	\$ 1.50	\$ 0.24
Dividends per common share	\$ 0.36	\$ 0.30	\$ 0.21	\$ —	\$ —

	Year Ended December 31,				
	2005	2004	2003 (3)	2002 (3)(11)	2001 (3)(11)
	(in millions, except per share data and other data where indicated)				
<b>Balance Sheet Data</b>					
<b>(at end of period) (1) (8) (10):</b>					
Current assets	\$ 1,248.3	\$ 1,273.5	\$ 1,347.7	\$ 1,288.0	\$ 1,085.4
Goodwill and intangible assets, net (2)	\$ 2,333.1	\$ 988.6	\$ 891.7	\$ 859.5	\$ 676.2
Total assets	\$ 4,374.1	\$ 3,018.0	\$ 2,966.5	\$ 2,771.9	\$ 2,376.0
Current liabilities	\$ 1,892.5	\$ 608.3	\$ 503.4	\$ 499.9	\$ 564.5
Minority interests	\$ 38.9	\$ 5.1	\$ 6.5	\$ 10.3	\$ 219.7
Long-term capital lease obligation	\$ 158.2	\$ 161.1	\$ 160.7	\$ —	\$ —
Public and other notes payable	\$ 426.4	\$ 439.3	\$ 442.5	\$ 450.8	\$ 400.4
Stockholders' equity	\$ 1,643.1	\$ 1,626.5	\$ 1,680.1	\$ 1,641.6	\$ 1,041.8
<b>Other Data:</b>					
Total transactions through the <i>Sabre</i> system (in thousands) (3) (6)	342,576	330,398	314,924	343,623	374,374
Operating margin	10.3%	12.1%	8.1%	15.4%	(0.4)%
Ratio of earnings to fixed charges (7)	4.91	8.63	5.34	11.69	—
Cash flows from operating activities	\$ 225.5	\$ 361.4	\$ 277.9	\$ 303.6	\$ 401.2
Cash flows used for investing activities	\$ (833.9)	\$ (99.0)	\$ (165.2)	\$ (680.9)	\$ (28.8)
Cash flows provided by (used for) financing activities	\$ 698.1	\$ (255.4)	\$ (94.4)	\$ 379.7	\$ (361.4)
Capital expenditures	\$ 91.7	\$ 78.0	\$ 71.5	\$ 62.7	\$ 158.4

(1)

Effective July 1, 2001, we completed the sale of our Outsourcing Business and also entered into agreements with EDS for (i) EDS to manage our IT systems for 10 years and (ii) to jointly market certain IT services and software solutions to the travel and transportation industries. The results of operations of the Outsourcing Business have been reclassified and presented as income from discontinued operations, net, for 2001.

(2) The results of operations for the periods presented were impacted by our merger and acquisition activities and the amortization expense related to the goodwill and intangible assets recorded in those transactions. Amortization of goodwill and certain indefinite-lived intangible assets ceased on January 1, 2002 upon our adoption of SFAS No. 142, resulting in approximately \$212 million, net of tax and minority interest, less amortization expense being recognized in 2002 compared with 2001. See Notes 2 and 4 to the Consolidated Financial Statements and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information regarding mergers and acquisitions, the change in accounting for goodwill and certain intangible assets and their impacts on our financial condition and results of operations. Amortization of intangible assets includes both cost of revenues for purchased technology and selling, general and administrative expense for other purchased intangible assets.

(3) On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scope involving the hijacking and destruction of multiple passenger aircraft operated by commercial air carriers. After those attacks, all of our business segments were adversely affected by the state of the United States economy, by the possibility of terrorist attacks, possible military action, by the financial instability of many air carriers, by delays resulting from added security measures at airports and from channel shift. Our revenues and results of operations for the years ended December 31, 2001, 2002 and 2003 were negatively affected by this continued reduction in travel and from channel shift. In 2004 and 2005, the security and channel shift concerns remain, however, travel demand did increase these years resulting in growth in our transactions. The following table shows our year-over-year percentage increase(decrease) in total transactions through the Sabre system and North America transactions by year:

	Year Ended December 31,			
	2005	2004	2003	2002
Total transactions through the Sabre system (6)	3.7%	4.9%	(8.4)%	(8.2)%
Total North America transactions through the Sabre system (6)	2.2%	4.6%	(10.2)%	(10.9)%

(4) Income from discontinued operations for the year ended December 31, 2001 includes a gain of approximately \$39 million, net of related income taxes of approximately \$25 million, recognized upon completion of the sale of our Outsourcing Business to EDS effective July 1, 2001.

(5) On January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*. See Note 6 to the Consolidated Financial Statements.

(6) Transaction count includes transactions that generate a fee paid directly to Sabre related to a travel reservation, including the following: traditional booking fees paid by suppliers, non-traditional transaction fees paid by suppliers, transaction fees paid by travel agencies, and transaction fees paid by corporations related to our online booking tool.

(7) For purposes of computing the ratio of earnings to fixed charges, earnings consist of the sum of income from continuing operations before income taxes and the cumulative effect of change in accounting method, interest expense and the portion of rent expense deemed to represent interest. Fixed charges consist of interest incurred, whether expensed or capitalized, including amortization of debt issuance costs, if applicable, and the portion of rent expense deemed to represent interest. Earnings for the year ended December 31, 2001 were inadequate to cover fixed charges by approximately \$1 million.

(8) See Note 5 to the Consolidated Financial Statements for discussion of the impact of other significant events and transactions on the periods presented.

(9) Prior to June 30, 2001, American Airlines held for our economic benefit certain depository certificates representing beneficial ownership of common stock of Equant N.V., which was acquired by France Telecom in the first half of 2001. During 2001, our remaining ownership position in these holdings was liquidated, and we received proceeds totaling approximately \$47 million. Because our carrying value of these holdings was nominal, a gain approximating the proceeds received was recorded in other income during 2001. In 2002, we recorded an \$18 million gain in other income from the sale of our former corporate headquarters building. During 2003, we recorded a \$28 million loss relating to the required residual value guarantee payment in connection with terminating our syndicated lease facility. The 2005 increase in expense is primarily due to interest on the \$800 million Bridge Facility obtained to partially finance our acquisition of lastminute.com.

(10) On July 20, 2005, we completed the acquisition of lastminute.com, a leading online travel agency and leisure company in Europe. lastminute.com has been included in our Consolidated Statements of Income from the date of acquisition. In order to help finance the acquisition, we obtained an \$800 million Bridge Facility (See Note 7 to the Consolidated Financial Statements) which matures on August 12, 2006 and is included in our current liabilities balance. The assets acquired and liabilities assumed are included in our Consolidated Balance Sheets based on preliminary estimates of fair value by management and results of an independent valuation. We continue to review the fair value of assets acquired and liabilities assumed.

(11) Balance sheet and cash flows data for 2001 and 2002 were reclassified to conform to 2005, 2004 and 2003 presentation.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We begin Management's Discussion and Analysis of Financial Condition and Results of Operations with an overview of our business by segment. This is followed by a discussion of various trends that are occurring in our business and how those trends are impacting our business. We follow the discussion on trends with a description of the revenues and expenses by segment which is followed by our period over period results of operations for the described revenues and expenses. We then discuss our Consolidated Balance Sheets and Consolidated Statements of Cash Flows in the "*Liquidity and Capital Resources*" section. Lastly, we discuss our Critical Accounting Policies that we believe are important in understanding judgments and assumptions incorporated into our financial results.

The following discussion and analysis contains forward-looking statements about trends, uncertainties and our plans and expectations of what may happen in the future. Forward-looking statements are based on a number of assumptions and estimates that are inherently subject to significant risks and uncertainties, and our results could differ materially from the results anticipated by our forward-looking statements as a result of many known or unknown factors, including, but not limited to, those factors discussed in "*Item 1A Risk Factors*."

The following discussion and analysis should be read in conjunction with "*Item 6—Selected Financial Data*" and "*Item 8—Financial Statements and Supplementary Data*" appearing elsewhere in this report.

### Overview of Business

We operate our business through the following business segments:

**Sabre Travel Network:** Sabre Travel Network markets and distributes travel-related products and services through the travel agency and corporate channels. Travel agencies, both online and brick and mortar, subscribe to our services. Sabre Travel Network primarily generates revenues from transaction fees charged to airlines and non-air travel suppliers who distribute their products and services through the *Sabre* system. A "transaction" is defined as any travel reservation that generates a fee paid directly to us including the following:

- traditional booking fees paid by travel suppliers,
- non-traditional transaction fees paid by travel suppliers,
- transaction fees paid by travel agency subscribers, and
- transaction fees paid by corporations related to our online booking tool, *GetThere*.

Our services provide travel agency subscribers information about, and the ability to reserve for and purchase travel-related products and services from airlines, hotels, car rental companies, cruise lines and others. We also provide travel agency office automation tools, enable travel agencies to provide services via the Internet and provide reservation management, distribution and technology services to hotel properties.

**Travelocity:** Our Travelocity segment markets and distributes travel-related products and services directly to individuals, including leisure travelers and business travelers, through Travelocity owned websites and contact centers, and websites and contact centers owned by its supplier, travel agency and distribution partners. Travelocity customers can access offerings, pricing and information about airlines, hotels, car rental companies, cruise lines, vacation and last-minute travel packages. All State Tours, Inc. ("*Showtickets.com*<sup>SM</sup>") and *lastminute.com*<sup>SM</sup> offer other travel related services such as show tickets and tours. For business travelers, *Travelocity Business*<sup>SM</sup> provides the integrated online corporate travel technology and full-service offering of our *GetThere* product along with the online expertise of Travelocity. For corporations, *Travelocity Business* offers a full service corporate travel agency and *GetThere* provides a corporate online travel reservation system that works in conjunction with any travel agency a company chooses.

Travelocity facilitates transactions between travel suppliers and consumers to book and pay for travel accommodations. For "net rate" transactions we generate service fee revenue equal to the total amount paid by the customer minus Travelocity's payment to the travel supplier for the travel accommodations. Travelocity also generates revenue from commissions or transaction fees from travel suppliers for the purchase of travel products and services pursuant to reservations made through our system. Other revenue sources include service fees charged to customers, advertising revenues and GDS incentives.

**Sabre Airline Solutions:** Sabre Airline Solutions is a global leader in providing passenger management solutions, software products and related services, and consulting services to help airlines simplify operations and lower costs. We provide airline reservations, inventory and check-in hosting solutions that help airlines address the challenge of building and retaining customer loyalty while also reducing costs. We also supply the decision-support software and technology necessary for airlines to improve profitability, increase revenue, streamline operations and improve workflow. We offer a complete range of consulting services to the airline industry, ranging from one time to extended engagements. Typical engagements include helping clients achieve the necessary standards to join an alliance, prepare for privatization and optimize current operations. Clients include airlines, airports, manufacturers and governments, as well as individuals, travel agencies and members of the financial community.

In 2005, approximately 59.7% of our revenue was generated from Sabre Travel Network, 30.7% from Travelocity and 9.6% from Sabre Airline Solutions based on segment results that include intersegment revenues. Compared to the year-ago period, revenues (including intersegment revenue) for the twelve months ended December 31, 2005 increased 4.1% for Sabre Travel Network, 65.1% for Travelocity and 7.1% for Sabre Airline Solutions.

For a more detailed discussion of our business, please refer to Item 1 of this Form 10-K.

## Business Trends

The following trends represent what management believes are the most significant challenges and opportunities that are currently impacting our business and industry. The discussion also includes management's best assessment of what effects these trends are having on our business. Potential effects of the following trends are discussed in "Item 1A—Risk Factors."

*Transaction Volumes.* For the year ended December 31, 2005, Sabre Travel Network experienced transaction growth of 3.7% compared to the year ended 2004 due primarily to an increase in non-traditional transactions. See "Item 1—Business—Sabre Travel Network—Changing our Sabre Travel Network Revenue Model."

Sabre Travel Network has performed well in an industry faced with economic downturn, travel security concerns, channel shift and continued pressures on the GDS booking fee. Sabre Travel Network annual transactions and transaction revenue have remained relatively stable since 2002 with a compounded 0.1% decrease in annual transactions processed through the *Sabre* system. Sabre Travel Network has been able to achieve this in part due to long term content agreement with key suppliers in exchange for discounted booking fees. We believe that this has contributed in reducing the rate at which transactions leave the GDS channel for supplier-controlled channels, including individual airline websites and call centers, and other third-party controlled distribution points.

For the three years ended December 31, 2005, Travelocity has experienced 34.8% compounded annual growth in revenues due to our continued growth in North America and expansion into the European market with the acquisitions of lastminute.com and Travelocity Europe which contributed to the growth in bookings made through our websites and contact centers, and increased yields and transaction volumes stimulated by increased net rate activity and improved packaging of offerings. Although Travelocity was negatively affected by the terrorist attacks and the negative factors noted above and by declining internet advertising revenue, the growth in the internet travel business combined with the Travelocity net rate model and packaging initiatives and market expansion into Europe offset the negative impacts.

Sabre Airline Solutions has experienced 6.3% compounded annual growth in revenues for the three years ended December 31, 2005. Although Sabre Airline Solutions and its customers were negatively affected by the terrorist attacks and the negative factors noted above, we were able to grow revenues in each of the past two years. This increase in revenues is the result of increased sales of decision support products and services, consulting and web-enabled solutions that offer cost savings and more efficient operations to our customers. Additionally, this increase was driven by growth in airline reservation hosting revenues.

*Supplier Efforts to Control Travel Distribution.* Airlines have been working aggressively for several years to divert transactions away from GDS networks and towards alternative travel distribution channels, including websites that they control and online travel agencies that book directly with those airlines. See "Item 1A—Risk Factors—Travel Suppliers are Pursuing Distribution Options...." The efforts of suppliers to divert transactions away from independent distributors (such as online and conventional travel agencies using our *Sabre* GDS) towards supplier-direct channels (such as supplier-controlled websites and call centers) are referred to as "channel shift." Over the last several years we have experienced channel shift in air transactions at an annualized rate of approximately two percentage points.

*Alternative Distribution Systems.* Travelers are being offered many systems that enable travel shopping, booking and purchasing. Established and start-up search engine companies are attempting to enter the travel marketplace by aggregating travel search results across supplier, travel agent and other websites. Many alternative distribution systems offer lower costs to suppliers, but they are not global and offer travelers a limited subset of transactions from a limited subset of suppliers in one market segment. The systems often must rely on the scale and functionality of a GDS such as our *Sabre* system for a complete travel distribution solution for suppliers and travel agencies. They do not offer comprehensive functionality and do not have the infrastructure to adequately service and support travel management companies or corporations. They require the integration of a new, stand-alone system into most existing agency or corporate booking tool workflows. Many of these alternative travel distribution channels, including limited travel distributors or "LTDs," are well-financed but are in start-up or developing mode, and have yet to fully define their functionality and costs. These alternative travel distribution systems may have the effect of diverting customers from our online sites and our *Sabre* GDS, putting pressure on our revenues, pricing and operating margins. See "Item 1A—Risk Factors—Travel Suppliers are Pursuing Distribution Options...."

*Additional Business Trends.* For a discussion of additional business trends, please refer to the following sections of Item 1—Business:

- *The Sabre Global Distribution System—Travel Supplier Participation and Pricing Options*
- *Sabre Travel Network—Changing Our Sabre Travel Network Revenue Model*
- *Travelocity—Investments in Travelocity*
- *Travelocity—Net Rate Program*

*Cost Reductions and Expense Savings.* As part of our cost leadership strategy, we are, as a standard practice, evaluating efficiency opportunities across the company to ensure that we optimally manage our operational costs. Some of these cost-saving opportunities have involved and may continue to involve globally-sourcing some of our operations (either by contracting with companies that work for us, such as through the opening of call centers we operate abroad, or by expanding our own operations abroad). See Note 5 to the Consolidated Financial Statements for the impact of various costs saving initiatives. We are also developing programs to reduce the growth rate of incentive payments to travel agencies.

## Mergers and Acquisitions

Our discussion of the results of operations for the years ended 2003, 2004 and 2005 will be affected by significant mergers and acquisitions that have occurred in those same years as summarized in the following table. For a more detailed discussion of our mergers and acquisitions see Note 4 to the Consolidated Financial Statements.

Year acquired	Entity	Segment
2005	SynXis Corporation	Sabre Travel Network
	lastminute.com plc	Travelocity
2004	Zuji Holdings Limited—Primary beneficiary	Travelocity
	RM Rocade AB and RM Rocade Assist AB	Sabre Airline Solutions
	All State Tours, Inc.	Travelocity
2003	Travelocity Europe—Remaining 50% of the non-German operations	Travelocity
	Sabre Travel Network Middle East Joint Venture—60% ownership	Sabre Travel Network
	Dillon Communications Systems GmbH ("Dillon")—remaining 49% interest	Sabre Travel Network
	World Choice Travel, Inc.	Travelocity

## Components of Revenues and Expenses

*Revenues.* Sabre Travel Network primarily generates revenues from transaction fees paid directly to us related to a travel reservation including the following: traditional booking fees paid by travel suppliers, non-traditional transaction fees paid by travel suppliers, transaction fees paid by travel agency subscribers, and transaction fees paid by corporations related to our booking tool. Sabre Travel Network earns revenue through equipment service charges paid by subscribers. In addition, Sabre Travel Network earns revenue through the sale of other products and services (including the *Hotel Spotlight*<sup>SM</sup> program, which offers premium marketing opportunities to hoteliers through the *Sabre* GDS, the *Jurni Network*<sup>®</sup> consortia, as well as *Nexion*<sup>®</sup> and *SynXis*<sup>®</sup> offerings to hoteliers) and the *Sabre*<sup>®</sup> *Surround*<sup>SM</sup> program (which bundles the *Hotel Spotlight* services with other advertising products) to travel-suppliers, subscribers and other customers. Earnings (or losses as the case may be) derived from interests in joint ventures and other investments are also included in revenues. Sabre Travel Network earns intersegment revenues from data processing fees and transaction fees paid by Travelocity. Travelocity generates revenues from commissions or transaction fees from suppliers for the purchase of travel and lifestyle products and services pursuant to reservations made through our system. Travelocity also generates net rate revenue from providing facilitation services equal to the amount paid by the customer for travel and non-travel products and services, minus Travelocity's payment to the supplier. Additional Travelocity revenues include other fees charged to customers, advertising revenues from our websites and GDS incentives. Travelocity derives intersegment revenues from Sabre Travel Network, consisting of incentives earned for Travelocity transactions processed through the *Sabre* GDS, and fees paid by Sabre Travel Network for corporate trips and Sabre Airline Solutions for airline trips booked through Travelocity's online booking technology. Sabre Airline Solutions generates revenues from the sale of airline reservations hosting services; product revenues including inventory and check-in hosting solutions; decision-support software and technology; and airline consulting services.

*Cost of Revenues.* Sabre Travel Network cost of revenues consist primarily of incentives paid to subscribers, data processing charges resulting from the operation of the *Sabre* system, and salaries and other operating expenses. Sabre Travel Network also incurs intersegment expenses paid to Travelocity for incentives for Travelocity transactions processed through the *Sabre* GDS, as well as fees for corporate trips booked through Travelocity's online booking technology. Travelocity cost of revenues consists primarily of customer service costs, technology costs, salaries, benefits and other employee expenses, data processing fees and transaction fees paid to Sabre Travel Network, credit card fees, charges related to fraudulent bookings, service compensation and depreciation and amortization charges. In addition, Travelocity cost of revenues includes recovery of certain VAT payments which is treated as a contra-expense. Sabre Airline Solutions cost of revenues is comprised of labor cost incurred in the development and delivery of software and consulting services and depreciation and amortization. Sabre Airline Solutions also incurs intersegment expenses paid to Travelocity for airline trips booked through Travelocity's online booking technology.

*Operating Expenses.* Sabre Travel Network selling, general and administrative expenses and other operating expenses consist primarily of salaries, benefits and employee related expenses for staff who sell our services to new customers and other staff functions required to support the business as well as bad debt expense. Travelocity selling, general and administrative and other operating expenses consist primarily of advertising and promotion expenses, payments made to our travel agency and distribution partners and salaries, benefits and employee related expenses for staff functions required to support the business. Sabre Airline Solutions operating expenses consist of the costs of the sales organization and the staff functions required to support the business and bad debt expense.

## Financial Results

The following tables present operating results for the three years ended December 31, 2005, 2004 and 2003 (in thousands of dollars). The segment revenues and cost of revenues are shown including intersegment activity. We have included the elimination of intersegment activity below to agree to the results of operations presented in the Consolidated Financial Statements.

### Year Ended December 31,

	Sabre Travel Network		Travelocity		Sabre Airline Solutions		Corporate		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Segment revenues	\$ 1,615,820	\$ 1,552,832	\$ 829,878	\$ 502,549	\$ 260,812	\$ 243,470	\$ —	\$ —	\$ (185,255)	\$ (167,880)	\$ 2,521,255	\$ 2,130,971
Cost of revenues	1,120,071	1,004,236	354,910	224,386	176,713	176,902	1,961	2,536	(185,255)	(167,880)	1,468,400	1,240,180
Amortization of purchased technology	4,835	9,325	13,593	21,077	544	1,651	—	—	—	—	18,972	32,053
Gross profit	490,914	539,271	461,375	257,086	83,555	64,917	(1,961)	(2,536)	—	—	1,033,883	858,738
Selling, general & administrative	254,965	260,083	449,755	273,189	42,330	50,026	(3,295)	1,884	—	—	743,755	585,182
Amortization of intangible assets	12,498	9,282	14,463	4,395	2,294	1,149	—	—	—	—	29,255	14,826
Operating income (loss)	\$ 223,451	\$ 269,906	\$ (2,843)	\$ (20,498)	\$ 38,931	\$ 13,742	\$ 1,334	\$ (4,420)	\$ —	\$ —	\$ 260,873	\$ 258,730

### Year Ended December 31,

	Sabre Travel Network		Travelocity		Sabre Airline Solutions		Corporate		Eliminations		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Segment revenues	\$ 1,552,832	\$ 1,560,232	\$ 502,549	\$ 394,508	\$ 243,470	\$ 232,354	\$ —	\$ —	\$ (167,880)	\$ (141,931)	\$ 2,130,971	\$ 2,045,163
Cost of revenues	1,004,236	1,031,735	224,386	203,392	176,902	177,769	2,536	(1,836)	(167,880)	(141,931)	1,240,180	1,269,129
Amortization of purchased technology	9,325	4,950	21,077	25,947	1,651	1,587	—	—	—	—	32,053	32,484
Gross profit	539,271	523,547	257,086	165,169	64,917	52,998	(2,536)	1,836	—	—	858,738	743,550
Selling, general & administrative	260,083	262,029	273,189	249,893	50,026	31,454	1,884	10,127	—	—	585,182	553,503
Amortization of intangible assets	9,282	7,838	4,395	15,607	1,149	372	—	—	—	—	14,826	23,817
Operating income (loss)	\$ 269,906	\$ 253,680	\$ (20,498)	\$ (100,331)	\$ 13,742	\$ 21,172	\$ (4,420)	\$ (8,291)	\$ —	\$ —	\$ 258,730	\$ 166,230

## Results of Operations 2003–2005

Management's discussion and analysis of revenues, cost of revenues, selling, general and administrative expenses, amortization of intangible assets and operating income by business segment are based upon segment results including intersegment revenues and cost of revenues of approximately \$185 million, \$168 million and \$142 million for the years ended December 31, 2005, 2004 and 2003, respectively. We account for significant intersegment transactions as if the transactions were to third parties, that is, at estimated current market prices. The majority of the intersegment revenues and cost of revenues are between Travelocity and Sabre Travel Network, consisting mainly of incentives paid to Travelocity for Travelocity transactions processed through the *Sabre* GDS, data processing fees and transaction fees paid by Travelocity to Sabre Travel Network (including for transactions processed through the *Sabre* GDS), and fees paid by Sabre Travel Network to Travelocity for corporate trips booked through Travelocity's online booking technology. In addition, Sabre Airline Solutions pays fees to Travelocity for airline trips booked through Travelocity's online booking technology. All intersegment revenues and corresponding cost of revenues have been eliminated in consolidation.

*Revenues.* The compounded annual growth rate of revenues by segment for the three years ended December 31, 2005 was a reduction of 0.3% for Sabre Travel Network, and growth of 34.8% for Travelocity and 6.3% for Sabre Airline Solutions. Each of our business segments have benefited from generally good economic conditions, stronger demand for travel products and acquisitions. However, each of our business segments have been negatively impacted by macroeconomic factors during this period including the war and continued conflict in Iraq, ongoing travel security concerns, and fear of potential terrorist attacks and infectious diseases such as SARS. These negative impacts to the general economy and the travel industry impacted each of our business segments.

Sabre Travel Network has performed well in an industry faced with economic downturn, travel security concerns, channel shift and continued pressures on the GDS booking fee. Sabre Travel Network annual transactions and transaction revenue have remained relatively stable since 2002 with a compounded 0.1% decrease in annual transactions processed through the *Sabre* system. Sabre Travel Network has been able to achieve this in part due to long-term content agreements with key suppliers in exchange for discounted booking fees. We believe that this has contributed in reducing the rate at which transactions leave the GDS channel for supplier-controlled channels, including individual airline websites and call centers, and other third-party controlled distribution points.

For the three years ended December 31, 2005, Travelocity has experienced 34.8% compounded annual growth in revenues due to our continued growth in North America and expansion into the European market with the acquisitions of lastminute.com and Travelocity Europe which contributed to the growth in bookings made through our websites and contact centers, and increased yields and transaction volumes stimulated by increased net rate activity and improved packaging of offerings. Although Travelocity was negatively affected by the terrorist attacks and the negative factors noted above and by declining internet advertising revenue, the growth in the internet travel business combined with the Travelocity net rate model and packaging initiatives and market expansion into Europe offset the negative impacts.

Sabre Airline Solutions has experienced 6.3% compounded annual growth in revenues for the three years ended December 31, 2005. Although Sabre Airline Solutions and its customers were negatively affected by the terrorist attacks and the negative factors noted above, we were able to grow revenues in each of the past several years. This increase in revenues is the result of increased sales of decision support products and services, consulting and web-enabled solutions that offer cost savings and more efficient operations to our customers. Additionally, this increase was driven by growth in airline reservation hosting revenues.

*Expenses.* Our primary operating expenses consist of salaries, benefits, other employee-related costs, data processing costs, communication costs, advertising and subscriber incentives, representing approximately 75.6%, 78.7% and 77.8% of total operating expenses in 2005, 2004 and 2003, respectively. We have seen a decline in our expenses as a result of cost reduction initiatives across our organization. However, since 2003, we have realized a compounded increase in our operating expenses of approximately 9.1% due primarily to the acquisition of lastminute.com in July of 2005.

Sabre Travel Network hardware and communications costs have decreased as a result of the migration to lower cost solutions and the adoption of third-party solutions by subscribers. These decreases were partially offset by increases in Sabre Travel Network technology spending due to the phased implementation and continuing expansion of new functionality that requires running legacy systems as well as the new technology, and increases in Sabre Travel Network subscriber incentives. Other increases in expenses have resulted from investments in various new businesses such as our *SynXis* hotel reservations system.

Travelocity cost of revenues and selling, general and administrative expenses have increased due to growth in the business. Significant acquisitions during this period, including lastminute.com in 2005 and Travelocity Europe in 2004, have contributed to the growth in expenses. We increased our expenditures for advertising in order to drive additional travelers to Travelocity's websites, and expenses have increased as a result of increases in transaction volumes for our growing net rate offerings. Our technology infrastructure related expenses have also increased in order to support our growth and new offerings.

Sabre Airline Solutions operating expenses have generally grown at a rate commensurate with the growth in revenues during the 2003 to 2005 period. These expenses have been offset by several cost reduction initiatives that have resulted in reduced headcount-related expenses as well as improvements in our receivable collection activities, particularly in 2005.

#### Results of Operations: 2005 Compared to 2004

		Year Ended December 31,									
		Total revenues before eliminations				Eliminations		Total consolidated revenues			
		2005	2004	change	% change	2005	2004	2005	2004	change	% change
		(thousands)				(thousands)		(thousands)			
Revenues	\$	2,706,510	\$ 2,298,851	\$ 407,659	17.7%	\$ (185,255)	\$ (167,880)	\$ 2,521,255	\$ 2,130,971	\$ 390,284	18.3%
Total cost of revenues		1,672,627	1,440,113	232,514	16.1%	(185,255)	(167,880)	1,487,372	1,272,233	215,139	16.9%

Total revenues for the year ended December 31, 2005 after intercompany eliminations increased approximately \$390 million, or 18.3%, compared to the year ended December 31, 2004, from \$2,131 million to \$2,521 million. Cost of revenues after intercompany eliminations for the year ended December 31, 2005 increased approximately \$215 million, or 16.9%, compared to the year ended December 31, 2004, from \$1,272 million to \$1,487 million.

Management's discussion and analysis of revenues, cost of revenues, selling, general and administrative expenses, amortization of intangible assets and operating income by business segment are based upon segment results including intersegment revenues and cost of revenues of approximately \$185 million and \$168 million for the years ended December 31, 2005 and 2004, respectively. We account for significant intersegment transactions as if the transactions were to third parties, that is, at estimated current market prices. The majority of the intersegment revenues and cost of revenues are between Travelocity and Sabre Travel Network, consisting mainly of incentives paid to Travelocity for Travelocity transactions processed through the Sabre GDS, data processing fees and transaction fees paid by Travelocity to Sabre Travel Network (including for transactions processed through the Sabre GDS), and fees paid by Sabre Travel Network to Travelocity for corporate trips booked through Travelocity's online booking technology. In addition, Sabre Airline Solutions pays fees to Travelocity for airline trips booked through Travelocity's online booking technology. All intersegment revenues and corresponding cost of revenues have been eliminated in consolidation.

Total revenues (including intersegment revenues) for the year ended December 31, 2005 increased approximately \$408 million, or 17.7%, as compared to the year ended December 31, 2004, from \$2,299 million to \$2,707 million.

Total cost of revenues (including intersegment cost of revenues) for the year ended December 31, 2005 increased \$233 million, or 16.1%, as compared to the year ended December 31, 2004, from \$1,440 million to \$1,673 million.

## Sabre Travel Network

	Year Ended December 31,			
	2005	2004	change	% change
	(thousands)			
Segment revenues	\$ 1,615,820	\$ 1,552,832	\$ 62,988	4.1%
Cost of revenues	1,120,071	1,004,236	115,835	11.5%
Amortization of purchased technology	4,835	9,325	(4,490)	(48.2)%
Gross profit	490,914	539,271	(48,357)	(9.0)%
Selling, general & administrative	254,965	260,083	(5,118)	(2.0)%
Amortization of intangible assets	12,498	9,282	3,216	34.6%
Operating income	\$ 223,451	\$ 269,906	\$ (46,455)	(17.2)%

### Revenues

The increase in revenues is due to the following:

- Transaction revenue increased by \$46 million or 3.5%. The increase includes a \$49 million increase resulting from higher transaction volumes and a \$3 million decrease driven by a lower average rate per transaction, due to growth in lower-priced, non-traditional transactions. Total transactions were 343 million for the year ended December 31, 2005, an increase of 3.7% from 330 million transactions in 2004.
- Subscriber revenue decreased by \$18 million, reflecting the trend towards the adoption of third-party equipment.
- Other revenues increased by \$35 million compared to 2004, driven primarily by a \$20 million increase in *SynXis* hotel reservations revenue (*SynXis* was acquired in 2005) and \$7 million increase in equity income and transaction processing revenue from our joint ventures. In addition, other revenue increased approximately \$8 million due to the *Sabre@Hotel Spotlight*<sup>SM</sup> and introduction of our *Sabre@Surround*<sup>SM</sup> program.

### Cost of Revenues

The increase in cost of revenues for the twelve months ended December 31, 2005, as compared to the twelve months ended December 31, 2004, includes increases in technology related spending of \$26 million as a result of the expiration of contractual credits of \$14 million and \$12 million as a result of increased transaction volume and the continued implementation of our open system pricing and shopping engine. Subscriber support costs increased \$38 million, driven almost entirely by growth in subscriber incentives as a result of the year over year growth in transaction volume and a higher average incentive rate per transaction compared to the prior year. Other cost of revenue increases include \$29 million related to continued investment in new businesses and new business models such as *SynXis*, *Jurni Network* and *Hotel Spotlight*, \$8 million for fulfillment costs for *GetThere* trips as a result of year over year volume growth, \$4 million due to severance related primarily to our second quarter reorganization of our software development group, \$3 million due to depreciation and amortization and \$8 million of other expenses.

### *Selling, General and Administrative Expenses*

The decrease in selling, general and administrative expenses for the twelve months ended December 31, 2005, as compared to the twelve months ended December 31, 2004, was primarily driven by a \$10 million reduction in non-income tax accruals due to events occurring that decreased our potential liabilities for taxes and associated interest. This decrease was offset by an increase in legal and other professional fees of \$2 million due to an effort to settle litigation and in increase in other expenses of \$3 million.

### *Amortization of Intangible Assets (Including Amortization of Purchased Technology)*

Amortization of intangible assets decreased due to intangibles that fully amortized in 2005 offset partially by increased amortization expense from newly acquired entities.

### *Operating Income*

The decline in operating income was largely the result of increased technology and incentive expenses and continued investments in new businesses and new business models that exceeded our revenue growth.

### **Travelocity**

	Year Ended December 31,			
	2005	2004	change	% change
				(thousands)
Segment revenues	\$ 829,878	\$ 502,549	\$ 327,329	65.1%
Cost of revenues	354,910	224,386	130,524	58.2%
Amortization of purchased technology	13,593	21,077	(7,484)	(35.5)%
Gross profit	461,375	257,086	204,289	79.5%
Selling, general & administrative	449,755	273,189	176,566	64.6%
Amortization of intangible assets	14,463	4,395	10,068	229.1%
Operating loss	\$ (2,843)	\$ (20,498)	\$ (17,655)	(86.1)%

The following are important to understanding the comparability of the results of operations between 2005 and 2004 for our Travelocity segment:

- In October of 2004, we acquired sole control of the non-German operations of Travelocity Europe, purchasing 50% of these entities. The remaining 50% that we already owned indirectly through the Travelocity Europe joint venture was distributed to us by the joint venture so that we now directly own 100% of these entities. Since this acquisition, we have been consolidating the results of Travelocity Europe, whereas prior to October 2004, 50% of these results were recorded as a reduction to other revenues as equity losses.
- The results of lastminute.com are included in our financial results from the date of the acquisition on July 20, 2005.
- North America, when referred to below, represents all operations in North America and also includes our Zuji joint venture in Asia.

## Revenues

Transaction revenue, including Travelocity Europe in 2005 and lastminute.com since the acquisition, increased \$295 million, or 69.1%, primarily driven by a \$252 million increase in non-air transaction revenue (including revenue resulting from sales of package offerings that include air travel as a component) and a \$43 million increase in stand-alone air transaction revenue.

The \$252 million increase in non-air transaction revenue consisted primarily of the following:

- \$158 million related to the acquisitions of Travelocity Europe and lastminute.com.
- \$94 million related to North America driven primarily by a \$50 million increase in packaged trip revenue, a \$36 million increase in stand-alone hotel revenue, both of which were driven by higher transaction volumes, and a \$7 million increase in Showtickets.com revenue which we only owned for part of 2004. All other North American non-air transaction revenue increased \$1 million.

The \$43 million increase in stand-alone air transaction revenue was primarily due to a \$29 million increase resulting from the acquisitions of lastminute.com and Travelocity Europe. North American stand-alone air transaction revenue increased by \$14 million driven by strong volume growth.

Non-transaction revenue increased \$32 million, or 42.5%, consisting primarily of the following:

- \$22 million related to the acquisitions of Travelocity Europe and lastminute.com which includes the \$13 million favorable impact of reduced joint venture equity method losses that resulted from the Travelocity Europe acquisition, and \$9 million of advertising revenue.
- \$10 million related to North America driven primarily by corporate revenue of \$10 million (fees paid by Sabre Travel Network and Sabre Airline Solutions to Travelocity for trips booked through Travelocity's online booking technology) and an increase in incentive payments from our processing vendor related to volume growth in our net rate hotel product offset by a decline in advertising revenue.

## Cost of Revenues

The increase in cost of revenues includes \$84 million from the acquisitions of lastminute.com, Travelocity Europe, Showtickets.com and the consolidation of Zuji, which we either did not own or consolidate in 2004 (lastminute.com and Zuji) or we owned for only part of 2004 (Travelocity Europe and Showtickets.com). In addition, \$45 million of the increase is associated with the volume growth of our published, net rate hotel and packaged trip programs, as explained above in transaction revenue. The \$45 million increase includes a \$28 million increase in expenses associated with a rate increase for net rate credit card transactions and an increase in service compensation and a \$17 million increase in customer service costs. The remaining \$2 million increase in cost of revenues is primarily due to a software write-off associated with upgrading to a new platform at Travelocity Business.

## Selling, General and Administrative Expenses

The increase in selling, general and administrative expenses includes \$143 million from lastminute.com, Travelocity Europe, Showtickets.com and Zuji and \$24 million due to increased advertising and customer acquisition costs to drive additional travelers to our North American websites. Headcount-related expenses increased by \$7 million driven by growth in our North American business. Other selling, general and administrative expenses increased \$3 million.

## Amortization of Intangible Assets (Including Amortization of Purchased Technology)

Amortization of intangible assets increased \$3 million in total due to the amortization of intangibles related to the acquisition of lastminute.com partially offset by other intangible assets becoming fully amortized in 2004.

## Operating Loss

Operating loss decreased due to strong revenue growth in North America, which offset the incremental losses resulting from our acquisition of lastminute.com and Travelocity Europe.

## Sabre Airline Solutions

	Year Ended December 31,			
	2005	2004	change	% change
	(thousands)			
Segment revenues	\$ 260,812	\$ 243,470	\$ 17,342	7.1%
Cost of revenues	176,713	176,902	(189)	(0.1)%
Amortization of purchased technology	544	1,651	(1,107)	(67.1)%
Gross profit	83,555	64,917	18,638	28.7%
Selling, general & administrative	42,330	50,026	(7,696)	(15.4)%
Amortization of intangible assets	2,294	1,149	1,145	99.7%
Operating income	\$ 38,931	\$ 13,742	\$ 25,189	183.3%

## Revenues

The increase in revenues was driven primarily by a \$16 million increase in airline reservations hosting revenue driven by higher volumes from adding new customers as well as volume growth from our existing customer base. Additionally, consulting revenues increased \$7 million due to certain contractual objectives being met and an increase in customer engagements, and product revenue increased \$4 million as a result of higher demand for our products. This growth was offset by a \$10 million decline in our low-margin, custom-developed software business due to decreased demand.

## Cost of Revenues

The slight decrease in cost of revenues is due to a \$10 million decrease in development labor expenses caused primarily by a decline in demand in our low-margin, custom-developed software business. Additionally, headcount-related expenses decreased \$7 million driven by an increase in capitalized salaries and an increased utilization of global sourcing. These decreases were offset by a \$4 million increase in variable compensation due to more favorable performance, a \$4 million increase in data processing cost primarily due to transaction volume growth, a \$3 million increase in communications expenses caused by an increase in data network rates, a \$2 million increase in amortization of internally-developed software and project delivery costs due to higher capitalized balances, and a \$1 million increase in services purchased due primarily to the outsourcing of training and other services. Additionally, other expenses increased \$2 million.

## Selling, General and Administrative Expenses

The decrease in selling, general and administrative expenses was driven by a \$10 million decrease in bad debt expense caused by the receipt of payments on accounts that had been previously reserved. This decrease was somewhat offset by increases in other expenses of \$2 million.

## Amortization of Intangible Assets (Including Amortization of Purchased Technology)

Amortization of intangible assets increased due to amortization associated with the acquisition of Rocate in August 2004, partially offset by other intangible assets becoming fully amortized in 2004.

## Operating Income

The increase in operating income was primarily driven by higher revenues and favorable collection results.

The following section describes our results of operations on a consolidated basis for non-operating income and expense items:

	Year Ended December 31,			
	2005	2004	change	% change
	(thousands)			
Operating income	\$ 260,873	\$ 258,730	\$ 2,143	0.8%
Interest income	22,411	15,154	7,257	47.9%
Interest expense	(53,075)	(26,862)	26,213	97.6%
Gain on sale of investments	27,132	—	27,132	100.0%
Loss on derivative instruments	(8,248)	—	8,248	100.0%
Other, net	(4,378)	10,039	(14,417)	(143.6)%
Less: Provision for income taxes	72,563	66,642	5,921	8.9%
Net Earnings	\$ 172,152	\$ 190,419	\$ (18,267)	(9.6)%

### Interest Income

Interest income increased due primarily to higher interest rates on short-term investments and loans receivable, as well as interest on an \$11 million loan receivable from Zuji Holdings Limited issued on January 18, 2005.

### Interest Expense

Interest expense increased \$26 million, primarily from the Bridge Facility we entered into on May 12, 2005, in order to provide temporary financing in connection with the lastminute.com acquisition and to satisfy legal requirements for certainty of funding for the acquisition.

### Gain on Sale of Investments

In March 2005, we sold our interest in Karavel SA, a French tour operator and recorded a \$21 million gain. Additionally, we recognized a \$7 million gain on the sale of our remaining interest in Travelocity Europe that we did not acquire. These gains were offset by a \$1 million loss on the conversion of a note receivable and warrants from TRX.

### Loss on Derivative Instruments

When the lastminute.com acquisition was initially announced in May 2005, we purchased currency options for \$10 million, which gave us the right to purchase GBP and EUR currencies at a fixed USD rate near the closing date of the transaction. This capped our foreign exchange exposure on the acquisition. Due to the strengthening of the USD against these currencies, the USD acquisition price decreased \$67 million from the time we purchased the options. The options therefore expired with no value. As a result, we recorded a \$10 million loss on the premium paid for the options. When the acquisition was approved by shareholders and bondholders, the acquisition became highly certain, and we entered into forward contracts obligating us to purchase GBP 578 million and EUR 115 million, which locked in the lower USD price of the acquisition of lastminute.com. The USD weakened slightly subsequent to the purchase of these forwards resulting in a gain on the forwards of \$2 million.

## Other, net

Other, net decreased due to a \$15 million loss resulting from a litigation settlement with Northwest Airlines offset by minority interest income of \$8 million, primarily due to our consolidation of Zuji in the fourth quarter of 2005 and other income of \$3 million. In 2004, we had a \$6 million gain from settling a contract dispute.

## Income Taxes

The provision for income taxes increased primarily due to a \$6 million reduction of tax benefits associated with our foreign operations. Other changes include a reduction in income taxes of \$4 million related to a decrease in pre-tax income between periods offset by additional state income tax expense of \$2 million. Also included in 2005 is a reversal of previously accrued taxes of \$21 million related to contingencies that no longer meet the standards for accrual under Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*. In particular, we released \$16 million of previously accrued taxes due to the expiration of certain statutes of limitation and \$5 million of previously accrued taxes due to the final resolution of certain issues related to a tax audit. In 2004, we had reversed previously accrued taxes of \$23 million. Our effective tax rate for 2005 prior to the reversal was 38%. Our effective tax rate for 2004 prior to the reversal was 35%. See Note 10 to the Consolidated Financial Statements for additional information regarding income taxes.

## Net Earnings

Net earnings decreased by \$18 million despite growth in our operating income of \$2 million. The decrease was primarily due to \$26 million more in interest expense in 2005 due to our Bridge Facility used to provide temporary financing for our acquisition of lastminute.com and our \$8 million net loss on derivative instruments also related to our acquisition of lastminute.com. Gains from the sale of our Karavel investment and higher interest income only partially offset these other increases in expenses. In addition, 2004 contains a \$6 million gain resulting from a contract dispute.

## Results of Operations: 2004 Compared to 2003

		Year Ended December 31,									
		Total revenues before eliminations				Eliminations		Total consolidated revenues			
		2004	2003	change	% change	2004	2003	2004	2003	change	% change
		(thousands)				(thousands)		(thousands)			
Revenues	\$	2,298,851	\$ 2,187,094	\$ 111,757	5.1%	\$ (167,880)	\$ (141,931)	\$ 2,130,971	\$ 2,045,163	\$ 85,808	4.2%
Total cost of revenues		1,440,113	1,443,544	(3,431)	(0.2)%	(167,880)	(141,931)	1,272,233	1,301,613	(29,380)	(2.3)%

Total revenues for the year ended December 31, 2004 increased approximately \$86 million, or 4.2%, compared to the year ended December 31, 2003, from \$2,045 million to \$2,131 million. Cost of revenues for the year ended December 31, 2004 decreased approximately \$29 million, or 2.3%, compared to the year ended December 31, 2003, from \$1,302 million to \$1,272 million. These reported revenues and expenses are net of intersegment revenues and expenses which were eliminated in consolidation.

Management's discussion and analysis of revenues and cost of revenues by business segment are based upon segment results including intersegment revenues and cost of revenues of approximately \$168 million and \$142 million for the years ended December 31, 2004 and 2003, respectively. We account for significant intersegment transactions as if the transactions were to third parties, that is, at estimated current market prices. The majority of the intersegment revenues and cost of revenues are between Travelocity and Sabre Travel Network, consisting mainly of incentives for Travelocity bookings made through the Sabre GDS, data processing fees paid by Travelocity to Sabre Travel Network, and fees paid by Sabre Travel Network for corporate trips booked through Travelocity's online booking technology. All intersegment revenues and corresponding cost of revenues have been eliminated in consolidation.

Total revenues (including intersegment revenues) for the year ended December 31, 2004 increased approximately \$112 million, or 5.1%, as compared to the year ended December 31, 2003, from \$2,187 million to \$2,299 million.

Total cost of revenues (including intersegment cost of revenues) for the year ended December 31, 2004 decreased \$3 million, or less than 1%, as compared to the year ended December 31, 2003, from \$1,444 million to \$1,440 million.

