

Sabre Corp
Form 10-Q
October 29, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended September 30, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

Commission File Number: 001-36422

Sabre Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-8647322 (I.R.S. Employer Identification No.)
3150 Sabre Drive Southlake, TX 76092 (Address, including zip code, of principal executive offices)	
(682) 605-1000 (Registrant's telephone number, including area code)	

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 (the "Exchange Act") 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of October 26, 2015, 277,548,548 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

SABRE CORPORATION
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SABRE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue	\$785,002	\$672,480	\$2,202,441	\$1,985,275
Cost of revenue ^{(1) (2)}	509,906	441,052	1,440,030	1,315,669
Selling, general and administrative ⁽²⁾	166,324	113,581	412,042	351,970
Operating income	108,772	117,847	350,369	317,636
Other income (expense):				
Interest expense, net	(40,581	) (50,153	) (129,643	) (167,332
Loss on extinguishment of debt	—	—	(33,235	) (33,538
Joint venture equity income	372	2,867	14,198	9,367
Other, net	92,568	1,124	88,320	(839
Total other income (expense), net	52,359	(46,162	) (60,360	) (192,342
Income from continuing operations before income taxes	161,131	71,685	290,009	125,294
Provision for income taxes	38,007	30,456	84,966	55,651
Income from continuing operations	123,124	41,229	205,043	69,643
Income (loss) from discontinued operations, net of tax	53,892	(3,946	) 213,499	(44,652
Net income	177,016	37,283	418,542	24,991
Net income attributable to noncontrolling interests	676	720	2,501	2,168
Net income attributable to Sabre Corporation	176,340	36,563	416,041	22,823
Preferred stock dividends	—	—	—	11,381
Net income attributable to common stockholders	\$176,340	\$36,563	\$416,041	\$11,442
Basic net income per share attributable to common stockholders:				
Income from continuing operations	\$0.44	\$0.15	\$0.74	\$0.24
Income (loss) from discontinued operations	0.20	(0.01	) 0.78	(0.19
Net income per common share	\$0.64	\$0.14	\$1.53	\$0.05
Diluted net income per share attributable to common stockholders:				
Income from continuing operations	\$0.44	\$0.15	\$0.73	\$0.24
Income (loss) from discontinued operations	0.19	(0.01	) 0.77	(0.19
Net income per common share	\$0.63	\$0.13	\$1.49	\$0.05
Weighted-average common shares outstanding:				
Basic	275,471	264,768	272,224	229,405
Diluted	281,395	273,330	278,848	237,994
Dividends per common share	\$0.09	\$—	\$0.27	\$0.09
(1) Includes amortization of upfront incentive consideration	\$9,525	\$10,388	\$31,575	\$33,177

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(2) Includes stock-based compensation as follows:

Cost of revenue	\$2,853	\$2,165	\$9,288	\$5,523
Selling, general and administrative	4,351	3,200	14,040	8,326

See Notes to Consolidated Financial Statements.

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SABRE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$177,016	\$37,283	\$418,542	\$24,991
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments ("CTA"), net of tax:				
Foreign CTA gains (losses), net of tax	525	1,522	(1,056)	) 3,711
Reclassification adjustment for realized losses on foreign CTA, net of tax of \$12,152	(18,558)	) —	(18,558)) —
Net change in foreign CTA gains (losses), net of tax	(18,033)	) 1,522	(19,614)	) 3,711
Retirement-related benefit plans:				
Amortization of prior service credits, net of taxes of \$130, \$129, \$388 and \$386	(228)	) (229)	) (687)	) (686)
Amortization of actuarial losses, net of taxes of \$(635), \$(454), \$(1,909) and \$(1,299)	1,126	803	3,375	2,292
Total retirement-related benefit plans	898	574	2,688	1,606
Derivatives and available-for-sale securities:				
Unrealized gains (losses), net of taxes of \$3,517, \$1,096, \$7,092 and \$666	(9,589)	) (3,799)	) (17,383)	) (3,181)
Reclassification adjustment for realized losses, net of taxes of \$(600), \$(1,057), \$(2,777) and \$(2,607)	1,970	1,684	8,902	2,747
Net change in unrealized gains (losses) on derivatives, net of tax	(7,619)	) (2,115)	) (8,481)	) (434)
Share of other comprehensive income of joint venture	(7,249)	) —	(6,327)	) 3,420
Other comprehensive (loss) income	(32,003)	) (19)	) (31,734)	) 8,303
Comprehensive income	145,013	37,264	386,808	33,294
Less: Comprehensive income attributable to noncontrolling interests	(676)	) (720)	) (2,501)	) (2,168)
Comprehensive income attributable to Sabre Corporation	\$144,337	\$36,544	\$384,307	\$31,126

See Notes to Consolidated Financial Statements.

SABRE CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(Unaudited)

	September 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 132,695	\$ 155,679
Accounts receivable, net	430,362	362,911
Prepaid expenses and other current assets	27,966	34,841
Current deferred income taxes	148,190	182,277
Other receivables, net	50,733	29,893
Assets held for sale	—	112,558
Total current assets	789,946	878,159
Property and equipment, net of accumulated depreciation of \$947,016 and \$792,161	583,795	551,276
Investments in joint ventures	24,024	145,320
Goodwill	2,425,963	2,153,499
Acquired customer relationships, net of accumulated amortization of \$588,059 and \$535,334	447,904	170,629
Other intangible assets, net of accumulated amortization of \$550,146 and \$527,921	424,333	309,357
Other assets, net	635,755	509,764
Total assets	\$ 5,331,720	\$ 4,718,004
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 149,976	\$ 117,855
Accrued compensation and related benefits	91,916	83,828
Accrued subscriber incentives	206,023	145,581
Deferred revenues	178,965	167,827
Litigation settlement liability and related deferred revenue	40,140	73,252
Other accrued liabilities	190,854	189,612
Current portion of debt	420,244	22,435
Liabilities held for sale	—	96,544
Total current liabilities	1,278,118	896,934
Deferred income taxes	253,883	61,577
Other noncurrent liabilities	639,894	613,710
Long-term debt	2,701,085	3,061,400
Commitments and contingencies (Note 11)		
Stockholders' equity		
Common Stock: \$0.01 par value; 450,000,000 authorized shares; 277,922,158 and 268,237,547 shares issued, 277,204,130 and 267,800,161 shares outstanding at September 30, 2015 and December 31, 2014, respectively	2,779	2,682
Additional paid-in capital	2,001,436	1,931,796
Treasury Stock, at cost, 718,028 and 437,386 shares at September 30, 2015 and December 31, 2014, respectively	(11,528)	(5,297)
Retained deficit	(1,433,129)	(1,775,616)

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Accumulated other comprehensive loss	(101,537) (69,803)
Noncontrolling interest	719	621	
Total stockholders' equity	458,740	84,383	
Total liabilities and stockholders' equity	\$5,331,720	\$4,718,004	

See Notes to Consolidated Financial Statements.

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SABRE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Operating Activities		
Net income	\$418,542	\$24,991
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	254,854	221,016
Amortization of upfront incentive consideration	31,575	33,177
Litigation-related (credits) charges	(49,194)	(6,132)
Stock-based compensation expense	23,328	13,849
Allowance for doubtful accounts	6,745	5,916
Deferred income taxes	63,402	34,952
Joint venture equity income	(14,198)	(9,367)
Dividends received from joint venture investments	28,700	2,205
Amortization of debt issuance costs	4,893	4,779
Gain on remeasurement of previously-held joint venture interest	(86,082)	—
Loss on extinguishment of debt	33,235	33,538
Other	10,730	1,880
(Income) loss from discontinued operations	(213,499)	(44,652)
Changes in operating assets and liabilities:		
Accounts and other receivables	(64,296)	(72,559)
Prepaid expenses and other current assets	5,249	3,721
Capitalized implementation costs	(49,642)	(27,091)
Upfront incentive consideration	(46,409)	(31,633)
Other assets	(55,439)	(60,526)
Accrued compensation and related benefits	10,294	(5,752)
Accounts payable and other accrued liabilities	60,554	29,654
Deferred revenue including upfront solution fees	16,368	44,274
Cash provided by operating activities	389,710	285,544
Investing Activities		
Additions to property and equipment	(203,071)	(154,212)
Acquisitions, net of cash acquired	(441,582)	(31,799)
Other investing activities	148	234
Cash used in investing activities	(644,505)	(185,777)
Financing Activities		
Proceeds of borrowings from lenders	752,000	148,307
Payments on borrowings from lenders	(719,507)	(797,028)
Debt prepayment fees and issuance costs	(40,214)	(30,490)
Acquisition-related contingent consideration paid	—	(27,000)
Proceeds from issuance of common stock in initial public offering, net	—	672,137
Net proceeds on the settlement of equity-based awards	40,045	2,376
Cash dividends paid to common stockholders	(73,554)	(23,831)
Other financing activities	1,975	(3,755)
Cash used in financing activities	(39,255)	(59,284)
Cash Flows from Discontinued Operations		

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Cash used in operating activities	(908) (189,802)
Cash provided by (used in) investing activities	278,834	(1,904)
Cash provided by (used in) discontinued operations	277,926	(191,706)
Effect of exchange rate changes on cash and cash equivalents	(6,860	) 734	
Decrease in cash and cash equivalents	(22,984	) (150,489)
Cash and cash equivalents at beginning of period	155,679	308,236	
Cash and cash equivalents at end of period	\$132,695	\$157,747	
See Notes to Consolidated Financial Statements.			

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SABRE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General Information

Sabre Corporation is a Delaware corporation formed in December 2006. On March 30, 2007, Sabre Corporation acquired Sabre Holdings Corporation (“Sabre Holdings”). Sabre Holdings is the sole subsidiary of Sabre Corporation. Sabre GLOB Inc. (“Sabre GLOB”) is the principal operating subsidiary and sole direct subsidiary of Sabre Holdings. Sabre GLOB or its direct or indirect subsidiaries conduct all of our businesses. In these consolidated financial statements, references to “Sabre,” the “Company,” “we,” “our,” “ours,” and “us” refer to Sabre Corporation and its consolidated subsidiaries unless otherwise stated or the context otherwise requires.

We are a leading technology solutions provider to the global travel and tourism industry. We operate through two business segments: (i) Travel Network, our global travel marketplace for travel suppliers and travel buyers, and (ii) Airline and Hospitality Solutions, an extensive suite of travel industry leading software solutions primarily for airlines and hotel properties.

In the first quarter of 2015, we completed our exit of the online travel agency business through the sale of our Travelocity business in the United States and Canada (“Travelocity.com”) and Europe (“lastminute.com”). Our Travelocity segment has no remaining operations as a result of these dispositions. The financial results of our Travelocity segment are included in net income (loss) from discontinued operations in our consolidated statements of operations for all periods presented. The assets and liabilities of Travelocity.com and lastminute.com that were disposed of are classified as held for sale in our consolidated balance sheet as of December 31, 2014.

Basis of Presentation—The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of results that may be expected for any other interim period or for the year ended December 31, 2015. The accompanying interim financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K filed with the SEC on March 3, 2015.

We consolidate all of our majority-owned subsidiaries and companies over which we exercise control through majority voting rights. No entities are 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 intercompany balances and transactions.

Use of Estimates—The preparation of these interim financial statements in conformity with GAAP requires that certain amounts be recorded based on estimates and assumptions made by management. Actual results could differ from these estimates and assumptions. Our significant estimates and assumptions relate to, among other things, the collectability of accounts receivable, future cancellations of bookings processed through the Sabre global distribution system (“GDS”), revenue recognition for software arrangements, the fair value of assets and liabilities acquired in a business combination, the fair value of derivatives, the evaluation of the recoverability of the carrying value of intangible assets and goodwill, equity-based compensation, pension and other postretirement benefit liabilities, contingent liabilities and the uncertainties surrounding the calculation of our tax assets and liabilities. Our use of estimates and the related accounting policies are discussed in the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K filed with the SEC on March 3, 2015.

Stockholders’ Equity—During the nine months ended September 30, 2015, we issued 9,684,911 shares of our common stock and received \$46 million in proceeds as a result of the exercise and settlement of employee equity-based awards. We paid a quarterly cash dividend of \$0.09 per share of our common stock, totaling \$74 million, during the nine months ended September 30, 2015. In the third quarter of 2014, we paid a cash dividend of \$0.09 per share of our

common stock, totaling \$24 million. No dividends were declared or paid in the six months ended June 30, 2014.

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Certain of our stockholders sold an aggregate of 73,970,000 shares of our common stock, which includes 7,170,000 shares of our common stock sold as a result of the underwriters' exercise of their overallotment options during the nine months ended September 30, 2015. We did not offer any shares or receive any proceeds from these secondary public offerings or from the exercise of the underwriters' allotment options.

2. Acquisition of Abacus

General

On July 1, 2015, we completed the acquisition of the remaining 65% interest in Abacus International Pte Ltd ("AIPL"), a Singapore-based business-to-business travel e-commerce provider that serves the Asia-Pacific region. Prior to the acquisition, AIPL was 65% owned by a consortium of 11 airlines and the remaining 35% was owned by us. Separately, AIPL has signed new long-term agreements with the consortium of 11 airlines to continue to utilize the Abacus GDS. In the third quarter of 2015, AIPL completed the acquisition of the remaining interest in two national marketing companies, Abacus Distribution Systems (Hong Kong) ("Hong Kong NMC") and Abacus Travel Systems (Singapore) ("Singapore NMC") (the Hong Kong NMC and Singapore NMC together with AIPL, "Abacus"). AIPL previously owned noncontrolling interests in the Hong Kong NMC and Singapore NMC. The net cash consideration for Abacus was \$442 million, which excludes the effect of net working capital adjustments subject to finalization. The acquisition was funded with a combination of cash on hand and a \$70 million draw on our revolving credit facility. We incurred acquisition-related costs of \$9 million and \$13 million during the three and nine months ended September 30, 2015, respectively, which are included in selling, general and administrative expenses in our consolidated statements of operations.

In August 2015, AIPL executed an agreement to acquire the remaining interest in a third national marketing company, Abacus Distribution Systems Sdn Bhd (Malaysia) ("Malaysia NMC"), which is expected to close in the fourth quarter of 2015.

In connection with our acquisition of Abacus, we recognized a gain of \$86 million in the three months ended September 30, 2015 as a result of the remeasurement of our previously-held 35% equity interest in Abacus to its fair value as of the acquisition date. In addition, we recognized a gain of \$12 million in the three months ended September 30, 2015 associated with the settlement of a pre-existing agreement between us and AIPL related to data processing services. The \$86 million remeasurement gain and the \$12 million settlement gain are reflected in other, net in our consolidated statements of operations.

As part of the integration strategy for Abacus, management evaluated actions to optimize the investment's potential, including the implementation of a restructuring plan to align the acquired business with Travel Network. This plan includes the elimination of redundant positions, centralization of key operations and termination of particular product offerings. As a result, we recorded a restructuring charge of \$9 million associated with termination benefits, of which less than \$1 million was paid during the three months ended September 30, 2015. The plan is expected to be substantially complete by the third quarter of 2016 and we currently do not expect to incur significant additional charges in connection with the plan. These restructuring charges are included in selling, general and administrative expenses in our consolidated results of operations.

Preliminary Purchase Price Allocation

The purchase price allocation presented below is preliminary and based on available information as of the filing date of this Quarterly Report on Form 10-Q. Accordingly, the purchase price allocation is subject to change when finalized, which may result in an adjustment to the \$86 million gain we recognized in the third quarter of 2015 as a result of the remeasurement of our previously-held 35% equity interest in Abacus. We expect to finalize the purchase price allocation in the fourth quarter of 2015.

A summary of the acquisition price and estimated fair values of assets acquired and liabilities assumed as of the date of acquisition is as follows (in thousands):

Cash and cash equivalents	\$64,604	
Accounts receivable, net	60,349	
Other current assets	11,525	
Goodwill	273,451	
Intangible assets:		
Customer relationships	330,000	
Reacquired rights ⁽¹⁾	108,200	
Purchased technology	14,000	
Supplier agreements	11,000	
Trademarks and brand names	4,000	
Property and equipment, net	3,458	
Other assets	55,492	
Current liabilities	(120,576))
Noncurrent liabilities	(25,502))
Noncurrent deferred income taxes	(74,225))
	715,776	
Fair value of Sabre Corporation's previously held equity investment in AIPL	(208,000))
Fair value of AIPL's previously held equity investment in national marketing companies	(1,590))
Total acquisition price	\$506,186	

⁽¹⁾ In connection with the acquisition of Abacus, we reacquired certain contractual rights that provided Abacus the exclusive right, within the Asia-Pacific region, to operate and profit from the Sabre GDS.

The goodwill recognized reflects expected synergies from combined operations and also the acquired assembled workforce of Abacus. The goodwill recognized is assigned to our Travel Network business and is not deductible for tax purposes. The weighted-average useful lives of the intangible assets acquired are 20 years for customer relationships, 7 years for reacquired rights, 5 years for purchased technology, 7 years for supplier agreements and 2 years for trademarks and brand names.

The preliminary purchase price allocation includes estimates for contingent liabilities of \$25 million related to tax uncertainties. We are evaluating certain other contingencies that existed as of the acquisition date, which may impact the purchase price allocation.

Unaudited Pro Forma Financial Information

Since the acquisition date, Abacus contributed \$96 million of revenue and \$1 million of income from continuing operations for the three and nine months ended September 30, 2015. The following unaudited pro forma results of operations information give effect to the acquisitions of Abacus as if it occurred on January 1, 2014. The unaudited pro forma results of operations information excludes the \$86 million gain on the remeasurement of our previously-held 35% investment in AIPL, the \$12 million gain on the settlement of a pre-existing agreement between us and AIPL, and all acquisition-related costs incurred. The unaudited pro forma results of operations information include adjustments to: (i) eliminate historical revenue and cost of revenue between us, AIPL and the national marketing companies; (ii) remove historical amortization recognized by AIPL associated with its upfront incentive consideration and software developed for internal use, which are replaced by acquired intangible assets; and (iii) add amortization expense associated with acquired intangible assets.

The following unaudited pro forma results of operations information is presented in thousands:

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	2014
Revenue	\$740,980	\$2,350,362	\$2,201,341
Income from continuing operations	43,983	126,531	78,367

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Net income attributable to common stockholders	39,317	337,529	20,166
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The unaudited pro forma financial information is for informational purposes only and is not necessarily indicative of what our financial performance would have been had the acquisition been completed on the date assumed nor is such unaudited pro forma combined financial information necessarily indicative of the results to be expected in any future period.

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3. Discontinued Operations and Dispositions

Over the past several years, we have disposed of non-core operations of our Travelocity business and, in the first quarter of 2015, we completed the divestiture of our Travelocity business through the sale of Travelocity.com and lastminute.com. Our Travelocity segment has no remaining operations subsequent to these dispositions. The financial results of our Travelocity business are included in net income (loss) from discontinued operations in our consolidated statements of operations for all periods presented. The assets and liabilities of Travelocity.com and lastminute.com that were disposed of are classified as held for sale in our consolidated balance sheet as of December 31, 2014.

Travelocity.com—On January 23, 2015, we sold Travelocity.com to Expedia Inc. (“Expedia”), pursuant to the terms of an Asset Purchase Agreement (the “Travelocity Purchase Agreement”), dated January 23, 2015, by and among Sabre GBL Inc. and Travelocity.com LP, and Expedia. The signing and closing of the Travelocity Purchase Agreement occurred contemporaneously. Expedia purchased Travelocity.com pursuant to the Travelocity Purchase Agreement for cash consideration of \$280 million. The net assets of Travelocity.com disposed of primarily included a trade name with a carrying value of \$55 million. We recognized a gain on sale of \$143 million, net of tax, in the first quarter of 2015.

lastminute.com—On March 1, 2015, we sold lastminute.com to Bravofly Rumbo Group. The transaction was completed through the transfer of net liabilities as of the date of sale consisting primarily of a working capital deficit of \$71 million, partially offset by assets sold including intangible assets of \$26 million. We did not receive any cash proceeds or any other significant consideration in the transaction other than payments for specific services being provided to the acquirer under a transition services agreement through the end of 2015. Additionally, at the time of sale, the acquirer entered into a long-term agreement with us to continue to utilize our GDS for bookings which generates incentive consideration paid by us to the acquirer. We recognized a gain on sale of \$25 million, net of tax, in the first quarter of 2015.

Travel Partner Network—In February 2014, we completed a sale of assets associated with Travelocity Partner Network (“TPN”), a business-to-business private white label website offering, for \$10 million in proceeds. Pursuant to the sale agreement, we were to receive two annual earn-out payments, totaling up to \$10 million, if the purchaser exceeded certain revenue thresholds during the calendar years ending December 31, 2014 and December 31, 2015. The revenue threshold was not met for the year ended December 31, 2014 and we do not expect that the revenue threshold for the year ended December 31, 2015 will be met. In connection with the sale, Travelocity entered into a Transition Services Agreement (“TSA”) with the acquirer to provide services to maintain the websites and certain technical and administrative functions for the acquirer until a complete transition occurs or the TSA terminates. Consideration received under both agreements has been allocated to the disposition and the services provided under the TSA; therefore, a significant portion of the upfront proceeds were deferred, based on the fair value of the TSA services, and are being recognized as an offset to operating expense within discontinued operations as the services are provided. In the first quarter of 2014, we recognized a loss on the disposition of \$3 million, prior to considering the potential earn-out payments. We also recognized a \$3 million receivable for earn-out proceeds during the first quarter of 2014, which offset the loss from disposition and resulted in no net impact to operating income for the disposition. During the third quarter of 2014, we determined that receipt of the earn-out proceeds was no longer probable and therefore fully impaired the receivable.

The following table summarizes the results of our discontinued operations (in thousands):

	Three Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2015	2014	2015	2014	
Revenue	\$ 1,038	\$ 85,978	\$ 24,292	\$ 260,652	
Cost of revenue	5,254	26,921	19,279	94,472	
Selling, general and administrative ⁽¹⁾	(42,046) 61,032	(20,538) 236,466	
Operating income (loss)	37,830	(1,975) 25,551	(70,286)
Other income (expense):					

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Interest expense, net	—	(2,559) —	(5,917)
Gain on sale of businesses ⁽²⁾	30,709	—	294,276	—)
Other, net	(321) (952) 2,178	(445)
Total other income (expense), net	30,388	(3,511	) 296,454	(6,362)
Income (loss) from discontinuing operations before income taxes	68,218	(5,486	) 322,005	(76,648)
Provision (benefit) for income taxes	14,326	(1,540	) 108,506	(31,996)
Net income (loss) from discontinued operations	\$53,892	\$(3,946	) \$213,499	\$(44,652)

In September 2015, we recognized a gain of \$40 million as a result of the favorable final ruling from the Supreme Court of Hawaii and receipt of a cash refund related to our litigation of hotel occupancy taxes. See Note 11, Contingencies, for additional information.

(2) Includes \$31 million of reclassified cumulative translation gains associated with our lastminute.com subsidiaries. See below "Divestiture of lastminute.com—Cumulative Translation Adjustments" for additional information.

Divestiture of lastminute.com

Cumulative Translation Adjustments

Cumulative translation adjustment ("CTA") gains or losses of foreign subsidiaries related to divested businesses are reclassified into earnings once the liquidation of the respective foreign subsidiaries is substantially complete. During the three months ended September 30, 2015, we substantially completed the liquidation of our lastminute.com subsidiaries and, therefore, reclassified \$19 million, net of tax, of CTA gains from accumulated comprehensive income (loss) to our results of discontinued operations.

U.S. Tax Benefit

We expect to write off the remaining US tax basis in goodwill and intangible assets during the fourth quarter of 2015, the period in which we expect the wind down of lastminute.com activities to be complete. We estimate the U.S. tax benefit will range between approximately \$80 million to \$95 million. The tax benefit will be included in our results of discontinued operations.

4. Income Taxes

Our effective tax rates for the nine months ended September 30, 2015 and 2014 were 29% and 44%, respectively. The decrease in the effective tax rate for the nine months ended September 30, 2015 as compared to the same period in 2014 was primarily due to an increase in forecasted earnings in lower tax jurisdictions and the \$86 million gain on remeasurement of our previously-held equity interest in Abacus, which is non-taxable. The differences between our effective tax rates and the U.S. federal statutory income tax rate primarily result from our geographic mix of taxable income in various tax jurisdictions as well as the discrete tax items referenced above.