#### Sabre Travel Network

	Year Ended December 31,			
	2004	2003	change	% change
	(thousands)			
Segment revenues	\$ 1,552,832	\$ 1,560,232	\$ (7,400)	(0.5)%
Cost of revenues	1,004,236	1,031,735	(27,499)	(2.7)%
Amortization of purchased technology	9,325	4,950	4,375	88.4%
Gross profit	539,271	523,547	15,724	3.0%
Selling, general & administrative	260,083	262,029	(1,946)	(0.7)%
Amortization of intangible assets	9,282	7,838	1,444	18.4%
Operating income	\$ 269,906	\$ 253,680	\$ 16,226	6.4%

#### Revenues

The decrease in revenues is due to the following:

- Transaction revenue increased by \$31 million or 2.4%. This \$31 million increase includes a \$63 million increase resulting from higher transaction volumes and a \$32 million decrease driven by a lower average rate per transaction. Increased transaction volumes were partially associated with travel demand having been depressed in 2003 (because of traveler concerns about the war in Iraq and SARS). The decrease in average rate per transaction was primarily attributable to the impact of discounted pricing options such as the DCA 3-Year Pricing Option. Total transactions were 330 million for the year ended December 31, 2004, an increase of 4.9% from 315 million transactions in 2003.
- Non-transaction fee subscriber revenue decreased by \$54 million, driven by \$36 million of settlement revenue recognized in 2003 derived from two canceled subscriber contracts. The remaining decrease in non-transaction fee subscriber revenue of \$18 million reflects the trend towards the adoption of third-party equipment solutions by our subscribers.
- Other revenues increased by \$16 million compared to 2003, driven primarily by a \$7 million increase in equity income and transaction processing revenue from our joint ventures. In addition, other revenue increased approximately \$3 million due to the introduction of our *Hotel Spotlight* program during the third quarter of 2004. The remaining \$6 million increase relates to other revenue increases associated with various products.

### Cost of Revenues

The decrease in cost of revenues for the twelve months ended December 31, 2004 as compared to the twelve months ended December 31, 2003 includes decreases in headcount-related expense of \$24 million resulting from workforce reductions. Technology-related spending decreased \$10 million driven almost entirely by increased transaction volume and the continued implementation of our open system pricing and shopping engine. Subscriber support costs increased \$8 million, driven by growth in subscriber incentives as a result of the year over year growth in transaction volume and a higher average incentive rate compared to the prior year, offset by lower communications and maintenance and device expense. Other expenses decreased by \$1 million.

### Selling, General and Administrative Expenses

The decrease in selling, general and administrative expenses was driven primarily by a \$12 million decrease in services purchased, which were higher in 2003 due to our efforts as an advocate for the deregulation of the U.S. CRS industry. This decrease was offset by an increase in bad debt reserves of \$8 million resulting from the increased aging of receivables due from a few large customers. Other selling, general and administrative expenses for Sabre Travel Network increased \$2 million.

### Amortization of Intangible Assets (Including Amortization of Purchased Technology)

The increase in amortization was primarily due to a \$3 million impairment write-down of technology related intangible assets in 2004 and a \$3 million increase resulting from the acquisition of the remaining 49% of Dillon Communications Systems GmbH that we did not already own in December 2003.

### Operating Income

The increase in operating income is due to cost reduction initiatives related to investments in newer technology and in headcount related expenses that offset our reduction in revenues.

### Travelocity

	Year Ended December 31,			
	2004	2003	change	% change
	(thousands)			
Segment revenues	\$ 502,549	\$ 394,508	\$ 108,041	27.4%
Cost of revenues	224,386	203,392	20,994	10.3%
Amortization of purchased technology	21,077	25,947	(4,870)	(18.8)%
Gross profit	257,086	165,169	91,917	55.7%
Selling, general & administrative	273,189	249,893	23,296	9.3%
Amortization of intangible assets	4,395	15,607	(11,212)	(71.8)%
Operating loss	\$ (20,498)	\$ (100,331)	\$ (79,833)	(79.6)%

### Revenues

Transaction revenue increased \$136 million or 46.5%, primarily driven by a \$120 million increase in non-air transaction revenue (including revenue resulting from sales of package offerings that include air travel as a component) and a \$16 million increase in stand-alone air transaction revenue.

The \$120 million increase in non-air transaction revenue consisted primarily of the following:

- Stand-alone hotel revenue growth of \$49 million due to the growth of our net rate model hotel offering and due to increased hotel bookings through our *World Choice Travel*<sup>™</sup> ("WCT") affiliate network, which we acquired in November 2003.
- Packaged trip revenue increased approximately \$48 million due to growth in our *Travelocity*® *TotalTrip*<sup>SM</sup> offering (launched in June 2003) and volume growth in our last minute deals which are generally packaged deals with a short duration between booking and consumption date.
- Net transaction revenue increased \$13 million due to a reduction in our net rate supplier liability. In 2004, we implemented a process to reverse any supplier liabilities greater than six months old from the travel date. We estimate that approximately \$5 million of the \$13 million relates to travel prior to December 31, 2003 which would be recognized six months following the travel date under our new process (see Note 2 to the Consolidated Financial Statements for additional information).
- All other non-air transaction revenue increased \$10 million which includes the impact of the Showtickets.com acquisition, which we completed on August 30, 2004.

The \$16 million increase in stand-alone air transaction revenue was primarily due to a volume increase in stand-alone air ticket sales compared to 2003. Our volume increased due to an overall increase in online travel demand.

Non-transaction revenue decreased \$28 million, or 27.3%, consisting of the following:

- We recognized revenue of approximately \$24 million in 2003 related to warrants received from a former hotel supplier. Our contract with the supplier terminated in September 2003. See Note 6 to the Consolidated Financial Statements for additional information on these warrants.
- Joint venture equity method losses, which reduce our revenues, increased by approximately \$10 million. The increased equity method losses result from increased spending on marketing by the joint ventures, the expansion of our former European joint venture into France and the acquisition of Travelchannel Ltd., a leading German online travel website, whose operating results increased the equity losses for the joint venture in Europe. See Note 4 to the Consolidated Financial Statements for additional information on the acquisition of the non-German operations of Travelocity Europe.
- Corporate revenue, the fees paid by Sabre Travel Network and Sabre Airline Solutions to Travelocity for trips booked through Travelocity's online booking technology, increased by approximately \$7 million due to higher volumes.
- All other non-transaction revenue decreased \$1 million.

#### *Cost of Revenues*

Expenses related to our net rate model offerings increased \$23 million due primarily to volume growth which is referenced above in the explanation for the 46.5% increase in transaction revenue. However, expenses related to our net rate model offerings also increased due to the fact that in 2004, we incurred credit card fees, net rate credit card chargebacks, fraud charges and other expenses that we did not incur at similar levels in 2003 due to our relationship with a third-party supplier of net rate content, which was terminated in September 2003. Data processing expenses increased by approximately \$6 million due to higher booking volumes and other cost of revenue expenses increased approximately \$3 million. These increases were offset by approximately \$11 million of savings resulting from outsourcing our contact center operations agreement to WNS America Inc. beginning in 2004 (see Note 5 to the Consolidated Financial Statements).

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased primarily due to increased advertising and customer acquisition costs of \$14 million to drive additional travelers to our websites. The increase also includes payments to our WCT affiliates but is offset partially by savings from the AOL agreement renegotiation. Other selling, general and administrative expense increases for Travelocity include \$4 million driven by higher corporate allocations, \$2 million in services purchased, \$2 million in direct headcount related expenses and other increases totaling \$1 million.

### *Amortization of Intangible Assets (Including Amortization of Purchased Technology)*

Travelocity amortization decreased by approximately \$16 million due to an approximately \$9 million write-off in 2003 of an intangible asset resulting from the termination of an agreement with a former hotel supplier in 2003. Also, there was an \$11 million decrease due to the completion of amortization of intangible assets during 2003 and 2004, partially offset by approximately \$4 million of increased amortization resulting from the acquisition of assets of WCT in the fourth quarter of 2003 and the acquisition of Showtickets.com in the third quarter of 2004. Amortization expense related to our fourth quarter 2004 acquisition of the non-German operations of Travelocity Europe was not material.

### *Operating Loss*

Operating loss decreased due to growth of our net rate model, *Travelocity TotalTrip* offering (launched in June 2003) and volume growth in our last minute deals, as well as, increased hotel bookings through WCT, which we acquired in November 2003.

### **Sabre Airline Solutions**

	Year Ended December 31,			
	2004	2003	change	% change
	(thousands)			
Segment revenues	\$ 243,470	\$ 232,354	\$ 11,116	4.8%
Cost of revenues	176,902	177,769	(867)	(0.5)%
Amortization of purchased technology	1,651	1,587	64	4.0%
Gross profit	64,917	52,998	11,919	22.5%
Selling, general & administrative	50,026	31,454	18,572	59.0%
Amortization of intangible assets	1,149	372	777	208.9%
Operating income	\$ 13,742	\$ 21,172	\$ (7,430)	(35.1)%

### *Revenues*

The increase in revenues was driven primarily by a \$20 million increase in airline reservation hosting revenue. This \$20 million increase includes \$11 million due to a shift towards online bookings for our customers and the sale of enhanced functionality to our existing hosted carrier base. The remaining \$9 million is driven by increased transaction fees due to newly signed carriers and organic growth from our existing customers. Airline consulting services revenues increased \$3 million due to a higher number of customer engagements. These increases were offset by an \$8 million decrease in development labor revenues and a \$4 million decrease in software products and services revenue driven by an elongated sales cycle.



**Interest Expense**

Interest expense increased primarily resulting from the capital lease we entered into at the end of June 2003 for our headquarters buildings.

**Other, net**

Other, net changed primarily due to the \$28 million loss we incurred in 2003 relating to the required residual value guarantee payment in connection with terminating our syndicated lease facility and entering into a capital lease facility for our corporate headquarters, as well as, an impairment charge on certain non-operating assets in 2003. Other net income for the year ended December 31, 2004 includes a \$6 million gain from settling a contract dispute. Other changes include year over year changes in net income allocated to minority interests.

**Income Taxes**

The increase in provision for income taxes resulted from the approximate \$130 million increase in pre-tax income between periods offset by a reversal of previously accrued taxes in 2004 of \$23 million due to a change in our federal income tax treatment of certain subscriber contract payments and the expiration of certain statutes of limitation. Our effective tax rate prior to the reversal was 35% for 2004. Our effective tax rate for 2003 was also 35%. See Note 10 to the Consolidated Financial Statements for additional information regarding income taxes.

**Net Earnings**

Stronger travel demand, revenue growth in our net rate model and the successful implementation of cost reduction initiatives exceeded increases in subscriber incentives, advertising and bad debt expense, resulting in an increase to net earnings of \$84 million. The remaining year over year increase relates to the \$23 million reversal of previously accrued taxes discussed above.

**SABRE HOLDINGS CORPORATION**  
**LIQUIDITY AND CAPITAL RESOURCES**

We require cash to pay our operating expenses, make capital expenditures, invest in our products and offerings, pay dividends, complete share repurchases and service our debt and other long term liabilities. Although our primary source of funds has been from our operations, from time to time we have raised external funds through the sale of stock and debt in the capital markets and through privately negotiated borrowing transactions. In assessing our liquidity, key components include our net income adjusted for non-cash and non-operating items, and current assets and liabilities, in particular accounts receivable, accounts payable, and accrued expenses. Our current Bridge Facility, which we plan to refinance prior to its expiration, should be considered in assessing our short-term and long-term liquidity. For the long term, our debt and long-term liabilities are also considered key to assessing our liquidity.

Our future minimum non-cancelable contractual obligations as of December 31, 2005 are as follows (in thousands of dollars):

Contractual Obligations	Payments Due by Year For the Years Ending December 31,				
	Total	2006	2007– 2008	2009– 2010	Thereafter
Notes payable (1)	\$ 1,401,684	\$ 854,684	\$ 58,800	\$ 58,800	\$ 429,400
Capital lease obligations (2)	231,352	9,607	19,214	19,214	183,317
Operating lease obligations	129,587	33,008	44,900	23,894	27,785
IT outsourcing agreement (3)	107,540	92,104	15,436	—	—
Yahoo! agreement (4)	26,000	26,000	—	—	—
WNS agreement (5)	134,541	20,431	53,401	60,709	—
Pension and other benefit obligations (Note 9)	196,214	16,190	32,613	36,206	111,205
Other long-term obligations (6)	114,809	61,458	24,273	10,451	18,627
Amounts receivable under non-cancelable subleases (7)	(91,466)	(6,765)	(13,463)	(13,037)	(58,201)
<b>Total contractual cash obligations</b>	<b>\$ 2,250,261</b>	<b>\$ 1,106,717</b>	<b>\$ 235,174</b>	<b>\$ 196,237</b>	<b>\$ 712,133</b>

- (1) Includes all interest and principal related to \$400 million of senior unsecured Notes. Also includes all interest and principal related to \$800 million Bridge Facility, which matures on August 12, 2006. Excludes the effect of interest rate swaps. See Note 6 of Consolidated Financial Statements.
- (2) Consists primarily of headquarters facility lease, including interest. Excludes the effect of interest rate swap. See Note 6 of the Consolidated Financial Statements.
- (3) Represents minimum amounts due to EDS under the terms of our Outsourcing Agreement.
- (4) Fixed payment under an agreement with Yahoo! whereby we are the exclusive air, car and hotel booking engine on Yahoo! Travel through December 31, 2006.
- (5) We are committed to minimum payments to WNS, an entity to which we outsource a portion of our Travelocity contact center operations and back-office fulfillment through 2010 based upon current and historical transaction levels.
- (6) Consists primarily of minimum payments due under various marketing agreements. Also includes a note payable and related interest owed to a joint venture partner.
- (7) EDS subleases from us an office facility in Fort Worth, Texas under sublease that will expire in 2019.

On February 16, 2006, we prepaid \$100 million of the \$800 million acquisition Bridge Facility from our available cash and marketable securities. We will be required to repay or refinance the remaining \$700 million of the Bridge Facility prior to its expiration on August 12, 2006. We are evaluating choices for repaying and refinancing the Bridge Facility, including using additional cash, borrowing under our revolving credit agreement and accessing public and private markets for debt. The timing and choice of refinancing options will be subject to market conditions, but we expect to repay or refinance the Bridge Facility during the first half of 2006. Other than the Bridge Facility refinancing, our current cash flows from operations, existing balances in cash and short-term investments and funds available under our revolving credit facility are sufficient to fund our planned expenditures which include operating expenses, capital expenditures, investments in our products and offerings, interest payments on our debt and dividends. We may also consider using our funds available or possibly external sources of funds for additional acquisitions of, or investments in, complementary businesses, products, services and technologies when such opportunities become available (see Note 4 to the Consolidated Financial Statements for current year acquisitions and investment activity). These types of additional activities might affect our liquidity requirements or cause us to issue additional equity or debt securities.

In the long term, we expect to use our existing funds and cash flows from operations to satisfy our debt and other long-term obligations. We may also use our funds, as well as external sources of funds, to retire debt as appropriate, based upon market conditions and our desired liquidity and capital structure.

Risk factors that could possibly affect the availability of our internally generated funds include, among other things:

- margin pressure from increased subscriber incentives in our Sabre Travel Network business,
- changes in our Sabre Travel Network business model, including new pricing options offered to travel suppliers upon expiration of the DCA 3-Year Option agreements,
- diversion of transactions away from our distribution offerings and other competitive pressures, and
- increased spending to fund growth in Travelocity and the integration of lastminute.com.

See "*Risk Factors*" for a more complete discussion of risk factors that might affect the availability of our internally generated funds.

As a result of the additional debt incurred on August 1, 2005 to fund the lastminute.com acquisition, Standard & Poor's changed our credit rating from BBB+ to BBB and maintained a stable outlook and Moody's Investors Service changed our credit rating from Baa2 to Baa3 and changed our outlook from stable to negative. We do not anticipate the ratings change will have a material impact on our cost of borrowing.

#### ***Cash Investments***

We invest cash in high-credit-quality marketable securities, including: fixed or variable rate obligations issued by the U.S. Treasury, government agencies and municipalities, mutual funds, asset-backed securities issued by banks, corporations, and bankruptcy-remote trusts. We use some of our securities to enter into repurchase agreements. Our investment objectives are preservation of principal, liquidity and yield. We try to invest all of our excess cash in marketable securities. Therefore, our annual investments will fluctuate depending on the levels of cash provided or used by all of our other investing, operating and financing activities. See Note 2 to the Consolidated Financial Statements for a discussion of restricted cash.

## Capital Activities

### Dividends

Declaration Date	Payable Date	Amount per Share
<b>2003:</b>		
April 17, 2003	May 15, 2003	\$ 0.070
July 15, 2003	August 15, 2003	0.070
October 21, 2003	November 14, 2003	0.070
<b>2004:</b>		
January 20, 2004	February 17, 2004	\$ 0.075
April 20, 2004	May 14, 2004	0.075
July 20, 2004	August 16, 2004	0.075
October 26, 2004	November 15, 2004	0.075
<b>2005:</b>		
February 1, 2005	February 28, 2005	\$ 0.090
May 3, 2005	May 26, 2005	0.090
July 26, 2005	August 18, 2005	0.090
November 1, 2005	November 29, 2005	0.090

On January 30, 2006, our Board of Directors approved a dividend of \$0.10 per share payable on February 28, 2006 to stockholders of record at February 10, 2006. Our Board of Directors currently intends to consider declaring and paying comparable future dividends on a regular quarterly basis, subject to our ability to pay dividends and to a determination by management and our Board of Directors that dividends continue to be in our best interests and those of our stockholders.

### Repurchases of Stock

Date Authorized	Authorized for Repurchase	Repurchased	Repurchased under ASSP	Available for Repurchase
October 20, 2003	\$100 million	\$100 million	\$35 million	—(1)
April 19, 2004	\$100 million	\$100 million	—	—(2)
October 25, 2004	\$100 million	\$100 million	—	—(3)
May 2, 2005	\$100 million	—	—	\$100 million(4)

(1)

On October 20, 2003, our Board of Directors approved a share repurchase program authorizing us to repurchase up to \$100 million of our Common Stock. At December 31, 2003, we had remaining authorization to repurchase approximately \$72 million of our Common Stock under this program. During the three months ended March 31, 2004, we repurchased 3,336,862 shares of our Common Stock for approximately \$72 million, thereby completing the remaining authorization to repurchase shares under that program. In addition, on October 20, 2003, our Board of Directors authorized the purchase of shares of our Common Stock to satisfy our obligations to deliver shares under our Employee Stock Purchase Plan and our Long-Term Incentive Plan. We did not repurchase any shares of our Common Stock under this program during 2004. We purchased 840,000 shares under this authorization in January 2005.

(2)

On April 19, 2004, our Board of Directors approved another share repurchase program authorizing us to repurchase up to an additional \$100 million of our Common Stock. We repurchased 4,038,166 shares of our Common Stock under this authorization. This authorization was completed on November 1, 2004.

(3)

On October 25, 2004, our Board of Directors approved another share repurchase program authorizing us to repurchase up to an additional \$100 million of our Common Stock. At December 31, 2004, we had repurchased 2,516,284 shares of our Common Stock and had remaining authorization to repurchase approximately \$43 million of our Common Stock under this program. During the first quarter of 2005, we repurchased 2,042,063 shares of our Common Stock, completing this authorization on March 14, 2005.

(4)

On May 2, 2005, we received authorization from the Board of Directors to repurchase an additional \$100 million of our Common Stock. Due to the acquisition of lastminute.com, no purchases of our Common Stock have been made, and none are planned, under this authorization as of the date of this report. As in the past, implementation of the program is at management's discretion and will depend on management's decision about the best uses for our available cash.

We will generally seek to make any future share repurchases pursuant to 10b5-1 trading plans, unless such plans are terminated at the discretion of management.

### **Financing Arrangements**

**Bridge Financing Arrangement**—On May 12, 2005, we entered into an \$800 million, unsecured bridge loan agreement (the "Bridge Facility") that matures on August 12, 2006, in order to provide short-term financing in connection with the lastminute.com acquisition and to satisfy legal requirements for certainty of funding for the acquisition. On July 22, 2005, we entered into an amendment to the Bridge Facility whereby all the rights and obligations of Sabre Inc. under the Bridge Facility were assumed by Sabre Holdings and Sabre Inc. was discharged from its obligations thereunder.

Effective August 1, 2005, we borrowed \$800 million under the Bridge Facility in order to fund a portion of the lastminute.com acquisition.

The interest rate on borrowings under the Bridge Facility is variable, based at our discretion on either the London Interbank Offered Rate ("LIBOR") plus a borrowing spread or the prime rate, and is sensitive to our credit rating. The LIBOR spread at our current credit rating is 0.75%, which at December 31, 2005 equated to a borrowing rate of 5.15%.

We may prepay all or any part of the Bridge Facility without prepayment penalties, other than any breakage costs associated with the early repayment of loans bearing interest based upon LIBOR. We would be required to repay borrowings under the Bridge Facility with net cash proceeds we receive from (i) the issuance of capital stock and indebtedness for money borrowed with a maturity in excess of one year (excluding, among other things, borrowings under our existing revolving credit agreement) and (ii) asset sales with proceeds of more than \$200 million.

The Bridge Facility contains other covenants, representations, terms and conditions that are typical for a bridge credit facility of this type which, among other things, restricts our ability to incur additional debt and limits our ability to pay in excess of \$150 million during the term of the Bridge Facility as dividends or as repurchases of our stock.

As of December 31, 2005, we were in compliance with all covenants under the Bridge Facility including the following financial covenants:

<b>Covenant</b>	<b>Requirement</b>	<b>Level at December 31, 2005</b>
Consolidated Leverage Ratio (Debt to EBITDA)	5.0 to 1	3.23 to 1
Consolidated Net Worth	\$1.3 billion	\$1.7 billion

On February 16, 2006, we prepaid \$100 million of the \$800 million acquisition Bridge Facility from our available cash and marketable securities. We will be required to repay or refinance the remaining \$700 million of the Bridge Facility prior to its expiration on August 12, 2006. We are evaluating choices for repaying and refinancing the Bridge Facility, including using additional cash, borrowing under our revolving credit agreement and accessing public and private markets for debt. The timing and choice of refinancing options will be subject to market conditions, but we expect to repay or refinance the Bridge Facility during the first half of 2006.

**Revolving Credit Agreement**—On July 22, 2005, in order to facilitate the consummation of the lastminute.com acquisition and to provide additional liquidity and flexibility in our capital structure, we entered into certain amendments to our current revolving credit agreement ("Credit Facility"). Under the amendments, Sabre Holdings assumed all of the rights and obligations of Sabre Inc. under the Credit Facility and Sabre Inc. was discharged from its obligations thereunder. The amendments also include, among other things: (i) amendments to certain financial and negative covenants (including amendments to provide us more flexibility under the Consolidated Leverage Ratio covenant, as shown in the table below, and amendments that place additional restrictions on the ability of our subsidiaries to incur indebtedness), (ii) amendments that prohibit us from using proceeds from the Credit Facility to repay the Bridge Facility to the extent such proceeds represent more than 50% of the then aggregate committed amount of the lenders under the Credit Facility, (iii) amendments that increase the aggregate amount committed by those lenders to \$360 million, and (iv) amendments that allow us to request a future increase of the aggregate amount committed by the lenders under the Credit Facility to as much as \$500 million.

As of December 31, 2005, there are no borrowings outstanding under this agreement. As of December 31, 2005, we were in compliance with all covenants under this agreement including the following financial covenants:

Covenant	Requirement	Level at December 31, 2005
Consolidated Leverage Ratio (Debt to EBITDA)	3.75 to 1 maximum	3.23 to 1
Consolidated Net Worth	\$1.3 billion	\$1.7 billion

Our covenants under the amended revolving credit agreement are as follows:

As amended on July 22, 2005	Requirement
Consolidated Leverage Ratio (Debt to EBITDA) for the quarters ended:	
July 22, 2005 through March 30, 2006	3.75 to 1 maximum
June 30, 2006 through September 30, 2006	3.50 to 1 maximum
December 31, 2006 through March 31, 2007	3.25 to 1 maximum
June 30, 2007 and thereafter	3.00 to 1 maximum

**Public Notes**—In August 2001, we issued through Sabre Holdings Corporation \$400 million in senior unsecured notes ("Notes"), bearing interest at 7.35% and maturing August 1, 2011, in an underwritten public offering resulting in net cash proceeds to us of approximately \$397 million. The Notes include certain non-financial covenants, including restrictions on incurring certain types of debt or entering into certain sale and leaseback transactions. As of December 31, 2005, we were in compliance with all covenant requirements under the Notes. In conjunction with these Notes, we have entered into two interest rate swaps through 2011 for a total of \$300 million, which pay us 7.35% and on which we pay a variable rate based on a six-month LIBOR plus 231 basis points.

**Capital Lease Obligation**—In June 2003, Sabre Inc. entered into a ten-year master lease for our corporate headquarters facility in Southlake, Texas, which is accounted for as a capital lease. The interest rate on the capital lease financing is fixed at 5.37%. At the inception of the lease, we recorded an asset of approximately \$168 million, along with a liability of approximately \$168 million, representing the present value of the minimum lease payments due under the lease and the residual value guarantee discussed below.

At any time during the lease term, we have the option to terminate the lease and purchase the properties for approximately \$179 million, plus a make-whole amount, if applicable. We also have the option at any time up to one year prior to lease expiration to cause the properties to be sold. If this sell option is exercised, we have guaranteed that proceeds on a sale will be at least approximately \$159 million, and we are responsible for the first dollar loss up to approximately \$159 million due to a decrease in the value of the property below approximately \$179 million. If the sales proceeds exceed approximately \$179 million plus any sales-related expenses, we retain the excess. In conjunction with this lease, we have entered into a \$100 million interest rate swap which pays us 5.37% and on which we pay a variable rate based on a six-month LIBOR plus 153 basis points. Under the lease agreement, we are subject to certain covenants. As of December 31, 2005, we were in compliance with all covenants under this agreement including the following financial covenant:

Covenant	Requirement	Level at December 31, 2005
Consolidated Net Worth <i>Cash Flows (in thousands)</i>	\$1.1 billion	\$1.6 billion

	Year Ended December 31,		
	2005	2004	2003
Cash provided by operating activities	\$ 225,506	\$ 361,433	\$ 277,938
Cash used for investing activities	(833,904)	(98,992)	(165,203)
Cash provided by (used for) financing activities	698,057	(255,393)	(94,437)
Effect of exchange rate changes on cash and cash equivalents	(4,097)	1,761	1,388
Total cash increase	\$ 85,562	\$ 8,809	\$ 19,686

**Operating Activities**—Cash flows provided by operating activities for the year ended December 31, 2005 was \$226 million which resulted from net income adjusted for non-cash and non-operating items of \$300 million. This was offset by unfavorable changes in our working capital of \$74 million. Cash flows from operating activities decreased \$136 million in the year ended December 31, 2005 compared to the same period a year ago. This decrease was primarily driven by a \$17 million reduction in our net income adjusted for non-cash and non-operating items. Another factor that contributed significantly to the reduction in cash flow from operating activities was the timing of the acquisition of lastminute.com in the third quarter of 2005 which, along with the fourth quarter is historically the slowest from a cash generation perspective. lastminute.com generates most of its positive cash flows during the first part of the year, from which we were unable to benefit in 2005. Therefore, we expect that this trend will be reversed in the first half of 2006, but this trend is seasonal with the booking of travel and will fluctuate accordingly. Other factors contributing to the reduced cash flow from operating activities include collection of a \$20 million receivable in 2004 related to the 2003 cancellation of two subscriber contracts and higher payouts of variable compensation due to positive 2004 financial results. Other changes are primarily due to timing differences.

Cash provided by operating activities during year ended December 31, 2004 was \$361 million, which was primarily from net earnings of \$317 million adjusted for non-cash and non-operating items. In addition, cash provided by operating activities includes favorable changes in working capital of \$45 million. Cash flows from operations increased \$83 million in the year ended December 31, 2004 from the same period a year ago. This increase was primarily driven by an increase of \$49 million in our net income adjusted for non-cash and non-operating items. In 2004 we also received \$20 million related to the 2003 cancellation of two subscriber contracts. In addition, expedited collections in our merchant model due to changing service providers provided approximately \$20 million in additional cash.

Cash provided by operating activities for the year ended December 31, 2003 was \$278 million and was primarily from net earnings of \$268 million including non-cash and non-operating items as well as favorable changes in working capital items. Non-cash and non-operating adjustments to net earnings of \$185 million for the year ended December 31, 2003 included depreciation and amortization of \$127 million, a \$9 million impairment of an intangible asset related to our agreement with a former hotel supplier, \$12 million in losses from asset disposals, a \$28 million charge relating to the termination of our syndicated lease facility, and stock compensation expense of \$12 million, offset by deferred taxes of \$4 million.

**Investing Activities**—The \$735 million increase in cash used for investing activities in the year ended December 31, 2005 as compared to the year-ago period primarily results from a \$1,109 million increase in acquisitions (net of cash acquired) which results primarily from our acquisition of lastminute.com. Additionally, capital expenditures increased \$14 million. Offsetting these cash uses for investing activities are the \$318 million increase in net sales of our portfolio of marketable securities primarily used in the purchase of lastminute.com and \$41 million of proceeds from the sale of our investments in Karavel and TRX.

The \$66 million decrease in cash used for investing activities in the year ended December 31, 2004 as compared to the year-ago period primarily results from an \$85 million net increase in sales of marketable securities for our short-term investment portfolio. The net increase in sales of marketable securities is partially offset by \$36 million in investments in unconsolidated joint ventures and \$10 million in loans to business partners during the year ended December 31, 2004 compared to a net use of \$12 million for similar activities in the same period a year ago. In addition, during the year ended December 31, 2004 we utilized \$70 million, net of cash acquired, for acquisitions compared to \$96 million in 2003.

**Financing Activities**—Cash provided by financing activities was \$698 million for the year ended December 31, 2005, compared to a use of cash of \$255 million for the same period a year ago. This was primarily due to the \$800 million in proceeds from our Bridge Facility that we used to acquire lastminute.com. Additionally, a reduction in the number of shares of our Common Stock that we repurchased under our Board authorized stock repurchasing plans resulted in a \$165 million reduction in cash outflows. Offsetting this decrease in shares of Common Stock repurchased was an increase in dividends paid of \$6 million due to an increase in our dividend rate from \$.075 per share in 2004 to \$.09 per share in 2005. Proceeds from the issuance of Common Stock decreased \$6 million due to fewer employee stock option exercises resulting from a generally lower price of our Common Stock.

The \$161 million increase in cash used for financing activities in the year ended December 31, 2004 as compared to the same period a year ago was mainly due to dividends of \$41 million paid in 2004 compared to \$30 million for 2003 and \$228 million used to repurchase our Common Stock during the year ended December 31, 2004 compared to \$44 million for the same period in 2003. Proceeds from the exercise of stock options in 2004 as compared to 2003 increased \$5 million due to a generally higher stock price. In 2003, \$28 million was used related to the termination of our syndicated lease facility on our headquarters buildings. For the year ended December 31, 2004, cash used in financing activities of \$228 million related to Common Stock repurchases differs from the comparable change in Stockholder's Equity of \$229 million due to timing differences between the recognition of share repurchase transactions and their settlement for cash.

#### **Off Balance Sheet Arrangements**

We do not have any significant relationships or agreements as of December 31, 2005 that would be considered an off balance sheet arrangement as defined by Item 303(a)(4)(ii) of Regulation S-K.

#### **Critical Accounting Policies**

The preparation of our financial statements requires that we adopt and follow certain accounting policies. Certain amounts presented in the financial statements have been determined based upon estimates and assumptions. Although we believe that our estimates and assumptions are reasonable, actual results may differ.

We have included below a discussion of the accounting policies involving material estimates and assumptions that we believe are most critical to the preparation of our financial statements, how we apply such policies and how results differing from our estimates and assumptions would affect the amounts presented in our financial statements. We have discussed the development, selection and disclosure of these accounting policies with our audit committee. Although we believe these policies to be the most critical, other accounting policies also have a significant effect on our financial statements and certain of these policies also require the use of estimates and assumptions. Note 2 to the Consolidated Financial Statements discusses each of our significant accounting policies.

**Booking Fee Cancellation Reserve:** Our *Sabre Travel Network*<sup>SM</sup> segment records revenue for airline travel reservations processed through the *Sabre* system at the time of the booking of the reservation. However, if the booking is canceled in a later month, the booking fee must be refunded to the customer (less a small cancellation fee). Therefore we record revenue net of an estimated amount reserved to account for future cancellations. This reserve is calculated based on historical cancellation rates. In estimating the amount of future cancellations that will require us to refund a booking fee, we assume that a significant percentage of cancellations are followed immediately by a new reservation, without loss of revenue. This assumption is based on historical rates of cancellations that resulted in a new reservation and has a significant impact on the amount reserved. If circumstances change, such as higher than expected cancellation rates or changes in booking behavior, our estimates of future cancellations could be increased by a material amount and our revenue decreased by a corresponding amount. At both December 31, 2005 and 2004, our booking fee cancellation reserves were \$17 million. In 2005, the cancellation reserve remained the same due to immaterial changes in the rate per booking and flat booking levels for airline reservations. This reserve is sensitive to changes in booking levels and the number of bookings priced under the terms of the DCA 3-Year Pricing Option Agreements. For example, if 2005 booking volumes had been 10% lower or the weighted-average booking fee rate had been 10% lower, the reserve balance would have been reduced by approximately \$2 million.

**Car and Hotel Commission Reserves:** Our *Travelocity*® segment receives commissions from travel suppliers for air travel, hotel rooms, car rentals, vacation packages and cruises booked through our *Travelocity* websites. Commissions from air travel providers are recognized at the time of booking the reservations except for lastminute.com entities that recognize revenue related to air travel at the time of departure. The revenue recognition method used by lastminute.com will be changed to conform to the remainder of our *Travelocity* segment when adequate historical data on cancellations is developed. Commissions from car and hotel travel providers are recognized upon the scheduled date of travel consumption. We record car and hotel commission revenue net of an estimated reserve for no-shows. If circumstances should change such that the cancellation rates are significantly higher than expected, it could have a significant impact on the amount reserved. At December 31, 2005 and 2004 our reserve for car and hotel commissions was approximately \$8 million and \$6 million, respectively.

**Software Revenue Recognition:** Our *Sabre Airline Solutions*® segment develops software that is generally sold as part of agreements which also require us to provide customization and implementation services. Such agreements are accounted for using contract accounting under the provisions of Statement of Position 97-2, *Software Revenue Recognition*. Revenue from license fees, when software is sold without associated customization or implementation services, is recognized when the software is delivered, fees are fixed and determinable, no undelivered elements are essential to the functionality of delivered software and collection is probable. At times, determining if all of these elements have been met requires judgment. Fees for software maintenance are recognized ratably over the life of the contract. The fees for software maintenance included in initial software license agreements is based on the vendor specific objective evidence of the fair value of the services determined using actual renewal rates for software maintenance services. The process of allocating fees based on vendor specific evidence of fair value can require judgment.

**Accounts Receivable:** We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us (e.g., bankruptcy filings, failure to pay amounts due to us or others), we record a specific reserve for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize reserves for bad debts based on past write-off history (average percentage of receivables written off historically) and the length of time the receivables are past due. Several of our airline customers are experiencing financial difficulty, some (including United Air Lines, Inc., U.S. Airways, Inc. and ATA Holdings Corporation) have sought bankruptcy protection and still others may consider bankruptcy relief. We believe that we have appropriately considered the effects of these factors, as well as any other known customer liquidity issues, on the ability of our customers to pay amounts owed to us. However, if demand for commercial air travel softens, due to prevailing economic conditions, terrorist acts, war or other incidents involving commercial air transport, or other factors, the financial condition of our customers may be adversely impacted.

**Business Combinations:** During 2005, 2004 and 2003, we completed a number of acquisitions of other companies using the purchase method of accounting. The amounts assigned to the identifiable assets and liabilities acquired in connection with these acquisitions were based on estimated fair values as of the date of the acquisition, with the remainder recorded as goodwill. The fair values were determined by our management, generally based upon information supplied by the management of the acquired entities and valuations prepared by independent appraisal experts. The valuations have been based primarily upon future cash flow projections for the acquired assets, discounted to present value using a risk-adjusted discount rate. For certain classes of intangible assets, the valuations have been based upon estimated cost of replacement. In connection with these acquisitions, we have recorded a significant amount of intangible assets, including goodwill.

**Goodwill and Long-Lived Assets:** Pursuant to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), we evaluate goodwill and indefinite-lived intangible assets for impairment on an annual basis or if impairment indicators exist. For indefinite-lived intangible assets, the evaluation requires a comparison of the estimated fair value of the asset to the carrying value of the asset. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, as generally estimated using a discounted future net cash flow projection, the carrying value of the asset is reduced to its fair value. For goodwill, the evaluation requires a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned to the sum of the carrying value of the assets and liabilities of that unit. If the sum of the carrying value of the assets and liabilities of a reporting unit exceeds the fair value of that reporting unit, the carrying value of the reporting unit's goodwill is reduced to its implied fair value through an adjustment to the goodwill balance, resulting in an impairment charge. We evaluate five reporting units under SFAS 142, which include Sabre Travel Network, Travelocity, Sabre Airline Solutions, SynXis and Emerging Businesses. Our SynXis and Emerging Businesses reporting units are included with Sabre Travel Network for segment reporting purposes.

The fair values used in our SFAS 142 evaluation are estimated based upon discounted future cash flow projections. These cash flow projections are based upon a number of assumptions, including risk-adjusted discount rates, future booking and transaction volume levels, future price levels, rates of growth in our consumer and corporate direct booking businesses and rates of increase in operating expenses. We believe that the assumptions we have made in projecting future cash flows for the evaluations described above are reasonable. However, if future actual results do not meet our expectations, we may be required to record an impairment charge, the amount of which could be material to our results of operations.

Intangible assets subject to amortization are evaluated for impairment pursuant to Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"), which requires impairment testing whenever events or changes in circumstances indicate that the carrying amount of an amortizable intangible asset may not be recoverable. If impairment indicators exist for an amortizable intangible asset, the undiscounted future cash flows associated with the expected service potential of the asset are compared to the carrying value of the asset. If our projection of undiscounted future cash flows is in excess of the carrying value of the intangible asset, no impairment charge is recorded. If our projection of undiscounted cash flows is less than the carrying value of the intangible asset, an impairment charge is recorded to reduce the intangible asset to its fair value.

In 2004, we recorded an impairment charge of approximately \$3 million on technology-related assets. In 2003, we wrote off an intangible asset of approximately \$9 million associated with a supplier agreement that was terminated early. No other significant impairments of our goodwill or intangible assets have been recorded.

**Pension and Other Postretirement Benefits:** Pension and other postretirement benefits are actuarially determined and are affected by assumptions including the discount rate, the estimated future return on plan assets, the annual rate of increase in compensation for plan employees, the increase in costs of health care benefits and other factors. The Company evaluates assumptions used on a periodic basis and makes adjustments to these liabilities as necessary. See Note 9, Employee Benefit Plans, in the Notes to Consolidated Financial Statements for additional information regarding the assumptions used and for changes in the accrued benefit.

**Income and Non-Income Taxes:** The calculation of our tax liabilities involves significant judgment and evaluation of uncertainties in the interpretation of complex tax laws. As a result, we have established reserves for taxes and associated interest that may become payable in future years as a result of audits by tax authorities. Regarding value-added taxes, we have established reserves regarding the collection of refunds which are subject to audit and collection risks in various regions of Europe. Tax reserves are reviewed regularly pursuant to Statement of Financial Accounting Standard No. 5, *Accounting for Contingencies*. Tax reserves are adjusted as events occur that affect our potential liability for additional taxes and associated interest, such as the expiration of statutes of limitation, conclusion of tax audits, identification of additional exposure based on current calculations, identification of new issues, or the issuance of statutory or administrative guidance or rendering of a court decision affecting a particular issue. The amount of our liability for taxes could exceed our reserves, which could have a material adverse effect on our financial results.

### Seasonality

The travel industry is seasonal in nature. Travel bookings for our Sabre Travel Network business, and the revenue we derive from those bookings, decrease significantly each year in the fourth quarter, primarily in December. Customers generally book their November and December holiday leisure travel earlier in the year, and business travel declines during the holiday season. Travel bookings for our Travelocity business decrease each year in the fourth quarter, primarily in December. Customers generally book their holiday leisure travel earlier in the year. Travelocity revenues are also impacted by the seasonality of travel bookings, but to a lesser extent since commissions from car and hotel travel providers and net rate revenue for vacation packages and hotel stays are recognized upon date of consumption. In 2005, the seasonal variations described above did continue, however, our revenues did not decline in the fourth quarter due to the acquisition of lastminute.com. We believe that the acquisition of lastminute.com will cause revenues and net earnings to become more significant in the second and third quarters for the Travelocity segment due largely to European travel patterns.

The following table sets forth our quarterly financial data (unaudited), (in thousands, except per share data). Gross profit has been adjusted for all quarters in order to conform to the reclassification of amortization of purchased technology to cost of revenues from selling, general and administrative expenses.

	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
<b>2005</b>				
Revenues	\$ 581,888	\$ 619,255	\$ 699,706	\$ 620,406
Gross profit	241,779	244,047	320,339	227,718
Operating income	71,194	83,106	99,571	7,002
Net earnings	57,681	43,887	58,496	12,088
Earnings per common share:				
Basic	\$ 0.44	\$ 0.34	\$ 0.45	\$ 0.10
Diluted	\$ 0.44	\$ 0.34	\$ 0.45	\$ 0.09

	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
<b>2004</b>				
Revenues	\$ 539,753	\$ 550,903	\$ 544,390	\$ 495,925
Gross profit	219,497	231,197	234,106	173,938
Operating income	69,488	88,443	77,167	23,632
Net earnings	43,037	58,937	67,426	21,019
Earnings per common share:				
Basic	\$ 0.31	\$ 0.43	\$ 0.50	\$ 0.16
Diluted	\$ 0.31	\$ 0.42	\$ 0.49	\$ 0.16

#### Recent Accounting Pronouncements

On December 16, 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (Revised 2004), *Share-Based Payments* ("SFAS 123R"), which is a revision of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). SFAS 123R supersedes APB 25 and amends Statement of Financial Accounting Standards No. 95, *Statement of Cash Flows*. Generally, the approach in SFAS 123R is similar to the approach described in SFAS 123. However, SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized on the income statement based on their fair values.

We are adopting SFAS 123R on January 1, 2006 using the modified prospective method and, as a result, we will begin expensing options in 2006 with no restatement of prior periods. All options granted prior to adoption will continue to be expensed using the fair value previously determined using the Black-Scholes option-pricing model and included in our pro forma disclosures; however, options granted subsequent to our adoption of SFAS 123R will be valued using a lattice model which we believe provides us with a more reliable fair value. Stock option expenses will be recorded on a straight-line basis over the requisite service period. SFAS 123R also requires that the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow, as required under the current guidance. We cannot estimate what the impact of this will be on our financing cash flows as it will depend on the future exercise behavior of option holders. We expect the adoption of SFAS 123R will impact pre-tax income by approximately \$18 million or \$.09 per share in 2006 although this amount may change based on the level of future grants of options, unforeseeable changes in our assumptions used in the lattice model such as our stock volatility and actual forfeiture rates not matching our current estimates.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20, *Accounting Changes*, and Statement of Financial Accounting Standards No. 3, *Reporting Accounting Changes in Interim Financial Statements*. The standard requires changing the accounting and reporting requirements of voluntary and mandatory (unless the pronouncement provides other transition requirements) changes in accounting principle by requiring retroactive application of the change in accounting principle to prior periods' financial statements, unless it is not practical to do so, rather than recording a cumulative catch up adjustment in net income in the year of the change. Reporting error corrections will be handled similar to a change in accounting principles. The standard is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005. This new accounting standard is not anticipated to have a material impact on our financial results.

**Inflation**

We believe that inflation has not had a material effect on our results of operations.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Interest Rate Risk

As of December 31, 2005, our exposure to interest rates relates primarily to our interest rate swaps and interest on our Bridge Facility which is variable, based at our discretion on either the London Interbank Offered Rate ("LIBOR") plus a borrowing spread or the prime rate, and is sensitive to changes in our credit rating. Offsetting some of this exposure is interest income received from our marketable securities portfolio. The objectives of our marketable securities are preservation of principal, liquidity and yield. As such, our investment portfolio consists primarily of fixed or variable rate obligations issued by the U.S. Treasury, government agencies and municipalities, mutual funds, asset backed securities issued by banks, corporations, and bankruptcy remote trusts. If short-term interest rates average 10% lower in 2006 than they were during 2005, our interest income from marketable securities would decrease by approximately \$1 million. In comparison, at December 31, 2004, we estimated that if short-term interest rates averaged 10% lower in 2005 than they were during 2004, our interest income from marketable securities would have decreased by approximately \$1 million. These amounts were determined by applying the hypothetical interest rate change to our average marketable securities invested during 2005 and 2004.

At December 31, 2005, we had obligations under our \$800 million Bridge Facility, fixed rate notes of \$400 million ("Notes") and a \$168 million capital lease obligation. We have entered into fixed to floating interest rate swaps related to \$300 million of the outstanding Notes, effectively converting \$300 million of the \$400 million fixed rate Notes into floating rate obligations. We also entered into a fixed to floating interest rate swap that effectively converts \$100 million of the capital lease obligation into a floating rate obligation (see Note 6 to the Consolidated Financial Statements for additional details on the swaps). If short-term interest rates average 10% higher in 2006 than they were in 2005, our interest expense would increase by approximately \$3 million. This amount was determined by applying the hypothetical interest rate change to our floating rate borrowings balance, including the Bridge Facility, at December 31, 2005. If our mix of interest rate-sensitive assets and liabilities changes significantly, we may enter into additional derivative transactions to manage our net interest rate exposure.

### Foreign Currency Risk

We have various operations outside of the United States, primarily in North America, South America, Europe, Australia and Asia. As a result of these business activities, we are exposed to foreign currency risk. During times of volatile currency movements this risk can materially impact our earnings. To reduce the impact of this earnings volatility, we hedge a portion of our foreign currency exposure by entering into foreign currency forward contracts on our three largest foreign currency exposures. These forward contracts, totaling \$115 million at December 31, 2004 and \$135 million at December 31, 2005, represent obligations to purchase foreign currencies at a predetermined exchange rate to fund a portion of our expenses that are denominated in foreign currencies. We also enter into short-dated forward contracts to hedge a portion of our foreign currency exposure related to lastminute.com's travel supplier liability payments denominated in a foreign currency. In December 2004, we purchased foreign currency-denominated government bonds to function as a hedge of a portion of our 2005 foreign currency exposure. To protect these bond investments from foreign currency risk, we purchased put options on the currencies in which the government bonds are denominated. These options gave us the right to sell the foreign currencies at predetermined prices. There were no bonds or options outstanding as of December 31, 2005.

The result of an immediate 10 percent appreciation of the U.S. dollar in 2006 from December 31, 2005 levels relative to our primary foreign currency exposures would result in a negative U.S. dollar impact of approximately \$0.1 million in 2006, net of hedge instruments outstanding. This sensitivity analysis was prepared based upon 2006 projections of our primary foreign currency-denominated expenses and foreign currency forwards as of December 31, 2005.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL  
CONTROLS OVER FINANCIAL REPORTING**

The Board of Directors and Stockholders  
Sabre Holdings Corporation

We have audited management's assessment, included in the accompanying Management's Assessment of the Effectiveness of Internal Controls, that Sabre Holdings Corporation maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Sabre Holdings Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Assessment of the Effectiveness of Internal Controls, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of lastminute.com, which is included in the 2005 consolidated financial statements of the Company and constituted \$1,598 million and \$1,265 million of total assets and net assets, respectively, as of December 31, 2005 and \$174 million and \$11 million of revenues and net loss, respectively, for the year then ended. Management did not assess the effectiveness of internal control over financial reporting at lastminute.com because the Company acquired lastminute.com on July 20, 2005. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of lastminute.com.