We recognize liabilities when we believe that an uncertain tax position may not be fully sustained upon examination by the tax authorities. This requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. When facts and circumstances change, we reassess these probabilities and record any changes in the consolidated financial statements as appropriate. Our net unrecognized tax benefits, excluding interest and penalties, included in our consolidated balance sheets, were \$82 million and \$59 million as of September 30, 2015 and December 31, 2014, respectively.

5. Debt

As of September 30, 2015 and December 31, 2014, our outstanding debt included in our consolidated balance sheets totaled \$3,121 million and \$3,084 million, respectively, net of unamortized discounts of \$9 million and \$13 million, respectively. The following table sets forth the face values of our outstanding debt as of September 30, 2015 and December 31, 2014 (in thousands):

	Rate	Maturity	September 30, 2015	December 31, 2014
Senior secured credit facilities:				
Term B facility	L + 3.00%	February 2019	\$1,726,188	\$1,739,500
Incremental term loan facility	L + 3.00%	February 2019	343,000	345,625
Term C facility	L + 2.50%	December 2017	49,313	49,313
Revolver, \$370 million	L + 2.75%	February 2019	—	—
Revolver, \$35 million	L + 3.75%	February 2018	—	—
Senior unsecured notes due 2016	8.35%	March 2016	400,000	400,000
Senior secured notes due 2019	8.50%	May 2019	—	480,000
Senior secured notes due 2023	5.38%	April 2023	530,000	—
Mortgage facility	5.80%	March 2017	81,290	82,168
Face value of total debt outstanding			3,129,791	3,096,606
Less current portion of debt outstanding			(422,475)	(22,435)
Face value of long-term debt outstanding			\$2,707,316	\$3,074,171

Senior Secured Credit Facilities

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We have a revolving credit facility totaling \$405 million, of which \$370 million expires in February 2019 ("Extended Revolver") and \$35 million expires in February 2018 ("Unextended Revolver," collectively, the "Revolver"). We had no outstanding balance under the Extended or Unextended Revolver as of September 30, 2015 and December 31, 2014. We had outstanding letters of credit totaling \$21 million and \$47 million as of September 30, 2015 and December 31, 2014, respectively, which reduce our overall credit capacity under the Revolver.

Issuance of 2023 Notes and Extinguishment of 2019 Notes

In April 2015, we extinguished our \$480 million senior secured notes due 2019 with a stated interest rate of 8.50% (“2019 Notes”) through the issuance of \$530 million senior secured notes due in 2023 with a stated interest rate of 5.375% (“2023 Notes”). The 2023 Notes were issued by Sabre GBL and are guaranteed by Sabre Holdings and each of Sabre GBL’s existing and subsequently acquired or organized subsidiaries that are borrowers under or guarantors of our senior secured credit facilities. The 2023 Notes are secured by a first priority security interest in substantially all present and after acquired property and assets of Sabre GBL and the guarantors of the notes, which also constitutes collateral securing indebtedness under our senior secured facilities on a first priority basis. We received proceeds of approximately \$522 million, net of underwriting fees and commissions, from the 2023 Notes which were used to redeem all of the \$480 million principal of the 2019 Notes, pay the 6.375% redemption premium of \$31 million and the make whole premium of \$2 million representing scheduled interest payable for the period between the redemption date of April 29, 2015 and the first call date of May 15, 2015. The remaining proceeds, combined with cash on hand, were used to pay accrued but unpaid interest of \$19 million. We recognized a loss on extinguishment of debt in the second quarter of 2015 of \$33 million, which includes the redemption premium and the make whole premium.

Aggregate Maturities

As of September 30, 2015, aggregate maturities of our long-term debt, which excludes amounts outstanding under our Revolver, were as follows (in thousands):

	Amount
2015 (remaining)	\$5,620
2016	422,493
2017	150,303
2018	21,250
2019	2,000,125
Thereafter	530,000
Total	\$3,129,791

6. Derivatives

Hedging Objectives—We are exposed to certain risks relating to ongoing business operations. The primary risks managed by using derivative instruments are foreign currency exchange rate risk and interest rate risk. Forward contracts on various foreign currencies are entered into to manage the foreign currency exchange rate risk on operational exposure denominated in foreign currencies. Interest rate swaps are entered into to manage interest rate risk associated with our floating-rate borrowings. In accordance with authoritative guidance on accounting for derivatives and hedging, we designate foreign currency forward contracts as cash flow hedges on operational exposure and interest rate swaps as cash flow hedges of floating-rate borrowings.

Cash Flow Hedging Strategy—To protect against the reduction in value of forecasted foreign currency cash flows, we hedge portions of our revenues and expenses denominated in foreign currencies with forward contracts. For example, when the dollar strengthens significantly against the foreign currencies, the decline in present value of future foreign currency expense is offset by losses in the fair value of the forward contracts designated as hedges. Conversely, when the dollar weakens, the increase in the present value of future foreign currency expense is offset by gains in the fair value of the forward contracts.

We enter into interest rate swap agreements to manage interest rate risk exposure. The interest rate swap agreements modify our exposure to interest rate risk by converting floating-rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future interest expense and net earnings. These agreements involve the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreements without an exchange of the underlying principal amount.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the

cumulative change in the present value of future cash flows of the hedged item, if any (ineffective portion), and hedge components excluded from the assessment of effectiveness, are recognized in the consolidated statements of operations during the current period. Derivatives not designated as hedging instruments are carried at fair value with changes in fair value reflected in the consolidated statement of operations.

Forward Contracts—In order to hedge our operational exposure to foreign currency movements, we are a party to certain foreign currency forward contracts that extend until September 2016. We have designated these instruments as cash flow hedges. No hedging ineffectiveness was recorded in earnings relating to the forward contracts during the three and nine months ended September 30, 2015 and 2014. As of September 30, 2015, we estimate that \$2 million in losses will be reclassified from other comprehensive income (loss) to earnings as the outstanding contracts settle.

As of September 30, 2015 and December 31, 2014, we had the following unsettled purchased foreign currency forward contracts that were entered into to hedge our operational exposure to foreign currency movements (in thousands, except for average contract rates):

Outstanding Notional Amounts as of September 30, 2015

Buy Currency	Sell Currency	Foreign Amount	USD Amount	Average Contract Rate
US Dollar	Australian Dollar	3,950	3,053	0.7729
US Dollar	Euro	10,570	11,658	1.1029
Australian Dollar	US Dollar	1,600	1,225	0.7656
Euro	US Dollar	7,880	9,602	1.2185
British Pound Sterling	US Dollar	18,400	28,276	1.5367
Indian Rupee	US Dollar	1,209,500	18,091	0.015
Polish Zloty	US Dollar	196,000	52,702	0.2689

Outstanding Notional Amounts as of December 31, 2014

Buy Currency	Sell Currency	Foreign Amount	USD Amount	Average Contract Rate
US Dollar	Australian Dollar	6,750	5,838	0.8649
Euro	US Dollar	30,200	38,777	1.2840
British Pound Sterling	US Dollar	22,950	37,343	1.6271
Indian Rupee	US Dollar	1,205,000	18,748	0.0156
Polish Zloty	US Dollar	171,000	52,821	0.3089

Interest Rate Swap Contracts—Interest rate swaps outstanding during the nine months ended September 30, 2015 and 2014 are as follows:

	Notional Amount	Interest Rate Received	Interest Rate Paid	Effective Date	Maturity Date
Outstanding:	\$750 million	1 month LIBOR ⁽¹⁾	1.48%	December 31, 2015	December 30, 2016
	\$750 million	1 month LIBOR ⁽¹⁾	2.19%	December 30, 2016	December 29, 2017
	\$750 million	1 month LIBOR ⁽¹⁾	2.61%	December 29, 2017	December 31, 2018
Matured:	\$400 million	1 month LIBOR	2.03%	July 29, 2011	September 30, 2014
	\$350 million	1 month LIBOR	2.51%	April 30, 2012	September 30, 2014

(1) Subject to a 1% floor.

In December 2014, we entered into eight forward starting interest rate swaps to hedge interest payments associated with \$750 million of floating-rate liabilities on the notional amounts of a portion of our senior secured debt. We have designated these interest rate swaps as cash flow hedges. The total notional amount outstanding is \$750 million in each of 2015, 2016 and 2017. There was no material hedge ineffectiveness for the three and nine months ended September 30, 2015. The effective portion of changes in the fair value of the interest rate swaps is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings. As of September 30, 2015, we estimate that \$2 million in losses will be reclassified from other comprehensive income (loss) to earnings over the next 12 months.

In January 2013, our then outstanding swaps were not designated in a cash flow hedging relationship because we no longer qualified for hedge accounting treatment following the amendment and restatement of our senior secured credit facility in February 2013. These interest rate swaps matured on September 30, 2014. Derivatives not designated as hedging instruments are carried at fair value with changes in fair value recognized in the consolidated statements of operations. The adjustments to fair value of our matured interest rate swaps for the three and nine months ended September 30, 2014 was not material to our results of operations. During the three and nine months ended September 30, 2014, we reclassified losses, net of tax, of \$2 million and \$7 million,

respectively, from other comprehensive income ("OCI") to interest expense related to the derivatives that no longer qualified for hedge accounting.

The estimated fair values of our derivatives designated as hedging instruments as of September 30, 2015 and December 31, 2014 are as follows (in thousands):

Derivatives Designated as Hedging Instruments	Derivative Assets (Liabilities) Consolidated Balance Sheet Location	Fair Value as of	
		September 30, 2015	December 31, 2014
Foreign exchange contracts	Other accrued liabilities	\$(2,401)	\$(8,475)
Interest rate swaps	Other accrued liabilities	(2,630)	—
	Other noncurrent liabilities	(12,705)	(1,401)
		\$(17,736)	\$(9,876)

The effects of derivative instruments, net of taxes, on OCI for the three and nine months ended September 30, 2015 and 2014 are as follows (in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Foreign exchange contracts	\$(1,069)	\$(3,799)	\$(4,115)	\$(3,181)
Interest rate swaps	(4,255)	—	(9,003)	—
Total	\$(5,324)	\$(3,799)	\$(13,118)	\$(3,181)

Derivatives in Cash Flow Hedging Relationships	Income Statement Location	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2015	2014	2015	2014
Foreign exchange contracts	Cost of revenue	\$(1,970)	\$646	\$(8,902)	\$4,242

7. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for that asset or liability. Guidance on fair value measurements and disclosures establishes a valuation hierarchy for disclosure of inputs used in measuring fair value defined as follows:

Level 1—Inputs are unadjusted quoted prices that are available in active markets for identical assets or liabilities.

Level 2—Inputs include quoted prices for similar assets and liabilities in active markets and quoted prices in non-active markets, inputs other than quoted prices that are observable, and inputs that are not directly observable, but are corroborated by observable market data.

Level 3—Inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment.

The classification of a financial asset or liability within the hierarchy is determined based on the least reliable level of input that is significant to the fair value measurement. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. We also consider the counterparty and our own non-performance risk in our assessment of fair value.

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

Available-for-sale Securities—We acquired equity securities of a publicly-traded non-U.S. entity as part of our acquisition of Abacus. The fair value of our available-for-sale securities are obtained from market quotes as of the last day of the period. Our available-for-sale securities are included in other assets in our consolidated balance sheets.

Foreign Currency Forward Contracts—The fair value of the foreign currency forward contracts is estimated based upon pricing models that utilize Level 2 inputs derived from or corroborated by observable market data such as currency spot and forward rates.

Interest Rate Swaps—The fair value of our interest rate swaps is estimated using a combined income and market-based valuation methodology based upon Level 2 inputs including credit ratings and forward interest rate yield curves obtained from independent pricing services reflecting broker market quotes.

The following tables present our assets (liabilities) that are required to be measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	Fair Value at Reporting Date Using		
		Level 1	Level 2	Level 3
Available-for-sale securities	\$27,723	\$27,723	\$—	\$—
Derivatives				
Foreign currency forward contracts	(2,401)	) —	(2,401)) —
Interest rate swap contracts	(15,335)	) —	(15,335)) —
Total	\$9,987	\$27,723	\$(17,736)) \$—

	December 31, 2014	Fair Value at Reporting Date Using		
		Level 1	Level 2	Level 3
Derivatives				
Foreign currency forward contracts	\$(8,475)	) \$—	\$(8,475)) \$—
Interest rate swap contracts	(1,401)	) —	(1,401)) —
Total	\$(9,876)	) \$—	\$(9,876)) \$—

Other Financial Instruments

The carrying value of our financial instruments including cash and cash equivalents, and accounts receivable approximate their fair values. The fair values of our senior notes and term loans under our senior secured credit facilities are determined based on quoted market prices for the identical liability when traded as an asset in an active market, a Level 1 input. The outstanding principal balance of our mortgage facility approximated its fair value as of September 30, 2015 and December 31, 2014. The fair values of the mortgage facility and Revolver are determined based on estimates of current interest rates for similar debt, a Level 2 input.

As of September 30, 2015, we had no outstanding balance under our Revolver. The following table presents the fair value and carrying value of our senior notes and term loans under our senior secured credit facilities as of September 30, 2015 and December 31, 2014 (in thousands):

Financial Instrument	Fair Value at		Carrying Value at	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Term B facility	\$1,736,976	\$1,718,843	\$1,720,053	\$1,732,101
Incremental term loan facility	346,644	341,737	343,000	345,625
Term C facility	49,929	48,758	49,137	49,080
Senior unsecured notes due 2016	410,060	426,250	397,769	393,973
Senior secured notes due 2019	—	516,300	—	480,741
Senior secured notes due 2023	522,713	—	530,000	—

8. Accumulated Other Comprehensive Income (Loss)

As of September 30, 2015 and December 31, 2014, the components of accumulated other comprehensive income (loss), net of related deferred income taxes, are as follows (in thousands):

	September 30, 2015		December 31, 2014	
Defined benefit pension and other post retirement benefit plans	\$(87,484	)	\$(90,172)
Unrealized loss on foreign currency forward contracts and interest rate swaps	(11,610	)	(7,395)
Unrealized loss on available-for-sale securities	(4,265)	—	
Unrealized foreign currency translation gain	1,822		22,843	
Other ⁽¹⁾	—		4,921	
Total accumulated other comprehensive loss, net of tax	\$(101,537	)	\$(69,803)

⁽¹⁾ As of December 31, 2014, this balance was primarily related to our share of accumulated other comprehensive income of our previously-held joint venture, AIPL. We acquired the remaining interest in AIPL on July 1, 2015. During the three months ended September 30, 2015, we reclassified \$19 million, net of tax, of foreign currency translation gains from accumulated other comprehensive income (loss) into income from discontinued operations as a result of the substantial liquidation of our lastminute.com subsidiaries. The amortization of actuarial losses and periodic service credits associated with our retirement-related benefit plans are included in selling, general and administrative expenses. See Note 6, Derivatives, for information on the income statement line items affected as the result of reclassification adjustments associated with derivatives.

9. Earnings Per Share

The following table reconciles the numerators and denominators used in the computations of basic and diluted earnings per share from continuing operations (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator:				
Income from continuing operations	\$ 123,124	\$ 41,229	\$ 205,043	\$ 69,643
Less: Net income attributable to noncontrolling interests	676	720	2,501	2,168
Less: Preferred stock dividends	—	—	—	11,381
Net income from continuing operations available to common stockholders, basic and diluted	\$ 122,448	\$ 40,509	\$ 202,542	\$ 56,094
Denominator:				
Basic weighted-average common shares outstanding	275,471	264,768	272,224	229,405
Add: Dilutive effect of stock options and restricted stock awards	5,924	8,562	6,624	8,589
Diluted weighted-average common shares outstanding	281,395	273,330	278,848	237,994
Earning per share from continuing operations:				
Basic	\$0.44	\$0.15	\$0.74	\$0.24
Diluted	\$0.44	\$0.15	\$0.73	\$0.24

Basic earnings per share are based on the weighted-average number of common shares outstanding during each period. Diluted earnings per share are based on the weighted-average number of common shares outstanding plus the effect of all dilutive common stock equivalents during each period. The calculation of diluted weighted-average shares excludes the impact of less than 1 million and 1 million common stock equivalents for the three and nine months ended September 30, 2015, respectively, and 2 million and 1 million common stock equivalents for the three and nine months ended September 30, 2014, respectively, as the inclusion would have been antidilutive.

10. Pension and Other Postretirement Benefit Plans

We sponsor the Sabre Inc. Legacy Pension Plan which is a tax-qualified defined benefit pension plan for employees meeting certain eligibility requirements. We also provide retiree life insurance benefits to certain employees who retired prior to January 1, 2014. The following table provides the components of net periodic benefit costs associated with our pension and other postretirement benefit plans for the three and nine months ended September 30, 2015 and 2014 (in thousands):

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2014	
Pension and Other Postretirement Benefits:				
Interest cost	\$4,774	\$4,886	\$14,323	\$14,688
Expected return on plan assets	(5,279)	) (5,909)	) (15,838)	) (17,959)
Amortization of prior service credit	(358)	) (358)	) (1,075)	) (1,074)
Amortization of actuarial loss, net	1,761	1,257	5,284	3,591
Net periodic cost (credit)	\$898	\$(124)	) \$2,694	\$(754)

We are not required to make any contributions to our defined benefit pension plans during 2015 under the Employee Retirement Income Security Act of 1974, as amended. We made no contributions to fund our defined benefit pension plans during the three and nine months ended September 30, 2015 and do not expect to make any contributions during the remainder of 2015. We made contributions of \$4 million during the nine months ended September 30, 2014.

Contributions to our defined benefit pension plans in the United States and Canada are based on several factors that may vary from year to year. Thus, past contributions are not always indicative of future contributions.

11. Contingencies

Legal Proceedings

While certain legal proceedings and related indemnification obligations to which we are a party specify the amounts claimed, these claims may not represent reasonably possible losses. Given the inherent uncertainties of litigation, the ultimate outcome of these matters cannot be predicted at this time, nor can the amount of possible loss or range of loss, if any, be reasonably estimated, except in circumstances where an aggregate litigation accrual has been recorded for probable and reasonably estimable loss contingencies. A determination of the amount of accrual required, if any, for these contingencies is made after careful analysis of each matter. The required accrual may change in the future due to new information or developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

Litigation and Administrative Audit Proceedings Relating to Hotel Occupancy Taxes

On January 23, 2015, we sold Travelocity.com to Expedia. Pursuant to the Travelocity Purchase Agreement entered into with Expedia, we will continue to be liable for pre-closing liabilities of Travelocity, including fees, charges, costs and settlements relating to litigation arising from hotels booked on the Travelocity platform prior to the Expedia SMA (as defined below). Fees, charges, costs and settlements relating to litigation from hotels booked on Travelocity.com subsequent to the Expedia SMA and prior to the date of the sale of Travelocity.com will be shared with Expedia in accordance with the terms that were in the Expedia SMA. We are jointly and severally liable for Travelocity's indemnification obligations under the Travelocity Purchase Agreement for liabilities that may arise out of these litigation matters, which could adversely affect our cash flow.

Over the past ten years, various state and local governments in the United States have filed approximately 70 lawsuits against us and other online travel agencies ("OTAs") pertaining primarily to whether our discontinued Travelocity segment and other OTAs owe sales or occupancy taxes on the revenues they earn from facilitating hotel reservations using the merchant revenue model. In the merchant revenue model, the customer pays us an amount at the time of booking that includes (i) service fees, which we collect and retain, and (ii) the price of the hotel room and amounts for occupancy or other local taxes, which we pass along to the hotel supplier. The complaints generally allege, among other things, that the defendants failed to pay to the relevant taxing authority hotel occupancy taxes on the service

fees. Courts have dismissed approximately 30 of these lawsuits, some for failure to exhaust administrative remedies and some on the basis that we are not subject to sales or occupancy tax. The Fourth, Sixth and Eleventh Circuits of the United States Courts of Appeals each have ruled in our favor on the merits, as have state appellate courts in Missouri, Alabama, Texas, California, Kentucky, Florida, Colorado and Pennsylvania, and a number of state and federal trial courts. The remaining lawsuits are in various stages of litigation. We have also settled some cases individually, most for amounts not material to our results of operations, and with respect to these settlements, have generally reserved our rights to challenge any effort by the applicable tax authority to impose occupancy taxes in the future.

We have received recent favorable decisions pertaining to cases in Florida, North Dakota, North Carolina, California, Montana, Arizona and Colorado. In Florida, Travelocity has been named as a defendant in several proceedings and lawsuits brought by cities and counties in Florida, including the Counties of Leon, Broward, Osceola, and Volusia; and the City of Miami. The suits brought by Leon County and Broward County have been decided on the merits, and both were decided in favor of Travelocity and other OTAs. On February 28, 2013 and February 12, 2014, respectively, those decisions were affirmed by the intermediate court of appeals. On June 11, 2015, the Supreme Court of Florida affirmed the Leon County judgment in favor of Travelocity and other OTAs, ruling they are not subject to state or local taxes that apply to the renting, leasing, or letting of hotel rooms. Similarly, on July 9, 2015, a district court in North Dakota ruled that Travelocity and other OTAs are not engaged in the business of leasing or renting hotel accommodations and thus are not subject to the City of Fargo's hotel tax. On August 19, 2014, the North Carolina Court of Appeals affirmed a judgment in favor of Travelocity and other OTAs after concluding they are not operators of hotels, motel or similar-type businesses and therefore are not subject to hotel occupancy tax. On May 28, 2014, an administrative hearing officer in Arizona ruled that Travelocity is not responsible for collecting or remitting local hotel taxes and set aside assessments made by twelve municipalities, including Phoenix, Scottsdale, Tempe, and Tucson. Those municipalities have appealed the decision to state court. On March 27, 2014, a California court of appeals upheld a trial court ruling that OTAs, including Travelocity, are not subject to the City of San Diego's transient occupancy tax because they are not hotel operators or managing agents. That case is now pending before the Supreme Court of California. The California court of appeals' decision marked the third time that a California appellate court has ruled in favor of Travelocity on the question of whether OTAs are subject to transient occupancy taxes in California, the prior two cases being brought by the City of Anaheim and City of Santa Monica. Travelocity also has prevailed at the trial court level in cases brought by San Francisco and Los Angeles, both of which are being appealed by the cities. On March 6, 2014, a Montana trial court ruled by summary judgment that Travelocity and other OTAs are not subject to the State of Montana's lodging facility use tax or its sales tax on accommodations and vehicles. On August 12, 2015, the Supreme Court of Montana affirmed the trial court's decision that Travelocity is not subject to the lodging facility use tax, but concluded that Travelocity's service fees are subject to sales tax on accommodations and vehicles. On July 3, 2014, the Colorado Court of Appeals entered judgment that Travelocity and OTAs are not liable for lodging taxes as claimed by the City of Denver. The City of Denver has appealed the decision to the Supreme Court of Colorado.

Although we have prevailed in the majority of these lawsuits and proceedings, there have been several adverse judgments or decisions on the merits, some of which are subject to appeal. On April 3, 2014, the Supreme Court of Wyoming affirmed a decision by the Wyoming State Board of Equalization that Travelocity and other OTAs are subject to sales tax on lodging. Similarly, on July 23, 2015 a court of appeals for the District of Columbia ruled in favor of the District on its claim that Travelocity and other OTAs are subject to the District's hotel occupancy tax. As a result, we paid \$6 million to the District during the three months ended September 30, 2015, most of which was previously accrued. We did not record material charges associated with these cases during the three and nine months ended September 30, 2015 and 2014.

On April 4, 2013, the United States District Court for the Western District of Texas ("W.D.T.") entered a final judgment against Travelocity and other OTAs in a class action lawsuit filed by the City of San Antonio. The final judgment was based on a jury verdict from October 30, 2009 that the OTAs "control" hotels for purposes of city hotel occupancy taxes. Following that jury verdict, on July 1, 2011, the W.D.T. concluded that fees charged by the OTAs are subject to hotel occupancy taxes and that the OTAs have a duty to collect and remit these taxes. We disagree with the jury's finding and with the W.D.T.'s conclusions based on the jury finding, and intend to appeal the final judgment to the United States Court of Appeals for the Fifth Circuit. The verdict against us, including penalties and interest, is \$4 million which we do not believe we will ultimately pay and therefore have not accrued any loss related to this case. We believe the Fifth Circuit's resolution of the San Antonio appeal may be affected by a separate Texas state appellate court decision in our favor. On October 26, 2011, the Fourteenth Court of Appeals of Texas affirmed a trial court's summary judgment ruling in favor of the OTAs in a case brought by the City of Houston and the Harris County-Houston Sports Authority on a similarly worded tax ordinance as the one at issue in the San Antonio case. The Texas Supreme Court denied the City of Houston's petition to review the case. We believe this decision should

provide persuasive authority to the Fifth Circuit in its review of the San Antonio case.