In our opinion, management's assessment that Sabre Holdings Corporation maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Sabre Holdings Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Sabre Holdings Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005 of Sabre Holdings Corporation and subsidiaries and our report dated February 27, 2006 expressed an unqualified opinion thereon.

Dallas, Texas  
February 27, 2006

[Report of Independent Registered Public Accounting Firm](#)

[Consolidated Balance Sheets](#)

[Consolidated Statements of Income](#)

[Consolidated Statements of Cash Flows](#)

[Consolidated Statements of Stockholders' Equity](#)

[Notes to Consolidated Financial Statements](#)

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders  
Sabre Holdings Corporation

We have audited the accompanying consolidated balance sheets of Sabre Holdings Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed under Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sabre Holdings Corporation and subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Sabre Holdings Corporation's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2006 expressed an unqualified opinion thereon.

Dallas, Texas  
February 27, 2006  
except for Note 6, as to which  
the date is March 3, 2006

SABRE HOLDINGS CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands)

	December 31, 2005	December 31, 2004
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 135,233	\$ 49,671
Restricted cash	57,019	—
Marketable securities	376,585	787,353
Accounts receivable, net	505,662	317,824
Prepaid expenses	41,632	63,521
Deferred income taxes	23,013	23,349
Other receivables	109,144	31,797
Total current assets	1,248,288	1,273,515
<b>Property and equipment</b>		
Buildings and leasehold improvements	318,880	309,635
Furniture, fixtures and equipment	38,349	33,579
Computer equipment	148,965	120,515
Internally developed software	257,990	195,638
	764,184	659,367
Less accumulated depreciation and amortization	(334,616)	(272,026)
Total property and equipment	429,568	387,341
Deferred income taxes	32,419	9,955
Investments in joint ventures	156,277	176,249
Goodwill and intangible assets, net	2,333,140	988,600
Other assets, net	174,419	182,317
<b>Total assets</b>	<b>\$ 4,374,111</b>	<b>\$ 3,017,977</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 203,663	\$ 177,207
Travel supplier liabilities and deferred revenue	301,377	72,264
Accrued compensation and related benefits	74,628	80,448
Accrued subscriber incentives	81,877	84,357
Deferred revenues	32,047	24,906
Other accrued liabilities	398,871	169,110
Bridge facility	800,000	—
Total current liabilities	1,892,463	608,292
Pensions and other postretirement benefits	191,453	154,537
Other liabilities	23,568	23,101
Minority interests	38,948	5,143
Long-term capital lease obligation	158,188	161,114
Public and other notes payable	426,379	439,309
Commitments and contingencies (Note 8)		
<b>Stockholders' equity</b>		
Preferred stock: \$0.01 par value; 20,000 shares authorized; no shares issued	—	—
Class A Common Stock: \$0.01 par value; 250,000 shares authorized; 145,856 shares issued at December 31, 2005 and 2004	1,459	1,459
Additional paid-in capital	1,275,836	1,289,574
Retained earnings	769,231	644,360
Accumulated other comprehensive loss	(77,872)	(9,426)
Less treasury stock at cost: 14,281 and 12,913 shares, respectively	(325,542)	(299,486)
Total stockholders' equity	1,643,112	1,626,481
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,374,111</b>	<b>\$ 3,017,977</b>

The accompanying notes are an integral part of these financial statements.

SABRE HOLDINGS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	Year Ended December 31,		
	2005	2004	2003
<b>Revenues</b>	\$ 2,521,255	\$ 2,130,971	\$ 2,045,163
Cost of revenues	1,468,400	1,240,180	1,269,129
Amortization of purchased technology	18,972	32,053	32,484
Total cost of revenues	1,487,372	1,272,233	1,301,613
<b>Gross Profit</b>	1,033,883	858,738	743,550
<b>Other operating expenses</b>			
Selling, general and administrative	743,755	585,182	553,503
Amortization of other intangible assets	29,255	14,826	23,817
Total other operating expenses	773,010	600,008	577,320
<b>Operating income</b>	260,873	258,730	166,230
<b>Other income (expense)</b>			
Interest income	22,411	15,154	16,477
Interest expense	(53,075)	(26,862)	(24,077)
Gain on sale of investments	27,132	—	—
Loss on derivative instruments	(8,248)	—	—
Other, net	(4,378)	10,039	(31,253)
Total other expense	(16,158)	(1,669)	(38,853)
<b>Income before provision for income taxes</b>	244,715	257,061	127,377
Provision for income taxes	72,563	66,642	44,076
<b>Net earnings</b>	\$ 172,152	\$ 190,419	\$ 83,301
<b>Earnings per common share</b>			
Basic	\$ 1.33	\$ 1.40	\$ 0.59
Diluted	\$ 1.32	\$ 1.38	\$ 0.58
<b>Weighted average shares outstanding</b>			
Basic	129,587	136,326	142,321
Diluted	130,336	137,931	143,407

The accompanying notes are an integral part of these financial statements.

SABRE HOLDINGS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2005	2004	2003
<b>Operating Activities</b>			
Net earnings	\$ 172,152	\$ 190,419	\$ 83,301
Adjustments to reconcile net earnings to cash provided by operating activities:			
Depreciation and amortization	130,643	116,712	127,173
Loss on impaired intangible assets	—	3,198	8,831
Loss on sale leaseback	—	7,302	—
Stock-based compensation for employees	11,735	11,328	11,586
Allowance for doubtful accounts	8,722	19,176	—
Deferred income taxes	(3,375)	(23,608)	(3,837)
Tax benefit (loss) from exercise of stock options and restricted stock	(282)	1,173	736
Loss on facilities lease refinancing	—	—	27,947
Loss on derivative instruments	8,248	—	—
Joint venture equity loss/(income)	(1,832)	5,198	127
Gain on sale of investments	(27,132)	—	—
Other	636	(14,264)	11,940
Changes in operating assets and liabilities:			
Accounts and other receivables	(32,735)	(10,961)	(43,887)
Prepaid expenses	16,566	(7,396)	(2,310)
Other assets	(23,271)	18,070	31,285
Accrued compensation and related benefits	(5,820)	16,881	7,787
Accounts payable and other accrued liabilities	(39,889)	20,997	9,494
Pensions and other postretirement benefits	12,483	8,009	13,270
Other liabilities	(1,343)	(801)	(5,505)
Cash provided by operating activities	225,506	361,433	277,938
<b>Investing Activities</b>			
Additions to property and equipment	(91,660)	(77,998)	(71,466)
Purchases of marketable securities	(10,317,265)	(10,208,282)	(7,751,087)
Sales of marketable securities	10,729,382	10,302,619	7,760,587
Proceeds from sale of investments	40,920	—	5,054
Proceeds from sale of joint venture	13,018	—	—
Acquisitions (net of cash acquired)	(1,178,939)	(69,744)	(96,114)
Other investing activities	(29,360)	(45,587)	(12,177)
Cash used for investing activities	(833,904)	(98,992)	(165,203)
<b>Financing Activities</b>			
Proceeds from bridge facility	800,000	—	—
Proceeds from issuance of common stock	9,750	15,744	10,541
Dividends paid	(47,281)	(41,431)	(30,125)
Purchases of treasury stock	(63,212)	(227,814)	(44,239)
Other financing activities	(1,200)	(1,892)	(30,614)
Cash provided by (used for) financing activities	698,057	(255,393)	(94,437)
Effect of exchange rate changes on cash and cash equivalents	(4,097)	1,761	1,388
Increase in cash	85,562	8,809	19,686
Cash at beginning of period	49,671	40,862	21,176
Cash at end of period	\$ 135,233	\$ 49,671	\$ 40,862
Cash payments for income taxes	\$ 50,556	\$ 95,319	\$ 34,680
Cash payments for interest	\$ 45,330	\$ 26,489	\$ 30,024

The accompanying notes are an integral part of these financial statements.

SABRE HOLDINGS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)

	Class A Common Stock	Additional Paid-in Capital	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at December 31, 2002	\$ 1,448	\$ 1,275,417	\$ (6,316)	\$ 442,130	\$ (16,024)	\$ (55,077)	\$ 1,641,578
Issuance of class A common stock pursuant to:							
Stock option plans	3	7,097	—	—	—	—	7,100
Restricted stock (net of forfeitures)	4	4,868	(5,127)	—	—	255	—
Restricted stock withheld upon vesting	—	—	—	—	—	(29)	(29)
Employee stock purchase plan	2	3,468	—	—	—	—	3,470
Tax benefit from exercise of employee stock options	—	736	—	—	—	—	736
Dividends, \$0.21 per common share	—	—	—	(30,125)	—	—	(30,125)
Purchases of treasury stock	—	—	—	—	—	(45,596)	(45,596)
Amortization of restricted stock	—	—	2,839	—	—	—	2,839
Amortization of other stock-based compensation	—	8,747	—	—	—	—	8,747
<b>Comprehensive income:</b>							
Net earnings	—	—	—	83,301	—	—	83,301
Minimum pension liability adjustment, net of deferred income taxes	—	—	—	—	(1,223)	—	(1,223)
Unrealized gain on foreign currency forward and option contracts, net of deferred income taxes	—	—	—	—	1,437	—	1,437
Unrealized gain on investments, net of deferred income taxes	—	—	—	—	710	—	710
Unrealized foreign currency translation gain	—	—	—	—	6,985	—	6,985
Total comprehensive income							91,210
Other	—	112	—	66	—	—	178
Balance at December 31, 2003	\$ 1,457	\$ 1,300,445	\$ (8,604)	\$ 495,372	\$ (8,115)	\$ (100,447)	\$ 1,680,108
Issuance of class A common stock pursuant to:							
Stock option plans	1	(2,251)	—	—	—	11,489	9,239
Restricted stock (net of forfeitures)	1	3,787	(13,689)	—	—	9,901	—
Restricted stock withheld upon vesting	—	—	—	—	—	(480)	(480)
Employee stock purchase plan	—	(1,748)	—	—	—	8,733	6,985
Tax benefit from exercise of employee stock options	—	1,173	—	—	—	—	1,173
Dividends, \$0.30 per common share	—	—	—	(41,431)	—	—	(41,431)
Purchases of treasury stock	—	—	—	—	—	(228,682)	(228,682)
Amortization of restricted stock	—	—	6,128	—	—	—	6,128
Amortization of other stock-based compensation	—	5,200	—	—	—	—	5,200
<b>Comprehensive income:</b>							
Net earnings	—	—	—	190,419	—	—	190,419
Minimum pension liability adjustment, net of deferred income taxes	—	—	—	—	(8,330)	—	(8,330)
Unrealized gain on foreign currency forward and option contracts, net of deferred income taxes	—	—	—	—	519	—	519
Unrealized loss on investments, net of deferred income taxes	—	—	—	—	(1,422)	—	(1,422)
Unrealized foreign currency translation gain	—	—	—	—	7,922	—	7,922
Total comprehensive income							189,108
Other	—	(867)	—	—	—	—	(867)
Balance at December 31, 2004	\$ 1,459	\$ 1,305,739	\$ (16,165)	\$ 644,360	\$ (9,426)	\$ (299,486)	\$ 1,626,481
Issuance of class A common stock pursuant to:							
Stock option plans	—	(1,572)	—	—	—	10,116	8,544
Restricted stock (net of forfeitures)	—	(1,751)	(20,916)	—	—	22,667	—
Restricted stock withheld upon vesting	—	—	—	—	—	(3,055)	(3,055)
Employee stock purchase plan	—	(942)	—	—	—	5,203	4,261
Tax loss from exercise of employee stock options and restricted stock	—	(282)	—	—	—	—	(282)
Dividends, \$0.36 per common share	—	—	—	(47,281)	—	—	(47,281)
Purchases of treasury stock	—	—	—	—	—	(60,987)	(60,987)
Amortization of restricted stock	—	—	10,298	—	—	—	10,298
Amortization of other stock-based compensation	—	1,437	—	—	—	—	1,437
<b>Comprehensive income:</b>							
Net earnings	—	—	—	172,152	—	—	172,152
Minimum pension liability adjustment, net of deferred income taxes	—	—	—	—	(24,433)	—	(24,433)
Unrealized loss on foreign currency forward and option contracts, net of deferred income taxes	—	—	—	—	(11,101)	—	(11,101)
Unrealized gain on investments, net of deferred income taxes	—	—	—	—	634	—	634
Unrealized foreign currency translation loss net of deferred income taxes	—	—	—	—	(33,546)	—	(33,546)

Total comprehensive income									103,706
Other	—	—	(10)	—	—	—	—	(10)	
Balance at December 31, 2005	\$ 1,459	\$ 1,302,629	\$ (26,793)	\$ 769,231	\$ (77,872)	\$ (325,542)	\$		1,643,112

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**1. General Information**

Sabre Holdings Corporation ("Sabre Holdings") is a Delaware holding company. Sabre Inc. is the principal operating subsidiary and sole direct subsidiary of Sabre Holdings. Sabre Inc. or its direct or indirect subsidiaries conduct all of our businesses. In this Annual Report on Form 10-K, references to the "company", "we", "our", "ours" and "us" refer to Sabre Holdings and its consolidated subsidiaries unless otherwise stated or the context otherwise requires.

We are a world leader in travel commerce, marketing travel products and providing distribution and technology solutions for the travel industry. We operate in multiple travel distribution channels: the travel agency channel, the consumer-direct channel and the business-direct channel. Through our Sabre® global distribution system (the "Sabre system" or "Sabre GDS") subscribers can access information about, and can book reservations for, among other things, airline trips, hotel stays, car rentals, cruises and tour packages. Our Sabre Travel Network™ business operates the Sabre GDS and markets and distributes travel-related products and services through the travel agency channel. We engage in consumer-direct and business-direct travel marketing and distribution through our Travelocity® business. In addition, our Sabre Airline Solutions® business is a leading provider of technology and services, including development and consulting services, to airlines and other travel providers.

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<sup>1</sup> Basic Booking Request, Boomerang Voyages, Emergo, Hotel Spotlight, GetThere, Holidayautos.com, Jurni Network, lastminute.com, MySabre, Nexion, reiseferber.no, rejseferber.dk, resfeber.se, Sabre, Sabre Airline Solutions, Sabre Holdings, the Sabre Holdings logo, Sabre Travel Network, SabreSonic, Surround, Showtickets.com, Site59, Site59.com, SynXis, TotalTrip, TRAMS, Travelocity, Travelocity Business, Travelocity Partner Network, Travelocity.ca, Travelocity.com, Travelocity.com.uk, Travelocity.de, Turbo Sabre, World Choice Travel and Zuji.com are trademarks and/or service marks of an affiliate of Sabre Holdings Corporation. All other trademarks, service marks, or trade names are the property of their respective owners. © 2006 Sabre Holdings Corporation. All rights reserved.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**—We consolidate all of our majority-owned subsidiaries and companies over which we exercise control through majority voting rights. In accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46R, *Consolidation of Variable Interest Entities (Revised)* ("FIN 46R"), on November 7, 2005, pursuant to a \$4 million loan, we recorded \$72 million of assets, including \$55 million of goodwill, and \$71 million of liabilities based on fair value to our Consolidated Balance Sheet as we became the primary beneficiary of Zuji Holdings Limited ("Zuji"), and began to consolidate its results which were previously accounted for using the equity method. Zuji is a joint venture established in 2002 with 16 Asia Pacific airlines and operates in the Asia Pacific region. The Zuji site is hosted by Travelocity and utilizes Travelocity technology. On January 18, 2005, Travelocity entered into a put option agreement, exercisable from January 1, 2006 through January 31, 2006. This put option was exercised on January 24, 2006 and Travelocity gained 100% control of Zuji. See Note 4 for additional information. Other than Zuji, no other entities are currently consolidated due to control through operating agreements, financing agreements, or as the primary beneficiary of a variable interest entity.

The Consolidated Financial Statements include our accounts after elimination of all significant intersegment balances and transactions. We account for our interests in joint ventures and investments in common stock of other companies that we do not control but over which we exert significant influence using the equity method, with our share of their results classified as revenues. Investments in the common stock of other companies over which we do not exert significant influence are accounted for at cost. We periodically evaluate equity and debt investments in entities accounted for at cost for impairment by reviewing updated financial information provided by the investee, including valuation information from new financing transactions by the investee and information relating to competitors of investees when available. If we determine that a cost method investment is other than temporarily impaired, the carrying value of the investment is reduced to its estimated fair value. To date, writedowns of investments carried at cost have been insignificant to our results of operations. See "Recent Accounting Pronouncements" below.

Certain reclassifications have been made to the 2004 and 2003 Consolidated Financial Statements to conform to the 2005 presentation.

**Use of Estimates**—The preparation of these financial statements in conformity with generally accepted accounting principles requires that certain amounts be recorded based on estimates and assumptions made by management. Actual results could differ from these estimates and assumptions. Our accounting policies which include significant estimates and assumptions include estimation of the collectibility of accounts receivable, amounts for future cancellations of bookings processed through the *Sabre* system, revenue recognition for software development, determination of the fair value of assets and liabilities acquired in a business combination, the evaluation of the recoverability of the carrying value of intangible assets and goodwill, assumptions utilized in the determination of pension and other post-employment benefit liabilities and the evaluation of uncertainties surrounding the calculation of our tax assets and liabilities. These policies are discussed in greater detail below.

**Statement of Cash Flows**—Marketable securities, without regard to remaining maturity at acquisition, are not considered cash equivalents for purposes of the Consolidated Statements of Cash Flows.

**Depreciation and Amortization**—Our depreciation and amortization policies are as follows:

Property and equipment:	
Buildings, including buildings under capital lease	Lesser of lease term or 35 years
Furniture and fixtures	5 to 15 years
Leasehold improvements	Lesser of lease term or useful life
Computer/service contract equipment	3 to 5 years
Computer software	3 to 7 years
Other amortizable assets:	
Capitalized software development costs	3 to 7 years
Intangible assets	1 to 20 years

We are currently depreciating the capital lease assets for our corporate headquarters buildings, furniture and fixtures to the amount of the residual value guarantee over the ten-year term of the lease. We have the option at any time up to one year prior to lease expiration in 2013 to cause the properties to be sold. If such an event occurs, we will be responsible for any decrease in the fair market value of the properties below \$179 million. Therefore, if we determine during the lease term that the estimated fair value of the capital lease assets has fallen below approximately \$179 million, we will increase the periodic depreciation expense over the remaining term of the lease (Note 8).

Property and equipment and other assets are stated at cost less accumulated depreciation and amortization, which is calculated on the straight-line basis. Depreciation of property, capital lease assets and equipment totaled approximately \$76 million, \$74 million and \$70 million in 2005, 2004 and 2003, respectively. Amortization of other assets totaled approximately \$55 million, \$53 million and \$66 million in 2005, 2004 and 2003, respectively. Other assets are amortized on the straight-line basis over the periods indicated. Accumulated amortization of other assets approximated \$289 million and \$234 million at December 31, 2005 and 2004, respectively.

### **Revenue Recognition**

*Sabre Travel Network*—We provide various travel marketing and distribution services using the *Sabre* system. As compensation for services provided, fees are collected from airline, car rental and hotel vendors and other providers of travel-related products and services ("associates") for reservations booked through the *Sabre* system. The fee per booking charged to associates is dependent upon the level of functionality within the *Sabre* system at which the associate participates. Revenue for airline travel reservations is recognized at the time of the booking of the reservation, net of estimated future cancellations. At both December 31, 2005 and 2004, we have recorded transaction fee cancellation reserves of approximately \$17 million. In 2005, the cancellation reserve remained the same due to a minimal change in the book rate and flat transaction levels for airline travel reservations. This reserve is calculated at each period end based on historical cancellation rates. In estimating the amount of future cancellations that will require us to refund a transaction fee, we assume that a significant percentage of cancellations are followed immediately with a new reservation, without loss of revenue. This assumption is based on historical rates of cancellations that results in new reservations and has a significant impact on the amount reserved. If circumstances change (i.e., higher than expected cancellation rates or changes in booking behavior), our estimates of future cancellations could be increased by a material amount and our revenue decreased by a corresponding amount. Revenue for car rental, hotel bookings and other travel providers is recognized at the time the reservation is used by the customer.

We also enter into service contracts with subscribers (primarily travel agencies) for hardware, software, hardware maintenance and other support services. Fees billed on service contracts are recognized as revenue in the month earned. We receive fees from travel suppliers and corporate customers for transactions booked through our web-based travel booking systems and recognize the associated revenues in the month of the transaction.

*Travelocity*—Our *Travelocity* segment receives commissions from travel suppliers for air travel, hotel rooms, car rentals, vacation packages and cruises booked through our *Travelocity* websites and advertising revenues from the delivery of advertising impressions on our *Travelocity* websites. Commissions from air travel providers are recognized at the time of booking the reservation, except for lastminute.com entities that recognize revenue related to air travel at the time of departure. The revenue recognition method used by lastminute.com will be changed to conform to the remainder of our *Travelocity* segment when adequate historical data on collections is developed. Commissions from car and hotel travel providers are recognized upon the scheduled date of travel consumption. We record car and hotel commission revenue net of an estimated reserve for no-shows. If circumstances should change such that the no-shows are significantly higher than expected, it could have a significant impact on the amount reserved. At December 31, 2005 and 2004, our reserve for car and hotel commissions was approximately \$8 million and \$6 million, respectively. Advertising revenues are recognized in the period that advertising impressions are delivered.

*Travelocity* has negotiated with travel suppliers for the right to access travel content at pre-determined net rates. Net rate travel offerings can include air travel, hotel stays, car rentals and dynamically packaged combinations of those components. We market those travel offerings to travelers at a price that includes an amount sufficient to pay the travel supplier its charge for providing the travel accommodations, along with any applicable occupancy and other local taxes we expect will be invoiced to us by the travel supplier on that charge, as well as additional amounts representing our service fees. *Travelocity* requires pre-payment by the traveler at the time of booking. *Travelocity* generally does not have purchase obligations for unused offerings. *Travelocity* recognizes net rate revenue for stand-alone air travel at the time the travel is booked, except for lastminute.com entities which recognize net rate revenues for stand-alone air travel at the date of departure; this policy will also be eventually conformed to the rest of the *Travelocity* segment. Vacation packages and hotel net rate revenue is recognized at the date of consumption.

For our *Travelocity* net rate and *TotalTrip* offerings, we record net rate revenues based on the total amount paid by the customer for products and services, minus our payment to the travel supplier. On the date a customer makes and prepays a reservation, we accrue a supplier liability based on the amount we expect to be billed by our suppliers. In some cases, a portion of *Travelocity*'s prepaid net rate and travel package transactions goes unused by the traveler. In those circumstances, and some others, *Travelocity* may not be billed the full amount of the accrued supplier liability. Before the third quarter of 2004, we carried the entire unused portion of those prepaid transactions as an accrued supplier liability. In the third quarter of 2004, we implemented technology improvements that allow us to better estimate the potential liability to suppliers for those prepaid transactions and we adopted a process to reduce the accrued supplier liability for amounts aged more than six months. During 2004, that process resulted in an approximately \$13 million decrease in the accrued supplier liability and an approximately \$13 million increase to transaction revenue and operating income. Our process includes consideration of key factors, including, but not limited to, the age of the supplier liability, historical billing and payment information. We applied this process consistently throughout 2005 for our domestic *Travelocity* supplier liabilities.

*Sabre Airline Solutions*—We provide software solutions and airline reservation hosting services. Revenue from airline reservation hosting services is recognized in the period earned. Our software is sometimes sold as part of agreements which also require us to provide customization and implementation services. Such agreements are accounted for using contract accounting under the provisions of Statement of Position 97-2, *Software Revenue Recognition*. Revenue from license fees, when software is sold without associated customization or implementation services, is recognized when the software is delivered, fees are fixed and determinable, no undelivered elements are essential to the functionality of delivered software and collection is probable. Fees for software maintenance are recognized ratably over the life of the contract. The fees for software maintenance included in initial software license agreements is based on the vendor-specific objective evidence of the fair value of the services determined using actual renewal rates for software maintenance services. We also provide our software solutions in a hosted environment. Revenue is recognized in the period earned, generally through a monthly fee. Revenue from implementation services in a hosted environment is recognized ratably over the term of the agreement.

Services on long-term software development and consulting contracts are provided under both a time-and-materials basis and a fixed fee basis. Revenues with respect to time-and-materials contracts are recognized as services are performed. Revenues from services provided under fixed fee contracts are based on costs incurred to date in comparison to total cost projected at completion. A contract is considered substantially complete when the product has been delivered and performance specifications have been substantially met. Losses, if any, on long-term contracts are recognized when the current estimate of total contract costs indicates a loss on a contract is probable.

As a result of contractual billing terms, at December 31, 2005 and 2004 we had recorded accounts receivable of approximately \$25 million and \$28 million, respectively, that had not been billed to customers and deferred revenues of approximately \$22 million and \$20 million, respectively, related to advance payments from customers. Substantially all of these deferred revenues were classified as current liabilities as of December 31, 2005 and 2004, respectively.

**Derivatives**—We recognize all derivatives on the Consolidated Balance Sheets at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is designated as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of the change in fair value of a derivative designated as a hedge is immediately recognized in earnings. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change.

**Advertising Costs**—Advertising costs are expensed as incurred. Advertising costs expensed in 2005, 2004 and 2003 totaled approximately \$204 million, \$146 million and \$138 million, respectively.

**Subscriber Incentives**—Certain service contracts with significant travel agency subscribers contain booking productivity clauses and other provisions that allow subscribers to receive cash payments and/or various amounts of additional equipment and other services from us at no cost. We establish liabilities for these commitments and recognize the related expense as the subscribers earn incentives based on the applicable contractual terms. Accrued incentives liabilities at December 31, 2005 and 2004 were approximately \$82 million and \$84 million, respectively. Periodically, we make cash payments to subscribers at inception or modification of a service contract which are deferred and amortized over the expected life of the service contract, which is generally three years. At December 31, 2005 and 2004, we had \$45 million and \$42 million, respectively, in deferred charges related to such contracts. The service contracts are priced so that the additional airline and other booking fees generated over the life of the contract will exceed the cost of the incentives provided.

**Income Taxes**—The provision for income taxes has been computed using the liability method. Under the liability method, deferred income tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities and are measured using the tax rates and laws in effect at the time of such determination. The measurement of deferred tax assets is adjusted by a valuation allowance, if necessary, to recognize the extent to which, based on available evidence, the future tax benefits more likely than not will not be realized.

The calculation of our tax liabilities involves significant judgment and evaluation of uncertainties in the interpretation of complex tax laws. As a result, we have established reserves for taxes and associated interest that may become payable in future years as a result of audits by tax authorities. Tax reserves are reviewed regularly pursuant to Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*. Tax reserves are adjusted as events occur that affect our potential liability for additional taxes and associated interest, such as the expiration of statutes of limitation, conclusion of tax audits, identification of additional exposure based on current calculations, identification of new issues, or the issuance of statutory or administrative guidance or rendering of a court decision affecting a particular issue. The Company does not assume that it is permanently invested in foreign subsidiaries and accordingly provides for deferred taxes on the unremitted foreign earnings. Accordingly, we may experience significant changes in our tax reserves in the future if or when such events occur.

**Computer Software Developed or Purchased for Internal Use**—Costs related to applications, infrastructure and graphics development for the *Sabre* system and our websites, are capitalizable under Statement of Position 98-1, *Accounting for Computer Software Developed or Obtained for Internal Use* ("SOP 98-1") and are included in property and equipment in the accompanying balance sheets. Capitalizable costs consist of (a) certain external direct costs of materials and services incurred in developing or obtaining internal-use computer software and (b) payroll and payroll-related costs for employees who are directly associated with and who devote time to the project. Research and development costs incurred during the preliminary project stage or costs incurred for data conversion activities and training, maintenance and general and administrative or overhead costs are expensed as incurred. Costs that cannot be separated between maintenance of, and relatively minor upgrades and enhancements to, internal-use software are also expensed as incurred.

We amortize computer software using the straight-line method over the estimated useful life of the software, approximately three to seven years. At December 31, 2005 and 2004, unamortized computer software costs for internal use approximated \$154 million and \$124 million, respectively. In 2005 our Travelocity segment wrote off \$2 million to amortization expense from the impairment of software which became obsolete due to an upgrade to a new platform. Amortization expense for computer software developed or purchased for internal use was \$40 million, \$26 million and \$19 million in 2005, 2004 and 2003, respectively.

**Capitalized Software Development Costs**—All costs incurred in the development of software which is licensed to third parties that have the option to take possession of the software are classified as research and development costs and are expensed as incurred until technological feasibility has been established. Once technological feasibility has been established, such costs are capitalized until the product is ready for service. We define technological feasibility in accordance with Statement of Financial Accounting Standards No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed* ("SFAS 86"). Technological feasibility is achieved upon completion of all planning, designing, coding and testing activities that are necessary to establish that a product can be produced according to its design specifications.

We amortize capitalized software development costs using the straight-line method over the estimated economic life of the software. At both December 31, 2005 and 2004, unamortized software development costs approximated \$17 million which represents products developed for licensing from our Sabre Airline Solutions segment. Amortization expense for capitalized software development costs was \$7 million in 2005 and \$5 million in both 2004 and 2003.

**Research and Development**—Research and development costs incurred for both SOP 98-1 and SFAS 86 software development approximated \$26 million, \$32 million and \$48 million for 2005, 2004 and 2003, respectively.

**Goodwill and Long-Lived Assets**—Pursuant to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), we evaluate goodwill and indefinite-lived intangible assets for impairment on an annual basis or if impairment indicators exist. For indefinite-lived intangible assets, the evaluation requires a comparison of the estimated fair value of the asset to the carrying value of the asset. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, as generally estimated using a discounted future net cash flow projection, the carrying value of the asset is reduced to its fair value. For goodwill, the evaluation requires a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned to the sum of the carrying value of the assets and liabilities of that unit. If the sum of the carrying value of the assets and liabilities of a reporting unit exceeds the fair value of that reporting unit, the carrying value of the reporting unit's goodwill is reduced to its implied fair value through an adjustment to the goodwill balance, resulting in an impairment charge. We evaluate five reporting units under SFAS 142, which include Sabre Travel Network, Travelocity, Sabre Airline Solutions, SynXis and Emerging Businesses. Our SynXis and Emerging Businesses reporting units are included within Sabre Travel Network for segment reporting purposes.

The fair values used in our SFAS 142 evaluation are estimated based upon discounted future cash flow projections. These cash flow projections are based upon a number of assumptions, including risk-adjusted discount rates, future booking and transaction volume levels, future price levels, rates of growth in our consumer and corporate direct booking businesses and rates of increase in operating expenses. We believe that the assumptions we have made in projecting future cash flows for the evaluations described above are reasonable. However, if future actual results do not meet our expectations, we may be required to record an impairment charge, the amount of which could be material to our results of operations.

Intangible assets subject to amortization are evaluated for impairment pursuant to Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"), which requires impairment testing whenever events or changes in circumstances indicate that the carrying amount of an amortizable intangible asset may not be recoverable. If impairment indicators exist for an amortizable intangible asset, the undiscounted future cash flows associated with the expected service potential of the asset are compared to the carrying value of the asset. If our projection of undiscounted future cash flows is in excess of the carrying value of the intangible asset, no impairment charge is recorded. If our projection of undiscounted cash flows is less than the carrying value of the intangible asset, an impairment charge is recorded to reduce the intangible asset to its fair value.

Amortization expense relating to intangible assets subject to amortization totaled \$48 million, \$47 million and \$56 million during the years ended December 31, 2005, 2004 and 2003, respectively. Included in these amounts are an impairment charge of \$3 million recorded in 2004 for technology-related assets within our Sabre Travel Network segment and \$9 million recorded in 2003 related to the termination of a supplier agreement within our Travelocity segment. No other significant impairments of our goodwill or intangible assets have been recorded.

At December 31, 2005 and 2004, our intangible assets were comprised of the following (in thousands):

	Weighted-Average Useful Lives	December 31, 2005		December 31, 2004	
		Gross Carrying Amount, at Cost	Accumulated Amortization	Gross Carrying Amount, at Cost	Accumulated Amortization
Not subject to amortization:					
Goodwill		\$ 1,743,746	\$ —	\$ 899,404	\$ —
Tradenames, trademarks and domain names		308,621	—	30,608	—
		2,052,367	—	930,012	—
Subject to amortization:					
Purchased technology	4 years	245,855	(153,922)	149,826	(134,874)
Acquired customer relationships and database	7 years	157,444	(43,053)	57,145	(27,270)
Non-competes	7 years	25,736	(22,005)	24,009	(19,581)
Trademarks and brandnames	14 years	43,480	(1,839)	300	(33)
Acquired contracts, supplier and distributor agreements	4 years	59,784	(30,707)	30,667	(21,601)
		532,299	(251,526)	261,947	(203,359)
Total		\$ 2,584,666	\$ (251,526)	\$ 1,191,959	\$ (203,359)

Estimated amortization expense relating to intangible assets subject to amortization for each of the five succeeding years and beyond is as follows (in thousands):

2006	\$	67,466
2007		63,542
2008		54,846
2009		24,031
2010–2025		70,888
		<hr/>
Total	\$	280,773
		<hr/>

Changes in the carrying amount of goodwill during the twelve months ended December 31, 2004 and 2005 are as follows (in thousands):

	<u>Sabre Travel Network</u>	<u>Travelocity</u>	<u>Sabre Airline Solutions</u>	<u>Total</u>
Balance at December 31, 2003	\$ 221,083	\$ 517,310	\$ 40,241	\$ 778,634
Goodwill acquired	31,247	71,587	10,814	113,648
Goodwill adjustments	1,414	450	—	1,864
Foreign exchange revaluation	3,563	—	1,695	5,258
		<hr/>	<hr/>	<hr/>
Balance at December 31, 2004	257,307	589,347	52,750	899,404
Goodwill acquired	30,828	853,899	—	884,727
Goodwill adjustments	(14,497)	2,867	225	(11,405)
Foreign exchange revaluation	(5,538)	(21,250)	(2,192)	(28,980)
		<hr/>	<hr/>	<hr/>
Balance at December 31, 2005	\$ 268,100	\$ 1,424,863	\$ 50,783	\$ 1,743,746
		<hr/>	<hr/>	<hr/>

In addition to the goodwill amounts above, \$94 million is included in investments in joint ventures on the Consolidated Balance Sheets and represents our excess basis over the underlying equity in joint ventures.

**Concentration of Credit Risk**—Our customers are primarily located in the United States, Canada, Europe, Latin America and Asia, and are concentrated in the travel industry. We generate a significant portion of our revenues and corresponding accounts receivable from services provided to the commercial air travel industry. As of December 31, 2005, approximately 70% of our trade accounts receivable was attributable to these customers. Our other accounts receivable are generally due from other participants in the travel and transportation industry. We generally do not require security or collateral from our customers as a condition of sale.

We regularly monitor the financial condition of the air transportation industry and have noted the financial difficulties faced by several air carriers. We believe the credit risk related to the air carriers' difficulties is mitigated somewhat by the fact that we collect a significant portion of the receivables from these carriers through the Airline Clearing House ("ACH"). We believe use of ACH mitigates our credit risk in cases of airline bankruptcies.

We maintained an allowance for losses of approximately \$25 million and \$24 million at December 31, 2005 and 2004, respectively, based upon the amount of accounts receivable expected to prove uncollectible. During 2005, approximately \$6 million in specific customer net write-offs were recorded against allowance for losses. We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us (e.g., bankruptcy filings, failure to pay amounts due to us or others), we record a specific reserve for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize reserves for bad debts based on past write-off history (average percentage of receivables written off historically) and the length of time the receivables are past due.

If demand for commercial air travel softens, due to prevailing economic conditions, terrorist acts or other incidents involving commercial air transport, or other factors, the financial condition of our customers may be adversely impacted. If we begin, or estimate that we will begin, to experience higher than expected defaults on amounts due us, our estimates of the amounts which we will ultimately collect could be reduced by a material amount. We believe that we have appropriately considered the effects of these factors in our financial statements, as well as any other known customer liquidity issues, on the ability of our customers to pay the amounts owed to us.

**Travel Supplier Liabilities and Related Deferred Revenue**—To facilitate the provision of travel accommodations to travelers, we enter into agreements with travel suppliers for the right to market their products, services and other content offerings. Under some agreements with travel suppliers in Europe, including air travel, we collect the full price of the travel from the consumer and remit the payment to the travel supplier, after withholding our service fee. The amount due to the travel supplier and our fee is recorded in travel supplier liabilities and related deferred revenue on the Consolidated Balance Sheets until these amounts are paid to the supplier or recognized as revenue upon consumption of the travel.

Under other agreements with travel suppliers, content is available to us at pre-determined net rates. Net rate travel offerings can include air travel, hotel stays, car rentals and dynamically packaged combinations of those components. We market those offerings to travelers at a price that includes an amount sufficient to pay the travel supplier for its charge for providing the travel accommodations, along with any applicable taxes we expect will be invoiced to us by the travel supplier on that charge, as well as additional amounts representing our service fees. For this type of business model, we require pre-payment by the traveler at the time of booking. Travel supplier liabilities also reflects amounts payable to travel suppliers under these net rate travel offerings and related deferred revenue, which reflects the amounts representing our service fees that are recognized as revenue when the travel has been consumed.

**Earnings Per Share**—Basic earnings per share excludes any dilutive effect of options, warrants and other stock-based awards. The number of shares used in the diluted earnings per share calculations includes the dilutive effect of stock options and restricted shares.

The following table reconciles weighted-average shares used in computing basic and diluted earnings per common share (in thousands):

	Year Ended December 31,		
	2005	2004	2003
Denominator for basic earnings per common share—weighted-average shares	129,587	136,326	142,321
Dilutive effect of stock awards and options	749	1,605	1,086
Denominator for diluted earnings per common share—adjusted weighted-average shares	130,336	137,931	143,407

Options to purchase approximately 19,780,413, 16,110,965 and 16,003,814 weighted-average shares of Common Stock were outstanding during 2005, 2004 and 2003, respectively, but were excluded from the computation of diluted earnings per share because the effect would be antidilutive. The number of antidilutive options for 2005, 2004 and 2003 includes approximately 3,400,000 options that were granted to a third party in 1998 and expire in 2013. The increase in antidilutive options in 2005 compared to prior periods was due to a generally lower stock price for the year. For additional information regarding stock awards and options, see Note 12.

**Stock Awards and Options**—At December 31, 2005, we have seven stock-based compensation plans, which are described more fully in Note 12. We currently account for stock awards and options using the intrinsic value method set forth in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25") and related interpretations. Generally, no compensation expense is recognized for stock option grants if the exercise price is at or above the fair market value of the underlying stock on the date of grant. Compensation expense relating to other stock awards is recognized over the period during which the employee renders service to us necessary to earn the award. In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"), which is a revision of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). We discuss the changes that will occur to our accounting for stock awards and options as a result of adopting SFAS 123R under the "Recent Accounting Pronouncements" caption below.

In accordance with Financial Accounting Standard Board's Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation* ("FIN 44"), an interpretation of APB 25, we record deferred compensation for unvested employee stock options assumed in connection with our acquisitions (Note 4). At December 31, 2005, unamortized deferred stock compensation relating to acquisitions is immaterial. At December 31, 2004, unamortized deferred stock compensation related to acquisitions totaled approximately \$1 million and is recorded as a reduction of additional paid-in capital.

The total charge for stock compensation expense recorded in accordance with APB 25 and included in wages, salaries and benefits expense was \$12 million, \$11 million and \$12 million for 2005, 2004 and 2003, respectively. The stock compensation expense resulted from unvested stock options assumed in connection with acquisitions and our grants of restricted stock.

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS 123, instead of APB 25's intrinsic value method to account for stock-based employee compensation (in thousands, except for per share amounts):

	Year ended December 31,		
	2005	2004	2003
Net earnings as reported	\$ 172,152	\$ 190,419	\$ 83,301
Add stock compensation expense determined under intrinsic value method, net of income taxes	7,361	6,995	7,531
Less total stock-based employee compensation expense determined under fair value based method for all awards, net of income taxes	(30,937)	(31,094)	(48,063)
Pro forma net earnings	\$ 148,576	\$ 166,320	\$ 42,769
Net earnings per common share, as reported:			
Basic	\$ 1.33	\$ 1.40	\$ 0.59
Diluted	\$ 1.32	\$ 1.38	\$ 0.58
Net earnings per common share, pro forma:			
Basic	\$ 1.15	\$ 1.22	\$ 0.30
Diluted	\$ 1.14	\$ 1.21	\$ 0.30

The above pro forma information regarding net income and earnings per share has been determined as if we had accounted for employee stock options and stock-based awards under the fair value method set forth in SFAS 123. The fair value for the stock options granted by us to employees was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year ended December 31,		
	2005	2004	2003
Average risk-free interest rate	4.0%	3.3%	2.8%
Expected life (in years)	4.5	4.5	4.5
Dividend yield	1.7%	1.3%	0.1%
Volatility	49.3%	51.6%	53.6%
Fair value	\$ 8.27	\$ 9.81	\$ 8.60

**Comprehensive Income**—Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. During 2005, 2004 and 2003 amounts included in comprehensive income other than net income were approximately a \$68 million loss, a \$1 million loss and an \$8 million gain respectively, primarily consisting of a minimum pension liability adjustment (Note 9) and unrealized gains on investments, foreign currency forward contracts and foreign currency translations.

At December 31, 2005, the components of accumulated other comprehensive income/(loss) were as follows (in thousands):

	Minimum Pension Liability Adjustment	Unrealized Gains/ (Losses) on Foreign Currency Forward Contracts	Unrealized Gains/(Losses) on Investments	Unrealized Foreign Currency Translation Gains/ (Losses)	Total Accumulated Other Comprehensive Loss
Balance at December 31, 2002	\$ (21,638)	\$ 4,976	\$ 616	\$ 22	\$ (16,024)
2003 other comprehensive income (loss), net of deferred taxes	(1,223)	1,437	710	6,985	7,909
Balance at December 31, 2003	(22,861)	6,413	1,326	7,007	(8,115)
2004 other comprehensive income (loss), net of deferred taxes	(8,330)	519	(1,422)	7,922	(1,311)
Balance at December 31, 2004	(31,191)	6,932	(96)	14,929	(9,426)
2005 other comprehensive income (loss), net of deferred taxes	(24,433)	(11,101)	634	(33,546)	(68,446)
Balance at December 31, 2005	\$ (55,624)	\$ (4,169)	\$ 538	\$ (18,617)	\$ (77,872)

The 2005, 2004 and 2003 minimum pension liability adjustments are net of deferred tax effects of approximately \$15 million, \$5 million and \$1 million, respectively. Unrealized gains and losses on foreign currency forward contracts for 2005 are net of deferred tax effects of approximately \$7 million. Unrealized foreign currency translation loss is net of approximately \$10 million in deferred taxes at December 31, 2005. The tax effects allocated to all other components of other comprehensive income during the years ended December 31, 2005, 2004 and 2003 were not significant. Unrealized gains from foreign currency forward contracts that were reclassified from other comprehensive income to net income during the years ended December 31, 2005, 2004 and 2003 were \$5 million, \$11 million and \$12 million, respectively. Reclassifications from other comprehensive income to net income for all other components of other comprehensive income for the years ended December 31, 2005, 2004 and 2003 were not significant.

**Financial Instruments**—The carrying value of our financial instruments including cash, marketable securities, accounts receivable and short and long-term debt instruments approximate their fair values at December 31, 2005 and 2004. Our derivative instruments (Note 6) are carried at their estimated fair values at December 31, 2005 and 2004.

**Treasury Stock**—We account for the purchase of treasury stock at cost. Upon reissuance of shares of treasury stock, we record any difference between the weighted-average cost of such shares and any proceeds received as an adjustment to additional paid-in capital.

**Restricted Cash**—At December 31, 2005, we hold \$57 million in cash that is restricted. Restricted cash of \$40 million primarily represents cash that is required to be held to fulfill bonding requirements in Europe which are in place to protect European travel consumers in the event a travel supplier is unable to provide the travel products purchased, or we default on our obligation to pay the travel supplier. The amounts of the required deposits are established annually based on forecasted transaction value sold and are influenced by the credit stability and ratings of the company acting as collection agent or merchant for the transaction (us in this instance) and do not represent the entire cost of the travel product purchased. Therefore, we are contingently liable for additional amounts beyond those on deposit as restricted cash with bonding agencies. We hold \$11 million in an escrow account to fulfill the requirements of a bank guarantee we provided to the government of India relating to our ongoing Indian tax dispute. In the first quarter of 2006 this amount became unrestricted. We also have \$6 million of restricted cash from our consolidation of Zuji which represents bank guarantees required by airlines and other travel regulatory bodies as well as an office premise.

**Recent Accounting Pronouncements**—On December 16, 2004, the FASB issued SFAS 123R, which is a revision of SFAS 123. SFAS 123R supersedes APB 25 and amends Statement of Financial Accounting Standards No. 95, *Statement of Cash Flows*. Generally, the approach in SFAS 123R is similar to the approach described in SFAS 123. However, SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized on the income statement based on their fair values.

We are adopting SFAS 123R on January 1, 2006 using the modified prospective method and, as a result, we will begin expensing options in 2006 with no restatement of prior periods. All options granted prior to adoption will continue to be expensed using the fair value previously determined using the Black-Scholes option-pricing model and included in our pro forma disclosures; however, options granted subsequent to our adoption of SFAS 123R will be valued using a lattice model, which we believe provides us with a more reliable fair value. Stock option expenses will be recorded on a straight-line basis over the requisite service period. SFAS 123R also requires that the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow, as required under the current guidance. We cannot estimate what the impact of this will be on our financing cash flows, as it will depend on the future exercise behavior of option holders. We expect the adoption of SFAS 123R will reduce pre-tax income by approximately \$18 million, or \$.09 per share, in 2006 although this amount may change based on the level of future grants of options, unforeseeable changes in our assumptions used in the lattice model, such as our stock volatility, and actual forfeiture rates not matching our current estimates.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20, *Accounting Changes*, and Statement of Financial Accounting Standards No. 3, *Reporting Accounting Changes in Interim Financial Statements*. The standard requires changing the accounting and reporting requirements of voluntary and mandatory (unless the pronouncement provides other transition requirements) changes in accounting principle by requiring retroactive application of the change in accounting principle to prior periods' financial statements, unless it is not practical to do so, rather than recording a cumulative catch-up adjustment in net income in the year of the change. Reporting error corrections will be handled similarly to a change in accounting principles. The standard is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005. This new accounting standard is not anticipated to have a material impact on our financial results.