On March 17, 2015, the Supreme Court of Hawaii issued a decision affirming in part and reversing in part a final judgment entered by the Hawaii Tax Appeal Court. In that case, the Tax Appeal Court had ruled that Travelocity and other OTAs are not subject to Hawaii's transient accommodation tax, but also had ruled in favor of the State of Hawaii on the issue of whether the state's general excise tax, which is assessed on all business activity in the state, applies to hotel bookings, in which we were the merchant of record for credit card processing for travel accommodations, for the period 2002 to 2011.

The State of Hawaii appealed the Tax Appeal Court's decision that Travelocity is not subject to transient accommodation tax, and Travelocity appealed the decision that we are subject to general excise tax. On March 17, 2015, the Supreme Court of Hawaii issued its decision affirming that Travelocity is not subject to transient accommodation tax, affirming that Travelocity is subject to general excise tax, and reversing the Tax Appeal Court's decision that Travelocity is liable for general excise tax on the gross receipts collected from customers. Instead, the Hawaii Supreme Court held Travelocity is liable for general excise tax only on its own service fees. On March 27, 2015, the State of Hawaii filed a motion for reconsideration, which was denied.

The proceeding in the Hawaii Supreme Court involved all merchant model hotel bookings for the period 2002 to 2011. While that appeal was pending, the State also issued additional assessments of general excise tax, interest, and penalties for merchant model hotel bookings for 2012; merchant model car reservations for the period 2004-2012; and combined merchant model hotel and car reservations for 2013. Further, notwithstanding the Tax Appeal Court's ruling that Travelocity is not subject to transient accommodation tax, the State issued additional transient accommodation tax assessments for 2012 and 2013. Travelocity has appealed all of the additional assessments to the Tax Appeal Court, which initially stayed the assessments pending the Hawaii Supreme Court's final decision on the original assessments. Those stays have now been lifted.

In September 2015, we received a final ruling on the amounts owed by Travelocity, and as a result, received a cash refund of \$30 million from the State of Hawaii. We had previously paid the State of Hawaii \$35 million to appeal. In addition, we reduced our accrued liability by \$10 million as a result of the final ruling. The total gain of \$40 million is included in income (loss) from discontinued operations in our consolidated statements of operations and the \$30 million cash refund is included in cash flows from discontinued operations in our consolidated statements of cash flows. As of September 30, 2015, we maintained an accrued liability of \$2 million included in other accrued liabilities for this case and did not make material payments in the three and nine months ended September 30, 2015.

As of September 30, 2015, we have a reserve of \$5 million, included in other accrued liabilities in the consolidated balance sheet, for the potential resolution of issues identified related to litigation involving hotel and car sales, occupancy or excise taxes, which includes the \$2 million reserve liability for the estimated remaining payments to the State of Hawaii. Our estimated liability is based on our current best estimate but the ultimate resolution of these issues may be greater or less than the amount recorded and, if greater, could adversely affect our results of operations.

In addition to the actions by the tax authorities, two consumer class action lawsuits have been filed against us in which the plaintiffs allege that we made misrepresentations concerning the description of the fees received in relation to facilitating hotel reservations. Generally, the consumer claims relate to whether Travelocity provided adequate notice to consumers regarding the nature of our fees and the amount of taxes charged or collected. One of these lawsuits is pending in Texas state court, where the court is currently considering the plaintiffs' motion to certify a class action; and the other is pending in federal court, but has been stayed pending the outcome of the Texas state court action. We believe the notice we provided was appropriate.

In addition to the lawsuits, a number of state and local governments have initiated inquiries, audits and other administrative proceedings that could result in an assessment of sales or occupancy taxes on fees. If we do not prevail at the administrative level, those cases could lead to formal litigation proceedings.

Antitrust Litigation and DOJ Investigation

US Airways Antitrust Litigation

In April 2011, US Airways sued us in federal court in the Southern District of New York, alleging violations of the Sherman Act Section 1 (anticompetitive agreements) and Section 2 (monopolization). The complaint was filed two months after we entered into a new distribution agreement with US Airways. In September 2011, the court dismissed all claims relating to Section 2. The claims that were not dismissed are claims brought under Section 1 of the Sherman Act that relate to our contracts with US Airways, which US Airways says contain anticompetitive provisions, and an alleged conspiracy with the other GDSs, allegedly to maintain the industry structure and not to compete for content. We strongly deny all of the allegations made by US Airways.

Document, fact and expert witness discovery is complete. Summary judgment motions were filed in April 2014 and in January 2015, the court issued a ruling eliminating a majority of the alleged damages as well as rejecting a request for injunctive relief. The injunctive relief sought by US Airways could have resulted in the court requiring us to modify

language in our customer contracts.

With respect to the remaining claims in this case, we believe that our business practices and contract terms are lawful, and we will continue to vigorously defend against the remaining claims.

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In June 2015, US Airways filed a Second Amended Complaint that limited its request for relief for the remaining claims to an amount not to exceed twenty dollars (post-trebling), plus reasonable costs, attorneys' fees and pre- and post-judgment interest, as well as declaratory relief with respect to those claims, including claims that we acted anticompetitively and maintained alleged market power.

In July 2015, we made an offer of judgment to US Airways, in which we offered to pay US Airways twenty dollars plus reasonable costs and attorneys' fees incurred to date in an amount to be determined by the court. The offer of judgment provided for the entry of a judgment against us on all remaining claims without an admission of liability. US Airways rejected our offer of judgment. We filed a motion for entry of judgment requesting that the court enter judgment pursuant to the terms of our offer because it provides US Airways with complete relief on all remaining, available claims. US Airways responded that entry of judgment was not appropriate because our offer did not address US Airways' claim for declaratory relief, which we contended was moot in light of, among other things, the fact that US Airways' remaining claims relate to only an expired contract and a past alleged conspiracy.

In September 2015, the court agreed with our position regarding declaratory relief, and dismissed US Airways' request for declaratory judgment. The ruling left in place US Airways' request for relief for twenty dollars (post-trebling), plus reasonable costs and attorneys' fees, and any applicable pre- and post-judgment interest. We renewed our offer of judgment on the same terms as the earlier offer. The court allowed US Airways to make a motion to amend its complaint to reinstate its claim for damages (before trebling) of either \$45 million or \$73 million. We have opposed US Airways' motion to amend. No ruling has been made as of the date of this Quarterly Report on Form 10-Q as to whether US Airways may amend its complaint. If the court does not allow US Airways to amend its complaint, we expect to renew our motion for entry of judgment, which if granted would require us to pay US Airways twenty dollars plus reasonable costs and attorneys' fees incurred as of the date of the offer, based on the terms of our most recent offer of judgment.

If the Court allows US Airways to amend its complaint, the case would proceed to trial. The date of the trial, which had been set for October 2015, has not been rescheduled as of the date of this filing, as the parties are awaiting the court's ruling on US Airways' motion to amend. The claims that have been dismissed to date are subject to appeal. To the extent that US Airways appeals the claims that the court previously dismissed, we would continue to defend against those claims.

We have and will incur significant fees, costs and expenses for as long as the litigation is ongoing. In addition, litigation by its nature is highly uncertain and fraught with risk, and it is therefore difficult to predict the outcome of any particular matter, including changes to our business. If favorable resolution of the matter is not reached, US Airways would be eligible to be reimbursed by us for its reasonable costs and attorneys' fees. In addition, if US Airways is permitted to reinstate its claim for damages, and if favorable resolution of the matter is not reached, any monetary damages are subject to trebling under the antitrust laws. Depending on the amount of any such judgment, if we do not have sufficient cash on hand, we may be required to seek private or public financing. We have not made any provisions or recorded any liability for the potential resolution of this matter. Depending on the outcome of the litigation, any of these consequences could have a material adverse effect on our business, financial condition and results of operations.

Department of Justice Investigation

On May 19, 2011, we received a civil investigative demand ("CID") from the U.S. Department of Justice ("DOJ") investigating alleged anticompetitive acts related to the airline distribution component of our business. We are fully cooperating with the DOJ investigation and are unable to make any prediction regarding its outcome. The DOJ is also investigating other companies that own GDSs, and has sent CIDs to other companies in the travel industry. Based on its findings in the investigation, the DOJ may (i) close the file, (ii) seek a consent decree to remedy issues it believes violate the antitrust laws, or (iii) file suit against us for violating the antitrust laws, seeking injunctive relief. If injunctive relief were granted, depending on its scope, it could affect the manner in which our airline distribution business is operated and potentially force changes to the existing airline distribution business model. Any of these consequences would have a material adverse effect on our business, financial condition and results of operations. We have not received any communications from the DOJ regarding this matter in over two years; however, we have not

been notified that this matter is closed.

Putative Class Action Lawsuits

On July 14, 2015 and July 20, 2015, two putative class action lawsuits (with virtually identical complaints) were filed against us and two other GDSs, in the Federal District Court of New York, Southern Division. In August 2015, the plaintiffs voluntarily dismissed the second lawsuit that was filed on July 20, 2015. The plaintiffs, who are asserting claims on behalf of a putative class of consumers in various states, are generally alleging that the GDSs conspired to, for example, negotiate for full content from the airlines, resulting in higher ticket prices for consumers, in violation of various federal and state laws. Although

the amount of damages allegedly incurred by the plaintiffs has not been asserted to date, the plaintiffs are also seeking declaratory and injunctive relief. We may incur significant fees, costs and expenses for as long as this litigation is ongoing. We intend to vigorously defend against these claims.

Insurance Carriers

We have disputes against some of our insurance carriers for failing to reimburse defense costs incurred in the American Airlines antitrust litigation, which we settled in October 2012. Both carriers admitted there is coverage, but reserved their rights not to pay should we be found liable for certain of American Airlines' allegations. Despite their admission of coverage, the insurers have only reimbursed us for a small portion of our significant defense costs. We filed suit against the entities in New York state court alleging breach of contract and a statutory cause of action for failure to promptly pay claims. If we prevail, we may recover some or all amounts already tendered to the insurance companies for payment within the limits of the policies and may be entitled to 18% interest on such amounts, all of which will be recorded in the period cash is received. To date, settlement discussions have been unsuccessful. Discovery has been closed, and we expect that summary judgment briefing will be completed by the end of 2015.

Indian Income Tax Litigation

We are currently a defendant in income tax litigation brought by the Indian Director of Income Tax ("DIT") in the Supreme Court of India. The dispute arose in 1999 when the DIT asserted that we have a permanent establishment within the meaning of the Income Tax Treaty between the United States and the Republic of India and accordingly issued tax assessments for assessment years ending March 1998 and March 1999, and later issued further tax assessments for assessment years ending March 2000 through March 2006. We appealed the tax assessments and the Indian Commissioner of Income Tax Appeals returned a mixed verdict. We filed further appeals with the Income Tax Appellate Tribunal, or the ITAT. The ITAT ruled in our favor on June 19, 2009 and July 10, 2009, stating that no income would be chargeable to tax for assessment years ending March 1998 and March 1999, and from March 2000 through March 2006. The DIT appealed those decisions to the Delhi High Court, which found in our favor on July 19, 2010. The DIT has appealed the decision to the Supreme Court of India and no trial date has been set.

In addition, AIPL is currently a defendant in similar income tax litigation brought by the DIT. The dispute arose when the DIT asserted that AIPL has a permanent establishment within the meaning of the Income Tax Treaty between Singapore and India and accordingly issued tax assessments for assessment years ending March 2000 through March 2005. AIPL appealed the tax assessments, and the Indian Commissioner of Income Tax (Appeals) returned a mixed verdict. AIPL filed further appeals with the Income Tax Appellate Tribunal (ITAT). The ITAT ruled in AIPL's favor, finding that no income would be chargeable to tax for assessment years ending March 2000 through March 2005. The DIT appealed those decisions to the Delhi High Court. No hearing date has been set. The DIT also assessed taxes on a similar basis for assessment years ending March 2006 through March 2011, which are pending before the ITAT.

If the DIT were to fully prevail on every claim against us, including AIPL, we could be subject to taxes, interest and penalties of approximately \$40 million as of September 30, 2015, which could have an adverse effect on our business, financial condition and results of operations. We and AIPL intend to continue to aggressively defend against each of the foregoing claims. Although we do not believe that the outcome of the proceedings will result in a material impact on our business or financial condition, litigation is by its nature uncertain. We do not believe this outcome is probable and therefore have not made any provisions or recorded any liability for the potential resolution of any of these claims.

Indian Service Tax Litigation

The Indian subsidiary of AIPL is also subject to litigation by the India Director General (Service Tax) (DGST), which has assessed the subsidiary for multiple years related to its alleged failure to pay service tax on marketing fees and reimbursements of expenses. Indian courts have returned verdicts favorable to the Indian subsidiary. The DGST has appealed the verdict to the Indian Supreme Court. No provision has been recorded for this matter as we believe that it is not probable that the DGST will prevail.

Litigation Relating to Routine Proceedings

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

12. Segment Information

Our reportable segments are based upon our internal organizational structure; the manner in which our operations are managed; the criteria used by our Chief Executive Officer, who is our Chief Operating Decision Maker ("CODM"), to evaluate segment performance; the availability of separate financial information; and overall materiality considerations.

Our business has two reportable segments: (i) Travel Network and (ii) Airline and Hospitality Solutions, which aggregates the Airline Solutions and Hospitality Solutions operating segments as these operating segments have similar economic characteristics, generate revenues on transaction-based fees, incur the same types of expenses and use our software-as-a-service ("SaaS") based and hosted applications and platforms to market to the travel industry. In the third quarter of 2015, we acquired Abacus which is managed as a region of our Travel Network segment. In the first quarter of 2015, we disposed of our Travelocity segment; therefore, the financial results of Travelocity are excluded from the segment information presented below and are included in net income (loss) from discontinued operations in our consolidated financial statements.

Our CODM utilizes Adjusted Gross Margin and Adjusted EBITDA as the measures of profitability to evaluate performance of our segments and allocate resources. Segment results do not include unallocated expenses or interest expenses which are centrally managed costs. Benefits expense, including pension expense, postretirement benefits, medical insurance and workers' compensation are allocated to the segments based on headcount. Depreciation expense on the corporate headquarters building and related facilities costs are allocated to the segments through a facility fee based on headcount. Corporate includes certain shared expenses such as accounting, human resources, legal, corporate systems, and other shared technology costs. Corporate also includes all amortization of intangible assets and any related impairments that originate from purchase accounting, as well as stock based compensation expense, restructuring charges, legal reserves, occupancy taxes and other items not identifiable with one of our segments. We account for significant intersegment transactions as if the transactions were with third parties, that is, at estimated current market prices. The majority of the intersegment revenues and cost of revenues are fees charged by Travel Network to Airline and Hospitality Solutions for airline trips booked through our GDS.

Our CODM does not review total assets by segment as operating evaluations and resource allocation decisions are not made on the basis of total assets by segment. Our CODM uses Adjusted Capital Expenditures in making product investment decisions and determining development resource requirements.

The performance of our segments is evaluated primarily on Adjusted Gross Margin and Adjusted EBITDA which are not recognized terms under GAAP. Our uses of Adjusted Gross Margin and Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

We define Adjusted Gross Margin as operating income adjusted for selling, general and administrative expenses, amortization of upfront incentive consideration, and the cost of revenue portion of depreciation and amortization, restructuring and other costs and stock-based compensation.

We define Adjusted EBITDA as income from continuing operations adjusted for depreciation and amortization of property and equipment, amortization of capitalized implementation costs, acquisition-related amortization, amortization of upfront incentive consideration, interest expense, net, loss on extinguishment of debt, other, net, restructuring and other costs, acquisition-related costs, litigation costs, stock-based compensation, management fees and income taxes. We define Adjusted Capital Expenditures as additions to property and equipment and capitalized implementation costs during the periods presented.

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Segment information for the three and nine months ended September 30, 2015 and 2014 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue				
Travel Network	\$569,190	\$466,278	\$1,571,635	\$1,420,341
Airline and Hospitality Solutions	218,978	208,684	640,510	571,975
Eliminations	(3,166)	) (2,482)	) (9,704)	) (7,041)
Total revenue	\$785,002	\$672,480	\$2,202,441	\$1,985,275
Adjusted Gross Margin ^(a)				
Travel Network	\$263,732	\$216,214	\$733,778	\$670,023
Airline and Hospitality Solutions	99,373	94,747	284,354	235,546
Corporate	(16,297)	) (18,138)	) (37,778)	) (38,918)
Total	\$346,808	\$292,823	\$980,354	\$866,651
Adjusted EBITDA ^(b)				
Travel Network	\$231,230	\$193,823	\$669,274	\$606,637
Airline and Hospitality Solutions	85,275	81,671	237,748	197,686
Total segments	316,505	275,494	907,022	804,323
Corporate	(74,839)	) (59,952)	) (194,197)	) (162,970)
Total	\$241,666	\$215,542	\$712,825	\$641,353
Depreciation and amortization				
Travel Network	\$15,947	\$14,788	\$45,571	\$46,597
Airline and Hospitality Solutions	32,363	26,031	107,270	79,729
Total segments	48,310	40,819	152,841	126,326
Corporate	39,927	27,860	102,013	94,690
Total	\$88,237	\$68,679	\$254,854	\$221,016
Adjusted Capital Expenditures ^(c)				
Travel Network	\$18,957	\$13,238	\$46,515	\$43,858
Airline and Hospitality Solutions	61,370	39,994	168,349	117,784
Total segments	80,327	53,232	214,864	161,642
Corporate	14,862	4,004	37,849	19,661
Total	\$95,189	\$57,236	\$252,713	\$181,303

^(a) The following table sets forth the reconciliation of Adjusted Gross Margin to operating income in our statement of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Adjusted Gross Margin	\$346,808	\$292,823	\$980,354	\$866,651
Less adjustments:				
Selling, general and administrative	166,324	113,581	412,042	351,970
Cost of revenue adjustments:				
Depreciation and amortization ⁽¹⁾	59,334	46,148	177,080	153,072
Amortization of upfront incentive consideration ⁽²⁾	9,525	10,388	31,575	33,177

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Restructuring and other costs ⁽⁴⁾	—	2,694	—	5,273
Stock-based compensation	2,853	2,165	9,288	5,523
Operating income	\$108,772	\$117,847	\$350,369	\$317,636

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(b) The following table sets forth the reconciliation of Adjusted EBITDA to income from continuing operations in our statement of operations (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Adjusted EBITDA	\$241,666	\$215,542	\$712,825	\$641,353
Less adjustments:				
Depreciation and amortization of property and equipment ^(1a)	49,247	38,498	157,154	119,608
Amortization of capitalized implementation costs ^(1b)	7,606	9,083	23,032	27,070
Acquisition-related amortization ^(1c)	31,384	21,899	76,270	76,741
Amortization of upfront incentive consideration ⁽²⁾	9,525	10,388	31,575	33,177
Interest expense, net	40,581	50,153	129,643	167,332
Loss on extinguishment of debt	—	—	33,235	33,538
Other, net ⁽³⁾	(92,568)	(1,124)	(88,320)	839
Restructuring and other costs ⁽⁴⁾	8,888	5,150	8,888	8,834
Acquisition-related costs ⁽⁵⁾	9,350	—	13,214	—
Litigation costs ⁽⁶⁾	9,318	4,252	14,797	11,370
Stock-based compensation	7,204	5,365	23,328	13,849
Management fees ⁽⁷⁾	—	193	—	23,701
Provision for income taxes	38,007	30,456	84,966	55,651
Income from continuing operations	\$123,124	\$41,229	\$205,043	\$69,643

(1) Depreciation and amortization expenses:

a. Depreciation and amortization of property and equipment includes software developed for internal use.

b. Amortization of capitalized implementation costs represents amortization of upfront costs to implement new customer contracts under our SaaS and hosted revenue model.

c. Acquisition-related amortization represents amortization of intangible assets from the take-private transaction in 2007 as well as intangibles associated with acquisitions since that date and amortization of the excess basis in our underlying equity in joint ventures.

Our Travel Network business at times makes upfront cash payments or other consideration to travel agency subscribers at the inception or modification of a service contract, which are capitalized and amortized over an average expected life of the service contract, generally over three years to five years. Such consideration is made with the objective of increasing the number of clients or to ensure or improve customer loyalty. Such service contract terms are established such that the supplier and other fees generated over the life of the contract will exceed the cost of the incentive consideration provided up front. Such service contracts with travel agency subscribers require that the customer commit to achieving certain economic objectives and generally have terms requiring repayment of the upfront incentive consideration if those objectives are not met.

In the third quarter of 2015, we recognized a gain of \$86 million associated with the remeasurement of our previously-held 35% investment in AIPL to its fair value and a gain of \$12 million related to the settlement of pre-existing agreements between us and AIPL. In addition, all periods presented include foreign exchange gains and losses related to the remeasurement of foreign currency denominated balances included in our consolidated balance sheets into the relevant functional currency.

Restructuring and other costs represent charges associated with business restructuring and associated changes implemented which resulted in severance benefits related to employee terminations, integration and facility opening or closing costs and other business reorganization costs.

(5)

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Acquisition-related costs represent fees and expenses incurred associated with the acquisition of Abacus.

(6) Litigation costs represent charges associated with antitrust litigation (see Note 11, Contingencies).

We paid an annual management fee, pursuant to a Management Services Agreement (“MSA”), to TPG Global, LLC (“TPG”) and Silver Lake Management Company (“Silver Lake”) in an amount between (i) \$5 million and (ii) \$7 million, the actual amount of which is calculated based upon 1% of Adjusted EBITDA, earned by the company in such fiscal year up to a maximum of \$7 million. In addition, we paid a \$21 million fee, in the aggregate, to TPG and Silver Lake at the closing of our initial public offering in April of 2014. The MSA was terminated thereafter.

(c) Includes capital expenditures and capitalized implementation costs as summarized below (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Additions to property and equipment	\$75,108	\$47,742	\$203,071	\$154,212
Capitalized implementation costs	20,081	9,494	49,642	27,091
Adjusted Capital Expenditures	\$95,189	\$57,236	\$252,713	\$181,303

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements about future trends, events, uncertainties and our plans and expectations of what may happen in the future. Any statements that are not historical or current facts are forward-looking statements. In many cases, you can identify forward-looking statements by terms such as "expect," "may," "will," "should," "intend," "plan," "anticipate," "believe," "estimate," "potential" or the negative of these terms and comparable terminology. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Certain of these risks and uncertainties are described in the "Risk Factors" section of this Quarterly Report on Form 10-Q and in the "Risk Factors" and "Forward-Looking Statements" sections included in our Annual Report on Form 10-K filed with the SEC on March 3, 2015. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. Unless required by law, we undertake no obligation to publicly update or revise any forward-looking statements to reflect circumstances or events after the date they are made.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes contained elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K filed with the SEC on March 3, 2015.

Overview

We are a leading technology solutions provider to the global travel and tourism industry. We operate through two business segments: (i) Travel Network, our global B2B travel marketplace for travel suppliers and travel buyers and (ii) Airline and Hospitality Solutions, an extensive suite of leading software solutions primarily for airlines and hotel properties. Collectively, these offerings enable travel suppliers to better serve their customers across the entire travel lifecycle, from route planning to post-trip business intelligence and analysis.

On July 1, 2015, we completed the acquisition of the remaining 65% interest in Abacus International Pte Ltd ("AIPL"), a Singapore-based business-to-business travel e-commerce provider that serves the Asia-Pacific region. Prior to the acquisition, AIPL was 65% owned by a consortium of 11 airlines and the remaining 35% was owned by us. In addition, in the third quarter of 2015, AIPL completed the acquisition of the remaining interest in Abacus Distribution Systems (Hong Kong) ("Hong Kong NMC") and Abacus Travel Systems (Singapore) ("Singapore NMC") (the Hong Kong NMC and Singapore NMC together with AIPL, "Abacus"). The net cash consideration for Abacus was \$442 million, which excludes the effect of net working capital adjustments subject to finalization. Abacus is managed as a region of our Travel Network business. Separately, AIPL has signed new long-term agreements with the consortium of 11 airlines to continue to utilize the Abacus GDS. In addition, AIPL has executed an agreement to acquire the remaining interest in the Malaysia NMC, which we expect to close in the fourth quarter of 2015.

In the first quarter of 2015, we completed our exit of the online travel agency business through the sale of Travelocity.com and lastminute.com. Our Travelocity segment has no remaining operations as a result of these dispositions. The financial results of our Travelocity segment are included in net income (loss) from discontinued operations in our consolidated statements of operations for all periods presented. The assets and liabilities of Travelocity.com and lastminute.com that were disposed of are classified as assets held for sale and liabilities held for sale in our consolidated balance sheet as of December 31, 2014. The discussion and analysis of our results of operations refer to continuing operations unless otherwise indicated.

A significant portion of our revenue is generated through transaction based fees that we charge to our customers. For Travel Network, this fee is in the form of a transaction fee for bookings on our GDS; for Airline and Hospitality Solutions, this fee is a recurring usage-based fee for the use of our SaaS and hosted systems, as well as upfront solution fees and consulting fees. Items that are not allocated to our business segments are identified as corporate and include primarily certain shared technology costs as well as stock-based compensation expense, litigation costs and

other items that are not identifiable with either of our segments.

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Factors Affecting our Results

A discussion of trends that we believe are the most significant opportunities and challenges currently impacting our business and industry is included in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results” included in our Annual Report on Form 10-K filed with the SEC on March 3, 2015. The discussion also includes management’s assessment of the effects these trends have had and are expected to have on our results of continuing operations. The information is not an exhaustive list of all of the factors that could affect our results and should be read in conjunction with the factors referred to in the section entitled “Risk Factors” included in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K filed with the SEC on March 3, 2015. There have been no material changes to the Factors Affecting our Results previously disclosed in our Annual Report.

Components of Revenues and Expenses

Revenues

Travel Network primarily generates revenues from Direct Billable Bookings processed on our GDS as well as the sale of aggregated bookings data to carriers. Prior to our acquisition of the remaining interest in AIPL on July 1, 2015, we generated revenue from certain services we provided AIPL. Airline and Hospitality Solutions primarily generates revenue through upfront solution fees and recurring usage-based fees for the use of our software solutions hosted on our own secure platforms or deployed through our SaaS. Airline and Hospitality Solutions also generates revenue through consulting services and software licensing fees.

Cost of Revenue

Cost of revenue incurred by Travel Network and Airline and Hospitality Solutions consists of expenses related to our technology infrastructure that hosts our GDS and software solutions, salaries and benefits, and allocated overhead such as facilities and other support costs. Cost of revenue for Travel Network also includes incentive consideration expense representing payments or other consideration to travel agencies for reservations made on our GDS which have accrued on a monthly basis.

Corporate cost of revenue includes certain shared technology costs as well as stock-based compensation expense, litigation costs and other items that are not identifiable with our segments.

Depreciation and amortization included in cost of revenue is associated with property and equipment; software developed for internal use that supports our revenue, businesses and systems; amortization of contract implementation costs which relates to Airline and Hospitality Solutions; and intangible assets for technology purchased through acquisitions or established with our take-private transaction. Cost of revenue also includes amortization of upfront incentive consideration representing upfront payments or other consideration provided to travel agencies for reservations made on our GDS which are capitalized and amortized over the expected life of the contract.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of personnel-related expenses for employees that sell our services to new customers and administratively support the business, information technology and communication costs, professional services fees, certain settlement charges and costs to defend legal disputes, bad debt expense, depreciation and amortization and other overhead costs.

Intersegment Transactions

We account for significant intersegment transactions as if the transactions were with third parties, that is, at estimated current market prices. Airline and Hospitality Solutions pays fees to Travel Network for hotel reservations booked through our GDS. Travel Network historically recognized intersegment incentive consideration expense for bookings generated by our discontinued Travelocity business. Such costs are representative of costs incurred on a consolidated basis relating to Travel Network’s revenue from airlines for bookings transacted through our GDS.

Key Metrics

“Direct Billable Bookings” and “Passengers Boarded” are the primary metrics utilized by Travel Network and Airline Solutions, respectively, to measure operating performance. Travel Network generates fees for each Direct Billable Booking which include bookings made through our GDS (e.g., air, car and hotel bookings) and through our joint venture partners in cases where we are paid directly by the travel supplier. Passengers Boarded (“PBs”) is the primary metric used by Airline Solutions to recognize SaaS and Hosted revenue from recurring usage-based fees. The following table sets forth our key metrics (in thousands):

	Three Months Ended			Nine Months Ended		
	September 30, 2015	2014	% Change	September 30, 2015	2014	% Change
Travel Network						
Direct Billable Bookings - Air	107,361	81,047	32.5%	287,226	251,145	14.4%
Direct Billable Bookings - Non-Air	15,499	13,806	12.3%	44,197	41,274	7.1%
Total Direct Billable Bookings	122,860	94,853	29.5%	331,423	292,419	13.3%
Airline Solutions Passengers Boarded	141,994	136,545	4.0%	407,433	385,611	5.7%

Non-GAAP Financial Measures

We have included both financial measures compiled in accordance with GAAP and certain non-GAAP financial measures in this Quarterly Report on Form 10-Q, including Adjusted Gross Margin, Adjusted Net Income, Adjusted EBITDA, Adjusted Capital Expenditures, Free Cash Flow, Adjusted Free Cash Flow and ratios based on these financial measures.

We define Adjusted Gross Margin as operating income adjusted for selling, general and administrative expenses, amortization of upfront incentive consideration, and the cost of revenue portion of depreciation and amortization, restructuring and other costs, and stock-based compensation.

We define Adjusted Net Income as income from continuing operations adjusted for acquisition-related amortization, loss on extinguishment of debt, other, net, restructuring and other costs, acquisition-related costs, litigation costs, stock-based compensation, management fees and the tax impact of net income adjustments.

We define Adjusted EBITDA as Adjusted Net Income adjusted for depreciation and amortization of property and equipment, amortization of capitalized implementation costs, amortization of upfront incentive consideration, interest expense, net, and remaining provision for income taxes. This Adjusted EBITDA metric differs from (i) the EBITDA metric referenced in the section entitled “—Liquidity and Capital Resources—Senior Secured Credit Facilities,” which is calculated for the purposes of compliance with our debt covenants, and (ii) the Pre-VCP EBITDA and EBITDA metrics referenced in the section entitled “Compensation Discussion and Analysis” in our 2015 Proxy Statement, which are calculated for the purposes of our annual incentive compensation program and performance-based awards, respectively.

We define Adjusted Capital Expenditures as additions to property and equipment and capitalized implementation costs during the periods presented.

We define Free Cash Flow as cash provided by operating activities less cash used in additions to property and equipment. We define Adjusted Free Cash Flow as Free Cash Flow plus the cash flow effect of restructuring and other costs, acquisition-related costs, litigation settlement, other litigation costs and management fees.

These non-GAAP financial measures are key metrics used by management and our board of directors to monitor our ongoing core operations because historical results have been significantly impacted by events that are unrelated to our core operations as a result of changes to our business and the regulatory environment. We believe that these non-GAAP financial measures are used by investors, analysts and other interested parties as measures of financial performance and to evaluate our ability to service debt obligations, fund capital expenditures and meet working capital requirements. Adjusted Capital Expenditures include cash flows used in investing activities, for property and equipment, and cash flows used in operating activities, for capitalized implementation costs. Our management uses this combined metric in making product investment decisions and determining development resource requirements. We also believe that Adjusted Gross Margin, Adjusted Net Income, Adjusted EBITDA and Adjusted Capital

Expenditures assist investors in company-to-company and period-to-period comparisons by excluding differences caused by variations in capital structures (affecting interest expense), tax positions and the impact of depreciation and amortization expense. In addition, amounts derived from Adjusted EBITDA are a primary component of certain covenants under our senior secured credit facilities.

Adjusted Gross Margin, Adjusted Net Income, Adjusted EBITDA, Adjusted Capital Expenditures, Free Cash Flow, Adjusted Free Cash Flow and ratios based on these financial measures are not recognized terms under GAAP. These non-GAAP financial measures and ratios based on them have important limitations as analytical tools, and should not be viewed in isolation and do not purport to be alternatives to net income as indicators of operating performance or cash flows from operating activities as measures of liquidity. These non-GAAP financial measures and ratios based on them exclude some, but not all, items that affect net income or cash flows from operating activities and these measures may vary among companies. Our use of these measures has limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Some of these limitations are:

- these non-GAAP financial measures exclude certain recurring, non-cash charges such as stock-based compensation expense and amortization of acquired intangible assets;
 - although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted Gross Margin and Adjusted EBITDA do not reflect cash requirements for such replacements;
 - Adjusted Net Income and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
 - Adjusted EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our indebtedness;
 - Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;
 - Free Cash Flow and Adjusted Free Cash Flow do not reflect the cash requirements necessary to service the principal payments on our indebtedness;
 - Free Cash Flow and Adjusted Free Cash Flow do not reflect payments related to restructuring, litigation, acquisition-related and management fees;
 - Free Cash Flow and Adjusted Free Cash Flow remove the impact of accrual-basis accounting on asset accounts and non-debt liability accounts; and
- other companies, including companies in our industry, may calculate Adjusted Gross Margin, Adjusted Net Income, Adjusted EBITDA, Adjusted Capital Expenditures, Free Cash Flow or Adjusted Free Cash Flow differently, which reduces their usefulness as comparative measures.

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The following table sets forth the reconciliation of net income attributable to common stockholders to Adjusted Net Income and Adjusted EBITDA (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income attributable to common stockholders	\$176,340	\$36,563	\$416,041	\$11,442
(Income) loss from discontinued operations, net of tax	(53,892	) 3,946	(213,499	) 44,652
Net income attributable to noncontrolling interests ⁽¹⁾	676	720	2,501	2,168
Preferred stock dividends	—	—	—	11,381
Income from continuing operations	123,124	41,229	205,043	69,643
Adjustments:				
Acquisition-related amortization ^(2a)	31,384	21,899	76,270	76,741
Loss on extinguishment of debt	—	—	33,235	33,538
Other, net ⁽⁴⁾	(92,568	) (1,124	) (88,320	) 839
Restructuring and other costs ⁽⁵⁾	8,888	5,150	8,888	8,834
Acquisition-related costs ⁽⁶⁾	9,350	—	13,214	—
Litigation costs ⁽⁷⁾	9,318	4,252	14,797	11,370
Stock-based compensation	7,204	5,365	23,328	13,849
Management fees ⁽⁸⁾	—	193	—	23,701
Tax impact of net income adjustments	(15,806	) (14,035	) (54,573	) (65,959
Adjusted Net Income from continuing operations	\$80,894	\$62,929	\$231,882	\$172,556
Adjusted Net Income from continuing operations per share	\$0.29	\$0.23	\$0.83	\$0.73
Diluted weighted-average common shares outstanding	281,395	273,330	278,848	237,994
Adjusted Net Income from continuing operations	\$80,894	\$62,929	\$231,882	\$172,556
Adjustments:				
Depreciation and amortization of property and equipment ^(2b)	49,247	38,498	157,154	119,608
Amortization of capitalized implementation costs ^(2c)	7,606	9,083	23,032	27,070
Amortization of upfront incentive consideration ⁽³⁾	9,525	10,388	31,575	33,177
Interest expense, net	40,581	50,153	129,643	167,332
Remaining provision for income taxes	53,813	44,491	139,539	121,610
Adjusted EBITDA	\$241,666	\$215,542	\$712,825	\$641,353

The following tables set forth the reconciliation of Adjusted Gross Margin and Adjusted EBITDA by business segment to operating income in our statement of operations (in thousands):

	Three Months Ended September 30, 2015			
	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	\$205,386	\$52,912	\$(149,526)	\$108,772
Add back:				
Selling, general and administrative	34,258	14,287	117,779	166,324
Cost of revenue adjustments:				
Depreciation and amortization ⁽²⁾	14,563	32,174	12,597	59,334
Amortization of upfront incentive consideration ⁽³⁾	9,525	—	—	9,525
Stock-based compensation	—	—	2,853	2,853

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Adjusted Gross Margin	263,732	99,373	(16,297)	346,808
Selling, general and administrative	(34,258)	(14,287)	(117,779)	(166,324)
Joint venture equity income	372	—	—	372
Selling, general and administrative adjustments:				
Depreciation and amortization ⁽²⁾	1,384	189	27,330	28,903
Restructuring and other costs ⁽⁵⁾	—	—	8,888	8,888
Acquisition-related costs ⁽⁶⁾	—	—	9,350	9,350
Litigation costs ⁽⁷⁾	—	—	9,318	9,318
Stock-based compensation	—	—	4,351	4,351
Adjusted EBITDA	\$231,230	\$85,275	\$(74,839)	\$241,666

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Three Months Ended September 30, 2014

	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	\$ 164,979	\$ 55,640	\$(102,772)	\$ 117,847
Add back:				
Selling, general and administrative	26,583	13,236	73,762	113,581
Cost of revenue adjustments:				
Depreciation and amortization ⁽²⁾	14,264	25,871	6,013	46,148
Amortization of upfront incentive consideration ⁽³⁾	10,388	—	—	10,388
Restructuring and other costs ⁽⁵⁾	—	—	2,694	2,694
Stock-based compensation	—	—	2,165	2,165
Adjusted Gross Margin	216,214	94,747	(18,138)	292,823
Selling, general and administrative	(26,583)	(13,236)	(73,762)	(113,581)
Joint venture equity income	2,867	—	—	2,867
Joint venture intangible amortization ^(2a)	801	—	—	801
Selling, general and administrative adjustments:				
Depreciation and amortization ⁽²⁾	524	160	21,847	22,531
Restructuring and other costs ⁽⁵⁾	—	—	2,456	2,456
Litigation costs ⁽⁷⁾	—	—	4,252	4,252
Stock-based compensation	—	—	3,200	3,200
Management fees ⁽⁸⁾	—	—	193	193
Adjusted EBITDA	\$ 193,823	\$ 81,671	\$(59,952)	\$ 215,542

Nine Months Ended September 30, 2015

	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	\$ 576,328	\$ 130,478	\$(356,437)	\$ 350,369
Add back:				
Selling, general and administrative	82,742	47,302	281,998	412,042
Cost of revenue adjustments:				
Depreciation and amortization ⁽²⁾	43,133	106,574	27,373	177,080
Amortization of upfront incentive consideration ⁽³⁾	31,575	—	—	31,575
Stock-based compensation	—	—	9,288	9,288
Adjusted Gross Margin	733,778	284,354	(37,778)	980,354
Selling, general and administrative	(82,742)	(47,302)	(281,998)	(412,042)
Joint venture equity income	14,198	—	—	14,198
Joint venture intangible amortization ^(2a)	1,602	—	—	1,602
Selling, general and administrative adjustments:				
Depreciation and amortization ⁽²⁾	2,438	696	74,640	77,774
Restructuring and other costs ⁽⁵⁾	—	—	8,888	8,888
Acquisition-related costs ⁽⁶⁾	—	—	13,214	13,214
Litigation costs ⁽⁷⁾	—	—	14,797	14,797
Stock-based compensation	—	—	14,040	14,040
Adjusted EBITDA	\$ 669,274	\$ 237,748	\$(194,197)	\$ 712,825

Nine Months Ended September 30, 2014

	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	\$515,093	\$117,957	\$(315,414)	\$317,636
Add back:				
Selling, general and administrative	76,810	38,555	236,605	351,970
Cost of revenue adjustments:				
Depreciation and amortization ⁽²⁾	44,943	79,034	29,095	153,072
Amortization of upfront incentive consideration ⁽³⁾	33,177	—	—	33,177
Restructuring and other costs ⁽⁵⁾	—	—	5,273	5,273
Stock-based compensation	—	—	5,523	5,523
Adjusted Gross Margin	670,023	235,546	(38,918)	866,651
Selling, general and administrative	(76,810)	(38,555)	(236,605)	(351,970)
Joint venture equity income	9,367	—	—	9,367
Joint venture intangible amortization ^(2a)	2,403	—	—	2,403
Selling, general and administrative adjustments:				
Depreciation and amortization ⁽²⁾	1,654	695	65,595	67,944
Restructuring and other costs ⁽⁵⁾	—	—	3,561	3,561
Litigation costs ⁽⁷⁾	—	—	11,370	11,370
Stock-based compensation	—	—	8,326	8,326
Management fees ⁽⁸⁾	—	—	23,701	23,701
Adjusted EBITDA	\$606,637	\$197,686	\$(162,970)	\$641,353

The components of Adjusted Capital Expenditures are presented below (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Additions to property and equipment	\$75,108	\$47,742	\$203,071	\$154,212
Capitalized implementation costs	20,081	9,494	49,642	27,091
Adjusted Capital Expenditures	\$95,189	\$57,236	\$252,713	\$181,303

The following tables present information from our statements of cash flows and sets forth the reconciliation of Free Cash Flow and Adjusted Free Cash Flow to cash provided by operating activities, the most directly comparable GAAP measure (in thousands):

	Nine Months Ended	
	September 30,	
	2015	2014
Cash provided by operating activities	\$389,710	\$285,544
Cash used in investing activities	(644,505)	(185,777)
Cash provided by (used in) financing activities	(39,255)	(59,284)

	Nine Months Ended	
	September 30,	
	2015	2014
Cash provided by operating activities	\$389,710	\$285,544
Additions to property and equipment	(203,071)	(154,212)
Free Cash Flow	186,639	131,332
Adjustments:		
Restructuring and other costs ⁽⁵⁾⁽⁹⁾	918	16,625
Acquisition-related costs ⁽⁶⁾⁽⁹⁾	13,214	—

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Litigation settlement ⁽⁷⁾⁽¹⁰⁾	23,292	69,183
Other litigation costs ⁽⁷⁾⁽⁹⁾	8,897	11,370
Management fees ⁽⁸⁾⁽⁹⁾	—	23,508
Adjusted Free Cash Flow	\$232,960	\$252,018

Net income attributable to noncontrolling interests represents an adjustment to include earnings allocated to noncontrolling interests held in Sabre Travel Network Middle East of 40% for all periods presented and in Sabre Seyahat Dagitim Sistemleri A.S. of 40% beginning in April 2014 for the three and nine months ended September 30, 2015 and 2014.

(2) Depreciation and amortization expenses:

Acquisition-related amortization represents amortization of intangible assets from the take-private transaction in a. 2007 as well as intangibles associated with acquisitions since that date and amortization of the excess basis in our underlying equity in joint ventures.

b. Depreciation and amortization of property and equipment includes software developed for internal use.

Amortization of capitalized implementation costs represents amortization of upfront costs to implement new

c. customer contracts under our SaaS and hosted revenue model.

Our Travel Network business at times provides upfront incentive consideration to travel agency subscribers at the inception or modification of a service contract, which are capitalized and amortized to cost of revenue over an average expected life of the service contract, generally over three to five years. Such consideration is made with the objective of increasing the number of clients or to ensure or improve customer loyalty. Such service contract terms (3) are established such that the supplier and other fees generated over the life of the contract will exceed the cost of the incentive consideration provided upfront. Such service contracts with travel agency subscribers require that the customer commit to achieving certain economic objectives and generally have terms requiring repayment of the upfront incentive consideration if those objectives are not met.

In the third quarter of 2015, we recognized a gain of \$86 million associated with the remeasurement of our previously-held 35% investment in AIPL to its fair value and a gain of \$12 million related to the settlement of (4) pre-existing agreements between us and AIPL. In addition, all periods presented include foreign exchange gains and losses related to the remeasurement of foreign currency denominated balances included in our consolidated balance sheets into the relevant functional currency.

Restructuring and other costs represent charges associated with business restructuring and associated changes (5) implemented which resulted in severance benefits related to employee terminations, integration and facility opening or closing costs and other business reorganization costs.

(6) Acquisition-related costs represent fees and expenses incurred associated with the acquisition of Abacus.

(7) Litigation costs represent charges associated with antitrust litigation.

We paid an annual management fee, pursuant to the MSA, to TPG and Silver Lake in an amount between (i) \$5 million and (ii) \$7 million, the actual amount of which is calculated based upon 1% of Adjusted EBITDA, as (8) defined in the MSA, earned by the company in such fiscal year up to a maximum of \$7 million. In addition, we paid a \$21 million fee, in the aggregate, to TPG and Silver Lake at the closing of our initial public offering in April of 2014. The MSA was terminated thereafter.

The adjustments to reconcile cash provided by operating activities to Adjusted Free Cash Flow reflect the amounts (9) expensed in our statements of operations in the respective periods adjusted for cash and non-cash portions in instances where material.

(10) Includes payment credits used by American Airlines to pay for purchases of our technology services. The payment credits were provided by us as part of our litigation settlement with American Airlines.

Results of Operations

The following table sets forth our consolidated statement of operations data for each of the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Amounts in thousands)			
Revenue	\$785,002	\$672,480	\$2,202,441	\$1,985,275
Cost of revenue	509,906	441,052	1,440,030	1,315,669
Selling, general and administrative	166,324	113,581	412,042	351,970
Operating income	108,772	117,847	350,369	317,636
Interest expense, net	(40,581)	(50,153)	(129,643)	(167,332)
Loss on extinguishment of debt	—	—	(33,235)	(33,538)
Joint venture equity income	372	2,867	14,198	9,367
Other income (expense), net	92,568	1,124	88,320	(839)
Income from continuing operations before income taxes	161,131	71,685	290,009	125,294
Provision for income taxes	38,007	30,456	84,966	55,651
Income from continuing operations	\$123,124	\$41,229	\$205,043	\$69,643

Three Months Ended September 30, 2015 and 2014

Revenue

	Three Months Ended September 30,		Change		
	2015	2014			
	(Amounts in thousands)				
Travel Network	\$569,190	\$466,278	\$102,912	22	%
Airline and Hospitality Solutions	218,978	208,684	10,294	5	%
Total segment revenue	788,168	674,962	113,206	17	%
Eliminations	(3,166)	(2,482)	(684)	(28)	%
Total revenue	\$785,002	\$672,480	\$112,522	17	%

Travel Network—Revenue increased \$103 million, or 22%, for the three months ended September 30, 2015 compared to the same period in the prior year, primarily due to the acquisition of Abacus. Transaction-based revenue increased by \$118 million to \$524 million mainly as a result of a 30% increase in Direct Billable Bookings to 123 million in the three months ended September 30, 2015. Excluding the impact of the acquisition of Abacus, Direct Billable Bookings increased by 6% compared to the same period in the prior year, which was driven by growth of 6% in North America; 15% in Europe, the Middle East and Africa ("EMEA"); partially offset by a 4% decline in Latin America. The increase in revenue was partially offset by a \$16 million decrease in other revenue related to services we provided to Abacus prior to the acquisition.

Airline and Hospitality Solutions—Revenue increased \$10 million, or 5%, for the three months ended September 30, 2015 compared to the same period in the prior year.

The \$10 million increase in revenue primarily resulted from:

a \$4 million increase in Airline Solutions' SabreSonic Customer Sales and Service ("SabreSonic CSS") revenue for the three months ended September 30, 2015 compared to the same period in the prior year, which is attributable to growth in PBs of 4% to 142 million for the three months ended September 30, 2015. The growth in PBs was driven by existing customers; and

a \$7 million increase in Hospitality Solutions revenue for the three months ended September 30, 2015 compared to the same period in the prior year driven primarily by an increase in Central Reservation System ("CRS") transactions.

Cost of Revenue

	Three Months Ended			Change		
	September 30,					
	2015	2014				
	(Amounts in thousands)					
Travel Network	\$305,458	\$250,064	\$55,394	22		%
Airline and Hospitality Solutions	119,606	113,937	5,669	5		%
Eliminations	(3,152)	(2,481)	(671)	(27))%
Total segment cost of revenue	421,912	361,520	60,392	17		%
Corporate	19,135	23,013	(3,878)	(17))%
Depreciation and amortization	59,334	46,130	13,204	29		%
Amortization of upfront incentive consideration	9,525	10,389	(864)	(8))%
Total cost of revenue	\$509,906	\$441,052	\$68,854	16		%

Travel Network—Cost of revenue increased \$55 million, or 22%, for the three months ended September 30, 2015 compared to the same period in the prior year. The increase was primarily a result of an increase in incentive consideration as well as other costs associated with Abacus' operations.