### 3. Marketable Securities

Marketable securities consist of (in thousands):

	December 31,	
	2005	2004
Corporate notes	\$ 233,351	\$ 265,277
Debt securities issued by U.S. Treasury, foreign governments and other government agencies (1)	103,200	416,711
Mortgages	4,738	41,788
Other debt securities (1)	35,296	63,577
Total	\$ 376,585	\$ 787,353

The following table summarizes marketable securities by contractual maturity (in thousands):

	December 31,	
	2005	2004
Due in one year or less	\$ 138,254	\$ 461,674
Due after one year through three years	193,305	1,038
Due after three years	45,026	324,641
Total	\$ 376,585	\$ 787,353

Marketable securities, all of which are classified as available-for-sale, are stated at fair value based on market quotes. Unrealized gains and losses, net of deferred taxes, have not been significant and are recorded as a component of other comprehensive income.

We expect that the majority of marketable securities will be sold within one year, regardless of maturity date. We primarily invest in high-credit-quality debt instruments with an active resale market and money market funds to ensure liquidity and the ability to readily convert these investments into cash to fund current operations, or satisfy other cash requirements as needed. Accordingly, we have classified all marketable securities as current assets in the accompanying balance sheets. The decrease in marketable securities between 2004 and 2005 is due to the use of \$361 million of our marketable securities to acquire lastminute.com in July 2005 (See Note 4) and other various investing and financing activities (See Note 5 and the Consolidated Statements of Cash Flows).

(1) Includes securities guaranteed by a U.S. government agency.

### 4. Mergers and Acquisitions

#### *2005 Mergers and Acquisitions*

During 2005, we completed the following acquisitions, each of which were accounted for using the purchase method of accounting for business combinations. The results of operations of the acquired entities have been included in our Consolidated Statements of Income from the date of acquisition.

**Acquisition of SynXis**—On January 19, 2005, we completed the acquisition of SynXis Corporation ("SynXis"), a provider of the SynXis® reservation management, distribution and technology services for hotels, for approximately \$41 million in cash, including acquisition costs, of which \$37 million has been paid as of December 31, 2005. This acquisition enables Sabre Travel Network to further build on our capabilities and offerings to hoteliers, to leverage new hotel content for all of our travel agents, and to extend reservation technology currently used at approximately 6,000 hotels, primarily in the United States and Europe. SynXis will continue to operate under the SynXis name as a wholly-owned subsidiary of Sabre Inc. The acquired goodwill is not deductible for tax purposes. Intangible assets subject to amortization will be amortized over their respective lives. The following table summarizes the allocation of the purchase price and the amounts allocated to goodwill (in thousands):

Assets acquired net of liabilities assumed	\$ 5,503
Purchased technology (5 year useful life)	3,900
Customer relationships (8 year useful life)	10,700
Tradenames	1,800
Goodwill	19,196
	<hr/>
Total	\$ 41,099
	<hr/>

**Acquisition of lastminute.com**—On July 20, 2005, we completed the acquisition of lastminute.com, a leading online travel agency and leisure company in Europe. The aggregate cost of the acquisition was approximately \$1.2 billion (\$1,072 million net of cash acquired). The aggregate cost includes cash paid to lastminute.com plc stockholders of \$1,023 million, debt retired of \$138 million and direct acquisition costs of \$14 million. We used approximately \$374 million of available cash and marketable securities (\$272 million, net of cash acquired) to fund the acquisition and incurred \$800 million in indebtedness under the Bridge Facility as discussed in Note 7. On February 16, 2006, we prepaid \$100 million of the \$800 million acquisition Bridge Facility from our available cash and marketable securities. We will be required to repay or refinance the remaining \$700 million of the Bridge Facility prior to its expiration on August 12, 2006. We are evaluating choices for repaying and refinancing the Bridge Facility, including using additional cash, borrowing under our revolving credit agreement and accessing public and private markets for debt. The timing and choice of refinancing options will be subject to market conditions, but we expect to repay or refinance the Bridge Facility during the first half of 2006.

With the acquisition of lastminute.com, our Travelocity segment greatly expanded its scale. We can now offer travel suppliers a greater number of potential buyers in a broader geographic area, particularly Europe. We expect this increased scale to allow us to offer consumers even better travel deals and a greater range of international options. An immediate benefit is our ability to give lastminute.com customers access to the wide range of hotels in Travelocity's net rate hotel program. lastminute.com customers will have a greater range of U.S. and international travel options, and over time, Travelocity should gain more European travel choices.

lastminute.com has been included in our Consolidated Statements of Income from the date of acquisition, July 20, 2005. The assets acquired and liabilities assumed have been recorded on our Consolidated Balance Sheet based on preliminary estimates of fair value by management and results of an independent valuation. We continue to review the fair value of assets and liabilities acquired. The final allocation of the purchase price will be based on a complete evaluation of the assets and liabilities of lastminute.com. Accordingly, the information presented on our Consolidated Balance Sheet and elsewhere in this report may differ materially from the final purchase price allocation. The recorded goodwill related to the acquisition of lastminute.com by our Travelocity segment will be deductible for income tax purposes and represents a value attributable to an increased competitive position in Europe and greater scale.

The following table summarizes the allocation of the purchase price and the amounts allocated to goodwill (in thousands):

Working capital	\$	(176,511)
Property and equipment		21,280
Investments in joint ventures and other assets, net		556
Tradenames (indefinite life)		281,789
Tradenames (14.2 year average useful life)		45,005
Technology (3.5 year useful life)		95,411
Customer and contractual relationships (7 year useful life)		108,012
Non-competes agreements (1 year useful life)		1,800
Goodwill		798,408
Non-current liabilities		(1,483)
		<hr/>
Total purchase price	\$	<u>1,174,267</u>

Working capital includes an accrual of approximately \$43 million of acquisition related cost, including \$10 million, net of deferred taxes of \$5 million, for the fair value of a restructuring plan described further below. The accrual also includes a material contingent liability in relation to a dispute with a vendor and other items.

Shortly following the completion of the acquisition, we began to develop a plan to eliminate duplicate costs, including certain duplicate facilities, and to restructure certain areas of the lastminute.com business. At the acquisition date, we accrued \$11 million, offset by deferred taxes of \$4 million, for the present value of future lease payments and related costs due on facilities that will be closed and consolidated with existing facilities in the United Kingdom, Germany and Sweden. The majority of the accrual relates to the relocation of staff from a facility in Camberley to a facility in Woking which has excess capacity. Both facilities are southwest of the London, England area. The Camberley facility will no longer be utilized and we plan to pursue options to sub-let or terminate our lease early for this facility, although at this time, we do not know if either of these options is possible. As of December 31, 2005, the accrual remains at \$11 million as the facility moves are only beginning to occur.

lastminute.com had an ongoing dispute with a vendor when we completed the acquisition on July 20, 2005. The vendor has claimed lastminute.com owes approximately \$56 million; however, we believe that any amount due the vendor is significantly less than the amount claimed. We intend to vigorously defend our position and have provided for the amount we believe is due to the vendor.

Additionally, we accrued \$4 million for severance and related costs for reductions in headcount in various areas of lastminute.com including in the United Kingdom, France, Germany and Holland. The reductions are due to the elimination of duplicate staff with the consolidation of facilities and activities of Travelocity.com and lastminute.com, outsourcing of certain call center activities and other redundancies identified in our analysis of the business. Since the acquisition, we have paid \$0.4 million of the severance accrued and reduced the accrual by \$0.5 million for adjustments due to the voluntary departure of employees. As of December 31, 2005, the remaining accrual for severance and related costs is \$3 million.

**Consolidation of Zuji Holdings Limited**—On November 7, 2005, pursuant to issuing a \$4 million loan to Zuji, we became the primary beneficiary of the joint venture and in accordance with FIN 46R, began accounting for our investment in Zuji, which was previously accounted for using the equity method, on a fully consolidated basis. Zuji was established as a joint venture in 2002 with 16 Asia Pacific airlines and operates in the Asia Pacific region. Zuji is hosted by Travelocity and utilizes Travelocity technology. With the consolidation, we added \$72 million of assets, including \$55 million in goodwill and \$71 million of liabilities to our Consolidated Balance Sheet. The recorded goodwill is associated with our Travelocity segment and will not be deductible for income tax purposes. The goodwill results from an excess in basis over the fair value of the assets, liabilities and non-controlling interests of the joint venture and represents a value attributable to an increased competitive position in the Asia Pacific region and greater scale.

On January 24, 2006, a put option that we entered into on January 18, 2005 with the other equity investors of Zuji, was exercised and pursuant to the agreement we paid \$34 million for the remaining 90% interests in Zuji that we did not already own. The final allocation of the purchase price, in connection with the exercise of the put as well as the initial consolidation under FIN 46R, will be based on a complete evaluation of the assets and liabilities of Zuji. Accordingly, the information presented on our Consolidated Balance Sheet and elsewhere in this report, as a result of consolidating Zuji under the guidance of FIN 46R, is preliminary and may change.

## Pro Forma Statement of Operations Data for Mergers and Acquisitions During 2005

The following unaudited pro forma information presents our results of operations from continuing operations as if the acquisition of lastminute.com, discussed above, had occurred as of January 1, 2004. The pro forma information has been prepared by combining our results of operations and lastminute.com's results of operations for the years ended December 31, 2005 and 2004. Prior to the acquisition, lastminute.com utilized a September 30 fiscal year end. The lastminute.com statements of operations have been adjusted to conform to our calendar year end financial statement presentation. For purposes of this report, unaudited pro forma adjustments, including a reconciliation between generally accepted accounting principles in the United Kingdom, where lastminute.com is headquartered, and GAAP in the United States, have been made to the lastminute.com historical financial statements. The pro forma information does not purport to be indicative of the results that would have occurred if the acquisition had actually been in effect earlier than July 20, 2005, nor indicative of future performance. Prior to the acquisition in 2005, the lastminute.com year ended December 31, 2005 results include several one-time adjustments totaling \$43 million which have a material effect on the results presented. These adjustments, which are not anticipated in future periods, include costs incurred and amounts expensed related to the acquisition and a material disputed amount possibly due to a vendor. Pro forma adjustments related to the acquisition of SynXis and the Zuji consolidation have not been included, as the effect of doing so would be immaterial. Amounts below are presented in thousands, except per share data:

	<u>Year ended</u> <u>December 31, 2005</u>		<u>Year ended</u> <u>December 31, 2004</u>
Pro forma revenues	\$ 2,705,612	\$	2,463,675
Pro forma net income	110,561		137,400
Pro forma net income per common share:			
Basic	\$ 0.85	\$	1.01
Diluted	\$ 0.85	\$	1.00

### 2004 Mergers and Acquisitions

During 2004, we completed the following acquisitions, each of which was accounted for using the purchase method of accounting for business combinations. The results of operations of the acquired entities have been included in our Consolidated Statements of Income from the date of acquisition.

**Acquisition of RM Rocado**—On August 16, 2004, we completed the acquisition of Stockholm, Sweden-based RM Rocado AB and RM Rocado Assist AB ("Rocado") for approximately \$15 million in cash. The acquisition of Rocado expands the ability of our Sabre Airline Solutions business segment to provide software solutions to international small, medium-size and low-cost carriers. Assets acquired and liabilities assumed have been recorded at their estimated fair values and the \$11 million excess of cost over the estimated fair value of the net assets has been recorded as goodwill. The acquired goodwill is not deductible for tax purposes. The fair values were determined by management based on a valuation of the net assets acquired, including intangible assets of \$3 million. Intangible assets subject to amortization are being amortized over a weighted average of 3 years and relate primarily to technology and customer relationships.

**Acquisition of All State Tours, Inc.**—On August 30, 2004 we completed the acquisition of All State Tours, Inc. ("Showtickets.com"), a leading distributor of show tickets and tours in Las Vegas, NV, for approximately \$25 million in cash. The acquisition of Showtickets.com enhances the ability of our Travelocity business segment to sell show tickets, attraction passes and other travel extras for this popular destination. Assets acquired and liabilities assumed have been recorded at their estimated fair values and the \$15 million excess of cost over the estimated fair value of the net assets has been recorded as goodwill. The acquired goodwill is deductible for tax purposes. The fair values were determined by management based on a valuation of the net assets acquired including an independent valuation of the intangible assets acquired of \$10 million. Intangible assets subject to amortization are being amortized over a weighted average of 5 years and relate primarily to customer relationships and technology.

**Acquisition of TEU**—On October 4, 2004, we completed the acquisition of certain entities in the United Kingdom, Sweden, Denmark, Norway and France, which were previously owned jointly by the Travelocity Europe joint venture. We purchased the 50% of these entities that we did not indirectly already own from the Otto Group's Otto Freizeit and Touristik GmbH for approximately \$33 million (26.6 million Euros) in cash. The remaining 50% of these entities that we did already own indirectly through the Travelocity Europe joint venture was distributed to us by the joint venture so that we now directly own 100% of these entities. The entities acquired include Travelocity.co.uk in the United Kingdom, Resfeber.se and Box Office in Sweden, Rejsefeber.dk and Arte Udland in Denmark, Rejsefeber.no and Ticket Service in Norway and Usit Connections SAS, Boomerang SAS and Travelocity SAS in France. Our decision to take full ownership of Travelocity Europe outside of Germany will enable us to invest more heavily and efficiently in the products, technology and marketing necessary to grow in this key region. The results of operations of the acquired entities are included in our Consolidated Statement of Income and the results of operations of our Travelocity segment from the date of acquisition. Because we previously owned 50% of these entities (accounted for using the equity method), the acquisition was accounted for as a step-acquisition. The purchase price was allocated based on 50% of the estimated fair value of the net assets acquired, including intangible assets acquired. After adding our original 50% cost basis in the entities to the 50% of the fair value of the assets acquired, our total investment in Travelocity Europe is \$55 million, including \$55 million of goodwill. The acquired goodwill is deductible for tax purposes. The fair values of the net assets acquired were determined by management based on an independent valuation of the intangible assets acquired. Intangible assets subject to amortization are being amortized over a weighted average period of 5 years and relate primarily to supplier relationships. The following table summarizes the allocation of the purchase price and the amounts allocated to goodwill (in thousands):

Net liabilities assumed	\$ (5,835)
Contracts (5 year useful life)	3,970
Tradenames	2,227
Goodwill	54,828
	<hr/>
Total	\$ 55,190
	<hr/>

**Gulf Air Joint Venture**—On December 31, 2004, we entered into a joint venture with Gulf Air, a leading airline carrier in the Middle East, for which we paid \$31 million throughout 2005. The joint venture, Sabre Travel Network Middle East, is owned 60% by Sabre Travel Network and 40% by Gulf Air and will further extend our travel network products and services into the Middle East region. The joint venture provides technology services, bookable travel products and distribution services for travel agencies, corporations and travel suppliers in the region. In addition, Sabre Airline Solutions entered into a five-year revised contract with Gulf Air to provide the *SabreSonic* suite of products for passenger management, as well as additional operational software and consulting services. The goodwill resulting from this transaction is not deductible for tax purposes. Intangible assets subject to amortization will be amortized over their respective lives. The results of the Gulf Air joint venture are consolidated into our financial results with a minority interest for the portion that we do not own. The following table summarizes the allocation of the purchase price and the amounts allocated to goodwill (in thousands):

Subscriber contracts (3 year useful life)	\$ 10,679
Net assets	517
Goodwill	20,008
	<hr/>
Total	\$ 31,204
	<hr/>

***Pro Forma Statement of Operations Data for Mergers and Acquisitions During 2004***

Pro forma information related to the mergers and acquisitions during 2004 has not been presented, as the effect of these acquisitions was not material to our historical results of operations.

***2003 Mergers and Acquisitions***

During 2003, we completed the following acquisitions, each of which was accounted for using the purchase method of accounting for business combinations. The results of operations of the acquired entities have been included in our Consolidated Statements of Income from the date of acquisition.

**Acquisition of World Choice Travel**—On November 19, 2003, we acquired the assets and liabilities of World Choice Travel, Inc. ("WCT") from MyTravel Group PLC, for approximately \$50 million in cash. World Choice Travel is a U.S.-based hotel room consolidation and distribution business that complements our net rate hotel offerings.

The assets and liabilities acquired were merged into our Travelocity business segment. Assets acquired and liabilities assumed have been recorded at their estimated fair values and the excess of the cost over the estimated fair value of the net assets has been recorded as goodwill. The acquired goodwill is deductible for income tax purposes. The fair values were determined by management based on an independent valuation of the net assets acquired, including intangible assets. The following table summarizes the allocation of the purchase price and the amounts allocated to goodwill (in thousands):

Current assets acquired	\$ 2,846
Liabilities assumed	(5,198)
Other assets acquired	65
Affiliate network (5 year useful life)	8,000
Brand names and domain names (indefinite life)	3,600
Purchased technology (3 year useful life)	2,100
Other intangible assets (weighted average life of 3 years)	1,700
Goodwill	37,353
	<hr/>
Total purchase price	\$ 50,466
	<hr/>

**Acquisition of Dillon Communication Systems GmbH ("Dillon") Minority Interest**—On November 17, 2003, we acquired the 49% of Dillon that we did not already own for approximately \$30 million in cash. Dillon is a supplier of electronic travel distribution services in Germany and remains part of the Sabre Travel Network segment. The acquisition of the remaining interest will allow us to further integrate its product offering into our current offerings in that region. The purchase price was allocated to the estimated fair value of the net assets acquired, including intangible assets of \$15 million, with the remaining \$11 million recorded as goodwill. The acquired goodwill is not deductible for tax purposes. The fair values were determined by management based on an independent valuation of the intangible assets acquired. Intangible assets subject to amortization are being amortized over a weighted average of 5 years and relate to customer relationships and technology.

***Pro Forma Statement of Operations Data for Mergers and Acquisitions During 2003***

Pro forma information related to the mergers and acquisitions during 2003 has not been presented, as the effect of these acquisitions was not material to our historical results of operations.

## 5. Significant Transactions and Events

**Cost Reductions**—In the fourth quarter of 2003, in an effort to reduce our operating expenses and better align expenses with revenue targets for 2004 and future years, we reduced our workforce by approximately 8.6% and recorded a charge for severance, salaries and benefits of approximately \$18 million. This \$18 million charge included \$7 million at the corporate level, \$6 million for Sabre Travel Network, \$3 million for Travelocity and approximately \$2 million for Sabre Airline Solutions. The remaining liability for this charge as of December 31, 2005 was not significant.

In the fourth quarter of 2003, we consolidated our operations and closed facilities in the United States. These actions resulted in a charge of approximately \$17 million, consisting of write-offs of leasehold improvements and other facility-related assets, and lease termination costs. The \$17 million charge included \$13 million at the corporate level, \$4 million for Travelocity and immaterial charges for both Sabre Travel Network and Sabre Airline Solutions. Of the \$13 million recorded at the corporate level, approximately \$6 million represented assets written off due to the facilities consolidation and approximately \$2 million and \$4 million were paid during 2004 and 2003, respectively. This liability consists primarily of lease payments for vacated facilities, which will be paid over the applicable lease terms. All of the amounts recorded to Travelocity, Sabre Travel Network and Sabre Airline Solutions represented assets written off due to the facilities consolidation and an insignificant liability remains for these segments as of December 31, 2005.

In April 2004, we announced to affected employees that we would transition certain of our operations to a company-operated subsidiary in Latin America. We accrued approximately \$4 million during 2004, for the workforce reduction of which only a negligible amount remains outstanding as of December 31, 2005.

In June 2005, we announced a plan for a workforce reduction and accrued approximately \$3 million for severance and related costs due to employees under the plan, \$2 million of which remains accrued at December 31, 2005. In December 2005, we further reduced our workforce and accrued approximately \$3 million for severance and related costs. We expect the majority of the accruals for these reductions will be paid out in the first quarter of 2006.

The following table summarizes the severance costs and the facilities costs related to exit activities, as well as the liabilities included in the Consolidated Balance Sheets at December 31, 2003, 2004 and 2005 (in thousands):

	2001	2002	2003		2004	2005	Total
	Restructuring Plan	Restructuring Plan	Restructuring Plan		Restructuring Plan	Restructuring Plan	
	Facilities Related	Severance and Benefits	Severance and Benefits	Facilities Related	Severance and Benefits	Severance and Benefits	
Remaining liability at December 31, 2003	974	609	7,332	3,290	—	—	12,205
Estimated cost of 2004 workforce reduction	—	—	—	—	4,411	—	4,411
Amounts paid in 2004	(808)	(473)	(6,412)	(1,929)	(1,368)	—	(10,990)
Remaining liability at December 31, 2004	166	136	920	1,361	3,043	—	5,626
Estimated cost of 2005 workforce reduction	—	—	—	—	—	6,344	6,344
Amounts paid in 2005	(166)	(136)	(759)	(1,241)	(2,736)	(1,010)	(6,048)
Remaining liability at December 31, 2005	\$ —	\$ —	\$ 161	\$ 120	\$ 307	\$ 5,334	\$ 5,922

The costs in the table above are included in the Consolidated Statements of Income as cost of revenues or selling, general and administrative expenses depending on the classification of the related employee or assets, or the primary use of the facility, as applicable.

**Contract Settlements**—In the first quarter of 2003 we recognized revenue of approximately \$36 million, representing settlements from two travel agency subscribers (who were affiliated with each other and were acquired by a competitor of ours) in exchange for allowing them to cancel their existing subscriber agreements.

**Syndicated Lease Financing**—We were previously affiliated with a special purpose entity ("SPE"), as part of a syndicated lease arrangement that was terminated in June 2003. As a result of terminating the syndicated lease and entering into the capital lease arrangement for our corporate headquarters in June 2003 described in Note 8, the properties were sold by the SPE to the capital lease lessor, we paid approximately \$28 million pursuant to the residual value guarantee under the syndicated lease and the SPE was terminated. This payment is recorded in other, net in the accompanying Consolidated Statements of Income for 2003.

**Termination of Affiliation Agreement with Former Hotel Supplier**—On August 29, 2003, Travelocity exercised its right, pursuant to its affiliation agreement with its former hotel supplier, to expand the distribution of our own net rate hotel offerings. As a result, we subsequently agreed with our former hotel supplier to terminate an existing affiliation agreement and settled all amounts outstanding between the parties. Due to the termination, we wrote off an intangible asset associated with this contract of approximately \$9 million. Additionally, we recognized revenue of approximately \$8 million related to warrants received from the former hotel supplier pursuant to this agreement (Note 6) that had previously been deferred and was being recognized over the term of the agreement.

**DCA 3-Year Pricing Option**—In October 2002 we began marketing a new Direct Connect Availability ("DCA") 3-Year Pricing Option to airlines. Airlines selecting this option under their *Sabre* GDS participating carrier agreements received a discount of approximately 12.5% from the applicable 2003 DCA rates, and are locked into that booking fee rate for three years. Through the DCA 3-Year Pricing Option, participating airlines agreed to commit to the highest level of participation in the Sabre system (DCA level) for three years. As a consequence, we believe that the participation of carriers in the program may have helped to slow the shift of bookings away from the *Sabre* GDS to supplier-controlled outlets.

Many of the original DCA-3-Year contracts are up for renewal in 2006. Sabre Travel Network already has successfully signed new DCA agreements with several large U.S. airlines. Northwest Airlines and US Airways, which had DCA 3-Year contracts, and AirTran Airways, which did not have a DCA 3-Year contract. The US Airways agreement also includes America West, which did not have a DCA 3-Year contract. These new five year agreements, like the original DCA 3-Year agreements, require participating airlines to provide all *Sabre* GDS users with broad access to schedules, seat availability and published fares, including Web fares and other promotional fares. These agreements also require participating airlines to furnish generally to passengers booked through the *Sabre* GDS the same customer perquisites and amenities as those afforded to passengers through other GDSs and websites.

Additionally we have transitioned many carriers from our traditional Participating Carrier Agreement to a new Travel Marketing Agreement that better aligns price with value for the airline and provides better content guarantees to Sabre Travel Network.

**WNS Agreement**—On January 30, 2004, we entered into a multi-year master services agreement with WNS North America, Inc. ("WNS"). Under the agreement, throughout 2004 and continuing in 2005, we outsourced to WNS an increasing portion of our Travelocity contact center operations, primarily front-line customer service calls and back-office fulfillment. Travelocity employees continue to handle sales calls, as well as advanced customer service issues and quality control. Severance and related costs incurred due to this agreement have not been significant.

We are committed to minimum payments based on a calculation that considers both current and historical transaction volumes compared to thresholds established in the agreement. For 2006 through 2010, the starting thresholds for calculating our commitment for each year ranges from approximately \$20 million to \$31 million and actual commitments could be lower than these amounts, depending on call volumes. Additionally, we loaned approximately \$10 million to WNS for transitional assistance. Amounts borrowed by WNS accrue interest at 5%, payable quarterly, and the principal will be due in three annual payments beginning in 2009. However, in the fourth quarter of 2005, WNS voluntarily repaid \$5 million of the \$10 million loan.

**Equipment Sale and Leaseback**—On November 30, 2004, we entered into a Master End User Agreement for Sun Products and Services (the "Agreement") with Sun Microsystems, Inc. ("Sun Microsystems") to assist with the consolidation of the Company's existing midrange environment and to provide the Company with Enterprise System software and ongoing consulting services. The Agreement allows us to consolidate approximately 900 of our existing midrange platform servers onto a standardized midrange environment consisting of approximately 400 servers, resulting in significant savings from the optimization of our hardware capacity and leveraging of newer, more efficient technology infrastructure.

The migration onto the consolidated hardware environment is expected to be completed in 2006. As part of the migration, we sold our existing infrastructure assets to Sun Microsystems for approximately \$2 million. These assets are being leased back to us over the term of the migration period. The assets that we sold had an original cost of approximately \$25 million, accumulated depreciation of approximately \$15 million, and a net book value of approximately \$10 million. We received approximately \$2 million in proceeds from this sale, and recorded an approximate \$7 million book loss as a result of this transaction. We do not expect the loss resulting from this transaction to have any impact on our future cash expenditures.

**AOL Agreement**—In 1999, we entered into an agreement with AOL that provided, among other things, that Travelocity would be the exclusive reservations engine for AOL's Internet properties. We were initially obligated for payments of up to \$200 million and we shared advertising revenues and commissions with AOL. On January 21, 2004, we revised the terms of and extended our agreement with America Online ("AOL") through March 2006, with an optional year after that. Travelocity continues to be the exclusive reservations engine for AOL's Internet properties under the revised agreement. Under the revised terms of the agreement, we benefit from more strategically aligned terms for placement within AOL's brands. Further, we were obligated for a payment of up to \$13 million for 2005. In February of 2005, AOL agreed to revise the contract terms to incorporate a formula by which the \$13 million payment may be reduced if AOL does not achieve certain revenue targets under the agreement. The final outcome of these revenue targets will be determined in early 2006. The revised terms also allow AOL to continue and expand in the travel search arena through its sites and partners. The unamortized portion of fixed payments previously paid under the original contract, is being expensed on a straight-line basis over the remaining term of the agreement. For 2005, this expense was approximately \$23 million.

**Sale of Karavel Investment**—On March 11, 2005, we sold our interest in Karavel SA, a French tour operator. We received approximately \$27 million (Euro 20 million) in cash proceeds in connection with the sale and recorded a \$21 million gain in other income.

**Conversion of TRX Note and Warrants**—During the third quarter 2005, we converted a note receivable and warrants of TRX, Inc. ("TRX"), a provider of transaction processing and data integration to the travel industry, into shares of TRX common stock, a majority of which we sold. As a result of these transactions, we recorded a loss of \$1 million to other income and received cash proceeds of \$15 million, including payments for accrued interest. Before these transactions, our Consolidated Balance Sheets reflected under other assets a net asset balance of \$17 million related to TRX, including accrued interest. At December 31, 2005, net assets of \$1 million remained on our Consolidated Balance Sheet, reflecting the market value of TRX shares we still own.

**Divestiture of Equity Interest in German Operations of Travelocity Europe**—On December 30, 2005, we sold our 50% interest in the German operations of Travelocity Europe for \$13 million to The Otto Group, who now own 100% of the former Travelocity Europe German business, including the brands of Travelchannel.de, Travel Overland and Flug.de. The brand name of Travelocity.de was retained by us. As a result of this transaction, we recorded a gain (net of taxes) of approximately \$4 million to other income.

## 6. Derivatives

During 2005, 2004 and 2003, we were a party to certain derivative instruments, including foreign currency forwards and options related to anticipated foreign currency expenditures over a twelve month period, options related to certain foreign currency denominated bonds, warrants received in connection with an affiliation agreement and interest rate swaps entered into in connection with unsecured notes issued in 2001 and the capital lease entered into in June 2003.

We have designated the foreign currency forwards and options as cash flow hedges. As such, the effective portion of the gain or loss on the forwards and options is reported as a component of other comprehensive income and reclassified into earnings as a component of cost of revenues in the same period or periods during which the hedged transaction affects earnings. Effectiveness is measured by comparing the changes in the present value of the anticipated foreign currency-denominated expenses, measured using forward rates, arising from the hedged forecasted expenses with the changes in the fair value of the forward contract using forward exchange rates. Any gain or loss on the forwards in excess of the cumulative change in the present value of the anticipated foreign currency denominated expenses, if any, is recognized in other income during the period of change. There was no hedging ineffectiveness recorded in earnings relating to the forwards and options during the years ended December 31, 2005, 2004 and 2003. Amounts reclassified from other comprehensive income to earnings due to the settlement of forward and option contracts were approximately \$5 million, \$11 million and \$12 million for the years ended December 31, 2005, 2004, and 2003, respectively. The estimated fair values of the foreign currency forward and option contracts were a liability of \$6 million at December 31, 2005 and an asset of \$12 million at December 31, 2004. At December 31, 2005, amounts related to derivatives qualifying as cash flow hedges amounted to a reduction of equity of \$4 million. Based on foreign exchange rates as of December 31, 2005, we expect to transfer the \$4 million to earnings in 2006, along with the earnings effects of the related forecasted transactions. These foreign currency forward and option contracts were recorded in other accrued liabilities at December 31, 2005 and prepaid assets at December 31, 2004 on the Consolidated Balance Sheets. We also have short-term forward contracts in our lastminute.com subsidiaries that hedge a portion of our foreign currency exposure related to travel supplier liability payments. The impact of these contracts on the financial statements for the year ended December 31, 2005 was not significant.

In order to offset our currency exposure in relation to the acquisition of lastminute.com, in May 2005, we purchased an option to acquire British Pounds Sterling ("GBP") and Euros ("EUR") at a fixed rate at or near the closing of the transaction for \$10 million. Due to the strengthening of the U.S. Dollar against contractual rates of these currencies, this transaction resulted in a loss of \$10 million to the Consolidated Statements of Income, the majority of which was recorded in the second quarter of 2005.

On June 29, 2005, we entered into forward contracts to purchase GBP 578 million and EUR 115 million to hedge the U.S. Dollar costs of the acquisition of lastminute.com, including debt held by lastminute.com. In the third quarter of 2005, these forward contracts matured, resulting in a gain of \$2 million due to the weakening of the U.S. Dollar against the contractual rates of these currencies.

In December 2004, we purchased foreign currency-denominated government bonds to act as a natural hedge of certain foreign currency operations. To protect these bond investments from foreign currency risk, we purchased put options on the currencies in which the government bonds are denominated. As of December 31, 2005, the bonds were fully matured, the related put options had expired and neither had any carrying value. At December 31, 2004, the bonds had a carrying value of approximately \$28 million and the related put options had a value of less than \$1 million.

On June 23, 2003, a former hotel supplier with which we had an affiliation agreement was acquired, and warrants for the former hotel supplier were converted into warrants to purchase the common stock of the supplier's acquirer at the same conversion rate. Relative to these warrants, during 2003, we recognized revenue relating to amortization of the fair value of the warrants received at contract origination and modification totaling approximately \$6 million. We also vested in additional warrants based upon the achievement of certain performance metrics. During 2003, we received additional warrants, based on achievement of these metrics, with a fair value of approximately \$10 million and recognized such amounts as revenue. During the year ended December 31, 2003, we completed cashless exercises of the warrants and received approximately 82,000 shares of the former hotel supplier's common stock and approximately 206,000 shares of the acquirer's common stock, which was disposed of for cash proceeds totaling approximately \$12 million. No significant gain or loss was realized relating to the exercise of warrants or disposal of the acquirer's common stock during 2003. At December 31, 2005 and 2004, we held no unexercised warrants. Additionally in 2003, due to the affiliation agreement being terminated, we recognized revenue of approximately \$8 million related to warrants received from the former hotel supplier pursuant to this affiliation agreement that had previously been deferred. See Note 5.

In connection with our \$400 million principal amount in unsecured notes (Note 7) with a fixed interest rate of 7.35% ("Notes"), we have entered into two interest rate swaps. Under the terms of the two interest rate swaps, which have notional amounts of \$100 million and \$200 million, we receive semi-annual payments based on a fixed interest rate of 7.35% and make semi-annual payments based on a six-month LIBOR plus 231 basis points. The reset dates on the swaps are February 1 and August 1 each year until maturity on August 1, 2011. We have designated the swaps as fair value hedges of \$100 million and \$200 million of the principal amount of the Notes. Because the critical terms of the Notes and the swaps matched, the swaps are considered a perfectly effective hedge against changes in the fair value of the Notes. Changes in the fair value of the swaps are recognized as a component of other income in each reporting period. Additionally, the carrying value of the Notes is adjusted by a like amount, with the adjustment recognized as a component of other income. As of December 31, 2005 and 2004, we had recorded hedging assets and corresponding increases in the carrying values of the Notes of approximately \$2 million and \$13 million, respectively, which were recorded in other assets on the Consolidated Balance Sheets.

In connection with the capital lease that we entered into in June 2003 (Note 8), we entered into a fixed-to-floating interest rate swap with a notional amount of \$100 million. We have designated the swap as a fair value hedge on \$100 million of the principal amount of the capital lease obligation. Under the terms of the swap, we receive semi-annual payments based on a fixed interest rate of 5.37% and make semi-annual payments based on six-month LIBOR plus 153 basis points. Changes in the fair value of this swap are recognized as a component of other income. Additionally, as long as the swap is determined to be an effective hedge of the capital lease obligation, the carrying value of the capital lease obligation is adjusted by a like amount, with the adjustment recognized as a component of other income. At December 31, 2005 and 2004, the market value of this swap was a liability of approximately \$7 million and \$5 million, respectively, recorded in other liabilities on the Consolidated Balance Sheets.

The estimated fair values of our derivatives as of December 31, 2005 and 2004 are provided below (in thousands):

	December 31,	
	2005	2004
Foreign currency forwards and options	\$ (6,078)	\$ 11,825
Interest rate swaps	(4,805)	8,507
<b>Total</b>	<b>\$ (10,883)</b>	<b>\$ 20,332</b>

Derivative assets and liabilities are classified as current or long-term other assets and other liabilities, respectively, in the accompanying balance sheets, depending on the date of settlement of the related contract.

On February 16, 2006, we entered into a \$250 million interest rate hedge. The hedge locks in the underlying treasury component of our borrowing cost at a rate of 4.628% and is intended to provide us with protection against interest rate fluctuations that may impact our long-term refinancing of the Bridge Facility (Note 8). On March 3, 2006 we entered into a similar \$150 million hedge at 4.69%.

## 7. Debt

**Bridge Financing Arrangement**—On May 12, 2005, we entered into an \$800 million, unsecured bridge loan agreement (the "Bridge Facility") that matures on August 12, 2006, in order to provide short-term financing in connection with the lastminute.com acquisition and to satisfy legal requirements for certainty of funding for the acquisition. On July 22, 2005, we entered into an amendment to the Bridge Facility whereby all the rights and obligations of Sabre Inc. under the Bridge Facility were assumed by Sabre Holdings and Sabre Inc. was discharged from its obligations thereunder.

Effective August 1, 2005, we borrowed \$800 million under the Bridge Facility in order to fund a portion of the purchase of the shares of lastminute.com in connection with the lastminute.com acquisition.

The interest rate on borrowings under the Bridge Facility is variable, based at our discretion on either the London Interbank Offered Rate ("LIBOR") plus a borrowing spread or the prime rate, and is sensitive to our credit rating. The LIBOR spread at our current credit rating is 0.75%, which at December 31, 2005 equated to a borrowing rate of 5.15%.

We may prepay all or any part of the Bridge Facility without prepayment penalties, other than any breakage costs associated with the early repayment of loans bearing interest based upon LIBOR. We would be required to repay borrowings under the Bridge Facility with net cash proceeds we receive from (i) the issuance of capital stock and indebtedness for money borrowed with a maturity in excess of one year (excluding, among other things, borrowings under our existing revolving credit agreement) and (ii) asset sales with proceeds of more than \$200 million.

The Bridge Facility contains other covenants, representations, terms and conditions that are typical for a bridge credit facility of this type which, among other things, restricts our ability to incur additional debt and limits our ability to pay in excess of \$150 million during the term of the Bridge Facility as dividends or to repurchase our stock.

As of December 31, 2005, we were in compliance with all covenants under the Bridge Facility including the following financial covenants:

Covenant	Requirement	Level at December 31, 2005
Consolidated Leverage Ratio (Debt to EBITDA)	5.0 to 1	3.23 to 1
Consolidated Net Worth	\$1.3 billion	\$1.7 billion

On February 16, 2006, we prepaid \$100 million of the \$800 million acquisition Bridge Facility from our available cash and marketable securities. We will be required to repay or refinance the remaining \$700 million of the Bridge Facility prior to its expiration on August 12, 2006. We are evaluating choices for repaying and refinancing the Bridge Facility, including using additional cash, borrowing under our revolving credit agreement and accessing public and private markets for debt. The timing and choice of refinancing options will be subject to market conditions, but we expect to repay or refinance the Bridge Facility during the first half of 2006.

**Revolving Credit Agreement**—On July 22, 2005, in order to facilitate the consummation of the lastminute.com acquisition and to provide additional liquidity and flexibility in our capital structure, we entered into certain amendments to our current revolving credit agreement ("Credit Facility"). Under the amendments, Sabre Holdings assumed all of the rights and obligations of Sabre Inc. under the Credit Facility and Sabre Inc. was discharged from its obligations thereunder. The amendments also include, among other things: (i) amendments to certain financial and negative covenants (including amendments to provide us more flexibility under the Consolidated Leverage Ratio covenant, as shown in the table below, and amendments that place additional restrictions on the ability of our subsidiaries to incur indebtedness), (ii) amendments that prohibit us from using proceeds from the Credit Facility to repay the Bridge Facility to the extent such proceeds represent more than 50% of the then aggregate committed amount of the lenders under the Credit Facility, (iii) amendments that increase the aggregate amount committed by those lenders to \$360 million, and (iv) amendments that allow us to request a future increase of the aggregate amount committed by the lenders under the Credit Facility to as much as \$500 million.

As of December 31, 2005, there are no borrowings outstanding under this agreement. As of December 31, 2005, we were in compliance with all covenants under this agreement including the following financial covenants:

Covenant	Requirement	Level at December 31, 2005
Consolidated Leverage Ratio (Debt to EBITDA)	3.75 to 1 maximum	3.23 to 1
Consolidated Net Worth	\$1.3 billion	\$1.7 billion

Our covenants under the amended revolving credit agreement are as follows:

As amended on July 22, 2005	Requirement
Consolidated Leverage Ratio (Debt to EBITDA) for the quarters ended:	
July 22, 2005 through March 30, 2006	3.75 to 1 maximum
June 30, 2006 through September 30, 2006	3.50 to 1 maximum
December 31, 2006 through March 31, 2007	3.25 to 1 maximum
June 30, 2007 and thereafter	3.00 to 1 maximum

**Public Notes**—In August 2001, we issued through Sabre Holdings Corporation \$400 million in senior unsecured Notes, bearing interest at 7.35% and maturing August 1, 2011, in an underwritten public offering resulting in net cash proceeds to us of approximately \$397 million. The Notes include certain non-financial covenants, including restrictions on incurring certain types of debt or entering into certain sale and leaseback transactions. As of December 31, 2005, we were in compliance with all covenant requirements under the Notes. In conjunction with these Notes, we have entered into two interest rate swaps through 2011 for a total of \$300 million, which pay us 7.35% and on which we pay a variable rate based on a six-month LIBOR plus 231 basis points.

## 8. Commitments and Contingencies

**Capital Lease Financing**—In June 2003, Sabre Inc. entered into a ten-year master lease for our corporate headquarters facility in Southlake, Texas, which is accounted for as a capital lease. The interest rate on the capital lease financing is fixed at 5.37%. At the inception of the lease, we recorded an asset of approximately \$168 million, along with a liability of approximately \$168 million, representing the present value of the minimum lease payments due under the lease and the residual value guarantee discussed below.

At any time during the lease term, we have the option to terminate the lease and purchase the properties for approximately \$179 million, plus a make-whole amount, if applicable. We also have the option at any time up to one year prior to lease expiration to cause the properties to be sold. If this sell option is exercised, we have guaranteed that proceeds on a sale will be at least approximately \$159 million, and we are responsible for the first dollar loss up to approximately \$159 million due to a decrease in the value of the property below approximately \$179 million. If the sales proceeds exceed approximately \$179 million plus any sales-related expenses, we retain the excess. In conjunction with this lease, we have entered into a \$100 million interest rate swap which pays us 5.37% and on which we pay a variable rate based on a six-month LIBOR plus 153 basis points. Under the lease agreement, we are subject to certain covenants. As of December 31, 2005, we were in compliance with all covenants under this agreement including the following financial covenant:

Covenant	Requirement	Level at December 31, 2005
Consolidated Net Worth	\$1.1 billion	\$1.6 billion

Minimum lease payments as of December 31, 2005 under the capital lease and a reconciliation to the balance sheet are as follows (in thousands):

Year Ending December 31,

2006	\$	9,607
2007		9,607
2008		9,607
2009		9,607
2010		9,607
2011 and thereafter		183,317
Total before interest		231,352
Amounts representing interest		(65,532)
Total obligations under capital lease		165,820
Less fair value of interest rate swap (Note 6)		(6,761)
Less current portion		(871)
Long-term capital lease obligation	\$	158,188

**Yahoo! Agreement**—We have an agreement with Yahoo! whereby we are the exclusive air, car and hotel booking engine on Yahoo! Travel. That agreement was set to expire on December 31, 2005. In July 2005, we agreed with Yahoo! to extend our relationship through December 31, 2006. Travelocity will continue to be the exclusive provider of air, car, and hotel products to Yahoo! Travel. Our fees for 2006 will consist of a fixed payment of \$26 million, which includes payments for purchased advertising and corporate services; plus we will pay a productivity component, whereby Yahoo! is paid a percentage of the transaction services revenue generated through the Yahoo! network. \$10 million of the \$26 million fixed fee could be less depending on revenue performance compared to 2005 levels, and a formula agreed to between us and Yahoo!. We believe this variability provides necessary downside protections into the contract extension to preserve the value of our investment in that partnership. The revised terms also allow Yahoo! to continue and expand in the travel search arena throughout the Yahoo! network. Pursuant to this agreement, Travelocity has decided to not participate in Yahoo!'s Farechase metasearch model under either the Travelocity brand or the Yahoo! travel brand.

**Future Minimum Payments Under Contractual Obligations**—At December 31, 2005, future minimum payments required under the Notes, the capital lease for our corporate headquarters facility, operating lease agreements with terms in excess of one year for facilities, equipment and software licenses and other significant contractual cash obligations were as follows (in thousands):

**Payments Due by Year  
For the Years Ending December 31,**

Contractual Obligations	Total	2006	2007–2008	2009–2010	Thereafter
Notes payable (1)	\$ 1,401,684	\$ 854,684	\$ 58,800	\$ 58,800	\$ 429,400
Capital lease obligations (2)	231,352	9,607	19,214	19,214	183,317
Operating lease obligations	129,587	33,008	44,900	23,894	27,785
IT outsourcing agreement (3)	107,540	92,104	15,436	—	—
Yahoo! agreement (4)	26,000	26,000	—	—	—
WNS agreement (5)	134,541	20,431	53,401	60,709	—
Pension and other benefit obligations (Note 9)	196,214	16,190	32,613	36,206	111,205
Other long-term obligations (6)	114,809	61,458	24,273	10,451	18,627
Amounts receivable under non-cancelable subleases (7)	(91,466)	(6,765)	(13,463)	(13,037)	(58,201)
<b>Total contractual cash obligations</b>	<b>\$ 2,250,261</b>	<b>\$ 1,106,717</b>	<b>\$ 235,174</b>	<b>\$ 196,237</b>	<b>\$ 712,133</b>

- (1) Includes all interest and principal related to \$400 million senior unsecured Notes. Also includes all interest and principal related to \$800 million Bridge Facility, which matures on August 12, 2006. Excludes the effect of interest rate swaps. See Note 6 of Consolidated Financial Statements.
- (2) Consists primarily of headquarters facility lease, including interest. Excludes the effect of interest rate swap. See Note 6 of the Consolidated Financial Statements.
- (3) Represents minimum amounts due to EDS under the terms of our Outsourcing Agreement.
- (4) Fixed payment under an agreement with Yahoo! whereby we are the exclusive air, car and hotel booking engine on Yahoo! Travel through December 31, 2006.
- (5) We are committed to minimum payments to WNS, an entity to which we outsource a portion of our Travelocity contact center operations and back-office fulfillment through 2010 based upon current and historical transactions.
- (6) Consists primarily of minimum payments due under various marketing agreements. Also includes a note payable and related interest owed to a joint venture partner.
- (7) EDS subleases from us an office facility in Fort Worth, Texas under sublease that will expire in 2019.

On February 16, 2006, we prepaid \$100 million of the \$800 million acquisition Bridge Facility from our available cash and marketable securities. We will be required to repay or refinance the remaining \$700 million of the Bridge Facility prior to its expiration on August 12, 2006. We are evaluating choices for repaying and refinancing the Bridge Facility, including using additional cash, borrowing under our revolving credit agreement and accessing public and private markets for debt. The timing and choice of refinancing options will be subject to market conditions, but we expect to repay or refinance the Bridge Facility during the first half of 2006. Other than the Bridge Facility refinancing, our current cash flows from operations, existing balances in cash and short-term investments and funds available under our revolving credit facility are sufficient to fund our planned expenditures, which include operating expenses, capital expenditures, investments in our products and offerings, interest payments on our debt and dividends. We may also consider using our funds available, or possibly external sources of funds, for additional acquisitions of or investments in complementary businesses, products, services and technologies when such opportunities become available. See Note 4 for current year acquisitions and investment activity. These types of additional activities might affect our liquidity requirements or cause us to issue additional equity or debt securities.