Airline and Hospitality Solutions—Cost of revenue increased \$6 million, or 5%, for the three months ended September 30, 2015 compared to the same period in the prior year. The increase was primarily the result of higher transaction-related expenses driven by growth in transaction volumes and an increase in headcount-related costs.

Corporate—Cost of revenue associated with corporate unallocated costs decreased \$4 million, or 17%, for the three months ended September 30, 2015 compared to the same period in the prior year, primarily due to a decrease in unallocated labor costs.

Depreciation and amortization—Depreciation and amortization increased \$13 million, or 29%, for the three months ended September 30, 2015 compared to the same period in the prior year. The increase was primarily due to the completion and amortization of software developed for internal use and an increase in amortization of definite-lived intangible assets associated with the acquisition of Abacus.

Selling, General and Administrative Expenses

	Three Months Ended			Change		
	September 30,					
	2015	2014				
	(Amounts in thousands)					
Selling, general and administrative	\$166,324	\$113,581	\$52,743	46		%

Selling, general and administrative expenses ("SG&A") increased by \$53 million, or 46%, for the three months ended September 30, 2015 compared to the same period in the prior year. The acquisition of Abacus contributed \$34 million to the increase in SG&A, primarily due to its costs of operations, \$9 million in restructuring and related costs, \$9 million in acquisition-related costs and \$5 million in amortization of acquired intangible assets. In addition, legal fees pertaining to ongoing anti-trust litigation increased \$5 million. Various other expenses increased \$14 million, primarily associated with other professional fees, headcount-related costs, and technology-related costs.

Interest Expense, net

	Three Months Ended			Change		
	September 30,					
	2015	2014				
	(Amounts in thousands)					
Interest expense, net	\$40,581	\$50,153	\$(9,572)	(19))%

Interest expense, net, decreased \$10 million, or 19%, for the three months ended September 30, 2015 compared to the same period in the prior year. The decrease was primarily the result of a lower effective interest rate as a result of the extinguishment of our 2019 Notes through the issuance of our 2023 Notes in April 2015. In addition, we recognized \$4 million in losses during the three months ended September 30, 2014 associated with interest rate swaps that matured in September 2014.

Joint Venture Equity Income

	Three Months Ended September 30,		Change		
	2015	2014			
	(Amounts in thousands)				
Joint venture equity income	\$372	\$2,867	\$(2,495)	(87))%

On July 1, 2015, we acquired the remaining 65% of our former joint venture, AIPL, and based on our joint venture interests as of September 30, 2015, we do not expect joint venture equity income to be material to our ongoing results of operations.

Other Income, Net

	Three Months Ended September 30,		Change	
	2015	2014		
	(Amounts in thousands)			
Other income, net	\$92,568	\$1,124	\$91,444	**

** not meaningful

Other income, net increased by \$91 million for the three months ended September 30, 2015 compared to the same period in the prior year, primarily due to the acquisition of Abacus. We recognized a gain of \$86 million in the three months ended September 30, 2015 as a result of the remeasurement of our previously-held 35% equity interest in AIPL to its fair value as of the acquisition date. In addition, we recognized a gain of \$12 million in the three months ended September 30, 2015 associated with the settlement of a pre-existing agreement between us and AIPL related to data processing services. These gains were partially offset by realized and unrealized foreign currency exchange losses.

Provision for Income Taxes

	Three Months Ended September 30,		Change		
	2015	2014			
	(Amounts in thousands)				
Provision for income taxes	\$38,007	\$30,456	\$7,551	25	%

Our effective tax rates for the three months ended September 30, 2015 and 2014 were 24% and 42%, respectively. The decrease in the effective tax rate for the three months ended September 30, 2015 as compared to the same period in 2014 was primarily due to an increase in forecasted earnings in lower tax jurisdictions and the \$86 million gain on remeasurement of our previously-held equity interest in Abacus, which is non-taxable.

The differences between our effective tax rates and the U.S. federal statutory income tax rate primarily result from our geographic mix of taxable income in various tax jurisdictions as well as the discrete tax items referenced above.

Nine Months Ended September 30, 2015 and 2014

Revenue

	Nine Months Ended September 30,		Change		
	2015	2014			
	(Amounts in thousands)				
Travel Network	\$1,571,635	\$1,420,341	\$151,294	11	%
Airline and Hospitality Solutions	640,510	571,975	68,535	12	%
Total segment revenue	2,212,145	1,992,316	219,829	11	%
Eliminations	(9,704	) (7,041	) (2,663	) (38)%
Total revenue	\$2,202,441	\$1,985,275	\$217,166	11	%

Travel Network—Revenue increased \$151 million, or 11%, for the nine months ended September 30, 2015 compared to the same period in the prior year. The increase in revenue primarily resulted from the net impact of:

a \$157 million increase in transaction-based revenue to \$1,399 million primarily due to the acquisition of Abacus.

Direct Billable Bookings increased by 13% to 331 million in the nine months ended September 30, 2015. Excluding the impact of the acquisition of Abacus, Direct Billable Bookings increased by 6%, which was driven by growth of 5% in North America and 15% in EMEA; partially offset by a slight decline in Latin America; and

a \$7 million decrease due to an intersegment fee charged by Travel Network to Travelocity in the prior year period for not meeting certain minimum booking levels, which is a customary fee charged to travel agencies that process bookings through our GDS as a result of not meeting contractual minimum booking levels.

Airline and Hospitality Solutions—Revenue increased \$69 million, or 12%, for the nine months ended September 30, 2015 compared to the same period in the prior year.

The \$69 million increase in revenue primarily resulted from:

a \$40 million increase in Airline Solutions' SabreSonic CSS revenue for the nine months ended September 30, 2015 compared to the same period in the prior year. Approximately \$16 million of the revenue increase in SabreSonic CSS is attributable to growth in PBs of 6% to 407 million for the nine months ended September 30, 2015, combined with higher revenue per PB due to broader adoption of our products by our existing customers. The growth in PBs was driven by existing customers. In addition, revenue associated with the extension of a services contract with a significant customer increased by \$18 million during the nine months ended September 30, 2015. This contract was extended in conjunction with a litigation settlement agreement with that customer in 2012;

a \$7 million increase in Airline Solutions' commercial and operations solutions revenue driven by growth in multiple products across our portfolio; and

a \$22 million increase in Hospitality Solutions revenue for the nine months ended September 30, 2015 compared to the same period in the prior year driven primarily by an increase in CRS transactions.

Cost of Revenue

	Nine Months Ended September 30,		Change		
	2015	2014			
	(Amounts in thousands)				
Travel Network	\$837,857	\$750,318	\$87,539	12	%
Airline and Hospitality Solutions	356,156	336,429	19,727	6	%
Eliminations	(9,680)	(7,032)	(2,648)	(38))%
Total segment cost of revenue	1,184,333	1,079,715	104,618	10	%
Corporate	47,042	49,723	(2,681)	(5))%
Depreciation and amortization	177,080	153,054	24,026	16	%
Amortization of upfront incentive consideration	31,575	33,177	(1,602)	(5))%
Total cost of revenue	\$1,440,030	\$1,315,669	\$124,361	9	%

Travel Network—Cost of revenue increased \$88 million, or 12%, for the nine months ended September 30, 2015 compared to the same period in the prior year. The increase was primarily a result of an increase in incentive consideration as well as other costs associated with Abacus' operations.

Airline and Hospitality Solutions—Cost of revenue increased \$20 million, or 6%, for the nine months ended September 30, 2015 compared to the same period in the prior year. The increase was primarily the result of higher transaction-related expenses driven by growth in transaction volumes and an increase in headcount-related costs.

Corporate—Cost of revenue associated with corporate unallocated costs decreased \$3 million, or 5%, for the nine months ended September 30, 2015 compared to the same period in the prior year. The decrease was primarily the result of a \$11 million decrease in unallocated labor costs, partially offset by an increase of \$8 million of data processing and technology-related expenses.

Depreciation and amortization—Depreciation and amortization increased \$24 million, or 16%, for the nine months ended September 30, 2015 compared to the same period in the prior year. The increase was primarily due to the completion and amortization of software developed for internal use and an increase in amortization of definite-lived intangible assets associated with the acquisition of Abacus.

Selling, General and Administrative Expenses

	Nine Months Ended September 30,		Change		
	2015	2014			
	(Amounts in thousands)				
Selling, general and administrative	\$412,042	\$351,970	\$60,072	17	%

SG&A increased by \$60 million, or 17%, for the nine months ended September 30, 2015 compared to the same period in the prior year. The acquisition of Abacus contributed \$39 million to the increase in SG&A, primarily due to its costs of operations, \$13 million in acquisition-related costs, \$9 million in restructuring and related costs, and \$5 million of amortization of acquired intangible assets. Various other expenses increased by \$21 million primarily associated with secondary equity offerings, legal and professional fees, headcount-related costs and technology-related costs.

Interest Expense, net

	Nine Months Ended September 30,		Change		
	2015	2014			
	(Amounts in thousands)				

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Interest expense, net	\$ 129,643	\$ 167,332	\$(37,689)	(23)%
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Interest expense, net, decreased \$38 million, or 23%, for the nine months ended September 30, 2015 compared to the same period in the prior year. The decrease was primarily the result of the prepayments on our 2019 Notes and Term C facility, made in the second quarter of 2014, and a lower effective interest rate as a result of the extinguishment of our 2019 Notes through the issuance of our 2023 Notes in April 2015. In addition, we recognized \$12 million in losses during the nine months ended September 30, 2014 associated with interest rate swaps that matured in September 2014.

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Loss on Extinguishment of Debt

	Nine Months Ended September 30,		Change		
	2015	2014			
	(Amounts in thousands)				
Loss on extinguishment of debt	\$33,235	\$33,538	\$(303	)	(1)%

As a result of the refinancing of our 2019 Notes in April of 2015, we recognized a loss on extinguishment of debt of \$33 million which consisted of a redemption premium of \$31 million and the make whole premium of \$2 million representing scheduled interest payable for the period between the redemption date of April 29, 2015 and the first call date of May 15, 2015. During the nine months ended September 30, 2014, we recognized a loss on extinguishment of debt of \$31 million as a result of prepayments on our Term C facility and 2019 Notes, which included a \$27 million prepayment fee on the 2019 Notes.

Joint Venture Equity Income

	Nine Months Ended September 30,		Change		
	2015	2014			
	(Amounts in thousands)				
Joint venture equity income	\$14,198	\$9,367	\$4,831	52	%

On July 1, 2015, we acquired the remaining 65% of our former joint venture, AIPL, and based on our joint venture interests as of September 30, 2015, we do not expect joint venture equity income to be material to our results of operations subsequent to the acquisition date. The increase in joint venture equity income of \$5 million in the nine months ended September 30, 2015 compared to the same period in the prior year is a result of higher net income of AIPL, primarily driven by a release of a significant tax reserve, prior to the acquisition on July 1, 2015, due to the resolution of certain tax positions with a local tax authority.

Other Income (Expense), Net

	Nine Months Ended September 30,		Change		
	2015	2014			
	(Amounts in thousands)				
Other income (expense), net	\$88,320	\$(839	)	\$89,159	**

** not meaningful

Other income (expense), net, increased \$89 million for the nine months ended September 30, 2015 compared to the prior year. We recognized a gain of \$86 million in the nine months ended September 30, 2015 as a result of the remeasurement of our previously-held 35% equity interest in AIPL to its fair value as of the acquisition date. In addition, we recognized a gain of \$12 million in the nine months ended September 30, 2015 associated with the settlement of a pre-existing agreement between us and AIPL related to data processing services. These gains were partially offset by realized and unrealized foreign currency exchange losses.

Provision for Income Taxes

	Nine Months Ended September 30,		Change		
	2015	2014			
	(Amounts in thousands)				
Provision for income taxes	\$84,966	\$55,651	\$29,315	53	%

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Our effective tax rates for the nine months ended September 30, 2015 and 2014 were 29% and 44%, respectively. The decrease in the effective tax rate for the nine months ended September 30, 2015 as compared to the same period in 2014 was primarily due to an increase in forecasted earnings in lower tax jurisdictions and the \$86 million gain on remeasurement of our previously-held equity interest in Abacus, which is non-taxable.

The differences between our effective tax rates and the U.S. federal statutory income tax rate primarily result from our geographic mix of taxable income in various tax jurisdictions as well as the discrete tax items referenced above.

Liquidity and Capital Resources

Our principal sources of liquidity are: (i) cash flows from operations, (ii) cash and cash equivalents and (iii) borrowings under our \$405 million Revolver (see “—Senior Secured Credit Facilities”). Borrowing availability under our Revolver is reduced by our outstanding letters of credit and restricted cash collateral. As of September 30, 2015 and December 31, 2014, our cash and cash equivalents, Revolver availability and outstanding balance, and outstanding letters of credit were as follows (in thousands):

	September 30, 2015	December 31, 2014
Cash and cash equivalents	\$ 132,695	\$ 155,679
Available balance under the Revolver	384,556	358,619
Reductions to the Revolver availability:		
Outstanding Revolver balance	—	—
Outstanding letters of credit	20,608	46,545

We consider cash equivalents to be highly liquid investments that are readily convertible into cash. Securities with contractual maturities of three months or less, when purchased, are considered cash equivalents. We record changes in a book overdraft position, in which our bank account is not overdrawn but recently issued and outstanding checks result in a negative general ledger balance, as cash flows from financing activities. We invest in a money market fund which is classified as cash and cash equivalents in our consolidated balance sheets and statements of cash flows. We held no short-term investments as of September 30, 2015 and December 31, 2014.

We utilize cash and cash equivalents primarily to pay our operating expenses, make capital expenditures, invest in our products and offerings, pay quarterly dividends on our common stock, and service our debt and other long-term liabilities. On an ongoing basis, we will evaluate and consider strategic acquisitions, divestitures, joint ventures, repurchasing shares of our common stock or our outstanding debt obligations in open market or in privately negotiated transactions, as well as other transactions we believe may create stockholder value and enhance financial performance. These transactions may require cash expenditures or generate proceeds.

As of September 30, 2015, we have net operating loss carryforwards (“NOLs”) for U.S. federal income tax purposes, most of which are subject to the tax receivable agreement (“TRA”). Although future changes in our common stock ownership, including through sales of stock by large stockholders or other transactions that are not within our control, may lead to a change of control under Section 382 of the Internal Revenue Code, as of the date of this Quarterly Report on Form 10-Q we do not believe this will limit our ability to fully realize any benefit from the NOLs to which we are entitled.

Liquidity Outlook

We believe that cash flows from operations, cash and cash equivalents on hand and the Revolver provide adequate liquidity for our operational and capital expenditures and other obligations over the next twelve months. We may supplement our current liquidity through debt or equity offerings to support future strategic investments or to pay down our \$400 million of senior unsecured notes due in 2016. In July 2015, we completed our acquisition of Abacus for net cash consideration of \$442 million. See “—Recent Events Impacting our Liquidity and Capital Resources—Acquisition of Abacus.”

Dividends

During the third quarter of 2015, we paid a quarterly cash dividend of \$0.09 per share of our common stock totaling \$25 million. We expect to continue to pay quarterly cash dividends on our common stock, subject to declaration of our board of directors. We intend to fund any future dividends from cash generated from our operations. Future cash dividends, if any, will be at the discretion of our board of directors and the amount of cash dividends per share will depend upon, among other things, our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, number of shares of common stock outstanding and other factors the board of directors may deem relevant. The timing and amount of future dividend payments will be at the discretion of our board of directors.

Recent Events Impacting Our Liquidity and Capital Resources

Issuance of 2023 Notes and Extinguishment of 2019 Notes

In April 2015, we extinguished our \$480 million 2019 Notes through the issuance of \$530 million senior secured notes due in 2023 with a stated interest rate of 5.375%. We received proceeds of \$522 million, net of underwriting fees and commissions, from the 2023 Notes which were used to redeem all of the \$480 million principal of the 2019 Notes, pay the 6.375% redemption premium of \$31 million and the make whole premium of \$2 million representing scheduled interest payable for the period between the redemption date of April 29, 2015 and the first call date of May 15, 2015. The remaining proceeds, combined with cash on hand, were used to pay accrued but unpaid interest of \$19 million.

Acquisition of Abacus

In July 2015, we completed the acquisition of the remaining 65% interest in AIPL and the acquisition of two national marketing companies for net cash consideration of \$442 million, which excludes the effect of net working capital adjustments subject to finalization. The acquisition was funded with a combination of cash on hand and a \$70 million draw on our Revolver. In addition, AIPL has executed an agreement to acquire the remaining interest in the Malaysia NMC, which we expect to close in the fourth quarter of 2015. We expect that this acquisition will be funded by cash on hand.

Sale of Travelocity.com and lastminute.com

On January 23, 2015, we sold Travelocity.com to Expedia for cash consideration of \$280 million.

On March 1, 2015, we sold lastminute.com to Bravofly Rumbo Group. The transaction was completed through the transfer of \$45 million of net liabilities as of the date of sale consisting primarily of a working capital deficit of \$71 million, partially offset by assets sold including intangible assets, of \$26 million. We did not receive any cash proceeds or any other significant consideration in the transaction other than payment for specific services being provided to the acquirer under a transition services agreement through the end of 2015. Additionally, at the time of sale, the acquirer entered into a long-term agreement with Travel Network to continue to utilize our GDS for bookings which generates incentive consideration paid by us to the acquirer.

Political and Economic Environment in Venezuela

Venezuela has imposed currency controls, including volume restrictions on the conversion of bolivars to U.S. dollars, which impact the ability of certain of our airline customers operating in the country to obtain U.S. dollars to make timely payments to us. Consequently, the collection of accounts receivable due to us can be, and has been, delayed. Due to the nature of this delay, we have recorded specific reserves against all outstanding balances due to us and are deferring the recognition of any future revenues effective January 1, 2014 until cash is collected in accordance with our policies. In conjunction with the political and economic uncertainty in Venezuela, demand for travel by local consumers has declined. Certain airlines have scaled back operations in response to the reduced demand as well as the currency controls which has impacted our airline customers in Venezuela. During the nine months ended September 30, 2015, we collected \$2 million from customers in Venezuela all of which was outstanding as of December 31, 2014. Accounts receivable outstanding from customers in Venezuela totaled \$14 million as of September 30, 2015, which will be recognized as revenue when cash is received.

Secondary Public Offerings

During the nine months ended September 30, 2015, certain of our stockholders sold an aggregate of 73,970,000 shares of our common stock, which includes 7,170,000 shares of our common stock sold as a result of the underwriters' exercise of their overallotment options. We did not offer any shares or receive any proceeds from these secondary public offerings or from the exercise of the underwriters' allotment options.

Senior Secured Credit Facilities

On February 19, 2013, Sabre GLBL entered into an agreement that amended and restated its senior secured credit facilities (the "Amended and Restated Credit Agreement"). The agreement replaced (i) the existing term loans with new classes of term loans of \$1,775 million (the "Term Loan B") and \$425 million (the "Term Loan C") and (ii) the existing revolving credit facility with a new revolving credit facility of \$352 million (the "Revolver"). Term Loan B matures on February 19, 2019 and amortizes in equal quarterly installments of 0.25%. Term Loan C matures on December 31, 2017. As a result of a \$296 million prepayment made in April 2014, quarterly principal payments on Term Loan C are

no longer required. We are obligated to pay \$17 million on September 30, 2017 and the remaining balance of \$32 million on December 31, 2017. A portion of the Revolver matures on February 19, 2018. On September 30, 2013, Sabre GLBL entered into an agreement to amend its amended and restated credit

agreement to add a new class of term loans in the amount of \$350 million (the “Incremental Term Loan Facility”). We have used the proceeds of the Incremental Term Loan Facility for working capital, general corporate purposes and strategic actions related to Travelocity. The Incremental Term Loan Facility matures on February 19, 2019 and amortizes in equal quarterly installments of 0.25% which commenced on the last business day of December 2013. We are scheduled to make \$21 million in principal payments on our senior secured credit facilities over the next twelve months. On February 20, 2014, we entered into a series of amendments to our Amended and Restated Credit Agreement (“Repricing Amendments”) to, among other things, (i) reduce the interest rate margin applicable to the Term Loan B to (x) between 3.00% to 3.25% per annum for Eurocurrency rate loans and (y) between 2.00% to 2.25% per annum for base rate loans and (ii) reduce the Eurocurrency rate floor to 1.00% and the base rate floor to 2.00%. In addition, the Repricing Amendments extended the maturity date of \$317 million of the Revolver to February 19, 2019 and (ii) provided for a revolving commitment increase of \$53 million under the extended portion of the Revolver, increasing total commitments under the Revolver to \$405 million. The extended portion of the Revolver includes an accelerated maturity of November 19, 2018 if on November 19, 2018, the Term Loan B (or permitted refinancings thereof) remains outstanding with a maturity date occurring less than one year after the maturity date of the extended portion of the Revolver.

Under the Amended and Restated Credit Agreement, the loan parties are subject to certain customary non-financial covenants, including certain restrictions on incurring certain types of indebtedness, creation of liens on certain assets, making of certain investments, and payment of dividends, as well as a maximum senior secured leverage ratio, which applies if our revolver utilization exceeds certain thresholds. This ratio is calculated as senior secured debt (net of cash) to EBITDA, as defined by the credit agreement. This ratio was 5.0 to 1.0 for 2014 and is 4.5 to 1.0 for 2015. The definition of EBITDA is based on a trailing twelve months EBITDA adjusted for certain items including non-recurring expenses and the pro forma impact of cost saving initiatives.

We are also required to pay down the term loans by an amount equal to 50% of annual excess cash flow, as defined in the Amended and Restated Credit Agreement. No excess cash flow payment is required in 2015 with respect to our results for the year ended December 31, 2014. This percentage requirement may decrease or be eliminated if certain leverage ratios are achieved. We are further required to pay down the term loan with proceeds from certain asset sales or borrowings as defined in the Amended and Restated Credit Agreement.

Cash Flows

	Nine Months Ended	
	September 30,	
	2015	2014
	(Amounts in thousands)	
Cash provided by operating activities	\$389,710	\$285,544
Cash used in investing activities	(644,505)	(185,777)
Cash used in financing activities	(39,255)	(59,284)
Cash provided by (used in) discontinued operations	277,926	(191,706)
Effect of exchange rate changes on cash and cash equivalents	(6,860)	734
Decrease in cash and cash equivalents	\$(22,984)	\$(150,489)

Operating Activities

Cash provided by operating activities for the nine months ended September 30, 2015 was \$390 million and consisted of net income from continuing operations of \$205 million, adjustments for non-cash and other items of \$308 million and a decrease in cash from changes in operating assets and liabilities of \$123 million. The adjustments for non-cash and other items consist primarily of \$255 million of depreciation and amortization, \$63 million of deferred income taxes, \$33 million of loss on extinguishment of debt, \$32 million in amortization of upfront incentive consideration, \$29 million of dividends received from joint venture investments, and \$23 million stock-based compensation expense, partially offset by \$49 million of litigation related credits. The decrease in cash from changes in operating assets and liabilities of \$123 million was primarily the result of a \$55 million increase in other assets mainly attributable to deferred advances to customers, \$50 million used for capitalized implementation costs, \$46 million used for upfront

incentive consideration, \$64 million increase in accounts receivable due to seasonality, and a \$10 million increase in accrued compensation and related benefits. These decreases were partially offset by an increase of \$61 million in accounts payable and other accrued liabilities, mainly related to an increase in accrued incentive consideration driven by volume growth and seasonality, and an increase of \$16 million in deferred revenue primarily related to upfront solution fees.

Cash provided by operating activities for the nine months ended September 30, 2014 was \$286 million and consisted of net income from continuing operations of \$70 million, adjustments for non-cash and other items of \$336 million and a decrease in cash of \$120 million from changes in operating assets and liabilities. The adjustments for non-cash and other items consist primarily of \$221 million of depreciation and amortization, \$35 million of deferred taxes, \$34 million of loss on extinguishment of debt, \$33 million in amortization of upfront incentive consideration, and \$14 million of stock-based compensation expense. The decrease in cash of \$120 million from changes in operating assets and liabilities was primarily the result of an increase of \$73 million in accounts and other receivables due to seasonality, \$61 million increase in other assets, primarily due to a \$50 million payment made to American Airlines in conjunction with the new Airlines Solution contract, \$32 million used for upfront incentive consideration, and \$27 million used for capitalized implementation costs. These decreases were partially offset by an increase of \$44 million in deferred revenue, including upfront solution fees, and a \$30 million increase in trade payables, mainly related to an increase in incentive consideration driven by volume growth and seasonality.

Investing Activities

For the nine months ended September 30, 2015, we used cash of \$442 million paid for Abacus International Pte Ltd, and \$203 million on capital expenditures, including \$163 million related to software developed for internal use.

For the nine months ended September 30, 2014, we used cash of \$154 million on capital expenditures, including \$128 million related to software developed for internal use, and \$32 million paid for Genares Worldwide Reservation Services, Ltd.

Financing Activities

For the nine months ended September 30, 2015, we used \$39 million for financing activities. Significant highlights of our financing activities include:

- we issued \$530 million of senior secured notes due in 2023 and used a portion of the proceeds to extinguish our 2019 Notes of \$480 million;
- on our Revolver, we made draws totaling \$222 million and payments totaling \$222 million resulting in no outstanding balance as of September 30, 2015;
- we paid \$40 million of debt prepayment fees and issuance costs;
- we made payments totaling \$17 million on the principal outstanding on our term loans and mortgage;
- we paid \$74 million in dividends on our common stock; and
- we received net proceeds of \$40 million from the settlement of equity-based awards.

For the nine months ended September 30, 2014, we used \$59 million for financing activities. Significant highlights of our financing activities included:

We raised \$673 million net proceeds from our initial public offering and utilized the net proceeds to repay \$296 million aggregate principal amount of our Term Loan C and \$320 million aggregate principal amount of our 2019 Notes;

- we entered into the Repricing Amendments which required proceeds of \$148 million from new lenders to repay prior lenders. There was no net change in our outstanding indebtedness as a result of the Repricing Amendments;
- we paid \$30 million in debt-related costs including a \$27 million prepayment fee on our 2019 Notes;
- we paid down \$27 million of the term loan outstanding as part of quarterly principal repayments;
- we paid \$27 million in contingent consideration associated with our acquisition of PRISM in 2012; and
- we paid \$24 million in cash dividends on our common stock.

Discontinued Travelocity Business

Cash flows used by discontinued operating activities totaled \$1 million and \$190 million for the nine months ended September 30, 2015 and 2014, respectively. The decrease in cash flows used by discontinued operating activities in the nine months ended September 30, 2015 compared to 2014 is primarily due to a decrease of cash used to pay travel supplier liabilities, lower operating losses and a cash refund of \$30 million received from the State of Hawaii in connection with hotel occupancy tax litigation. In 2014, Travelocity's working capital was impacted by our long-term strategic marketing agreement with Expedia ("Expedia SMA") and the sale of TPN as we no longer received cash directly from consumers and did not incur a payable to travel suppliers for new bookings but continued to pay travel suppliers for travel consumed that originated on our technology platforms. The Expedia SMA was terminated as the result of the sale of Travelocity.com to Expedia.

Cash flows provided by discontinued investing activities for the nine months ended September 30, 2015 totaled \$279 million which consisted of \$280 million in proceeds from the sale of Travelocity.com, partially offset by \$1 million in capital expenditures associated with lastminute.com prior to its sale.

As a result of our completed divestiture of the Travelocity segment, we do not expect our discontinued operations to have material ongoing liquidity requirements. See Note 11, Contingencies, to our consolidated financial statements regarding litigation and other contingencies associated with our discontinued Travelocity segment.

Contractual Obligations

In April 2015, we extinguished our \$480 million 2019 Notes through the issuance of \$530 million senior secured notes due in 2023 with a stated interest rate of 5.375%. There were no other material changes to our future minimum contractual obligations as of December 31, 2014 as previously disclosed in our Annual Report on Form 10-K filed with the SEC on March 3, 2015.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements during the nine months ended September 30, 2015 and year ended December 31, 2014.

Recent Accounting Pronouncements

In September 2015, Financial Accounting Standards Board ("FASB") issued updated guidance that eliminates the requirement for an acquirer in a business combination to restate prior period financial statements for measurement-period adjustments. Under the updated guidance, acquirers must recognize measurement-period adjustments in the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The nature and the amount of measurement-period adjustments must be disclosed on the face of the income statement or in the notes to the financial statements. The updated guidance is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for any interim and annual financial statements that have not yet been issued. We early adopted this guidance in the third quarter of 2015. In May 2014, the FASB issued a comprehensive update to revenue recognition guidance that will replace current standards. Under the updated standard, revenue is recognized when a company transfers promised goods or services to customers in an amount that reflects the consideration that is expected to be received for those goods and services. The updated standard also requires additional disclosures on the nature, timing, and uncertainty of revenue and related cash flows. On July 9, 2015, the FASB approved to defer the effective date of the new standard which is now effective for annual and interim reporting periods beginning after December 15, 2017. Early adoption of the new standard is permitted for annual and interim reporting periods beginning after December 15, 2016. We are currently evaluating the impact this standard will have on our consolidated financial statements.

In April 2015, FASB issued updated guidance that requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct reduction from the debt liability rather than as an asset. The standard aligns GAAP guidance on the balance sheet presentation of debt issuance costs with International Financial Reporting Standards. The guidance is effective for interim and annual periods beginning after December 15, 2015. We do not believe that our adoption will have a material impact on our consolidated balance sheets.

In June 2014, the FASB issued final guidance that a performance target in a share-based payment that affects vesting and that could be achieved after the requisite service period should be accounted for as a performance condition. The guidance was issued to resolve diversity in practice. The standard is effective for annual and interim reporting periods beginning after December 15, 2015. We do not believe that our adoption will have a material impact on our consolidated financial statements.

Critical Accounting Estimates

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect our reported assets and liabilities, revenues and expenses and other financial information. Actual results may differ significantly from these estimates, and our reported financial condition and results of operations could vary under different assumptions and conditions. In addition, our reported financial condition and results of operations could vary due to a change in the application of a particular accounting standard.

We regard an accounting estimate underlying our financial statements as a “critical accounting estimate” if the accounting estimate requires us to make assumptions about matters that are uncertain at the time of estimation and if changes in the estimate are reasonably likely to occur and could have a material effect on the presentation of financial condition, changes in financial condition, or results of operations. For 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, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates” included in our Annual Report on Form 10-K filed with the SEC on March 3, 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential loss from adverse changes in: (i) prevailing interest rates, (ii) foreign exchange rates, (iii) credit risk and (iv) inflation. Our exposure to market risk relates to interest payments due on our long-term debt, revolving credit facility, derivative instruments, income on cash and cash equivalents, accounts receivable and payable and related deferred revenue. We manage our exposure to these risks through established policies and procedures. We do not engage in trading, market making or other speculative activities in the derivatives markets. Our objective is to mitigate potential income statement, cash flow and fair value exposures resulting from possible future adverse fluctuations in interest and foreign exchange rates. There were no material changes in our market risk since December 31, 2014 as previously disclosed under Item 7A, Quantitative and Qualitative Disclosures About Market Risk, included in our Annual Report on Form 10-K filed with the SEC on March 3, 2015.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s principal executive officer and principal financial officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, the Company’s principal executive officer and principal financial officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures were effective.

Internal Control Over Financial Reporting

There have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company and its subsidiaries are from time to time engaged in routine legal proceedings incidental to our business. For a description of our material legal proceedings, see Note 11, Contingencies, to our consolidated financial statements included in Part I, Item 1 in this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

The following risk factors may be important to understanding any statement in this Quarterly Report on Form 10-Q or elsewhere. Our business, financial condition and operating results can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below. Any one or more of such factors could directly or indirectly cause our actual results of operations and financial condition to vary materially from past or anticipated future results of operations and financial condition. Any of these factors, in whole or in part, could materially and adversely affect our business, financial condition, results of operations and stock price.

Our revenue is highly dependent on transaction volumes in the global travel industry, particularly air travel transaction volumes.

Our Travel Network and Airline and Hospitality Solutions revenue is largely tied to travel suppliers' transaction volumes rather than to their unit pricing for an airplane ticket, hotel room or other travel products. This revenue is generally not contractually committed to recur annually under our agreements with our travel suppliers. As a result, our revenue is highly dependent on the global travel industry, particularly air travel from which we derive a substantial amount of our revenue, and directly correlates with global travel, tourism and transportation transaction volumes. Our revenue is therefore highly susceptible to declines in or disruptions to leisure and business travel that may be caused by factors entirely out of our control, and therefore may not recur if these declines or disruptions occur. Various factors may cause temporary or sustained disruption to leisure and business travel. The impact these disruptions would have on our business depends on the magnitude and duration of such disruption. These factors include, among others:

- financial instability of travel suppliers and the impact of any fundamental corporate changes to such travel suppliers, such as airline bankruptcies or consolidations, on the cost and availability of travel content;

- factors that affect demand for travel such as outbreaks of contagious diseases, including Ebola and the MERS virus, increases in fuel prices, changing attitudes towards the environmental costs of travel and safety concerns;

- inclement weather, natural or man-made disasters or political events like acts or threats of terrorism, hostilities and war;

- factors that affect supply of travel such as changes to regulations governing airlines and the travel industry, like government sanctions that do or would prohibit doing business with certain state-owned travel suppliers, work stoppages or labor unrest at any of the major airlines, hotels or airports; and

- general economic conditions.

Our Travel Network business and our Airline and Hospitality Solutions business depend on maintaining and renewing contracts with their customers and other counterparties.

In our Travel Network business, we enter into participating carrier distribution and services agreements with airlines. Our contracts with major carriers typically last for three to five year terms and are generally subject to automatic renewal at the end of the term, unless terminated by either party with the required advance notice. Our contracts with smaller airlines generally last for one year and are also subject to automatic renewal at the end of the term, unless terminated by either party with the required advance notice. Airlines are not contractually obligated to distribute exclusively through our GDS during the contract term and may terminate their agreements with us upon providing the required advance notice after the expiration of the initial term. We cannot guarantee that we will be able to renew our airline contracts in the future on favorable economic terms or at all.

We also enter into contracts with travel buyers. Although most of our travel buyer contracts have terms of one to three years, we typically have non-exclusive, five to ten year contracts with our major travel agency customers. We also typically have three- to five-year contracts with corporate travel departments, which generally renew automatically

unless terminated with the required advance notice. A meaningful portion of our travel buyer agreements, typically representing approximately 15% to 20% of our

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bookings, are up for renewal in any given year. We cannot guarantee that we will be able to renew our travel buyer agreements in the future on favorable economic terms or at all.

Similarly, our Airline and Hospitality Solutions business is based on contracts with travel suppliers for a typical duration of three to seven years for airlines and one to five years for hotels. We cannot guarantee that we will be able to renew our solutions contracts in the future on favorable economic terms or at all.

Additionally, we use several third-party distributor partners and joint ventures to extend our GDS services in EMEA. The termination of our contractual arrangements with any such third-party distributor partners and joint ventures could adversely impact our Travel Network business in the relevant markets. See “—We rely on third-party distributor partners and joint ventures to extend our GDS services to certain regions, which exposes us to risks associated with lack of direct management control and potential conflicts of interest” for more information on our relationships with our third-party distributor partners and joint ventures.

Our failure to renew some or all of these agreements on economically favorable terms or at all, or the early termination of these existing contracts, would adversely affect the value of our Travel Network business as a marketplace due to our limited content and distribution reach, which could cause some of our subscribers to move to a competing GDS or use other travel technology providers for the solutions we provide and would materially harm our business, reputation and brand. Our business therefore relies on our ability to renew our agreements with our travel buyers, travel suppliers, third-party distributor partners and joint ventures or developing relationships with new travel buyers and travel suppliers to offset any customer losses.

We are subject to a certain degree of revenue concentration among a portion of our customer base. Because of this concentration among a small number of customers, if an event were to adversely affect one of these customers, it would have a material impact on our business.

Our Travel Network business is exposed to pricing pressure from travel suppliers.

Travel suppliers continue to look for ways to decrease their costs and to increase their control over distribution. For example, the consolidation in the airline industry and the recent economic downturn, among other factors, have driven some airlines to negotiate for lower fees during contract renegotiations, thereby exerting increased pricing pressure on our Travel Network business, which, in turn, negatively affects our revenues and margins. In addition, travel suppliers’ use of alternative distribution channels, such as direct distribution through supplier-operated websites, may also adversely affect our contract renegotiations with these suppliers and negatively impact our transaction fee revenue. For example, as we attempt to renegotiate new agreements with our travel suppliers, they may withhold some or all of their content (fares and associated economic terms) for distribution exclusively through their direct distribution channels (for example, the relevant airline’s website) or offer travelers more attractive terms for content available through those direct channels after their contracts expire. As a result of these sources of negotiating pressure, we may have to decrease our prices to retain their business. If we are unable to renew our contracts with these travel suppliers on similar economic terms or at all, or if our ability to provide such content is similarly impeded, this would also adversely affect the value of our Travel Network business as a marketplace due to our more limited content. See “—Travel suppliers’ use of alternative distribution models, such as direct distribution models, could adversely affect our Travel Network business.”

Our Travel Network business depends on relationships with travel buyers.

Our Travel Network business relies on relationships with several large travel buyers, including travel management companies (“TMCs”) and OTAs, to generate a large portion of its revenue through bookings made by these travel companies. Such revenue concentration in a relatively small number of travel buyers makes us particularly dependent on factors affecting those companies. For example, if demand for their services decreases, or if a key supplier pulls its content from us, travel buyers may stop utilizing our services or move all or some of their business to competitors or competing channels.

Although our contracts with larger travel agencies often increase the incentive consideration when the travel agency processes a certain volume or percentage of its bookings through our GDS, travel buyers are not contractually required to book exclusively through our GDS during the contract term. Travel buyers may shift bookings to other distribution intermediaries for many reasons, including to avoid becoming overly dependent on a single source of travel content or to increase their bargaining power with GDS providers. Additionally, some regulations allow travel buyers to

terminate their contracts earlier.

These risks are exacerbated by increased consolidation among travel agencies and TMCs, which may ultimately reduce the pool of travel agencies that subscribe to GDSs. We must compete with other GDSs and other competitors for their business by offering competitive upfront incentive consideration, which, due to the strong bargaining power of these large travel buyers, tend to increase in each round of contract renewals. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results—Increasing travel agency incentive consideration” included in Part II, Item 7 of

our 2014 Annual Report on Form 10-K for more information about our incentive consideration. However, any reduction in transaction fees from travel suppliers due to supplier consolidation or other market forces could limit our ability to increase incentive consideration to travel agencies in a cost-effective manner or otherwise affect our margins.

Our travel supplier customers may experience financial instability or consolidation, pursue cost reductions, change their distribution model or undergo other changes.

We generate the majority of our revenue and accounts receivable from airlines. We also derive revenue from hotels, car rental brands, rail carriers, cruise lines, tour operators and other suppliers in the travel and tourism industries. Adverse changes in any of these relationships or the inability to enter into new relationships could negatively impact the demand for and competitiveness of our travel products and services. For example, a lack of liquidity in the capital markets or weak economic performance may cause our travel suppliers to increase the time they take to pay or to default on their payment obligations, which could lead to a higher level of bad debt expense and negatively affect our results. Any large-scale bankruptcy or other insolvency proceeding of an airline or hospitality supplier could subject our agreements with that customer to rejection or early termination. Because we generally do not require security or collateral from our customers as a condition of sale, our revenues may be subject to credit risk more generally. Furthermore, supplier consolidation, particularly in the airline industry, could harm our business. Our Travel Network business depends on a relatively small number of U.S.-based airlines for a substantial portion of its revenue, and all of our businesses are highly dependent on airline ticket volumes. Consolidation among airlines could result in the loss of an existing customer and the related fee revenue, decreased airline ticket volumes due to capacity restrictions implemented concurrently with the consolidation, and increased airline concentration and bargaining power to negotiate lower transaction fees. In addition, consolidation among travel suppliers may result in one or more suppliers refusing to provide certain content to Sabre but rather making it exclusively available on the suppliers' proprietary websites, hurting the competitive position of our GDS relative to those websites. See "—Travel suppliers' use of alternative distribution models, such as direct distribution models, could adversely affect our Travel Network and Travelocity businesses."

Our business could be harmed by adverse global and regional economic and political conditions.

Travel expenditures are sensitive to personal and business discretionary spending levels and grow more slowly or decline during economic downturns. We derive the majority of our revenue from the United States and Europe. Our geographic concentration in the United States and Europe makes our business particularly vulnerable to economic and political conditions that adversely affect business and leisure travel originating in or traveling to these countries. Despite signs of gradual recovery, there is still weakness in parts of the global economy, including increased unemployment, reduced financial capacity of both business and leisure travelers, diminished liquidity and credit availability, declines in consumer confidence and discretionary income and general uncertainty about economic stability. We cannot predict the magnitude, length or recurrence of recessionary economic patterns, which have impacted, and may continue to impact, demand for travel and lead to reduced spending on the services we provide. We derive the remainder of our revenues primarily from APAC, Latin America and MEA, where political instability and regulatory uncertainty are significantly higher than in Europe and the United States. Any unfavorable economic, political or regulatory developments in those regions could negatively affect our business, such as delays in payment or non-payment of contracts, delays in contract implementation or signing, carrier control issues and increased costs from regulatory changes particularly as parts of our growth strategy involve expanding our presence in these emerging markets. For example, the Russian economy has recently been negatively impacted by economic sanctions and the declining price of oil. These adverse economic conditions may negatively impact our business results in that region. As an additional example, Venezuela has imposed currency controls, including volume restrictions on the conversion of bolivars to U.S. dollars, which impact the ability of certain of our airline customers operating in the country to obtain U.S. dollars to make timely payments to us. Consequently, the collection of accounts receivable due to us can be, and has been, delayed. Due to the nature of this delay, we have recorded specific reserves against all outstanding balances due to us and are deferring the recognition of any future revenues effective January 1, 2014 until cash is collected in accordance with our policies. Accordingly, our accounts receivable are subject to a general collection risk, as there can be no assurance that we will be paid from such customers in a timely manner, if at all. In January 2014,

Venezuela announced a dual-foreign exchange rate system, which has effectively devalued the local currency and subjected airlines to an exchange rate for U.S. dollars available at auctions that has been significantly higher than the official exchange rate. In conjunction with the political and economic uncertainty in Venezuela, demand for travel by local consumers has declined. Certain airlines have scaled back operations in response to the reduced demand as well as the currency controls which has impacted our airline customers in Venezuela.

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Travel suppliers' use of alternative distribution models, such as direct distribution models, could adversely affect our Travel Network business.

Some travel suppliers that provide content to Travel Network, including some of Travel Network's largest airline customers, have sought to increase usage of direct distribution channels. For example, these travel suppliers are trying to move more consumer traffic to their proprietary websites, and some travel suppliers have explored direct connect initiatives linking their internal reservations systems directly with travel agencies or TMCs, thereby bypassing the GDSs. This direct distribution trend enables them to apply pricing pressure on intermediaries and negotiate travel distribution arrangements that are less favorable to intermediaries. With travel suppliers' adoption of certain technology solutions over the last decade, including those offered by our Airline and Hospitality Solutions business, air travel suppliers have increased the proportion of direct bookings relative to indirect bookings. In the future, airlines may increase their use of direct distribution, which may cause a material decrease in their use of our GDS. Travel suppliers may also offer travelers advantages through their websites such as special fares and bonus miles, which could make their offerings more attractive than those available through our GDS platform.

In addition, with respect to ancillary products, travel suppliers may choose not to comply with the technical standards that would allow ancillary products to be immediately distributed via intermediaries, thus resulting in a delay before these products become available through our GDS relative to availability through direct distribution. In addition, if enough travel suppliers choose not to develop ancillary products in a standardized way with respect to technical standards our investment in adapting our various systems to enable the sale of ancillary products may not be successful.

Companies with close relationships with end consumers, like Facebook, as well as new entrants introducing new paradigms into the travel industry, such as metasearch engines, may promote alternative distribution channels to our GDS by diverting consumer traffic away from intermediaries, which may adversely affect our GDS business.

Additionally, technological advancements may allow airlines and hotels to facilitate broader connectivity to and integration with large travel buyers, such that certain airline and hotel offerings could be made available directly to such travel buyers without the involvement of intermediaries such as Travel Network and its competitors.

We operate a global business that exposes us to risks associated with international activities.

Our international operations involve risks that are not generally encountered when doing business in the United States. These risks include, but are not limited to:

- changes in foreign currency exchange rates and financial risk arising from transactions in multiple currencies;
- difficulty in developing, managing and staffing international operations because of distance, language and cultural differences;
- disruptions to or delays in the development of communication and transportation services and infrastructure;
- business, political and economic instability in foreign locations, including actual or threatened terrorist activities, and military action;
- adverse laws and regulatory requirements, including more comprehensive regulation in the European Union ("EU");
- consumer attitudes, including the preference of customers for local providers;
- increasing labor costs due to high wage inflation in foreign locations, differences in general employment conditions and the degree of employee unionization and activism;
- export or trade restrictions or currency controls; more restrictive data privacy requirements;
- governmental policies or actions, such as consumer, labor and trade protection measures;
- taxes, restrictions on foreign investment and limits on the repatriation of funds;
- diminished ability to legally enforce our contractual rights; and
- decreased protection for intellectual property.

Any of the foregoing risks may adversely affect our ability to conduct and grow our business internationally, including Abacus which is managed as a region of our Travel Network segment.

The travel distribution market is highly competitive, and we are subject to competition from other GDS providers, direct distribution by travel suppliers and new entrants or technologies that may challenge the GDS business model. The evolution of the global travel and tourism industry, the introduction of new technologies and standards and the expansion of existing technologies in key markets, among other factors, could contribute to an intensification of competition in the business areas and regions in which we operate. Increased competition could require us to increase spending on marketing activities or product development, to decrease our booking or transaction fees and other charges (or defer planned increases in such fees and charges), to increase incentive consideration or take other actions that could harm our business. A GDS has two broad categories of customers: (i) travel suppliers, such as airlines, hotels, car rental brands, rail carriers, cruise lines and tour operators, and (ii) travel buyers, such as online and offline travel agencies, TMCs and corporate travel departments. The competitive positioning of a GDS depends on the success it achieves with both customer categories. Other factors that may affect the competitive success of a GDS include the comprehensiveness, timeliness and accuracy of the travel content offered, the reliability, ease of use and innovativeness of the technology, the incentive consideration provided to travel agencies, the transaction fees charged to travel suppliers and the range of products and services available to travel suppliers and travel buyers. Our GDS competitors could seek to capture market share by offering more differentiated content, products or services, increasing the incentive consideration to travel agencies, or decreasing the transaction fees charged to travel suppliers, which would harm our business to the extent they gain market share from us or force us to respond by lowering our prices or increasing the incentive consideration we provide.

We cannot guarantee that we will be able to compete successfully against our current and future competitors in the travel distribution market, some of which may achieve greater brand recognition than us, have greater financial, marketing, personnel and other resources or be able to secure services and products from travel suppliers on more favorable terms. If we fail to overcome these competitive pressures, we may lose market share and our business may otherwise be negatively affected.

Our ability to maintain and grow our Airline and Hospitality Solutions business may be negatively affected by competition from other third-party solutions providers and new participants that seek to enter the solutions market. Our Airline and Hospitality Solutions business principally faces competition from existing third-party solutions providers. We also compete with various point solutions providers on a more limited basis in several discrete functional areas. For our Hospitality Solutions business, we face competition across many aspects of our business but our primary competitors are in the hospitality Central Reservations System and Property Management System fields. Although new entrants specializing in a particular type of software occasionally enter the solutions market, they typically focus on emerging or evolving business problems, niche solutions or small regional customers.

Factors that may affect the competitive success of our Airline and Hospitality Solutions business include our pricing structure, our ability to keep pace with technological developments, the effectiveness and reliability of our implementation and system migration processes, our ability to meet a variety of customer specifications, the effectiveness and reliability of our systems, the cost and efficiency of our system upgrades and our customer support services. Our failure to compete effectively on these and other factors could decrease our market share and negatively affect our Airline and Hospitality Solutions business.

Our success depends on maintaining the integrity of our systems and infrastructure, which may suffer from failures, capacity constraints, business interruptions and forces outside of our control.