In the long term, we expect to use our existing funds and cash flows from operations to satisfy our debt and other long-term obligations. We may also use our funds, as well as external sources of funds, to retire debt as appropriate, based upon market conditions and our desired liquidity and capital structure.

The following table presents rental expense for the years ended December 31, 2005, 2004 and 2003 (in thousands):

	Year Ended December 31,		
	2005	2004	2003
Rent expense	\$ 41,809	\$ 34,728	\$ 37,012
Less:			
Sublease rent	(6,392)	(6,199)	(6,127)
Total Rent expense	\$ 35,417	\$ 28,529	\$ 30,885

We have reserved for a material contingent liability in relation to a dispute with a vendor from our acquisition of lastminute.com. The ultimate outcome of this dispute cannot be determined, however, we believe that our reserves are adequate to cover any potential losses. See Note 4 for additional information.

We have established a reserve for potential occupancy tax liability. The reserve represents our best estimate of our contingent liability for occupancy taxes and is not material to our financial position. We are involved in certain disputes and other matters arising in the normal course of business. Additionally, we are subject to review and assessment by various taxing authorities. Although the ultimate resolution of these matters cannot be reasonably estimated at this time, we do not believe that they will have a material adverse effect on our financial condition or results of operations.

We are also engaged from time to time in other routine legal proceedings incidental to our business. We do not believe that any of these routine legal proceedings will have a material impact on the business or our financial condition.

## 9. Employee Benefit Plans

We sponsor The Sabre Inc. 401(k) Savings Plan ("401(k) Plan"), which is a tax-qualified defined contribution plan that allows tax-deferred savings by eligible employees to provide funds for their retirement. We made a defined contribution on behalf of each participant in an amount equal to 2.75% of eligible compensation and a matching contribution equal to 50% of each pre-tax dollar contributed by the participant on the first 6% of eligible compensation. We have recorded expenses related to the 401(k) Plan of approximately \$15 million, \$14 million and \$15 million in 2005, 2004 and 2003, respectively. In December 2005, we amended the 401(k) Plan, effective as of January 1, 2006, to eliminate the defined contribution and change the matching contribution to be 100% of each participant's pre-tax contributions, matching up to 6% of eligible pay.

Additionally, we sponsor The Sabre Inc. Legacy Pension Plan ("LPP"), which is a tax-qualified defined benefit pension plan for employees meeting certain eligibility requirements. Participants who previously elected to continue accruing benefits for service under the LPP do not receive the automatic employer contributions or matching contributions under the 401(k) Plan. We also sponsor a defined benefit pension plan for certain employees in Canada. The LPP and related benefits under the Supplemental Executive Retirement Plan ("SERP") were amended to freeze pension benefit accruals as of December 31, 2005, so that no additional pension benefits will be accrued after that date. As a result of the freeze, a curtailment gain of \$2 million was recognized in the fourth quarter of 2005.

Pursuant to a Travel Privileges Agreement with AMR (American Airlines), we are entitled to purchase personal travel for certain retirees. To pay for the provision of flight privileges for eligible retired employees, we make a lump sum payment to American Airlines in the year they retire. The cost of providing this privilege is accrued over the estimated service lives of the employees eligible for the privilege. This agreement will expire on June 30, 2008.

We provide retiree life insurance benefits to certain employees who retired prior to January 1, 2001, and we subsidize a portion of the cost of retiree medical benefits for certain retirees and eligible employees hired prior to October 1, 2000. Effective July 1, 2004, we adopted Financial Accounting Standard Board Staff Position ("FSP") No. 106-2 *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* ("Act"). This FSP provided guidance on the accounting for the effects of the Act for employers that sponsor postretirement health care plans that provide prescription drug benefits, and requires employers to provide certain disclosures regarding the effect of the federal subsidy provided by the Act. We reflected the impact of the subsidy as an unrecognized gain, which reduced our accumulated postretirement benefit obligation and periodic postretirement benefit cost by approximately \$8 million and \$1 million, respectively, for year ended December 31, 2004.

In December 2004, we amended the retiree medical benefit plan, effective as of January 1, 2005, to cap our portion of medical costs for retirees and covered dependents at the level of our subsidy for 2004. The effect of this amendment was to reduce the accumulated postretirement benefit obligation as of December 31, 2004, by \$62 million and the 2005 net periodic benefit cost by approximately \$11 million.

The following tables provide a reconciliation of the changes in the plans' benefit obligations, fair value of assets and the funded status as of December 31, 2005 and 2004 (in thousands):

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
<b>Change in benefit obligation:</b>				
Benefit obligation at January 1	\$ (366,281)	\$ (318,785)	\$ (75,817)	\$ (121,412)
Service cost	(6,069)	(5,556)	(1,217)	(2,924)
Interest cost	(21,675)	(20,476)	(4,459)	(7,051)
Participant contributions	—	—	(942)	(731)
Actuarial losses, net	(43,163)	(27,990)	(6,280)	(10,827)
Plan amendments	—	(1,282)	—	61,502
Curtailments	49,124	—	—	—
Settlements	—	1,020	—	—
Benefits paid	8,723	6,788	5,307	5,626
<b>Benefit obligation at December 31</b>	<b>\$ (379,341)</b>	<b>\$ (366,281)</b>	<b>\$ (83,408)</b>	<b>\$ (75,817)</b>
<b>Change in plan assets:</b>				
Fair value of assets at January 1	\$ 285,615	\$ 252,428	\$ —	\$ —
Actual return on plan assets	20,533	25,089	—	—
Transfers	(83)	171	—	—
Settlements	—	(976)	—	—
Employer contributions	31,769	15,691	4,368	4,896
Participant contributions	—	—	942	731
Benefits paid	(8,723)	(6,788)	(5,310)	(5,627)
<b>Fair value of assets at December 31</b>	<b>\$ 329,111</b>	<b>\$ 285,615</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Funded status:</b>				
Funded status at December 31	\$ (50,230)	\$ (80,666)	\$ (83,408)	\$ (75,817)
Unrecognized transition (asset) obligation	(144)	(157)	109	127
Unrecognized prior service cost	—	1,813	(53,015)	(59,506)
Unrecognized net losses	90,489	93,578	42,569	39,845
<b>Prepaid (accrued) cost recognized</b>	<b>\$ 40,115</b>	<b>\$ 14,568</b>	<b>\$ (93,745)</b>	<b>\$ (95,351)</b>

The cumulative amounts recognized in the Consolidated Balance Sheets consist of:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Prepaid benefit cost	\$ 48,050	\$ 23,666	\$ —	\$ —
Accrued benefit liability	(97,708)	(59,186)	(93,745)	(95,351)
Accumulated other comprehensive loss	89,773	50,088	—	—
<b>Prepaid (accrued) cost recognized</b>	<b>\$ 40,115</b>	<b>\$ 14,568</b>	<b>\$ (93,745)</b>	<b>\$ (95,351)</b>

The accumulated benefit obligation for all defined pension plans was \$379 million and \$320 million at December 31, 2005 and 2004, respectively. Our qualified pension plan for eligible U.S. employees had an accumulated benefit obligation of \$367 million and \$309 million at December 31, 2005 and 2004, respectively, and had plan assets at a fair value of \$326 million and \$283 million at December 31, 2005 and 2004, respectively.

The principal assumptions used in the measurement of our benefit obligations as of December 31, 2005 and 2004 are as follows:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Weighted-average assumptions:				
Discount rate	5.75%	6.00%	5.75%	6.00%
Rate of compensation increase	—	4.50%	—	—

The following table provides the components of net periodic benefit costs for the three years ended December 31, 2005, 2004 and 2003 (in thousands):

	Pension Benefits			Other Benefits		
	2005	2004	2003	2005	2004	2003
Components of total periodic benefit cost:						
Service cost	\$ 6,069	\$ 5,556	\$ 6,153	\$ 1,217	\$ 2,924	\$ 3,594
Interest cost	21,675	20,476	20,251	4,459	7,051	6,990
Expected return on plan assets	(24,490)	(22,745)	(21,911)	—	—	—
Amortization of transition asset	(13)	(19)	(19)	18	18	18
Amortization of prior service cost	138	61	61	(6,491)	299	321
Amortization of net loss	4,751	3,458	2,130	3,558	1,770	1,801
Net periodic benefit cost	8,130	6,787	6,665	2,761	12,062	12,724
Settlement loss	—	339	503	—	—	—
Curtailment (gain)/loss	(1,907)	—	—	—	126	—
Total periodic benefit cost	\$ 6,223	\$ 7,126	\$ 7,168	\$ 2,761	\$ 12,188	\$ 12,724

Expenses included in income related to pensions and other postretirement benefits totaled approximately \$9 million, \$19 million and \$20 million in 2005, 2004 and 2003, respectively.

The principal assumptions used in the measurement of our net benefit costs for the three years ended December 31, 2005, 2004 and 2003 are as follows:

	Pension Benefits			Other Benefits		
	2005	2004	2003	2005	2004	2003
Discount rate	6.00%	6.25%	6.75%	6.00%	6.25%	6.75%
Expected return on plan assets	8.50%	8.75%	9.00%	—	—	—
Rate of compensation increase	4.50%	4.50%	6.60%	—	—	—

A 7.0% annual rate of increase in the per capita cost of covered retiree health care benefits was assumed for 2005. This rate was assumed to gradually decrease by 0.5% each year until it reaches an ultimate rate of 5.0%. Due to a cap on the Company's retiree medical plan cost, a one-percentage point change in the assumed health care cost trend rates would not have a significant impact on service and interest cost or on our postretirement benefit obligation as of December 31, 2005.

The following table provides the pension plans' target asset allocation as of December 31, 2005 and the actual weighted-average asset allocations at December 31, 2005 and 2004, by asset category:

Asset Category	Target 2005 Allocation	Asset Allocation at December 31,	
		2005	2004
Equity securities	52%–58%	53%	58%
Debt securities	42%–48%	47%	42%
Total plan assets		100%	100%

Asset allocation percentages at December 31, 2005, reflect a \$15 million contribution on December 22, 2005, into the retirement money market fund, which was invested according to the target asset allocation during January 2006.

Defined benefit pension plan assets are invested in selected mutual funds and commingled pooled funds. Diversification is provided by using an asset allocation primarily between equity and debt securities in proportions expected to provide opportunities for reasonable long-term returns with acceptable levels of investment risk. The basis for the selected target asset allocation included consideration of the demographic profile of plan participants, expected future benefit obligations and payments, projected funded status of the plan and other factors.

The expected long-term rate of return on plan assets for each measurement date was selected after giving consideration to historical returns on plan assets, assessments of expected long-term inflation and market returns for each asset category and the target asset allocation strategy.

We are currently not required to make any significant contributions to the defined benefit plans in 2006.

Based on our assumptions discussed above, we expect to make the following estimated future benefit payments under the plans as follows (in thousands):

	Pension	Other Benefits
2006	\$ 11,022	\$ 5,168
2007	7,608	5,298
2008	9,849	9,858
2009	13,386	5,236
2010	12,645	4,939
2011–2015	84,002	27,203
	104	

## 10. Income Taxes

Income before taxes and the provision for income taxes consisted of the following (in thousands):

	Year Ended December 31,		
	2005	2004	2003
Current portion:			
Federal	\$ 48,642	\$ 72,414	\$ 29,216
State and Local	2,779	4,301	1,547
Foreign	24,517	13,535	17,150
Total current	75,938	90,250	47,913
Deferred portion:			
Federal	16,988	(9,548)	(5,119)
State	(20,363)	(14,060)	1,282
Total deferred	(3,375)	(23,608)	(3,837)
Total provision for income taxes	\$ 72,563	\$ 66,642	\$ 44,076

The provision for income taxes differs from amounts computed at the statutory federal income tax rate as follows (in thousands):

	Year Ended December 31,		
	2005	2004	2003
Income tax provision at statutory federal income tax rate	\$ 85,650	\$ 89,971	\$ 44,582
State income taxes, net of federal benefit	4,793	2,387	1,839
Reversal of previously accrued taxes	(21,368)	(23,438)	—
Other, net	3,488	(2,278)	(2,345)
Total provision for income taxes	\$ 72,563	\$ 66,642	\$ 44,076

The expected cash payments for the current federal income tax expense reflected above for 2004 and 2003 were reduced by approximately \$1 million for each year as a result of the exercise of nonqualified employee stock options. The income tax benefit resulting from the exercise of these options has been credited to additional paid-in capital.

During 2005, we reversed previously accrued taxes of \$21 million related to contingencies that no longer meet the standards for accrual under Statement of Financial Accounting Standard No. 5, *Accounting for Contingencies*. In particular, we released \$16 million of previously accrued taxes due to the expiration of certain statutes of limitation and \$5 million of previously accrued taxes due to the final resolution of certain issues related to a tax audit.

During 2004, we reversed previously accrued taxes of \$18 million related primarily to our federal income tax treatment of lump-sum payments made to subscribers at the beginning of a contract term. During the year, we changed our federal income tax treatment of such payments in accordance with recently issued Treasury regulations, and such change is effective for our 2003 tax year. By changing our federal income tax treatment of these payments to comply with the new regulations effective for our 2003 tax return, the manner in which we treated such payments in years before 2003 will be respected. In addition, during 2004, we reversed \$5 million of previously accrued taxes due to the expiration of certain statutes of limitation.

The components of our deferred tax assets and liabilities were as follows (in thousands):

	December 31,	
	2005	2004
Deferred tax assets:		
Accrued expenses	\$ 63,636	\$ 61,377
Employee benefits other than pensions	34,924	36,046
Deferred revenue	3,349	1,263
Pension obligations	28,210	15,173
Net operating loss carryforwards	20,676	19,726
Deferred costs	39,041	40,298
	<hr/>	<hr/>
Total deferred tax assets	189,836	173,883
Deferred tax liabilities:		
Foreign operations	(12,403)	(6,099)
Depreciation and amortization	(19,337)	(24,269)
Amortization of computer software and intangible assets	(84,114)	(60,013)
Other	(18,550)	(50,198)
	<hr/>	<hr/>
Total deferred tax liabilities	(134,404)	(140,579)
Net deferred tax asset	<hr/> \$ 55,432	<hr/> \$ 33,304
Current deferred income tax asset	\$ 23,013	\$ 23,349
Noncurrent deferred income tax asset	32,419	9,955
	<hr/>	<hr/>
Net deferred tax asset	<hr/> \$ 55,432	<hr/> \$ 33,304

As of December 31, 2005, the Company had net operating loss carryforwards ("NOLs") of approximately \$32 million that begin expiring in 2016. These NOLs resulted from prior business acquisitions and are subject to limitation on their ability to be utilized under Section 382 of the Internal Revenue Code. Such limitation is not expected to have a significant impact on the Company's ability to utilize the NOLs and we believe, more likely than not, the Company will be able to utilize all of these NOLs. Accordingly, no valuation allowance has been established related to these NOLs.

In connection with our spin-off from AMR on March 15, 2000, we entered into an indemnity agreement with AMR (the "Agreement on Spin-off Taxes") pursuant to which we will be responsible for Spin-off related taxes, in certain circumstances, if the Spin-off is deemed to be taxable as a result of certain factual representations and assumptions relating to us being inaccurate or as a result of our subsequent actions. The Internal Revenue Service ("IRS") has issued a tax ruling to the effect that the Spin-off will be tax-free to us, AMR and AMR stockholders under Section 355 and certain other related Sections of the Internal Revenue Code of 1986, as amended (except to the extent that cash is received in lieu of fractional shares). Under the terms of the Agreement on Spin-off Taxes, we have also agreed to comply with certain restrictions on our future operations to assure that the Spin-off will be tax-free, including restrictions with respect to a third party's acquisition of shares of our stock and our issuance of stock. The restrictions with respect to a third party's acquisition of shares of our stock are generally no longer applicable.

The entities comprising Sabre Holdings were included in the consolidated federal income tax return of AMR through March 15, 2000. We entered into a tax sharing agreement with AMR effective July 1, 1996 (the "Tax Sharing Agreement") that provides for the allocation of tax liabilities between AMR and us during the tax periods we are included in the consolidated federal, state and local income tax returns filed by AMR. The Tax Sharing Agreement generally requires us to pay to AMR the amount of federal, state and local income taxes that we would have paid had we ceased to be a member of the AMR consolidated tax group. We are severally liable for the federal income tax of AMR and the other companies included in its consolidated return for all periods in which we are included in the AMR consolidated group. AMR has agreed, however, to indemnify us for any liability for taxes reported or required to be reported on a consolidated return arising from operations of subsidiaries of AMR other than us. Except for certain items specified in the Tax Sharing Agreement, AMR generally is entitled to any tax benefit carryforwards and remains obligated to pay all taxes attributable to periods before July 2, 1996. The Tax Sharing Agreement also grants us certain limited participation rights in any disputes with tax authorities arising with respect to periods during which we were part of the AMR consolidated group.

## 11. Capital Stock

### Dividends

Based on the amounts per share in the table below, we paid a total dividend of \$47 million, \$41 million and \$30 million in 2005, 2004 and 2003, respectively.

<u>Declaration Date</u>	<u>Payable Date</u>	<u>Amount per Share</u>
<b>2003:</b>		
April 17, 2003	May 15, 2003	\$ 0.070
July 15, 2003	August 15, 2003	0.070
October 21, 2003	November 14, 2003	0.070
<b>2004:</b>		
January 20, 2004	February 17, 2004	\$ 0.075
April 20, 2004	May 14, 2004	0.075
July 20, 2004	August 16, 2004	0.075
October 26, 2004	November 15, 2004	0.075
<b>2005:</b>		
February 1, 2005	February 28, 2005	\$ 0.090
May 3, 2005	May 26, 2005	0.090
July 26, 2005	August 18, 2005	0.090
November 1, 2005	November 29, 2005	0.090

On January 30, 2006, our Board of Directors approved a dividend of \$0.10 per share payable on February 28, 2006 to stockholders of record at February 10, 2006. We have only Class A Common Stock outstanding. We are authorized by our certificate of incorporation to issue up to 250 million shares of Class A Common Stock and up to 20 million shares of Preferred Stock.

### Repurchases of Stock

During 2005, 2004 and 2003, respectively, we repurchased 2,042,063 shares, 9,891,312 shares and 2,159,597 shares of Class A Common Stock pursuant to authorizations by our Board of Directors.

The following table summarizes the share repurchase authorizations by our Board of Directors:

Date Authorized	Authorized for Repurchase	Repurchased	Repurchased under ASSP	Available for Repurchase
October 20, 2003	\$100 million	\$100 million	\$35 million	—(1)
April 19, 2004	\$100 million	\$100 million	—	—(2)
October 25, 2004	\$100 million	\$100 million	—	—(3)
May 2, 2005	\$100 million	—	—	\$100 million(4)

(1)

On October 20, 2003, our Board of Directors approved a share repurchase program authorizing us to repurchase up to \$100 million of our Common Stock. At December 31, 2003, we had remaining authorization to repurchase approximately \$72 million of our Common Stock under this program. During the three months ended March 31, 2004, we repurchased 3,336,862 shares of our Common Stock for approximately \$72 million, thereby completing the remaining authorization to repurchase shares under that program. In addition, on October 20, 2003, our Board of Directors authorized the purchase of shares of our Common Stock to satisfy our obligations to deliver shares under our Employee Stock Purchase Plan and our Long-Term Incentive Plan (the "Alternative Share Settlement Program" or "ASSP"). Under the ASSP authorization we repurchased 850,000 shares in December 2003 and 840,000 shares in January 2005.

(2)

On April 19, 2004, our Board of Directors approved another share repurchase program authorizing us to repurchase up to an additional \$100 million of our Common Stock. We repurchased 4,038,166 shares of our Common Stock under this authorization. This authorization was completed on November 1, 2004.

(3)

On October 25, 2004, our Board of Directors approved another share repurchase program authorizing us to repurchase up to an additional \$100 million of our Common Stock. At December 31, 2004, we had repurchased 2,516,284 shares of our Common Stock and had remaining authorization to repurchase approximately \$43 million of our Common Stock under this program. During the first quarter of 2005, we repurchased 2,042,063 shares of our Common Stock, completing this authorization on March 14, 2005.

(4)

On May 2, 2005, we received authorization from the Board of Directors to repurchase an additional \$100 million of our Common Stock. Due to the acquisition of lastminute.com, no purchases of our Common Stock have been made, and none are planned, under this authorization as of the date of this report. As in the past, implementation of the program is at management's discretion and will depend on management's decision about the best uses for our available cash.

We will generally seek to make any future share repurchases pursuant to 10b5-1 trading plans, unless such plans are terminated at the discretion of management.

## 12. Options and Other Stock-Based Awards

**The Amended and Restated 2005 Long-Term Incentive Plan**—Under our Amended and Restated 2005 Long-Term Incentive Plan (the "LTIP"), executives, non-employee directors, managers and other key employees may be granted restricted stock, deferred stock, stock options, stock appreciation rights, stock purchase rights, other stock-based awards and/or performance-related awards. Under the Amended Plan:

- the total number of shares of Class A Common Stock reserved and available for distribution under the Plan is currently limited to an aggregate of 27,635,410;
- the number of shares available for grant in the form of restricted stock, deferred stock and other stock-based awards is limited to an aggregate of 5,000,000 shares issued on or after May 17, 2005;
- the provisions of the LTIP provide flexibility with respect to the option price per share for stock option conversions associated with a merger or acquisition, but prohibit the repricing of stock options without stockholder approval;
- upon a change of control of the Company (as defined in the LTIP), any issued and outstanding stock options, stock appreciation rights, restricted stock, deferred stock, stock purchase rights, performance shares or any other stock-based awards may continue in effect or be converted to equivalent equity awards of any successor company;
- no more than 1,000,000 shares of stock may be granted to any employee in a one-year period.

The LTIP will terminate in May 2015. At December 31, 2005, approximately 11,550,000 shares remained available for future grants of stock-based awards under the LTIP.

**Restricted Stock**—Shares of restricted stock are awarded at no cost to employees. Restricted shares generally vest from one to five years following the date of grant. Dividends issued with respect to restricted shares may be paid in cash or treated as additional shares of restricted stock that are subject to the same restrictions and other terms and conditions that apply to the shares with respect to which such dividends are issued. During 2005 and 2004, the dividends were paid in cash. During 2003, the dividends were treated as additional shares of restricted stock. Restricted stock activities were as follows:

### Year Ended December 31,

	2005	2004	2003
Outstanding at January 1	1,250,303	731,421	342,219
Granted	1,077,516	753,500	654,878
Issued	(485,163)	(135,317)	(45,358)
Canceled	(85,572)	(99,301)	(220,318)
Outstanding at December 31	1,757,084	1,250,303	731,421

The above table on restricted stock includes Restricted Stock Units ("RSUs") granted in conjunction with the acquisition of lastminute.com. During 2005, 194,716 RSUs were granted, 17,638 were canceled and 177,078 remained outstanding as of December 31, 2005. The RSUs were granted subsequent to the acquisition of lastminute.com. The RSUs vest over approximately four to five years from the date of grant and contain a provision for which vesting may be accelerated if specific performance conditions are met. The weighted-average grant date fair market values of restricted stock granted during 2005, 2004 and 2003 were \$20.66, \$21.20 and \$18.37, respectively. The fair market values were calculated as the average of the high and low stock price on the grant date. We recognize stock compensation expense for these grants over the related vesting period.

**Performance Shares**—Performance shares have been issued in past years. We recognized stock compensation expense for these grants over the related performance periods, which was not significant during 2005, 2004 or 2003. The performance shares vested over a three-year performance period and we settled in cash. There were no new shares granted under the performance share plan during 2005, 2004 or 2003. Performance share activities were as follows:

	Year Ended December 31,		
	2005	2004	2003
Outstanding at January 1	—	—	145,124
Awards settled in cash	—	—	—
Canceled	—	—	(145,124)
Outstanding at December 31	—	—	—

**Sabre Holdings Corporation Stock Option Plan**—In 2000, we established the Sabre Holdings Corporation Stock Option Plan (the "2000 Plan") to attract, retain and reward our employees, by offering stock incentives. Under the 2000 Plan, employees may be granted stock options or stock appreciation rights. The total number of shares of Class A Common Stock authorized for distribution under the 2000 Plan is 7,000,000 shares. At December 31, 2005, approximately 1,052,000 shares remained available for future grants.

**GetThere Stock Incentive Plans**—In conjunction with the acquisition of GetThere Inc. in 2000, we assumed their two stock incentive plans and converted all outstanding GetThere options to options in our Common Stock. These converted options remain under the original GetThere plans and are administered under the original terms and conditions. We do not plan to use the GetThere plans for future grants.

**Travelocity Stock Incentive Plans**—In 2002, in conjunction with the tender offer to acquire the portion of Travelocity.com we did not already own, we assumed the Travelocity.com plans and converted options in Travelocity.com to options in our Common Stock. We are recognizing stock compensation expense based on the intrinsic value of the awards converted at the date of acquisition over the remaining vesting periods. These converted options remain under the original Travelocity plans and are administered under the original terms and conditions. In 2002, we terminated the plans so that no future grants could be issued.

**Directors' Stock Incentive Plan**—Under the 1996 Director Stock Incentive Plan, non-employee directors received awards of options. Shares were granted from the plan through 1998. As of December 31, 2005, 109,026 options had been granted to directors at a weighted-average exercise price of \$25.20. As of December 31, 2005, 36,342 of those options have been exercised, and 72,684 are still outstanding. These amounts are also included in the stock options outstanding table below.

Beginning in 1999, stock options granted to non–employee directors were granted under the LTIP. In 2005, 2004 and 2003, 46,520, 28,200 and 27,600 options were granted to non–employee directors at weighted–average exercise prices of \$21.21, \$23.92 and \$20.70, respectively. These amounts are also included in the stock options outstanding table below.

**Stock Options Outstanding**—All stock options are granted at the fair market value of Class A Common Stock on the date of grant, though the Board of Directors has the discretion to grant at or above fair market value. Stock options generally vest over one to five years and are not exercisable more than ten years after the date of grant. Stock option activities were as follows:

**Year Ended December 31,**

	2005		2004		2003	
	Options	Weighted–Average Exercise Price	Options	Weighted–Average Exercise Price	Options	Weighted–Average Exercise Price
Outstanding at January 1	15,881,893	\$ 31.55	15,155,332	\$ 33.78	14,399,181	\$ 37.06
Granted	2,936,879	\$ 20.91	3,329,750	\$ 21.04	3,290,234	\$ 18.78
Exercised	(445,181)	\$ 18.53	(540,634)	\$ 18.80	(223,535)	\$ 22.25
Canceled	(1,383,531)	\$ 30.98	(2,062,555)	\$ 34.36	(2,310,548)	\$ 34.78
Outstanding at December 31	16,990,060	\$ 30.10	15,881,893	\$ 31.55	15,155,332	\$ 33.78
Exercisable options outstanding at December 31	11,707,206	\$ 34.11	10,021,689	\$ 35.85	8,705,297	\$ 37.03

The following table summarizes information about the stock options outstanding at December 31, 2005:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Shares	Weighted–Average Remaining Life (Years)	Weighted–Average Exercise Price	Shares	Weighted–Average Exercise Price	
\$ 0.16 – \$ 15.99	25,775	4.29	\$ 7.82	25,275	\$ 7.67	
\$16.00 – \$ 25.99	8,342,840	7.72	\$ 20.60	3,251,191	\$ 20.60	
\$26.00 – \$ 35.99	1,445,389	3.85	\$ 31.66	1,424,056	\$ 31.72	
\$36.00 – \$ 48.99	5,957,942	5.38	\$ 38.37	5,788,578	\$ 38.37	
\$49.00 – \$ 60.99	1,084,550	4.23	\$ 50.00	1,084,542	\$ 50.00	
\$61.00 – \$105.06	133,564	4.22	\$ 79.64	133,564	\$ 79.64	
Total	16,990,060	6.32	\$ 30.10	11,707,206	\$ 34.11	

Stock appreciation rights ("SAR") may be granted in conjunction with all or part of any stock option granted. All appreciation rights will forfeit upon termination or exercise of the related option and will be exercisable only during the time that the related option is exercisable. If a SAR is exercised, the related stock option will be deemed to have been exercised. As of December 31, 2005, an insignificant number of stock appreciation rights were outstanding.

**2003 Directors' Deferred Compensation and Deferred Stock Unit Plan**—Under the 2003 Directors' Deferred Compensation and Deferred Stock Unit Plan, directors may be issued deferred stock units. Additionally, directors may defer their cash fees into stock equivalent units at their individual elections. Deferred stock units and stock equivalent units are fully vested and are expensed at the deferral date fair market value. Through May 17, 2005, each director was granted 400 deferred stock units for each regularly scheduled Board of Directors meeting attended. On December 17, 2004, the Compensation Committee approved a new compensation arrangement for directors effective after the 2005 Annual Meeting. Under the new arrangement, directors receive \$60,000 in deferred stock units annually, granted in two semi-annual payments on June 1 and December 1 each year. The units are marked to the current fair market value through expense until the deferral period ends. Fair market value is determined based on an average range of our stock price over the most recent valuation period. At December 31, 2005, 92,349 deferred stock units and 79,208 stock equivalent units at a fair market value of \$21.37 have been deferred.

**Employee Stock Purchase Plan**—We sponsor an Employee Stock Purchase Plan (the "ESPP"). Until December 31, 2004, the ESPP provided eligible employees the opportunity to purchase Class A Common Stock at a discount from the market price through automatic payroll deductions. The ESPP allowed participating employees to purchase stock on a semiannual basis at 85% of the lower of the market price of the stock at the beginning or the end of a six-month period. In addition, the ESPP allowed participating employees to purchase stock up to an aggregate maximum purchase price of 10% of the employee's annual compensation, subject to certain limitations. Effective January 1, 2005, we amended the terms of the ESPP. The amended terms allow participating employees to purchase stock on a quarterly basis at 95% of the market price of the stock at the end of a three-month period. Employees may continue to purchase stock up to an aggregate maximum purchase price of 10% of the employee's annual compensation, subject to certain limitations. We issued approximately 34,000, 380,000 and 480,000 shares of Common Stock in fiscal 2005, 2004 and 2003, respectively under the ESPP. On May 4, 2004, shareholders approved an authorization of an additional 2,000,000 shares of Class A Common Stock under the ESPP, bringing the total number of shares reserved under the plan to 4,000,000. At December 31, 2005, approximately 2,120,000 shares remained available for future issuance.

### 13. Business Segments

We are a world leader in travel commerce, marketing travel products and providing distribution and technology solutions for the travel industry. We operate in multiple travel distribution channels: the travel agency channel, the consumer–direct channel and the corporate or business–direct channel. Through our *Sabre* GDS, subscribers can access information about, and can book reservations for, among other things, airline trips, hotel stays, car rentals, cruises and tour packages. Our *Sabre Travel Network*<sup>SM</sup> business operates the *Sabre* GDS and markets and distributes travel–related products and services through the travel agency and corporate channels. We engage in consumer–direct, business–direct and travel agency travel marketing and distribution through our *Travelocity*® business, including distribution through the newly–acquired *lastminute.com*<sup>SM</sup> business, which significantly expands our presence in Europe. In addition, our *Sabre Airline Solutions*® business is a leading provider of technology and services, including development and consulting services, to airlines and other travel providers.

During the fourth quarter of 2003, we realigned our *GetThere*® business segment, which engaged in business–direct travel services and had previously been operated as a separate business segment, within our other three segments. This realignment resulted in *GetThere* products, services and operations being integrated into the remaining three segments. Accordingly, *GetThere* is no longer reported as a separate segment. The segment information presented below is based on the new segment definition for all periods presented.

Our reportable segments are strategic business segments that offer different products and services and are managed separately because each business requires different market strategies. The accounting policies of the segments are the same as those used in our consolidated results. Due to similarities in products, services and operations, *lastminute.com* is included in the *Travelocity* segment pursuant to Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information*. We account for significant intersegment transactions as if the transactions were to third parties, that is, at estimated current market prices. The majority of the intersegment revenues and cost of revenues are between *Travelocity* and *Sabre Travel Network*, consisting mainly of incentives paid by *Sabre Travel Network* to *Travelocity* for transactions processed through the *Sabre* GDS, data processing fees paid by *Travelocity* to *Sabre Travel Network* for transactions processed through the *Sabre* GDS, transaction fees paid by *Travelocity* to *Sabre Travel Network* for transactions facilitated through the *Sabre* GDS in which the travel supplier pays *Travelocity* directly, and fees paid by *Sabre Travel Network* to *Travelocity* for corporate trips booked through the *Travelocity* online booking technology. In addition, *Sabre Airline Solutions* pays fees to *Travelocity* for airline trips booked through the *Travelocity* online booking technology. Personnel and related costs for the corporate headquarters, certain legal and professional fees, and other corporate charges are allocated to the segments through a management fee based on the relative size of the segments and usage of corporate resources or services. Depreciation expense on the corporate headquarters buildings and related facilities costs are allocated to the segments through a facility fee based on headcount. Benefits expense, including pension expense, postretirement benefits, medical insurance and workers' compensation are allocated to the segments based on headcount.

The segment operating results are presented on a basis that excludes certain adjusting items that are summarized below, except where noted. This presentation is consistent with the manner in which our management assesses the operating performance of our business segments. Selected information for our three reportable segments for the years ended December 31, 2005, 2004 and 2003 follows (in thousands):

	Year Ended December 31,		
	2005	2004	2003
Revenues from external customers, excluding adjusting items:			
Sabre Travel Network	\$ 1,574,399	\$ 1,505,192	\$ 1,482,435
Travelocity	684,212	387,507	286,207
Sabre Airline Solutions	260,812	243,470	232,354
<b>Total</b>	<b>\$ 2,519,423</b>	<b>\$ 2,136,169</b>	<b>\$ 2,000,996</b>
Intersegment revenues:			
Sabre Travel Network	\$ 30,023	\$ 30,117	\$ 26,883
Travelocity	155,232	137,763	115,048
<b>Total</b>	<b>\$ 185,255</b>	<b>\$ 167,880</b>	<b>\$ 141,931</b>
Equity in net income (loss) of equity method investees:			
Sabre Travel Network	\$ 11,398	\$ 17,523	\$ 14,456
Travelocity	(9,566)	(22,721)	(14,583)
<b>Total</b>	<b>\$ 1,832</b>	<b>\$ (5,198)</b>	<b>\$ (127)</b>
Segment revenues, excluding adjusting items:			
Sabre Travel Network	\$ 1,615,820	\$ 1,552,832	\$ 1,523,774
Travelocity	829,878	502,549	386,672
Sabre Airline Solutions	260,812	243,470	232,354
Elimination of intersegment revenues	(185,255)	(167,880)	(141,931)
<b>Total</b>	<b>\$ 2,521,255</b>	<b>\$ 2,130,971</b>	<b>\$ 2,000,869</b>
Revenue adjusting items:			
Sabre Travel Network—settlement revenue from canceled subscriber contract	\$ —	\$ —	\$ 36,458
Travelocity—recognition of deferred warrant revenue upon termination of hotel supplier agreement	—	—	7,836
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 44,294</b>
Consolidated revenues:			
Sabre Travel Network	\$ 1,615,820	\$ 1,552,832	\$ 1,560,232
Travelocity	829,878	502,549	394,508
Sabre Airline Solutions	260,812	243,470	232,354
Elimination of intersegment revenues	(185,255)	(167,880)	(141,931)
<b>Total</b>	<b>\$ 2,521,255</b>	<b>\$ 2,130,971</b>	<b>\$ 2,045,163</b>

A summary of the adjusting items and the reconciliation to consolidated operating income is set forth below (in thousands):

	Year Ended December 31,		
	2005	2004	2003
Segment operating income (loss) excluding adjusting items:			
Sabre Travel Network	\$ 240,463	\$ 288,709	\$ 230,617
Travelocity	26,649	12,600	(54,900)
Sabre Airline Solutions	41,178	15,729	21,101
Net corporate allocations	(2,110)	(912)	1,150
	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$ 306,180	\$ 316,126	\$ 197,968
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Impact of adjusting items on operating income—(increase)/decrease:</i>			
Sabre Travel Network:			
Settlement revenue from canceled subscriber contract	\$ —	\$ —	\$ (36,458)
Other intangibles amortization	17,012	18,526	12,789
Loss on sale of equipment	—	277	—
Stock compensation	—	—	672
Restructuring expenses	—	—	(288)
Facilities consolidation	—	—	222
	<u>          </u>	<u>          </u>	<u>          </u>
Total Sabre Travel Network	\$ 17,012	\$ 18,803	\$ (23,063)
	<u>          </u>	<u>          </u>	<u>          </u>
Travelocity:			
Recognition of deferred revenue upon termination of hotel supplier agreement	\$ —	\$ —	\$ (7,836)
Other intangibles amortization and impairment	28,056	25,472	41,554
Stock compensation	1,436	5,183	7,856
Loss on sale of equipment	—	2,443	—
Restructuring expenses	—	—	(37)
Facilities consolidation	—	—	3,894
	<u>          </u>	<u>          </u>	<u>          </u>
Total Travelocity	\$ 29,492	\$ 33,098	\$ 45,431
	<u>          </u>	<u>          </u>	<u>          </u>
Sabre Airline Solutions:			
Other intangibles amortization	\$ 2,247	\$ 895	\$ —
Loss on sale of equipment	—	1,092	—
Stock compensation	—	—	118
Restructuring expenses	—	—	(231)
Facilities consolidation	—	—	42
	<u>          </u>	<u>          </u>	<u>          </u>
Total Sabre Airline Solutions	\$ 2,247	\$ 1,987	\$ (71)
	<u>          </u>	<u>          </u>	<u>          </u>
Corporate:			
Loss on sale of equipment	\$ —	\$ 3,491	\$ —
Stock compensation	—	17	63
Litigation insurance	—	—	(450)
Restructuring expenses	(3,444)	—	(370)
Facilities consolidation	—	—	10,198
	<u>          </u>	<u>          </u>	<u>          </u>
Total Corporate	\$ (3,444)	\$ 3,508	\$ 9,441
	<u>          </u>	<u>          </u>	<u>          </u>
Total operating income adjusting items	\$ 45,307	\$ 57,396	\$ 31,738
	<u>          </u>	<u>          </u>	<u>          </u>
Consolidated operating income (loss):			
Sabre Travel Network	\$ 223,451	\$ 269,906	\$ 253,680
Travelocity	(2,843)	(20,498)	(100,331)
Sabre Airline Solutions	38,931	13,742	21,172
Net corporate allocations	1,334	(4,420)	(8,291)
	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$ 260,873	\$ 258,730	\$ 166,230
	<u>          </u>	<u>          </u>	<u>          </u>

Our segment results above include approximately \$6 million, \$4 million and \$18 million of severance costs for 2005, 2004 and 2003, respectively (Note 5) that were not considered adjusting items because of prior occurrences.

	Year Ended December 31,		
	2005	2004	2003
Depreciation and amortization included in income (in thousands):			
Sabre Travel Network	\$ 58,299	\$ 59,120	\$ 54,489
Travelocity	50,902	45,516	65,988
Sabre Airline Solutions	21,442	19,085	15,527
Unallocated depreciation and amortization	—	3,491	—
Total consolidated depreciation and amortization included in income	\$ 130,643	\$ 127,212	\$ 136,004

	Year Ended December 31,		
	2005	2004	2003
Segment assets (in thousands):			
Sabre Travel Network	\$ 1,188,850	\$ 986,695	\$ 882,485
Travelocity	2,334,120	775,685	677,965
Sabre Airline Solutions	457,696	441,625	363,017
Unallocated cash, investments, corporate headquarters and other	393,445	813,972	1,043,006
Total consolidated assets	\$ 4,374,111	\$ 3,017,977	\$ 2,966,473

	Year Ended December 31,		
	2005	2004	2003
Capital expenditures for segment assets (in thousands):			
Sabre Travel Network	\$ 45,110	\$ 45,168	\$ 37,512
Travelocity	32,310	21,850	19,960
Sabre Airline Solutions	14,116	9,740	13,263
Unallocated capital expenditures	124	1,240	731
Total capital expenditures	\$ 91,660	\$ 77,998	\$ 71,466

Our revenues and long-lived assets, including goodwill and intangible assets, by geographic region are summarized below (in thousands). Revenues are attributed to countries based on the location of the customer.

Year Ended December 31,

	2005	2004	2003
Revenues:			
United States	\$ 1,535,366	\$ 1,407,578	\$ 1,361,161
Europe	475,738	268,133	252,185
Other foreign	510,151	455,260	431,817
	\$ 2,521,255	\$ 2,130,971	\$ 2,045,163

Year Ended December 31,

	2005	2004	2003
Long-lived assets:			
United States	\$ 1,422,625	\$ 1,357,032	\$ 1,349,657
Europe	1,438,075	164,742	31,537
Singapore (primarily investment in joint venture)	205,565	149,592	155,565
Other foreign	59,558	73,096	81,985
	\$ 3,125,823	\$ 1,744,462	\$ 1,618,744

#### 14. Quarterly Financial Information (Unaudited)

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2005 and 2004 (in thousands except per share data). Gross profit has been adjusted for all quarters to conform to the reclassification of amortization of purchased technology to cost of revenues from selling, general and administrative expenses.

	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
<b>2005</b>				
Revenues	\$ 581,888	\$ 619,255	\$ 699,706	\$ 620,406
Gross profit	241,779	244,047	320,339	227,718
Operating income	71,194	83,106	99,571	7,002
Net earnings	57,681	43,887	58,496	12,088
Earnings per common share:				
Basic	\$ 0.44	\$ 0.34	\$ 0.45	\$ 0.10
Diluted	\$ 0.44	\$ 0.34	\$ 0.45	\$ 0.09
<b>2004</b>				
Revenues	\$ 539,753	\$ 550,903	\$ 544,390	\$ 495,925
Gross profit	219,497	231,197	234,106	173,938
Operating income	69,488	88,443	77,167	23,632
Net earnings	43,037	58,937	67,426	21,019
Earnings per common share:				
Basic	\$ 0.31	\$ 0.43	\$ 0.50	\$ 0.16
Diluted	\$ 0.31	\$ 0.42	\$ 0.49	\$ 0.16

See the discussion on Seasonality in "Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*" for additional information.

## 15. Supplemental Guarantor/Non-Guarantor Financial Information

All indebtedness of Sabre Holdings have been solely guaranteed by its 100%-owned operating subsidiary, Sabre Inc. pursuant to an intercompany guaranty executed by Sabre Inc. in favor of Sabre Holdings. There are no restrictions on Sabre Holdings' ability to obtain funds from Sabre Inc. in the form of a dividend or loan, other than those that would exist under Delaware law. Additionally, there are no significant restrictions on Sabre Inc.'s ability to obtain funds from its direct or indirect subsidiaries, other than those that would exist under state or foreign law. Sabre Inc. is the sole direct subsidiary of Sabre Holdings. All other subsidiaries of the Company are direct or indirect subsidiaries of Sabre Inc. These subsidiaries are all included in the non-guarantor financial statements. The following financial information presents condensed consolidating balance sheets, statements of income and statements of cash flows for Sabre Holdings, Sabre Inc. and non-guarantor subsidiaries. The information has been presented as if Sabre Holdings accounted for its ownership of Sabre Inc., and Sabre Inc. accounted for its ownership of the non-guarantor subsidiaries, using the equity method of accounting. Certain reclassifications have been made to the 2003 and 2004 financial statements to conform to the 2005 presentation.

Sabre Inc. conducts the domestic operations of the Company's Sabre Travel Network segment and the Sabre Airline Solutions segment. The operations of the Travelocity segment, as well as the principal international operations of the Sabre Travel Network segment, are conducted by the non-guarantor subsidiaries.

Sabre Inc. and certain non-guarantor subsidiaries are parties to various intercompany agreements, which affect the amount of operating expenses reported in the following condensed consolidating statements of income. Among other things, fees are paid by Sabre Inc. to a non-guarantor subsidiary relating to the use of trademarks, tradenames, etc. owned by a non-guarantor subsidiary; incentive and marketing payments are made by Sabre Inc. to non-guarantor subsidiaries relating to the use and distribution of the *Sabre* system; and payments are made by non-guarantor subsidiaries to Sabre Inc. for access to the *Sabre* system under the terms of these agreements. During 2005, 2004 and 2003, Sabre Inc. recognized operating expenses totaling approximately \$336 million, \$273 million and \$218 million, respectively, in connection with these agreements. These amounts, and the corresponding amounts recognized by the non-guarantor subsidiaries, are eliminated in consolidation.

**CONDENSED CONSOLIDATING BALANCE SHEETS**  
**DECEMBER 31, 2005**  
(in thousands)

	<b>Sabre Holdings</b>	<b>Sabre Inc.</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Sabre Consolidated</b>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and marketable securities	\$ —	\$ 380,898	\$ 130,920	\$ —	\$ 511,818
Restricted cash	—	11,237	45,782	—	57,019
Accounts receivable, net	—	251,408	254,254	—	505,662
Intercompany accounts receivable (payable)	—	(158,906)	158,906	—	—
Other current assets	—	32,263	32,382	—	64,645
Other receivables	—	48,929	60,215	—	109,144
<b>Total current assets</b>	<b>—</b>	<b>565,829</b>	<b>682,459</b>	<b>—</b>	<b>1,248,288</b>
Property and equipment, net	—	344,179	85,389	—	429,568
Investment in subsidiaries	744,562	2,583,474	—	(3,328,036)	—
Intercompany notes	2,122,011	(2,122,011)	—	—	—
Investment in joint ventures	—	4,189	152,088	—	156,277
Goodwill and intangible assets, net	—	11,361	2,321,779	—	2,333,140
Other assets, net	4,106	169,509	33,223	—	206,838
<b>Total assets</b>	<b>\$ 2,870,679</b>	<b>\$ 1,556,530</b>	<b>\$ 3,274,938</b>	<b>\$ (3,328,036)</b>	<b>\$ 4,374,111</b>
<b>Liabilities and stockholders' equity</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 3,559	\$ 102,510	\$ 97,594	\$ —	\$ 203,663
Travel supplier liabilities and deferred revenue	—	—	301,377	—	301,377
Accrued compensation and related benefits	—	56,710	17,918	—	74,628
Other current accrued liabilities	11,013	284,952	216,830	—	512,795
Bridge facility	800,000	—	—	—	800,000
<b>Total current liabilities</b>	<b>814,572</b>	<b>444,172</b>	<b>633,719</b>	<b>—</b>	<b>1,892,463</b>
Pensions and other postretirement benefits	—	190,486	967	—	191,453
Other liabilities	1,692	19,122	2,754	—	23,568
Minority interests	—	—	38,948	—	38,948
Long-term capital lease obligation	—	158,188	—	—	158,188
Public and other notes payable	411,303	—	15,076	—	426,379
<b>Total stockholders' equity</b>	<b>1,643,112</b>	<b>744,562</b>	<b>2,583,474</b>	<b>(3,328,036)</b>	<b>1,643,112</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,870,679</b>	<b>\$ 1,556,530</b>	<b>\$ 3,274,938</b>	<b>\$ (3,328,036)</b>	<b>\$ 4,374,111</b>

**CONDENSED CONSOLIDATING BALANCE SHEETS**  
**DECEMBER 31, 2004**  
(in thousands)

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminations	Sabre Consolidated
<b>Assets</b>					
<b>Current Assets</b>					
Cash and marketable securities	\$ —	\$ 766,401	\$ 70,623	\$ —	\$ 837,024
Accounts receivable, net	—	234,248	83,576	—	317,824
Intercompany accounts receivable (payable)	—	(159,414)	159,414	—	—
Other current assets	—	22,288	64,582	—	86,870
Other receivables	—	1,912	29,885	—	31,797
<b>Total current assets</b>	<b>—</b>	<b>865,435</b>	<b>408,080</b>	<b>—</b>	<b>1,273,515</b>
Property and equipment, net	—	340,964	46,377	—	387,341
Investment in subsidiaries	692,123	1,331,046	—	(2,023,169)	—
Intercompany notes	1,361,035	(1,361,035)	—	—	—
Investment in joint ventures	—	4,348	171,901	—	176,249
Goodwill and intangible assets, net	—	12,209	976,391	—	988,600
Other assets, net	15,200	109,312	67,760	—	192,272
<b>Total assets</b>	<b>\$ 2,068,358</b>	<b>\$ 1,302,279</b>	<b>\$ 1,670,509</b>	<b>\$ (2,023,169)</b>	<b>\$ 3,017,977</b>
<b>Liabilities and stockholders' equity</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 7,790	\$ 105,146	\$ 64,271	\$ —	\$ 177,207
Travel supplier liabilities and deferred revenue	—	—	72,264	—	72,264
Accrued compensation and related benefits	—	64,386	16,062	—	80,448
Other current accrued liabilities	8,504	128,412	141,457	—	278,373
<b>Total current liabilities</b>	<b>16,294</b>	<b>297,944</b>	<b>294,054</b>	<b>—</b>	<b>608,292</b>
Pensions and other postretirement benefits	—	153,694	843	—	154,537
Other liabilities	1,350	(2,596)	24,347	—	23,101
Minority interests	—	—	5,143	—	5,143
Long-term capital lease obligation	—	161,114	—	—	161,114
Public and other notes payable	424,233	—	15,076	—	439,309
Total stockholders' equity	1,626,481	692,123	1,331,046	(2,023,169)	1,626,481
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,068,358</b>	<b>\$ 1,302,279</b>	<b>\$ 1,670,509</b>	<b>\$ (2,023,169)</b>	<b>\$ 3,017,977</b>

**CONDENSED CONSOLIDATING STATEMENTS OF INCOME**  
**YEAR ENDED DECEMBER 31, 2005**  
(in thousands)

	<b>Sabre Holdings</b>	<b>Sabre Inc.</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Sabre Consolidated</b>
Revenues	\$ —	\$ 1,523,316	\$ 1,510,627	\$ (512,688)	\$ 2,521,255
Operating expenses	3,651	1,348,446	1,420,973	(512,688)	2,260,382
Operating income (loss)	(3,651)	174,870	89,654	—	260,873
<b>Other income (expense)</b>					
Interest income	119,738	14,744	21,174	(133,245)	22,411
Interest expense	(39,644)	(142,793)	(3,883)	133,245	(53,075)
Income from subsidiaries	122,063	81,753	—	(203,816)	—
Other, net	—	(22,589)	37,095	—	14,506
Total other income (expense)	202,157	(68,885)	54,386	(203,816)	(16,158)
<b>Income before provision for income taxes</b>	198,506	105,985	144,040	(203,816)	244,715
Provision (credit) for income taxes	26,354	(16,078)	62,287	—	72,563
<b>Net income</b>	\$ 172,152	\$ 122,063	\$ 81,753	\$ (203,816)	\$ 172,152

**CONDENSED CONSOLIDATING STATEMENTS OF INCOME**  
**YEAR ENDED DECEMBER 31, 2004**  
(in thousands)

	<b>Sabre Holdings</b>	<b>Sabre Inc.</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Sabre Consolidated</b>
Revenues	\$ —	\$ 1,438,988	\$ 1,210,180	\$ (518,197)	\$ 2,130,971
Operating expenses	3,429	1,305,074	1,081,935	(518,197)	1,872,241
Operating income (loss)	(3,429)	133,914	128,245	—	258,730
<b>Other income (expense)</b>					
Interest income	104,336	12,108	8,470	(109,760)	15,154
Interest expense	(17,689)	(117,605)	(1,328)	109,760	(26,862)
Income from subsidiaries	135,895	105,376	—	(241,271)	—
Other, net	—	8,360	1,679	—	10,039
Total other income	222,542	8,239	8,821	(241,271)	(1,669)
<b>Income before provision for income taxes</b>	219,113	142,153	137,066	(241,271)	257,061
Provision for income taxes	28,694	6,258	31,690	—	66,642
<b>Net income</b>	\$ 190,419	\$ 135,895	\$ 105,376	\$ (241,271)	\$ 190,419

**CONDENSED CONSOLIDATING STATEMENTS OF INCOME**  
**YEAR ENDED DECEMBER 31, 2003**  
(in thousands)

	<b>Sabre Holdings</b>	<b>Sabre Inc.</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Sabre Consolidated</b>
Revenues	\$ —	\$ 1,466,162	\$ 1,021,897	\$ (442,896)	\$ 2,045,163
Operating expenses	2,632	1,327,518	991,679	(442,896)	1,878,933
Operating income (loss)	(2,632)	138,644	30,218	—	166,230
<b>Other income (expense)</b>					
Interest income	85,600	11,612	15,672	(96,407)	16,477
Interest expense	(17,004)	(100,798)	(2,682)	96,407	(24,077)
Income from subsidiaries	39,847	33,872	—	(73,719)	—
Other, net	—	(27,826)	(3,427)	—	(31,253)
Total other income (expense)	108,443	(83,140)	9,563	(73,719)	(38,853)
<b>Income before provision for income taxes</b>	105,811	55,504	39,781	(73,719)	127,377
Provision for income taxes	22,510	15,657	5,909	—	44,076
<b>Net income</b>	\$ 83,301	\$ 39,847	\$ 33,872	\$ (73,719)	\$ 83,301

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2005**  
(in thousands)

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminations	Sabre Consolidated
<b>Operating Activities</b>					
Cash provided by operating activities	\$ —	\$ 99,998	\$ 125,508	\$ —	\$ 225,506
<b>Investing Activities</b>					
Additions to property and equipment	—	(59,752)	(31,908)	—	(91,660)
Net sales of marketable securities	—	383,919	28,198	—	412,117
Proceeds from sale of investments	—	—	40,920	—	40,920
Acquisitions (net of cash acquired)	—	(41,748)	(1,137,191)	—	(1,178,939)
Other investing activities	—	(10,000)	(6,342)	—	(16,342)
Cash provided by (used for) investing activities	—	272,419	(1,106,323)	—	(833,904)
<b>Financing Activities</b>					
Proceeds from bridge facility	800,000	—	—	—	800,000
Proceeds from exercise of common stock	9,750	—	—	—	9,750
Dividends paid	(47,281)	—	—	—	(47,281)
Contributions (distributions) from affiliates, net	(699,257)	(374,267)	1,073,524	—	—
Purchases of treasury stock	(63,212)	—	—	—	(63,212)
Other financing activities, net	—	(1,200)	—	—	(1,200)
Cash provided by (used for) financing activities	—	(375,467)	1,073,524	—	698,057
Effect of exchange rate changes on cash and cash equivalents	—	—	(4,097)	—	(4,097)
Increase (decrease) in cash	—	(3,050)	88,612	—	85,562
Cash at beginning of period	—	7,468	42,203	—	49,671
Cash at end of period	\$ —	\$ 4,418	\$ 130,815	\$ —	\$ 135,233

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2004**  
(in thousands)

	Sabre Holdings	Sabre Inc.	Non-Guarantor Subsidiaries	Eliminations	Sabre Consolidated
<b>Operating Activities</b>					
Cash provided by operating activities	\$ —	\$ 89,154	\$ 272,279	\$ —	\$ 361,433
<b>Investing Activities</b>					
Additions to property and equipment	—	(56,036)	(21,962)	—	(77,998)
Net sales (purchases) of marketable securities	—	121,065	(26,728)	—	94,337
Acquisitions (net of cash acquired)	—	(9,274)	(60,470)	—	(69,744)
Other investing activities	—	397	(45,984)	—	(45,587)
Cash provided by (used for) investing activities	—	56,152	(155,144)	—	(98,992)
<b>Financing Activities</b>					
Proceeds from exercise of common stock	15,744	—	—	—	15,744
Dividends paid	(41,431)	—	—	—	(41,431)
Contributions (distributions) from affiliates, net	253,501	(147,971)	(105,530)	—	—
Purchases of treasury stock	(227,814)	—	—	—	(227,814)
Other financing activities, net	—	(836)	(1,056)	—	(1,892)
Cash used for financing activities	—	(148,807)	(106,586)	—	(255,393)
Effect of exchange rate changes on cash and cash equivalents	—	—	1,761	—	1,761
Increase (decrease) in cash	—	(3,501)	12,310	—	8,809
Cash at beginning of period	—	10,969	29,893	—	40,862
Cash at end of period	\$ —	\$ 7,468	\$ 42,203	\$ —	\$ 49,671

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2003**  
(in thousands)

	<b>Sabre Holdings</b>	<b>Sabre Inc.</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Sabre Consolidated</b>
<b>Operating Activities</b>					
Cash provided by (used for) operating activities	\$ —	\$ (148,906)	\$ 426,844	\$ —	\$ 277,938
<b>Investing Activities</b>					
Additions to property and equipment	—	(52,307)	(19,159)	—	(71,466)
Net sales (purchases) of marketable securities	—	10,332	(832)	—	9,500
Acquisitions (net of cash acquired)	—	(11,934)	(84,180)	—	(96,114)
Proceeds from sales of investments	—	—	5,054	—	5,054
Other investing activities	—	—	(12,177)	—	(12,177)
Cash used for investing activities	—	(53,909)	(111,294)	—	(165,203)
<b>Financing Activities</b>					
Proceeds from exercise of common stock	10,541	—	—	—	10,541
Dividends paid	(30,125)	—	—	—	(30,125)
Contributions (distributions) from affiliates, net	63,711	231,109	(294,820)	—	—
Purchases of treasury stock	(44,239)	—	—	—	(44,239)
Other financing activities, net	112	(27,947)	(2,779)	—	(30,614)
Cash provided by (used for) financing activities	—	203,162	(297,599)	—	(94,437)
Effect of exchange rate changes on cash and cash equivalents	—	—	1,388	—	1,388
Increase in cash	—	347	19,339	—	19,686
Cash at beginning of period	—	10,622	10,554	—	21,176
Cash at end of period	\$ —	\$ 10,969	\$ 29,893	\$ —	\$ 40,862

## 16. Subsequent Events

### Acquisition of Zuji Holdings Limited

On January 18, 2005, we entered into a put option agreement with the other investment holders of Zuji. On January 24, 2006, the put option was exercised, and pursuant to the agreement, we paid \$34 million for the remaining interests in Zuji that we did not already own. The final allocation of the purchase price will be based on a complete evaluation of the assets and liabilities of Zuji. Accordingly, the information presented on our Consolidated Balance Sheets and elsewhere in this report, as a result of consolidating Zuji under the guidance of FIN 46R, is preliminary and may change.

### Legal Settlement

We had previously disclosed two lawsuits, which were consolidated in federal court in Fort Worth, Texas, to which we were a party against Northwest Airlines, Inc. ("Northwest") related to Northwest's August 24, 2004 announcement and implementation on September 1, 2004 of a fare supplement for travel reservation bookings made through a GDS, including the *Sabre* GDS, by traditional travel agencies and some online travel sites, such as Travelocity. The bankruptcy court approved a settlement of this litigation by an order effective on February 25, 2006. The settlement resulted in a pre-tax loss of \$15 million in 2005 recorded in other, net on the Consolidated Statement of Income.

### Acquisition of TRAMS Inc.

On February 10, 2006, we acquired TRAMS Inc., a leading provider of financial reporting, CRM and direct marketing solutions and services for travel agencies. The purchase price was \$22 million in cash. The acquisition enables Sabre Travel Network to directly serve the end-to-end needs, from front-to-mid to back-office, of a broad spectrum of travel agencies, with initial focus on small and mid-sized leisure agencies. With the acquisition, Sabre Travel Network will be able to integrate the *TRAMS*<sup>TM</sup> offerings more seamlessly with existing and future *Sabre* solutions. Assets acquired and liabilities assumed will be recorded in 2006 at their estimated fair values.

### Prepayment of Bridge Facility

On February 16, 2006, we made a \$100 million prepayment with respect to our \$800 million Bridge Facility put into place to finance our acquisition of lastminute.com. The prepayment was made with our currently available cash and marketable securities.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

### ITEM 9A. CONTROLS AND PROCEDURES

**Disclosure Controls Evaluation and Related CEO and CFO Certifications.** Our management, with the participation of our principal executive officer ("CEO") and principal financial officer ("CFO") conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report. The controls evaluation was conducted by our Disclosure Controls Council, comprised of senior representatives from our Finance, Accounting, Internal Audit, Tax, Investor Relations, Corporate Communications and Legal Departments under the supervision of our CEO and CFO.

Attached as exhibits to this Annual Report are certifications of our CEO and our CFO, which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended ("Exchange Act"). This "Controls and Procedures" section includes the information concerning the controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

**Limitations on the Effectiveness of Controls.** We do not expect that our disclosure controls and procedures will prevent all errors and all fraud. A system of controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Because of the limitations in all such systems, no evaluation can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Furthermore, the design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how unlikely. Because of these inherent limitations in a cost-effective system of controls and procedures, misstatements or omissions due to error or fraud may occur and not be detected.

**Scope of the Controls Evaluation.** The evaluation of our disclosure controls and procedures included a review of their objectives and design, the Company's implementation of the controls and procedures and the effect of the controls and procedures on the information generated for use in this Annual Report. In the course of the evaluation, we sought to identify whether we had any data errors, control problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, were being undertaken if needed. This type of evaluation is performed on a quarterly basis so that conclusions concerning the effectiveness of our disclosure controls and procedures can be reported in our Quarterly Reports on Form 10-Q, which supplement our disclosures made in our Annual Report on Form 10-K. Many of the components of our disclosure controls and procedures are also evaluated by our Internal Audit Department, our Legal Department and by personnel in our Finance organization. The overall goals of these various evaluation activities are to monitor our disclosure controls and procedures on an ongoing basis, and to maintain them as dynamic systems that change as conditions warrant.

**Conclusions Regarding Disclosure Controls.** Based on the required evaluation of our disclosure controls and procedures, our CEO and CFO have concluded that, as of December 31, 2005, we maintain disclosure controls and procedures that are effective in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

**Management's Report on Internal Control over Financial Reporting.** Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework set forth in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2005. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included in this Form 10-K.

**Changes in Internal Controls Over Financial Reporting.** During the three months ended December 31, 2005, there was no change in our internal control over financial reporting (or in other factors) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, including any corrective actions required with regard to significant deficiencies or material weaknesses.

**Exclusion of lastminute.com from 2005 Internal Controls Assessment.** As noted elsewhere in this Form 10-K, we acquired lastminute.com plc. on July 20, 2005. Pursuant to guidance from the United States Securities and Exchange Commission, we have excluded lastminute.com from the assessment of our internal controls over financial reporting as of December 31, 2005. As of December 31, 2005, on a stand alone basis, lastminute.com constituted \$1,598 million and \$1,265 million of total assets and net assets, respectively, and \$174 million and \$11 million of revenues and net loss, respectively for the year then ended.

**Material Weaknesses in lastminute.com Internal Control Environment Involving Internal Information Technology Systems.** Shortly after our acquisition of lastminute.com, we began to conduct our assessment of its internal controls, which had not been possible prior to the acquisition. As part of our ongoing assessment, we recently concluded that some identified deficiencies constituted material weaknesses in the internal controls at lastminute.com, as described below.

We determined that these material weaknesses exist at lastminute.com with respect to information technology systems, including inadequate internal system access security and controls, inadequate change management processes and inadequate financial systems interfaces. The inadequate financial systems interfaces also result in an inability to sufficiently reconcile at a detailed level certain accounts, primarily related to inter-company activity and account balances. We believe these weaknesses exist due to lastminute.com's complex business and information technology structure, caused by the number of acquisitions lastminute.com made over the past several years which had not been fully integrated.

We have begun remediation efforts based on our existing policies used elsewhere in our business, including the enhancement of information technology policies and procedures concerning internal security, systems access and change management. In addition, we will be making system modifications and policy and procedure changes at lastminute.com to allow easier identification and elimination of inter-company balances and more detailed monthly reconciliations of inter-company accounts.

We continue to assess the internal controls over financial reporting at lastminute.com. To date, our ongoing assessment has not resulted in any findings that would lead us to believe that there are any material misstatements in our financial statements as of December 31, 2005 as a result of the identified material weaknesses. To ensure that the December 31, 2005 financial statements were materially correct we performed supplementary procedures in addition to the normal recurring control procedures and financial statement close process at lastminute.com. Based on these procedures and the normal internal control policies and procedures at lastminute.com, we concluded that our December 31, 2005 financial statements are fairly stated in accordance with generally accepted accounting principles in all material respects. However, as we make further progress in our assessment, we might identify additional individual deficiencies, or combinations of deficiencies, which we might characterize as a material weakness in the internal controls over financial reporting at lastminute.com. We will attempt to promptly resolve identified deficiencies, which may involve material changes to lastminute.com's internal controls. We intend to implement remediation plans to bring the internal controls over financial reporting at lastminute.com to a standard that is consistent with the rest of the Company. Until such time as the existing systems, processes and procedures at lastminute.com can be remediated we will continue to perform additional procedures and reviews at lastminute.com as necessary to ensure that our financial statements are fairly stated in accordance with generally accepted accounting principles in all material respects.

**ITEM 9B. OTHER INFORMATION**

None.

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

Incorporated herein by reference is the information set forth under the headings "Proposal 1—Election of Directors," "Information Regarding the Board and Its Committees," "Director Nomination Process" and "Executive Officers of the Registrant" in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 16, 2006.

**Corporate Governance Policy**

Sabre Holdings Corporation is committed to conducting its business in a way that reflects best practices as well as the highest standards of legal and ethical conduct. We want to be a company of integrity and to be perceived as such by everyone who comes in contact with us.

To that end, the Board of Directors of the Corporation has approved a comprehensive system of corporate governance documents that collectively constitute the *Corporate Governance Policy* of Sabre Holdings Corporation. These documents meet the requirements established by the New York Stock Exchange's corporate governance listing standards and by the Securities and Exchange Commission.

The Corporate Governance Policy describes the policies, processes and practices followed by our directors, officers and employees in governing the Corporation, and serves as a flexible framework for sound corporate governance. The Corporate Governance Policy, which includes the Charters of each of the Committees of our Board of Directors and our Business Ethics Policy, is available on the Corporate Governance section of our Website. Stockholders may request a free copy of the Corporate Governance Policy from:

Sabre Holdings Corporation  
Attention: Investor Relations  
3150 Sabre Drive  
Southlake, TX 76092  
682 605 1000

## Code of Ethics

Sabre Holdings Corporation and its subsidiaries endeavor to do business according to the highest ethical and legal standards, complying with both the letter and spirit of the law. Our Board of Directors has approved a Business Ethics Policy that applies to the Corporation's directors, officers (including our principal executive officer, principal financial officer and controller), employees and contractors around the globe. Our Business Ethics Policy, a component of the Sabre Holdings Corporation Corporate Governance Policy (described above), is administered by our General Counsel, who acts as the Compliance Officer for the Corporation.

Our employees are encouraged to report any suspected violations of laws, regulations and the Business Ethics Policy, and all unethical business practices. We provide continuously monitored hotlines for anonymous reporting by employees, and also obtain annual compliance certifications from all officers and management level employees.

Our Business Ethics Policy is available on the Corporate Governance section of our website at:

<http://www.sabre-holdings.com/governance/documents/busEthics.html>

Stockholders may request a free copy of the Business Ethics Policy by contacting Investor Relations at the phone number and address set forth above under "Corporate Governance Policy."

In addition, within five business days of:

- Any amendment to a provision of our Business Ethics Policy that applies to our Chief Executive Officer, our Chief Financial Officer, or Controller, or
- The grant of any waiver, including an implicit waiver, from a provision of our Business Ethics Policy to one of these officers that relates to one or more of the items set forth in Item 406(b) of Regulation S-K,

we will provide information regarding any such amendment or waiver (including the nature of any waiver, the name of the person to whom the waiver was granted and the date of the waiver) on our Website at the Internet address above, and such information will be available on our Website for at least a 12-month period. In addition, we will disclose any amendments and waivers to our Business Ethics Policy as required by the listing standards of the New York Stock Exchange.

## ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference is the information set forth under the heading "Executive Compensation" in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 16, 2006.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference is the information set forth under the heading "Ownership of Securities" from our definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 16, 2006.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated herein by reference is the information set forth under the heading "Proposal 2—Ratification of Selection of Auditors—Fees Paid to Ernst & Young LLP" from our definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 16, 2006.

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K**

- (a)(1) The financial statements listed in the accompanying index to financial statements and the schedules are filed as part of this report.
- (2) The schedules listed in the accompanying index to financial statements and schedules are filed as part of this report.
- (3) Exhibits required to be filed by Item 601 of Regulation S-K. The exhibits listed in items 10.1 through 10.29, 10.39 and 10.42 through 10.51 consist of management contracts or compensatory plans or arrangements.

Exhibit Number	Description of Exhibit
2.1	Asset Purchase Agreement by and among EDS Information Services L.L.C., Electronic Data Systems Corporation, Sabre Inc., and Sabre Holdings Corporation.(1)
2.2	First Amendment to Asset Purchase Agreement by and among EDS Information Services L.L.C., Electronic Data Systems Corporation, Sabre Inc., and Sabre Holdings Corporation.(2)
2.3	Second Amendment to Asset Purchase Agreement by and among EDS Information Services L.L.C., Electronic Data Systems Corporation, Sabre Inc., and Sabre Holdings Corporation.(3)
2.4	Form of Implementation Agreement dated as of May 12, 2005 between Sabre Inc., Travelocity Europe Limited and lastminute.com plc.(4)
2.5	Form of Scheme of Arrangement dated as of June 6, 2005 between Sabre Inc., Travelocity Europe Limited and lastminute.com plc.(5)
2.6	Form of Letter dated as of June 8, 2005 to holders of options granted under the lastminute.com plc 2000 Approved Executive Share Option Scheme and 2000 Unapproved Executive Share Option Scheme.(6)
2.7	Form of Letter dated as of June 8, 2005 to holders of out-of-the-money options granted under the lastminute.com plc 1999 Unapproved Executive Share Option Scheme.(7)
2.8	Form of Letter dated as of June 8, 2005 to Mr. A. Leighton in respect of options granted under the Non-Executive Scheme.(8)
2.9	Form of Letter dated as of June 8, 2005 to holders of out-of-the-money options granted under the lastminute.com plc 2000 Approved Executive Share Option Scheme and 2000 Unapproved Executive Share Option Scheme.(9)
2.10	Form of Letter dated as of June 8, 2005 to holders of options granted under the lastminute.com plc 1998 Unapproved Executive Share Option Scheme and 1999 Unapproved Executive Share Option Scheme.(10)
2.11	Form of Letter dated as of June 8, 2005 to holders of options granted under the lastminute.com plc Sharesave Scheme.(11)
2.12	Form of Bondholder Circular dated as of June 6, 2005.(12)
3.1	Third Restated Certificate of Incorporation of Sabre Holdings Corporation.(13)
3.2	Amended and Restated Bylaws of Sabre Holdings Corporation.(14)

- 4.1 Specimen Certificate representing Class A common stock.(15)
- 4.2 Indenture, dated as of August 3, 2001, between Sabre Holdings Corporation and SunTrust Bank, as Trustee, providing for issuance of debt securities in series.(16)
- 4.3 First Supplemental Indenture dated August 7, 2001, between Sabre Holdings Corporation and SunTrust Bank, as Trustee, relating to the 400,000,000 7.35% Senior Notes Due 2011 of Sabre Holdings Corporation.(17)
- 10.1 Sabre Holdings Deferred Compensation Plan, as amended May 16, 2003.(18)
- 10.2 Travelocity.com LP Second Amended 1999 Long-Term Incentive Plan.(19)
- 10.3 Supplemental Executive Retirement Plan, as Amended effective July 18, 2000. (Restoration).(20)
- 10.4 Supplemental Executive Retirement Plan, as Amended effective July 18, 2000. (Officer).(21)
- 10.5 Supplemental Executive Retirement Plan, as Amended (Grandfathered).(22)
- 10.6 Form of Executive Termination Benefits Agreement.(23)
- 10.7 Form of Addenda to Executive Termination Benefits Agreement with respect to Michael S. Gilliland, Jeffery M. Jackson and Eric J. Speck.(24)
- 10.8 Form of Addendum to Executive Termination Benefits Agreement with respect to David A. Schwarte.(25)
- 10.9 Forms of Addendum to Executive Termination Benefits Agreement with respect to John S. Stow.(26)
- 10.10 Form of Addendum to Executive Termination Benefits Agreement with respect to Thomas Klein.(27)
- 10.11 Form of Addendum to Executive Termination Benefits with respect to Michelle A. Peluso.(28)
- 10.12 Form of Letter Formalizing Involuntary Termination Benefits.(29)
- 10.13 Form of Employment Agreement between Sabre Holdings Corporation, Sabre Inc. and Michael S. Gilliland.(30)
- 10.14 Form of Employment Agreement between Sabre Holdings Corporation, Sabre Inc. and Michelle A. Peluso.(31)
- 10.15 Form of Employee Intellectual Property and Confidentiality Agreement for Mark K. Miller.(32)
- 10.16 Form of Severance Agreement with respect to Thomas Klein.(33)
- 10.17 Bonus Criteria for Executive Officers.(34)
- 10.18 Information regarding the Compensation of Directors.(35)
- 10.19 2000 Stock Option Plan Amended and Restated effective November 13, 2000.(36)
- 10.20 2003 Directors Deferred Compensation and Deferred Stock Unit Plan.(37)
- 10.21 Form of Sabre Holdings Corporation Cash Award Agreement.(38)
- 10.22 The Sabre Group Holdings, Inc. 1996 Directors Stock Incentive Plan.(39)
- 10.23 Sabre Holdings Corporation Employee Stock Purchase Plan Amended and Restated Effective as of January 1, 2005.(40)

- 10.24 Sabre Holdings Corporation Amended and Restated 1996 Long-Term Incentive Plan, as amended November 13, 2000.(41)
- 10.25 Sabre Holdings Corporation Amended and Restated 1996 Long-Term Incentive Plan, as amended May 14, 2002.(42)
- 10.26 Form of Sabre Holdings Corporation 2005 Restricted Stock Agreement for Executive Officers.(43)
- 10.27 Form of Sabre Holdings Corporation 2005 Stock Option Agreement for Executive Officers.(44)
- 10.28 Information Regarding the Compensation of Directors of Sabre Holdings Corporation.(45)
- 10.29 2005 Bonus Criteria for Executive Officers.(46)
- 10.30 Option Issuance Agreement, dated January 1, 1998 between The SABRE Group Holdings, Inc. and US Airways, Inc.(47)
- 10.31 Credit Agreement, dated as of June 15, 2004, by and among Sabre Inc., Bank of America, N.A., as Administrative Agent, Citibank, N.A., Sumitomo Mitsui Banking Corp., New York, UFJ Bank Limited, and JPMorgan Chase Bank, as Co-Syndication Agents, Banc of America Securities LLC, as Sole Lead Arranger and Sole Book Manager, and the other banks party thereto.(48)
- 10.32 Capital Lease Facility with Various Associated Documents dated June 15, 2003, as specified below:
  - 10.32 (a) Participation Agreement dated as of June 15, 2003, among Sabre Inc., as Lessee, Sabre Holdings Corporation, as Lessee Guarantor, CSL Leasing Inc., as Lessor, the Institutional Investors named on Schedule 2, as Purchasers, and Wilmington Trust Company, as Indenture Trustee.(49)
  - 10.32 (b) Master Lease and Deed of Trust dated as of June 15, 2003, between Sabre Inc., as Lessee, and CSL Leasing Inc., as Lessor.(49)
  - 10.32 (c) Lease Supplement No. 1 (Memorandum of Lease Supplement, Memorandum of Master Lease and Deed of Trust, Fixture Filing and Memorandum of Option to Purchase) dated June 26, 2003, between Sabre Inc., as the Lessee and grantor, and CSL Leasing Inc., as Lessor and beneficiary, and to Jeffrey A. Rattikin, as trustee and grantee.(49)
  - 10.32 (d) Trust Indenture and Security Agreement dated as of June 15, 2003, between CSL Leasing Inc. and Wilmington Trust Company, as Indenture Trustee.(49)
  - 10.32 (e) Assignment of Lease and Rent and Security Agreement dated as of June 15, 2003, made by CSL Leasing Inc., as Assignor, in favor of Wilmington Trust Company, as Indenture Trustee.(49)
  - 10.32 (f) Deed of Trust and Security Agreement with Assignment of Rents dated as of June 15, 2003, from CSL Leasing Inc., as grantor, and Sabre Inc., as grantor, to Jeffrey A. Rattikin, as Deed of Trust trustee, for the use and benefit of Wilmington Trust Company, as Indenture Trustee.(49)
  - 10.32 (g) Lease Guaranty dated as of June 15, 2003, made by Sabre Holdings Corporation, as Lessee, Guarantor, in favor of CSL Leasing Inc., as Lessor, the parties who from time to time become Purchasers under the Operative Documents, and Wilmington Trust Company, as Indenture Trustee.(49)

- 10.33 Master Agreement dated August 20, 2004 by and between Otto (GmbH & Co KG), Otto Freizeit und Touristik GmbH, Travelocity.com LP, Travelocity GmbH, Kommanditgesellschaft Travel Overland Flugreisen GmbH & Co., and Travelocity Holdings GmbH.(50)
- 10.34 Share Transfer Agreement dated October 1, 2004 by Travelocity Holdings GmbH and Travelocity Sabre GmbH.(51)
- 10.35 Share Purchase and Transfer Agreement dated October 1, 2004 between Travelocity Holdings GmbH and Kommanditgesellschaft Travel Overland Flugreisen GmbH & Co.(52)
- 10.36 Share Transfer Agreement dated October 1, 2004 between Kommanditgesellschaft Travel Overland Flugreisen GmbH & Co., Otto Freizeit und Touristik GmbH and Travelocity GmbH.(53)
- 10.37 Share Purchase and Transfer Agreement dated October 1, 2004 between Otto Freizeit und Touristik GmbH and Travelocity GmbH.(54)
- 10.38 Put Option Agreement among AGC Holdings Limited, Abacus International Pte Ltd., Travelocity.com L.P., and Zuji Holdings Limited dated January 17, 2005.(55)
- 10.39 Form of Amended and Restated 2005 Long-Term Incentive Plan.(56)
- 10.40 Form of Credit Agreement dated as of May 12, 2005 among Sabre Inc., Morgan Stanley Senior Funding, Inc., and Bear, Sterns & Co., Inc.(57)
- 10.41 Form of Cash Confirmation Letter dated as of May 12, 2005 by Sabre Inc. and Travelocity Europe Limited.(58)
- 10.42 Form of LTIP Letter dated as of June 21, 2005.(59)
- 10.43 Form of Options Cover Statement dated as of June 8, 2005.(60)
- 10.44 2004 Form of Restricted Stock Unit Replacement Award Agreement.(61)
- 10.45 2005 Form of Restricted Stock Unit Replacement Award Agreement.(62)
- 10.46 2006 Salary and Bonus Criteria for Named Executive Officers.(63)
- 10.47 Form of Amended 2004 Executive Termination Benefits Agreement.(64)
- 10.48 Form of Alternative Addendum to 2004 Executive Termination Benefits Agreement.(64)
- 10.49 Form of 2005 Executive Termination Benefits Agreement.(64)
- 10.50 Form of Addendum to 2005 Executive Termination Benefits Agreement.(64)
- 10.51 Fifth Amendment to the Sabre Inc. Legacy Pension Plan.(64)
- 12.1 Computation of ratio of earnings to fixed charges for the year ended December 31, 2005.(64)
- 14.1 Sabre Holdings Corporation Business Ethics Policy revised January 25, 2005.(65)
- 21.1 Subsidiaries of Registrant.(64)
- 23.1 Consent of Ernst & Young LLP.(64)
- 31.1 Written statement to 17 CFR 240.13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 8, 2006, signed by Michael S. Gilliland as Chief Executive Officer.(64)

- 31.2 Written statement pursuant to 17 CFR 240.13a-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002, dated March 8, 2006, signed by Jeffery M. Jackson as Chief Financial Officer.(64)
  - 32.1 Written statement pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 8, 2006, signed by Michael S. Gilliland as Chief Executive Officer.(66)
  - 32.2 Written statement pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 8, 2006, signed by Jeffery M. Jackson as Chief Financial Officer.(66)
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- 1. Incorporated by reference to Exhibit 2.1 to our report on Form 10-Q for the quarter ended March 31, 2001.
- 2. Incorporated by reference to Exhibit 2.2 to our report on Form 8-K on July 16, 2001.
- 3. Incorporated by reference to Exhibit 2.3 to our report on Form 8-K on July 16, 2001.
- 4. Incorporated by reference to Exhibit 2.1 to our report on Form 8-K dated July 20, 2005.
- 5. Incorporated by reference to Exhibit 2.2 to our report on Form 8-K dated July 20, 2005.
- 6. Incorporated by reference to Exhibit 2.3 to our report on Form 8-K dated July 20, 2005.
- 7. Incorporated by reference to Exhibit 2.4 to our report on Form 8-K dated July 20, 2005.
- 8. Incorporated by reference to Exhibit 2.5 to our report on Form 8-K dated July 20, 2005.
- 9. Incorporated by reference to Exhibit 2.6 to our report on Form 8-K dated July 20, 2005.
- 10. Incorporated by reference to Exhibit 2.7 to our report on Form 8-K dated July 20, 2005.
- 11. Incorporated by reference to Exhibit 2.8 to our report on Form 8-K dated July 20, 2005.
- 12. Incorporated by reference to Exhibit 2.9 to our report on Form 8-K dated July 20, 2005.
- 13. Incorporated by reference to Exhibit 4.1 to our report on Form S-8 dated July 28, 2005.
- 14. Incorporated by reference to Exhibit 3.2 to our report on Form 8-K dated July 28, 2005.
- 15. Incorporated by reference to Exhibit 4.1 to our report on Form 10-Q for the quarter ended March 31, 2000.
- 16. Incorporated by reference to Exhibit 4.6 to our report on Form 8-K dated August 7, 2001.
- 17. Incorporated by reference to Exhibit 4.7 to our report on Form 8-K dated August 7, 2001.
- 18. Incorporated by reference to Exhibit 10.1 to our report on Form 10-K for the year ended December 31, 2004.
- 19. Incorporated by reference to Exhibit (e)(5) to Schedule 14D-9 filed by Travelocity.com, Inc. on March 18, 2002.
- 20. Incorporated by reference to Exhibit 10.1 to our report on Form 10-Q for the quarter ended June 30, 2001.
- 21. Incorporated by reference to Exhibit 10.2 to our report on Form 10-Q for the quarter ended June 30, 2001.
- 22. Incorporated by reference to Exhibit 10.3 to our report on Form 10-Q for the quarter ended June 30, 2001.
- 23. Incorporated by reference to Exhibit 10.4 to our report on Form 10-Q for the quarter ended June 30, 2001.
- 24.



25. Incorporated by reference to Exhibit 10.3 to our report on Form 10-Q for the quarter ended March 31, 2004.
26. Incorporated by reference to Exhibit 10.4 to our report on Form 10-Q for the quarter ended March 31, 2004.
27. Incorporated by reference to Exhibit 10.5 to our report on Form 10-Q for the quarter ended March 31, 2004.
28. Incorporated by reference to Exhibit 10.11 to our report on Form 10-K for the year ended December 31, 2004.
29. Incorporated by reference to Exhibit 10.3 to our report on Form 10-Q for the quarter ended March 31, 2003.
30. Incorporated by reference to Exhibit 10.11 to our report on Form 10-K for the year ended December 31, 2003.
31. Incorporated by reference to Exhibit 10.14 to our report on Form 10-K for the year ended December 31, 2004.
32. Incorporated by reference to Exhibit 10.6 to our report on Form 10-Q for the quarter ended September 30, 2004.
33. Incorporated by reference to Exhibit 10.16 to our report on Form 10-K for the year ended December 31, 2004.
34. Incorporated by reference to Exhibit 10.17 to our report on Form 10-K for the year ended December 31, 2004.
35. Incorporated by reference to Exhibit 99.1 to our report on Form 8-K dated December 21, 2004.
36. Incorporated by reference to Exhibit 10.19 to our report on Form 10-K for the year ended December 31, 2004.
37. Incorporated by reference to Exhibit 10.1 to our report on Form 10-Q for the quarter ended March 31, 2003.
38. Incorporated by reference to Exhibit 10.2 to our report on Form 10-Q for the quarter ended March 31, 2003.
39. Incorporated by reference to Exhibit 10.26 to our Registration Statement on Form S-1 (Registration No. 333-09747).
40. Incorporated by reference to Exhibit 10.23 to our report on Form 10-K for the year ended December 31, 2004.
41. Incorporated by reference to Exhibit 10.16 to our report on Form 10-K for the year ended December 31, 2001.
42. Incorporated by reference to Exhibit 10.22 to our report on Form 10-K for the year ended December 31, 2003.
43. Incorporated by reference to Exhibit 99.1 to our report on Form 8-K dated on January 28, 2005.
44. Incorporated by reference to Exhibit 99.2 to our report on Form 8-K dated on January 28, 2005.
45. Incorporated by reference to Exhibit 99.1 to our report on Form 8-K on December 21, 2004.
46. Incorporated by reference to our report on Form 8-K on January 28, 2005.

47. Incorporated by reference to Exhibit 10.34 to our report on Form 10-K for the year ended December 31, 1997. This exhibit is available as Exhibit 10.34 on the SEC's EDGAR website as an exhibit to the Sabre Holdings Corporation (file number 001-12175) Form 10-K for the year ended December 31, 1997.
48. Incorporated by reference to Exhibit 10.1 to our report on Form 10-Q for the quarter ended June 30, 2004.
49. Incorporated by reference to Exhibit 10.1 (a-g) to our report on Form 10-Q for the quarter ended June 30, 2003.
50. Incorporated by reference to Exhibit 10.1 to our report on Form 10-Q for the quarter ended September 30, 2004.
51. Incorporated by reference to Exhibit 10.2 to our report on Form 10-Q for the quarter ended September 30, 2004.
52. Incorporated by reference to Exhibit 10.3 to our report on Form 10-Q for the quarter ended September 30, 2004.
53. Incorporated by reference to Exhibit 10.4 to our report on Form 10-Q for the quarter ended September 30, 2004.
54. Incorporated by reference to Exhibit 10.5 to our report on Form 10-Q for the quarter ended September 30, 2004.
55. Incorporated by reference to Exhibit 10.38 to our report on Form 10-K for the year ended December 31, 2004.
56. Incorporated by reference to Exhibit 10.1 to our report on Form 10-Q for the quarter ended June 30, 2005.
57. Incorporated by reference to Exhibit 10.2 to our report on Form 10-Q for the quarter ended June 30, 2005.
58. Incorporated by reference to Exhibit 10.3 to our report on Form 10-Q for the quarter ended June 30, 2005.
59. Incorporated by reference to Exhibit 10.4 to our report on Form 10-Q for the quarter ended June 30, 2005.
60. Incorporated by reference to Exhibit 10.5 to our report on Form 10-Q for the quarter ended June 30, 2005.
61. Incorporated by reference to Exhibit 10.1 to our report on Form 10-Q for the quarter ended September 30, 2005.
62. Incorporated by reference to Exhibit 10.2 to our report on Form 10-Q for the quarter ended September 30, 2005.
63. Incorporated by reference to the description in Item 1.01 of our Form 8-K filed on February 3, 2006.
64. Filed herewith.
65. Incorporated by reference to Exhibit 14.1 to our report on Form 10-K for the year ended December 31, 2004.

Sabre Holdings Corporation is furnishing, but not filing, the written statements pursuant to Title 18 United States Code Section 1350, as added by Section 906 of the Sarbanes–Oxley Act of 2002, of Michael S. Gilliland, the Chief Executive Officer of Sabre Holdings Corporation, and Jeffery M. Jackson, the Chief Financial Officer of Sabre Holdings Corporation.

- (b) A list of exhibits filed or furnished with this report on Form 10–K (or incorporated by reference to exhibits previously filed or furnished by us) is provided above under Item 15(a)(3) of this Report. We shall furnish a copy of this Form 10–K and/or copies of exhibits for a reasonable fee (covering the expense of furnishing copies) upon request. Stockholders may request exhibits copies by contacting:

Sabre Holdings Corporation  
Attn: Investor Relations  
3150 Sabre Drive  
Southlake, Texas 76092  
682–605–1000

PLEASE NOTE: It is inappropriate for investors to assume the accuracy of any covenants, representations or warranties that may be contained in agreements or other documents filed as exhibits to this report. Any such covenants, representations or warranties: may have been qualified or superseded by disclosures contained in separate schedules not filed with this report, may reflect the parties' negotiated risk allocation in the particular transaction, may be qualified by materiality standards that differ from those applicable for securities law purposes, and may not be true as of the date of this report or any other date.

**SABRE HOLDINGS CORPORATION**  
**INDEX TO FINANCIAL STATEMENTS AND SCHEDULES**  
**COVERED BY REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**  
**[Item 15(a)]**

**Financial Statements**

[Report of Independent Registered Public Accounting Firm](#)

[Consolidated Balance Sheets at December 31, 2005 and 2004](#)

[Consolidated Statements of Income for the Years Ended  
December 31, 2005, 2004 and 2003](#)

[Consolidated Statements of Cash Flows for the Years Ended  
December 31, 2005, 2004 and 2003](#)

[Consolidated Statements of Stockholders' Equity for the Years  
Ended December 31, 2005, 2004 and 2003](#)

[Notes to Consolidated Financial Statements](#)

[Schedule II—Valuation and Qualifying Accounts for the Years  
Ended December 31, 2005, 2004 and 2003](#)

All other schedules are omitted because the required information is included in the financial statements or notes thereto, or because the required information is either not present or not present in sufficient amounts.

**Sabre Holdings Corporation**  
**Schedule II—Valuation and Qualifying Accounts**  
**For Each of the Three Years in the Period Ended December 31, 2005**  
(in thousands)

Classification	Balance at Beginning of Year	Additions		Deductions (2)	Balance at End of year
		Charged (Credited) to Costs and Expenses	Charged (Credited) to Other Accounts (1)		
<b>Year Ended December 31, 2005</b>					
Allowance for uncollectible accounts	\$ 24,156	\$ 6,943	\$ —	\$ (6,147)	\$ 24,952
Booking fee cancellation reserve	16,714	349	—	—	17,063
Associate reserves	11,033	49,747	—	(44,549)	16,231
<b>Year Ended December 31, 2004</b>					
Allowance for uncollectible accounts	\$ 15,415	\$ 19,176	\$ —	\$ (10,435)	\$ 24,156
Booking fee cancellation reserve	16,953	—	—	(239)	16,714
Associate reserves	10,252	29,368	—	(28,587)	11,033
<b>Year Ended December 31, 2003</b>					
Allowance for uncollectible accounts	\$ 34,500	\$ (101)(3)	\$ —	\$ (18,984)	\$ 15,415
Booking fee cancellation reserve	18,357	—	—	(1,404)	16,953
Associate reserves	7,170	21,247	—	(18,165)	10,252

(1) Amounts charged against revenue.

(2) Includes write-offs for uncollectible accounts and other reserve adjustments.

(3) Includes \$(1,678) expense adjustment to Travelocity reserve due to change in method of calculating reserve requirements and a cash settlement received from a customer.

## Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 8, 2006

### SABRE HOLDINGS CORPORATION

/s/ Michael S. Gilliland

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Michael S. Gilliland  
*President and Chief Executive Officer (Principal Executive Officer)*

/s/ Jeffery M. Jackson

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Jeffery M. Jackson  
*Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)*

/s/ Mark K. Miller

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Mark K. Miller  
*Senior Vice President and Controller (Principal Accounting Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates noted:

Date: March 8, 2006

Directors:

/s/ Paul C. Ely, Jr.

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Paul C. Ely, Jr.

/s/ Royce S. Caldwell

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Royce S. Caldwell

/s/ Michael S. Gilliland

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Michael S. Gilliland, Chairman

/s/ Richard G. Lindner

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Richard G. Lindner

/s/ Glenn W. Marschel, Jr.

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Glenn W. Marschel, Jr.

/s/ Bob L. Martin

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Bob L. Martin

/s/ Pamela B. Strobel

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Pamela B. Strobel

/s/ Mary Alice Taylor

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Mary Alice Taylor

/s/ Richard L. Thomas

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Richard L. Thomas



## EXECUTIVE TERMINATION BENEFITS AGREEMENT

This Executive Termination Benefits Agreement ("Agreement") dated as of January 19, 2004 ("Effective Date"), is among Sabre Holdings Corporation, a Delaware corporation ("Sabre Holdings"), Sabre Inc., a Delaware corporation ("Sabre"), and the executive named on the signature page hereof (the "Executive").