We may be unable to maintain and improve the efficiency, reliability and integrity of our systems. Unexpected increases in the volume of our business could exceed system capacity, resulting in service interruptions, outages and delays. Such constraints can also lead to the deterioration of our services or impair our ability to process transactions. We occasionally experience system interruptions that make certain of our systems unavailable including, but not limited to, our GDS and the services that our Airline and Hospitality Solutions business provides to airlines and hotels. System interruptions may prevent us from efficiently providing services to customers or other third parties, which could cause damage to our reputation and result in our losing customers and revenues or cause us to incur litigation and liabilities. Although we have contractually limited our liability for damages caused by outages of our GDS (other than damages caused by our gross negligence or willful misconduct), we cannot guarantee that we will not be subject to lawsuits or other claims for compensation from our customers in connection with such outages for which

we may not be indemnified or compensated.

Our systems may also be susceptible to external damage or disruption. Much of the computer and communications hardware upon which we depend is located across multiple data center facilities in a single geographic region. Our systems could be damaged or disrupted by power, hardware, software or telecommunication failures, human errors, natural events including floods, hurricanes, fires, winter storms, earthquakes and tornadoes, terrorism, break-ins, hostilities, war or similar events. Computer viruses, denial of service attacks, physical or electronic break-ins and similar disruptions affecting the Internet, telecommunication services or our systems could cause service interruptions or the loss of critical data, and could prevent us from providing timely services. See

“—Security breaches could expose us to liability and damage our reputation and our business.” Failure to efficiently provide services to customers or other third parties could cause damage to our reputation and result in the loss of customers and revenues, significant recovery costs or litigation and liabilities. Moreover, such risks are likely to increase as we expand our business and as the tools and techniques involved become more sophisticated.

Although we have implemented measures intended to protect certain systems and critical data and provide comprehensive disaster recovery and contingency plans for certain customers that purchase this additional protection, these protections and plans are not in place for all systems. Furthermore, several of our existing critical backup systems are located in the same metropolitan area as our primary systems and we may not have sufficient disaster recovery tools or resources available, depending on the type or size of the disruption. Disasters affecting our facilities, systems or personnel might be expensive to remedy and could significantly diminish our reputation and our brands, and we may not have adequate insurance to cover such costs.

Customers and other end-users who rely on our software products and services, including our SaaS and hosted offerings, for applications that are integral to their businesses may have a greater sensitivity to product errors and security vulnerabilities than customers for software products generally. Additionally, security breaches that affect third parties upon which we rely, such as travel suppliers, may further expose us to negative publicity, possible liability or regulatory penalties. Events outside our control could cause interruptions in our IT systems, which could have a material adverse effect on our business operations and harm our reputation.

Security breaches could expose us to liability and damage our reputation and our business.

We process, store, and transmit large amounts of data, including personal information of our customers, and it is critical to our business strategy that our facilities and infrastructure, including those provided by HP or other vendors, remain secure and are perceived by the marketplace to be secure. Our infrastructure may be vulnerable to physical break-ins, computer viruses, or similar disruptive problems.

In addition, we, like most technology companies, are the target of cybercriminals who attempt to compromise our systems. From time to time, we experience cybersecurity incidents that have to be identified and remediated to protect sensitive information along with our intellectual property and our overall business. To address these threats and intrusions, we have a team of experienced security experts and support from firms that specialize in cybersecurity. We recently have been made aware of a cybersecurity incident involving several servers managed by a third party. Accordingly, we are conducting an investigation with respect to this incident. At this time, we have not detected any evidence to indicate the compromise of sensitive protected information, such as payment card industry data (“PCI”) or personally identifiable information (“PII”), in connection with this incident. There is a risk that this investigation may reveal that PII, PCI or other material assets have been compromised or that new breaches could occur and sensitive or material information could be compromised in the future. The costs of this investigation, as well as any remediation of the costs related to the incident, may be material. We assume no obligation and expressly disclaim any duty to update related hereto except as required by law.

Any physical or electronic break-in, cybersecurity incidents or other security breach or compromise of the information handled by us or our service providers may jeopardize the security or integrity of information in our computer systems and networks or those of our customers and cause significant interruptions in our and our customers’ operations.

Any systems and processes that we have developed that are designed to protect customer information and prevent data loss and other security breaches cannot provide absolute security. In addition, we may not successfully implement remediation plans to address all potential exposures. It is possible that we may have to expend additional financial and other resources to address such problems. Failure to prevent or mitigate data loss or other security breaches could expose us or our customers to a risk of loss or misuse of such information, cause customers to lose confidence in our data protection measures, damage our reputation, adversely affect our operating results or result in litigation or potential liability for us. While we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks including this incident, such insurance coverage is subject to a retention amount and may be insufficient to cover all our losses beyond any retention.

Implementation of software solutions often involves a significant commitment of resources, and any failure to deliver as promised on a significant implementation could adversely affect our business.

In our Travel Network business and our Airline and Hospitality Solutions business, the implementation of software solutions often involves a significant commitment of resources and is subject to a number of significant risks over which we may or may not have control. These risks include:

• the features of the implemented software may not meet the expectations or fit the business model of the customer;

our limited pool of trained experts for implementations cannot quickly and easily be augmented for complex implementation projects, such that resources issues, if not planned and managed effectively, could lead to costly project delays;

customer-specific factors, such as the stability, functionality, interconnection and scalability of the customer's pre-existing information technology infrastructure, as well as financial or other circumstances could destabilize, delay or prevent the completion of the implementation process, which, for airline reservations systems, typically takes 12 to 18 months; and

customers and their partners may not fully or timely perform the actions required to be performed by them to ensure successful implementation, including measures we recommend to safeguard against technical and business risks.

As a result of these and other risks, some of our customers may incur large, unplanned costs in connection with the purchase and installation of our software products. Also, implementation projects could take longer than planned or fail. We may not be able to reduce or eliminate protracted installation or significant additional costs. Significant delays or unsuccessful customer implementation projects could result in claims from customers, harm our reputation and negatively impact our operating results.

We rely on the availability and performance of information technology services provided by third parties, including HP, which manages a significant portion of our systems.

Our businesses are largely dependent on the computer data centers and network systems operated for us by HP. We also rely on other developers and service providers to maintain and support our global telecommunications infrastructure, including to connect our computer data center and call centers to end-users.

Our success is dependent on our ability to maintain effective relationships with these third-party technology and service providers. Some of our agreements with third-party technology and service providers are terminable for cause on short notice and often provide limited recourse for service interruptions. For example, our agreement with HP provides us with limited indemnification rights. We could face significant additional cost or business disruption if: Any such providers fail to enable us to provide our customers and suppliers with reliable, real-time access to our systems. For example, in August 2013, we experienced a significant outage of the Sabre platform due to a failure on the part of one of our service providers. This outage, which affected both our Travel Network business and our Airline Solutions business, lasted several hours and caused significant problems for our customers. Any such future outages could cause damage to our reputation, customer loss and require us to pay compensation to affected customers for which we may not be indemnified or compensated.

Our arrangements with such providers are terminated or impaired and we cannot find alternative sources of technology or systems support on commercially reasonable terms or on a timely basis. For example, our substantial dependence on HP for many of our systems makes it difficult for us to switch vendors and makes us more sensitive to changes in HP's pricing for its services.

Any inability or failure to adapt to technological developments or the evolving competitive landscape could harm our business operations and competitiveness.

We depend upon the use of sophisticated information technology and systems. Our competitiveness and future results depend on our ability to maintain and make timely and cost-effective enhancements, upgrades and additions to our products, services, technologies and systems in response to new technological developments, industry standards and trends and customer demands. For example, we currently utilize mainframe infrastructure technology for certain of our enterprise applications and platforms due to its ability to provide the reliability and scalability we require for our complex technological operations. Because the number of users and programmers able to service this technology is decreasing, we may eventually have to migrate to another business environment, which could cause us to incur substantial costs, result in instability and business interruptions and materially harm our business.

Adapting to new technological and marketplace developments, such as IATA's proposed new distribution capability ("NDC"), may require substantial expenditures and lead time and we cannot guarantee that projected future increases in business volume will actually materialize. We may experience difficulties that could delay or prevent the successful development, marketing and implementation of enhancements, upgrades and additions. Moreover, we may fail to maintain, upgrade or introduce new products, services, technologies and systems as quickly as our competitors or in a cost-effective manner. For example, we must constantly update our GDS with new capabilities to adapt to the

changing technological environment and customer needs. However, this process can be costly and time-consuming, and our efforts may not be successful as compared to our competitors in the travel

distribution market. Those that we do develop may not achieve acceptance in the marketplace sufficient to generate material revenue or may be rendered obsolete or non-competitive by our competitors' offerings.

In addition, our competitors are constantly increasing their product and service offerings through organic research and development or through strategic acquisitions. As a result, we must continue to invest significant resources in research and development in order to continually improve the speed, accuracy and comprehensiveness of our services and we may be required to make changes to our technology platforms or increase our investment in technology, increase marketing, adjust prices or business models and take other actions, which could affect our financial performance and liquidity.

We use open source software in our solutions that may subject our software solutions to general release or require us to re-engineer our solutions.

We use open source software in our solutions and may use more open source software in the future. From time to time, there have been claims by companies claiming ownership of software that was previously thought to be open source and that was incorporated by other companies into their products. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. If we combine or, in some cases, link our proprietary software solutions with or to open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software solutions or license such proprietary solutions under the terms of a particular open source license or other license granting third parties certain rights of further use. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. In addition, open source license terms may be ambiguous and many of the risks associated with usage of open source cannot be eliminated, and could, if not properly addressed, negatively affect our business. If we were found to have inappropriately used open source software, we may be required to seek licenses from third parties in order to continue offering our software, to re-engineer our solutions, to discontinue the sale of our solutions in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, operating results and financial condition.

Our ability to recruit, train and retain technical employees is critical to our results of operations and future growth. Our continued ability to compete effectively depends on our ability to recruit new employees and retain and motivate existing employees, particularly professionals with experience in our industry, information technology and systems. The specialized skills we require can be difficult and time-consuming to acquire and are often in short supply. There is high demand and competition for well-qualified employees on a global basis, such as software engineers, developers and other technology professionals with specialized knowledge in software development, especially expertise in certain programming languages. This competition affects both our ability to retain key employees and to hire new ones. Any of our employees may choose to terminate their employment with us at any time, and a lengthy period of time is required to hire and train replacement employees when such skilled individuals leave the company. If we fail to attract well-qualified employees or to retain or motivate existing employees, our business could be materially hindered by, for example, a delay in our ability to deliver products and services under contract, bring new products and services to market or respond swiftly to customer demands or new offerings from competitors. Even if we are able to maintain our employee base, the resources needed to recruit and retain such employees may adversely affect our business, financial condition and results of operations.

We rely on third-party distributor partners and joint ventures to extend our GDS services to certain regions, which exposes us to risks associated with lack of direct management control and potential conflicts of interest.

Our Travel Network business utilizes third-party distributor partners and joint ventures to extend our GDS services in EMEA. We work with these partners to establish and maintain commercial and customer service relationships with both travel suppliers and travel buyers. Since we do not exercise management control over their day-to-day operations, the success of their marketing efforts and the quality of the services they provide are beyond our control. If

these partners do not meet our standards for distribution, our reputation may suffer materially, and sales in those regions could decline significantly. Any interruption in these third-party services, deterioration in their performance or termination of our contractual arrangements with them could negatively impact our ability to extend our GDS services in the relevant markets. In addition, our business may be harmed due to potential conflicts of interest with our joint venture partners.

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We are exposed to risks associated with acquiring or divesting businesses or business operations.

We have acquired, and, as part of our growth strategy, may in the future acquire, businesses or business operations, including our recent acquisition of the remaining interest in Abacus. We may not be able to identify suitable candidates for additional business combinations and strategic investments, obtain financing on acceptable terms for such transactions, obtain necessary regulatory approvals or otherwise consummate such transactions on acceptable terms, or at all. Any acquisitions that we are able to identify and complete may also involve a number of risks, including our inability to successfully or profitably integrate, operate, maintain and manage our newly acquired operations or employees; the diversion of our management's attention from our existing business to integrate operations and personnel; possible material adverse effects on our results of operations during the integration process; becoming subject to contingent or other liabilities, including liabilities arising from events or conduct predating the acquisition that were not known to us at the time of the acquisition; and our possible inability to achieve the intended objectives of the transaction, including the inability to achieve cost savings and synergies. Acquisitions may also have unanticipated tax, regulatory and accounting ramifications, including recording goodwill and nonamortizable intangible assets that are subject to impairment testing on a regular basis and potential periodic impairment charges and incurring amortization expenses related to certain intangible assets. To consummate any such transactions, we may need to raise external funds through the sale of equity or debt in the capital markets or through private placements, which may affect our liquidity and may dilute the value of our common stock.

We have also divested, and may in the future divest, businesses or business operations. Any divestitures may involve a number of risks, including the diversion of management's attention, significant costs and expenses, the loss of customer relationships and cash flow, and the disruption of the affected business or business operations. Failure to timely complete or to consummate a divestiture may negatively affect the valuation of the affected business or business operations or result in restructuring charges.

We rely on the value of our brands, which may be damaged by a number of factors, some of which are out of our control.

We believe that maintaining and expanding our portfolio of product and service brands are important aspects of our efforts to attract and expand our customer base. Our brands may be negatively impacted by, among other things, unreliable service levels from third-party providers, customers' inability to properly interface their applications with our technology, the loss or unauthorized disclosure of personal data, or other bad publicity due to litigation, regulatory concerns or otherwise relating to our business. See “—Security breaches could expose us to liability and damage our reputation and our business.” Any inability to maintain or enhance awareness of our brands among our existing and target customers could negatively affect our current and future business prospects.

We are involved in various legal proceedings which may cause us to incur significant fees, costs and expenses and may result in unfavorable outcomes.

We are involved in various legal proceedings that involve claims for substantial amounts of money or which involve how we conduct our business. See Note 11, Contingencies, to our consolidated financial statements included in Part I, Item 1. For example, a number of state and local governments have filed lawsuits against us pertaining to sales or occupancy taxes they claim are due on some or all of our fees relating to hotel content distributed and sold via the merchant revenue model. Even if we are successful in defending these types of lawsuits, state and local governments could adopt new ordinances directly taxing hotel booking fees and we may not be able to successfully challenge such ordinances.

Additionally, we are involved in antitrust litigation with US Airways. If we cannot resolve this matter favorably, we could be subject to (i) payment of reasonable attorneys' fees and costs or (ii) declaratory relief. Other parties might likewise seek to benefit from any unfavorable outcome by bringing their own claims against us on the same or similar grounds. We are also subject to a U.S. Department of Justice (“DOJ”) antitrust investigation relating to the pricing and conduct of the airline distribution industry. We received a civil investigative demand (“CID”) from the DOJ and we are fully cooperating. The DOJ has also sent CIDs to other companies in the travel industry. Based on its findings in the investigation, the DOJ may (i) close the file, (ii) seek a consent decree to remedy issues it believes violate the antitrust laws, or (iii) file suit against us for violating the antitrust laws, seeking injunctive relief. With respect to both the US Airways and DOJ proceedings, if declaratory relief were to be granted, depending on its scope, it could affect the

manner in which our airline distribution business is operated and potentially force changes to the existing airline distribution business model.

The defense of these actions, as well as any of the other actions described in Note 11, Contingencies, to our consolidated financial statements included in Part I, Item 1 and any other actions brought against us in the future, is time consuming and diverts management's attention. Even if we are ultimately successful in defending ourselves in such matters, we are likely to incur significant fees, costs and expenses as long as they are ongoing. Any of these consequences could have a material adverse effect on our business, financial condition and results of operations.

Intellectual property infringement actions against us could be costly and time consuming to defend and may result in business harm if we are unsuccessful in our defense.

Third parties may assert, including by means of counterclaims against us as a result of the assertion of our intellectual property rights, that our products, services or technology, or the operation of our business, violate their intellectual property rights. We are currently subject to such assertions, including patent infringement claims, and may be subject to such assertions in the future. Such assertions may also be made against our customers who may seek indemnification from us. In the ordinary course of business, we enter into agreements that contain indemnity obligations whereby we are required to indemnify our customers against such assertions arising from our customers' usage of our products, services or technology. As the competition in our industry increases and the functionality of technology offerings further overlaps, such claims and counterclaims could become more common. We cannot be certain that we do not or will not infringe third parties' intellectual property rights.

Legal proceedings involving intellectual property rights are highly uncertain, and can involve complex legal and scientific questions. Any intellectual property claim against us, regardless of its merit, could result in significant liabilities to our business, and can be expensive and time consuming to defend. Depending on the nature of such claims, our businesses may be disrupted, our management's attention and other company resources may be diverted and we may be required to redesign, reengineer or rebrand our products and services, if feasible, to stop offering certain products and services or to enter into royalty or licensing agreements in order to obtain the rights to use necessary technologies, which may not be available on terms acceptable to us, if at all, and may result in a decrease of our competitive advantage. Our failure to prevail in such matters could result in loss of intellectual property rights, judgments awarding substantial damages, including possible treble damages and attorneys' fees, and injunctive or other equitable relief against us. If we are held liable, we may be unable to exploit some or all of our intellectual property rights or technology. Even if we are not held liable, we may choose to settle claims by making a monetary payment or by granting a license to intellectual property rights that we otherwise would not license. Further, judgments may result in loss of reputation, may force us to take costly remediation actions, delay selling our products and offering our services, reduce features or functionality in our services or products, or cease such activities altogether. Insurance may not cover or be insufficient for any such claim.

We may not have sufficient insurance to cover our liability in pending litigation claims and future claims either due to coverage limits or as a result of insurance carriers seeking to deny coverage of such claims, which in either case could expose us to significant liabilities.

We maintain third-party insurance coverage against various liability risks, including securities, stockholders, derivative, ERISA, and product liability claims, as well as other claims that form the basis of litigation matters pending against us. We believe these insurance programs are an effective way to protect our assets against liability risks. However, the potential liabilities associated with litigation matters pending against us, or that could arise in the future, could exceed the coverage provided by such programs. In addition, our insurance carriers have sought or may seek to rescind or deny coverage with respect to pending claims or lawsuits, completed investigations or pending or future investigations and other legal actions against us. See Note 11, Contingencies, to our consolidated financial statements included in Part I, Item 1 for more information on our current litigation with our insurance carriers. If we do not have sufficient coverage under our policies, or if the insurance companies are successful in rescinding or denying coverage, we may be required to make material payments in connection with third-party claims.

We may not be able to protect our intellectual property effectively, which may allow competitors to duplicate our products and services.

Our success and competitiveness depend, in part, upon our technologies and other intellectual property, including our brands. Among our significant assets are our proprietary and licensed software and other proprietary information and intellectual property rights. We rely on a combination of copyright, trademark and patent laws, laws protecting trade secrets, confidentiality procedures and contractual provisions to protect these assets both in the United States and in foreign countries. The laws of some jurisdictions may provide less protection for our technologies and other intellectual property assets than the laws of the United States.

There is no certainty that our intellectual property rights will provide us with substantial protection or commercial benefit. Despite our efforts to protect our intellectual property, some of our innovations may not be protectable, and

our intellectual property rights may offer insufficient protection from competition or unauthorized use, lapse or expire, be challenged, narrowed, invalidated, or misappropriated by third parties, or be deemed unenforceable or abandoned, which could have a material adverse effect on our business, financial condition and results of operations and the legal remedies available to us may not adequately compensate us. We cannot be certain that others will not independently develop, design around, or otherwise acquire equivalent or superior technology or intellectual property rights. While we take reasonable steps to protect our brands and trademarks, we may not be successful in maintaining or defending our brands or preventing third parties from adopting similar brands. If our competitors infringe our principal

trademarks, our brands may become diluted or if our competitors introduce brands or products that cause confusion with our brands or products in the marketplace, the value that our consumers associate with our brands may become diminished, which could negatively impact revenue.

Our patent applications may not be granted, and the patents we own could be challenged, invalidated, narrowed or circumvented by others and may not be of sufficient scope or strength to provide us with any meaningful protection or commercial advantage. Once our patents expire, or if they are invalidated, narrowed or circumvented, our competitors may be able to utilize the technology protected by our patents which may adversely affect our business.

Although we rely on copyright laws to protect the works of authorship created by us, we do not generally register the copyrights in our copyrightable works where such registration is permitted. Copyrights of U.S. origin must be registered before the copyright owner may bring an infringement suit in the United States. Accordingly, if one of our unregistered copyrights of U.S. origin is infringed by a third party, we will need to register the copyright before we can file an infringement suit in the United States, and our remedies in any such infringement suit may be limited.

We use reasonable efforts to protect our trade secrets. However, protecting trade secrets can be difficult and our efforts may provide inadequate protection to prevent unauthorized use, misappropriation, or disclosure of our trade secrets, know how, or other proprietary information.

We also rely on our domain names to conduct our online businesses. While we use reasonable efforts to protect and maintain our domain names, if we fail to do so the domain names may become available to others. Further, the regulatory bodies that oversee domain name registration may change their regulations in a way that adversely affects our ability to register and use certain domain names.

We license software and other intellectual property from third parties. Such licensors may breach or otherwise fail to perform their obligations, or claim that we have breached or otherwise attempt to terminate their license agreements with us. We also rely on license agreements to allow third parties to use our intellectual property rights, including our software, but there is no guarantee that our licensees will abide by the terms of our license agreements or that the terms of our agreements will always be enforceable.

In addition, policing unauthorized use of and enforcing intellectual property can be difficult and expensive. The fact that we have intellectual property rights, including registered intellectual property rights, may not guarantee success in our attempts to enforce these rights against third parties. Besides general litigation risks, changes in, or interpretations of, intellectual property laws may compromise our ability to enforce our rights. We may not be aware of infringement or misappropriation, or elect not to seek to prevent it. Our decisions may be based on a variety of factors, such as costs and benefits of taking action, and contextual business, legal, and other issues. Any inability to adequately protect our intellectual property on a cost-effective basis could harm our business.

Defects in our products may subject us to significant warranty liabilities or product liability claims and we may have insufficient product liability insurance to pay material uninsured claims.

Our Airline and Hospitality Solutions business exposes us to the risk of product liability claims that are inherent in software development. We may inadvertently create defective software, or supply our customers with defective software or software components that we acquire from third parties, which could result in personal injury or property damage, and may result in warranty or product liability claims brought against us, our travel supplier customers or third parties.

Under our Airline and Hospitality Solutions business' agreements, we generally must indemnify our customers for liability arising from intellectual property infringement claims with respect to our software. These indemnification obligations could be significant and we may not have adequate insurance coverage to protect us against all claims. We currently rely on a combination of self-insurance and third-party insurance to cover potential product liability exposure. The combination of our insurance coverage, cash flows and reserves may not be adequate to satisfy product liabilities we may incur in the future. Even meritless claims could subject us to adverse publicity, hinder us from securing insurance coverage in the future, require us to incur significant legal fees, decrease demand for any products that we successfully develop, divert management's attention, and force us to limit or forgo further development and commercialization of these products. The cost of any product liability litigation or other proceedings, even if resolved in our favor, could be substantial.

Any failure to comply with regulations or any changes in such regulations governing our businesses could adversely affect us.

Parts of our business operate in regulated industries and could be adversely affected by unfavorable changes in or the enactment of new laws, rules or regulations applicable to us, which could decrease demand for our products and services, increase costs or subject us to additional liabilities. Moreover, regulatory authorities have relatively broad discretion to grant, renew and revoke licenses and approvals and to implement or interpret regulations. Accordingly, such regulatory authorities could prevent or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us if our practices were found not to comply with the applicable regulatory or licensing requirements or any interpretation of such requirements by the regulatory authority. Our failure to comply with any of these requirements or interpretations could have a material adverse effect on our operations. In particular, after a voluntary disclosure, we received a warning letter from the Bureau of Industry and Security regarding our failure to comply fully with the Export Administration Regulations as to software updates for a few travel agency customers located outside the United States. Although the Bureau of Industry and Security declined to prosecute or sanction us, if we were to violate the Export Administration Regulations again, the matter could be reopened or taken into consideration when investigating future matters and we may be subject to criminal prosecution or administrative sanctions.

Further, the United States has imposed economic sanctions that affect transactions with designated foreign countries, including Cuba, Iran, Sudan and Syria, and nationals and others of those countries, and certain specifically targeted individuals and entities engaged in conduct detrimental to U.S. national security interests. These sanctions are administered by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") and are typically known as the OFAC regulations. Failure to comply with such regulations could subject us to legal and reputational consequences, including civil and criminal penalties.

We have GDS contracts with carriers that fly to Cuba, Iran, Sudan and Syria but are based outside of those countries and are not owned by those governments or nationals of those governments. With respect to Iran, Sudan and Syria we believe that our activities comply with certain travel-related exemptions. With respect to Cuba, for customers outside the United States we display on the Sabre GDS flight information for, and support booking and ticketing of, services of non-Cuban airlines that offer service to Cuba. Based on advice of counsel, we believe these activities to fall under an exemption from OFAC regulations applicable to the transmission of information and informational materials and transactions related thereto.

We believe that our activities with respect to these countries are known to OFAC. We note, however, that OFAC regulations and related interpretive guidance are complex and subject to varying interpretations. Due to this complexity, OFAC's interpretation of its own regulations and guidance vary on a case to case basis. As a result, we cannot provide any guarantees that OFAC will not challenge any of our activities in the future, which could have a material adverse effect on our results of operations.

In Europe, GDS regulations or interpretations thereof may increase our cost of doing business or lower our revenues, limit our ability to sell marketing data, impact relationships with travel buyers, airlines, rail carriers or others, impair the enforceability of existing agreements with travel buyers and other users of our system, prohibit or limit us from offering services or products, or limit our ability to establish or change fees. Although regulations specifically governing GDSs have been lifted in the United States, they remain subject to general regulation regarding unfair trade practices by the U.S. Department of Transportation ("DOT"). In addition, continued regulation of GDSs in the EU and elsewhere could also create the operational challenge of supporting different products, services and business practices to conform to the different regulatory regimes. We do not currently maintain a central database of all regulatory requirements affecting our worldwide operations and, as a result, the risk of non-compliance with the laws and regulations described above is heightened. Our failure to comply with these laws and regulations may subject us to fines, penalties and potential criminal violations. Any changes to these laws or regulations or any new laws or regulations may make it more difficult for us to operate our business.

Our collection, processing, storage, use and transmission of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements, differing views on data privacy or security breaches.

In our processing of travel transactions, we collect, process, store, use and transmit large amounts of sensitive personal data. This information is increasingly subject to legal restrictions around the world, which may result in conflicting legal requirements in the United States and other jurisdictions. For example, the U.S. Congress and federal agencies, including the Federal Trade Commission, have started to take a more aggressive stance in drafting and enforcing privacy and data protection laws. The EU is also in the process of proposing reforms to its existing data protection legal framework. These legal restrictions are generally intended to protect the privacy and security of personal information, including credit card information that is collected, processed and transmitted in or from the governing jurisdiction. Companies that handle this type of data have also been subject to investigations, lawsuits and adverse publicity due to allegedly improper disclosure or use of sensitive personal information. As privacy and data protection becomes an increasingly politicized issue, we may also become exposed to potential liabilities as a result of conflicting legal requirements, differing views on the privacy of travel data or failure to comply with applicable

requirements. Our business could be materially adversely affected if we are unable or unwilling to comply with legal restrictions on the use of sensitive personal information or if such restrictions are expanded to require changes in our current business practices or are interpreted in ways that conflict with or negatively impact our present or future business practices. Additionally, we are required to indemnify some of our customers for liability arising from data breaches under the terms of our agreements with such customers. These indemnification obligations could be significant and we may not have adequate insurance coverage to protect us against all claims. See “—Security breaches could expose us to liability and damage our reputation and our business.”

We may have higher than anticipated tax liabilities.

We are subject to a variety of taxes in many jurisdictions globally, including income taxes in the United States at the federal, state and local levels, and in many other countries. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We operate in numerous countries where our income tax returns are subject to audit and adjustment by local tax authorities. Because we operate globally, the nature of the uncertain tax positions is often very complex and subject to change, and the amounts at issue can be substantial. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We re-evaluate uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Although we believe our tax estimates are reasonable, the final determination of tax audits could be materially different from our historical income tax provisions and accruals. Our effective tax rate may change from year to year based on changes in the mix of activities and income allocated or earned among various jurisdictions, tax laws in these jurisdictions, tax treaties between countries, our eligibility for benefits under those tax treaties, and the estimated values of deferred tax assets and liabilities. Such changes could result in an increase in the effective tax rate applicable to all or a portion of our income which would reduce our profitability.

We establish reserves for our potential liability for U.S. and non-U.S. taxes, including sales, occupancy and value-added taxes (“VAT”), consistent with applicable accounting principles and in light of all current facts and circumstances. We have also established reserves relating to the collection of refunds related to value-added taxes, which are subject to audit and collection risks in various regions of Europe. Recently our right to recover certain value-added tax receivables associated with our European businesses has been questioned by tax authorities. These 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.

We consider the undistributed earnings of our foreign subsidiaries as of September 30, 2015 to be indefinitely reinvested and, accordingly, no U.S. income taxes have been provided thereon. If such cash, cash equivalents and marketable securities are needed for our operations in the United States, we would be required to accrue and pay taxes to repatriate all such cash, cash equivalents and marketable securities. We have not, nor do we anticipate the need to, repatriate funds to the United States to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements.

New tax laws, statutes, rules, regulations or ordinances could be enacted at any time and existing tax laws, statutes, rules, regulations and ordinances could be interpreted, changed, modified or applied adversely to us. These events could require us to pay additional tax amounts on a prospective or retroactive basis, as well as require us to pay fees, penalties or interest for past amounts deemed to be due. For example, there have been proposals to amend U.S. tax laws that would significantly impact how U.S. companies are taxed on foreign earnings. New, changed, modified or newly interpreted or applied laws could also increase our compliance, operating and other costs, as well as the costs of our products and services.

We may recognize impairments on long-lived assets, including goodwill and other intangible assets, or recognize impairments on our equity method investments.

Our consolidated balance sheet at September 30, 2015 contained intangible assets, net, including goodwill, of approximately \$3,298 million. Future acquisitions that result in the recognition of additional goodwill and intangible assets would cause an increase in these types of assets. We do not amortize goodwill and intangible assets that are

determined to have indefinite useful lives, but we amortize definite-lived intangible assets on a straight-line basis over their useful economic lives, which range from four to thirty years, depending on classification.

We evaluate goodwill for impairment on an annual basis or earlier if impairment indicators exist and we evaluate definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of definite-lived intangible assets used in combination to generate cash flows largely independent of other assets may not be recoverable. We

record an impairment charge whenever the estimated fair value of our reporting units or of such intangible assets is less than its carrying value.

The fair values used in our impairment evaluation are estimated using a combined approach based upon discounted future cash flow projections and observed market multiples for comparable businesses. Changes in estimates based on changes in risk-adjusted discount rates, future booking and transaction volume levels, future price levels, rates of growth in our consumer and corporate direct booking businesses, rates of increase in operating expenses, cost of revenue and taxes could result in material impairment charges.

Our pension plan obligations are currently unfunded, and we may have to make significant cash contributions to our plans, which could reduce the cash available for our business.

Our pension plans in the aggregate are estimated to be unfunded by \$89 million as of December 31, 2014. With approximately 5,300 participants in our pension plans, we incur substantial costs relating to pension benefits, which can vary substantially as a result of changes in healthcare laws and costs, volatility in investment returns on pension plan assets and changes in discount rates used to calculate related liabilities. Our estimates of liabilities and expenses for pensions and other post-retirement healthcare benefits require the use of assumptions, including assumptions relating to the rate used to discount the future estimated liability, the rate of return on plan assets, inflation and several assumptions relating to the employee workforce (medical costs, retirement age and mortality). Actual results may differ, which may have a material adverse effect on our business, prospects, financial condition or results of operations. Future volatility and disruption in the stock markets could cause a decline in the asset values of our pension plans. In addition, a decrease in the discount rate used to determine minimum funding requirements could result in increased future contributions. If either occurs, we may need to make additional pension contributions above what is currently estimated, which could reduce the cash available for our businesses.

We are exposed to risks associated with PCI compliance.

The PCI Data Security Standard (“PCI DSS”) is a set of comprehensive requirements endorsed by credit card issuers for enhancing payment account data security that includes requirements for security management, policies, procedures, network architecture, software design and other critical protective measures. PCI DSS compliance is required in order to maintain credit card processing facilities. The cost of compliance with the PCI DSS is significant and may increase as the requirements change. We are tested periodically for compliance with the current version and our last assessment was completed in June 2015. We were found to be compliant in that assessment. Compliance does not guarantee a completely secure environment. Moreover, compliance is an ongoing activity and the formal requirements likely will evolve as new threats and protective measures are identified. In the event that we were to lose PCI DSS compliance (or fail to achieve compliance with a future version of the PCI DSS), we could be exposed to increased operating costs, fines and penalties and, in extreme circumstances, may have our credit card processing privileges revoked, which would have a material adverse effect on our business.

We may require more cash than we generate in our operating activities, and additional funding on reasonable terms or at all may not be available.

We cannot guarantee that our business will generate sufficient cash flow from operations to fund our capital investment requirements or other liquidity needs. Moreover, because we are a holding company with no material direct operations, we depend on loans, dividends and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations. Our subsidiaries are legally distinct from us and may be prohibited or restricted from paying dividends or otherwise making funds available to us under certain conditions.

As a result, we may be required to finance our cash needs through public or private equity offerings, bank loans, additional debt financing or otherwise. Our ability to arrange financing and the cost of such financing are dependent on numerous factors, including but not limited to:

- general economic and capital market conditions;
- the availability of credit from banks or other lenders;
- investor confidence in us; and
- our results of operations.

There can be no assurance that financing will be available on terms favorable to us or at all, which could force us to delay, reduce or abandon our growth strategy, increase our financing costs, or both. Additional funding from debt

financings may make it more difficult for us to operate our business because a portion of our cash generated from internal operations would be used to

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make principal and interest payments on the indebtedness and we may be obligated to abide by restrictive covenants contained in the debt financing agreements, which may, among other things, limit our ability to make business decisions and further limit our ability to pay dividends.

In addition, any downgrade of our debt ratings by Standard & Poor's, Moody's Investor Service or similar ratings agencies, increases in general interest rate levels and credit spreads or overall weakening in the credit markets could increase our cost of capital. Furthermore, raising capital through public or private sales of equity to finance acquisitions or expansion could cause earnings or ownership dilution to your shareholding interests in our company. We have a significant amount of indebtedness, which could adversely affect our cash flow and our ability to operate our business and to fulfill our obligations under our indebtedness.

We have a significant amount of indebtedness. As of September 30, 2015, we had \$3,121 million of indebtedness outstanding in addition to \$385 million of availability under the revolving portion of our Amended and Restated Credit Agreement (as defined in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources), after taking into account the availability reduction of \$21 million for letters of credit issued under the revolving portion. Our senior unsecured notes of \$400 million matures in March 2016. We have no other indebtedness due in the next twelve months. Our substantial level of indebtedness will increase the possibility that we may not generate enough cash flow from operations to pay, when due, the principal of, interest on or other amounts due in respect of, these obligations. Other risks relating to our long-term indebtedness include:

- increased vulnerability to general adverse economic and industry conditions;
- higher interest expense if interest rates increase on our floating rate borrowings and our hedging strategies do not effectively mitigate the effects of these increases;
- need to divert a significant portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of cash to fund working capital, capital expenditures, acquisitions, investments and other general corporate purposes;
- limited ability to obtain additional financing, on terms we find acceptable, if needed, for working capital, capital expenditures, expansion plans and other investments, which may adversely affect our ability to implement our business strategy;
- limited flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate or to take advantage of market opportunities; and
- a competitive disadvantage compared to our competitors that have less debt.

In addition, it is possible that we may need to incur additional indebtedness in the future in the ordinary course of business. The terms of our Amended and Restated Credit Agreement and the indentures governing our senior unsecured notes due in 2016 and senior secured notes due in 2023, respectively, allow us to incur additional debt subject to certain limitations. If new debt is added to current debt levels, the risks described above could intensify. In addition, our inability to maintain certain leverage ratios could result in acceleration of a portion of our debt obligations and could cause us to be in default if we are unable to repay the accelerated obligations.

We are exposed to interest rate fluctuations.

Our floating rate indebtedness exposes us to fluctuations in prevailing interest rates. To reduce the impact of large fluctuations in interest rates, we typically hedge a portion of our interest rate risk by entering into derivative agreements with financial institutions. Our exposure to interest rates relates primarily to our borrowings under the Amended and Restated Credit Agreement.

The derivative agreements that we use to manage the risk associated with fluctuations in interest rates may not be able to eliminate the exposure to these changes. Interest rates are sensitive to numerous factors outside of our control, such as government and central bank monetary policy in the jurisdictions in which we operate. Depending on the size of the exposures and the relative movements of interest rates, if we choose not to hedge or fail to effectively hedge our exposure, we could experience a material adverse effect on our results of operations and financial condition.

We are exposed to exchange rate fluctuations.

We conduct various operations outside the United States, primarily in Canada, South America, Europe, Australia and Asia. For the nine months ended September 30, 2015, foreign currency operations included approximately \$133 million of revenue and \$366 million of operating expenses, representing approximately 6% and 20% of our total revenue and operating expenses, respectively, including the impact of our acquisition of Abacus on July 1, 2015. For the three months ended September 30, 2015, foreign currency operations represented approximately 6% and 21% of our total revenue and operating expenses, respectively. For the year ended December 31, 2014, foreign currency operations included \$163 million of revenue and \$419 million of operating expenses, representing approximately 6% and 20% of our total revenue and operating expenses, respectively. Our most significant foreign currency operating expenses are in the Euro, representing approximately 4% and 6% of our revenue and operating expenses, respectively, for the nine months ended September 30, 2015. As a result, we face exposure to movements in currency exchange rates.

These exposures include but are not limited to:

- re-measurement gains and losses from changes in the value of foreign denominated assets and liabilities;
- translation gains and losses on foreign subsidiary financial results that are translated into U.S. dollars, our functional currency, upon consolidation;
- planning risk related to changes in exchange rates between the time we prepare our annual and quarterly forecasts and when actual results occur; and
- the impact of relative exchange rate movements on cross-border travel, principally travel between Europe and the United States.

Depending on the size of the exposures and the relative movements of exchange rates, if we choose not to hedge or fail to hedge effectively our exposure, we could experience a material adverse effect on our results of operations and financial condition. As we have seen in some recent periods, in the event of severe volatility in exchange rates, these exposures can increase, and the impact on our results of operations and financial condition can be more pronounced. In addition, the current environment and the increasingly global nature of our business have made hedging these exposures more complex and costly.

To reduce the impact of this earnings volatility, we hedge our foreign currency exposure by entering into foreign currency forward contracts on several of our largest foreign currency exposures, including the Euro, the British Pound Sterling, the Polish Zloty, the Australian Dollar and the Indian Rupee. Although we have increased and may continue to increase the scope, complexity and duration of our foreign exchange risk management strategy, our current or future hedging activities may not sufficiently protect us from the adverse effects of currency exchange rate movements. Moreover, we make a number of estimates in conducting hedging activities, including in some cases the level of future bookings, cancellations, refunds, customer stay patterns and payments in foreign currencies. In the event those estimates differ significantly from actual results, we could experience greater volatility as a result of our hedging activities.

The terms of our debt covenants could limit our discretion in operating our business and any failure to comply with such covenants could result in the default of all of our debt.

The agreements governing our indebtedness contain and the agreements governing our future indebtedness will likely contain various covenants, including those that restrict our or our subsidiaries' ability to, among other things:

- incur liens on our property, assets and revenue;
- borrow money, and guarantee or provide other support for the indebtedness of third parties;
- pay dividends or make other distributions on, redeem or repurchase our capital stock;
- prepay, redeem or repurchase certain of our indebtedness;
- enter into certain change of control transactions;
- make investments in entities that we do not control, including joint ventures;
- enter into certain asset sale transactions, including divestiture of certain company assets and divestiture of capital stock of wholly-owned subsidiaries;
- enter into certain transactions with affiliates;
- enter into secured financing arrangements;

enter into sale and leaseback transactions;

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change our fiscal year; and
enter into substantially different lines of business.

These covenants may limit our ability to effectively operate our businesses or maximize stockholder value. In addition, our Amended and Restated Credit Agreement requires that we meet certain financial tests, including the maintenance of a leverage ratio and a minimum net worth. Our ability to satisfy these tests may be affected by factors and events beyond our control, and we may be unable to meet such tests in the future.

Any failure to comply with the restrictions of our Amended and Restated Credit Agreement, the indentures governing the 2016 Notes and the 2023 Notes or any agreement governing our other indebtedness may result in an event of default under those agreements. Such default may allow the creditors to accelerate the related debt, which may trigger cross-acceleration or cross-default provisions in other debt. In addition, lenders may be able to terminate any commitments they had made to supply us with further funds.

Maintaining and improving our financial controls and the requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") and The NASDAQ Stock Market ("NASDAQ") rules. The requirements of these rules and regulations have increased and will continue to significantly increase our legal and financial compliance costs, including costs associated with the hiring of additional personnel, making some activities more difficult, time-consuming or costly, and may also place undue strain on our personnel, systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition.

The Sarbanes-Oxley Act requires, among other things, that we maintain disclosure controls and procedures and internal control over financial reporting. Ensuring that we have adequate internal financial and accounting controls and procedures in place is a costly and time-consuming effort that needs to be re-evaluated frequently. We have documented our internal controls and are in the process of testing these controls in order to comply with the requirements of Section 404 of the Sarbanes-Oxley Act ("Section 404"). Section 404 will require that we evaluate our internal control over financial reporting to enable management to report on, and our independent auditors to audit as of the end of our fiscal year ended December 31, 2015, the effectiveness of those controls. Both we and our independent registered public accounting firm will be testing our internal controls in connection with the Section 404 requirements and could, as part of that documentation and testing, identify material weaknesses, significant deficiencies or other areas for further attention or improvement.

Implementing any appropriate changes to our internal controls may require specific compliance training for our directors, officers and employees, require the hiring of additional finance, accounting and other personnel, entail substantial costs to modify our existing accounting systems, and take a significant period of time to complete. These changes may not, however, be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. Moreover, adequate internal controls are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to satisfy the requirements of Section 404 on a timely basis could result in the loss of investor confidence in the reliability of our financial statements, which in turn could cause the market value of our common stock to decline.

Various rules and regulations applicable to public companies make it more difficult and more expensive for us to maintain directors' and officers' liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to maintain coverage. If we are unable to maintain adequate directors' and officers' liability insurance, our ability to recruit and retain qualified officers and directors, especially those directors who may be deemed independent for purposes of the NASDAQ rules, will be significantly curtailed.

Concentration of ownership among our Principal Stockholders may prevent new investors from influencing significant corporate decisions and may result in conflicts of interest.

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As of September 30, 2015, the Principal Stockholders (as defined below) own, in the aggregate, approximately 49.99% of our outstanding common stock. Since the Principal Stockholders no longer hold more than 50% of the voting power of Sabre, we are no longer a “controlled company” within the meaning of the corporate governance requirements of the NASDAQ. Pursuant to the requirements of NASDAQ’s listing rules, within one year after we cease to be a controlled company, our compensation

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committee and governance and nominating committee must be composed entirely of “independent directors” (as defined by NASDAQ listing rules) and a majority of our board of directors must consist of independent directors. These two committees are currently comprised entirely of independent directors and a majority our board of directors currently consists of independent directors; however, if we were to utilize the exemptions made available under NASDAQ’s rules for controlled companies, then during the phase-in period granted by NASDAQ’s listing rules you may not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ rules regarding corporate governance. Even though we are no longer a “controlled company” under NASDAQ listing rules, the Principal Stockholders will continue to have significant influence over us.

We are a party to an amended and restated Stockholders’ Agreement as further amended and restated, (the “Stockholders’ Agreement”) with the Silver Lake Funds, the TPG Funds and the Sovereign Co-Invest (each as defined below). Pursuant to the Stockholders’ Agreement the Silver Lake Funds and the TPG Funds currently have the right to designate for nomination two directors and three directors, respectively, which collectively will represent a majority of the members of our board of directors. In addition, the Silver Lake Funds and the TPG Funds also jointly have the right to designate one additional director, defined herein as the Joint Designee, who must qualify as independent under the NASDAQ rules and must meet the independence requirements of Rule 10A-3 of the Exchange Act so long as they collectively own at least 10% of their collective Closing Date Shares (as defined in the Stockholders’ Agreement). As a result, the Principal Stockholders are able to exercise significant influence over all matters requiring stockholder approval, including: the election of directors; approval of mergers or a sale of all or substantially all of our assets and other significant corporate transactions; and the amendment of our Certificate of Incorporation and our Bylaws. This concentration of influence may delay, deter or prevent acts that would be favored by our other stockholders, who may have interests different from those of our Principal Stockholders. In addition, this significant concentration of share ownership may adversely affect the trading price of our common stock because investors often perceive disadvantages in owning common stock in companies with Principal Stockholders.

“TPG” refers to TPG Global, LLC and its affiliates, the “TPG Funds” refer to one or more of TPG Partners IV, L.P. (“TPG Partners IV”), TPG Partners V, L.P. (“TPG Partners V”), TPG FOF V-A, L.P. (“TPG FOF V-A”) and TPG FOF V-B, L.P. (“TPG FOF V-B”), “Silver Lake” refers to Silver Lake Management Company, L.L.C. and its affiliates and “Silver Lake Funds” refer to either or both of Silver Lake Partners II, L.P. and Silver Lake Technology Investors II, L.P. “Sovereign Co-Invest” refers to Sovereign Co-Invest, LLC, an entity co-managed by TPG and Silver Lake. “Principal Stockholders” refer to the TPG Funds, the Silver Lake Funds and Sovereign Co-Invest.

The market price of our common stock could decline due to the large number of outstanding shares of our common stock eligible for future sale.

Sales of substantial amounts of our common stock in the public market in future offerings, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future, at a time and price that we deem appropriate. In addition, the additional sale of our common stock by our officers, directors and Principal Stockholders in the public market, or the perception that these sales may occur, could cause the market price of our common stock to decline.

We may issue shares of our common stock or other securities from time to time as consideration for, or to finance, future acquisitions and investments or for other capital needs. We cannot predict the size of future issuances of our shares or the effect, if any, that future sales and issuances of shares would have on the market price of our common stock. If any such acquisition or investment is significant, the number of shares of common stock or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be substantial and may result in additional dilution to our stockholders. We may also grant registration rights covering shares of our common stock or other securities that we may issue in connection with any such acquisitions and investments.

To the extent that any of us, our executive officers, directors or the Principal Stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline significantly.

Our ability to pay regular dividends to our stockholders is subject to the discretion of our board of directors and may be limited by our holding company structure and applicable provisions of Delaware law.

We intend to continue to pay quarterly cash dividends on our common stock. However, our board of directors may, in its sole discretion, change the amount or frequency of dividends or discontinue the payment of dividends entirely. In addition, because we are a holding company with no material direct operations, we are dependent on loans, dividends and other payments from our operating subsidiaries to generate the funds necessary to pay dividends on our common stock. We expect to cause our subsidiaries to make distributions to us in an amount sufficient for us to pay dividends. However, their ability to make such distributions will

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be subject to their operating results, cash requirements and financial condition, the applicable provisions of Delaware law that may limit the amount of funds available for distribution and our ability to pay cash dividends, compliance with covenants and financial ratios related to existing or future indebtedness, including under our Amended and Restated Credit Agreement and our senior secured notes due in 2023, and other agreements with third parties. In addition, each of the companies in our corporate chain must manage its assets, liabilities and working capital in order to meet all of its cash obligations, including the payment of dividends or distributions. As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our common stock. Any change in the level of our dividends or the suspension of the payment thereof could adversely affect the market price of our common stock.

ITEM 6. EXHIBITS

The following exhibits are filed as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Description of Exhibit
10.61	Employment Agreement by and between Sabre Corporation and Sean Menke, dated August 29, 2015.
10.62	Amendment to Letter Agreement by and between Sabre Corporation and Greg Webb, dated September 8, 2015 (incorporated by reference to Exhibit 10.1 of Sabre Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2015).
31.1	Rule 13a-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32.1	Section 1350 Certification of Principal Executive Officer
32.2	Section 1350 Certification of Principal Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURE

Pursuant to the requirements 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: October 29, 2015

SABRE CORPORATION
(Registrant)

By: /s/ Richard A. Simonson
Richard A. Simonson
Chief Financial Officer
(principal financial officer of the registrant)