WHEREAS, the Board of Directors recognizes that any likelihood of a Change in Control affecting the Company, and the uncertainty which it may raise among management personnel, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders;

WHEREAS, the Board of Directors considers it essential to the best interests of the Company and its stockholders that its key executives be incentivized to remain with the Company, and to continue to devote their full attention and dedication to the Company's business and their assigned duties, in the event of an actual or likely Change in Control;

WHEREAS, the Board of Directors believes the Executive is a key executive of the Company and, in the event of an actual or likely Change in Control, the Board of Directors wants the Executive to continue performing his or her duties, to assess the impact of the potential Change in Control, to advise the Company whether the potential Change in Control is in the best interests of the Company and its shareholders, to assist in implementing the Change in Control, and to take such other actions as the Board might determine to be appropriate under the circumstances, all without the Executive being distracted by personal concerns about the impact of the potential Change in Control on the Executive; and

WHEREAS, the Company has agreed for those Executives with a prior existing Executive Termination Benefits Agreement (ETBA) with the Company, to grant additional awards to the Executive under the LTIP (as defined in Section 4(f) below), which the Company is not otherwise obligated to grant, in return for the Executive agreeing that the terms herein shall override anything to the contrary in any prior existing ETBA or the LTIP, even if the prior existing ETBA or the LTIP would otherwise have provided a greater benefit, and the Executive acknowledges the receipt and sufficiency of such additional grants as good and valuable consideration for Executive's agreement to said amendments to the LTIP and replacement of prior existing ETBAs; and WHEREAS, attached to this Executive Benefits Termination Agreement is an Addendum setting forth certain terms in addition to the terms set forth in this Agreement. To the extent any of the terms contained in the attached Addendum conflict and/or contradict the terms contained in this Agreement, the terms contained in the Addendum shall control and supersede any such conflicting and/or contradictory terms contained in this Agreement. NOW, THEREFORE, in consideration of the mutual covenants below, and in order to incentivize the Executive to remain in the employ of the Company in the event of an actual or likely Change in Control, the Company and the Executive agree as follows:

1. *Defined Terms.* For purposes of this Agreement, the following terms have the meanings ascribed to them below:

(a) "*Cause*" means any of the following actions by the Executive leading to termination of employment: conviction for an act of fraud, embezzlement, theft, or any act constituting a felony, (for which a plea of no contest or guilty is made by the Executive) insubordination, persistent inattention to duties or excessive absenteeism, violation of the Company's work rules, code of conduct or policies or federal law, or any other conduct which would disqualify the Executive from entitlement to unemployment benefits.

(b) "*Change in Control*" means an occurrence after the Effective Date of any one or more of the events described in clause (i), (ii), (iii), or (iv) below.

(i) Any Person directly or indirectly, becomes the beneficial owner (as defined in Rule 13(d)-3 under the Securities Exchange Act) of securities of the Company representing twenty-five percent (25%) or more of the combined voting power of the Company's then outstanding securities; or

(ii) During any period of two (2) consecutive years, the individuals who, at the beginning of such period, constitute the Board of Sabre Holdings Corporation (the "Incumbent Directors"; collectively, the "Incumbent Board") cease for any reason other than death to constitute at least a majority of the Board, provided, however, that any individual becoming a director subsequent to the beginning of such two-year period, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the then outstanding shares of Stock of the Company (the "Outstanding Company Stock") and the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities") immediately prior to such Business Combination beneficially own, directly or indirectly, more than sixty percent (60%) of the then Outstanding Company Stock and the combined voting power of the then Outstanding Company Voting Securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or throughout one or more subsidiaries), (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, twenty-five percent (25%) or more of respectively, the then Outstanding Company Stock of the corporation resulting from such Business Combination or the combined voting power of the then Outstanding Company Voting Securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(c) "*Company*" means either Sabre Holdings or Sabre, except that with respect to employment or payment the term also includes indirect subsidiaries and affiliates of Sabre Holdings and Sabre.

(d) "*Continuation Period*" is defined in the Addendum to this Agreement.

(e) "*Disability*" means the Executive's permanent inability to perform the essential job functions of his or her position with or without reasonable accommodation.

(f) "*Exchange Act*" means the Securities Exchange Act of 1934, as amended from time to time, and any successor or replacement thereto.

(g) "*Notice of Termination*" means a notice to the Executive or the Company described in Section 3 below.

(h) "*Person*" has the meaning ascribed to that term in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, and includes a "group" as defined in Section 13(d) of the Exchange Act; but excludes the Company and any direct or indirect subsidiary of the Company and any employee benefit plan sponsored or maintained by the Company or any direct or indirect subsidiary of the Company (including any trustee of such plan acting as trustee).

## 2. *Circumstances Triggering Receipt of Severance Benefits.*

(a)

Subject to Section 2(c) below, the Company will provide the Executive with the benefits set forth in Sections 4 and 6 below upon any termination, except for Cause, of the Executive's employment:

(i)

by the Company at any time within the first twenty-four (24) months after a Change in Control;

(ii)

by the Company at any time within one hundred eighty (180) days prior to a Change in Control;

(iii)

by the Executive for "Good Reason" (as defined in Section 2(b) below) at any time within the first twenty-four (24) months after a Change in Control.

(b)

For purposes of Section 2(a)(iii) above, the Executive will be entitled to terminate employment with the Company and its subsidiaries for "Good Reason" after a Change in Control if:

(i) without the Executive's written consent, one or more of the following events occurs at any time during the first twenty-four (24) months after such Change in Control:

(1) the Executive is not appointed to, or is otherwise removed from, any office or position with the Company or its subsidiaries that is held by the Executive immediately prior to the Change in Control for any reason other than for Cause or in connection with the termination of employment with the Company or its subsidiaries pursuant to Section 2(a)(i) or 2(a)(ii) above;

(2) the Executive's Base Salary rate or annual incentive compensation target is reduced below that in effect immediately prior to the Change in Control for any reason other than for Cause or in connection with the termination of employment with the Company and its subsidiaries pursuant to Section 2(a)(i) or 2(a)(ii) above;

(3) the Executive's principal office is moved, without the Executive's consent, to a location that is more than fifty (50) statute miles from its location immediately prior to the Change in Control;

(4) for any reason other than for Cause or in connection with the termination of his employment with the Company and its subsidiaries pursuant to Section 2(a)(i) or 2(a)(ii) above, the Executive suffers a significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with the Company which the Executive held immediately prior to the Change in Control;

(5) the Executive determines in good faith that a change in circumstances has occurred following a Change in Control which has rendered the Executive substantially unable to carry out, has substantially hindered the Executive's performance of, or has caused the Executive to suffer a substantial reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control;

(6) for any reason other than in connection with the termination of employment or in connection with a bona fide restructuring of the Executive's benefits that does not reduce the overall level of such benefits, the Company asserts the intention to reduce or reduces any benefit provided to the Executive below the level of such benefit provided immediately prior to the Change in Control, other than pursuant to the terms of any employment agreement between the Company or a subsidiary of the Company and the Executive ("Employment Agreement") (unless the Company agrees to fully compensate Executive for any such reduction);

(7) a successor where applicable, does not assume and agree to the terms of this Agreement in accordance with Section 9 below; or

(8) the Company purports to terminate Executive's employment other than in accordance with a Notice of Termination.

(ii) the Executive notifies the Company in writing (addressed in care of the Chairman of the Board of the Company) of the occurrence of such event;

(iii) within thirty (30) days following receipt of such written notice, the Company does not cure such event to the reasonable satisfaction of the Executive and deliver to the Executive a written statement that it has done so; and

(iv) within sixty (60) days following the expiration of the period specified in Section 2(b)(iii) above (without the occurrence of a cure and written notice thereof as described in Section 2(b)(iii) above), the Executive voluntarily terminates employment with the Company.

(c)

Notwithstanding Sections 2(a) and 2(b) above, no benefits will be payable by reason of this Agreement in the event of:

(i) Termination of the Executive's employment with the Company by reason of the Executive's death or Disability, so long as neither the Executive nor the Company previously received a Notice of Termination for the Executive;

(ii) Termination by the Executive of the Executive's employment with the Company at or after age sixty-five (65) if the Executive is then eligible for retirement; or

(iii) Termination of the Executive's employment with the Company for Cause.

This Section 2(c) will not preclude the payment of any amounts otherwise payable to the Executive under any of the Company's employee benefit plans, programs and arrangements and/or under any Employment Agreement. The Executive will not be deemed to have been terminated for Cause unless (A) reasonable notice is given to the Executive that the Board of Directors intends to meet to consider terminating the Executive for Cause, (B) a meeting of the Board of Directors is held at which the Executive (and his legal counsel if desired by the Executive) is given an opportunity to present a defense, (C) following that meeting, a resolution is approved by the affirmative vote of at least seventy-five percent (75%) of the members of the Board of Directors of the Company, which concludes that Cause exists,

specifies the acts or failures to act constituting Cause, and approves the termination of the Executive for Cause.

3. *Notice of Termination.* Any termination of the Executive's employment with the Company as contemplated by Section 2 above (excluding Subsection 2(b)(i)(8)) will be communicated by written notice to the Executive or the Company delivered in person or by certified mail. Any "Notice of Termination" will: (i) state the effective date of termination, which will not be less than thirty (30) days or more than sixty (60) days after the date the Notice of Termination is delivered (the "Termination Date"), except that the Termination Date may be immediate if Cause exists; (ii) state the specific provision in this Agreement being relied upon for termination; (iii) state the facts and circumstances claimed to provide a basis for such termination in reasonable detail, and (iv) in the case of termination for Cause, be signed by the Chairman of the Board of the Company.

4. *Termination Benefits.* Subject to the conditions set forth in Section 2 above, the Company will pay or provide to the Executive (net of any applicable payroll or other taxes required to be withheld) the following:

- (a) *Compensation.* The Compensation to be provided to the Executive is set forth in the Addendum.
- (b) *Health Insurance Benefits.* The Company will pay to the Executive an amount equal to the portion of the cost, at standard independent insurance premium rates as of the Termination Date (or, if applicable and higher, the portion of the cost to the Executive of exercising his right of continued coverage under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended) ("COBRA"), of purchasing benefits for the Executive on an individual basis that are equal to the Executive's Company-paid participation (including dependent coverage) (but excluding the employee paid portion of the premium or other cost) in the travel accident, major medical, dental and vision care insurance plans immediately prior to the event giving rise to termination, calculated as if such benefits were continued during the Continuation Period, and paid in a lump sum on the first day of the month following the Termination Date; such payment to be in lieu of (or offset by) any rights to continued coverage under such plans on a Company-funded basis. Notwithstanding the foregoing, if the Executive notifies the Company that, as of the Termination Date, he or she was unable to obtain any aspect of the above-mentioned insurance coverage (including dependent coverage) at the above mentioned rates, the Company will continue to provide any such coverage to the Executive (less the active employee cost, which Executive shall continue to pay). Any Company provided coverage shall run concurrently with COBRA.
- (c) *Retirement Benefits.* Benefits under the Sabre Supplemental Executive Retirement Plan ("SERP"), as amended, will be continued in accordance with the terms of the SERP. In addition, the Executive will be deemed to be completely vested in the Executive's currently accrued benefits under the Sabre 401(k) Savings Plan and the Legacy Pension Plan.
- (d) *Relocation Benefits.* If the Executive moves his or her residence in excess of fifty (50) statute miles in order to pursue other business or employment opportunities within the Continuation Period and requests in writing that the Company provide relocation services, the Executive will be reimbursed for any reasonable expenses incurred in that initial relocation (including taxes payable on the reimbursement) which are not reimbursed by another employer. Benefits under this provision will include assistance in selling the Executive's home and all other assistance and benefits that were customarily provided by the Company to transferred executives at the same management level as the Executive prior to the Change in Control.

(e)

*Executive Outplacement Counseling.* At the request of the Executive made in writing within the Continuation Period, the Company will engage an outplacement counseling service of national reputation to reasonably assist the Executive in obtaining employment.

(f)

*Stock Based Compensation Plans.*

(i) Upon a Change in Control (as defined for the limited purpose of this Section 4(f)(i) by substituting "15%" for "25%" in Sections 1(b)(i) and 1(b)(iii)(B)), whether or not the Executive's employment terminates, any issued and outstanding Equity Awards (hereinafter defined) granted prior to November 13, 2000, either (a) will immediately vest and become exercisable in accordance with the Company's 1996 Long Term Incentive Plan, Amended and Restated 1996 Long Term Incentive Plan, or any successor plans (collectively the "LTIP") (and for purposes hereof, any interpretation or rulings under the LTIP shall equally apply to this Agreement) or (b) at the Company's sole and absolute discretion, any or all of such Equity Awards shall be immediately cashed out (i.e., settled in cash) by the Company by paying the Executive in cash the aggregate difference (if any, including a deemed distribution of \$0) between the Change in Control Price (as defined in section 11.(d) of the Company's 1996 Long-Term Incentive Plan or section 12.(d) of the Company's Amended and Restated 1996 Long-Term Incentive Plan, as applicable) of the Company's stock and the exercise price of the Stock Options (or Base Amount of Stock Appreciation Rights, or other awards involving an exercise price or spread amount) (such difference hereinafter referred to as the "Spread Amount"), multiplied by the number of such Stock Options (or Stock Appreciation Rights, or other awards involving an exercise price or spread amount), net of any required withholding, and the Executive will transfer all such Stock Options (or Stock Appreciation Rights, or other awards involving an exercise price or spread amount) to the Company in exchange for such payment by the Company. Alternatively, if it would yield a greater payment, in lieu of paying the Spread Amount, the Company, in its sole and absolute discretion, may cash out (i.e., settle in cash) such Stock Options or Stock Appreciation Rights (or other awards involving an exercise price or spread amount) based on either the "fair value" of the Stock Option, Stock Appreciation Right or other awards involving an exercise price or spread amount under Generally Accepted Accounting Principles (as determined through the Black-Scholes, binomial, or any other option pricing model permissible under FAS 123 or a successor standard), or any other amount between the Spread Amount and fair value.

(ii) Notwithstanding anything to the contrary in the LTIP or in any stock option agreement, upon a Change in Control (as defined hereunder), whether or not the Executive's employment terminates, any issued and outstanding Stock Options, Stock Appreciation Rights, Restricted Stock, Performance Shares, Stock Equivalent Units, Deferred Stock, Stock Purchase Rights, Other Stock-Based Awards, Performance Awards, or any other equity-based compensation (collectively, "Equity Awards") granted on or after November 13, 2000, shall continue in effect or, if such continuation is not possible, shall be equitably converted to equivalent Equity Awards of any successor entity such that the relative value of the Equity Awards is the same following conversion as the value immediately prior to the conversion, or, if such continuation or conversion is not possible (but only if it is not possible), then all such Equity Awards shall either (a) become fully vested and exercisable in accordance with the LTIP or (b) at the Company's sole and absolute discretion, any or all of such Equity Awards shall be immediately cashed out (i.e., settled in cash) by the Company by paying the Executive in cash the Change in Control Price (as defined in section 11.(d) of the Company's 1996 Long-Term Incentive Plan or section 12.(d) of the Company's Amended and Restated 1996 Long-Term Incentive Plan, as applicable) of the Company's stock for each such Award (in the case of Restricted Stock, Performance Shares, Deferred Stock or similar Awards), plus the

excess (if any, including a deemed distribution of \$0) of the Change in Control Price (as defined in section 11.(d) of the Company's 1996 Long-Term Incentive Plan or section 12.(d) of the Company's Amended and Restated 1996 Long-Term Incentive Plan, as applicable) of the Company's stock over the exercise price or base amount (such excess hereinafter referred to as the "Spread Amount"), multiplied by the number of such Awards (in the case of Stock Options, Stock Appreciation Rights or other awards involving an exercise price or spread amount), net of any required withholding, and the Executive will transfer all such Equity Awards to the Company in exchange for such payment by the Company. Alternatively, if it would yield a greater amount, in lieu of paying such Spread Amount, the Company, in its sole and absolute discretion, may cash out (i.e., settle in cash) such Stock Options, Stock Appreciation Rights or other awards involving an exercise price or spread amount based on either the "fair value" of the Stock Option, Stock Appreciation Right or other awards involving an exercise price or spread amount under Generally Accepted Accounting Principles (as determined through the Black-Scholes, binomial, or any other option pricing model permissible under FAS 123 or a successor standard) or any other amount between the Spread Amount and fair value.

(iii) Notwithstanding anything to the contrary in the LTIP or in any stock option agreement, if any Equity Awards are not vested or cashed out in accordance with 4.(f)(ii) above, then, if the Executive is involuntarily terminated without Cause or voluntarily terminates for Good Reason and the Termination Date occurs within two (2) years after a Change in Control (as defined hereunder), then either (a) such Equity Awards shall become fully vested and, if subject to an exercise right, shall remain fully exercisable for at least three (3) months following such termination (or, if longer, pursuant to the terms of such Equity Awards), or (b) at the Company's sole and absolute discretion, any or all of such Equity Awards shall be immediately cashed out (i.e., settled in cash) by the Company by paying the Executive in cash the fair market value of the Company's stock on the Termination Date (and not the Change in Control date) for each such award (in the case of Restricted Stock, Performance Shares, Deferred Stock or similar awards), plus the excess (if any, including a deemed distribution of \$0) of the fair market value of the Company's stock on the Termination Date (and not the Change in Control date) over the exercise price or base amount (such excess hereinafter referred to as the "Termination Spread Amount"), multiplied by the number of such Awards (in the case of Stock Options, Stock Appreciation Rights or other awards involving an exercise price or spread amount), net of any required withholding, and the Executive will transfer such Equity Awards to the Company in exchange for such payment. Alternatively, if it would yield a greater amount, in lieu of paying such Termination Spread Amount, the Company, in its sole and absolute discretion, may cash out (i.e., settle in cash) such Stock Options, Stock Appreciation Rights or other awards involving an exercise price or spread amount based on either the "fair value" of the Stock Options, Stock Rights or other awards involving an exercise price or spread amount under Generally Accepted Accounting Principles (as determined through the Black-Scholes, binomial, or any other option pricing model permissible under FAS 123 or a successor standard) or any other amount between the Termination Spread Amount and fair value. In addition, if the Executive is terminated without Cause within one hundred eighty (180) days prior to a Change in Control and any Equity Award previously granted to him is forfeited or cancelled within such one hundred eighty (180) day period, then upon the Change in Control, the Executive will be entitled to a cash payment as if such Equity Award had been cashed out (i.e., settled in cash) based on either the excess (if any, including a deemed distribution of \$0) of the fair market value of the Company's stock at the Executive's termination of employment date (and not the Change in Control date) over the exercise price or base amount, if any, of the Equity Award, in the case of Stock Options, Stock Appreciation Rights or other awards involving an exercise

price or spread amount (such excess hereinafter referred to as the "Termination Spread Amount") or, in the case of Restricted Stock, Performance Shares, Deferred Stock, or similar Awards, based on the fair market value of the Company's stock at the Executive's termination of employment date, in either case net of any required withholding. Alternatively, if it would yield a greater amount, in lieu of paying such Termination Spread Amount, the Company, in its sole and absolute discretion, may cash out (i.e., settle in cash) such Stock Options, Stock Appreciation Rights or other awards involving an exercise price or spread amount based on either the "fair value" of the Stock Option, Stock Appreciation Right or other awards involving an exercise price or spread amount under Generally Accepted Accounting Principles (as determined through the Black-Scholes, binomial, or any other option pricing model permissible under FAS 123 or a successor standard) or any other amount between the Termination Spread Amount and fair value.

(g) *Life Insurance.* The Company will, for the Continuation Period, continue to provide the Executive with the same group term life insurance coverage as in effect immediately prior to the date of the Change in Control.

(h) *Other Perquisites.* The Company will pay to the Executive an amount equal to the cost to the Company of providing or continuing any other perquisites (excluding travel privileges) and benefits of the Company that were in effect immediately prior to the Change in Control (including, without limitation, a lump sum car allowance), calculated as if such benefits were continued during the Continuation Period, and payable in a lump sum on the first day of the month following the Termination Date.

(i) *Accrued Amounts.* The Company will pay to the Executive all other amounts accrued or earned by the Executive through the Termination Date and amounts otherwise owing under the then existing plans and policies of the Company, including but not limited to all amounts of compensation previously deferred by the Executive (together with any accrued interest thereon) and not yet paid by the Company, and any accrued vacation pay not yet paid by the Company.

#### 5. *Payment of Certain Legal Fees and Costs.*

(a) If a dispute arises regarding a termination of the Executive or the interpretation or enforcement of this Agreement, after a Change in Control, the parties will submit the dispute, within thirty (30) business days following service of notice of such dispute by one party on the other, to the Judicial Arbitration and Mediation Services (J\*A\*M\*S/Endispute) for prompt resolution in Dallas, Texas, under its rules for labor and employment disputes. The Arbitrator will have no authority to order a modification or amendment of this Agreement. The decision of the Arbitrator will be final and binding upon the parties. All reasonable fees and expenses, including, without limitation, any arbitration or legal expenses, incurred by the Executive in contesting or disputing any such termination (in whole or in part) or in obtaining or enforcing any right or benefit provided for in this Agreement (in whole or in part) or in otherwise pursuing his or her claim (in whole or in part) will be paid by the Company, to the extent permitted by law, regardless of whether the Executive is successful.

(b) In the event that the Company refuses or otherwise fails to make a payment when due and it is ultimately decided that the Executive is entitled to such payment, such payment will be increased to reflect an interest factor, compounded annually, equal to the prime rate in effect as of the date the payment was first due plus two points. For this purpose, the prime rate will be based on the rate published from time to time in the Wall Street Journal.

#### 6. *Certain Additional Payments by the Company.*

(a) Subject to Section 6(h) below and whether or not the Executive's employment terminates, if there is a Change in Control and any payment (other than the Gross-Up payments provided for in this Section 6) or distribution by the Company to or for the benefit of the Executive, whether pursuant to

the terms of this Agreement or otherwise, including without limitation any lapse or termination of any restriction on, deferral period or the vesting or exercisability of any payment, distribution, or benefit (a "Payment"), is subject to the excise tax imposed by Section 4999 of the Code (such tax, together with any interest and penalties thereon, other than any criminal or fraud penalties, being hereafter referred to as the "Excise Tax"), then the Executive will be entitled to receive an additional payment (a "Gross-Up Payment"). The Gross-Up Payment will be in an amount such that, after payment by the Executive of all taxes thereon (including any interest or penalties, other than any criminal or fraud penalties, imposed with respect to such taxes), including any Excise Tax and any income tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 6(f), all determinations required to be made under this Section 6, including whether a Gross-Up Payment is required to be paid by the Company and the amount of such Gross-Up Payment, if any, will be made by a nationally recognized accounting firm (the "Accounting Firm") selected by the Executive in his sole discretion. The Executive will direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within thirty (30) calendar days after the Change in Control, the Termination Date, if applicable, and any such other time or times as may be reasonably requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company will pay the required Gross-Up Payment, less any applicable withholding, to the Executive as soon as reasonably practicable after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it will, at the same time as it makes such determination, furnish the Company and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on his tax return. As a result of the uncertainty in the application of Section 4999 of the Code, it is possible that Gross-Up Payments which will not have been made by the Company should have been made hereunder (an "Underpayment"). In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 6(g) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive will direct the Accounting Firm to determine the amount of the Underpayment and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. The Company will promptly pay any such Underpayment to, or for the benefit of, the Executive as soon as reasonably practicable after receipt of such determination and calculations.

(c) Any determination by the Accounting Firm as to the amount of the Gross-Up Payment will be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive will be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive will make proper payment of the amount of any Excise Payment, and provide to the Company true and correct copies (with any amendments) of his or her federal, state, and local income tax returns as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive's applicable income tax returns, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive will within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services hereunder will be borne by the Company.

(f) The Executive will notify the Company in writing within five (5) days of any claim by any taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment or any additional Gross-Up Payment. The Executive will not pay such claim prior to the earlier of

(x) the expiration of the thirty (30) calendar-day period following the date on which he gives such notice to the Company and (y) the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive will:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company will reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in and control any proceedings relating to such claim; except that the Company will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such contest and payment of costs and expenses.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to this Section 6, the Executive receives any refund with respect to such claim, the Executive will (subject to the Company's complying with the requirements of Section 6(f) above) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto).

(h) Notwithstanding any provision of this Agreement to the contrary, if (i) the aggregate "present value" of the "parachute payments" to be paid or provided to the Executive under this Agreement or otherwise does not exceed 1.15 multiplied by three times the Executive's "base amount," and (ii) but for this Section 6(h), the Company would be obligated to pay to the Executive a Gross-Up Payment with a net after-tax benefit to the Executive (as determined in the last sentence of Section 6(a)) of not more than Fifty Thousand Dollars (USD \$50,000) (taking into account both income taxes and any Excise Tax), then, in lieu of such Gross-Up Payment, the payments and benefits to be paid or provided under this Agreement (including any stock based compensation pursuant to Section 4(f) above) will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any payment or benefit to the Executive, as so reduced, constitutes an "excess parachute payment." For purposes of this Section 6(h), the terms "excess parachute payment," "present value," "parachute payment," and "base amount" will have the meanings assigned to them by Section 280G of the Code. The determination of whether any reduction in such payments or benefits to be provided under this Agreement is required pursuant to the preceding sentence will be made at the expense of the Company by the Accounting Firm.

7. *Letter of Credit, etc.* In order to better ensure the availability of funds to pay all amounts provided for in Sections 4, 5 and 6, the Chief Financial Officer may on behalf of the Company establish a "grantor" trust or standby Letter or Letters of Credit or other suitable arrangements in an amount sufficient to cover such amounts. The financial facility or arrangement selected by the Chief Financial Officer will be irrevocable as of a Change in Control and will become available to the Executive upon the Termination Date and upon presentation of the documents specified in the Letter of Credit or other financial facility or arrangement. All funds provided by the Company to cover such payment, if any, will revert to the Company after payment in full to the Executive, subject to the applicable terms of the documents implementing such arrangements.

8. *Continuing Obligations.*

(a) All documents, records, techniques, business secrets and other information which have come into the Executive's possession from time to time during his or her employment with the Company will be deemed to be confidential and proprietary to the Company and, except for personal documents and records of the Executive, will be returned to the Company.

(b) The Executive will retain in confidence any confidential information concerning the Company and its subsidiaries and their respective businesses so long as such information is not publicly disclosed, except that Executive may disclose any such information required to be disclosed in the normal course of employment with the Company or pursuant to any court order or other legal process.

(c) The Executive will not, for a period of two (2) years after the Termination Date or the Executive's Continuation Period, whichever is greater, directly or indirectly solicit, or directly or indirectly assist any third party in soliciting, any employee of the Company or any of its subsidiaries or affiliated companies to join the employ of any entity that competes with the Company or any of its subsidiaries or affiliated companies.

9. *Successors.*

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such Change in Control had taken place. Failure of such successor entity to enter into such agreement prior to the effective date of any such succession (or, if later, within three business days after first receiving a written request for such agreement) will constitute a breach of this Agreement and will entitle the Executive to terminate his employment pursuant to Section 2(a)(iii) above and to receive the payments and benefits provided under Sections 4, 5 and 6 above.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive dies while any amounts are payable hereunder, all such amounts, unless otherwise provided herein, will be paid in accordance with the terms of this Agreement to his successors, heirs, distributees, devisees, legatees or other designees or, if there is no such designee, to his estate.

10. *Notices.*

For the purposes of this Agreement, notices and all other communications provided for herein will be in writing and will be deemed to have been duly given when delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to the Company:

Sabre  
Attn: Corporate Secretary  
3150 Sabre Drive  
Mail Drop 9105  
Southlake, Texas 76092

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address will be effective only upon receipt.

11. *Governing Law.* THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT WILL BE GOVERNED BY AND ENFORCED UNDER THE LAWS OF THE STATE OF DELAWARE.

12. *Miscellaneous.* No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement (or in any employment or other written agreement relating to the Executive).

13. *Separability.* The invalidity or unenforceability of any provisions of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, which will remain in full force and effect.

14. *Non-assignability.* This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Section 9 above. Without limiting the generality of the foregoing, the Executive's right to receive payments or other benefits hereunder is not assignable, alienable, or transferable, whether by sale, exchange, gift, disposition, pledge, hypothecation, creation of a security interest, or otherwise, and is not subject to attachment, execution, levy, lien, constructive trust, or other legal process (collectively, a "Transfer"), other than a transfer by his will or by the laws of descent and distribution, and any attempted voluntary or involuntary Transfer contrary to this Section shall be null and void, and the Company shall have no obligation or liability to pay any amount or provide any benefit or otherwise honor any order that attempts any such Transfer.

15. *Termination.* This Agreement will remain in effect for three (3) years from the Effective Date. It will be automatically renewed for successive three (3) year periods unless, no fewer than one hundred eighty (180) days prior to the expiration of a three (3) year period, the Company notifies the Executive in writing of its intent to terminate the Agreement; except that such termination will not be made, and if made will have no effect, (a) as to any payments or benefits payable hereunder to an Executive whose employment has terminated pursuant to Section 2(a) or 2(b) above, or (b) within two (2) years after a Change in Control or (c) during any period of time when the Company has knowledge that any third person has taken steps reasonably calculated to effect a Change in Control until, in the opinion of the Board (as constituted at the time of the termination of this Agreement), the third person has abandoned or terminated its efforts to effect a Change in Control.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above set forth.

DATED:

SABRE HOLDINGS CORPORATION

By \_\_\_\_\_

James F. Brashear  
Corporate Secretary

SABRE INC.

By \_\_\_\_\_

James F. Brashear  
Senior Vice President, Deputy General Counsel and Corporate Secretary

Signed: \_\_\_\_\_

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[Exhibit 10.47](#)

[EXECUTIVE TERMINATION BENEFITS AGREEMENT](#)

**ADDENDUM TO EXECUTIVE TERMINATION BENEFITS AGREEMENTS**

1. *Continuation Period* pursuant to Subparagraph 1(d) of the Executive Termination Benefits Agreement shall mean "the period of time beginning on the Termination Date and ending twelve (12) months thereafter."

2. The following language shall be added as Subparagraph 4(a) of the Executive Termination Benefits Agreement:

The Company will pay to the Executive the sum of (i) one (1) times the greater of (A) the Executive's effective annual base salary at the Termination Date or (B) the Executive's effective annual base salary immediately prior to the Change in Control, plus (ii) one (1) times the greater of (X) the highest annual bonus awarded to the Executive under the Company's Variable Compensation Plan or any other bonus plan (whether paid currently or on a deferred basis) with respect to any twelve (12) consecutive month period during the last two (2) fiscal years ending prior to the Termination Date or (Y) the highest target bonus rate applicable to the Executive for any period during such prior two (2) year period, multiplied by the applicable annual base salary determined under clause (i) of this Section 4(a); the resulting amount to be paid in a lump sum on the first day of the month following the Termination Date.

Dated: [insert date]

SABRE HOLDINGS CORPORATION

By

\_\_\_\_\_

James F. Brashear  
Corporate Secretary

SABRE INC.

By

\_\_\_\_\_

James F. Brashear  
Senior Vice President, Deputy General Counsel and Corporate Secretary

[Executive]

Signed:

\_\_\_\_\_

\_\_\_\_\_

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[Exhibit 10.48](#)

[ADDENDUM TO EXECUTIVE TERMINATION BENEFITS AGREEMENTS](#)

**EXECUTIVE TERMINATION BENEFITS AGREEMENT**

This Executive Termination Benefits Agreement ("Agreement") dated as of [insert date] ("Effective Date"), is among Sabre Holdings Corporation, a Delaware corporation ("Sabre Holdings"), Sabre Inc., a Delaware corporation ("Sabre"), and the executive named on the signature page hereof (the "Executive").

WHEREAS, the Board of Directors recognizes that any likelihood of a Change in Control affecting the Company, and the uncertainty which it may raise among management personnel, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders;

WHEREAS, the Board of Directors considers it essential to the best interests of the Company and its stockholders that its key executives be incentivized to remain with the Company, and to continue to devote their full attention and dedication to the Company's business and their assigned duties, in the event of an actual or likely Change in Control;

WHEREAS, the Board of Directors believes the Executive is a key executive of the Company and, in the event of an actual or likely Change in Control, the Board of Directors wants the Executive to continue performing his or her duties, to assess the impact of the potential Change in Control, to advise the Company whether the potential Change in Control is in the best interests of the Company and its shareholders, to assist in implementing the Change in Control, and to take such other actions as the Board might determine to be appropriate under the circumstances, all without the Executive being distracted by personal concerns about the impact of the potential Change in Control on the Executive; and

WHEREAS, attached to this Executive Benefits Termination Agreement is an Addendum setting forth certain terms in addition to the terms set forth in this Agreement. To the extent any of the terms contained in the attached Addendum conflict and/or contradict the terms contained in this Agreement, the terms contained in the Addendum shall control and supersede any such conflicting and/or contradictory terms contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants below, and in order to incentivize the Executive to remain in the employ of the Company in the event of an actual or likely Change in Control, the Company and the Executive agree as follows:

1. *Defined Terms.* For purposes of this Agreement, the following terms have the meanings ascribed to them below:

(a) "*Cause*" means any of the following actions by the Executive leading to termination of employment: conviction for an act of fraud, embezzlement, theft, or any act constituting a felony, (for which a plea of no contest or guilty is made by the Executive) insubordination, persistent inattention to duties or excessive absenteeism, violation of the Company's work rules, code of conduct or policies or federal law, or any other conduct which would disqualify the Executive from entitlement to unemployment benefits.

(b) "*Change in Control*" means an occurrence after the Effective Date of any one or more of the events described in clause (i), (ii), (iii), or (iv) below.

(i) Any Person directly or indirectly, becomes the beneficial owner (as defined in Rule 13(d)-3 under the Securities Exchange Act) of securities of the Company representing twenty-five percent (25%) or more of the combined voting power of the Company's then outstanding securities; or

(ii) During any period of two (2) consecutive years, the individuals who, at the beginning of such period, constitute the Board of Sabre Holdings Corporation (the "Incumbent Directors"; collectively, the "Incumbent Board") cease for any reason other than death to constitute at least a majority of the Board, provided, however, that any individual becoming a director subsequent to the beginning of such two-year period, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the then outstanding shares of Stock of the Company (the "Outstanding Company Stock") and the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities") immediately prior to such Business Combination beneficially own, directly or indirectly, more than sixty percent (60%) of the then Outstanding Company Stock and the combined voting power of the then Outstanding Company Voting Securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, twenty-five percent (25%) or more of respectively, the then Outstanding Company Stock of the corporation resulting from such Business Combination or the combined voting power of the then Outstanding Company Voting Securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(c)

"Company" means either Sabre Holdings or Sabre, except that with respect to employment or payment the term also includes indirect subsidiaries and affiliates of Sabre Holdings and Sabre.

(d)

"Continuation Period" is defined in the Addendum to this Agreement.

(e)

"Disability" means the Executive's permanent inability to perform the essential job functions of his or her position with or without reasonable accommodation.

(f)

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor or replacement thereto.

(g)

"Notice of Termination" means a notice to the Executive or the Company described in Section 3 below.

(h)

"Person" has the meaning ascribed to that term in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, and includes a "group" as defined in Section 13(d) of the Exchange Act; but excludes the Company and any direct or indirect subsidiary of the Company and any employee benefit plan sponsored or maintained by the Company or any direct or indirect subsidiary of the Company (including any trustee of such plan acting as trustee).

2. *Circumstances Triggering Receipt of Severance Benefits.*

(a)

Subject to Section 2(c) below, the Company will provide the Executive with the benefits set forth in Sections 4 and 6 below upon any termination, except for Cause, of the Executive's employment:

(i)

by the Company at any time within the first twenty-four (24) months after a Change in Control;

(ii)

by the Company at any time within one hundred eighty (180) days prior to a Change in Control;

(iii)

by the Executive for "Good Reason" (as defined in Section 2(b) below) at any time within the first twenty-four (24) months after a Change in Control.

(b)

For purposes of Section 2(a)(iii) above, the Executive will be entitled to terminate employment with the Company and its subsidiaries for "Good Reason" after a Change in Control if:

(i)

without the Executive's written consent, one or more of the following events occurs at any time during the first twenty-four (24) months after such Change in Control:

(1) the Executive's Base Salary rate or annual incentive compensation target is reduced below that in effect immediately prior to the Change in Control;

(2) the Executive's principal office is moved, without the Executive's consent, to a location that is more than fifty (50) statute miles from its location immediately prior to the Change in Control;

(3) for any reason other than for Cause or in connection with the termination of his employment with the Company and its subsidiaries pursuant to Section 2(a)(i) or 2(a)(ii) above, the Executive suffers a significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with the Company which the Executive held immediately prior to the Change in Control;

(4) a successor where applicable, does not assume and agree to the terms of this Agreement in accordance with Section 9 below; or

(5) the Company purports to terminate Executive's employment other than in accordance with a Notice of Termination.

(ii)

the Executive notifies the Company in writing (addressed in care of the Chairman of the Board of the Company) of the occurrence of such event;

(iii)

within thirty (30) days following receipt of such written notice, the Company does not cure such event to the reasonable satisfaction of the Executive and deliver to the Executive a written statement that it has done so; and

(iv)

within sixty (60) days following the expiration of the period specified in Section 2(b)(iii) above (without the occurrence of a cure and written notice thereof as

described in Section 2(b)(iii) above), the Executive voluntarily terminates employment with the Company.

(c)

Notwithstanding Sections 2(a) and 2(b) above, no benefits will be payable by reason of this Agreement in the event of:

(i)

Termination of the Executive's employment with the Company by reason of the Executive's death or Disability, so long as neither the Executive nor the Company previously received a Notice of Termination for the Executive;

(ii)

Termination by the Executive of the Executive's employment with the Company at or after age sixty-five (65) if the Executive is then eligible for retirement; or

(iii)

Termination of the Executive's employment with the Company for Cause.

This Section 2(c) will not preclude the payment of any amounts otherwise payable to the Executive under any of the Company's employee benefit plans, programs and arrangements and/or under any Employment Agreement. The Executive will not be deemed to have been terminated for Cause unless (A) reasonable notice is given to the Executive that the Board of Directors intends to meet to consider terminating the Executive for Cause, (B) a meeting of the Board of Directors is held at which the Executive (and his legal counsel if desired by the Executive) is given an opportunity to present a defense, (C) following that meeting, a resolution is approved by the affirmative vote of at least seventy-five percent (75%) of the members of the Board of Directors of the Company, which concludes that Cause exists, specifies the acts or failures to act constituting Cause, and approves the termination of the Executive for Cause.

3. *Notice of Termination.* Any termination of the Executive's employment with the Company as contemplated by Section 2 above (excluding Subsection 2(b)(i)(8)) will be communicated by written notice to the Executive or the Company delivered in person or by certified mail. Any "Notice of Termination" will: (i) state the effective date of termination, which will not be less than thirty (30) days or more than sixty (60) days after the date the Notice of Termination is delivered (the "Termination Date"), except that the Termination Date may be immediate if Cause exists; (ii) state the specific provision in this Agreement being relied upon for termination; (iii) state the facts and circumstances claimed to provide a basis for such termination in reasonable detail, and (iv) in the case of termination for Cause, be signed by the Chairman of the Board of the Company.

4. *Termination Benefits.* Subject to the conditions set forth in Section 2 above, the Company will pay or provide to the Executive (net of any applicable payroll or other taxes required to be withheld) the following:

(a)

*Compensation.* The Compensation to be provided to the Executive is set forth in the Addendum.

(b)

*Health Insurance Benefits.* The Company will pay to the Executive an amount equal to the portion of the cost, at standard independent insurance premium rates as of the Termination Date (or, if applicable and higher, the portion of the cost to the Executive of exercising his right of continued coverage under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended) ("COBRA"), of purchasing benefits for the Executive on an individual basis that are equal to the Executive's Company-paid participation (including dependent coverage) (but excluding the employee paid portion of the premium or other cost) in the travel accident, major medical, dental and vision care insurance plans immediately prior to the event giving rise to termination, calculated as if such benefits were continued during the Continuation Period, and paid in a lump sum on the first day of the month following the Termination Date; such payment to be in lieu of (or offset by) any rights to continued

coverage under such plans on a Company-funded basis. Notwithstanding the foregoing, if the Executive notifies the Company that, as of the Termination Date, he or she was unable to obtain any aspect of the above-mentioned insurance coverage (including dependent coverage) at the above mentioned rates, the Company will continue to provide any such coverage to the Executive (less the active employee cost, which Executive shall continue to pay). Any Company provided coverage shall run concurrently with COBRA.

(c)

*Retirement Benefits.* Benefits under the Sabre Supplemental Executive Retirement Plan ("SERP"), as amended, will be continued in accordance with the terms of the SERP. In addition, the Executive will be deemed to be completely vested in the Executive's currently accrued benefits under the Sabre 401(k) Savings Plan and the Legacy Pension Plan.

(d)

*Executive Outplacement Counseling.* At the request of the Executive made in writing within the Continuation Period, the Company will engage an outplacement counseling service of national reputation to reasonably assist the Executive in obtaining employment.

(e)

*Stock Based Compensation Plans.*

(i) Upon a Change in Control (as defined for the limited purpose of this Section 4(f)(i) by substituting "15%" for "25%" in Sections 1(b)(i) and 1(b)(iii)(B)), whether or not the Executive's employment terminates, any issued and outstanding Equity Awards (hereinafter defined) granted prior to November 13, 2000, either (a) will immediately vest and become exercisable in accordance with the Company's 1996 Long Term Incentive Plan, Amended and Restated 1996 Long Term Incentive Plan, or any successor plans (collectively the "LTIP") (and for purposes hereof, any interpretation or rulings under the LTIP shall equally apply to this Agreement) or (b) at the Company's sole and absolute discretion, any or all of such Equity Awards shall be immediately cashed out (i.e., settled in cash) by the Company by paying the Executive in cash the aggregate difference (if any, including a deemed distribution of \$0) between the Change in Control Price (as defined in section 11.(d) of the Company's 1996 Long-Term Incentive Plan or section 12.(d) of the Company's Amended and Restated 1996 Long-Term Incentive Plan, as applicable) of the Company's stock and the exercise price of the Stock Options (or Base Amount of Stock Appreciation Rights, or other awards involving an exercise price or spread amount) (such difference hereinafter referred to as the "Spread Amount"), multiplied by the number of such Stock Options (or Stock Appreciation Rights, or other awards involving an exercise price or spread amount), net of any required withholding, and the Executive will transfer all such Stock Options (or Stock Appreciation Rights, or other awards involving an exercise price or spread amount) to the Company in exchange for such payment by the Company. Alternatively, if it would yield a greater payment, in lieu of paying the Spread Amount, the Company, in its sole and absolute discretion, may cash out (i.e., settle in cash) such Stock Options or Stock Appreciation Rights (or other awards involving an exercise price or spread amount) based on either the "fair value" of the Stock Option, Stock Appreciation Right or other awards involving an exercise price or spread amount under Generally Accepted Accounting Principles (as determined through the Black-Scholes, binomial, or any other option pricing model permissible under FAS 123 or a successor standard), or any other amount between the Spread Amount and fair value.

(ii) Notwithstanding anything to the contrary in the LTIP or in any stock option agreement, upon a Change in Control (as defined hereunder), whether or not the Executive's employment terminates, any issued and outstanding Stock Options, Stock Appreciation Rights, Restricted Stock, Performance Shares, Stock Equivalent Units, Deferred Stock, Stock Purchase Rights, Other Stock-Based Awards, Performance Awards, or any other equity-based compensation (collectively, "Equity Awards") granted on or after November 13, 2000, shall

continue in effect or, if such continuation is not possible, shall be equitably converted to equivalent Equity Awards of any successor entity such that the relative value of the Equity Awards is the same following conversion as the value immediately prior to the conversion, or, if such continuation or conversion is not possible (but only if it is not possible), then all such Equity Awards shall either (a) become fully vested and exercisable in accordance with the LTIP or (b) at the Company's sole and absolute discretion, any or all of such Equity Awards shall be immediately cashed out (i.e., settled in cash) by the Company by paying the Executive in cash the Change in Control Price (as defined in section 11.(d) of the Company's 1996 Long-Term Incentive Plan or section 12.(d) of the Company's Amended and Restated 1996 Long-Term Incentive Plan, as applicable) of the Company's stock for each such Award (in the case of Restricted Stock, Performance Shares, Deferred Stock or similar Awards), plus the excess (if any, including a deemed distribution of \$0) of the Change in Control Price (as defined in section 11.(d) of the Company's 1996 Long-Term Incentive Plan or section 12.(d) of the Company's Amended and Restated 1996 Long-Term Incentive Plan, as applicable) of the Company's stock over the exercise price or base amount (such excess hereinafter referred to as the "Spread Amount"), multiplied by the number of such Awards (in the case of Stock Options, Stock Appreciation Rights or other awards involving an exercise price or spread amount), net of any required withholding, and the Executive will transfer all such Equity Awards to the Company in exchange for such payment by the Company. Alternatively, if it would yield a greater amount, in lieu of paying such Spread Amount, the Company, in its sole and absolute discretion, may cash out (i.e., settle in cash) such Stock Options, Stock Appreciation Rights or other awards involving an exercise price or spread amount based on either the "fair value" of the Stock Option, Stock Appreciation Right or other awards involving an exercise price or spread amount under Generally Accepted Accounting Principles (as determined through the Black-Scholes, binomial, or any other option pricing model permissible under FAS 123 or a successor standard) or any other amount between the Spread Amount and fair value.

(iii) Notwithstanding anything to the contrary in the LTIP or in any stock option agreement, if any Equity Awards are not vested or cashed out in accordance with 4.(f)(ii) above, then, if the Executive is involuntarily terminated without Cause or voluntarily terminates for Good Reason and the Termination Date occurs within two (2) years after a Change in Control (as defined hereunder), then either (a) such Equity Awards shall become fully vested and, if subject to an exercise right, shall remain fully exercisable for at least three (3) months following such termination (or, if longer, pursuant to the terms of such Equity Awards), or (b) at the Company's sole and absolute discretion, any or all of such Equity Awards shall be immediately cashed out (i.e., settled in cash) by the Company by paying the Executive in cash the fair market value of the Company's stock on the Termination Date (and not the Change in Control date) for each such award (in the case of Restricted Stock, Performance Shares, Deferred Stock or similar awards), plus the excess (if any, including a deemed distribution of \$0) of the fair market value of the Company's stock on the Termination Date (and not the Change in Control date) over the exercise price or base amount (such excess hereinafter referred to as the "Termination Spread Amount"), multiplied by the number of such Awards (in the case of Stock Options, Stock Appreciation Rights or other awards involving an exercise price or spread amount), net of any required withholding, and the Executive will transfer such Equity Awards to the Company in exchange for such payment. Alternatively, if it would yield a greater amount, in lieu of paying such Termination Spread Amount, the Company, in its sole and absolute discretion, may cash out (i.e., settle in cash) such Stock Options, Stock Appreciation Rights or other awards involving an exercise price or spread amount based on either the "fair value" of the Stock Options, Stock Rights or other awards involving an exercise price or spread amount under Generally Accepted

Accounting Principles (as determined through the Black–Scholes, binomial, or any other option pricing model permissible under FAS 123 or a successor standard) or any other amount between the Termination Spread Amount and fair value. In addition, if the Executive is terminated without Cause within one hundred eighty (180) days prior to a Change in Control and any Equity Award previously granted to him is forfeited or cancelled within such one hundred eighty (180) day period, then upon the Change in Control, the Executive will be entitled to a cash payment as if such Equity Award had been cashed out (i.e., settled in cash) based on either the excess (if any, including a deemed distribution of \$0) of the fair market value of the Company's stock at the Executive's termination of employment date (and not the Change in Control date) over the exercise price or base amount, if any, of the Equity Award, in the case of Stock Options, Stock Appreciation Rights or other awards involving an exercise price or spread amount (such excess hereinafter referred to as the "Termination Spread Amount") or, in the case of Restricted Stock, Performance Shares, Deferred Stock, or similar Awards, based on the fair market value of the Company's stock at the Executive's termination of employment date, in either case net of any required withholding. Alternatively, if it would yield a greater amount, in lieu of paying such Termination Spread Amount, the Company, in its sole and absolute discretion, may cash out (i.e., settle in cash) such Stock Options, Stock Appreciation Rights or other awards involving an exercise price or spread amount based on either the "fair value" of the Stock Option, Stock Appreciation Right or other awards involving an exercise price or spread amount under Generally Accepted Accounting Principles (as determined through the Black–Scholes, binomial, or any other option pricing model permissible under FAS 123 or a successor standard) or any other amount between the Termination Spread Amount and fair value.

(f) *Life Insurance.* The Company will, for the Continuation Period, continue to provide the Executive with the same group term life insurance coverage as in effect immediately prior to the date of the Change in Control.

(g) *Other Perquisites.* The Company will pay to the Executive an amount equal to the cost to the Company of providing or continuing any other perquisites (excluding travel privileges) and benefits of the Company that were in effect immediately prior to the Change in Control, calculated as if such benefits were continued during the Continuation Period, and payable in a lump sum on the first day of the month following the Termination Date.

(h) *Accrued Amounts.* The Company will pay to the Executive all other amounts accrued or earned by the Executive through the Termination Date and amounts otherwise owing under the then existing plans and policies of the Company, including but not limited to all amounts of compensation previously deferred by the Executive (together with any accrued interest thereon) and not yet paid by the Company, and any accrued vacation pay not yet paid by the Company.

5. *Payment of Certain Legal Fees and Costs.*

(a) If a dispute arises regarding a termination of the Executive or the interpretation or enforcement of this Agreement, after a Change in Control, the parties will submit the dispute, within thirty (30) business days following service of notice of such dispute by one party on the other, to the Judicial Arbitration and Mediation Services (J\*A\*M\*S/Endispute) for prompt resolution in Dallas, Texas, under its rules for labor and employment disputes. The Arbitrator will have no authority to order a modification or amendment of this Agreement. The decision of the Arbitrator will be final and binding upon the parties. All reasonable fees and expenses, including, without limitation, any arbitration or legal expenses, incurred by the Executive in contesting or disputing any such termination (in whole or in part) or in obtaining or enforcing any right or benefit provided for in this Agreement (in whole or in part) or in otherwise pursuing his or her

claim (in whole or in part) will be paid by the Company, to the extent permitted by law, regardless of whether the Executive is successful.

(b) In the event that the Company refuses or otherwise fails to make a payment when due and it is ultimately decided that the Executive is entitled to such payment, such payment will be increased to reflect an interest factor, compounded annually, equal to the prime rate in effect as of the date the payment was first due plus two points. For this purpose, the prime rate will be based on the rate published from time to time in the Wall Street Journal.

6. *Certain Additional Payments by the Company.*

(a) Subject to Section 6(h) below and whether or not the Executive's employment terminates, if there is a Change in Control and any payment (other than the Gross-Up payments provided for in this Section 6) or distribution by the Company to or for the benefit of the Executive, whether pursuant to the terms of this Agreement or otherwise, including without limitation any lapse or termination of any restriction on, deferral period or the vesting or exercisability of any payment, distribution, or benefit (a "Payment"), is subject to the excise tax imposed by Section 4999 of the Code (such tax, together with any interest and penalties thereon, other than any criminal or fraud penalties, being hereafter referred to as the "Excise Tax"), then the Executive will be entitled to receive an additional payment (a "Gross-Up Payment"). The Gross-Up Payment will be in an amount such that, after payment by the Executive of all taxes thereon (including any interest or penalties, other than any criminal or fraud penalties, imposed with respect to such taxes), including any Excise Tax and any income tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 6(f), all determinations required to be made under this Section 6, including whether a Gross-Up Payment is required to be paid by the Company and the amount of such Gross-Up Payment, if any, will be made by a nationally recognized accounting firm (the "Accounting Firm") selected by the Executive in his sole discretion. The Executive will direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within thirty (30) calendar days after the Change in Control, the Termination Date, if applicable, and any such other time or times as may be reasonably requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company will pay the required Gross-Up Payment, less any applicable withholding, to the Executive as soon as reasonably practicable after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it will, at the same time as it makes such determination, furnish the Company and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on his tax return. As a result of the uncertainty in the application of Section 4999 of the Code, it is possible that Gross-Up Payments which will not have been made by the Company should have been made hereunder (an "Underpayment"). In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 6(g) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive will direct the Accounting Firm to determine the amount of the Underpayment and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. The Company will promptly pay any such Underpayment to, or for the benefit of, the Executive as soon as reasonably practicable after receipt of such determination and calculations.

(c) Any determination by the Accounting Firm as to the amount of the Gross-Up Payment will be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive will be prepared and filed on a consistent basis with the determination of the Accounting Firm with

respect to the Excise Tax payable by the Executive. The Executive will make proper payment of the amount of any Excise Payment, and provide to the Company true and correct copies (with any amendments) of his or her federal, state, and local income tax returns as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive's applicable income tax returns, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive will within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services hereunder will be borne by the Company.

(f) The Executive will notify the Company in writing within five (5) days of any claim by any taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment or any additional Gross-Up Payment. The Executive will not pay such claim prior to the earlier of (x) the expiration of the thirty (30) calendar-day period following the date on which he gives such notice to the Company and (y) the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive will:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company will reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in and control any proceedings relating to such claim; except that the Company will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such contest and payment of costs and expenses.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to this Section 6, the Executive receives any refund with respect to such claim, the Executive will (subject to the Company's complying with the requirements of Section 6(f) above) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto).

(h) Notwithstanding any provision of this Agreement to the contrary, if (i) the aggregate "present value" of the "parachute payments" to be paid or provided to the Executive under this Agreement or otherwise does not exceed 1.15 multiplied by three times the Executive's "base amount," and (ii) but for this Section 6(h), the Company would be obligated to pay to the Executive a Gross-Up Payment with a net after-tax benefit to the Executive (as determined in the last sentence of Section 6(a)) of not more than Fifty Thousand Dollars (USD \$50,000) (taking into account both income taxes and any Excise Tax), then, in lieu of such Gross-Up Payment, the payments and benefits to be paid or provided under this Agreement (including any stock based compensation pursuant to Section 4(f) above) will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any payment or benefit to the Executive, as so reduced, constitutes an "excess parachute payment." For purposes of this Section 6(h), the terms "excess parachute payment," "present value," "parachute payment," and "base amount" will have the meanings assigned to them by Section 280G of the Code. The determination of whether

any reduction in such payments or benefits to be provided under this Agreement is required pursuant to the preceding sentence will be made at the expense of the Company by the Accounting Firm.

7. *Letter of Credit, etc.* In order to better ensure the availability of funds to pay all amounts provided for in Sections 4, 5 and 6, the Chief Financial Officer may on behalf of the Company establish a "grantor" trust or standby Letter or Letters of Credit or other suitable arrangements in an amount sufficient to cover such amounts. The financial facility or arrangement selected by the Chief Financial Officer will be irrevocable as of a Change in Control and will become available to the Executive upon the Termination Date and upon presentation of the documents specified in the Letter of Credit or other financial facility or arrangement. All funds provided by the Company to cover such payment, if any, will revert to the Company after payment in full to the Executive, subject to the applicable terms of the documents implementing such arrangements.

8. *Continuing Obligations.*

(a) All documents, records, techniques, business secrets and other information which have come into the Executive's possession from time to time during his or her employment with the Company will be deemed to be confidential and proprietary to the Company and, except for personal documents and records of the Executive, will be returned to the Company.

(b) The Executive will retain in confidence any confidential information concerning the Company and its subsidiaries and their respective businesses so long as such information is not publicly disclosed, except that Executive may disclose any such information required to be disclosed in the normal course of employment with the Company or pursuant to any court order or other legal process.

(c) The Executive will not, for a period of two (2) years after the Termination Date or the Executive's Continuation Period, whichever is greater, directly or indirectly solicit, or directly or indirectly assist any third party in soliciting, any employee of the Company or any of its subsidiaries or affiliated companies to join the employ of any entity that competes with the Company or any of its subsidiaries or affiliated companies.

9. *Successors.*

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such Change in Control had taken place. Failure of such successor entity to enter into such agreement prior to the effective date of any such succession (or, if later, within three business days after first receiving a written request for such agreement) will constitute a breach of this Agreement and will entitle the Executive to terminate his employment pursuant to Section 2(a)(iii) above and to receive the payments and benefits provided under Sections 4, 5 and 6 above.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive dies while any amounts are payable hereunder, all such amounts, unless otherwise provided herein, will be paid in accordance with the terms of this Agreement to his successors, heirs, distributees, devisees, legatees or other designees or, if there is no such designee, to his estate.

10. *Notices.*

For the purposes of this Agreement, notices and all other communications provided for herein will be in writing and will be deemed to have been duly given when delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

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If to the Company:

Sabre  
Attn: Corporate Secretary  
3150 Sabre Drive  
Mail Drop 9105  
Southlake, Texas 76092

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address will be effective only upon receipt.

11. *Governing Law.* THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT WILL BE GOVERNED BY AND ENFORCED UNDER THE LAWS OF THE STATE OF DELAWARE.

12. *Miscellaneous.* No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement (or in any employment or other written agreement relating to the Executive).

13. *Separability.* The invalidity or unenforceability of any provisions of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, which will remain in full force and effect.

14. *Non-assignability.* This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Section 9 above. Without limiting the generality of the foregoing, the Executive's right to receive payments or other benefits hereunder is not assignable, alienable, or transferable, whether by sale, exchange, gift, disposition, pledge, hypothecation, creation of a security interest, or otherwise, and is not subject to attachment, execution, levy, lien, constructive trust, or other legal process (collectively, a "Transfer"), other than a transfer by his will or by the laws of descent and distribution, and any attempted voluntary or involuntary Transfer contrary to this Section shall be null and void, and the Company shall have no obligation or liability to pay any amount or provide any benefit or otherwise honor any order that attempts any such Transfer.

15. *Termination.* This Agreement will remain in effect for three (3) years from the Effective Date. It will be automatically renewed for successive three (3) year periods unless, no fewer than one hundred eighty (180) days prior to the expiration of a three (3) year period, the Company notifies the Executive in writing of its intent to terminate the Agreement; except that such termination will not be made, and if made will have no effect, (a) as to any payments or benefits payable hereunder to an Executive whose employment has terminated pursuant to Section 2(a) or 2(b) above, or (b) within two (2) years after a Change in Control or (c) during any period of time when the Company has knowledge that any third person has taken steps reasonably calculated to effect a Change in Control until, in the

opinion of the Board (as constituted at the time of the termination of this Agreement), the third person has abandoned or terminated its efforts to effect a Change in Control.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above set forth.

DATED:

SABRE HOLDINGS CORPORATION

By

\_\_\_\_\_

James F. Brashear  
Corporate Secretary

SABRE INC.

By

\_\_\_\_\_

James F. Brashear  
Senior Vice President, Deputy General Counsel and Corporate Secretary

Signed:

\_\_\_\_\_

\_\_\_\_\_

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[Exhibit 10.49](#)

[EXECUTIVE TERMINATION BENEFITS AGREEMENT](#)

**ADDENDUM TO EXECUTIVE TERMINATION BENEFITS AGREEMENTS**

1. *Continuation Period* pursuant to Subparagraph 1(d) of the Executive Termination Benefits Agreement shall mean "the period of time beginning on the Termination Date and ending twenty-four (24) months thereafter."

2. The following language shall be added as Subparagraph 4(a) of the Executive Termination Benefits Agreement:

The Company will pay to the Executive the sum of (i) two (2) times the greater of (A) the Executive's effective annual base salary at the Termination Date or (B) the Executive's effective annual base salary immediately prior to the Change in Control, plus (ii) two (2) times the greater of (X) the highest annual bonus awarded to the Executive under the Company's Variable Compensation Plan or any other bonus plan (whether paid currently or on a deferred basis) with respect to any twelve (12) consecutive month period during the last two (2) fiscal years ending prior to the Termination Date or (Y) the highest target bonus rate applicable to the Executive for any period during such prior two (2) year period, multiplied by the applicable annual base salary determined under clause (i) of this Section 4(a); the resulting amount to be paid in a lump sum on the first day of the month following the Termination Date.

Dated:

SABRE HOLDINGS CORPORATION

By

\_\_\_\_\_  
James F. Brashear  
Corporate Secretary

SABRE INC.

By

\_\_\_\_\_  
James F. Brashear  
Senior Vice President, Deputy General Counsel and Corporate Secretary

Signed:

\_\_\_\_\_

\_\_\_\_\_

QuickLinks

[Exhibit 10.50](#)

[ADDENDUM TO EXECUTIVE TERMINATION BENEFITS AGREEMENTS](#)

**FIFTH AMENDMENT TO  
THE SABRE INC. LEGACY PENSION PLAN**

FIFTH AMENDMENT TO THE SABRE INC. LEGACY PENSION PLAN (the "Plan") by SABRE INC. (the "Company").

**WHEREAS**, the Company maintains *The Sabre Inc. Legacy Pension Plan* and the trust established thereunder (the "Plan"); and

**WHEREAS**, Section 12.1 of the Plan permits the Company to amend the Plan from time to time; and

**WHEREAS**, the Company has delegated to the Benefits Administration Committee the authority to administer and to amend the Plan, as needed; and

**WHEREAS**, it is desired that the Plan be amended to (i) effective March 28, 2005, institute a direct IRA rollover for involuntary distributions from \$1,000 to \$5,000 where a Plan member does not make an election regarding the same, (ii) effective March 28, 2005, include procedures for unclaimed Plan member accounts, and (iii) freeze all future benefit accruals under the Plan effective as of December 31, 2005; and

**NOW, THEREFORE**, the Plan is hereby amended to read as follows:

1. Effective as of December 31, 2005, the Preamble is amended by adding the following to the end thereof:

"Notwithstanding any other provision of the Plan, effective as of December 31, 2005, benefit accruals under the Plan shall be frozen and no Credited Service or any increase in Basic Compensation after such date shall be included in calculating a Member's Retirement Benefit. A Member shall continue to earn Credited Service after December 31, 2005 for purposes of determining eligibility for Early Retirement in accordance with Section 5.2. In the event that a Member has not fully vested in his Accrued Benefit as of December 31, 2005, such Member shall continue to earn Vesting Service for purposes of Section 5.5 in accordance with the terms of the Plan."

2. Effective as of December 31, 2005, the definition of "Accrued Benefit" in Article II, Section 2.1(a) of the Plan shall be amended by adding the following sentence to the end thereof:

"Notwithstanding anything in the Plan to the contrary, no further benefits shall accrue after December 31, 2005 and any Retirement Benefit calculated pursuant to Article VI shall not exceed the benefits accrued as of such date. Furthermore, any reference in the Plan to a Member's "Accrued Benefit" shall mean the Member's Accrued Benefit as of December 31, 2005."

3. Effective as of December 31, 2005, the definition of "Credited Service" in Article II, Section 2.1(r) of the Plan shall be amended by adding a new Section 2.1(r)(xi) to the Plan as follows:

"(xi) Notwithstanding any other provision in the Plan to the contrary, in calculating a Member's Retirement Benefit under the Plan, any Credited Service credited to a Member after December 31, 2005 shall be disregarded."

4. Effective as of December 31, 2005, the definition of "Final Average Compensation" in Article II, Section 2.1(ah) of the Plan shall be amended by adding the a new Section 2.1(ah)(vi) to the Plan as follows:

"(vi) Notwithstanding any other provision in the Plan to the contrary, in calculating a Member's Retirement Benefit under the Plan, any Basic Compensation earned by a Member after December 31, 2005 shall be disregarded."

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5. Effective as of December 31, 2005, the definition of "Social Security Benefit" in Article II, Section 2.1(bt) of the Plan shall be amended by adding the following sentence to the end thereof:

"Notwithstanding the foregoing, a Member in the Plan on December 31, 2005 who is credited with at least one Hour of Service on or after January 1, 2006, shall have his Social Security Benefit determined in accordance with this Section 2.1(bt) as though he retired or terminated employment as of December 31, 2005."

6. Effective as of December 31, 2005, Section 6.1 of the Plan shall be amended by adding the following sentence to the end thereof:

"Notwithstanding the foregoing, effective December 31, 2005, benefit accruals under the Plan shall be frozen and no Credited Service or any increase in Basic Compensation after such date shall be included in calculating a Member's Normal Retirement Benefit."

7. Effective as of December 31, 2005, Section 6.3 of the Plan shall be amended by adding the following sentence to the end thereof:

"Notwithstanding the foregoing, effective December 31, 2005, benefit accruals under the Plan shall be frozen and no Credited Service or any increase in Basic Compensation after such date shall be included in calculating a Member's Late Retirement Benefit."

8. Effective as of March 28, 2005, Section 7.6 of the Plan shall be deleted in its entirety and replaced with the following:

"7.6 *Distributions on Termination of Employment for Reasons Other than Retirement.* If a Member terminates employment for reasons other than Retirement, and the value of his Vested Retirement Benefit does not exceed Five Thousand Dollars (\$5,000), then distribution of such benefit shall be made in accordance with this Section 7.6.

(a) *Distribution When Vested Retirement Benefit not in Excess of \$5,000.* Effective on or after March 28, 2005, if a Member terminates employment for any reason and the value of the Vested Retirement Benefit payable to him is not in excess of Five Thousand Dollars (\$5,000), then if the Member so elects, the Administrator shall direct the Trustee to distribute the present value of the Member's Retirement Benefit, as a single sum as soon as practicable following the Member's termination of employment. Alternatively, if the present value of the Member's Vested Retirement Benefit is not in excess of \$5,000, the Member may elect to transfer all or a portion of his Retirement Benefit to an Eligible Retirement Plan, provided that such payment is an eligible rollover distribution and otherwise qualifies for direct rollover pursuant to Section 401(a)(31) of the Code. If a Member elects a direct rollover under this Section 7.6(a), the Administrator will direct the Trustee to rollover all or a portion of the Member's Retirement Benefit to the Eligible Retirement Plan specified by the Member. If a Member elects to transfer only a portion of his Retirement Benefit under this Section 7.6(a), the remainder of his Retirement Benefit shall be distributed in a single sum. The Administrator shall prescribe the procedures a Member must follow to request a direct rollover of his Retirement Benefit pursuant to this Section 7.6(a).

If the present value of the Member's Vested Retirement Benefit is greater than One Thousand Dollars (\$1,000), but does not exceed Five Thousand Dollars (\$5,000) and the Member does not elect to either have his Retirement Benefit paid in a direct rollover to a specified Eligible Retirement Plan as described in Code Section 402(c)(8)(B) or to receive the single sum payment in cash, then the Administrator will pay the value of the Member's Retirement Benefit in a direct rollover to an individual retirement plan designated by the Administrator. However, notwithstanding the above, to the extent required by Code Section 401(a)(31), effective for distributions occurring on or after March 28, 2005, amounts attributable to a Member's rollover account, if any, will be included in determining whether a Member's Retirement Benefit is greater than One Thousand Dollars (\$1,000) for purposes of the automatic rollover rules of this Section 7.6. If the value of the Member's Retirement Benefit is not greater than One Thousand Dollars (\$1,000), then it shall be automatically distributed to the Member in a single lump sum payment (unless the Member elects a direct rollover as specified above).

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Pursuant to Code Section 401(a)(31)(B), the above paragraph concerning automatic IRA rollovers shall not apply to distributions to beneficiaries or alternate payees.

A Member's Credited Service under the Plan shall be disregarded following the single sum payment of the Member's Retirement Benefit under this Section 7.6(a) if the Member subsequently returns to employment with the Employer. Because a Member who receives a single sum payment of his Retirement Benefit under this Section 7.6(a) shall receive the full present value thereof, such Member shall not be entitled to repay such distribution upon his subsequent re-employment by the Employer as provided under Treas. Reg. § 1.411(a)-7(d)(4).

(b) *Deemed Distribution to Nonvested Member.* If a Member terminates employment at a time when such Member's Vested Retirement Benefit equals Zero Dollars (\$0), the Member shall be deemed to receive a distribution of his entire Retirement Benefit vested as of the day he terminates employment."

9. Effective as of March 28, 2005, Section 16.2 of the Plan shall be deleted in its entirety and replaced with the following:

"16.2 *Unclaimed Benefit Procedure.* Except to the extent required by ERISA, neither the Trustee nor the Committee shall be obliged to search for, or ascertain the whereabouts of, any Member or Beneficiary. The Administrator, by certified or registered mail addressed to his last known address of record with the Administrator or the Employer, shall notify any Member or Beneficiary that he is entitled to a distribution under this Plan, and the notice shall quote the provisions of this Section (to the extent possible, the Administrator will also check any other plan of the Employer to ensure it has the most up-to-date information with respect to the Member's address). If the Member or Beneficiary fails to claim his benefits or make his whereabouts known in writing to the Administrator, and the Administrator is otherwise unable to locate the Member or Beneficiary after reasonable due diligence, the Administrator shall notify the Social Security Administration, IRS (or other appropriate agency) of the Member's (or Beneficiary's) failure to claim the distribution to which he is entitled. The Administrator shall request the Social Security Administration, IRS (or other appropriate agency) to notify the Member (or Beneficiary) in accordance with the procedures it has established for such purpose. If the Social Security Administration, IRS (or other appropriate agency) cannot locate the Member (or Beneficiary), (i) except as provided below, the benefit shall be treated as a Forfeiture hereunder, provided that the benefit shall be reinstated in the event that the Member or Beneficiary ever makes a claim therefor, and (ii) if the Member's Vested Retirement Benefit is greater than One Thousand Dollars (\$1,000), but does not exceed Five Thousand Dollars (\$5,000), then that amount will be rolled-over to an Administrator-designated individual retirement account pursuant to Section 7.6 as if an employee election had not been made. Any payment made pursuant to the power herein conferred upon the Administrator shall operate as a complete discharge of all obligations of the Employer, Trustee, and the Administrator, to the extent of the distributions so made."

**IN WITNESS WHEREOF**, the Company has caused this Fifth Amendment to The Sabre Inc. Legacy Pension Plan to be executed on date listed below, but to be effective as stated above.

**SABRE INC.**

By: /s/ LYNN SWAIM

Name: Lynn Swaim

Title: VICE PRESIDENT, BENEFITS

Date: 12/28/05

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[Exhibit 10.51](#)

[FIFTH AMENDMENT TO THE SABRE INC. LEGACY PENSION PLAN](#)

**Sabre Holdings Corporation**  
**Computation of Ratio of Earnings**  
**To Fixed Charges**  
**Five Years Ended December 31, 2005**  
**(in thousands)**

	Years ended December 31,				
	2005	2004	2003	2002	2001
<b>Earnings:</b>					
Income from continuing operations before taxes (1)	\$ 244,715	\$ 257,061	\$ 127,377	\$ 339,068	\$ 34,010
Minority interests in consolidated subsidiaries	(8,378)	(1,665)	365	(214)	(22,469)
(Income) loss from equity investees (2)	(1,832)	5,198	127	(17,346)	(18,041)
Income (loss) from continuing operations before taxes, minority interests and earnings from equity investees	\$ 234,505	\$ 260,594	\$ 127,869	\$ 321,508	\$ (6,500)
Add: Total fixed charges (per below)	64,239	36,277	33,885	31,803	48,875
Distributed income of equity investees	16,574	16,376	19,145	18,411	5,195
<b>Total earnings</b>	<b>\$ 315,318</b>	<b>\$ 313,247</b>	<b>\$ 180,899</b>	<b>\$ 371,722</b>	<b>\$ 47,570</b>
<b>Fixed charges:</b>					
Interest expense	53,075	26,862	24,077	23,350	41,165
Estimate of interest within rental expense (3)	11,164	9,415	9,808	8,453	7,710
<b>Total fixed charges</b>	<b>\$ 64,239</b>	<b>\$ 36,277</b>	<b>\$ 33,885</b>	<b>\$ 31,803</b>	<b>\$ 48,875</b>
<b>Ratio of earnings to fixed charges</b>	<b>4.91</b>	<b>8.63</b>	<b>5.34</b>	<b>11.69</b>	<b>—(4)</b>

- (1) Effective July 1, 2001, we sold our Outsourcing Business to Electronic Data Systems Corporation ("EDS"). We also entered into agreements with EDS for (i) EDS to manage our IT systems for 10-years (the "IT Outsourcing Agreement"), and (ii) to jointly market certain IT services and software solutions to the travel and transportation industries. The results of operations of the Outsourcing Business have been reclassified and presented as income from discontinued operations, net, for 2001.
- (2) Income from equity investees, in 2002, contains \$4.4 million on sale of France Telecom shares reported in non-operating income.
- (3) Fixed charges include the estimated interest component of rent expense (generally one-third of rent expense under operating leases) included in income from continuing operations.
- (4) For the year ended December 31, 2001, earnings were insufficient to cover fixed charges by approximately \$1.3 million.

QuickLinks

[Exhibit 12.1](#)

[Sabre Holdings Corporation Computation of Ratio of Earnings To Fixed Charges Five Years Ended December 31, 2005 \(in thousands\)](#)

**Sabre Holdings Corporation  
Subsidiaries**

(All subsidiaries are wholly owned unless otherwise noted in parenthesis. Each subsidiary's subsidiaries outlined further below.)

Sabre Holdings Corporation SUBSIDIARY

Sabre Inc. (Delaware)

Sabre Inc. SUBSIDIARIES

Axess International Network, Inc. (Japan) (25%)  
ENCOMPASS Holding, Inc. (Delaware)  
GetThere Inc. (Delaware)  
GetThere L.P. (Delaware) (13.5% Limited Partner)  
Greyhound Acquisition Corp. (Delaware)  
IgoUgo, Inc. (Delaware)  
Lanyon, Ltd. (United Kingdom)  
Nexion, Inc. (Delaware)  
Prize Ltd. (Latvia)  
Sabre Decision Technologies International, Inc. (Delaware)  
Sabre Decision Technologies Licensing, Inc. (Delaware)  
Sabre Dynamic, Inc. (Delaware)  
Sabre International, Inc. (Delaware)  
Sabre International Holdings, Inc. (Delaware)  
Sabre Investments, Inc. (Delaware)  
Sabre Limited (New Zealand)  
SabreMark G.P., Inc. (Delaware)  
SabreMark L.P., Inc. (Delaware)  
Sabre Soluciones de Viaje S. de R.L. de C.V. (Mexico) (99%)  
Sabre Technology Enterprises, Ltd. (Cayman Islands)  
Sabre Technology Holland B.V. (Netherlands)  
Sakiler, S.A. (Uruguay)  
SHC Capital Trust I (Delaware)  
SHC Capital Trust II (Delaware)  
SHC Capital Trust III (Delaware)  
SST Finance, Inc. (Delaware)  
SST Holding, Inc. (Delaware)  
SynXis Corporation (Delaware)  
Travelocity Holdings, Inc. (Delaware)  
Sabre South Pacific I (Australia) (1%)  
Vistrio, L.P. (Delaware) (50.9% Limited Partner)

GetThere Inc. SUBSIDIARIES

GetThere L.P. (Delaware) (1% General Partner; 83% Limited Partner)  
AllMeetings, Inc. (Delaware)

AllMeetings, Inc. SUBSIDIARY

GetThere L.P. (Delaware) (2.5% Limited Partner)

GetThere L.P. SUBSIDIARY

GetThere Limited (United Kingdom)

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Greyhound Acquisition Corp SUBSIDIARY

Sabre Travel International Limited (Ireland)

Sabre Travel International Limited SUBSIDIARY

Sabre Polska Sp. Z.o.o. (Poland)

Sabre Decision Technologies International, Inc. SUBSIDIARIES

Airline Technology Services Mauritius Ltd. (Mauritius)  
Sabre (Australia) Pty Ltd. (Australia)  
Sabre Travel Technology (Private) Limited (India)

Airline Technology Services Mauritius Ltd. SUBSIDIARY

Sabre Pakistan (Private) Limited (Pakistan) (99%)

Sabre International, Inc. SUBSIDIARIES

Sabre CIS Holdings, Inc. (Delaware)  
Sabre Belgium SA (Belgium) (99%)  
Sabre China Sea Technologies Ltd. (Labuan)  
Sabre Computer-Reservierungssystem GmbH (Austria)  
Sabre Danmark ApS (Denmark)  
Sabre Deutschland Services GmbH (Germany)  
Sabre EMEA Marketing Limited (United Kingdom)  
Sabre Espana Marketing, S.A. (Spain) (99%)  
Sabre Europe Management Services Ltd. (United Kingdom) (99%)  
Sabre France Sarl (France)  
Sabre Hellas SA (Greece)  
Sabre Holdings GmbH (Germany)  
Sabre Ireland Limited (Ireland)  
Sabre Italia S.r.l. (Italy) (99%)  
Sabre Marketing Nederland B.V. (Netherlands)  
Sabre Norge AS (Norway)  
Sabre Portugal Servicios Lda (Portugal) (99%)  
Sabre South Pacific I (Australia Partnership) (99%)  
Sabre Servicios Colombia Ltda. (Colombia) (99%)  
Sabre Suomi Oy (Finland)  
Sabre Sverige AB (Sweden)  
Sabre UK Marketing Ltd. (United Kingdom) (99%)  
STIN Luxembourg S.A. (Luxembourg) (99%)

Sabre China Sea Technologies Ltd. SUBSIDIARY

Sabre Australia Technologies I Pty Limited (Australia) (51%)

Sabre Australia Technologies I Pty Limited SUBSIDIARY

Sabre Pacific Pty Limited (Australia)

Sabre Pacific Pty Limited SUBSIDIARY

Sabre Pacific Limited (New Zealand)

Sabre Holdings GmbH SUBSIDIARIES

Sabre Airline Solutions GmbH (Germany)  
Sabre Deutschland Marketing GmbH (Germany)

Sabre Deutschland Marketing GmbH SUBSIDIARY

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Travel Management Systems GmbH (Germany)

Sabre Marketing Nederland B.V. SUBSIDIARY

Sabre Israel Travel Technologies Ltd. (Israel) (51%)

Sabre Sverige AB SUBSIDIARIES

RM Rocade AB (Sweden)  
RM Rocade Assist AB (Sweden)

Sabre International Holdings, Inc. SUBSIDIARIES

Sabre Belgium SA (Belgium) (1%)  
Sabre Espana Marketing, S.A. (Spain) (1%)  
Sabre Europe Management Services Ltd. (United Kingdom) (1%)  
Sabre International (Bahrain) W.L.L. (Bahrain) (1%)  
Sabre Italia S.r.l. (Italy) (1%)  
Sabre Portugal Servicos Lda (Portugal) (1%)  
Sabre Servicios Colombia Ltda. (Colombia) (1%)  
Sabre UK Marketing Ltd. (United Kingdom) (1%)  
STIN Luxembourg S.A. (Luxembourg) (1%)

Sabre Investments, Inc. SUBSIDIARIES

Sabre Investments—B4—1, Inc. (Delaware)  
Sabre Investments—LI—1, Inc. (Delaware)  
Sabre Investments—PK—1, Inc. (Delaware)  
Sabre Investments—WR—1, Inc. (Delaware)

Sabre Investments—PK—1, Inc. SUBSIDIARY

Vistrio, L.P. (Delaware) (0.1% General Partner)

SabreMark G.P., Inc. SUBSIDIARY

SabreMark Limited Partnership (Delaware) (1% General Partner)

SabreMark L.P., Inc. SUBSIDIARY

SabreMark Limited Partnership (Delaware) (99% Limited Partner)

Sabre Soluciones de Viaje S. de R.L. de C.V. SUBSIDIARIES

Sabre Informacion S.A. de C.V. (Mexico) (99%)  
Sabre Sociedad Tecnologica S.A. de C.V. (Mexico) (51%)

Sabre Sociedad Tecnologica S.A. de C.V. SUBSIDIARY

Sabre Servicios Administrativos S.A. de C.V. (Mexico) (99.9%)

Sabre Technology Enterprises, Ltd. SUBSIDIARIES

Sabre Technology Enterprises II, Ltd. (Cayman Islands)  
Sabre International (Bahrain) W.L.L. (Bahrain) (99%)  
Sabre Travel Network Middle East W.L.L. (Bahrain)

Sabre Technology Enterprises II, Ltd. SUBSIDIARY

Abacus International Pte Ltd. (Singapore) (35%)

Sabre Technology Holland B.V. SUBSIDIARIES

Sabre Informacion S.A. de C.V. (Mexico) (1%)  
Sabre Soluciones de Viaje S. de R.L. de C.V. (Mexico) (1%)

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SynXis Corporation SUBSIDIARY

HubX Inc. (Delaware)

HubX Inc. SUBSIDIARY

SynXis International Holdings B.V. (Netherlands)

SynXis International Holdings B.V. SUBSIDIARY

SynXis Nederland B.V. (Netherlands)

Travelocity Holdings, Inc. SUBSIDIARIES

Travelocity.com Inc. (Delaware)  
Travelocity Europe Limited (United Kingdom)

Travelocity.com Inc. SUBSIDIARIES

All State Tours, Inc. (Nevada)  
Site59.com, LLC (Delaware)  
Travelocity Australia Pty Ltd. (Australia)  
Travelocity.com LP (Delaware) (10% General Partner)  
Travelocity.com LP Sub Inc. (Delaware)

Travelocity.com LP Sub Inc. SUBSIDIARY

Travelocity.com LP (Delaware) (90% Limited Partner)

Travelocity.com LP SUBSIDIARY

Travelocity GmbH (Germany)

Travelocity GmbH SUBSIDIARIES

Travel Overland KG (Germany) (50%)  
Travelocity Sabre GmbH (Germany)

Travelocity Overland KG SUBSIDIARY

Travelocity Holdings GmbH (Germany)

Travelocity Sabre GmbH SUBSIDIARIES

Resfeber Sverige AB (Sweden)  
Travelocity France SAS (France)  
Travelocity.co.uk Ltd. (United Kingdom)  
USIT Connections SAS (France)

Resfeber Sverige AB SUBSIDIARIES

Artde Udland (Denmark)  
Skandinavisk Resfeber AS (Norway)  
Rejsefeber ApS (Denmark)

USIT Connections SAS SUBSIDIARY

Boomerang SAS (France)

Travelocity Europe Limited SUBSIDIARY

lastminute.com limited (United Kingdom)

lastminute.com limited SUBSIDIARIES

First Option Hotel Reservations Limited (United Kingdom)  
Urbanbite Limited (United Kingdom)

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Online Travel Corporation Limited (United Kingdom)  
Lastminute.com Overseas Holdings Limited (United Kingdom)  
Gemstone Travel Limited (United Kingdom)  
Lastminute.com Jersey Limited (Jersey) (99%)  
Lastminute.com UK Holdings Limited (United Kingdom)  
LCC24 AG (Germany) (6%)  
Holiday Autos Group Limited (United Kingdom)  
Last Minute Network Limited (United Kingdom)  
Lastminute.com Theatrenow Limited (United Kingdom) (85%)  
Exhilaration Incentive Management Limited (United Kingdom)  
Exhilaration Limited (United Kingdom)  
Exhilaration Travel Limited (United Kingdom)  
lastminute.com Group Services Limited (United Kingdom)  
Med Group Limited (United Kingdom)

First Option Hotel Reservations Limited SUBSIDIARY

Hotel and Travel Reservations Limited (United Kingdom)

Hotel and Travel Reservations Limited SUBSIDIARY

Cordex Computer Services Limited (United Kingdom)

Urbanbite Limited SUBSIDIARY

Urbanbite BV (Netherlands)

Online Travel Corporation Limited SUBSIDIARIES

OTC Travel Corporation Limited (Ireland)  
Ifyoutravel.com France SARL (France)  
Online Travel Services Limited (United Kingdom)  
Joint Venture Travel Limited (United Kingdom)  
Travelstore.com Limited (United Kingdom)  
Amersham Travel Limited (United Kingdom)  
All-Hotels Limited (United Kingdom)  
Travelocity.co.uk Limited (United Kingdom)  
Oxford Technology Solutions Limited (United Kingdom)  
Online Travel Corporation Pty Limited (Australia)

OTC Travel Corporation Limited SUBSIDIARIES

Viva Travel Dun Laoghaire Limited (Ireland)  
OTC Travel Management Limited (Ireland)

Viva Travel Dun Laoghaire Limited SUBSIDIARY

Captivating Travel Limited (Ireland)

Online Travel Services Limited SUBSIDIARIES

Youthtravel Limited (United Kingdom)  
Travel Network Limited (United Kingdom)  
Online Travel Club Limited (United Kingdom)  
Travelcoast Limited (United Kingdom)  
OTC Travel Management Limited (United Kingdom)

Travelcoast Limited SUBSIDIARY

OTC Transport Limited (United Kingdom)

OTC Travel Management Limited SUBSIDIARY

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International Travel Industry Club Limited (United Kingdom)

Joint Venture Travel Limited SUBSIDIARIES

JV Knightsbridge Travel Limited (United Kingdom) (50%)  
Joint Venture 36 Travel Limited (United Kingdom) (50%)

All-Hotels Limited SUBSIDIARIES

All-Hotels.com Limited (United Kingdom)  
Articulate Solutions Limited (United Kingdom)  
all-hotels inc. (Delaware)  
all-hotels.com inc. (Delaware)

Online Travel Corporation Pty Limited SUBSIDIARY

OTC Travel Pty Limited (Australia)

Lastminute.com Overseas Holdings Limited SUBSIDIARIES

Holiday Autos European Services GmbH (Switzerland)  
The Destination Group Limited (United Kingdom)

The Destination Group Limited SUBSIDIARIES

Destination USA Limited (United Kingdom)  
Destination Australia Limited (United Kingdom)  
Destination Malaysia Limited (United Kingdom)  
Danube Travel Limited (United Kingdom)  
Holidays4less Limited (United Kingdom)  
Travel4less Limited (United Kingdom)

Lastminute.com UK Holdings Limited SUBSIDIARIES

LM Media Services Limited (United Kingdom)  
4less Limited (United Kingdom)

Holiday Autos Group Limited SUBSIDIARIES

Holiday Autos Holdings Limited (United Kingdom)  
Holiday Autos Benelux BVBA—SPRL (Belgium) (0.161%)  
HA Technology Limited (United Kingdom)  
Holiday Autos U.K. and Ireland Limited (United Kingdom)  
Holiday Flights Limited (United Kingdom)  
Holiday Hotels Limited (United Kingdom)  
Holiday Villas Limited (United Kingdom)

Holiday Autos Holdings Limited SUBSIDIARIES

Holiday Autos Benelux BVBA—SPRL (Belgium) (99.839%)  
Holiday Autos International Limited (United Kingdom)  
Holiday Autos Italy S.R.L. (Italy) (90%)  
Holiday Autos Australia Pty Ltd (Australia)

Holiday Autos Italy S.R.L. SUBSIDIARY

Holiday Autos International Limited (United Kingdom) (10%)

Holiday Autos International Limited SUBSIDIARIES

Holiday Autos (Schweiz) GmbH (Switzerland)  
Holiday Autos Nordic AB (Sweden)  
Holiday Autos Nordic AS (Norway)  
Holiday Autos U.S. Inc. (California)

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Autos Europe Limited (United Kingdom)  
Holiday Essentials Limited (United Kingdom)  
Drive Europe Limited (United Kingdom)  
Holiday Car Shop Limited (United Kingdom)  
Leisure Cars Limited (United Kingdom)  
Leisure Cars Direct Limited (United Kingdom)  
Auto Holidays (Pty) Ltd (South Africa) (50%)  
Holiday Autos Middle East Limited (British Virgin Islands) (50%)  
Holiday Parking Limited (United Kingdom)  
Drive America Limited (United Kingdom)  
Holiday Autos Limited (United Kingdom)  
Holiday Autos Limited (Ireland)  
Holiday Group Limited (United Kingdom)  
Broomco (2798) Limited (United Kingdom)  
Holiday Autos BV (Netherlands)

Holiday Autos U.S. Inc. SUBSIDIARIES

HA North America Inc. (New York)  
Holiday Autos LLC (New York) (50%)

HA North America Inc. SUBSIDIARIES

M.O.B. International, Inc. (New York)  
Holiday Autos LLC (New York) (50%)

Last Minute Network Limited SUBSIDIARIES

Last Minute Network Limited (Ireland) (99.998%)  
Lastminute.com BV (Netherlands)  
Lastminute.com S.R.L. (Italy) (99%)  
Last Minute SPRL (Belgium)  
Lastminute France S.A.S.U. (France)  
Lastminute AB (Sweden)  
Lastminute A/S (Denmark)  
Lastminute AS (Norway)  
lastminute.com GmbH (Germany)  
Lastminute Network, S.L. (Spain)  
lastminute.com Australia Pty Limited (Australia) (25.1%)  
lastminute.com Japan Limited (Japan) (25.25%)

Lastminute.com S.R.L. SUBSIDIARY

Travelprice Italia SrL (Italy)

Lastminute France S.A.S.U SUBSIDIARIES

Holiday Autos France S.A.S. (France)  
LMCS S.A.S.U. (France)  
Voyages Sur Mesures S.A.S. (France) (93.45%)  
Travelprice.com S.A.S.U. (France)

Travelprice.com S.A.S.U. SUBSIDIARIES

Voyages Sur Mesures S.A.S. (France) (6.55%)  
Global Travel Broker S.L. (Spain) (99.908%)  
Travelprice Belgium BVBA—SPRL (Belgium) (56.246%)  
Travelprice Denmark Aps (Denmark)  
Travelprice Deutschland GmbH (Germany)

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Voyages Sur Mesures S.A.S. SUBSIDIARIES

Global Travel Broker S.L. (Spain) (0.092%)  
Travelprice Belgium BVBA—SPRL (Belgium) (43.754%)

Lastminute.com GmbH SUBSIDIARIES

Holiday Autos GmbH (Germany)  
Avinex GmbH (Germany)  
anixe systems GmbH (Germany)  
Medhotels.com GmbH (Germany)

Lastminute Network S.L. SUBSIDIARY

Holiday Autos Broker, S.L. (Spain)

lastminute.com Group Services Limited SUBSIDIARIES

Globepost Limited (United Kingdom)  
Destination Caribbean Limited (United Kingdom)  
lastminute.com Hellas EPE (Greece)

Med Group Limited SUBSIDIARIES

Hoteltransfer Limited (United Kingdom)  
Travelbargains Limited (United Kingdom)  
Med Hotels Limited (United Kingdom)

Travelbargains Limited SUBSIDIARY

Taskbrook Limited (United Kingdom) (18%)

Med Hotels Limited SUBSIDIARY

Taskbrook Limited (United Kingdom) (49%)

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\*

All subsidiaries are wholly-owned unless otherwise noted in parenthesis

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QuickLinks

[EXHIBIT 21.1](#)

[Sabre Holdings Corporation Subsidiaries](#)

**CONSENT OF ERNST & YOUNG LLP**

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-13917, 333-14509, 333-18851, 333-51291, 333-40932, 333-48114, 333-86376, 333-102738, 333-107638, 333-126956, and 333-124477) pertaining to Sabre Holdings Corporation Amended and Restated Long-Term Incentive Plan; The Sabre Group Holdings, Inc. 1996 Amended and Restated Long-Term Incentive Plan, 1996 Directors Stock Incentive Plan, Employee Stock Purchase Plan and Deferred Compensation Plan; Sabre Holdings Corporation Employee Stock Purchase Plan, Sabre Holdings Corporation 2000 Stock Option Plan; GetThere.com, Inc. 1996 Stock Incentive Plan and 1999 Stock Incentive Plan; Travelocity.com LP Second Amended 1999 Long-Term Incentive Plan, Travelocity Holdings, Inc. Amended 1999 Long-Term Incentive Plan, Travelocity.com LP Employee Stock Purchase Plan and Travelocity Holdings, Inc. Employee Stock Purchase Plan; Sabre Holdings Corporation 2003 Directors Deferred Compensation and Deferred Stock Unit Plan; Sabre Holdings Corporation Amended and Restated 1996 Long-Term Incentive Plan; Restricted Stock Unit Replacement Awards; and Employee Stock Purchase Plan, as Amended and Restated, respectively; and the Registration Statement on Form S-3 (No 333-99209) of our reports dated February 27, 2006 with respect to the consolidated financial statements and financial statement schedule of Sabre Holdings Corporation, Sabre Holdings Corporation management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Sabre Holdings Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2005.

Dallas, TX  
March 6, 2006

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QuickLinks

[Exhibit 23.1](#)

[CONSENT OF ERNST & YOUNG LLP](#)

**CERTIFICATION**

I, Michael S. Gilliland, certify that:

1. I have reviewed this annual report on Form 10-K of Sabre Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 8, 2006

/s/ Michael S. Gilliland

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Michael S. Gilliland  
President and Chief Executive Officer

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QuickLinks

[Exhibit 31.1](#)  
[CERTIFICATION](#)

**CERTIFICATION**

I, Jeffery M. Jackson, certify that:

1. I have reviewed this annual report on Form 10-K of Sabre Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 8, 2006

/s/ Jeffery M. Jackson

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Jeffery M. Jackson  
Executive Vice President and  
Chief Financial Officer

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QuickLinks

[Exhibit 31.2](#)  
[CERTIFICATION](#)

**WRITTEN STATEMENT OF MICHAEL S. GILLILAND**

On this day, Sabre Holdings Corporation (the "Company") filed with the Securities and Exchange Commission an Annual Report on Form 10-K for the period ending December 31, 2005 (the "Report").

This written statement accompanied the Report.

I, Michael S. Gilliland, the Chief Executive Officer of the Company, hereby certify that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael S. Gilliland

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Michael S. Gilliland  
President and Chief Executive Officer  
March 8, 2006

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QuickLinks

[Exhibit 32.1](#)

[WRITTEN STATEMENT OF MICHAEL S. GILLILAND](#)

**WRITTEN STATEMENT OF JEFFERY M. JACKSON**

On this day, Sabre Holdings Corporation (the "Company") filed with the Securities and Exchange Commission an Annual Report on Form 10-K for the period ending December 31, 2005 (the "Report").

This written statement accompanied the Report.

I, Jeffery M. Jackson, the Chief Financial Officer of the Company, hereby certify that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffery M. Jackson

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Jeffery M. Jackson  
Executive Vice President and  
Chief Financial Officer  
March 8, 2006

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QuickLinks

[Exhibit 32.2](#)

[WRITTEN STATEMENT OF JEFFERY M. JACKSON](#)

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